

HEARTLAND

Building Society

PROSPECTUS NO.3

RELATING TO THE OFFER OF DEPOSITS

27 SEPTEMBER 2011 (AS AMENDED ON 19 JANUARY 2012)



IMPORTANT NOTICE

This Prospectus is dated 27 September 2011 (as amended on 19 January 2012) and is a prospectus in respect of the offer of Deposits to be issued by Heartland Building Society (*Heartland*). You should read the content of this Prospectus and the Investment Statement carefully.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus or in other communications from the Directors of Heartland. Any information or representation not so contained may not be relied upon as having been authorised by Heartland.

Registration of Prospectus

A copy of this Prospectus duly signed by or on behalf of the Directors of Heartland and having attached to it copies of the documents and other materials required by section 41 of the Securities Act, has been delivered to the Registrar of Financial Service Providers for registration in accordance with section 42 of the Securities Act on 7 October 2011.

The documents required by section 41 of the Securities Act to be endorsed on or attached to the copy of this Prospectus delivered to the Registrar of Financial Service Providers for registration are:

- the signed report of the Auditor in respect of certain financial information included in this Prospectus, as set out in this Prospectus;
- the signed consent of the Auditor to its audit report appearing in this Prospectus;
- the signed statement from the Trustee as set out in this Prospectus;
- copies of the material contracts referred to in this Prospectus, which have not already been registered by, or filed with, the Registrar of Financial Service Providers¹; and
- letters of authority authorising this Prospectus to be signed by an agent of any Director of Heartland (if and where required).

Forward Looking Statements

This Prospectus contains certain statements that relate to the future. Such statements are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Heartland and which may cause actual results, performance or achievements of the Heartland Group to differ materially from those expressed or implied by such statements.

Definitions

Capitalised terms used in this Prospectus have the specific meaning given to them in the Glossary, in the relevant section of this Prospectus or in the Trust Deed.

¹ Subject to the Securities Act (Pyne Gould Corporation Limited and Building Society Holdings Limited) Exemption Notice 2011. See the information under the heading "Places of Inspection of Documents" for further details.

HEARTLAND

Building Society

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1.0 HEARTLAND DEPOSITS

This is an offer for Deposits issued by Heartland Building Society (incorporation number 2541477) (*Heartland*)².

Heartland offers a wide range of investment products. Investors can choose the term of their Deposit from at call to five years and with varying features. Further details on the products available to investors are set out in Section 3 of this Prospectus.

Heartland offers flexible investment options through its range of products. Investors can choose how much to invest (subject to a minimum of \$1,000 for Term Accounts and \$2,000 for PWF Savings Optimiser) and whether their interest rate will be fixed for the term of the investment or whether it will be floating.

The Deposits are direct, unsecured, unsubordinated debt obligations ranking equally with all other deposits issued under the Trust Deed. The Deposits are issued subject to the terms and conditions contained in the Trust Deed.

² Heartland Building Society changed its name from Combined Building Society on 1 June 2011.

2.0 INTRODUCING HEARTLAND

Heartland is a building society established under the Building Societies Act and comprises the former businesses of CBS Canterbury, Southern Cross and 100% shareholdings in MARAC and PGG Wrightson Finance Limited (*PWF*). Heartland is wholly-owned by Heartland New Zealand (through its subsidiaries)³, which listed on the NZSX on 1 February 2011⁴.

Part of NZ Since 1875

Heartland's roots stretch back to 1875 with the inception of Ashburton Permanent Building & Investment Society, which subsequently merged with SMC Building Society and Loan & Building Society. Together they became CBS Canterbury. Over the decades they have provided the people in the Canterbury region with home, rural and business loans, term investments, and savings and day-to-day accounts.

Southern Cross similarly has a long history. Opening in Auckland in 1923, it has offered a similar range of financial services to its customers throughout the North Island.

For nearly 60 years MARAC has supported the growth of small-to-medium sized New Zealand businesses with a range of finance, investment and insurance solutions.

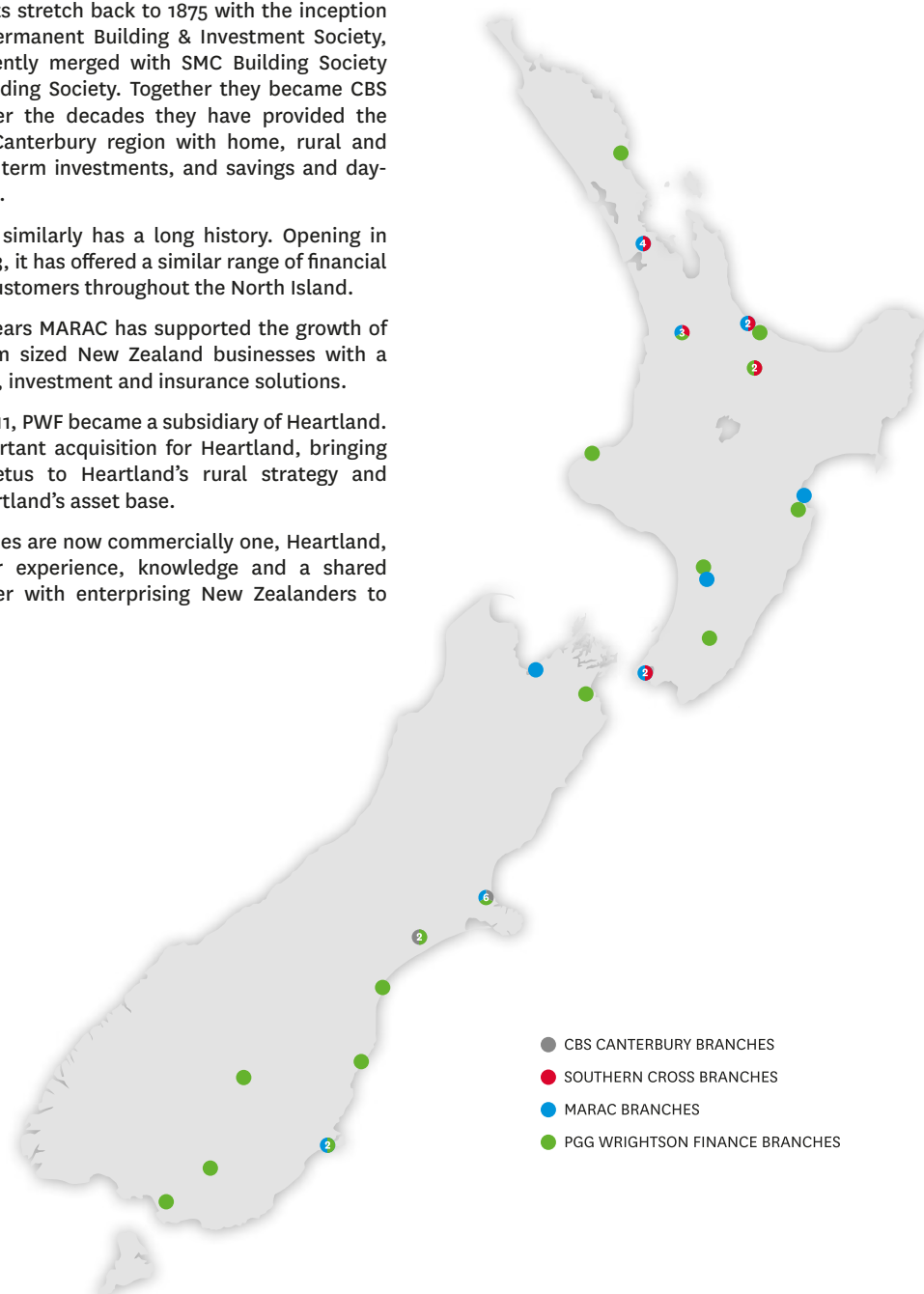
On 31 August 2011, PWF became a subsidiary of Heartland. PWF is an important acquisition for Heartland, bringing significant impetus to Heartland's rural strategy and diversity to Heartland's asset base.

These four entities are now commercially one, Heartland, combining their experience, knowledge and a shared vision to partner with enterprising New Zealanders to succeed.

Across New Zealand, in Heartland Communities

The people at Heartland are part of your local community. They work with you and your community to help provide a sustainable future for all. Heartland has an extensive network of branches and agencies spread throughout New Zealand.

Branches of Heartland Group (as at 31 August 2011)



³ Neither Heartland New Zealand nor any of its subsidiaries that hold shares in Heartland guarantee the obligations of Heartland in relation to the Deposits.

⁴ Heartland New Zealand shares are tradeable on the NZSX. However, NZX accepts no responsibility for any statement in this Prospectus. The NZSX is a registered market operated by NZX Limited, which is a registered exchange, regulated under the Securities Markets Act 1988.

2.0 INTRODUCING HEARTLAND continued

100% FOR NEW ZEALAND | We like home-grown – and that goes for financial services too.

We are New Zealand operated and managed, with a parent company listed on the NZSX⁵, and use our strong presence in communities across the country to meet the needs of small-to-medium sized businesses, farmers and families.



Service the Heartland Way

Heartland values its heritage, and works hard to earn and retain its customers' respect and loyalty every day. As a Heartland customer you will experience service with a personal touch.

Investing in New Zealand

Heartland funds households, small-to-medium sized businesses and farms that form the backbone of the country's economy. When you invest in Heartland, your deposit helps to drive prosperity in your local community and throughout New Zealand. As at the date of this Prospectus, all of Heartland's lending is in relation to New Zealand based assets.

Highlights of the Business

Here are just some of Heartland's strengths, which together form a solid base on which our Depositors can rely:

- Credit rating**
 At the date of the amendment of this Prospectus, Heartland has a credit rating of BBB- from Standard & Poor's, which is considered an investment grade rating by market participants. For the most up to date Heartland credit rating information refer to www.heartland.co.nz⁶. Further detail on credit ratings is set out on pages 20 to 22 of this Prospectus.
- All investors rank equally**
 All Depositors in Heartland rank equally with each other, and equally with Heartland's current bank funders, Bank of New Zealand and Westpac Banking Corporation. Heartland has undertaken in the Trust Deed not to grant security over any of its assets except in certain limited circumstances.

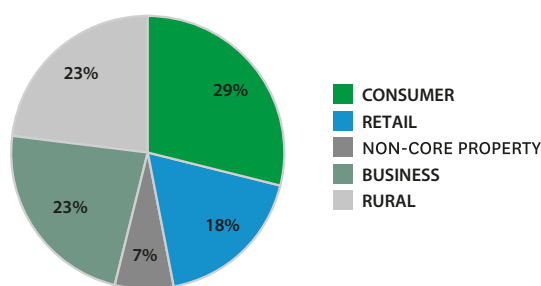
- Substantial balance sheet, sound cash flow**

Heartland is a substantial business. As at 30 June 2011 (before the acquisition of PWF), Heartland had \$294 million in shareholder funds, with \$2.1 billion in total assets and \$1.8 billion in total liabilities⁷. Heartland's focus is on lending against assets that generate cash flow, assets that have essential uses and assets that have sound realisable values. Through this Heartland maintains a sound cashflow.

- Lending diversity**

Looking after Depositors' money is something Heartland takes very seriously. Diversification of risk is coupled with robust governance, experienced management and a rigorous approach to credit. Heartland's lending is diversified across the small-to-medium sized business, rural and household sectors, and geographically across New Zealand.

Net Receivables of Heartland Group⁸ and PWF by Division (as at 30 June 2011)⁹



⁵ Heartland New Zealand shares are tradeable on the NZSX. However, NZX accepts no responsibility for any statement in this Prospectus. The NZSX is a registered market operated by NZX Limited, which is a registered exchange, regulated under the Securities Markets Act 1988.

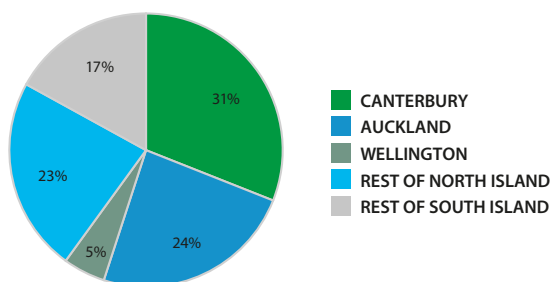
⁶ For an explanation of Standard & Poor's credit rating system, please see <http://www.standardandpoors.com/ratings/definitions-and-faqs/en/us> under the Section "What do the letter ratings mean?".

⁷ These amounts have been taken from the most recent annual statement of financial position of Heartland dated 30 June 2011. The amounts were calculated as at that date. The amounts and statement of financial position are included in Heartland's audited financial statements for the year ended 30 June 2011.

⁸ Heartland consolidates two securitisation trusts – MARAC ABCP Trust 1 and CBS Warehouse A Trust (the Trusts). \$210 million of net securitised receivables continue to be recognised in Heartland's financial statements and in the graph above, however those \$210 million of assets are set aside for the benefit of the investors in the Trusts and no longer form part of Heartland's assets which are available to repay Depositors.

⁹ The information contained in the graph has been taken and derived, from the most recent annual audited financial statements of Heartland Group dated 30 June 2011 and PWF dated 30 June 2011 (but excludes \$32.7 million operating lease vehicles, \$34.5 million investment properties and the loan assets that were sold by PWF on or about 31 August 2011). The 30 June 2011 financial statements precede the 31 August 2011 acquisition of PWF by Heartland. The categories have been reclassified and aggregated where necessary for consistency of presentation. The graph is provided for illustrative purposes only.

Net Receivables of Heartland Group¹⁰ and PWF by Geography (as at 30 June 2011)¹¹



- **Low concentration of lending exposure to a single borrower**

The Heartland Group has limited exposure to any single customer or counterparty. Under the Trust Deed, the Heartland Group's exposure to its Largest Single Borrower may not exceed 15% of capital and the Board monitors the largest amounts owing by any individual borrower or group of related borrowers.

The Heartland Group operates across a broad New Zealand customer base. This helps to limit the risk of the Heartland Group being exposed to any one group of customers failing to meet their repayments.

- **Funding diversity**

Heartland is funded through retail deposits, committed bank facilities, a securitisation programme and an NZDX-listed bond. This diversified funding base reduces Heartland's reliance on any single funding source, and together with the staggering of maturity dates assists in managing liquidity and re-financing risk.

- **Strong governance**

The Directors of Heartland and its executive management team are experienced in the financial services and banking industries. All of the Directors have extensive corporate governance experience. You can find out more about Heartland's Directors on page 44.

- **NZSX-listed parent company**

Heartland's parent company, Heartland New Zealand, is listed on the NZSX and has over 8,000 shareholders as at the date of this Prospectus¹². Having an NZSX-listed parent provides the potential to access further capital.

- **Banking registration objective¹³**

A key objective of the Heartland Group is ultimately to create a New Zealand operated, controlled and managed banking group, with a parent company listed on the NZSX. Following the acquisition of PWF, Heartland intends to commence the formal application for bank registration during the 2011-2012 financial year. The bank registration process after application is of indeterminate length, and bank registration is subject to satisfaction of the Reserve Bank's requirements.

¹⁰ Heartland consolidates two securitisation trusts - MARAC ABCP Trust 1 and CBS Warehouse A Trust (the *Trusts*). \$210 million of net securitised receivables continue to be recognised in Heartland's financial statements and in the graph above, however those \$210 million of assets are set aside for the benefit of the investors in the Trusts and no longer form part of Heartland's assets which are available to repay Depositors.

¹¹ The information contained in the graph has been taken and derived, from the most recent annual audited financial statements of Heartland Group dated 30 June 2011 and PWF dated 30 June 2011 (but excludes \$32.7 million operating lease vehicles, \$34.5 million investment properties and the loan assets that were sold by PWF on or about 31 August 2011). The 30 June 2011 financial statements precede the 31 August 2011 acquisition of PWF by Heartland. The categories have been reclassified and aggregated where necessary for consistency of presentation. The graph is provided for illustrative purposes only.

¹² Heartland New Zealand does not guarantee the obligations of Heartland in relation to the Deposits. Heartland New Zealand shares are tradeable on the NZSX. However, NZX accepts no responsibility for any statement in this Prospectus. The NZSX is a registered market operated by NZX Limited, which is a registered exchange, regulated under the Securities Markets Act 1988.

¹³ As at the date of this Prospectus, neither Heartland New Zealand, Heartland, nor any Guaranteeing Subsidiary is a registered bank under the Reserve Bank Act. The bank registration process is of indeterminate length and bank registration is subject to satisfaction of the Reserve Bank's requirements.

3.0 DETAILS OF THE OFFER

The following is a summary of the main terms of the Offer. Investors should refer to the more detailed information in other sections of this Prospectus, including the section entitled Statutory Information on pages 44 to 51 and the Investment Statement, which can be obtained by calling 0800 85 20 20, downloading a copy from Heartland's website, www.heartland.co.nz, visiting a Heartland branch, or visiting Heartland's registered office. The product names set out below are subject to change, including following the completion of a formal rebranding exercise which Heartland is currently undertaking.

Key Terms of Security Deposits

Type of Investment	Term Account or Call Account ¹⁴ .	
Products Available	Term Accounts	Call Accounts
	<ul style="list-style-type: none"> • CBS Canterbury Top Rate Term Deposit • CBS Canterbury Fixed Rate Term Deposit • CBS Canterbury Monthly Income Term Deposit • CBS Canterbury Heart of Gold Term Deposit • Heartland Term Deposit • MARAC Term Deposit • MARAC Deferred Interest Term Deposit • MARAC Capital Drawdown Term Deposit • MARAC Rapid Saver • MARAC Floating Rate Term Deposit • PWF Term Deposit • Southern Cross Term Investment 	<ul style="list-style-type: none"> • CBS Canterbury Everyday Ultimate Account • CBS Canterbury Optimum Club Account • CBS Canterbury Special Purpose Account • CBS Canterbury Living Style Savings Account • CBS Canterbury Kids Cash & Everyday @ Max Account • Heartland Call Deposit • MARAC Call Deposit • MARAC Business Call Deposit • PWF Current Account • PWF Rural Saver • PWF Savings Optimiser¹⁵ • Southern Cross Current Account Saver • Southern Cross Net Saver

¹⁴ Constituted pursuant to the Supplemental Trust Deed (Accounts) which is supplemental to the Master Trust Deed. Copies of these documents are filed on a public register monitored by the Registrar of Financial Service Providers and are available on request.

¹⁵ Withdrawals are subject to 14 days notice.

Key Terms of Security	Deposits
Issuer	Heartland Building Society.
Listed or Unlisted	Unlisted.
Maximum Amount of Deposits Being Issued	\$4.0 billion.
Ranking	Direct, unsecured, unsubordinated debt obligations ranking equally with all other Deposits.
Interest Rate	<p>Heartland’s current interest rates and maturity terms are set out in its current rate card which investors can obtain by calling 0800 26 27 22, visiting a Heartland branch, or by visiting Heartland’s website www.heartland.co.nz or its registered office.</p> <p>Heartland may vary any of the interest rates applicable to Deposits at any time without notice. Any change in interest rate will not apply to any Term Accounts established before the date of change and which have a fixed rate of interest. For PWF Savings Optimiser deposit interest rate changes, 14 days notice of any change will be given.</p>
Payment of Interest	<p>Interest will accrue on each Account on a daily basis from the date a valid application is received and the application moneys are deposited into a Heartland bank account.</p> <p>Interest on your Call Account is paid to you, or added to the principal sum of the Deposit, on a monthly or quarterly basis (depending on your account type).</p> <p>Interest on your Term Account is paid to you or added to the principal sum of the Deposit on maturity in the case of a term of less than three or six months (depending on your account type) or, in the case of longer terms, on the basis set out on your Application Form (quarterly, six-monthly, annually or at maturity) at the rate agreed between you and Heartland at the time that you make your Deposit.</p>
Upon Maturity of a Term Account	<p>Prior to the maturity date of your Term Account, Heartland will send you a notice to tell you that your investment is about to mature. You can then elect to:</p> <ol style="list-style-type: none"> (a) withdraw your investment by cheque; (b) withdraw your investment in cash at CBS Canterbury or Southern Cross branches; (c) request that Heartland transfer your investment to a bank account nominated by you; or (d) reinvest your money with Heartland, either in the same product or in a different product. <p>Unless you instruct Heartland otherwise, on maturity your Term Account will be automatically reinvested for the same investment term, except if your Deposit type is a MARAC or PWF product and Heartland does not receive a maturity instruction from you. In this circumstance, Heartland will place the matured investment on call at the then “past maturity account rate” detailed in its then current rate card (which investors can obtain by calling 0800 26 27 22, visiting a Heartland branch, or by visiting Heartland’s website www.heartland.co.nz, or its registered office).</p>

3.0 DETAILS OF THE OFFER continued

Key Terms of Security	Deposits
Withdrawals From a Call Account	<p>In general, you may withdraw money from your Call Account in the manner agreed to between you and Heartland at the time you make your Deposit or as advised by Heartland from time to time. Withdrawal methods include in person at a CBS Canterbury or a Southern Cross branch; utilising a Heartland cheque book or EFTPOS / ATM card; providing written instruction; or via internet and telephone banking service (subject to any rules that Heartland may apply to online or telephone transfers). For MARAC Call Deposit, withdrawal instructions must be provided in writing, by phone or by email. For PWF Rural Savings Deposit withdrawals, instructions must be provided in writing, by phone, email, in person at a PWF branch or via internet banking. Requests for withdrawals to be paid by electronic funds transfer must be made on a Business Day and in time to enable processing prior to 3.00pm on that date (or such later time as Heartland may agree). For PWF Savings Optimiser Deposits a 14 day notice of withdrawal period will apply. Notice may be provided in writing, by phone, email or in person at a PWF branch.</p> <p>You can register for internet banking, the telephone transfer service or telephone banking by contacting the branch at which your Call Account was opened (for the avoidance of doubt, Heartland is not a registered bank).</p> <p>Restrictions may apply to withdrawals from certain Call Accounts.</p>
Fees	<p>Certain fees may apply to transactions, services and other activity in relation to certain Deposits (including fees for dishonoured transactions and cheques, overdrawn accounts, and international transfers) and those fees are subject to change from time to time.</p> <p>Withdrawals from CBS Canterbury Living Style Accounts are subject to specific notice of withdrawal criteria or, in the absence of required notice, the interest rate payable on these accounts will be reduced by up to 3% (calculated across the term of the investment), unless that amounts to a reduction in interest payable of less than \$30, in which case a fee of \$30 will be payable by the Depositor.</p> <p>Details of applicable fees are available from Heartland on request or can be found by visiting Heartland's website at www.heartland.co.nz.</p> <p>No other charges are payable by any investor or by Heartland or any associated person of Heartland that would affect the amount of your returns.</p>
Minimum Amount of Investment	<p>Apart from the \$2,000 minimum investment for investments in PWF Savings Optimiser, there is no minimum investment for Call Accounts.</p> <p>The minimum investment in Term Accounts as at the date of this Prospectus is \$1,000.</p> <p>Heartland may alter the minimum investment amounts from time to time. Details of the current minimum investment amounts are available from Heartland on request or can be found by visiting Heartland's website at www.heartland.co.nz.</p>

Key Terms of Security Deposits

Taxation

Under current New Zealand tax legislation, Heartland must deduct resident withholding tax (*RWT*) from all interest paid or compounded before it is paid or credited to New Zealand resident investors.

If an investor holds a current certificate of exemption and has given Heartland a copy of that certificate, then Heartland will not deduct RWT.

The applicable RWT rates are set out below. Please note that the IRD may instruct interest payers, such as Heartland, to move the RWT rate where the IRD determines they are on a RWT rate inconsistent with their marginal tax rate.

RWT for individuals and trustees

If an investor is an individual investor or trustee then RWT will be deducted at the rate indicated by that investor, as follows:

<i>Investor's Income</i>	<i>RWT Rate</i>
\$0 - \$14,000	10.5%
\$14,001 - \$48,000	17.5%
\$48,001 - \$70,000	30.0%
\$70,001 and over	33.0%

The 10.5% RWT rate is only available to individuals and trustees of testamentary trusts.

If an investor is an individual investor or trustee and none of the above apply (for example, the investor has provided their IRD number but not elected a RWT rate), then RWT will be deducted at the default rate of 33.0%.

RWT for companies

If an investor is a company then RWT will be deducted at the rate indicated by that investor, as follows:

<i>Criteria</i>	<i>RWT Rate</i>
No IRD number	33.0%
Elected rate	33.0%
Default rate	28.0%

Non-resident withholding tax

For investors who are not resident in New Zealand for tax purposes, Heartland will deduct non-resident withholding tax (*NRWT*). The rate of NRWT is currently 10.0% or 15.0% depending on the country of residence.

Heartland is also an approved issuer and is able to deduct an approved issuer levy (*AIL*), which is currently 2.0%, instead of NRWT.

All non-resident investors must provide Heartland with their current overseas residential address.

Annual interest advice

Heartland will advise investors (unless interest paid is less than \$50) of the amount of interest paid or credited and any RWT, NRWT or AIL deducted for the year ending 31 March by 20 May in the same year.

3.0 DETAILS OF THE OFFER continued

Key Terms of Security	Deposits
Early Repayment of Term Accounts	<p>Heartland’s fixed rates of interest for a particular investment amount and term are based on the expectation that the funds will be invested by you for the full term. You do not have a right to withdraw your investment before maturity, but Heartland understands that people’s circumstances do change. Heartland will consider, but is not obliged to accept, written requests for early repayment in certain circumstances such as (and without limitation) the death of an investor or unforeseen financial hardship.</p> <p>In such cases Heartland will require a written application giving full details and confirmation of the situation and the reasons for requesting early repayment.</p> <p>If Heartland agrees to make an early repayment the interest rate payable in respect of the Deposit may be reduced by 3% per annum (calculated across the term of the investment). Any tax that has already been paid on interest earned cannot be refunded back to you and tax must be claimed from the IRD directly.</p>
Transfers	<p>No Account may be transferred or sold without the prior written consent of Heartland, except that investments in a MARAC Term Deposit, MARAC Call Deposit, PWF Savings Optimiser and PWF Term Accounts can be sold privately in minimum amounts of \$1,000 using the standard form for security transfers, which must be executed and delivered to Heartland’s registered office.</p>
Statements/ Certificates	<p>Heartland will provide to you at the times, and in the manner, agreed between you and Heartland a certificate detailing your Deposit or a statement detailing all transactions that have taken place in relation to your Deposit during the relevant period.</p>

You can invest in a Deposit by visiting any Heartland branch, or by completing the application form distributed with the Investment Statement and returning it, with a cheque for the amount of your investment, to Heartland. Cheques should be made payable to Heartland and be crossed “not transferrable”. Heartland will also accept investments by way of electronic funds transfer or cash presented in person at a branch.

Heartland may refuse all or any part of an application without giving a reason.

Special Features of Particular Products

Product	Features
CBS Canterbury Top Rate Term Deposit	Fixed term investment of 12, 24 or 36 months. The interest rate is reviewed during the term to be always equal to the rate available for a similar term CBS Canterbury Fixed Rate Term Deposit. Interest is paid 3 monthly. Additional funds, from \$1,000 to \$250,000, may be added to your deposit at any time.
CBS Canterbury Fixed Rate Term Deposit	Fixed amount investment with a range of terms available from 1 to 60 months at a rate fixed at the commencement of the term and with a range of interest frequencies.
CBS Canterbury Monthly Income Term Deposit	Fixed amount investment with terms available of 12, 24 or 36 months at a rate fixed at the commencement of the term and with interest paid monthly into an account of your choice.
CBS Canterbury Heart of Gold Term Deposit	Fixed amount investment with a range of terms available from 6 to 36 months at a rate fixed at the commencement of the term and with a range of interest frequencies. In addition to the interest paid to you Heartland will also sponsor a charity of your choice (from a list of available charities) an amount equivalent to 0.25% per annum of your investment.
CBS Canterbury Everyday Ultimate Account	An everyday transactional account with funds available at call. An extensive range of access options including in-branch transactions, debit cards, telephone and internet banking. Interest rates are tiered according to the balance with interest calculated on the total daily balance at the applicable rate and compounded quarterly. Overdraft and revolving credit options are also available.
CBS Canterbury Optimum Club Account	A CBS Canterbury Everyday Ultimate style account only available to clubs and non profit organisations and featuring higher interest rates to reflect our support of such organisations in our community.
CBS Canterbury Special Purpose Account	A range of accounts designed to assist general savings or saving towards any special purpose. The interest is calculated on the daily balance with bonus interest earned subject to balance or minimum monthly deposit criteria and is compounded quarterly. Funds are available on call subject to withdrawal fees for excess number of withdrawals. Includes a CBS Canterbury Christmas Club Account where the total balance and interest is paid to your nominated account on the first day of December to assist with expenses over the festive period.
CBS Canterbury Living Style Savings Account	A CBS Canterbury Special Purpose style account for longer term savings. Features higher interest rates with more restrictive withdrawal fees and criteria.
CBS Canterbury Kids' Cash Account	A CBS Canterbury Everyday Ultimate style account only available to children under the age of 12 years. Features include higher interest rates to help encourage saving habits, certain fee exemptions and other special gifts and incentives.
CBS Canterbury Everyday @ Max Account	A CBS Canterbury Everyday Ultimate style account only available to young people aged from 12 to 21 years. Features include higher interest rates to help encourage saving habits, certain fee exemptions and other special gifts and incentives.
Heartland Term Deposit	Fixed interest rate, fixed term investment with regular quarterly or annual interest payments for terms ranging from 30 days to 5 years.
Heartland Call Deposit	Interest bearing floating rate investment with interest compounded monthly and unlimited withdrawals.
MARAC Term Deposit	Fixed interest rate, fixed term investment with regular quarterly or annual interest payments for terms ranging from 30 days to 5 years.

3.0 DETAILS OF THE OFFER continued

Product	Features
MARAC Deferred Interest Term Deposit	On the same terms as the MARAC Term Deposit but all interest/returns are deferred to maturity rather than being paid at regular intervals.
MARAC Capital Drawdown Term Deposit	On the same terms as the MARAC Term Deposit but with a special feature of allowing regular payments made up of interest earned and part of the principal invested.
MARAC Rapid Saver	Savings account set up with an initial investment and fixed rate into which regular contributions are made during the term of the account.
MARAC Floating Rate Term Deposit	On the same terms as the MARAC Term Deposit but a floating interest rate linked to a benchmark applies.
MARAC Call Deposit	Interest bearing floating rate investment with interest compounded monthly and unlimited withdrawals.
MARAC Business Call Deposit	Interest bearing floating rate call deposit with interest compounded monthly and unlimited withdrawals to meet businesses' working capital requirements.
PWF Current Account ¹⁶	An on-call current account with a floating interest rate, with chequebook, EFTPOS card, electronic payment and internet services. Interest is calculated daily and compounded monthly.
PWF Rural Saver	An on-call savings account with a higher floating interest rate than PWF Current Account, and unlimited withdrawals. Interest is calculated daily and compounded monthly.
PWF Savings Optimiser	An enhanced savings account with a floating interest rate and with a 14 day notice period for withdrawals. The minimum investment is \$2,000 and minimum withdrawal is \$200. Interest rate reduction is subject to 14 days prior notice.
PWF Term Deposit	Fixed interest rate, fixed term investment with interest paid or compounded monthly, quarterly or annually for terms ranging from 3 months to 5 years.
Southern Cross Term Investment	Fixed interest rate, fixed term investment with regular interest payments (or with interest paid at maturity, as agreed with Heartland) for terms ranging from 1 month to 36 months.
Southern Cross Current Account Saver	An at call deposit account with a variable interest rate. Interest is paid to you, or added to the principal sum, on a quarterly basis.
Southern Cross Net Saver	Online at call deposit savings account with a variable interest rate. Interest is paid to you, or added to the principal sum, on a monthly basis.

In addition to the above products Heartland has several products which are being phased out and are only available to existing investors in those products.

¹⁶ Credit and lending criteria, fees and charges apply to any overdraft associated with the PWF Current Account.

4.0 SUMMARY OF THE TRUST DEED

General

TEL has been appointed to act on behalf of the holders of Deposits. The Heartland Master Trust Deed, the Supplemental Deed (Accounts) and the Supplemental Deed (Bonds) were entered into by Heartland and the Trustee on 29 October 2010 and the Supplemental Deed (PWF Bonds) was entered into by Heartland and the Trustee on 11 July 2011 (together, the "Trust Deed"). The Trust Deed governs the Deposits. The Heartland Master Trust Deed contains the terms and conditions that apply to all Heartland Debt Instruments (as defined in the Master Trust Deed) and the supplemental deeds contain terms specific to different types of Deposits. MARAC was added as a guarantor under a Supplemental Trust Deed on 14 December 2010, VPS Properties and VPS Parnell were added as guarantors under Supplemental Trust Deeds dated 24 March 2011 and PWF was added as a guarantor under a Supplemental Trust Deed dated 31 August 2011.

Depositors are not entitled to enforce any of their rights or remedies under the Trust Deed directly against Heartland or the Guaranteeing Subsidiaries unless the Trustee fails to enforce such rights or remedies within a reasonable period after having become bound to do so in accordance with the Trust Deed. The Trustee does not guarantee the payment of principal or interest on the Deposits.

In this summary of the Trust Deed, defined terms have the meanings given to them in the Trust Deed. If you require further information you should refer to the Trust Deed itself, which is available for inspection at the places referred to under the heading "Places of Inspection of Documents" in the Statutory Information section of this Prospectus.

The Guaranteeing Group under the Trust Deed as at the date of this Prospectus is made up of Heartland (as issuer and principal debtor), MARAC, VPS Properties, VPS Parnell and PWF.

Status of Debt Instruments

The Debt Instruments are and will at all times be direct, unsecured, unsubordinated and unconditional indebtedness of Heartland and will at all times rank equally without any preference or priority among themselves and at least equally with all other present and future Debt Instruments issued by Heartland (subject to laws affecting creditors' rights generally and general equitable principles).

Financial Covenants

Heartland has undertaken that it will ensure that, at all times:

- (a) the Capital Ratio of the Consolidated Group is not less than 8%;

- (b) the Capital Ratio of the Guaranteeing Group is not less than 8%;
- (c) the Liquid Assets of the Consolidated Group are at least 15% of the Total Liabilities of the Consolidated Group;
- (d) the Liquid Assets of the Guaranteeing Group are at least 15% of the Total Liabilities of the Guaranteeing Group;
- (e) the Related Party Exposures of the Consolidated Group do not exceed 15% of the Consolidated Group's Capital;
- (f) the Related Party Exposures of the Guaranteeing Group do not exceed 15% of the Guaranteeing Group's Capital; and
- (g) the indebtedness of the Largest Single Borrower does not exceed an amount equal to 15% of the Consolidated Group's Capital or the Guaranteeing Group's Capital.

Negative Pledge

Although the Deposits will be unsecured, Heartland and each Guaranteeing Subsidiary has undertaken that it will not create or permit any security over any of its assets other than a Permitted Security.

"Permitted Securities" is defined in the Trust Deed and includes (but is not limited to) netting or set off arrangements, liens arising by operation of law in the ordinary course of trading, securities arising out of suppliers' retention of title provisions, and any other security, provided that the total amount secured by such other securities may not exceed 5% of the Total Tangible Assets of the Guaranteeing Group.

Guarantee

While Heartland is the issuer (and so principal debtor) Heartland's obligations are supported by its Guaranteeing Subsidiaries. As at the date of this Prospectus the Guaranteeing Subsidiaries are MARAC, VPS Properties, VPS Parnell and PWF.

Each Guaranteeing Subsidiary absolutely, unconditionally and irrevocably guarantees to the Trustee the due and punctual payment by Heartland of the Debt Instrument Moneys. The guarantees are not secured by a mortgage or other charge.

Other parties may become guarantors at the discretion of Heartland. As at the date of this Prospectus, it is not intended that any other party will be a Guaranteeing Subsidiary.

4.0 SUMMARY OF THE TRUST DEED continued

General Undertakings

Heartland and the Guarantors may not for so long as any Debt Instruments are outstanding enter into transactions other than in the ordinary course of business, for fair value or on normal commercial terms except in limited circumstances. Heartland may not make any distributions other than to a Guaranteeing Subsidiary while money is due and owing under any Debt Instrument and is unpaid.

Heartland and the Guarantors have further undertaken, among other things, that they will comply with and perform their obligations under all applicable laws and under each Transaction Document, ensure that a Register is maintained, maintain its corporate existence, not make any substantial change to the general nature of its core business, notify the Trustee of the occurrence of an Event of Default, and will provide various notices to the Trustee.

Duties of the Trustee

The Trustee is appointed to act as trustee in respect of the Deposits. The principal duties of the Trustee under the Trust Deed are summarised as follows:

- (a) upon the occurrence of an Event of Default the Trustee may in its discretion, and must immediately upon being directed to do so by an Extraordinary Resolution, declare the relevant Debt Instruments to be immediately due and payable and then distribute all moneys received in respect of the Debt Instruments from Heartland in accordance with the provisions of the Trust Deed;
- (b) to receive the regular financial and other reports and certificates furnished to it by Heartland and the wider Guaranteeing Group;
- (c) to perform functions relating to the ongoing administration of the Trust Deed including in relation to the meetings of Holders, the joining and releasing of Guarantors, and the exercise of discretions or the giving or withholding of consents (as appropriate) relating to such administration; and
- (d) on being satisfied that all Debt Instruments have been repaid, at the request of Heartland, to execute a deed of release of the Trust Deed.

In addition, the Trustee has a statutory duty to exercise reasonable diligence to:

- (a) ascertain whether or not there has been any breach of the terms of the Trust Deed or of the terms of the offer of the Debt Instruments and to do all it is empowered to do to cause any such breach to be remedied (except where satisfied that the breach will not materially prejudice the interests of the Holders);
- (b) ascertain whether or not the assets of Heartland and the Guaranteeing Subsidiaries that are or may be available, whether by way of security or otherwise, are sufficient or likely to be sufficient to discharge the amounts of the Debt Instruments as they become due; and

- (c) discharge its statutory obligations as a trustee to report and otherwise provide information in relation to a non bank deposit taker.

The Trustee has the right to be indemnified for all expenses, losses and liabilities sustained or incurred by it in carrying out the trusts, powers, authorities or discretions vested in the Trustee by the Trust Deed or otherwise for any action taken, or omitted to be taken in accordance with the provisions of the Trust Deed, other than a claim arising out of a wilful default, gross negligence or wilful breach of trust.

The Trustee is not required to take any action or exercise any trusts, powers, authorities or discretions vested in the Trustee by the Trust Deed or comply with any request or direction pursuant to the Trust Deed unless it has first been indemnified to its satisfaction against all expenses, losses and liabilities it may sustain or incur by so doing.

Except to the limited extent provided in the Trust Deed, the Trustee owes no duties to Wholesale Holders.

Reporting

Heartland has undertaken to supply to the Trustee a range of regular reports, certificates, accounts and other information as to its and the Guaranteeing Group's financial condition and as to compliance with the Trust Deed.

This includes a requirement for the directors of Heartland to certify to the Trustee, following the end of each quarter, stating that to the best of the directors' knowledge and belief no Event of Default has occurred and continues unremedied and to confirm compliance with the financial covenants set out in the Trust Deed as at the end of the period. Annual and semi-annual statements and quarterly reports will also be provided to the Trustee.

Events of Default and Enforcement

Upon the occurrence of an Event of Default that is continuing unremedied, the Trustee may in its discretion, and must immediately if directed to do so by an Extraordinary Resolution, declare the Debt Instruments to be immediately due and payable.

The Events of Default include:

- (a) a failure to pay any principal or interest amount within three business days of its due date for payment, or a failure to pay any other amount in respect of any Debt Instruments within ten business days;
- (b) a failure by an Obligor to perform or comply with any of its other material undertakings under the Trust Deed and, in the case of a failure that is capable of remedy, that failure is not remedied within 30 days of the date that the Obligor first became aware of it and such default has, in the reasonable opinion of the Trustee, a material adverse effect;

- (c) any representation, warranty or statement made or deemed to be repeated by an Obligor under the Trust Deed which is or was untrue or incorrect in a material respect and, in respect of any misrepresentation which is capable of being remedied, is not remedied within 30 days of Heartland becoming aware of that misrepresentation;
- (d) an Obligor ceasing or threatening in writing to cease to carry on the whole or a substantial part of its business or an application or order is made for the dissolution of that Obligor;
- (e) an Obligor being unable or admitting an inability to pay its debts as they fall due or suspending making payments on any of its debts, being declared or becoming insolvent or being deemed under any applicable law to be unable to pay its debts when they fall due; or
- (f) a receiver, liquidator, provisional liquidator, administrator or statutory manager being appointed to an Obligor.

Heartland has undertaken to notify the Trustee promptly of the occurrence of any Event of Default.

Meetings

The Trust Deed contains provisions for meetings of Holders. Each Holder is bound by any resolutions that are passed, whether or not that Holder voted or was present at the meeting and whether or not that Holder supported the resolution. An Extraordinary Resolution is a resolution where not less than 75% of the votes cast are in favour of the resolution.

Waivers

Heartland and the Guaranteeing Subsidiaries give certain covenants and undertakings in the Trust Deed for the benefit of Holders. However, the Trustee may waive any breach or prospective breach of those covenants and undertakings if it is satisfied such waiver would not materially prejudice the Holders or the Holders approve the waiver by way of an Extraordinary Resolution (on terms and conditions approved by the Extraordinary Resolution).

Amendments to the Trust Deed

The Trust Deed may be amended without the consent of Holders if the amendment is (among other things) of a minor, formal, administrative or technical nature, is to correct a manifest error, is made to comply with any applicable law and Heartland is of the opinion that

such amendment will not be materially prejudicial to the interests of Holders generally and the Trustee is of the opinion that such amendment will not be materially prejudicial to the interests of the Holders generally. Notice will be provided to the Holders within 30 days of the amendment being made.

In addition, the Trust Deed may be amended if the amendment has been approved by an Extraordinary Resolution.

Substitution

Heartland may, with the consent of the Trustee but without the consent of the Holders, substitute any person incorporated in New Zealand in place of Heartland as the principal debtor under the Trust Deed in relation to any one or more series of Debt Instruments. This is subject to certain conditions being fulfilled, including the new issuer becoming bound by the Trust Deed, the new issuer being solvent and the new issuer having a credit rating no lower than that assigned to Heartland.

Bank Registration¹⁷

Heartland intends to apply to become a registered bank under the Reserve Bank Act and may convert to a company. Under the Trust Deed, Heartland is entitled to take all steps that may be necessary to do this and no consent will be required from the Trustee or the Holders in relation to such registration or conversion provided that no such step may be taken without the prior written consent of the Trustee if such step, in the reasonable opinion of Heartland and the Trustee, would be materially prejudicial to the interest of the Holders. The Trustee is authorised to give any consents or waivers or to enter into any document or agreement that the Trustee considers necessary or desirable to enable Heartland to become a registered bank or convert to a company. Immediately upon Heartland becoming a registered bank, the Trust Deed will be released and the terms of each Debt Instrument will be converted into direct, unsecured, unsubordinated and unconditional indebtedness of Heartland on the terms set out in the deed poll annexed to the Trust Deed, or, in each case, such other terms as Heartland and the Trustee may agree.

The terms of the deed poll are similar to the terms of the Trust Deed but exclude a number of representations, warranties, covenants and events of default. There are no financial covenants in the deed poll and no person will guarantee the Debt Instruments. In addition, a breach of a representation or warranty will not constitute an event of default.

¹⁷ Neither Heartland nor any member of the Heartland Group is a registered bank, and Heartland will not be a registered bank until it is registered as such under the Reserve Bank Act. As part of any application for bank registration Heartland may convert into a company.

TRUSTEE'S STATEMENT



Trustees Executors

Level 5, 10 Customhouse Quay, PO Box 3222, DX SP20011,
Wellington, New Zealand. Phone (04) 495-0999, Fax (04) 496-2952

27 September 2011

The Directors
Heartland Building Society
75 Riccarton Road
CHRISTCHURCH 8011

Dear Sirs

Re: Prospectus No. 3

Clause 14(3) of the Schedule 2 to the Securities Regulations 2009 requires us to confirm that the offer of securities ("the Deposits") set out in this Prospectus complies with any relevant provisions of the Trust Deed. These provisions are those which:

- (i) Entitle Heartland Building Society to constitute and issue under or with the benefit of the Trust Deed (as the case may be) the Deposits offered in the Prospectus;
- (ii) Impose restrictions on the right of Heartland Building Society to offer the Deposits;

and are described in the summary of the Trust Deed in the Prospectus.

The Auditors have reported on the financial information set out in the Prospectus and our statement does not refer to that information or to any other material in the Prospectus which does not relate to the Trust Deed.

We confirm that the offer of the Deposits set out in the Prospectus complies with any relevant provisions of the Trust Deed. We have given the above confirmation on the basis:

- (a) set out above; and
- (b) that, subject to the duties imposed on the Trustee by Schedule 15 of the Securities Regulations 2009 and otherwise under the Trust Deed, the Trustee relies on the information supplied to it by Heartland Building Society pursuant to the Trust Deed and does not carry out an independent check of that information.

Trustees Executors Limited does not guarantee the repayment of the Deposits or the payment of interest thereon.

Signed for and on behalf of
Trustees Executors Limited

Luiza Moran
Manager
Corporate Trust

5.0 WHAT ARE MY RISKS?

A brief description of the principal risks of the money paid by a Depositor not being recovered in full by the Depositor, Depositors not receiving the returns described in this Prospectus, and any Depositor being required to pay more money in respect of Deposits are detailed in this section. These risk factors are not the only ones faced by the Heartland Group. There may be additional risk factors that the Heartland Group is currently unaware of, or that are beyond the control of the Heartland Group or that the Heartland Group currently deems immaterial but which may subsequently become key risk factors for Heartland specifically or for the Heartland Group as a whole. You should consider these risk factors in conjunction with other information in this Prospectus and the Investment Statement.

The risk factors described below necessarily include forward-looking statements. Actual events may be materially different to those described below and may therefore affect the Heartland Group in a different way.

Summary of Principal Risks

The main risk of you not recovering the sum which you paid for the investment, or of not receiving the returns described in this Prospectus, is the insolvency or statutory management of the Heartland Group. This could arise as a result of circumstances such as those set out below.

General Risks Related to the Heartland Group

Macro-economic risks

There are several factors which impact the activities of the Heartland Group over which management has little or no control, including the political and economic environment in New Zealand and legislation. New Zealand's markets are influenced by the overall economic conditions in New Zealand and in the world in general. A continued and/or prolonged deterioration in general market conditions may result in reduced demand for funding or other products and services provided by the Heartland Group and a reduced ability of borrowers to service loans and it may also make it more difficult for the Heartland Group to realise assets held as security.

The Heartland Group could be affected by national or international events or occurrences which result in non-functioning financial markets and/or decreased investor and/or borrower confidence. These market risks include natural disasters (such as earthquakes), wars, acts of terrorism, a recession, or a downturn in a financial market or the failure of a finance market participant. Investment market events would include developments in the global credit market and any further finance company failures. These events could, for example, reduce the Heartland Group's ability to source funds and adversely affect the Heartland Group's borrowing margins and overall cost of funds.

Competition in the finance sector

The Heartland Group faces competition from both incumbent service providers (including banks, savings institutions and finance companies) and new entrants to the market. The Heartland Group may not be able to maintain existing levels of new customers or investors and retain existing customers or investors if it is unable to maintain the competitiveness of its products and services in comparison to those offered by other financial services sector participants.

Financial services sector confidence

As a result of the "Global Financial Crisis", the broader New Zealand financial services sector has been adversely affected by a number of NBDT (predominantly finance companies) failures. Further failures or insolvencies could occur, which are events outside of the control of the Heartland Group, and impact the confidence of Depositors/investors. This could make it more difficult for the Heartland Group to obtain funding from Depositors/investors, either through reinvestment of existing funds or investment of new funds. Such events could also adversely affect the Heartland Group's borrowing margins, overall cost of funds or the ability to issue listed retail debt securities on the NZDX or obtain wholesale funding.

Regulatory risks

The Heartland Group is required to comply with a range of statutory and regulatory requirements. Any material failure to comply with these requirements could result in damage to the reputation of the Heartland Group and/or expose the Heartland Group to financial or other penalties.

Any change to existing laws or the introduction of new laws could result in additional requirements being imposed on the Heartland Group or result in increased costs being incurred by the Heartland Group.

Policies and decisions of the Government and other regulatory bodies in New Zealand may impact on the rural industry (or any other industry sector) and in turn, performance and debt servicing abilities of farmers and Heartland Group borrowers.

Specific Risks Related to the Heartland Group

Liquidity and reinvestment risk

There is a risk that the Heartland Group may not have sufficient liquid funds, or may not be able to raise sufficient funds, to meet its financial obligations as they fall due. These financial obligations include repayment of Deposits, bonds and other retail funding issued by Heartland as they mature.

The Heartland Group may not have sufficient liquid funds to meet its financial obligations as they fall due if there is a significant mismatch in the maturity profile of the Heartland Group's financial assets and liabilities.

5.0 WHAT ARE MY RISKS? *continued*

The Heartland Group may not be able to raise sufficient funds to meet its financial obligations as they fall due if there is any material change in the availability of any of its sources of funding.

The Heartland Group's sources of funding include:

- shareholders' funds;
- bank facilities and securitisation facilities (both commonly referred to as "wholesale funding facilities"); and
- retail funding (including NZDX listed bonds).

As to shareholders' funds, Heartland may seek to raise funds from the shareholders of its parent Heartland New Zealand if it does not have sufficient liquid funds, or cannot raise sufficient funds, to meet its financial obligations as they fall due. Those persons may not support such a capital raising at the time it is contemplated and Heartland may be required to seek equity funding from external investors, who may in turn refuse to support such a capital raising.

As to wholesale funding facilities, these facilities may expire in accordance with their terms and may not be able to be renewed or replaced on acceptable terms. These facilities could also cease to be available or be terminated if there is any failure to comply with relevant terms and conditions, or there is some other default. For example, Heartland has a number of financial covenants under these facilities that it is required to comply with (although these may be waived or varied without investor consent). Such events could adversely affect the Heartland Group's ability to source cost effective funding (and so adversely affect the financial performance and financial condition of the Heartland Group) and ultimately significantly increase the liquidity risk of the Heartland Group.

As to retail funding, the Heartland Group seeks to maintain consistent reinvestment rates and new investment inflows for its retail funding in order to meet its financial obligations and continue to grow its business. If there was to be any significant reduction in reinvestment rates or new investment inflows, it could (depending on the extent of the reduction) adversely affect the Heartland Group's ability to source cost effective funding (and so adversely affect the financial performance and financial condition of the Heartland Group) and ultimately significantly increase the liquidity risk of the Heartland Group. Heartland had a guarantee under the Crown retail deposit scheme which expired on 31 December 2011. The expiry of this guarantee could adversely affect retail funding reinvestment rates or new investment inflows, and so increase the liquidity and reinvestment risk of the Heartland Group.

Reinvestment rates and new investment inflows are affected by the level of investor confidence in the New Zealand financial services sector generally. In addition there are a number of other matters relevant to the level of investor confidence in the Heartland Group specifically. These include the following:

Heartland's credit rating

What is it and what does it mean?

At the date of the amendment of this Prospectus, Heartland has a credit rating of BBB- from S&P which is considered an investment grade rating by market participants. Heartland's credit rating of BBB- is in the lowest tier of the Investment Grade category.

As credit ratings or outlooks may change from time to time, for the most up to date Heartland credit rating information refer to www.heartland.co.nz¹⁹.

What is a credit rating?

A credit rating is a rating agency's opinion of an institution's ability to pay back in full and on time all the money they have promised an investor. In Heartland's case, this is the funds its investors have invested with it.

Credit ratings are based on research and analysis by a ratings agency, which takes into account the financial history and current financial position of the institution. Ratings are continuously reviewed, although most ratings are subject to annual review.

What is the scale used for credit ratings?

The S&P rating scale is shown below. The rating scale used by S&P represents the breadth of opinions about the creditworthiness of an issuer. Generally a lower credit rating indicates a higher risk that an institution will "default" and an investor will not get their money back in full and/or on time, as promised.

S&P's long term issuer rating categories, from strongest creditworthiness to most vulnerable, are outlined opposite.

¹⁹ For an explanation of Standard & Poor's credit rating system, please see <http://www.standardandpoors.com/ratings/definitions-and-faqs/en/us> under the Section "What do the letter ratings mean?".

	Grade	Description
INVESTMENT GRADE	AAA	Extremely strong: An obligor rated AAA has extremely strong capacity to meet its financial commitments. AAA is the highest issuer credit rating assigned by S&P.
	AA	Very strong: An obligor rated AA has very strong capacity to meet its financial commitments. It differs from the highest-rated obligors only to a small degree.
	A	Strong: An obligor rated A has strong capacity to meet its financial commitments, but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.
	BBB	Adequate capacity: An obligor rated BBB has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.
SPECULATIVE GRADE	BB	Less vulnerable: An obligor rated BB is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitments.
	B	More vulnerable: An obligor rated B is more vulnerable than the obligors rated BB, but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments.
	CCC	Currently vulnerable: An obligor rated CCC is currently vulnerable, and is dependent upon favourable business, financial, and economic conditions to meet its financial commitments.
	CC	Currently highly vulnerable: An obligor rated CC is currently highly vulnerable.
	D/SD	Default/Selective Default: An obligor rated D (Default) or SD (Selective Default) has failed to pay one or more of its financial obligations (rated or unrated) when it came due.

Ratings between AA and CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

“Investment grade” is broadly used to describe issuers and issues with relatively high levels of creditworthiness and credit quality. In contrast, the term “noninvestment grade,” or “speculative grade,” generally refers to debt securities where the issuer currently has the ability to repay but faces significant uncertainties, such as adverse business or financial circumstances that could affect credit risk.

In S&P's long-term rating scale, issuers and debt issues that receive a rating of 'BBB-' or above are generally considered by regulators and market participants to be “investment grade,” while those that receive a rating lower than 'BBB-' are generally considered to be “speculative grade.”

If S&P anticipates that a credit rating may change in the coming 6 to 24 months, it may issue an updated ratings “Outlook” assessment. An Outlook assessment considers the potential direction of a long term credit rating over the intermediate term (typically six months to two years). An Outlook assessment is not necessarily a precursor of a rating change. The common rating outlook definitions are: Positive - means that a rating may be raised; Negative - means that a rating may be lowered; Stable - means that a rating is not likely to change; and Developing - means a rating may be raised or lowered.

S&P may also offer an opinion (termed a “CreditWatch”) as to whether a credit rating is likely to be upgraded (positive), downgraded (negative) or uncertain (neutral). It focuses on identifiable events and short-term trends that cause ratings to be placed under special surveillance by S&P.

5.0 WHAT ARE MY RISKS? *continued*

Additional information about Heartland's rating

Heartland's rating is a 'long term issuer' rating which reflects Heartland's creditworthiness over a time period of one year or more. The rating also assesses Heartland's capacity to repay in New Zealand dollars.

Where can I find more information?

The Reserve Bank has some useful information on credit ratings on its website www.rbnz.govt.nz.

Additional information can also be found on S&P's website www.standardandpoors.com.

Investors may also wish to engage an investment adviser for independent advice and Heartland encourages you to do so.

Two final things to note

Credit ratings are only one tool in assessing risk, and the Reserve Bank advises investors to seek more information on making wise investment decisions.

S&P's credit ratings are statements of opinion, not statements of fact or recommendations to buy, hold or sell any securities. Accordingly, any user of credit ratings should not rely on any such ratings or other opinion issued by S&P in making any investment decision. Ratings are based on information received by S&P.

Ratings may be changed, withdrawn or suspended by S&P at any time. Any reduction in its credit rating could adversely affect the Heartland Group's ability to source cost effective funding (and so adversely affect the financial performance and financial condition of the Heartland Group) and ultimately significantly increase the liquidity and reinvestment risk of the Heartland Group, as described above.

Bank registration²⁰

A key objective of Heartland is to become a registered bank under the Reserve Bank Act over the medium term. Following the acquisition of PWF, Heartland intends to commence the formal application for bank registration during the 2011-2012 financial year. The registration process after application is of indeterminate length, and registration is subject to satisfaction of the Reserve Bank's requirements. The Reserve Bank Act prescribes what factors the Reserve Bank must take into account when determining an application. These factors comprise a range of qualitative and quantitative factors and include the ability of an applicant to carry on its business in a prudent manner and in particular include:

- capital in relation to size and nature of the business;
- loan concentration and risk exposures;
- liquidity;
- separation of the business from other interests of the owner;
- internal controls and accounting systems;

- risk management systems and policies; and
- outsourcing arrangements.

These factors are not exhaustive. There is no certainty that Heartland will be able to meet all relevant criteria (which may change in the future) and become a registered bank.

In the event Heartland is unable to obtain bank registration, or there is a significant delay in obtaining such registration, the profitability of the Heartland Group may be adversely affected.

If Heartland does obtain bank registration, the Trust Deed will be discharged and Heartland will be subject to governance by the Reserve Bank.

NBDT regulations

As in the case with other NBDTs, the Heartland Group faces increased levels of regulation and is required to comply with a range of statutory and regulatory requirements.

NBDTs are required to comply with a set of prudential requirements as prescribed in Part 5D of the Reserve Bank Act and relevant regulations. The prudential requirements are broadly categorised into the following six areas:

- credit rating;
- risk management;
- capital;
- related party exposures;
- liquidity; and
- governance.

Any change to existing regulations or the introduction of new regulations could result in additional requirements being imposed on the Heartland Group or result in increased costs being incurred by the Heartland Group. There is a NBDT Bill in Select Committee which, if enacted, will require licensing, approval of directors and restrictions on changes in ownership.

Interest rate risk

The Heartland Group holds interest bearing assets and liabilities, and incurs interest rate risk because these assets and liabilities will mature or re-price in different periods. Since market interest rates fluctuate, this may impact on the Heartland Group's financial performance by affecting the interest margin between funds lent and funds borrowed.

Credit risk and realisation risk

The Heartland Group lends money to a variety of customers, including individuals, farming operations, companies and other business organisations, and there is a risk of financial loss if customers do not pay interest on time or repay their loans on time and in full.

If a borrower fails to meet its principal or interest payment obligations, the Heartland Group may need to realise any asset which has been provided as security for that loan.

²⁰ Neither Heartland nor any member of the Heartland Group is a registered bank, and Heartland will not be a registered bank until it is registered as such under the Reserve Bank Act. As part of any application for bank registration Heartland may convert into a company.

There is a risk that the realisable value of any such asset may be less than the value of the loan, for example because of lack of demand for that asset, and that the Heartland Group will be unable to recover the full amount owed. Current economic conditions may make it more difficult to recover the full amount of loans through the realisation of security interests because of a reduced demand for assets generally at the present time. Any loss suffered by the Heartland Group as a result of such events could have an adverse effect on its financial performance and condition.

In terms of property lending, the Heartland Group lends to borrowers based on mortgage security over residential, commercial and rural properties based only in New Zealand. Each of these property sectors has particular risks associated with it. In addition, Heartland has a number of legacy property development loans which it is seeking to exit through realisation of the real estate held as security for those loans. There is a risk Heartland will be unable to recover the full amount owed.

However, the board of Heartland considers that factors such as the diversity of the Heartland Group's loan portfolio and the limited concentration of the Heartland Group's lending to any particular customer, offer the Heartland Group some degree of protection in the event of any further deterioration in property values in New Zealand.

Investment property

The Heartland Group may enforce security over property loans and hold the underlying security as investment property. The carrying value of investment property will be based on fair value as determined by independent valuers or similar evidence adjusted where necessary to take into account market movements since the date of valuation. If property values decline, this may have an adverse effect on the financial performance and the financial condition of the Heartland Group.

Impairment of assets

As noted above, borrowers from the Heartland Group may default on payments. In such cases if the value of the underlying security held by the Heartland Group is insufficient to meet the debt and the cost of enforcing such security, then the Heartland Group could suffer an overall loss.

Where appropriate, impairments and other provisions relating to assets may be required to be made by the Heartland Group.

Failure to implement strategy

The successful implementation of the Heartland Group's strategy will be a very important driver for the Heartland Group's prospective financial performance. If this strategy is not achieved as anticipated, or is significantly delayed, the financial performance of the Heartland Group could be adversely affected.

As part of the Heartland Group's strategic initiatives, the Heartland Group may grow its existing business organically or via acquisitions of new businesses or assets that fit with its lending criteria, the recent acquisition by Heartland of all the shares in PWF being an example of such an acquisition. This strategy involves a number of risks, including:

- failure to identify material risks or liabilities associated with the acquired business or assets prior to acquisition;
- the Heartland Group failing to achieve the anticipated benefits of acquired businesses or assets due to unexpected difficulties in successfully integrating the operations of acquired businesses or assets with existing operations;
- the acquired businesses or assets may not prove to be as profitable as expected or may result in the Heartland Group incurring unforeseen liabilities; and
- that Heartland may not be able to raise the additional capital required in order to increase its asset base.

Environmental risk

The Heartland Group may be exposed to a number of external risks that are beyond its control. The rural sector is subject to environmental changes (for example, drought and disease), and all industry sectors are subject to economic changes (for example, decreases in commodity prices) or political changes (for example, New Zealand Government and foreign government actions affecting factors such as tariffs), which could disrupt the business and competitiveness of the Heartland Group's clients and consequently the ability of those clients to make repayments under their loans.

The demand for lending and the ability of borrowers to repay the Heartland Group may be affected by the state of New Zealand's economy. A prolonged economic slowdown or recession may have a negative impact on the demand for lending and may adversely affect a borrower's ability to repay or refinance loan facilities with the Heartland Group.

Currency risk

Fluctuations in the value of the New Zealand dollar relative to other currencies may impact on export sales and returns on those sales to the rural sector in particular. In turn this may affect the ability of the Heartland Group to lend to, or be repaid by, borrowers.

Integration risk

The success of the Heartland Group will in turn depend on the successful integration of the operations of MARAC, CBS Canterbury, Southern Cross and PWF, over time. Although it is intended that the integration of the respective activities will be undertaken on a staged basis, it cannot be assured that the integration of the respective activities of those parties is undertaken within

5.0 WHAT ARE MY RISKS? continued

the planned timeframe and/or within the estimated integration costs expected to be incurred as part of the Merger integration process and/or the PWF integration process.

Operational and other risks

The Heartland Group may be exposed to financial loss and/or damage to its reputation if operational risks are not identified and properly managed. These risks include:

- potential failure of business continuity and disaster recovery processes, and data integrity risk;
- a breakdown in internal control systems or operating procedures;
- the possibility of key personnel leaving the businesses and the potential short-term disruption caused by seeking appropriate replacements;
- the risk that the Heartland Group or any of its businesses and customers is the victim of fraud;
- the possibility of a dispute that results in court or arbitration proceedings that could adversely affect the Heartland Group's financial position and reputation;
- the possibility of a competitor introducing new technology, products or services into the market or of a competitor following an aggressive pricing strategy, thereby undermining the competitiveness and/or profitability of any of the Heartland Group's business products or services; and
- a natural disaster disrupting the ability of the Heartland Group to operate its business.

Information technology risks

Information technology plays a critical role in the Heartland Group's business, with the delivery of financial services to customers dependent on the availability and reliability of its information technology systems. The Heartland Group's ability to compete effectively in the future will, in part, be driven by its ability to maintain an appropriate information technology platform for the efficient delivery of the Heartland Group's products and services. The Heartland Group's business operations are likely to be significantly affected should its information technology systems fail or not operate in an efficient manner.

Consequences of Insolvency

Depositors will not be liable to pay any money to any person as a result of the insolvency of Heartland or any Guaranteeing Subsidiary.

In the unlikely event of Heartland or any Guaranteeing Subsidiary becoming insolvent, certain claims or payments must be met before investments can be repaid to the Depositors. These claims are set out in legislation and include secured creditors, taxes, certain payment to employees and any liquidator's costs.

After the payment of these preferred creditors, the Deposits will rank equally in all respects with all existing and future debt securities issued by Heartland pursuant to the Trust Deed and without priority or preference amongst themselves.

6.0 FINANCIAL INFORMATION

This section contains financial information required by clauses 8 and 9 of Schedule 2 to the Securities Regulations.

Audited Financial Statements

This section contains summary historical financial information of the Heartland Group for the last five financial years. This historical financial information has been prepared from the 30 June 2011 audited financial statements of Heartland and PGG Wrightson Finance Limited (*PWF*), the 30 June 2010 audited financial statements of MARAC Finance Limited (*MARAC*) and Southern Cross Building Society (*Southern Cross*), the audited financial statements of Canterbury Building Society (*CBS Canterbury*) at 31 March 2010 and the unaudited financial statements of CBS Canterbury for the three months ending 30 June 2010.

KPMG's report in relation to the financial statements of MARAC for the year ended 30 June 2009 made reference to those financial statements being prepared assuming the successful conclusion of matters relating to MARAC's bank financing arrangements. These matters were successfully concluded subsequent to the completion of KPMG's 2009 audit, and this was noted in their December 2009 report for inclusion in MARAC's prospectus. With the exception of this explanatory paragraph, none of the audit reports for the audited financial statements on which these historical summaries are based contain qualified opinions or any explanatory paragraphs highlighting matters regarded as relevant to a proper understanding of the basis of the opinions given.

The full financial statements for each entity were prepared in accordance with NZ GAAP. Each of Heartland, PWF, MARAC, Southern Cross and CBS Canterbury is a profit-oriented entity and has made an explicit and unreserved statement of compliance with IFRS in its full financial statements.

The summary financial statements have been prepared in accordance with FRS43 ("Summary Financial Statements"). However, these cannot be expected to provide as complete an understanding as provided by the full financial statements of each entity.

Copies of the full latest financial statements for Heartland, PWF, MARAC, Southern Cross, and CBS Canterbury may be obtained from the Heartland registered office or by downloading these from www.heartland.co.nz. Copies of the full annual financial statements for each entity may also be downloaded from the public register for companies or building societies maintained by the Companies Office at www.business.govt.nz/companies.

6.0 FINANCIAL INFORMATION continued

Heartland: Summary Financial Statements

	NZ IFRS					PREVIOUS NZ GAAP
Statements of Comprehensive Income						
	Audited 12 months to 30 June 2011 \$000	Audited 12 months to 30 June 2010 \$000	Audited 12 months to 30 June 2009 \$000	Audited 12 months to 30 June 2008 \$000	Audited 12 months to 30 June 2007 \$000	Audited 12 months to 30 June 2007 \$000
Consolidated						
Interest income	161,297	148,337	168,933	173,438	134,849	121,226
Interest expense	99,705	89,271	109,318	108,637	80,371	81,059
Net interest income	61,592	59,066	59,615	64,801	54,478	40,167
Other net income	8,988	10,015	6,004	5,389	5,504	18,961
Total operating income before other gains	70,580	69,081	65,619	70,190	59,982	59,128
Employee benefits	22,049	13,049	13,377	14,411	12,454	12,080
Other operating expenses	22,777	11,976	11,671	11,404	9,697	9,477
Profit before impairment and tax	25,754	44,056	40,571	44,375	37,831	37,571
Impairment	13,298	23,765	13,318	5,726	955	356
Net profit before tax	12,456	20,291	27,253	38,649	36,876	37,215
Tax expense	4,712	5,992	8,199	12,785	12,199	12,311
Net profit after tax	7,744	14,299	19,054	25,864	24,677	24,904
Statements of Comprehensive Income						
Net profit after tax attributable to owners of the society	7,744	14,299	19,054	25,864	24,677	24,904
Other comprehensive income/(loss) for the period, net of tax						
Net change in available-for-sale reserve, net of tax	111	-	-	-	-	-
Net change in defined benefit plan reserve, net of tax	14	-	-	-	-	-
Effective portion of changes in fair value of cash flow hedges, net of tax	596	4,208	(4,427)	(1,765)	-	-
Total comprehensive income for the period, net of tax	8,465	18,507	14,627	24,099	24,677	24,904
Total comprehensive income attributable to owners of the society	8,465	18,507	14,627	24,099	24,677	24,904
Statements Of Changes in Equity						
Opening balance	206,468	152,961	139,989	120,890	107,463	110,790
Total comprehensive income for the period attributable to: owners of the society	8,465	18,507	14,627	24,099	24,677	24,904
Contributions from owners	79,774	35,000	11,345	-	-	-
Distributions to owners	(866)	-	(13,000)	(5,000)	(11,250)	(11,250)
Closing Balance	293,841	206,468	152,961	139,989	120,890	124,444
Components of equity:						
Share capital	134,774	55,000	20,000	20,000	20,000	20,000
Capital reserve	-	-	-	-	-	14
Retained earnings	160,330	153,452	139,153	121,754	100,890	104,430
Available for sale reserve	111	-	-	-	-	-
Defined benefit reserve	14	-	-	-	-	-
Fair value through other comprehensive income reserve	(1,388)	(1,984)	(6,192)	(1,765)	-	-
Total Equity	293,841	206,468	152,961	139,989	120,890	124,444

From a legal perspective MARAC is a subsidiary of Heartland, however, under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) MARAC is treated as the acquirer of CBS Canterbury and Southern Cross. The effect of this is that the comparative consolidated financial statements for the years ending 30 June 2010, 2009, 2008 and 2007 represent a continuation of the MARAC Group only, given Heartland was not formed until 5 January 2011.

Heartland's consolidated Statements of Comprehensive Income and consolidated Statements of Cash Flows reflect the operations of the MARAC Group from 1 July 2010 to 5 January 2011 and the Heartland Group from 6 January to 30 June 2011, whilst the consolidated Statement of Financial Position as at 30 June 2011 reflects that of the Heartland Group.

Heartland: Summary Financial Statements

	NZ IFRS					PREVIOUS NZ GAAP
Statements of Financial Position						
	Audited As at 30 June 2011 \$000	Audited As at 30 June 2010 \$000	Audited As at 30 June 2009 \$000	Audited As at 30 June 2008 \$000	Audited As at 30 June 2007 \$000	Audited As at 30 June 2007 \$000
Consolidated						
Assets						
Cash and cash equivalents	267,034	86,406	62,462	8,655	-	-
Investments	17,831	-	-	-	-	-
Investment Properties	34,499	-	-	-	-	-
Finance receivables	1,497,618	941,328	1,136,646	1,011,954	1,197,815	1,204,210
Finance receivables - securitised	209,693	160,853	157,941	291,532	-	-
Operating lease vehicles	32,727	42,895	36,209	29,719	36,834	36,675
Intangible assets	21,602	901	-	-	-	-
Other assets	34,481	62,173	19,537	10,404	7,261	5,129
Total Assets	2,115,485	1,294,556	1,412,795	1,352,264	1,241,910	1,246,014
Liabilities						
Bank overdraft	-	-	-	-	910	910
Deposits and interest accruals	1,593,247	834,381	1,066,231	901,091	1,088,450	1,089,200
Borrowings - Securitised	194,277	149,298	150,728	283,042	-	-
Other liabilities	34,120	104,409	42,875	28,142	31,660	31,460
Total Liabilities	1,821,644	1,088,088	1,259,834	1,212,275	1,121,020	1,121,570
Net Assets	293,841	206,468	152,961	139,989	120,890	124,444
Equity						
Share capital	134,774	55,000	20,000	20,000	20,000	20,000
Reserves	159,067	151,468	132,961	119,989	100,890	104,444
Total Equity	293,841	206,468	152,961	139,989	120,890	124,444
Statements Of Cash Flows						
	Audited 12 months to 30 June 2011 \$000	Audited 12 months to 30 June 2010 \$000	Audited 12 months to 30 June 2009 \$000	Audited 12 months to 30 June 2008 \$000	Audited 12 months to 30 June 2007 \$000	Audited 12 months to 30 June 2007 \$000
Consolidated						
Net cash flows from/(used in) operating activities	2,820	99,664	5,915	5,115	29,374	38,066
Net cash flows from/(used in) investing activities	20,502	124,213	73,764	(77,612)	(168,415)	(177,107)
Net cash flows from/(used in) financing activities	(49,820)	(199,933)	(23,036)	82,062	144,427	144,427
Net increase/(decrease) in cash held	(26,498)	23,944	56,643	9,565	5,386	5,386
Add opening cash brought forward:						
Cash on hand and at bank	86,406	62,462	8,655	(910)	(6,296)	(6,296)
Acquired on amalgamation	207,126	-	(2,836)	-	-	-
Closing cash carried forward	267,034	86,406	62,462	8,655	(910)	(910)
Comprising:						
Cash on hand and at bank/ bank overdraft	267,034	86,406	62,462	8,655	(910)	(910)
Date of Authorisation of Financial Statements						
Authorised for issue by the Board	19-Aug-2011	26-Aug-2010	28-Aug-2009	26-Aug-2008	24-Aug-2007	24-Aug-2007

From a legal perspective MARAC is a subsidiary of Heartland, however, under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) MARAC is treated as the acquirer of CBS Canterbury and Southern Cross. The effect of this is that the comparative consolidated financial statements for the years ending 30 June 2010, 2009, 2008 and 2007 represent a continuation of the MARAC Group only, given Heartland was not formed until 5 January 2011.

Heartland's consolidated Statements of Comprehensive Income and consolidated Statements of Cash Flows reflect the operations of the MARAC Group from 1 July 2010 to 5 January 2011 and the Heartland Group from 6 January to 30 June 2011, whilst the consolidated Statement of Financial Position as at 30 June 2011 reflects that of the Heartland Group.

6.0 FINANCIAL INFORMATION *continued*

Heartland: Summary Financial Statements

Heartland: Notes to Summary Financial Statements

Heartland is a profit-oriented entity, which for accounting purposes consolidates the MARAC Group. The “MARAC Group” is a profit-oriented entity, which consists of MARAC, MARAC ABCP Trust 1 (*Trust*), MARAC Retirement Bonds Superannuation Fund (*Fund*) and MARAC PIE Fund (*PIE*). The Fund was wound up with effect from 31 October 2010.

Heartland consolidates two securitisation trusts - MARAC ABCP Trust 1 (as above) and CBS Warehouse A Trust (*Trusts*). The assets securitised into the Trusts continue to be recognised in Heartland’s financial statements, however those assets are set aside for the benefit of the investors in the Trusts and do not form part of Heartland’s assets which are available to repay holders of Heartland debt securities.

The summary financial statements of Heartland have been prepared on the following basis:

- The values presented in the summary financial statements for the financial year ending 30 June 2011 were extracted from the full financial statements of Heartland Building Society. The values presented in the summary financial statements for the financial years ending 30 June 2010, 2009, 2008 and 2007 were extracted from the full financial statements of the MARAC Group.
- The full financial statements for the financial years ending 30 June 2011, 2010, 2009, 2008 and 2007 have been prepared in accordance with NZ GAAP and comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit-oriented entities. The full financial statements for the financial years ending 30 June 2011, 2010, 2009, 2008 and 2007 included an explicit and unreserved statement of compliance with IFRS. The full financial statements for the financial year ended 30 June 2007 have been prepared in accordance with NZ GAAP and comply with New Zealand Financial Reporting Standards (NZ FRS) applicable prior to the implementation of NZ IFRS (*previous NZ GAAP*).
- Heartland Building Society full financial statements for the financial year ending 30 June 2011, and the MARAC Group full financial statements for the financial years ending 30 June 2010, 2009, 2008 and 2007 presented in the summary financial statements as the Heartland Building Society comparatives have been audited. KPMG’s report in relation to the financial statements of the MARAC Group for the year ended 30 June 2009 made reference to those financial statements being prepared assuming the successful conclusion of matters relating to MARAC’s bank financing arrangements. These matters were successfully concluded subsequent to the completion of KPMG’s 2009 audit, and this was noted in their December 2009 report for inclusion in MARAC’s prospectus. With the exception of this

explanatory paragraph, none of these audit reports contain qualified opinions or any explanatory paragraphs highlighting matters regarded as relevant to proper understanding of the basis of the opinions given. These financial statements may be obtained from the Heartland registered office, or downloaded from the public register for building societies maintained by the Companies Office at www.business.govt.nz/companies.

- The accounting policies that have been applied in preparing Heartland Building Society’s full financial statements for the year ended 30 June 2011 are consistent with the accounting policies applied in the MARAC Group full financial statements for the year ended 30 June 2010.
- The summary financial statements cannot be expected to provide a complete understanding as provided by the full financial statements from which they are extracted.
- The summary financial statements comply with the Financial Reporting Standard 43 (*FRS 43*) “*Summary Financial Statements*” as required by the Securities Regulations.
- The summary financial statements reflect the current presentation requirements of FRS 43 “*Summary Financial Statements*” (as amended by the consequential amendments of NZ IAS 1 Presentation of Financial Statements (revised 2007)) for all periods presented, including the presentation of other comprehensive income and total comprehensive income.
- The summary financial statements are presented in New Zealand dollars which is the functional currency of Heartland. Unless otherwise indicated, amounts are rounded to the nearest thousand.

The summary financial statements were authorised for issue by the Directors of Heartland on 19 August 2011.

PUF: Summary Financial Statements

	NZ IFRS					PREVIOUS NZ GAAP
Statements of Comprehensive Income						
	Audited 12 months to 30 June 2011 \$000	Audited 12 months to 30 June 2010 \$000	Audited 12 months to 30 June 2009 \$000	Audited 12 months to 30 June 2008 \$000	Audited 12 months to 30 June 2007 \$000	Audited 12 months to 30 June 2007 \$000
Interest income	54,183	58,730	56,685	49,678	37,877	37,779
Interest expense	32,609	30,357	37,758	34,322	25,064	24,755
Net interest income	21,574	28,373	18,927	15,356	12,813	13,024
Other net income	946	925	916	338	-	98
Total operating income before other gains	22,520	29,298	19,843	15,694	12,813	13,122
Employee benefits	4,703	4,385	4,542	3,786	3,443	3,443
Other operating expenses	3,761	2,869	2,314	3,035	1,611	1,713
Profit before impairment and tax	14,056	22,044	12,987	8,873	7,759	7,966
Impairment	8,812	8,949	2,877	460	(480)	(480)
Net profit before non-recurring items and tax	5,244	13,095	10,110	8,413	8,239	8,446
Non-operating items	(136)	-	-	-	-	-
Fair value adjustments	2,172	(338)	1,002	245	-	-
Total non-recurring items	2,036	(338)	1,002	245	-	-
Net profit before tax	7,280	12,757	11,112	8,658	8,239	8,446
Tax expense	2,747	3,824	3,334	2,839	2,787	2,787
Net profit after tax	4,533	8,933	7,778	5,819	5,452	5,659
Statements of Comprehensive Income						
Net profit after tax attributable to: owners of the entity	4,533	8,933	7,778	5,819	5,452	5,659
Other comprehensive income/(loss) for the period, net of tax						
Effective portion of changes in fair value of cash flow hedges, net of tax	(1,282)	(2,992)	5,146	(52)	(538)	-
Total comprehensive income for the period, net of tax	3,251	5,941	12,924	5,767	4,914	5,659
Total comprehensive income attributable to: owners of the entity	3,251	5,941	12,924	5,767	4,914	5,659
Statements Of Changes in Equity						
Opening balance	100,375	66,816	53,892	40,625	31,211	31,623
Total comprehensive income for the period attributable to: owners of the entity	3,251	5,941	12,924	5,767	4,914	5,659
Contributions from owners	-	33,850	-	7,500	10,000	10,000
Distributions to owners	(2,707)	(6,232)	-	-	(5,500)	(5,500)
Closing Balance	100,919	100,375	66,816	53,892	40,625	41,782
Components of equity:						
Share capital	31,500	31,500	31,500	31,500	24,000	24,000
Capital reserve	-	-	-	-	-	-
Retained earnings	35,569	33,743	31,042	23,394	17,575	17,782
Preference Shares	33,850	33,850	-	-	-	-
Fair value through other comprehensive income reserve	-	1,282	4,274	(1,002)	(950)	-
Total Equity	100,919	100,375	66,816	53,892	40,625	41,782

6.0 FINANCIAL INFORMATION continued

PFW: Summary Financial Statements

	NZ IFRS					PREVIOUS NZ GAAP
Statements of Financial Position						
	Audited As at 30 June 2011 \$000	Audited As at 30 June 2010 \$000	Audited As at 30 June 2009 \$000	Audited As at 30 June 2008 \$000	Audited As at 30 June 2007 \$000	Audited As at 30 June 2007 \$000
Assets						
Cash and cash equivalents	71,617	9,277	3,779	625	-	-
Loans and advances	381,778	530,119	559,659	502,591	394,443	394,443
Assets classified as held for sale	50,522	-	-	-	-	-
Other assets	14,815	10,266	12,037	4,248	3,823	3,251
Total Assets	518,732	549,662	575,475	507,464	398,266	397,694
Liabilities						
Bank overdraft	-	-	-	-	475	475
Borrowings	412,293	439,057	499,146	449,483	351,631	352,405
Other liabilities	5,520	10,230	9,513	4,089	5,535	3,032
Total Liabilities	417,813	449,287	508,659	453,572	357,641	355,912
Net Assets	100,919	100,375	66,816	53,892	40,625	41,782
Equity						
Share capital	65,350	65,350	31,500	31,500	24,000	24,000
Reserves	35,569	35,025	35,316	22,392	16,625	17,782
Total Equity	100,919	100,375	66,816	53,892	40,625	41,782
Statements Of Cash Flows						
	Audited 12 months to 30 June 2011 \$000	Audited 12 months to 30 June 2010 \$000	Audited 12 months to 30 June 2009 \$000	Audited 12 months to 30 June 2008 \$000	Audited 12 months to 30 June 2007 \$000	Audited 12 months to 30 June 2007 \$000
Net cash flows from/(used in) operating activities	4,814	20,638	14,232	5,496	7,539	7,539
Net cash flows from/(used in) investing activities	88,897	20,373	(61,143)	(109,439)	(112,885)	(63,307)
Net cash flows from/(used in) financing activities	(31,371)	(35,513)	50,065	105,043	103,402	53,824
Net increase/(decrease) in cash held	62,340	5,498	3,154	1,100	(1,944)	(1,944)
Add opening cash brought forward:						
Cash on hand and at bank	9,277	3,779	625	(475)	1,469	1,469
Closing cash carried forward	71,617	9,277	3,779	625	(475)	(475)
Comprising:						
Cash on hand and at bank/ bank overdraft	71,617	9,277	3,779	625	(475)	(475)
Date of Authorisation of Financial Statements						
Authorised for issue by the Board	29-Aug-2011	12-Aug-2010	27-Aug-2009	19-Aug-2008	16-Aug-2007	16-Aug-2007

PWF: Notes to Summary Financial Statements

The amounts stated above for the financial years ending 30 June 2011, 2010, 2009, 2008 and 2007 are taken from the audited financial statements of PWF. All years' financial statements have received an unqualified audit opinion with no matters highlighted by the auditor that would be regarded as relevant to a proper understanding of the basis of the opinion. The summary financial statements for the years ending 30 June 2011, 2010, 2009, 2008 and 2007 were prepared on the basis of New Zealand equivalents to International Financial Reporting Standards as disclosed in the basis of preparation section of the notes to the full financial statements. The results for the year ending 30 June 2007 have also been amended for comparison purposes. Pre-NZ IFRS figures for the year ending 30 June 2007 were prepared in accordance with previous GAAP. At the date of preparing the summary financial statements, PWF was a single entity profit-oriented company that did not qualify for differential reporting concessions.

The summary financial statements cannot provide as complete an understanding as provided by full financial statements. These financial statements may be obtained from the Heartland registered office, or downloaded from the public register for companies maintained by the Companies Office at www.business.govt.nz/companies.

The summary financial statements have been extracted from the following audited full Financial Statements:

- Year ended 30 June 2011, which were authorised by the PWF board on 29 August 2011 and audited by KPMG who issued an unqualified opinion on 29 August 2011;
- Year ended 30 June 2010, which were authorised by the PWF board on 12 August 2010 and audited by KPMG who issued an unqualified opinion on 12 August 2010;
- Year ended 30 June 2009, which were authorised by the PWF board on 27 August 2009 and audited by KPMG who issued an unqualified opinion on 27 August 2009;

- Year ended 30 June 2008, which were authorised by the PWF board on 19 August 2008 and audited by KPMG who issued an unqualified opinion on 19 August 2008;
- Year ended 30 June 2007, which were authorised by the PWF board on 16 August 2007 and audited by KPMG who issued an unqualified opinion on 16 August 2007.

Each of the full financial statements are presented in New Zealand dollars which was PWF's functional and presentation currency at the date of preparing the summary financial statements. All values are rounded to the nearest thousand dollars. The summary financial statements have been prepared in accordance with FRS 43 subject to the Securities Regulations 2009.

The summary financial statements were authorised for issue by the directors of PWF on 29 August 2011.

6.0 FINANCIAL INFORMATION continued

MARAC: Summary Financial Statements

	NZ IFRS				PREVIOUS NZ GAAP
Statements of Comprehensive Income					
	Audited 12 months to 30 June 2010 \$000	Audited 12 months to 30 June 2009 \$000	Audited 12 months to 30 June 2008 \$000	Audited 12 months to 30 June 2007 \$000	Audited 12 months to 30 June 2007 \$000
Parent and Consolidated					
Interest income	148,337	168,933	173,438	134,849	121,226
Interest expense	89,271	109,318	108,637	80,371	81,059
Net interest income	59,066	59,615	64,801	54,478	40,167
Other net income	10,015	6,004	5,389	5,504	18,961
Total operating income before other gains	69,081	65,619	70,190	59,982	59,128
Employee benefits	13,049	13,377	14,411	12,454	12,080
Other operating expenses	11,976	11,671	11,404	9,697	9,477
Profit before impairment and tax	44,056	40,571	44,375	37,831	37,571
Impairment	23,765	13,318	5,726	955	356
Net profit before tax	20,291	27,253	38,649	36,876	37,215
Tax expense	5,992	8,199	12,785	12,199	12,311
Net profit after tax	14,299	19,054	25,864	24,677	24,904
Statements of Comprehensive Income					
Net profit after tax attributable to owners of the entity	14,299	19,054	25,864	24,677	24,904
Other comprehensive income/(loss) for the period, net of tax					
Effective portion of changes in fair value of cash flow hedges, net of tax	4,208	(4,427)	(1,765)	-	-
Total comprehensive income for the period, net of tax	18,507	14,627	24,099	24,677	24,904
Total comprehensive income attributable to: owners of the entity	18,507	14,627	24,099	24,677	24,904
Statements Of Changes in Equity					
Opening balance	152,961	139,989	120,890	107,463	110,790
Total comprehensive income for the period attributable to: owners of the entity	18,507	14,627	24,099	24,677	24,904
Contributions from owners	35,000	11,345	-	-	-
Distributions to owners	-	(13,000)	(5,000)	(11,250)	(11,250)
Closing Balance	206,468	152,961	139,989	120,890	124,444
Components of equity:					
Share capital	55,000	20,000	20,000	20,000	20,000
Capital reserve	-	-	-	-	14
Retained earnings	153,452	139,153	121,754	100,890	104,430
Fair value through other comprehensive income reserve	(1,984)	(6,192)	(1,765)	-	-
Total Equity	206,468	152,961	139,989	120,890	124,444

MARAC: Summary Financial Statements

	NZ IFRS				PREVIOUS NZ GAAP
Statements of Financial Position					
	Audited As at 30 June 2010 \$000	Audited As at 30 June 2009 \$000	Audited As at 30 June 2008 \$000	Audited As at 30 June 2007 \$000	Audited As at 30 June 2007 \$000
Parent and Consolidated					
Assets					
Cash and cash equivalents	86,406	62,462	8,655	-	-
Finance receivables	941,328	1,136,646	1,011,954	1,197,815	1,204,210
Finance receivables - securitised	160,853	157,941	291,532	-	-
Operating lease vehicles	42,895	36,209	29,719	36,834	36,675
Other assets	63,074	19,537	10,404	7,261	5,129
Total Assets	1,294,556	1,412,795	1,352,264	1,241,910	1,246,014
Liabilities					
Bank overdraft	-	-	-	910	910
Deposits and interest accruals	834,381	1,066,231	901,091	1,088,450	1,089,200
Borrowings - Securitised	149,298	150,728	283,042	-	-
Other liabilities	104,409	42,875	28,142	31,660	31,460
Total Liabilities	1,088,088	1,259,834	1,212,275	1,121,020	1,121,570
Net Assets	206,468	152,961	139,989	120,890	124,444
Equity					
Share capital	55,000	20,000	20,000	20,000	20,000
Reserves	151,468	132,961	119,989	100,890	104,444
Total Equity	206,468	152,961	139,989	120,890	124,444
Statements Of Cash Flows					
	Audited 12 months to 30 June 2010 \$000	Audited 12 months to 30 June 2009 \$000	Audited 12 months to 30 June 2008 \$000	Audited 12 months to 30 June 2007 \$000	Audited 12 months to 30 June 2007 \$000
Parent and Consolidated					
Net cash flows from/(used in) operating activities	30,373	5,915	5,115	29,374	38,066
Net cash flows from/(used in) investing activities	193,504	73,764	(77,612)	(168,415)	(177,107)
Net cash flows from/(used in) financing activities	(199,933)	(23,036)	82,062	144,427	144,427
Net increase/(decrease) in cash held	23,944	56,643	9,565	5,386	5,386
Add opening cash brought forward:					
Cash on hand and at bank	62,462	8,655	(910)	(6,296)	(6,296)
Acquired on amalgamation	-	(2,836)	-	-	-
Closing cash carried forward	86,406	62,462	8,655	(910)	(910)
Comprising:					
Cash on hand and at bank/ bank overdraft	86,406	62,462	8,655	(910)	(910)
Date of Authorisation of Financial Statements					
Authorised for issue by the Board	26-Aug-2010	28-Aug-2009	26-Aug-2008	24-Aug-2007	24-Aug-2007

6.0 FINANCIAL INFORMATION continued

MARAC: Notes to Summary Financial Statements

The “MARAC Group” is a profit-oriented entity, which consists of MARAC, MARAC ABCP Trust 1 (“Trust”), MARAC Retirement Bonds Superannuation Fund (“Fund”) and MARAC PIE Fund (“PIE”). The Fund was wound up with effect from 31 October 2010.

The assets securitised into the Trust continue to be recognised in MARAC’s financial statements, however those assets are set aside for the benefit of the investors in the Trust and do not form part of MARAC’s assets which are available to repay holders of Heartland debt securities. Accordingly, as MARAC’s and the MARAC Group’s financial performance and position are the same in all material respects, a single set of numbers is presented.

The summary financial statements of the MARAC Group have been prepared on the following basis:

- The values presented in the summary financial statements were extracted from the full financial statements of the MARAC Group for the financial years ending 30 June 2010, 2009, 2008 and 2007.
- The full financial statements for the financial years ended 30 June 2010, 2009, 2008 and 2007 have been prepared in accordance with NZ GAAP and comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit-oriented entities. The full financial statements for each of these years included an explicit and unreserved statement of compliance with IFRS. The full financial statements for the financial year ended 30 June 2007 have been prepared in accordance with NZ GAAP and comply with New Zealand Financial Reporting Standards (NZ FRS) applicable prior to the implementation of NZ IFRS (“previous NZ GAAP”).
- The full financial statements for each year presented in the summary financial statements have been audited. KPMG’s report in relation to the financial statements of MARAC for the year ended 30 June 2009 made reference to those financial statements being prepared assuming the successful conclusion of matters relating to MARAC’s bank financing arrangements. These matters were successfully concluded subsequent to the completion of KPMG’s 2009 audit, and this was noted in their December 2009 report for inclusion in MARAC’s prospectus. With the exception of this explanatory paragraph, none of the audit reports for the audited financial statements of MARAC on which these historical summaries are based contain qualified opinions or any explanatory paragraphs highlighting matters regarded as relevant to a proper understanding of the basis of the opinions given. These financial statements may be obtained from the Heartland registered office, or downloaded from the public register for companies maintained by the Companies Office at www.business.govt.nz/companies.

- The accounting policies that have been applied in preparing the full financial statements for the year ended 30 June 2010 are consistent with the accounting policies applied in the previous year.
- The summary financial statements cannot be expected to provide a complete understanding as provided by the full financial statements from which they are extracted.
- The summary financial statements comply with the Financial Reporting Standard 43 “*Summary Financial Statements*” as required by the Securities Regulations.
- The summary financial statements reflect the current presentation requirements of FRS 43 Summary Financial Statements (as amended by the consequential amendments of NZ IAS 1 Presentation of Financial Statements (revised 2007)) for all periods presented, including the presentation of other comprehensive income and total comprehensive income.
- The summary financial statements are presented in New Zealand dollars which is the functional currency of the MARAC Group. Unless otherwise indicated, amounts are rounded to the nearest thousand.

The summary financial statements were authorised for issue by the directors of MARAC on 24 September 2010.

SOUTHERN CROSS: Summary Financial Statements

	NZ IFRS				PREVIOUS NZ GAAP
Statements of Comprehensive Income					
	Audited 12 months to 30 June 2010 \$000	Audited 12 months to 30 June 2009 \$000	Audited 12 months to 30 June 2008 \$000	Audited 12 months to 30 June 2007 \$000	Audited 12 months to 30 June 2007 \$000
Parent and Consolidated					
Interest income	27,372	38,125	44,451	39,706	38,908
Interest expense	17,675	27,545	33,304	30,708	30,403
Net interest income	9,697	10,580	11,147	8,998	8,505
Other net income	39	428	1,824	2,154	2,665
Total operating income before other net gains	9,736	11,008	12,971	11,152	11,170
Employee benefits	3,313	3,352	3,108	2,806	2,806
Other operating expenses	4,196	4,437	4,229	4,344	4,344
Profit before impairment, other net gains, restructuring costs and tax	2,227	3,219	5,634	4,002	4,020
Impairment	5,765	14,625	593	1,222	1,180
Profit/(loss) before non-recurring items and tax	(3,538)	(11,406)	5,041	2,780	2,840
Other net gains/(losses)	(1,183)	-	2,668	2,871	-
Restructuring costs	(458)	47	(1,905)	(1,600)	(1,600)
Total non-recurring items	(1,641)	47	763	1,271	(1,600)
Net profit/(loss) before tax	(5,179)	(11,359)	5,804	4,051	1,240
Tax expense/(benefit)	(477)	(2,614)	636	1,386	531
Net profit/(loss) after tax	(4,702)	(8,745)	5,168	2,665	709
Statements of Comprehensive Income					
Net profit/(loss) after tax attributable to: owners of the Society	(4,702)	(8,745)	5,168	2,665	709
Other comprehensive income/(loss) for the period, net of tax					
Net change in asset revaluation reserve, net of tax	(174)	-	-	690	2,484
Net change in available-for-sale reserve, net of tax	-	1,015	(1,504)	(391)	-
Net change in defined benefit plan reserve, net of tax	-	(502)	(286)	-	-
Net change in fair value through other comprehensive income reserve	(353)	-	-	-	-
Total comprehensive income/(loss) for the period, net of tax	(5,229)	(8,232)	3,378	2,964	3,193
Total comprehensive income/(loss) attributable to: owners of the Society	(5,229)	(8,232)	3,378	2,964	3,193
Statements Of Changes in Equity					
Opening balance	52,198	60,405	57,140	43,676	44,163
Change in accounting policy - early adoption of NZ IFRS 9	612	-	-	-	-
Opening balance restated	52,810	60,405	57,140	43,676	44,163
Total comprehensive income/(loss) for the period attributable to: owners of the Society	(5,229)	(8,232)	3,378	2,964	3,193
Contributions from owners	25	25	425	10,500	10,500
Distributions to owners	-	-	(538)	-	-
Closing Balance	47,606	52,198	60,405	57,140	57,856
Components of equity:					
Share capital	10,475	10,450	10,425	10,500	10,500
Capital reserve	40,000	40,000	40,000	40,000	40,000
Retained earnings	(3,676)	1,026	9,771	(729)	-
Available for sale reserve	-	(612)	(1,627)	(123)	-
Asset revaluation reserve	1,074	1,248	1,248	6,618	7,356
Defined benefit reserve	86	86	588	874	-
Fair value through other comprehensive income reserve	(353)	-	-	-	-
Total Equity	47,606	52,198	60,405	57,140	57,856

6.0 FINANCIAL INFORMATION continued

SOUTHERN CROSS: Summary Financial Statements

	NZ IFRS				PREVIOUS NZ GAAP
Statements of Financial Position					
	Audited As at 30 June 2010 \$000	Audited As at 30 June 2009 \$000	Audited As at 30 June 2008 \$000	Audited As at 30 June 2007 \$000	Audited As at 30 June 2007 \$000
Parent and Consolidated					
Assets					
Cash and cash equivalents	681	1,006	1,306	645	645
Short term deposits	122,013	95,368	55,392	29,835	29,834
Investment securities	19,123	25,477	49,488	57,848	57,147
Investment property	-	-	-	16,000	15,610
Loans and advances	249,822	275,621	338,498	371,787	374,848
Deferred tax asset	5,572	5,414	2,824	2,171	1,224
Other assets	5,785	9,126	8,408	15,081	14,775
Total Assets	402,996	412,012	455,916	493,367	494,083
Liabilities					
Deposits and interest accruals	353,737	358,162	384,791	423,653	423,543
Redeemable shares	-	-	7,845	10,097	10,097
Other liabilities	1,653	1,652	2,875	2,477	2,587
Total Liabilities	355,390	359,814	395,511	436,227	436,227
Net Assets	47,606	52,198	60,405	57,140	57,856
Equity					
Share capital	10,475	10,450	10,425	10,500	10,500
Reserves	37,131	41,748	49,980	46,640	47,356
Total Equity	47,606	52,198	60,405	57,140	57,856
Statements Of Cash Flows					
	Audited 12 months to 30 June 2010 \$000	Audited 12 months to 30 June 2009 \$000	Audited 12 months to 30 June 2008 \$000	Audited 12 months to 30 June 2007 \$000	Audited 12 months to 30 June 2007 \$000
Parent and Consolidated					
Net cash flows from/(used in) operating activities	(282)	(1)	(22,039)	(5,208)	27,023
Net cash flows from/(used in) investing activities	(43)	(299)	17,987	(393)	(6,670)
Net cash flows from/(used in) financing activities	-	-	4,713	5,500	(20,454)
Net increase/(decrease) in cash held	(325)	(300)	661	(101)	(101)
Add opening cash brought forward:					
Cash on hand and at bank	1,006	1,306	645	746	746
Closing cash carried forward	681	1,006	1,306	645	645
Comprising:					
Cash on hand and at bank	681	1,006	1,306	645	645
Date of Authorisation of Financial Statements					
Authorised for issue by the Board	11-Aug-2010	12-Aug-2009	22-Aug-2008	23-Aug-2007	23-Aug-2007

Southern Cross: Notes to Summary Financial Statements

At the date these Summary Financial Statements were prepared, Southern Cross was a profit-oriented building society registered in New Zealand under the Building Societies Act. For the purposes of these Financial Statements the "Southern Cross Group" consists of Southern Cross and its wholly owned subsidiaries, Southern Cross Building and Investments Limited and Southern Cross Nominees Limited.

The summary financial statements of Southern Cross have been prepared on the following basis:

- The values presented in the summary financial statements were extracted from the full financial statements of Southern Cross for the financial years ending 30 June 2010, 2009, 2008 and 2007.
- The full financial statements for the financial years ended 30 June 2010, 2009, 2008 and 2007 have been prepared in accordance with NZ GAAP and comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit-oriented entities. The full financial statements for each of these years included an explicit and unreserved statement of compliance with IFRS. The full financial statements for the financial year ended 30 June 2007 have been prepared in accordance with NZ GAAP and comply with New Zealand Financial Reporting Standards (NZ FRS) applicable prior to the implementation of NZ IFRS ("previous NZ GAAP").
- The full financial statements for each year presented in the summary financial statements have been audited. None of these audit reports contain qualified opinions or any explanatory paragraphs highlighting matters regarded as relevant to proper understanding of the basis of the opinions given. These financial statements may be obtained from the Heartland registered office, or downloaded from the public register for building societies maintained by the Companies Office at www.business.govt.nz/companies.
- The accounting policies that have been applied in preparing the full financial statements for the year ended 30 June 2010 are consistent with the accounting policies applied in the previous year.
- The summary financial statements cannot be expected to provide a complete understanding as provided by the full financial statements from which they are extracted.

- The summary financial statements comply with the Financial Reporting Standard 43 "Summary Financial Statements" as required by the Securities Regulations.
- The summary financial statements are presented in New Zealand dollars which was the functional currency of the Southern Cross Group at date of preparing the summary financial statements. Unless otherwise indicated, amounts are rounded to the nearest thousand.

The summary financial statements were authorised for issue by the directors of Southern Cross on 22 September 2010.

6.0 FINANCIAL INFORMATION continued

CBS Canterbury: Summary Financial Statements

	NZ IFRS					PREVIOUS NZ GAAP
Statements of Comprehensive Income						
	Unaudited 3 months to 30 June 2010 \$000	Audited 12 months to 31 March 2010 \$000	Audited 12 months to 31 March 2009 \$000	Audited 12 months to 31 March 2008 \$000	Audited 12 months to 31 March 2007 \$000	Audited 12 months to 31 March 2007 \$000
Parent and Consolidated						
Interest income	7,928	30,406	50,993	35,650	28,657	28,675
Interest expense	5,789	22,372	39,794	27,455	21,984	21,744
Net interest income	2,139	8,034	11,199	8,195	6,673	6,931
Other net income	363	2,362	696	827	982	1,065
Total operating income before other net gains	2,502	10,396	11,895	9,022	7,655	7,996
Employee benefits	1,153	4,141	3,801	2,531	2,139	2,133
Other operating expenses	1,158	4,469	4,935	3,273	3,059	3,106
Profit before impairment and tax	191	1,786	3,159	3,218	2,457	2,757
Impairment	75	589	2,410	15	-	1
Net profit before tax	116	1,197	749	3,203	2,457	2,756
Impairment of goodwill	-	-	(4,148)	-	-	-
Restructuring costs	(165)	-	-	-	-	-
Special finance charge	-	-	-	(1,110)	-	-
Total non-recurring items	(165)	-	(4,148)	(1,110)	-	-
Net profit/(loss) before tax	(49)	1,197	(3,399)	2,093	2,457	2,756
Tax expense/(benefit)	332	(711)	82	1,209	845	904
Net profit/(loss) after tax	(381)	1,908	(3,481)	884	1,612	1,852
Statements of Comprehensive Income						
Net profit/(loss) after tax attributable to: owners of the Society	(381)	1,908	(3,481)	884	1,612	1,852
Other comprehensive income/(loss) for the period, net of tax						
Net change in asset revaluation reserve, net of tax	-	101	(127)	68	628	765
Net change in available-for-sale reserve, net of tax	120	412	(349)	(211)	12	-
Net change in capital gains reserve, net of tax	-	-	-	241	-	-
Total comprehensive income/(loss) for the period, net of tax	(261)	2,421	(3,957)	982	2,252	2,617
Total comprehensive income/(loss) attributable to: owners of the Society	(261)	2,421	(3,957)	982	2,252	2,617
Statements Of Changes in Equity						
Opening balance	51,552	48,594	53,490	24,920	19,399	22,116
Total comprehensive income/(loss) for the period attributable to: owners of the Society	(261)	2,421	(3,957)	982	2,252	2,617
Contributions from owners	-	537	1,175	28,176	4,251	4,251
Distributions to owners	-	-	(2,114)	(588)	(982)	(1,223)
Closing Balance	51,291	51,552	48,594	53,490	24,920	27,761
Components of equity:						
Share capital	44,288	44,288	43,752	42,577	14,401	17,401
Retained earnings	5,203	5,583	3,674	9,270	8,974	8,544
Available for sale reserve	(40)	(135)	(547)	(199)	12	-
Asset revaluation reserve	1,553	1,529	1,428	1,555	1,487	1,770
Realised capital gains reserve	287	287	287	287	46	46
Total Equity	51,291	51,552	48,594	53,490	24,920	27,761

CBS Canterbury: Summary Financial Statements

	NZ IFRS					PREVIOUS NZ GAAP
Statements of Financial Position						
	Unaudited As at 30 June 2010 \$000	Audited As at 31 March 2010 \$000	Audited As at 31 March 2009 \$000	Audited As at 31 March 2008 \$000	Audited As at 31 March 2007 \$000	Audited As at 31 March 2007 \$000
Parent and Consolidated						
Assets						
Cash and cash equivalents	33,460	44,309	93,615	75,334	65,906	825
Short term deposits	31,500	27,000	5,300	10,300	-	65,133
Investment securities	8,025	7,918	17,131	8,166	4,876	4,824
Loans and advances	450,499	445,262	417,424	449,071	270,616	270,405
Intangibles	9,824	9,897	10,122	13,479	530	443
Other assets	5,950	6,459	6,058	5,377	7,347	7,440
Total Assets	539,258	540,845	549,650	561,727	349,275	349,070
Liabilities						
Deposits and interest accruals	484,675	486,262	493,151	506,156	319,952	319,952
Preference Shares	-	-	-	-	3,000	-
Other liabilities	3,292	3,031	7,905	2,081	1,403	1,357
Total Liabilities	487,967	489,293	501,056	508,237	324,355	321,309
Net Assets	51,291	51,552	48,594	53,490	24,920	27,761
Equity						
Share capital	44,288	44,288	43,752	42,577	14,401	17,401
Reserves	7,003	7,264	4,842	10,913	10,519	10,360
Total Equity	51,291	51,552	48,594	53,490	24,920	27,761
Statements Of Cash Flows						
	Unaudited 3 months to 30 June 2010 \$000	Audited 12 months to 31 March 2010 \$000	Audited 12 months to 31 March 2009 \$000	Audited 12 months to 31 March 2008 \$000	Audited 12 months to 31 March 2007 \$000	Audited 12 months to 31 March 2007 \$000
Parent and Consolidated						
Net cash flows from/(used in) operating activities	(6,263)	(37,754)	24,697	(6,936)	(1,602)	2,653
Net cash flows from/(used in) investing activities	(4,586)	(12,088)	(5,476)	4,639	(328)	(9,883)
Net cash flows from/(used in) financing activities	-	536	(940)	11,724	8,225	7,985
Net increase/(decrease) in cash held	(10,849)	(49,306)	18,281	9,427	6,295	755
Add opening cash brought forward:						
Cash on hand and at bank	44,309	93,615	75,334	65,907	59,611	70
Closing cash carried forward	33,460	44,309	93,615	75,334	65,906	825
Comprising:						
Cash on hand and at bank	33,460	44,309	93,615	75,334	65,906	825
Date of Authorisation of Financial Statements						
Authorised for issue by the Board	30-Sep-2010	11-Jun-2010	12-Jun-2009	27-Jun-2008	14-Jun-2007	14-Jun-2007

6.0 FINANCIAL INFORMATION *continued*

CBS Canterbury: Notes to Summary Financial Statements

At the date these Summary Financial Statements were prepared, CBS Canterbury was a profit-oriented building society registered in New Zealand under the Building Societies Act. For the purpose of these Financial Statements, CBS Canterbury consists of Canterbury Building Society and its subsidiary, Loan Properties Limited. Loan Properties Limited was acquired on 1 February 2008, through the business combination with Loan and Building Society, and was subsequently struck off on 3 March 2009. For the 2007 financial year the parent and group financial statements are the same due to no group existing at these reporting dates.

The summary financial statements of CBS Canterbury have been prepared on the following basis:

- The values presented in the summary financial statements were extracted from the unaudited financial statements of CBS Canterbury for the three months ending 30 June 2010 and from the full audited financial statements of CBS Canterbury for the financial years ending 31 March 2010, 2009, 2008 and 2007.
 - The full financial statements for the three months ended 30 June 2010 and the financial years ended 31 March 2010, 2009, 2008 and 2007 have been prepared in accordance with NZ GAAP and comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit-oriented entities. The full financial statements for the financial years ended 31 March 2010, 2009, 2008 and 2007 included an explicit and unreserved statement of compliance with IFRS. The full financial statements for the financial year ended 31 March 2007 have been prepared in accordance with NZ GAAP and comply with New Zealand Financial Reporting Standards (NZ FRS) applicable prior to the implementation of NZ IFRS ("previous NZ GAAP").
 - The full financial statements for the financial years ending 31 March 2010, 2009, 2008 and 2007 presented in the summary financial statements have been audited. None of these audit reports contain qualified opinions or any explanatory paragraphs highlighting matters regarded as relevant to proper understanding of the basis of the opinions given. These financial statements may be obtained from the Heartland registered office, or downloaded from the public register for building societies maintained by the Companies Office at www.business.govt.nz/companies.
 - The accounting policies that have been applied in preparing the unaudited financial statements for the three months ended 30 June 2010 and the full financial statements for the year ended 31 March 2010 are consistent with the accounting policies applied in the previous year.
- The summary financial statements cannot be expected to provide a complete understanding as provided by the full financial statements from which they are extracted.
 - The summary financial statements comply with the Financial Reporting Standard 43 "Summary Financial Statements" as required by the Securities Regulations.
 - The summary financial statements reflect the current presentation requirements of FRS 43 Summary Financial Statements (as amended by the consequential amendments of NZ IAS 1 Presentation of Financial Statements (revised 2007)) for all periods presented, including the presentation of other comprehensive income and total comprehensive income.
 - The summary financial statements are presented in New Zealand dollars which was the functional currency of CBS Canterbury at the date of preparing the summary financial statements. Unless otherwise indicated, amounts are rounded to the nearest thousand.
- On 1 April 2006 the assets, liabilities and engagements of SMC Building Society were transferred to CBS Canterbury at fair value, including goodwill of \$0.5 million.
- On 16 August 2007 a non-renounceable issue to both ordinary and preference shareholders was made in the ratio of 1 for 10 at an issue price of \$4.50 per new ordinary share. The offer resulted in CBS Canterbury allotting 801,578 new ordinary shares fully paid.
- Also on 16 August 2007 CBS Canterbury redeemed the 3,000,000 preference shares that were on issue. Shareholders received an aggregate redemption amount of \$1.37 comprising a redemption dividend of 37 cents per share together with the \$1.00 originally subscribed per share. In accordance with NZ IFRS accounting requirements, these dividends are accounted for as a finance charge through the Statements of Comprehensive Income.
- On 30 November 2007 an interim dividend of 8 cents per share (fully imputed) was paid on the ordinary shares on issue.
- On 1 February 2008 the assets, liabilities and engagements of Loan and Building Society were transferred to CBS Canterbury at fair value as a business combination, including goodwill of \$13.2 million.
- On 25 July 2008 an interim dividend of 8 cents per share (fully imputed) was paid on the ordinary shares on issue.
- On 19 December 2008 a bonus issue of shares, in lieu of an interim dividend, equivalent to 10 cents per share (fully imputed) was paid on the ordinary shares on issue.
- The summary financial statements were authorised for issue by the directors of CBS Canterbury on 30 September 2010.

Audit report



Independent Auditor's Report

To the readers of the Prospectus No. 3 of Heartland Building Society

As auditor of Heartland Building Society ("the Society") and the group, comprising the Society and its subsidiaries ("the Group"), we have prepared this report pursuant to clause 22 of Schedule 2 of the Securities Regulations 2009 for inclusion in the prospectus dated 27 September 2011.

Report on the Society and Group financial statements

We have audited the financial statements of the Society and the Group, comprising the Society and its subsidiaries, for the year ending 30 June 2011. We expressed an unmodified audit opinion on those financial statements in our report dated 19 August 2011.

Report on the summary financial statements of Heartland Building Society, Canterbury Building Society, Southern Cross Building Society, MARAC Finance Limited and PGG Wrightson Finance Limited

The summary financial statements on pages 25 to 40 are derived from the audited financial statements of Heartland Building Society, Canterbury Building Society, Southern Cross Building Society, MARAC Finance Limited and PGG Wrightson Finance Limited for the years ended as follows:

Entity	Reporting Dates	Pages
Heartland Building Society	30 June 2011	26 to 28
<i>Acquired businesses and subsidiary</i>		
PGG Wrightson Finance Limited	30 June 2011 30 June 2010 30 June 2009 30 June 2008 30 June 2007	29 to 31
MARAC Finance Limited	30 June 2010 30 June 2009 30 June 2008 30 June 2007	32 to 34
Southern Cross Building Society	30 June 2010 30 June 2009 30 June 2008 30 June 2007	35 to 37
Canterbury Building Society	31 March 2010 31 March 2009 31 March 2008 31 March 2007	38 to 40

6.0 FINANCIAL INFORMATION continued

Audit report continued



The summary financial statements do not reflect the effects of events that occurred subsequent to the date of the report on those financial statements.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Heartland Building Society, Canterbury Building Society, Southern Cross Building Society, MARAC Finance Limited and PGG Wrightson Finance Limited.

Directors' responsibility for the summary financial statements of Heartland Building Society, Canterbury Building Society, Southern Cross Building Society, MARAC Finance Limited and PGG Wrightson Finance Limited

The Directors are responsible for preparing a summary of the audited financial statements as detailed in the table above, in accordance with clause 8, 9(2) and 9(3) of Schedule 2 of the Securities Regulations 2009.

Auditor's responsibility for the summary financial statements of Heartland Building Society, Canterbury Building Society, Southern Cross Building Society, MARAC Finance Limited and PGG Wrightson Finance Limited

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted to confirm that the amounts set out in the historical summaries of financial statements on pages 25 to 40 pursuant to clauses 8, 9(2) and 9(3) of the Securities Regulations 2009 Schedule 2, have been correctly taken from the audited financial statements, as detailed in the table above.

Opinion on the summary financial statements of Heartland Building Society, Canterbury Building Society, Southern Cross Building Society, MARAC Finance Limited and PGG Wrightson Finance Limited

In our opinion, the amounts set out in the summary financial statements on pages 25 to 40 of this prospectus, derived from the audited financial statements, as detailed above, as required by clauses 8, 9(2) and 9(3) of Schedule 2 of the Securities Regulations 2009, have been correctly taken from the audited financial statements detailed in the table above.

Report on the ranking of securities

Directors' responsibility for the ranking of securities

The Directors are responsible for the preparation and presentation of the details and amounts in respect of the ranking of securities of the Society and the Group as at 30 June 2011, in accordance with clause 13 of Schedule 2 of the Securities Regulations 2009.

Auditor's responsibility for the ranking of securities

Our responsibility is to express an opinion on whether the amounts set out in the ranking of securities have been correctly taken from the audited financial statements of the Society and the Group as at 30 June 2011.



Opinion on the ranking of securities

In our opinion, the amounts set out in the ranking of securities on page 48 of this prospectus, have been correctly taken from the audited financial statements of Heartland Building Society and the Group as at 30 June 2011.

Report on other legal and regulatory requirements

In accordance with the requirements of clauses 22(d) and 22(e) of Schedule 2 of the Securities Regulations 2009, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Heartland Building Society and the Group as far as appears from our examination of those records.

Other matters

Responsibility for updating

We have no responsibility to update our opinion on any of the matters above for events and circumstances occurring after the date of this report.

Restriction on use

This report has been prepared for inclusion in the prospectus for the purpose of meeting the requirements of clause 22 of Schedule 2 of the Securities Regulations 2009. We disclaim any assumption of responsibility for reliance on this report or the amounts included in the summary financial statements, or the ranking of securities for any purpose other than that for which they were prepared. In addition, we take no responsibility for, nor do we report on, any part of the prospectus not specifically mentioned in this report.

Auditor's consent

In accordance with regulation 18(1)(c)(ii) of the Securities Regulations 2009, we hereby give our consent to the inclusion of this report in the prospectus in the form in which it appears. We also confirm that we have not, before delivery of this prospectus, withdrawn our consent to the issue thereof.

KPMG

27 September 2011

Auckland

7.0 STATUTORY INFORMATION

This section contains information required by Schedule 2 of the Securities Regulations that is not set out elsewhere in this Prospectus.

Price to be Paid for Deposits

The Deposits will be issued at face value, being \$1.00 for each \$1.00 of Deposits.

Details of Incorporation of Heartland

Heartland was established in New Zealand on 22 October 2010 under the Building Societies Act. Heartland's registration number is 2541477. Heartland's registered office is set out in the Directory.

The public file relating to the incorporation of Heartland is kept by the Companies Office and can be accessed on the Companies Office website at www.business.govt.nz/companies.

Guarantors

MARAC, VPS Properties, VPS Parnell and PWF which are subsidiaries of Heartland are guarantors of the Deposits pursuant to the Trust Deed. Further information in respect of the guarantees given by MARAC, VPS Properties, VPS Parnell and PWF is set out in the Summary of the Trust Deed section of this Prospectus.

Names, Addresses, and Other Information

Directorate

The Directors of Heartland (as issuer) as at the date this Prospectus was amended are: Bruce Robertson Irvine (Christchurch, New Zealand), Jeffrey Kenneth Greenslade (Auckland, New Zealand), Edward John Harvey (Auckland, New Zealand), Graham Russell Kennedy (Ashburton, New Zealand), Gary Richard Leech (Ashburton, New Zealand), Christopher Robert Mace (Auckland, New Zealand), Geoffrey Thomas Ricketts (Auckland, New Zealand) and Michelle Anne Smith (Christchurch, New Zealand).

Each of the Directors named above can be contacted at the registered office of Heartland set out in the Directory.

As at the date of this Prospectus, except for the Director named below, none of the Directors named above are employees of Heartland, or of an associated person of Heartland.

Jeffrey Greenslade is the CEO and Managing Director of Heartland and Heartland New Zealand.

Secretary

The Secretary of Heartland is Martin Dilly. The Secretary can be contacted at the registered office of Heartland set out in the Directory.

Registrar

Heartland is the registrar for all Deposits. The registered address of Heartland is set out in the Directory.

Auditor

The Auditor of Heartland is KPMG. The registered address of the Auditor is set out in the Directory.

Advisors

The name and address of the solicitors and other professional advisors who have been involved in the preparation of this Prospectus are set out in the Directory.

Trustee

The Trustee of Heartland is Trustees Executors Limited. The registered address of the Trustee is set out in the Directory.

Restrictions on Directors' Powers

The Rules provide that the Board of Heartland may only declare and make distributions to shareholders if it is satisfied on reasonable grounds that (a) such money is not immediately necessary for the performance of the functions of Heartland described in the Rules (including to meet the application or withdrawal of funds by depositors), (b) Heartland will hold and will continue to hold sufficient assets and funds to perform those functions and (c) Heartland will be and will continue to be solvent immediately after making such distributions.

The Building Societies Act contains provisions that could have the effect, in certain circumstances, of imposing restrictions on the powers of the Board. For example, a building society must have one or more of the specified functions set out in the Building Societies Act. These provisions apply to any building society under the Building Societies Act.

Description of Activities

Set out below is a description of the principal activities of Heartland and the Guaranteeing Subsidiaries.

Heartland is the principal operating subsidiary of Heartland New Zealand, and commenced business as a financial services provider in January 2011, on completion of the Merger. Since it commenced business, Heartland's principal activities have been its lending and other financial services activities, and its fundraising activities.

MARAC became a wholly owned subsidiary of Heartland under the Merger. MARAC and its predecessors have serviced the consumer and small-to-medium business market for approximately 60 years, with its principal activities involving the provision of consumer and commercial lending across a broad range of sectors and providing a select range of insurance products.

VPS Properties and VPS Parnell are both wholly owned subsidiaries of Heartland. These entities each currently own one or more properties that were originally mortgaged to MARAC to secure financial indebtedness owed to MARAC. MARAC has funded the acquisition by VPS Properties and VPS Parnell of these properties and holds a registered first mortgage over the properties.

PWF became a wholly owned subsidiary of Heartland on 31 August 2011. The principal activities of PWF have been to raise funds from the public, banks and other entities and on-lend those funds to borrowers in the rural sector of New Zealand. PWF has been carrying on these activities since 2006. However, some of the businesses that now comprise PWF (including the finance divisions of the former stock and station companies Williams & Kettle, Wrightson, Pyne Gould Guinness and Reid Farmers) have been carrying on these activities for over a century.

Principal assets

The principal assets of the Heartland Group used in undertaking the Heartland Group's principal activities are:

- cash and cash equivalents (held for liquidity purposes, and to the extent not required for that purpose used to make loans and finance available to borrowers);
- finance receivables, securitised finance receivables, operating leases, and trade and other receivables (used to make loans and finance available to borrowers); and
- investment properties (held to earn rental income and/or for capital appreciation).

The assets referred to above are owned or held under lease by the Heartland Group and are subject to obligations in favour of other persons that modify or restrict the ability of the Heartland Group to deal with the assets. These obligations include the arrangements with Heartland's trustee and depositors and the arrangements with the Heartland Group's financiers described below under the heading "Material Contracts". In addition, Heartland Group consolidates two securitisation trusts - MARAC ABCP Trust 1 and CBS Warehouse A Trust (*Trusts*). The assets securitised into the Trusts continue to be recognised in Heartland's financial statements; however those assets are set aside for the benefit of the investors in the Trusts and are not available to repay holders of debt securities issued by Heartland.

Acquisition of Business or Subsidiary

On 5 January 2011, pursuant to the Merger, Heartland acquired the businesses of CBS Canterbury and Southern Cross (by taking a transfer of engagements from each of CBS Canterbury and Southern Cross under the Building Societies Act) and all of the shares in MARAC.

Prior to the Merger, each of MARAC, CBS Canterbury and Southern Cross provided financial services involving making loans or otherwise providing financial services, and taking investments.

The summary financial statements and reference to the latest audited financial statements of CBS Canterbury, Southern Cross and MARAC are set out in the Financial Information section of this Prospectus.

In addition, on 31 August 2011, Heartland acquired all of the shares in PWF.

The consideration paid for the shares in PWF was an amount equal to the net tangible assets of PWF adjusted to take account of certain agreed items. Heartland also agreed to assume all of PWF's obligations in relation to the PWF deposits.

Details of the business carried on by PWF are set out earlier on this page of this Prospectus. The summary financial statements and reference to the latest audited financial statements of PWF are set out in the Financial Information section of this Prospectus.

Material Contracts

The following material contracts have been entered into in the two years preceding the date of registration of this Prospectus by Heartland and/or the Guaranteeing Subsidiaries.

Contracts with Ongoing Day to Day Application

Crown Deed of Guarantee (Building Society)

Heartland and Her Majesty the Queen in right of New Zealand are party to a Crown Deed of Guarantee (Building Society) dated 15 December 2010 (as amended and restated by a Deed of Amendment and Restatement of Crown Deed of Guarantee (Building Society) dated 30 August 2011). As at the date this Prospectus was amended, the guarantee given under this Crown Deed of Guarantee has expired.

Deed of Indemnity and Postponement

Heartland New Zealand, MARAC, Heartland and certain other group companies (being any subsidiary or holding company of Heartland New Zealand and/or Heartland) entered into a Deed of Indemnity and Postponement with Her Majesty the Queen in right of New Zealand on 14 December 2010, under which (among other things) MARAC indemnifies the Crown for amounts paid by the Crown pursuant to the Heartland Crown Guarantee. Two wholly-owned subsidiaries of Heartland, being VPS Properties and VPS Parnell, have joined into this Deed of Indemnity and Postponement as indemnifiers by deeds of accession dated 21 March 2011. PWF has joined into this Deed of Indemnity and Postponement as an indemnifier by a deed of accession dated 30 August 2011.

Standby Cash Advances Facility Agreement

Heartland and MARAC entered into a Standby Cash Advances Facility Agreement with Bank of New Zealand and Westpac Banking Corporation dated 15 December 2010, for facilities of up to \$200 million, the purpose of which is to provide liquidity support and funding for the Heartland and MARAC loan portfolios. VPS Properties and VPS Parnell have joined into this Standby Cash Advances Facility Agreement as guarantors by guarantor accession deeds dated 21 March 2011. PWF has joined into this Standby Cash Advances Facility Agreement as a guarantor by a guarantor accession deed dated 31 August 2011.

7.0 STATUTORY INFORMATION continued

All Obligations Cross Guarantee and Indemnity Deed Poll

MARAC and Heartland entered into an All Obligations Cross Guarantee and Indemnity Deed Poll dated 15 December 2010, under which each of MARAC and Heartland guarantee each other's obligations to Bank of New Zealand and Westpac Banking Corporation. VPS Properties and VPS Parnell have joined into this All Obligations Cross Guarantee and Indemnity Deed Poll as guarantors by supplemental deeds dated 21 March 2011. PWF has joined into this All Obligations Cross Guarantee and Indemnity Deed Poll as a guarantor by a supplemental deed dated 31 August 2011.

Master Trust Deed

Heartland entered into a Master Trust Deed dated 29 October 2010 with the Trustee, relating to the ongoing issue of unsecured debt instruments by Heartland (and for the benefit of the holders of those debt instruments). MARAC has joined into this Master Trust Deed as a guarantor by a supplemental trust deed dated 14 December 2010. VPS Properties and VPS Parnell have joined into this Master Trust Deed as guarantors by supplemental trust deeds dated 24 March 2011. PWF has joined into this Master Trust Deed as a guarantor by a supplemental trust deed dated 31 August 2011.

Supplemental Trust Deed (Accounts)

Heartland entered into a Supplemental Trust Deed (Accounts) dated 29 October 2010 with the Trustee which is supplemental to the Master Trust Deed and governs the terms of the Accounts issued by Heartland.

Supplemental Trust Deed (Bonds)

Heartland entered into a Supplemental Trust Deed (Bonds) dated 29 October 2010 with the Trustee which is supplemental to the Master Trust Deed and governs the terms of the NZDX quoted bonds issued by Heartland (other than the PWF Bonds).

Supplemental Trust Deed (PWF Bonds)

Heartland entered into a Supplemental Trust Deed (PWF Bonds) dated 11 July 2011 with the Trustee which is supplemental to the Master Trust Deed and governs the terms of the PWF Bonds. The PWF Bonds were fully repaid on 10 October 2011.

RECL Management Agreement

MARAC and RECL are parties to a Management Agreement dated 5 January 2011 (*RECL Management Agreement*), by which RECL agreed to manage certain non-core real estate loan assets of MARAC for a 5 year period, and assume the risk of loss on those loans for that period (with any payment by RECL to MARAC in respect of that loss at the end of that period, subject to limited rights on the part of MARAC to earlier payment). RECL's payment obligations are "limited in recourse" to a pool of security provided by RECL. This pool of security includes an \$11 million 5 year zero coupon bond, and an initial minimum \$22 million in security value of other qualifying assets.

Service Amount Security Agreement

MARAC and RECL are parties to a Service Amount Security Agreement dated 5 January 2011 (in connection with the RECL Management Agreement). Under this agreement RECL grants to MARAC security over its assets to secure its obligations under the RECL Management Agreement.

Support Provider Undertaking

MARAC and PGC are parties to a Support Provider Undertaking dated 5 January 2011 (in connection with the RECL Management Agreement). Under this agreement PGC undertakes to procure that RECL complies with its obligations to ensure that the security value of other qualifying assets subject to a first priority security interest under the Service Amount Security Agreement is not less than a stated minimum amount (initially \$22 million).

Transitional Services Agreement (PGW)

PGW and Heartland entered into a Transitional Services Agreement dated 31 August 2011 relating to the administration by PGW post completion of the sale of the ordinary shares in PWF to Heartland.

Deed of Guarantee and Indemnity (PGW)

PGW and Heartland entered into a Deed of Guarantee and Indemnity dated 31 August 2011 which relates to PGW providing a guarantee and indemnity to Heartland in respect of certain existing credit facilities provided by PWF.

Distribution and Services Agreement (PGW)

PGW and Heartland entered into a Distribution and Service Agreement dated 31 August 2011. This agreement relates to PGW distributing to its customers certain Heartland products and services.

Other Contracts (Including Contracts Fully Performed)

Merger Implementation Agreement

CBS Canterbury, Southern Cross, PGC, MARAC and MFSL entered into a Merger Implementation Agreement dated 15 September 2010, pursuant to which the parties conditionally agreed to implement the Merger.

Deed of Defeasance (MARAC)

Heartland entered into a Deed of Defeasance with MARAC, The New Zealand Guardian Trust Company Limited and the Trustee dated 14 December 2010, which sets out the terms on which Heartland assumed liability for the stock issued by MARAC under its then existing Debenture Trust Deed.

Deed of Defeasance (CBS Canterbury)

Heartland entered into a Deed of Defeasance with CBS Canterbury and the Trustee dated 14 December 2010, which sets out the terms on which Heartland assumed liability for the deposits of CBS Canterbury outstanding under its then existing Debt Security Trust Deed.

Deed of Defeasance (Southern Cross)

Heartland entered into a Deed of Defeasance with Southern Cross and the Trustee dated 14 December 2010, which sets out the terms on which Heartland assumed liability for the deposits of Southern Cross outstanding under its then existing Debt Security Trust Deed.

Crown Deed of Guarantee

PWF and Her Majesty the Queen in right of New Zealand entered into a Crown Deed of Guarantee (Non-Bank Deposit Taker) dated 8 December 2009. The guarantee given under this Crown Deed of Guarantee expired at 12.01am on 12 October 2010.

Extended Crown Deed of Guarantee

PWF and Her Majesty the Queen in right of New Zealand entered into an Extended Crown Deed of Guarantee (Non-Bank Deposit Taker) dated 1 April 2010. The guarantee given under this Extended Crown Deed of Guarantee expires at 11.59pm on 31 December 2011.

Supplemental Deed to Crown Deed of Guarantee

PWF and Her Majesty the Queen in right of New Zealand entered into a Supplemental Deed to the Extended Crown Bank Guarantee (Non-Bank Deposit Taker) dated 17 June 2010. This deed amended the Extended Crown Deed of Guarantee above so as to clarify the status of excluded securities issued in accordance with the terms of the previous Crown guarantee.

Deed of Variation to PWF Bond Trust Deed

PWF entered into a Deed of Variation of PWF Bonds trust deed dated 7 July 2010 with New Zealand Permanent Trustees Limited (as trustee of the PWF Bonds). This deed clarified the status of overseas bondholders with reference to the PWF's Bonds.

Second Deed of Variation to PWF Bond Trust Deed

PWF entered into a Second Deed of Variation of PWF Bond trust deed dated 12 August 2010 with New Zealand Permanent Trustees Limited (as trustee of the PWF Bonds). This deed varied the conditions of the PWF Bonds, so as to permit PWF to exercise its term extension option notwithstanding the variation of the Crown retail deposit guarantee scheme. This variation was authorised by an Extraordinary Resolution of the relevant bondholders.

Third Deed of Variation of PWF Bond Trust Deed

PWF and New Zealand Permanent Trustees Limited (as trustee of the PWF Bonds) entered into a Third Deed of Variation of PWF Bond trust deed dated 1 December 2010. This deed varied the PWF Bond trust deed, so as to meet the requirements of the NBDT regime, including the Deposit Takers Regulations, which came into force on 1 December 2010.

Fourth Deed of Variation of PWF Bond Trust Deed

PWF and New Zealand Permanent Trustees Limited (as trustee of the PWF Bonds) entered into a Fourth Deed of Variation of PWF Bond trust deed dated 9 February 2011.

This deed varied the PWF Bond trust deed, so as to amend the definition of Treasury Stock.

Fifth Deed of Variation of PWF Bond Trust Deed

PWF and New Zealand Permanent Trustees Limited (as trustee of the PWF Bonds) entered into a Fifth Deed of Variation of PWF Bond trust deed dated 15 August 2011. This deed varied the PWF Bond trust deed, so as to effect certain amendments as a consequence of an extraordinary resolution of bondholders.

Second Deed of Modification of PWF Debenture Trust Deed

PWF and New Zealand Permanent Trustees Limited entered into a Second Deed of Modification of trust deed dated 1 December 2010. This deed varied the PWF Debenture Trust Deed, so as to meet the requirements of the NBDT regime, including the Deposit Takers Regulations, which came into force on 1 December 2010.

Third Deed of Modification of PWF Debenture Trust Deed

PWF and New Zealand Permanent Trustees Limited entered into a Third Deed of Modification of trust deed dated 15 August 2011. This deed varied the PWF Debenture Trust Deed, so as to effect certain amendments as a consequence of an extraordinary resolution of bondholders.

Agreement relating to Sale and Purchase of Shares in PWF

PGW and Heartland New Zealand entered into an agreement for the sale and purchase of all the shares in PWF from PGW to Heartland New Zealand. On 30 August 2011, Heartland acceded to this agreement as purchaser of the PWF shares. The sale was completed on 31 August 2011.

Agreement for Sale and Purchase of Loans No. 1

PWF, PGW Rural Capital Limited and PGW entered into an Agreement for Sale and Purchase of Loans No. 1 dated 30 August 2011. This agreement is in connection with the sale of the ordinary shares in PWF, from PGW to Heartland, where PWF agreed to sell certain finance contracts and receivables to PGW Rural Capital Limited, a wholly owned subsidiary of PGW.

Agreement for Sale and Purchase of Loans No. 2

PWF, PGW Rural Capital Limited and PGW entered into an Agreement for Sale and Purchase of Loans No. 2 dated 31 August 2011. This agreement is in connection with the sale of ordinary shares in PWF, from PGW to Heartland, where PWF agreed to sell certain finance contracts and receivables to PGW Rural Capital Limited, a wholly owned subsidiary of PGW.

Deed of Defeasance (in relation to PWF Deposits)

PWF, New Zealand Permanent Trustees Limited, Heartland and the Trustee entered into a Deed of Defeasance dated 31 August 2011 which sets out the terms on which Heartland assumed liability for the PWF deposits outstanding under its then existing debt security trust deed.

7.0 STATUTORY INFORMATION continued

Deed of Defeasance (in relation to PWF Bonds)

PWF, New Zealand Permanent Trustees Limited, Heartland and the Trustee entered into a Deed of Defeasance dated 31 August 2011 which sets out the terms on which Heartland assumed liability for the PWF Bonds outstanding under its then existing debt security trust deed.

Pending Proceedings

There are no legal proceedings or arbitrations pending as at the date of registration of this Prospectus that may have a material adverse effect on the Heartland Group.

Issue Expenses

The estimated expenses for the issue of the Deposits pursuant to this Prospectus are \$538,000 excluding brokerage and commission but including Trustee, legal and Auditor's fees and printing costs. Details of brokerage are set out below.

Brokerage

No brokerage or commission is payable by investors. Heartland will pay brokerage (up to 0.50% per annum) to NZX Primary Market Participants and other Heartland accredited brokers. Heartland will pay commission (up to 0.85% per annum) to accredited agents.

Brokerage will be paid to brokers on the value of applications lodged by them. Brokerage will also be paid (at the rates prevailing at the time of renewal) on Deposits which are reinvested at the end of their fixed term, provided the renewal advice bears the broker name/stamp.

Commission will be paid to agents based on growth in the total value of applications lodged by them.

Heartland reserves the right to adjust brokerage or commission on investments which are repaid early and any other charges applicable to the Deposits.

Brokers are the agents of investors whom they advise. Brokers are accredited by Heartland solely for the purpose of lodging applications on behalf of their client investors. Accordingly, Heartland is not responsible for the advice given by such brokers. Heartland agents operate in accordance with the Financial Advisers Act 2008, under Heartland's qualifying financial entity (QFE) status.

Ranking of Securities

The Deposits offered under this Prospectus are debt securities which constitute direct, unsecured, unsubordinated debt obligations of Heartland and are not secured by a mortgage or charge. The Deposits will rank equally in all respects with all existing and future debt securities issued by Heartland pursuant to the Trust Deed and without priority or preference amongst themselves and equally with all other unsecured and unsubordinated indebtedness of Heartland, except indebtedness preferred by law.

As at 30 June 2011, the only securities of Heartland Group that are secured by a mortgage or charge over any of the

assets of the Heartland Group and that rank in point of security ahead of, or equally with, the Deposits subject to the Offer were;

- the mortgages granted by VPS Properties securing \$27,168,532 and VPS Parnell securing \$7,330,000 to Heartland which rank ahead of the Deposits²¹. As these are an intra-group transaction they should not affect the return to investors.
- a total of \$1,593,247,000 Deposits and NZDX Bonds on issue that rank equally with the Deposits being offered under this Prospectus.

Refer to the Summary of the Trust Deed section of this Prospectus for more detail about permitted security interests which can be granted by a Heartland Group member which may rank ahead of, or equally with, the Deposits.

Other Restrictions on the Heartland Group

Description of trust deed documents

The Deposits to be issued pursuant to the Offer will be governed by the Master Trust Deed and the Supplemental Deed (Accounts), each dated 29 October 2010 between Heartland and the Trustee.

The Supplemental Deed referred to above and the Master Trust Deed (except to the extent it is modified by that Supplemental Deed) set out the terms and conditions of the Deposits. Depositors are bound by, and are deemed to have notice of, the provisions of the Trust Deed. A summary of the terms of the Trust Deed is set out in the Summary of Trust Deed section of this Prospectus. Copies of the Trust Deed are available at the places referred to under the heading "Places of inspection of documents" below.

Limitation on mortgages, charges, liabilities

The Deposits are unsecured indebtedness of Heartland. The Trust Deed imposes a limitation on the ability of Heartland and the Heartland Group to grant security over their assets (for further details refer to the Summary of the Trust Deed section of this Prospectus). However as the Deposits are and will in the future be unsecured, the Trust Deed does not contain any limitations on the creation of new mortgages or charges ranking in point of security ahead of, or equally with, any mortgage or charge securing the Deposits.

The Trust Deed also includes a covenant from Heartland that the Capital Ratio for each of the Consolidated Group and the Guaranteeing Group will be not less than 8% (as each of those terms is defined in the Trust Deed), which is consistent with requirements of regulations applicable to NBDTs with a credit rating under the Reserve Bank Act.

Duties and powers of the Trustee

The Trustee is appointed to act as trustee of the Depositors. The principal duties of the Trustee under the Trust Deed and under the Securities Act and the Securities

²¹ The mortgages and the loans were transferred from Heartland to MARAC by way of a deed of assignment of loans dated 19 September 2011.

Regulations are set out in the Summary of Trust Deed section of this Prospectus.

Borrowing restrictions

The following restrictions on the ability of any member of the Heartland Group to borrow (as a result of any undertaking given, or contract or deed entered into by any of them) will apply:

Trust Deed

There are no restrictions in the Trust Deed on the ability of Heartland or the Heartland Group to borrow funds, other than the financial covenants described in the Summary of the Trust Deed section of this Prospectus.

Standby Cash Advances Facility Agreement

Heartland has a \$200 million committed bank facility, to provide liquidity support for the Heartland Group. Pursuant to the Standby Cash Advances Facility Agreement entered into by Heartland and MARAC with Bank of New Zealand and Westpac Banking Corporation:

- Heartland undertakes to comply with certain financial covenants (such as a tangible net worth covenant) which may restrict levels of borrowing; and
- Heartland undertakes not to enter into any further borrowing facility with a registered bank, without first obtaining written consent.

Investors should be aware that Heartland's banking arrangements may change in the future or Heartland may enter into new financing arrangements, which require compliance with different covenants and ratios and have different events of review and events of default. The Banks may grant waivers in relation to any event of review or event of default.

Other Terms of the Offer and Securities

All of the terms of the Offer and all the terms of the Deposits are set out in this Prospectus, other than any terms implied by law or any terms set out in a document that has been registered with a public official, is available for public inspection and is referred to in this Prospectus.

Places of Inspection of Documents

The Rules of Heartland, the financial statements referred to in the Financial Information section of this Prospectus and copies of the material contracts referred to under the heading "Material Contracts" above, may be inspected (without charge) during normal business hours at the registered office of Heartland set out in the Directory.

A copy of the RECL Management Agreement may be inspected (without charge) during normal business hours at the registered office of Heartland set out in the Directory. The copy of the RECL Management Agreement delivered to the Companies Office and the copy available for inspection at Heartland's registered office shall exclude certain information in accordance with the Securities Act (Pyne Gould Corporation Limited and

Building Society Holdings Limited) Exemption Notice 2011. Information has been redacted from Schedule 1 of the copy of the RECL Management Agreement delivered to the Companies Office and the copy available for inspection because it is commercially sensitive information. The excluded information is personal information relating to third parties that is included in the RECL Management Agreement for the purposes of identifying certain loan assets of MARAC which are to be managed by RECL pursuant to the RECL Management Agreement.

The Directors of Heartland warrant that the exclusion of the redacted information in Schedule 1 of the RECL Management Agreement does not make this Prospectus misleading in any material particular by a failure to refer, or give proper emphasis, to any adverse circumstances.

Other Material Matters

Securities Act exemptions

Securities Act (Building Societies) Exemption Amendment Notice 2010

The Financial Markets Authority (previously the Securities Commission) has extended to Heartland certain exemptions from Securities Act and Securities Regulations requirements granted to building societies under the Securities Act (Building Societies) Exemption Notice 2002. Under the Securities Act (Building Societies) Exemption Amendment Notice 2010, Heartland is included as a building society to which the exemption notice applies.

Securities Act (Pyne Gould Corporation Limited and Building Society Holdings Limited) Exemption Notice 2011

The Financial Markets Authority (previously the Securities Commission) has granted Heartland New Zealand and certain related entities (including Heartland) exemptions from section 37A(1)(a) of the Securities Act, regulation 18(1)(a) of the Securities Regulations, clause 25(c) of Schedule 1 and clause 19(c) of Schedule 2 of the Securities Regulations, and regulation 26 of the Securities Regulations. These exemptions are contained in the Securities Act (Pyne Gould Corporation Limited and Building Society Holdings Limited) Exemption Notice 2011.

The effect of this exemption notice (to the extent relevant to this Prospectus) is that certain commercially sensitive information may be omitted from the copy of the RECL Management Agreement which is required to be delivered to the Registrar of Financial Service Providers for registration with this Prospectus (and any future prospectus registered by, among others, Heartland) and made available for inspection.

There are no other material matters relating to the Offer, other than those set out in this Prospectus, the financial statements referred to in the Financial Information section of this Prospectus or in contracts entered into in the ordinary course of business of Heartland or the Guaranteeing Subsidiaries.

7.0 STATUTORY INFORMATION continued

Directors' Statement

The Directors of Heartland, after due inquiry by them, are of the opinion that none of the following has materially and adversely changed during the period between 30 June 2011 and the date of registration of this Prospectus:

- the trading or profitability of the Borrowing Group;
- the value of the assets of the Borrowing Group; or
- the ability of any of the Borrowing Group to pay their liabilities due within the next 12 months.

Signatures Required Under the Securities Act

A copy of this Prospectus has been signed by each Director of Heartland (or his or her agent authorised in writing), each an "issuer" for the purposes of the Securities Act.

Directors of **Heartland**:



Bruce Robertson Irvine



Bryan William Mogridge Resigned 28 October 2011



Edward John Harvey



Christopher Robert Mace



Jeffrey Kenneth Greenslade



Geoffrey Thomas Ricketts



Graham Russell Kennedy



Michelle Anne Smith



Gary Richard Leech

Statutory Index

As required by regulation 16 of the Securities Regulations 2009

SCHEDULE 2, SECURITIES REGULATIONS 2009

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GLOSSARY

\$, NZD or NZ\$

New Zealand dollars

Account

Any Deposit including the word “account” or “saver” or described as an “account” or “deposit”

Auditor

KPMG

Board

The board of directors of Heartland

Borrowing Group

Heartland and the Guaranteeing Subsidiaries

Building Societies Act

The Building Societies Act 1965, as amended from time to time

Call Account

An Account, the principal amount of which is payable by Heartland to the relevant Depositor on request being made by that Depositor, subject to the terms and conditions of the Account

CBS Canterbury

Canterbury Building Society

Consolidated Group

Has the meaning given to it in the Trust Deed

Depositor

A holder of a Deposit

Deposits

Debt securities issued by Heartland under the Trust Deed and which are the subject of this Offer

Director

A member of the Board

Directory

The directory set out in this Prospectus

GAAP

Generally accepted accounting practice, as defined in the Financial Reporting Act 1993

Glossary

This glossary of terms

Guaranteeing Group

Has the meaning given to it in the Trust Deed

Guaranteeing Subsidiaries

MARAC, VPS Properties, VPS Parnell, PWF and any other subsidiary of Heartland which becomes a guarantor under the Master Trust Deed

Heartland

Heartland Building Society (incorporation number 2541477) which is the issuer of the Deposits, established under the Building Societies Act

Heartland Group

Heartland Building Society, MARAC, VPS Properties, VPS Parnell, PWF and any other subsidiaries of Heartland from time to time

Heartland New Zealand

Heartland New Zealand Limited, which is the ultimate holding company of Heartland

Investment Statement

The current investment statement in respect of the Offer

IRD

Inland Revenue Department

IFRS

International Financial Reporting Standards

MARAC

MARAC Finance Limited

MARAC Group

A profit oriented entity which consists of MARAC, MARAC ABCP Trust 1 and MARAC PIE Fund

Master Trust Deed

The trust deed entered into between Heartland and the Trustee on 29 October 2010 (a summary of which is set out in this Prospectus)

Merger

The merger of the financial services businesses of MARAC, CBS Canterbury and Southern Cross, which was completed on 7 January 2011

Merger Parties

CBS Canterbury, Southern Cross and MARAC

MFSL

MARAC Financial Services Limited

NBDT

Non-bank deposit taker

NZ GAAP

Generally accepted accounting practice in New Zealand

NZ IFRS

New Zealand equivalents to International Financial Reporting Standards

NZDX

The market for debt securities, operated by NZX

NZDX Bonds

The NZDX listed bonds issued by MARAC that were transferred to Heartland on 5 January 2011

NZSX

The main board equity security market, operated by NZX

NZX

NZX Limited

Offer

The offer of Deposits pursuant to this Prospectus

PGC

Pyne Gould Corporation Limited

PGW

PGG Wrightson Limited

Prior Charge

Any security (as that term is defined in the Trust Deed), other than:

- (a) any netting or set-off arrangement entered into by Heartland or the Guaranteeing Subsidiaries in the ordinary course of its business;
- (b) any lien arising by operation of law and in the ordinary course of trading or securing taxes or other governmental or regulatory review, duties or imposts;
- (c) securities arising out of title retention provisions in a supplier's standard conditions of supply of goods acquired by Heartland or the Guaranteeing Subsidiaries in the ordinary course of its business; or
- (d) any other securities, the aggregate secured by which does not exceed 1% of the total tangible assets of the Heartland Group

Prospectus

This Prospectus, which is a prospectus in respect of the Offer for the purposes of the Securities Act

PWF

PGG Wrightson Finance Limited

PWF Bonds

Bonds for which Heartland was liable under the Trust Deed, being the PWF secured bonds which became PWF Bonds from 31 August 2011 and which were listed on the NZDX until repayment on 10 October 2011

RECL

Real Estate Credit Limited

Reserve Bank

The Reserve Bank of New Zealand constituted under the Reserve Bank Act

Reserve Bank Act

The Reserve Bank of New Zealand Act 1989, as amended from time to time

Rules

The rules of Heartland registered under the Building Societies Act, as amended from time to time

Securities Act

The Securities Act 1978, as amended from time to time

Securities Regulations

The Securities Regulations 2009, as amended from time to time

Southern Cross

Southern Cross Building Society

Standard & Poor's or S&P

Standard & Poor's (Australia) Pty Limited

Supplemental Trust Deed (Accounts)

The supplemental trust deed (accounts) entered into between Heartland and the Trustee on 29 October 2010, which is supplemental to the Master Trust Deed

Supplemental Trust Deed (Bonds)

The supplemental trust deed (bonds) entered into between Heartland and the Trustee on 29 October 2010, which is supplemental to the Master Trust Deed

Supplemental Deed (PWF Bonds)

The supplemental trust deed (PWF Bonds) entered into between Heartland and the Trustee on 11 July 2011 which is supplemental to the Master Trust Deed

TEL

Trustees Executors Limited

Term Account

An Account which is not a Call Account and is generally for a fixed term

Trust Deed

The Master Trust Deed, the Supplemental Trust Deed (Accounts), the Supplemental Trust Deed (Bonds) and the Supplemental Trust Deed (PWF Bonds) and/or the supplemental trust deeds pursuant to which the Guaranteeing Subsidiaries become guarantors

Trustee

TEL as trustee in respect of the Deposits

VPS Parnell

VPS Parnell Limited, a subsidiary of Heartland

VPS Properties

VPS Properties Limited, a subsidiary of Heartland

DIRECTORY

Issuer

Heartland Building Society (*Heartland*)

75 Riccarton Road
Riccارتon
Christchurch 8011
Phone: 0800 85 20 20
Facsimile: +64 (9) 927 9310

Directors of the Issuer

B R Irvine	Christchurch (Chairman)
J K Greenslade	Auckland
E J Harvey	Auckland
G R Kennedy	Ashburton
G R Leech	Ashburton
C R Mace	Auckland
G T Ricketts	Auckland
M A Smith	Christchurch

Legal Advisers to the Issuer

Chapman Tripp

Level 35, ANZ Centre
23-29 Albert Street
Auckland 1140

Phone: +64 (9) 357 9000
Facsimile: +64 (9) 357 9099

Trustee for Depositors

Trustees Executors Limited

Level 5, 10 Customhouse Quay
Wellington 6011

Phone: +64 (4) 495 0999
Facsimile: +64 (4) 496 2952

Legal Advisers to the Trustee

Buddle Findlay

State Insurance Tower
1 Willis Street
Wellington 6011

Phone: +64 (4) 499 4242
Facsimile: +64 (4) 499 4141

Auditor of the Issuer

KPMG

KPMG Centre
18 Viaduct Harbour Avenue
Auckland 1140

Phone: +64 (9) 367 5800
Facsimile: +64 (9) 367 5875

Tax Advisers to the Issuer

Deloitte

Deloitte Centre
80 Queen St
Auckland 1010

Phone: +64 (9) 303 0700
Facsimile: +64 (9) 303 0701

HEARTLAND

Building Society

BUSINESS | RURAL | FAMILIES

INVESTMENTS – LENDING – WORKING CAPITAL – LIVESTOCK & SEASONAL FINANCE
HOME & VEHICLE LOANS – DAY TO DAY ACCOUNTS – INSURANCE

www.heartland.co.nz

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