

14 March 2014

APS 330: PUBLIC DISCLOSURE ASX RELEASE

Attached is the prudential information required to be disclosed in accordance with Prudential Standard APS 330.

The disclosures provided have been prepared as at 31 December 2013.

Common Disclosure Template as at 31 December 2013

		A\$m
Common Equity Tier 1 Capital: Instruments and Reserves		
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	N/A
2.0	Retained earnings	349.6
3.0	Accumulated other comprehensive income (and other reserves)	9.3
4.0	<i>Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)</i>	N/A
5.0	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	N/A
6.0	Common Equity Tier 1 capital before regulatory adjustments	358.9
Common Equity Tier 1 Capital: Regulatory Adjustments		
7.0	Prudential valuation adjustments	N/A
8.0	Goodwill (net of related tax liability)	N/A
9.0	Other intangibles other than mortgage servicing rights (net of related tax liability)	N/A
10.0	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	N/A
11.0	Cash-flow hedge reserve	3.6
12.0	Shortfall of provisions to expected losses	N/A
13.0	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	N/A
14.0	Gains and losses due to changes in own credit risk on fair valued liabilities	N/A
15.0	Defined benefit superannuation fund net assets	N/A
16.0	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	N/A
17.0	Reciprocal cross-holdings in common equity	N/A
18.0	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	0.5
19.0	Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	N/A
20.0	Mortgage service rights (amount above 10% threshold)	N/A
21.0	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	N/A
22.0	Amount exceeding the 15% threshold	N/A
23.0	of which: significant investments in the ordinary shares of financial entities	N/A
24.0	of which: mortgage servicing rights	N/A
25.0	of which: deferred tax assets arising from temporary differences	N/A
26.0	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	21.1
26a	of which: treasury shares	N/A
26b	of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI	N/A
26c	of which: deferred fee income	N/A
26d	of which: equity investments in financial institutions not reported in rows 18, 19 and 23	N/A

Common Disclosure Template as at 31 December 2013

26e	of which: deferred tax assets not reported in rows 10, 21 and 25	7.3
26f	of which: capitalised expenses	10.6
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	N/A
26h	of which: covered bonds in excess of asset cover in pools	N/A
26i	of which: undercapitalisation of a non-consolidated subsidiary	N/A
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	3.2
27.0	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	0.0
28.0	Total regulatory adjustments to Common Equity Tier 1	25.2
29.0	Common Equity Tier 1 Capital (CET1)	333.7
Additional Tier 1 Capital: Instruments		
30.0	Directly issued qualifying Additional Tier 1 instruments	N/A
31.0	of which: classified as equity under applicable accounting standards	N/A
32.0	of which: classified as liabilities under applicable accounting standards	N/A
33.0	<i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>	N/A
34.0	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	N/A
35.0	<i>of which: instruments issued by subsidiaries subject to phase out</i>	N/A
36.0	Additional Tier 1 Capital before regulatory adjustments	0.0
Additional Tier 1 Capital: Regulatory Adjustments		
37.0	Investments in own Additional Tier 1 instruments	N/A
38.0	Reciprocal cross-holdings in Additional Tier 1 instruments	N/A
39.0	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	N/A
40.0	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	N/A
41.0	National specific regulatory adjustments (sum of rows 41a, 41b and 41c)	N/A
41a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	N/A
41b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40	N/A
41c	of which: other national specific regulatory adjustments not reported in rows 41a and 41b	N/A
42.0	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	N/A
43.0	Total regulatory adjustments to Additional Tier 1 capital	0.0
44.0	Additional Tier 1 capital (AT1)	0.0
45.0	Tier 1 Capital (T1=CET1+AT1)	333.7
Tier 2 Capital: Instruments and Provisions		
46.0	Directly issued qualifying Tier 2 instruments	N/A
47.0	<i>Directly issued capital instruments subject to phase out from Tier 2</i>	45.0
48.0	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group T2)	N/A
49.0	of which: instruments issued by subsidiaries subject to phase out	N/A
50.0	Provisions	3.1
51.0	Tier 2 Capital before regulatory adjustments	48.1
Tier 2 Capital: Regulatory Adjustments		

Common Disclosure Template as at 31 December 2013

52.0	Investments in own Tier 2 instruments	N/A
53.0	Reciprocal cross-holdings in Tier 2 instruments	N/A
54.0	Investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	N/A
55.0	Significant investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	N/A
56.0	National specific regulatory adjustments (sum of rows 56a, 56b and 56c)	N/A
56a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	N/A
56b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55	N/A
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	N/A
57.0	Total regulatory adjustments to Tier 2 capital	0.0
58.0	Tier 2 capital (T2)	48.1
59.0	Total capital (TC=T1+T2)	381.8
60.0	Total risk-weighted assets based on APRA standards	2,854.6
Capital Ratios and Buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	11.69%
62	Tier 1 (as a percentage of risk-weighted assets)	11.69%
63	Total capital (as a percentage of risk-weighted assets)	13.37%
64	Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)	2.5%
65	<i>of which: capital conservation buffer requirement</i>	2.5%
66	<i>of which: ADI-specific countercyclical buffer requirements</i>	N/A
67	<i>of which: G-SIB buffer requirement (not applicable)</i>	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	N/A
National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	
71	National total capital minimum ratio (if different from Basel III minimum)	
Amount below thresholds for deductions (not risk-weighted)		
72	Non-significant investments in the capital of other financial entities	N/A
73	Significant investments in the ordinary shares of financial entities	N/A
74	Mortgage servicing rights (net of related tax liability)	N/A
75	Deferred tax assets arising from temporary differences (net of related tax liability)	N/A
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	3.1
77	Cap on inclusion of provisions in Tier 2 under standardised approach	30.0
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	N/A
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	N/A

Common Disclosure Template as at 31 December 2013

Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	<i>Current cap on CET1 instruments subject to phase out arrangements</i>	N/A
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	N/A
82	<i>Current cap on AT1 instruments subject to phase out arrangements</i>	N/A
83	<i>Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)</i>	N/A
84	<i>Current cap on T2 instruments subject to phase out arrangements</i>	N/A
85	<i>Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)</i>	N/A

Common Disclosure Template Reconciliation as at 31 December 2013

	Consolidated Published Statement of Financial Position (A\$m)	Adjustment (1) (A\$m)	Level 1 Regulatory Statement of Financial Position (A\$m)	Reference to Regulatory Statement of Financial Position
Assets				
Cash and cash equivalents	216.3	(7.0)	209.3	Cash and liquid assets
Receivables due from other financial institutions	434.4	(171.4)	263.0	Investment securities & cash and liquid assets
Other receivables	42.7	(9.2)	33.5	Other assets
Loans and receivables	6,511.1	(1,470.1)	5,041.0	Loans and advances
Held to maturity financial assets	1,128.3	-	1,128.3	Investment securities
Available for sale financial investments	0.5	-	0.5	Other investments
Derivatives	2.7	6.4	9.1	Other assets
Property, plant and equipment	20.8	-	20.8	Fixed assets
Other assets	2.1	150.8	152.9	Other assets
Intangibles	1.8	-	1.8	Intangible assets
Deferred tax assets	7.7	(0.4)	7.3	Other assets
Total Assets	8,368.5	(1,501.0)	6,867.5	
Liabilities				
Deposits and borrowings	7,719.7	(1,531.0)	6,188.7	Deposits & bonds, notes and long-term borrowings
Accounts payable and other liabilities	223.5	31.2	254.7	Creditors and other liabilities

Common Disclosure Template Reconciliation as at 31 December 2013

Derivatives	3.4	(2.0)	1.4	Creditors and other liabilities
Current tax liabilities	3.5	-	3.5	Income tax liability
Deferred tax liabilities	-	1.1	1.1	Income tax liability
Provisions	11.7	-	11.7	Provisions
Retirement benefit liability	0.2	-	0.2	Creditors and other liabilities
Subordinated debt	52.3	(5.0)	47.3	Bonds, notes and long-term borrowings
Total Liabilities	8,014.2	(1,505.6)	6,508.6	
Net Assets	354.3	4.6	358.9	
Members' Funds				
Retained profits	349.3	0.3	349.6	General reserve & retained profits
Reserves	5.0	4.3	9.3	Asset revaluation reserve & cash flow hedge reserve
Total Members' Funds	354.3	4.6	358.9	

(1) Adjustment column reflects entities that are treated as non-consolidated entities and are excluded from the Level 1 Statement of Financial Position.

Expanded Regulatory Statement of Financial Position as at 31 December 2013

The following is an expanded Statement of Financial Position under the APRA Level 1 Regulatory Capital that provides details on the components of capital reported in the Common Disclosure Template.

ASSETS	(A\$m)	(A\$m)	Common Disclosure Template Reference
Cash and liquid assets		261.1	
Investment Securities		1,339.5	
Loans and receivables (net)		5,041.0	
which includes:			
Gross loans and receivables	5,040.9		
Provision for impairment - specific	(1.8)		
Provision for impairment - collective	(3.1)		Row 50.0
Securitisation establishment costs	1.1		Row 26f
Commission and agent direct costs	3.9		Row 26f
	5,041.0		
Other Investments		0.5	
Fixed Assets		20.8	
Intangible Assets		1.8	Row 26f
Other Assets		202.8	
which includes:			
Other Assets	195.5		
Deferred tax asset	7.3		Row 26e
	202.8		
TOTAL ASSETS		6,867.5	
LIABILITIES			
Deposits		5,662.7	
which includes:			
Gross deposits and borrowings	5,659.3		
Debt raising establishment cost	3.4		Row 26f
	5,662.7		
Current Tax Liability		3.5	
Deferred Tax Liability		1.1	
Provisions		11.7	
Bonds, notes and long-term borrowings		573.3	
which includes:			
Other bonds and notes	528.7		
Subordinated debt at face value	45.0		Row 47.0
Prudential capital establishment cost	(0.4)		Row 26f
	573.3		
		256.3	

Expanded Regulatory Statement of Financial Position as at 31 December 2013

Creditors and other liabilities			
TOTAL LIABILITIES		6,508.6	
NET ASSETS		358.9	
MEMBERS' FUNDS			
Retained profits which includes:		349.6	
Current year retained earnings	18.9		
Trust securitisation income (not yet distributed)	3.2		<i>Row 26j</i>
General reserve excluding trust income	327.5		
	349.6		<i>Row 2</i>
Reserves which includes:		9.3	
Cash flow hedge reserve	3.6		<i>Row 11.0</i>
Asset revaluation reserve	5.7		
	9.3		<i>Row 3</i>
TOTAL MEMBERS' FUNDS		358.9	<i>Row 6.0</i>

Main Features - Heritage Notes as at 31 December 2013

Disclosure Template for Main Features of Regulatory Capital Instruments		
1	Issuer	Heritage Bank Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ASX - HBSHA
3	Governing law(s) of the instrument	Queensland
<i>Regulatory treatment</i>		
4	Transitional Basel III rules	Tier 2
5	Post-transitional Basel III rules	Ineligible
6	Eligible at solo/group/group & solo	Solo
7	Instrument type (ordinary shares/preference shares/subordinated notes/other)	Subordinated Notes
8	Amount recognised in Regulatory Capital (Currency in mil, as of most recent reporting date)	\$45 million (Issue amount \$50M less \$5M Basel III Transition)
9	Par value of instrument	\$50 million (\$100 per Heritage Note)
10	Accounting classification	Liability - fair value option
11	Original date of issuance	26 October 2009
12	Perpetual or dated	Dated
13	Original maturity date	25 October 2019
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Prior to the Maturity Date, Heritage may, with the prior written approval of APRA, Redeem: - some or all Heritage Notes on the Step-Up Date (27 October 2014) or any subsequent Interest Payment Date; - any affected Heritage Notes on any Interest Payment Date if a Tax Event occurs; or - all Heritage Notes at any time if a Regulatory Event or Change of Control Event occurs Redemption amount will be face value plus accrued interest
16	Subsequent call dates, if applicable	Refer item 15 above
<i>Coupons/dividends</i>		
17	Fixed or floating dividend/coupon	Fixed to Floating
18	Coupon rate and any related index	10% per Annum Fixed until 27 October 2014 following which the interest rate will change to Floating (90 day BBSW plus 4.435% x 1.5)
19	Existence of a dividend stopper	Not applicable
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	Yes
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible

Main Features - Heritage Notes as at 31 December 2013

24	If convertible, conversion trigger(s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	No
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	In the event of a winding-up of Heritage, the claims of Holders against Heritage in respect of Heritage Notes will be subordinated in right of payments to the claims of all Senior Creditors (including Trade Creditors)
36	Non-compliant transitioned features	Yes
37	If yes, specify non-compliant features	If Heritage Notes are not redeemed on the Step-Up Date the initial margin will increase, refer item 18. The Notes will not be eligible for inclusion in Regulatory Capital after this date.

The full prospectus for Heritage Notes can be obtained from the About Heritage section at www.heritage.com.au

Capital Adequacy as at 31 December 2013

	Risk-Weighted Assets (A\$m)
Capital Requirements	
<i>Credit Risk</i>	
Corporate	0.0
Government	0.0
ADIs	352.5
Residential Mortgage	1,720.3
Other Retail	239.4
Other	49.9
Off Balance Sheet	39.6
	2,401.7
Securitisation	57.2
Equity Exposures	0.0
Market Risk	0.0
Operational Risk	395.7
Interest Rate Risk	0.0
	2,854.6
Common Equity Tier 1	11.69%
Tier 1	11.69%
Total Capital Ratio	13.37%

Credit Risk as at 31 December 2013

Exposure Type	Gross Credit Exposure (A\$m)	Average Gross Credit Exposure for Quarter (A\$m)
Cash and Investment Securities	1,576.2	1,412.9
Loans and Advances	5,045.9	5,081.2
Other Assets	159.4	128.0
Total on Balance Sheet Exposures	6,781.5	6,622.1
Loans Approved not yet Advanced	101.8	94.5
Other Off Balance Sheet	5.5	5.7
Total Off Balance Sheet Exposures	107.3	100.2
Total Exposures	6,888.8	6,722.3
Exposure by Portfolio		
Corporate	0.0	0.0
Government	256.6	256.8
ADIs	1,319.6	1,156.1
Residential Mortgage	4,907.6	4,937.7
Other Retail	240.1	238.0
Other	164.9	133.7
	6,888.8	6,722.3

Credit Risk as at 31 December 2013

	Impaired Loans (A\$m)	Past Due Loans (A\$m)	Specific Provision Balance (A\$m)	Charges for Specific Provision (A\$m)	Write-Offs (A\$m)
Exposure by Portfolio					
Corporate	0.0	0.0	0.0	0.0	0.0
Government	0.0	0.0	0.0	0.0	0.0
ADIs	0.0	0.0	0.0	0.0	0.0
Residential Mortgage	7.5	13.2	0.7	0.0	0.3
Other Retail	2.6	1.1	1.1	0.0	0.3
Other					
Total	10.1	14.3	1.8	0.0	0.6
General Reserve for Credit Losses					
General Reserve for Credit Losses					3.1
Total impaired items, including restructured loans per statutory financial statements					6.3
Additional items defined as restructured as per the prudential standards					3.8
				*	10.1

Securitisation Exposures as at 31 December 2013

	Total Exposures Securitized (A\$m)	Recognised Gain or Loss on Sale (A\$m)
Securitisation Exposure Types		
Residential Mortgage	119.8	-
Total Exposures	119.8	-

	On Balance Sheet (A\$m)	Off Balance Sheet (A\$m)	Total Exposures (A\$m)
Securitisation Exposure Types			
Liquidity Facilities	-	10.3	10.3
Funding Facilities	-	0.2	0.2
Swaps	-	25.0	25.0
Holdings of Securities	32.4	0.0	32.4
	32.4	35.5	67.9