

Other Information

This document contains other information required to be contained in the register entry or which is considered material to the offer but which is not contained elsewhere in the limited disclosure document (**LDD**) or the register entry for the offer.

Capitalised terms used but not defined in this document have the meanings given to them in the LDD.

Summary

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1. Total estimated costs of offer and issue

Heartland Bank estimates that the total costs it will incur in connection with the offer and issue of the Notes will be \$1,218,000. This estimate includes syndicate fees, brokerage and firm allocation fees, legal fees, registry, printing, distribution and promotion expenses and any other fees or expenses that Heartland Bank expects to incur in connection with the offer.

The amount of syndicate fees payable by Heartland Bank in connection with the offer will vary depending on the amount raised under the offer. Heartland Bank estimates that it will pay \$357,000 in syndicate fees, assuming \$150 million of Notes are issued under the offer.

Syndicate fees will be payable by Heartland Bank to the Arranger to be distributed as applicable. Syndicate fees are payable for providing advice and assistance to Heartland Bank in connection with arranging, managing and marketing the offer and distributing the Notes.

2. Tax

The following is a general summary of the New Zealand tax implications arising in relation to the Notes. It is designed to supplement the information in section 7 of the LDD (Tax).

If you have any questions regarding the tax consequences of investing in the Notes, including any questions in respect of this summary and section 7 of the LDD (Tax), you should seek professional advice on those consequences.

2.1 New Zealand taxation

As stated in section 7 of the LDD (Tax), resident withholding tax (**RWT**) will be deducted from interest paid to New Zealand tax resident Holders unless a valid RWT exemption certificate has been provided to the Securities Registrar on or before the record date for the relevant payment. RWT will also be deducted from non-tax resident Holders who:

- are engaged in business through a fixed establishment in New Zealand (and their Notes are held for the purposes of that business); or
- are a registered bank engaged in business in New Zealand through a fixed establishment; or
- hold the Note jointly and at least one of the joint Holders is New Zealand tax resident.

Approved issuer levy

New Zealand law ordinarily requires non-resident withholding tax (**NRWT**) to be deducted from interest paid to all other non-tax resident Holders (**non-New Zealand Holders**). However, Heartland Bank intends to register the Notes for approved issuer levy (**AIL**) and, where it is eligible to do so and unless the Holder notifies Heartland Bank and Heartland Bank agrees that NRWT should be withheld, to pay AIL in lieu of withholding NRWT. Any AIL paid by Heartland Bank other than at the rate of 0% will be deducted from the interest paid to the Holder.

Where a non-New Zealand Holder holds the Note jointly with a New Zealand tax resident, NRWT must be deducted from interest paid to the non-New Zealand Holder at the applicable rate of RWT. Payment of the approved issuer levy does not allow a zero per cent rate of NRWT in this case. Relief from New Zealand tax under an applicable double taxation treaty may be available, but only on application to the New Zealand Inland Revenue Department for a refund of over-deducted tax. Heartland Bank will not pay any further amounts to the Holder in respect of NRWT deducted in that case or otherwise reimburse or compensate the Holder.

3. Other risks faced by banks and other financial institutions

The following is further information about the other risks faced by banks and other financial institutions. It is designed to supplement the information in section 8 of the LDD (Other risks faced by banks and other financial institutions).

3.1 Heartland Bank could suffer losses as a result of exposure to operational risk, including cyber risk

As stated in the LDD, Heartland Bank is dependent on its ability to process and monitor, on a daily basis, a large number of transactions. This may be affected by human error, intentional actions such as theft or fraud, improper business practices, the failure of internal or external processes and systems, or external events which are wholly or partially beyond Heartland Bank's control. In particular, there is a risk that Heartland Bank's operating systems may fail or become disabled as a result of cyber-attacks.

Any one of those things may result in a loss or theft of customer data, an inability to service customers in a timely manner and, ultimately, financial loss.

To ensure appropriate responsibility is allocated for the management, reporting and escalation of operational risk, Heartland Bank operates a “three lines of defence” model which outlines principles for the roles, responsibilities and accountabilities for operational risk management.

The first line of defence is the business line management, which includes regular testing and certification of the adequacy and effectiveness of controls and compliance with Heartland Bank’s policies.

The second line of defence is the Risk and Compliance function, which is responsible for the design and ownership of the Operational and Compliance Risk Framework. It incorporates key processes including Risk and Control Self-Assessment, incident management, independent evaluation of the adequacy and effectiveness of the internal control framework, and the self-certification process.

The third line of defence is audit, which independently assesses how effectively Heartland Bank manages its risk according to stated risk appetite.

3.2 Heartland Bank is exposed to risk from non-compliance with, or changes to, laws, regulations or standards

As stated in the LDD, Heartland Bank operates in an environment of significant regulatory oversight and is subject to extensive regulation by New Zealand and Australian regulators, particularly relating to capital levels, liquidity levels and solvency provisioning in New Zealand.

If Heartland Bank’s compliance controls were to fail significantly or be set inappropriately, or Heartland Bank or its compliance controls do not meet legal or regulatory expectations, Heartland Bank may be exposed to fines, public censure, litigation, settlements, restitution to customers, regulators or other stakeholders, enforced suspension of operations or loss of licence to operate all or part of its businesses.

Changes to these laws and regulations and/or to the manner in which they are applied could affect Heartland Bank in unpredictable and potentially significant ways. These could include, for example, restricting the types of financial services and products that Heartland Bank can offer or increasing the ability of competitors to offer financial services and products, as well as imposing more burdensome accounting standards, taxation laws or regulatory (including capital) requirements. The Reserve Bank of New Zealand is currently undertaking a review of the types of instruments which qualify as regulatory capital for registered banks. While the final outcome of the review is not yet known, Heartland Bank anticipates that it will be able to smoothly transition to any altered requirements.

Heartland Bank’s approach to management of operational risk (outlined above) includes a framework to manage compliance risk. To the extent possible, Heartland Bank also monitors proposed regulatory changes to ensure it can make a smooth transition to any new requirements.