

Heartland Bank Terms Sheet

Dated 21 August 2017



For an issue of unsecured, unsubordinated, medium term, fixed rate notes

This is a summary only. Full details of the offer are contained in the Limited Disclosure Document (“**LDD**”) and in the Register Entry for the Offer (which includes the Deed Poll for the Notes), both available at www.companiesoffice.govt.nz/disclose. Capitalised terms used in this Terms Sheet and not otherwise defined here have the meanings given to them in the LDD. Investors must receive a copy of the LDD before they can acquire Notes. Applications for the Notes can only be made using the application form included in the LDD.

Issuer	Heartland Bank Limited (“Heartland Bank” or the “Issuer”)						
Issue Price and Principal Amount	NZ\$1.00 per Note						
Term and Maturity Date	5 years maturing on 21 September 2022						
Description of the debt securities	Unsecured, unsubordinated, medium term, fixed rate notes. (“Notes”)						
Purpose	General corporate purposes						
Offer amount	Up to NZ\$100 million, with the ability to accept up to a further NZ\$50 million in oversubscriptions						
Minimum Application Amount & Minimum Holding	NZ\$5,000 and in multiples of NZ\$1,000 thereafter						
Interest Rate	<p>The Interest Rate will be fixed for the term of the Notes</p> <p>The Interest Rate will be the greater of:</p> <ul style="list-style-type: none"> • 4.50% per annum; and • the aggregate of the Base Rate (a benchmark interest rate for a term of 5 years) and the Margin which may be above or below the Indicative Issue Margin <p>The Interest Rate will be announced by the Issuer on or shortly after the Rate Set Date</p>						
Indicative Issue Margin	1.75 to 1.95 per cent per annum						
Margin	The Margin will be set on the Rate Set Date following a bookbuild process conducted by the Arranger						
Bookbuild Opens	21 August 2017						
Bookbuild Closes	Midday 29 August 2017						
Rate Set Date	29 August 2017						
Opening Date	30 August 2017						
Closing Date	3:00pm 18 September 2017						
Allotment Date	21 September 2017						
Interest Payment Dates	Each 21 March and 21 September during the term of the Notes, commencing on 21 March 2018. If any Interest Payment Date falls on a day that is not a Business Day, the due date for the payment to be made on that date will be the following Business Day (with no interest adjustment).						
Interest payments	Interest will be payable semi-annually in arrear in equal amounts on each Interest Payment Date						
How to apply	<p>Applications to subscribe for the Notes must be made on the Application Form attached to the LDD</p> <p>Applicants applying for an allocation from a NZX participant or approved financial intermediary must return a completed Application Form to the office of that NZX participant or approved financial intermediary in time to enable it to be forwarded to the Registrar before 3:00pm on the Closing Date</p> <p>There will be no public pool for the Notes</p> <p>Retail investors should contact any Joint Lead Manager, their financial adviser or any Primary Market Participant for details on how they may acquire the Notes. A Primary Market Participant can be found by visiting: https://m.nzx.com/services/market-participants/all-market-participants.</p> <p>Each investor’s financial adviser will be able to advise them as to what arrangements will need to be put in place for the investors to trade the Notes including obtaining a common shareholder number (CSN), and authorisation code (FIN) and opening an account with a primary market participant as well as the costs and timeframes for putting such arrangements in place</p>						
Brokerage	Subscribers are not required to pay Heartland Bank any amounts over and above the Issue Price in connection with their application for Notes. However, they may have to pay brokerage to any firm from whom they receive an allocation of Notes						
Expected date of initial quotation and trading of the Notes on the NZX Debt Market	22 September 2017						
Transfers	Notes may only be transferred in multiples of NZ\$1,000. However, no transfer may be effected if it would result in the transferor or the transferee holding or continuing to hold Notes with an aggregate Principal Amount of less than the minimum Principal Amount of NZ\$5,000. NZX has approved these transfer restrictions pursuant to the Listing Rules						
Credit Ratings							
Fitch Ratings Ltd	<table> <thead> <tr> <th>Fitch Ratings</th> <th>Heartland Bank’s Credit Rating</th> <th>Expected Issue Credit Rating</th> </tr> </thead> <tbody> <tr> <td></td> <td>BBB (Outlook Stable)</td> <td>BBB</td> </tr> </tbody> </table> <p>A credit rating is not a recommendation by any rating organisation to buy, sell or hold Notes. The above rating information is current at the date of this Terms Sheet and may be subject to suspension, revision or withdrawal at any time by Fitch Ratings Ltd</p>	Fitch Ratings	Heartland Bank’s Credit Rating	Expected Issue Credit Rating		BBB (Outlook Stable)	BBB
Fitch Ratings	Heartland Bank’s Credit Rating	Expected Issue Credit Rating					
	BBB (Outlook Stable)	BBB					
Record Date	5:00pm on the tenth calendar day before the Interest Payment Date, or if that day is not a Business Day, the preceding Business Day						
Business Days	A day (other than a Saturday, Sunday or public holiday) on which banks are open for general business in Auckland and Wellington						
ISIN	NZHBLD0010L3						

Registrar & Paying Agent	Link Market Services Limited The Notes will be accepted for settlement within the NZClear system
Deed Poll	Deed Poll dated 18 August 2017, taken together with the Supplemental Deed for the Notes dated 18 August 2017
Arranger	Bank of New Zealand (“BNZ”)
Organising Participant	BNZ
Joint Lead Managers	BNZ, Commonwealth Bank of Australia (acting through its New Zealand Branch), Deutsche Craigs Limited, Westpac Banking Corporation (ABN 33 007 457 14) (acting through its New Zealand Branch)
NZX Debt Market code	The issuer has made application for the Notes to be quoted and listed on the NZX Debt Market. The NZX ticker code HBL010 has been reserved for the Notes. The NZX accepts no responsibility for any statement in this Terms Sheet. NZX is a licensed market operator and the NZX Debt Market is a licensed market, under the Financial Markets Conduct Act 2013
NZX spread waiver	Heartland Bank has obtained a waiver, for a period of 6 months, from NZX Listing Rule 5.2.3 (which requires that at least 100 members of the public hold at least 25% of the Notes issued), on the basis that it is not possible to determine whether that requirement will be met at the time of the initial allotment and quotation of the Notes. The effect of the waiver from NZX Listing Rule 5.2.3 is that initially the Notes may not be widely held and there may be reduced liquidity in the Notes. However, even if that requirement is not met at the time of the initial allotment and quotation of the Notes, Heartland Bank anticipates that it will be met over time
Selling restrictions	The offer and subsequent transfers of Notes are subject to the selling restrictions contained in the schedule to this Terms Sheet
Governing Law	New Zealand
Important information for Australian investors	Heartland Bank is neither a bank nor an authorised deposit-taking institution which is authorised under the Banking Act 1959 of Australia (Australian Banking Act). Heartland Bank is not supervised by the Australian Prudential Regulation Authority. The Notes are not guaranteed by the Commonwealth of Australia or the Government of New Zealand. An investment in any Notes issued by Heartland Bank will not be covered by the depositor protection provisions in section 13A of the Australian Banking Act and will not be covered by the Australian Government’s bank deposit guarantee (also commonly referred to as the Financial Claims Scheme)

ADDRESS DETAILS

Issuer

Heartland Bank Limited
PO Box 9919
35 Teed Street
Newmarket
Auckland 1023

Registrar

Link Market Services Limited
80 Queen Street
Auckland 1010

Organising Participant

Bank of New Zealand
Private Bag 92208
Level 6, Deloitte Centre
80 Queen Street
Auckland

Arranger

Bank of New Zealand
Private Bag 92208
Level 6, Deloitte Centre
80 Queen Street
Auckland

Joint Lead Managers

Bank of New Zealand
Private Bag 92208
Level 6, Deloitte Centre
80 Queen Street
Auckland

Commonwealth Bank of Australia

(acting through its New Zealand branch)
P.O. Box 35, Shortland Street
Level 6, ASB North Wharf
12 Jellicoe Street
Auckland 1010

Deutsche Craigs Limited

Level 36, Vero Centre
48 Shortland Street
Auckland 1010

Westpac Banking Corporation (ABN 33 007 457 141)

(acting through its New Zealand branch)
P.O. Box 934
Level 8, 16 Takutai Square
Auckland 1010

SCHEDULE – SELLING RESTRICTIONS

General

The Notes are only being offered to the public in New Zealand and to certain wholesale or institutional investors in New Zealand and in certain overseas jurisdictions. Heartland Bank has not taken and will not take any action which would permit a public offering of Notes, or possession or distribution of any offering material in respect of the Notes, in any country or jurisdiction where action for that purpose is required (other than New Zealand). The Notes may only be offered for sale or sold in a jurisdiction other than New Zealand in compliance with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered.

Any information memorandum, disclosure statement, circular, advertisement or other offering material in respect of the Notes may only be published, delivered or distributed in compliance with all applicable laws and regulations (including those of the country or jurisdiction in which the material is published, delivered or distributed) and the listing rules of any applicable stock exchange.

Set out below are specific selling restrictions that apply to an offer of the Notes in certain jurisdictions outside New Zealand. These selling restrictions do not apply to an offer of the Notes in New Zealand.

These selling restrictions may be modified by Heartland Bank and the Joint Lead Managers, including following a change in a relevant law, regulation or directive. Persons into whose hands this Terms Sheet comes are, and each Holder is, required by Heartland Bank and the Joint Lead Managers to comply with these selling restrictions and all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

Indemnity

By subscribing for Notes, the subscriber agrees to indemnify Heartland Bank, the Joint Lead Managers and their respective directors, officers, employees and agents in respect of any loss, cost, liability or expense sustained or incurred as a result of the subscriber breaching the selling restrictions contained in this schedule of this Terms Sheet.

Australia

No prospectus, product disclosure document or other disclosure document (as defined in the Corporations Act 2001 of Australia (**Corporations Act**)) in relation to the Notes has been, or will be, lodged with the Australian Securities and Investments Commission (**ASIC**). No action has been taken which would permit an offering of the Notes in circumstances that would require disclosure under Parts 6D.2 or 7.9 of the Corporations Act. The LDD and this Terms Sheet are issued by Heartland Bank who is not licensed in Australia to provide financial product advice in relation to the Notes. An investor in the Notes will not have cooling off rights.

The Notes may not be offered (directly or indirectly) for issue, applications may not be invited for the issue and the Notes may not be transferred in, or into, Australia (including an offer or invitation which is received by a person in Australia) and the LDD or this Terms Sheet (or any other offering material or advertisement in relation to the Notes) may not be distributed or published in Australia unless:

- the aggregate consideration payable by each offeree to the offeror or by the transferee to the transferor is at least A\$500,000 (or its equivalent in an alternate currency and, in either case, disregarding moneys lent by the offeror or transferor or its associates to the offeree or transferee);
- the offer or invitation otherwise does not require disclosure to the offeree or transferee under Part 6D.2 or Chapter 7 of the Corporations Act;
- such offer is not made to a person who is a “retail client” within the meaning of section 716G of the Corporations Act;
- for so long as the directive issued by the Assistant Treasurer of the Commonwealth of Australia dated 23 September 1996 as contained in Banking (Exemption) Order No. 82 (or any successor or replacement instrument) remains in force, the offers and any transfers comply with such instrument as in force at the relevant time (which, as at the Issue Date, requires that any transfers are for parcels of not less than A\$500,000 in aggregate principal amount);
- such action complies with applicable laws and directives in Australia; and
- such action does not require any document to be lodged with ASIC.

Relevant Member States of the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) no Notes have been offered and no Notes will be offered that are the subject of the offering contemplated by the LDD or this Terms Sheet in relation thereto to the public in that Relevant Member State except that an offer of Notes to the public in the Relevant Member State may be made with effect from the Relevant Implementation Date:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the any of the Joint Lead Managers for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Notes shall require Heartland Bank, the Joint Lead Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of the Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Relevant Member State by any measure implementing the **Prospectus Directive** in that Relevant Member State, and the expression Prospectus Directive means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

No communication, invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (**FSMA**)) has been or may be made or caused to be made or will be made in connection with the issue or sale of the Notes in circumstances in which section 21(1) of the FSMA applies to Heartland Bank.

All applicable provisions of the FSMA with respect to anything done in relation to the Notes in, from or otherwise involving the United Kingdom must be complied with.

Japan

The Notes have not been and will not be registered in Japan pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **FIEA**) in reliance upon the exemption from the registration requirements since the offering constitutes the small number private placement as provided for in “*ha*” of Article 2, Paragraph 3, Item 2 of the FIEA. A Japanese Person who transfers the Notes shall not transfer or resell the Notes except where the transferor transfers or resells all the Notes en bloc to one transferee. For the purposes of this paragraph, **Japanese Person** shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Singapore

Neither the LDD or this Terms Sheet have been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Notes have not been and will not be offered or sold, or made the subject of an invitation for subscription or purchase nor may the LDD, this Terms Sheet or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (**SFA**) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Hong Kong

No Notes have been offered or sold or will be or may be offered or sold in Hong Kong, by means of any document other than (a) to **professional investors** as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a **prospectus** as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O.

No advertisement, invitation or document relating to the Notes may be issued or in the possession of any person or will be issued or be in the possession of any person in each case for the purpose of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to **professional investors** as defined in the SFO and any rules made under the SFO.

