

Heartland Bank Limited Limited Disclosure Document

OFFER OF MEDIUM TERM FIXED RATE NOTES

Dated 18 August 2017



This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on www.companiesoffice.govt.nz/disclose.

Heartland Bank Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.

1. KEY INFORMATION SUMMARY

1.1 What is this?

This is an offer of unsecured, unsubordinated medium term fixed rate notes (**Notes**). The Notes are debt securities issued by Heartland Bank Limited (**Heartland Bank**). You give Heartland Bank money, and in return Heartland Bank promises to pay you interest and repay the money at the end of the term. If Heartland runs into financial trouble, you might lose some or all of the money you invested.

1.2 About the Heartland Bank Group

Heartland Bank is the holding company of the Heartland Bank Group. The principal activities of the Heartland Bank Group are the raising of funds (primarily from retail depositors in New Zealand) and providing funding and other financial services to small-to-medium sized businesses, and the rural and household sectors in New Zealand, directly and through its various intermediaries. The Heartland Bank Group also provides funding to small-to-medium sized businesses and the household sector in Australia, directly and through its various intermediaries.

Heartland Bank is a registered bank in New Zealand under the Reserve Bank of New Zealand Act 1989. Heartland Bank's ordinary shares are listed on the New Zealand stock exchange (**NZX**). Information about Heartland Bank and Heartland Bank's financial statements are published quarterly in disclosure statements required under the Reserve Bank of New Zealand Act 1989. Heartland Bank's quarterly disclosure statements can be viewed and downloaded from Heartland Bank's website at www.heartland.co.nz/documents-and-forms.

1.3 Purpose of this offer

The purpose of this offer is to raise money for the general corporate purposes of Heartland Bank.

1.4 Key terms of the offer

Description of the debt securities: Unsecured, unsubordinated, medium term, fixed rate notes.

Term and Maturity Date: 5 years maturing on 21 September 2022.

Interest Rate: The Interest Rate will be fixed for the term of the Notes. The Interest Rate will be the greater of:

- 4.50% per annum; and
- the aggregate of the Base Rate (a benchmark interest rate for a term of 5 years) and the Margin.

See section 5 of this limited disclosure document (**LDD**) (Key features of the Notes) for more information. The Interest Rate will be announced on or about 29 August 2017 by Heartland Bank.

Interest Payment Dates: Each 21 March and 21 September during the term of the Notes, commencing on 21 March 2018.

Opening Date of Offer: 30 August 2017.

Closing Date of Offer: 3.00p.m. 18 September 2017.

Brokerage: You are not required to pay Heartland Bank any amounts over and above the Issue Price in connection with your application for Notes. However, you may have to pay brokerage to any firm from whom you receive an allocation of Notes.

1.5 No guarantee

Heartland Bank is solely responsible for the repayment of the Notes. The Notes are not guaranteed by any other member of the Heartland Bank Group or any other person.

1.6 How you can get your money out early

Neither you nor Heartland Bank is able to redeem your Notes before the end of their term. However, Heartland Bank may be required to repay the Notes early if an Event of Default occurs. See section 5 of this LDD (Key features of the Notes) for more information on Events of Default.

Heartland Bank intends to quote these Notes on the NZX Debt Market. This means you may be able to sell them on the NZX Debt Market before the end of their term if there are interested buyers. If you sell your Notes, the price you get will vary depending on factors such as the financial condition of the Heartland Bank Group and movements in the market interest rates. You may receive less than the full amount that you paid for them.

1.7 How the Notes rank for repayment

The Notes will rank equally with Heartland Bank's other unsecured and unsubordinated obligations. This means that if Heartland Bank is put into liquidation your rights and claims as a Holder:

- will rank after all secured creditors and creditors preferred by law (e.g. the IRD in respect of certain unpaid taxes);
- will rank equally with other Holders and with all other unsecured, unsubordinated creditors (including depositors, holders of any other notes issued under the Deed Poll and Heartland Bank's other debt issuance programmes, and trade and general creditors); and
- will rank ahead of holders of subordinated debt and shares in Heartland Bank.

More information on how the Notes rank for repayment can be found in section 5 of this LDD (Key features of the Notes).

1.8 No security

The Notes are not secured against any asset of Heartland Bank or any of its Subsidiaries.

1.9 Key risks affecting this investment

Investments in debt securities have risks. A key risk is that Heartland Bank does not meet its commitments to repay you or pay you interest (credit risk). Section 6 of this document (Risks of investing) discusses the main factors that give rise to the risk. You should consider if the credit risk of these debt securities is suitable for you.

The interest rate for these Notes should also reflect the degree of credit risk. In general, higher returns are demanded by investors from businesses with higher risk of defaulting on their commitments. You need to decide whether the offer is fair. Heartland Bank considers that the most significant risk factors are:

- As Heartland Bank's core business is lending money, Heartland Bank faces the risk of borrowers defaulting on their obligations which could adversely affect Heartland Bank's business. A significant portion of Heartland Bank's lending is to the household sector in New Zealand and Australia. The economic performance of the New Zealand and Australian household sectors will therefore affect how this risk impacts Heartland Bank.
- Heartland Bank funds its business operations from retail deposits and funding from financial institutions. Adverse market conditions (such as a downturn in the New Zealand or Australian economies) may adversely affect these sources of funding. Heartland Bank's small size and credit rating affect how that risk impacts Heartland Bank.

These risks reflect the nature of Heartland Bank's business as a financial institution and the financial services industry in which it operates.

This summary does not cover all of the risks of investing in the Notes. You should also read section 3 (Terms of the Offer), section 5 (Key features of the Notes), section 6 (Risks of investing) and section 8 (Other risks faced by banks and other financial institutions).

1.10 What is Heartland Bank's credit rating?

A credit rating is an independent opinion of the capability and willingness of an entity to repay its debts (in other words, its creditworthiness). It is not a guarantee that the financial product being offered is a safe investment.

A credit rating should be considered alongside all other relevant information when making an investment decision.

Heartland Bank has been rated by Fitch Ratings. Fitch Ratings gives ratings from "AAA" through to "C", excluding ratings attaching to entities in default.

Heartland Bank's credit rating is BBB with a stable outlook. The expected credit rating of the Notes is BBB.

The following table describes the range of credit rating grades available:

Summary descriptions of Fitch ratings	Rating*	Probability of default ¹
The following grades display investment grade characteristics:		
Exceptionally strong capacity for payment of financial commitments.	AAA	1 in 600
Very strong capacity for payment of financial commitments.	AA	1 in 300
Strong capacity for payment of financial commitments, but may be more vulnerable to adverse business or economic conditions than is the case for higher ratings.	A	1 in 150
Adequate capacity for payment of financial commitments, but adverse business or economic conditions are more likely to impair the capacity of the obligor to meet its financial commitments.	BBB**	1 in 30
The following grades have predominantly speculative characteristics:		
Elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time. However, business or financial flexibility exists that supports the servicing of financial commitments.	BB	1 in 10
Material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.	B	1 in 5
Default is a real possibility.	CC	1 in 2
Default or default-like process has begun, or the issuer is in standstill.	C	-

* Credit ratings from Fitch Ratings may be modified by the addition of "+" or "-" to show the relative standing within the "AA" to "B" categories.

** Heartland Bank's credit rating is BBB/Stable. Heartland Bank expects that the credit rating assigned to the Notes by Fitch Ratings will be BBB.

¹ The approximate median likelihood that an investor will not receive payment on a five-year investment on time and in full based upon historical default rates (source: Reserve Bank of New Zealand publication 'Know your Credit Ratings', dated March 2010).

CONTENTS

1. KEY INFORMATION SUMMARY	3
2. KEY DATES AND OFFER PROCESS	6
3. TERMS OF THE OFFER	7
4. PURPOSE OF THE OFFER	9
5. KEY FEATURES OF THE NOTES	9
6. RISKS OF INVESTING	10
7. TAX	11
8. OTHER RISKS FACED BY BANKS AND OTHER FINANCIAL INSTITUTIONS	12
9. IMPORTANT INFORMATION FOR AUSTRALIAN INVESTORS	12
10. SELLING RESTRICTIONS	12
11. HOW TO COMPLAIN	14
12. WHERE YOU CAN FIND MORE INFORMATION	15
13. HOW TO APPLY	15
14. CONTACT INFORMATION	15
15. GLOSSARY	16
APPENDIX – APPLICATION FORM	17

2. KEY DATES AND OFFER PROCESS

Key dates	
Rate Set Date	29 August 2017
Opening Date	30 August 2017
Closing Date	3.00 p.m. 18 September 2017
Allotment Date	21 September 2017
Expected date of initial quotation and trading of the Notes on the NZX Debt Market	22 September 2017
First Interest Payment Date	21 March 2018
Interest Payment Dates	Each 21 March and 21 September during the term of the Notes
Maturity Date	21 September 2022

The Opening Date and the Closing Date are indicative only and are subject to change. Heartland Bank has the right in its absolute discretion and without notice to open or close the offer early, to accept late applications, and to extend the Closing Date. If the Closing Date is extended, the Rate Set Date, the Allotment Date, the expected date of initial quotation and trading of the Notes on the NZX Debt Market, the Interest Payment Dates and the Maturity Date may be extended accordingly. Any such changes will not affect the validity of any applications received.

All of the Notes are reserved for clients of the Joint Lead Managers, primary market participants and other approved financial intermediaries. There is no public pool for the offer.

Heartland Bank reserves the right to cancel the offer and the issue of the Notes, in which case all application monies received by Heartland Bank will be refunded (without interest) as soon as practicable and, in any event, within five Business Days.

3. TERMS OF THE OFFER

Issuer	Heartland Bank Limited
Issue Price	NZ\$1.00 per Note.
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.
Offer amount	Up to NZ\$100 million, with the ability to accept up to a further NZ\$50 million in oversubscriptions. Allocation of the Notes (including oversubscriptions) shall be determined by the Arranger in consultation with Heartland Bank.
Minimum application amount	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 and the Margin. <p>The Interest Rate will be announced by Heartland Bank via NZX on or shortly after the Rate Set Date.</p> <p>Further information regarding the Base Rate and the Margin is set out below.</p>
Base Rate	The Base Rate will be the 5 year NZD swap rate as determined by the Arranger in accordance with market convention with reference to Reuters page ICAPKIWISWAP2 on the Rate Set Date, rounded to 2 decimal places, if necessary with 0.005 being rounded up.
Margin	<p>The Margin will be a percentage rate per annum set on the Rate Set Date following a bookbuild process conducted by the Arranger.</p> <p>Under the bookbuild process, certain institutional investors and Primary Market Participants will be invited to submit offers for Notes indicating the volume of Notes which they wish to acquire and the size of the required Margin over the Base Rate. Following this process, Heartland Bank will determine the Margin in consultation with the Arranger.</p>
Indicative Margin Range (for the purposes of the bookbuild)	1.75% to 1.95% per annum. The final Margin may be above or below this range.
Opening Date	30 August 2017.
Closing Date	3.00 p.m. 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.
Interest payments	<p>Interest will be payable semi-annually in arrear in equal amounts on each Interest Payment Date.</p> <p>If the Notes are repaid on a date that is not an Interest Payment Date following an Event of Default, the interest payable on the date of repayment will be adjusted to reflect the number of days from the previous Interest Payment Date (or the Issue Date if the Notes are repaid prior to the first Interest Payment Date) to the date of repayment.</p>
How to apply	Application instructions are set out in section 13 of this LDD (How to apply).
Brokerage	You are not required to pay Heartland Bank any amounts over and above the Issue Price in connection with your application for Notes. However, you may have to pay brokerage to any firm from whom you receive an allocation of Notes.
Quotation	<p>Heartland Bank has applied to NZX for permission to quote the Notes on the NZX Debt Market.</p> <p>NZX ticker code HBL010 has been reserved for the Notes.</p> <p>For details on how to trade notes on the NZX Debt Market refer to "Trading your Notes on the NZX Debt Market" below.</p>
Expected date of initial quotation and trading of the Notes on the NZX Debt Market	22 September 2017.
Minimum transfer amounts	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 (if not zero). NZX has approved these transfer restrictions pursuant to the Listing Rules. A copy of the approval is available on the Disclose Register at www.companiesoffice.govt.nz/disclose .

Trading your Notes on the NZX Debt Market	<p>To be eligible to trade your Notes on the NZX Debt Market you must have an account with a Primary Market Participant, a common shareholder number (CSN) and an authorisation code. If you do not have an account with a Primary Market Participant you should be aware that opening an account can take a number of days depending on the Primary Market Participant's new client procedures.</p> <p>If you do not have a CSN you will be automatically assigned one. If you do not have an authorisation code, it is expected that you will be sent one by the Securities Registrar. If you have an account with a Primary Market Participant and have not received an authorisation code by the date you want to trade your Notes, your Primary Market Participant can arrange to obtain your authorisation code from the Securities Registrar. Your Primary Market Participant will be charged a fee for requesting your authorisation code from the Securities Registrar and may pass this cost on to you.</p>
Early redemption	Neither you, nor Heartland Bank, has any right to require Heartland Bank to redeem your Notes prior to the Maturity Date, except if an Event of Default occurs.
Events of Default	<p>If an Event of Default occurs you may, by notice in writing to Heartland Bank, require any Note you hold to be repaid early.</p> <p>Section 5 of this LDD (Key features of the Notes) contains more information on Events of Default.</p>
Liquidity	If you wish to realise your investment before the Maturity Date, you may offer your Notes for sale at the prevailing market price. If liquidity is low, you may be unable to sell your Notes at an acceptable price or at all.
Entitlement to payments	Holders on the Register as at 5pm on the 10th calendar day before the relevant interest payment date or, if that day is not a Business Day, the preceding Business Day.
Business day convention	If a payment date is not a Business Day, Heartland Bank will make payment on the next Business Day, but no adjustment will be made to the amount of interest payable as a result of the delay in payment.
Ranking of Notes	<p>The Notes are unsecured, unsubordinated obligations of Heartland Bank.</p> <p>The Notes will rank:</p> <ul style="list-style-type: none"> • after all secured creditors and creditors preferred by law; • equally with other Holders and with all other unsecured, unsubordinated creditors; and • ahead of holders of subordinated debt and shares in Heartland Bank. <p>Section 5 of this LDD (Key features of the Notes) contains more information on the ranking of the Notes.</p>
Deed Poll	The terms and conditions of the Notes are set out in the Deed Poll. Holders are bound by, and are deemed to have notice of, the Deed Poll. You may obtain a copy of the Deed Poll free of charge from the Disclose Register at www.companiesoffice.govt.nz/disclose .
Other debt securities	Heartland Bank may issue other series of Notes under the Deed Poll (as well as other debt instruments) without your consent on such terms as it thinks fit.
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 ² 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. A copy of the waiver is available on the Disclose Register at www.companiesoffice.govt.nz/disclose .
Selling restrictions	<p>The offer and subsequent transfers of Notes are subject to the selling restrictions contained in section 10 of this LDD (Selling restrictions).</p> <p>By subscribing for Notes, you agree 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 you breaching the selling restrictions contained in section 10 of this LDD (Selling restrictions).</p>
Governing Law	New Zealand.

² In broad terms the Listing Rules define a member of the public as a person holding less than 10% of the Notes.

4. PURPOSE OF THE OFFER

The purpose of the offer of the Notes is to raise funds for the general corporate purposes of Heartland Bank. The use of the money raised will not change depending on the total amount that is raised.

The offer is not underwritten.

5. KEY FEATURES OF THE NOTES

5.1 General

A number of the key features of the Notes are described in section 3 of this LDD (Terms of the offer). The other key features of the Notes are described below. The information in section 3 and this section includes summaries of certain terms of the Deed Poll. The Deed Poll can be obtained free of charge from the Disclose Register at www.companiesoffice.govt.nz/disclose.

5.2 Ranking

The Notes are unsecured, unsubordinated obligations of Heartland Bank. On a liquidation of Heartland Bank, amounts owing to Holders rank equally with all other unsecured, unsubordinated obligations of Heartland Bank.

Ranking on a liquidation of Heartland Bank	Categories of liabilities/equity	Indicative amounts of existing liabilities and equity of Heartland Bank (NZ\$ million)
Liabilities that rank in priority to the Notes	Secured creditors and creditors preferred by law	\$3.4
Liabilities that rank equally with the Notes (including the Notes)	Unsecured, unsubordinated liabilities (including money owed by Heartland Bank to depositors, holders of other notes issued under the Deed Poll and other debt issuance programmes, and trade and general creditors)	\$2,902.2
Liabilities that rank below the Notes	Subordinated obligations (including regulatory capital instruments that have been issued by Heartland Bank)	\$24.6
Equity	Ordinary shares	\$473.1

The indicative amounts stated in the table:

- assume \$150 million of Notes are issued; and
- are based on the financial position of Heartland Bank as at its most recent balance date (30 June 2017), but adjusted as if \$150 million of Notes had been issued at that date (which means that the amount of liabilities ranking equally with the Notes stated in the table exceeds by \$150 million the corresponding amount derived from Heartland Bank's most recent financial statements).

The actual amounts of liabilities and equity of Heartland Bank at the point of its liquidation will likely be different to the indicative amounts set out above.

Further liabilities ranking equally or in priority to the Notes

There are no restrictions on Heartland Bank creating further liabilities that, on a liquidation of Heartland Bank, would rank equally with, or in priority to, the Notes. Heartland Bank could therefore, at any time after the Issue Date, create further liabilities that rank equally with or in priority to the Notes. These further liabilities could, for example but without limitation, be a new series of notes issued under the Deed Poll.

Events of Default

If an Event of Default occurs, you may give notice requiring early repayment. In these circumstances, Heartland Bank must immediately pay you the Principal Amount of your Notes together with accrued interest. In summary, the Events of Default are:

- Heartland Bank does not pay any amount due in respect of the Notes within 10 Business Days of its due date;
- a receiver, liquidator or provisional liquidator is appointed of, or an encumbrancer takes possession of, or exercises its power of sale in respect of, the whole or any material part of the assets of Heartland Bank (except for the purpose of and followed by a solvent reconstruction); or
- a statutory manager is appointed under the Reserve Bank of New Zealand Act 1989 in respect of Heartland Bank.

For full details of the Events of Default see clause 10.1 of the Deed Poll.

Amending the terms of the Notes

Heartland Bank may amend the provisions of the Deed Poll without the consent of any Holder where such amendment:

- is of a minor, formal, administrative or technical nature;
- is to correct an ambiguity or correct a manifest error;

- is to comply with the requirements or a modification of the requirements of any applicable law or any rules of any stock exchange in New Zealand or elsewhere;
- is necessary for the purpose of obtaining or maintaining a quotation of any Notes on any stock exchange in New Zealand or elsewhere; or
- is expressed to be inapplicable to any Notes then Outstanding.

The terms of the Notes will be amended from the date specified by Heartland Bank.

Heartland Bank may also amend the Deed Poll if the amendment is approved by an Extraordinary Resolution of Holders. Amendments made in accordance with the Deed Poll are binding on you even if you did not agree to them.

6. RISKS OF INVESTING

6.1 General risks

An investment in the Notes is subject to the general risks that:

- Heartland Bank becomes insolvent and is unable to meet its obligations under the Notes, including the obligations to pay interest on, and repay the Principal Amount of, the Notes; and
- if you wish to sell your Notes before maturity:
 - you may be unable to find a buyer for some or all of your Notes due to lack of demand or because the Notes cease to be traded on the NZX Debt Market; or
 - the amount you receive is less than the Principal Amount paid for the Notes due to interest rate movements, changes to the Notes' and/or Heartland Bank's credit rating, fluctuations in credit margins or other market price fluctuations.

6.2 Specific risks relating to Heartland Bank's creditworthiness

Heartland Bank is exposed to a number of risks that may affect its business and therefore its financial performance and creditworthiness. These risks are relevant to an investment in the Notes as:

- they may affect Heartland Bank's ability to pay interest and/or repay principal on the Notes; and
- the value of the Notes may depend at least in part on Heartland Bank's financial performance and creditworthiness.

The risks to which Heartland Bank is exposed are common to other banks and financial institutions. The risks outlined below have been included in this section, as required by applicable securities regulations, as being risks which are particularly significant to Heartland Bank. Section 8 of this LDD contains a summary of certain other risks to which Heartland is exposed. This LDD does not cover all of the risks of investing in the Notes. There is no guarantee or assurance that the significance of different risks will not change or that other risks will not arise over time.

Heartland Bank is exposed to credit risk

As a bank, Heartland Bank's core business is lending money, and it is therefore exposed to the risk that borrowers fail to pay on time or at all, and that it is unable to recover the full amount owed to it (including from any assets held as security, if applicable).

A failure to adequately manage and mitigate credit risk and/or inadequately provide for potential losses could result in Heartland Bank suffering financial losses which in turn could affect its profitability and/or capital position and the credit rating of Heartland Bank (as at the date of this LDD being a rating of BBB/Stable from Fitch Ratings) or the Notes. This could occur as a result of many factors, for example:

- the provision of inaccurate information by borrowers and/or professional advisers;
- the assumptions, forecasts and other information based on which Heartland Bank determines an adequate level of provision for losses being incorrect; or
- a material downturn in the New Zealand or Australian economies which may, among other things, increase unemployment, increase loan defaults and decrease property prices and the prices of other assets held as security.

As detailed in Heartland Bank's most recent disclosure statement,³ over half of Heartland Bank's lending is to the New Zealand and Australian household sectors – of which approximately half comprises reverse mortgage lending in New Zealand and Australia (with the balance mainly comprising motor vehicle lending and personal lending). The remainder of Heartland Bank's lending is to the business sector (mainly lending to small-to-medium sized businesses in New Zealand) and to the rural sector (mainly lending to small to medium sized farmers in New Zealand).

As a result, the economic performance of the New Zealand and Australian household sectors will have a high degree of impact on Heartland Bank's credit risk.

Additionally, the credit risk of Heartland Bank's reverse mortgage product differs from the credit risk of a standard residential mortgage product. Under a standard residential mortgage loan, the borrower repays that loan over an

³ See section 12 (Where you can find more information) of this LDD for information on how to obtain Heartland Bank's most recent disclosure statement.

agreed period of time. A borrower under a reverse mortgage loan is guaranteed lifetime occupancy of the property. They make no payments until they leave the property (interest is capitalised and repaid with principal). The loan is repaid out of the proceeds of sale of the property, to the extent sufficient. Hence, while Heartland Bank does not take payment risk over the term of a reverse mortgage loan, it does take risk on the size of each reverse mortgage loan (including accrued interest) not exceeding the value of the underlying home at the time of repayment. This depends upon the various assumptions made by Heartland Bank as to (amongst other things) house price growth, population ageing and interest rates continuing to be accurate and reliable over time.

Heartland Bank seeks to mitigate credit risk through strategies such as managing sector, geographical and industry concentration and maintaining appropriate credit approval criteria, and also through appropriate pricing and provisioning for risk.

Heartland Bank is exposed to liquidity and funding risk

Heartland Bank relies on its New Zealand retail deposit base as its primary source of balance sheet funding. This is complemented by a number of funding programmes from financial institutions. Heartland Bank's ability to raise retail and institutional funding to support its on-going operations and strategic objectives and/or to obtain such funding on favourable terms may be affected by:

- the level of investor confidence in the New Zealand financial services sector generally, and Heartland Bank in particular;
- the credit rating of Heartland Bank (which may be changed, withdrawn or suspended at any time);
- the appetite for any institutional funder to provide or continue funding any particular funding programme, and Heartland Bank's ability to arrange alternative funding;
- intensified domestic competition for retail deposits brought about by a domestic economic event or disruption to international institutional funding; and/or
- a material downturn in the New Zealand or Australian economies.

Heartland Bank's BBB/Stable issuer credit rating and its comparatively small size may mean that a full range of global capital market funding options are not available to it in the event that any of the above circumstances transpire.

Heartland Bank has a framework for managing its funding and liquidity risk and conducts regular assessments of its funding and liquidity requirements for both the short and medium term. The purpose of the framework is to ensure that its commitments can be met as they fall due under both normal operating and stressed conditions and that it has a diverse and stable funding base that can be responsive to its business needs. The framework also ensures that Heartland Bank is able to comply with minimum funding and liquidity ratios imposed by the Reserve Bank.

Impact of risks

The nature of these risks is such that it is not possible to predict in advance the likelihood of their arising. Nor is it possible to predict the magnitude of their impact if they do, as this will depend entirely on the circumstances.

Heartland Bank expects that, in the normal course of business, the mitigation strategies outlined above should be sufficient to prevent any material adverse effect on Heartland Bank.

However, the risks can become more difficult to manage if unusual circumstances exist, such as material disruptions in funding markets or significant defaults within a particular customer sector. In these circumstances, there are a range of possibilities, depending on the severity of the event:

- the trading price or demand for the Notes may be adversely affected;
- Heartland Bank may be unable to pay interest on the Notes on time, or at all; or
- Heartland Bank may be unable to repay the Principal Amount of the Notes on the Maturity Date.

7. TAX

New Zealand taxation

The returns on the Notes will be affected by taxes.

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-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.

New Zealand law ordinarily requires non-resident withholding tax (**NRWT**) to be deducted from interest paid to all

other non-tax resident Holders. However, Heartland Bank intends to register the Notes for approved issuer levy (**AIL**) and, where eligible to do so, to pay AIL in lieu of withholding NRWT. Any AIL paid by Heartland Bank other than at a rate of 0% will be deducted from the interest paid to the Holder.

The above generalised summary is based on the taxation laws in force in New Zealand as at the date of this document. Future changes to these or other laws may affect the tax consequences of an investment in the Notes. There may be other tax consequences for Holders from acquiring or disposing of the Notes, including under the financial arrangements rules in the Income Tax Act 2007.

Further information on AIL is available in the Disclose Register under the heading Other Information available at www.companiesoffice.govt.nz/disclose.

Tax advice

If you have any questions regarding the tax consequences of investing in the Notes (whether relating to New Zealand or overseas taxation) you should seek professional advice on those consequences.

8. OTHER RISKS FACED BY BANKS AND OTHER FINANCIAL INSTITUTIONS

In addition to the credit and liquidity and funding risks summarised in section 6.2 of this LDD, which are also faced by other banks and financial institutions, Heartland Bank is exposed to a number of other risks in a manner similar to other banks and financial institutions. In order to provide information which is consistent with that provided by other issuers in relation to previous offerings of debt securities similar to the Notes, and to avoid any implication that Heartland Bank is not exposed to those other risks, they are summarised below. Further information about those risks and how Heartland Bank seeks to mitigate them is available in the Disclose Register under the heading Other Information available at www.companiesoffice.govt.nz/disclose.

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

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.

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

Heartland Bank operates in an environment of significant regulatory oversight and is subject to extensive regulation by New Zealand and Australian regulators. Failure to comply with the relevant rules and regulations, and/or changes to those rules and regulations, could adversely affect Heartland Bank's business.

9. 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).

10. SELLING RESTRICTIONS

General

This LDD only constitutes an offer of Notes 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 LDD 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, you agree 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 you breaching the selling restrictions contained in this section 10 of this LDD (Selling restrictions).

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. This LDD is 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 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 this LDD 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

This LDD has not 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 this LDD 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.

11. HOW TO COMPLAIN

If you have any complaints about the Notes, please contact Heartland Bank via the contact details in section 14 of this LDD (Contact information) outlining your problems or concerns. Heartland Bank will endeavour to resolve these issues with you.

If Heartland Bank has not been able to resolve the complaint, you may be able to take your complaint to the Banking Ombudsman Scheme, which is an approved dispute resolution scheme. The scheme will not charge a fee to any complainant to investigate or resolve a complaint and can be contacted at Freepost 218002, PO Box 25327, Featherston Street, Wellington 6146, by phone 0800 805 950 or by email help@bankomb.org.nz.

12. WHERE YOU CAN FIND MORE INFORMATION

Further information relating to Heartland Bank and the Notes is available free of charge on the online Disclose Register maintained by the Companies Office. The Disclose Register can be accessed at www.companiesoffice.govt.nz/disclose. You will need to search for the offer on the Disclose Register.

You can do this by searching for the offer name "Heartland Bank Limited Fixed Rate Medium Term Notes", or by searching for the issuer "Heartland Bank Limited".

A copy of the information on the Disclose Register is also available on request to the Registrar of Financial Service Providers. Please email registrar@fspr.govt.nz. The information contained on the Disclose Register includes a copy of the Deed Poll, a credit rating report from Fitch Ratings in relation to the Notes and other material information.

Further information about Heartland Bank is available in Heartland Bank's most recent disclosure statement (which includes Heartland Bank's most recent financial statements). Heartland Bank's most recent disclosure statement, and other information about Heartland Bank, is available from Heartland Bank's website at <https://shareholders.heartland.co.nz/>.

A printed copy of the most recent disclosure statement will be provided, free of charge, where the request is made at either:

- Heartland Bank Limited's registered office at Level 3, Heartland House, 35 Teed Street, Newmarket, Auckland 1023; or
- any branch or agency of Heartland Bank, in which case it will be provided within two working days.

Heartland Bank releases information from time to time through the New Zealand stock exchange. The most recent releases can be viewed at www.nzx.com/companies/HBL.

13. HOW TO APPLY

All of the Notes are reserved for clients of the Joint Lead Managers, primary market participants and other approved financial intermediaries. There is no public pool for the Notes. If you want to apply for Notes you must contact a Primary Market Participant, the Organising Participant, approved financial intermediary or any other channel approved by NZX. You can find a Primary Market Participant by visiting <https://m.nzx.com/services/market-participants/all-market-participants>.

A Primary Market Participant, the Organising Participant, approved financial intermediary or other channel approved by NZX will:

- explain what you need to do to apply for the Notes; and
- explain what payments need to be made by you (and by when).

The application form for the Notes is attached to this LDD in the appendix, together with instructions on how to complete the application form.

14. CONTACT INFORMATION

Issuer

Heartland Bank Limited

35 Teed Street
Newmarket
Auckland 1023
New Zealand

Attention: General Counsel

Phone: 0508 432 785

Securities Registrar

Link Market Services Limited

80 Queen Street
Auckland 1010

Arranger and Joint Lead Manager

Bank of New Zealand

Level 6, 80 Queen Street
Auckland 1010

Joint Lead Managers

Commonwealth Bank of Australia

(acting through its New Zealand branch)
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)
Westpac on Takutai Square
Level 8, 16 Takutai Square
Auckland 1010
New Zealand

15. GLOSSARY

Term	Meaning
Application Form	The application form for the Notes attached to this LDD in the appendix
Arranger	Bank of New Zealand
Business Day	A day (other than a Saturday or Sunday or public holiday) on which banks are open for the transaction of general banking business in Auckland and Wellington
Deed Poll	The Deed Poll dated 18 August 2017, taken together with the Supplemental Deed for the Notes dated 18 August 2017
Disclose Register	The online offer register maintained by the Companies Office and the Registrar of Financial Service Providers known as "Disclose"
Event of Default	Any of the events described in clause 10.1 of the Deed Poll, and as summarised in section 5 of this LDD (Key features of the Notes)
Extraordinary Resolution of Holders	A resolution passed at a meeting of Holders, which is approved by Holders holding Notes with a Principal Amount of no less than 75% of the aggregate Principal Amount of the Notes held by those persons who are entitled to vote and who vote on the question
Fitch Ratings	Fitch Ratings Ltd
Heartland Bank	Heartland Bank Limited
Heartland Bank Group	Means "banking group" as defined in Heartland Bank's conditions of registration (as amended from time to time)
Holder	A person whose name is recorded in the Register as a holder of a Note
Issue Price	NZ\$1.00 per Note
Joint Lead Managers	Bank of New Zealand, Commonwealth Bank of Australia (acting through its New Zealand Branch), Deutsche Craigs Limited and Westpac Banking Corporation (acting through its New Zealand branch) (ABN 33 007 457 141)
LDD	This limited disclosure document dated 18 August 2017
Listing Rules	The listing rules applying to the NZX Debt Market as amended from time to time
Notes	The notes constituted and issued pursuant to the Deed Poll and offered pursuant to this LDD
NZX	NZX Limited
NZX Debt Market	The debt security market operated by NZX
Organising Participant	Bank of New Zealand
Outstanding	Has the meaning given to it in the Deed Poll
Primary Market Participant	Has the meaning given to that term in the Listing Rules
Principal Amount	NZ\$1.00 per Note
Register	The register of Notes maintained by the Securities Registrar
Securities Registrar	Link Market Services Limited
Subsidiaries	Has the meaning given to it in the Deed Poll

APPENDIX – APPLICATION FORM

COMPLETION OF APPLICATION FORM

These application instructions relate to an application for unsecured, unsubordinated, fixed rate medium term notes (**Notes**), offered by Heartland Bank Limited (**Heartland Bank**) pursuant to a limited disclosure document (**LDD**) dated 18 August 2017 (**Offer**). An application to subscribe for Notes under the Offer must be made on the application form following these application instructions. Unless the context otherwise requires, capitalised terms used in these application instructions have the meanings given to them in the LDD.

You should read and understand the LDD before completing your application. An application will constitute an irrevocable offer by the applicant to subscribe for the aggregate dollar amount of the Notes specified on the Application Form (or such lesser amount which Heartland Bank may determine) on the terms set out in the LDD, the Deed Poll and the Application Form.

A = Applicant Details

Please complete all relevant sections in the Application Form in CAPITAL LETTERS.

Full name details: Insert your full name. Applications must be in the name(s) of natural persons, companies or other legal entities, up to a maximum of three names per application.

Applications by trusts, funds, estates, partnerships or other unincorporated bodies must be made in the individual names of the persons who are the trustees, proprietors, partners or office bearers (as appropriate).

If you are applying on behalf of another person in respect of whom you have the required authority, you should complete the Application Form in their name.

Use the table below to see how to write your name correctly. Applications using the wrong form of name may be rejected.

Type of Investor:	Correct way to write Name:	Incorrect way to write Name:
Individual person	JOHN SMITH	J SMITH
More than one person	JOHN SMITH MICHELLE SMITH	J & M SMITH
Company	ABC LIMITED	ABC
Trusts	JOHN SMITH (JOHN SMITH FAMILY A/C)	SMITH FAMILY TRUST
Partnerships	JOHN SMITH MICHAEL SMITH (JOHN SMITH AND SONS A/C)	JOHN SMITH & SONS
Clubs and unincorporated associations	JANE SMITH (SMITH INVESTMENT CLUB A/C)	SMITH INVESTMENT CLUB
Superannuation funds	JOHN SMITH LIMITED (SUPERANNUATION FUND A/C)	JOHN SMITH SUPERANNUATION FUND

Postal address details: Insert your postal address for correspondence. All communications to you from Heartland Bank or Link Market Services Limited as Registrar (**Registrar**) will be mailed to the person(s) at the address shown (unless you provide an email address in section F of the Application Form). For joint applicants, only one address is to be provided.

Telephone numbers: Insert your telephone number(s) in case the Registrar or Heartland Bank needs to contact you in relation to your application.

By supplying your mobile number you will enable the Registrar to advise you by TXT alerts (post allotment and for New Zealand investors only) of any changes on your holding balance, or if your bank account details or address on the register change, or if a new / replacement FIN has been requested. This feature provides additional security to you as an investor.

B = Application Amount and Payment

Please enter the aggregate dollar amount of Notes that you wish to apply for. Each Note has a principal amount of NZ\$1.00. An application to subscribe for Notes must be for a minimum aggregate dollar amount of NZ\$5,000 and thereafter in multiples of NZ\$1,000.

Payment must be made by direct debit, cheque (or, if the application is for an aggregate dollar amount of NZ\$500,000 or more, by a bank cheque) or (by prior arrangement with the Registrar) through the NZClear System.

If you provide your bank account information to make payment by direct debit, you authorise the Registrar to direct debit the bank account nominated on the Application Form on the day the Application Form is received by the Registrar or any day after that day for the amount applied for on the Application Form or any lesser amount determined by Heartland Bank. You cannot specify a direct debit date and you must ensure that:

- the bank account details supplied are correct;
- sufficient funds in the bank account for direct debit are available on the day the Registrar activates the direct debit;
- the person(s) giving the direct debit instruction has/have the authority to operate the account solely/jointly; and
- the bank account you nominated is a transactional account eligible for direct debit transactions.

If you are uncertain, you should contact your bank or financial institution. Should your direct debit fail, your application will be rejected.

The Registrar will not be able to process your direct debit if you do not sign and date the Application Form. If requested, the Registrar will provide you with a direct debit authority form.

Cheques must be in New Zealand dollars and drawn on a New Zealand branch of a registered bank. Cheques must be made payable to "Heartland Notes Offer", crossed "Not Transferable" and must not be post-dated. Staple your cheque to the completed Application Form.

Your cheque will be banked upon receipt into a designated bank trust account pending allotment of the Notes. The banking of application moneys does not constitute confirmation of allotment of any Notes or acceptance of an offer to subscribe for Notes.

If an applicant normally settles via the NZClear System, this can be done by making arrangements before the Closing Date for settlement with the Registrar. Such application can be settled up to and including the Issue Date.

If an applicant's cheque or direct debit is dishonoured, Heartland Bank may not issue that applicant Notes or may cancel that applicant's allotment of Notes and pursue the applicant for any loss it may suffer.

C = Common Shareholder Number Details

If you have a Common Shareholder Number (**CSN**) please supply your CSN in the space provided. The name and address details on your Application Form must correspond with the registration details under that CSN.

If you do not have a CSN you will be allocated a new CSN under the name provided on the Application Form.

D = Interest and Principal Payments

Payments will be direct credited to your nominated bank account. Please ensure you provide a bank account on the Application Form for this purpose.

If payment to your cash management account with a Primary Market Participant is selected, insert the name of the Primary Market Participant where your cash management account is held and provide your cash management client account number.

E = Provide the requested tax information

If you are a New Zealand tax resident, please enter your IRD number and tick the resident withholding tax (**RWT**) rate that applies to you (or, if you are exempt from RWT, tick the exempt box and attach a photocopy of your RWT exemption certificate to your Application Form). Otherwise, please follow the instructions in the Application Form, tick the appropriate boxes and state your country of tax residence.

If you are a non-resident for New Zealand tax purposes who does not carry on business in New Zealand through a fixed establishment in New Zealand but are a joint applicant with a New Zealand tax resident we recommend that you provide the IRD number of the New Zealand tax resident in this case as if a valid IRD number is not provided, Heartland Bank must deduct RWT at a rate of 33%.

Please refer to section 7 of the LDD (Tax) for further details regarding taxation in relation to the Notes.

F = Electronic Correspondence and Reporting

By supplying your email address Heartland Bank or the Registrar will be able to deliver your investor correspondence to you electronically where possible. This is a much more environmentally friendly, cost effective and timely option than paper based investor mail outs.

G = Signing and Dating

Read the Application Form carefully, including the terms and conditions, and sign and date the Application Form.

The Application Form must be signed by the applicant(s) personally, or by two directors of a company (or one director if there is only one director, whose signature must be witnessed), or in either case by a duly authorised attorney or agent.

If the Application Form is signed by an attorney, the power of attorney document is not required to be lodged, but the attorney must complete the certificate of non-revocation of power of attorney following the Application Form.

If the Application Form is signed by an agent, the agent must complete the certificate of non-revocation of agent following the Application Form.

Joint applicants each must sign the Application Form.

H = Offer Closing Date and Delivery

The Offer will close at 3.00 p.m. on 18 September 2017 (**Closing Date**). Applicants should remember that the Closing Date may be changed at the sole discretion of Heartland Bank. Changes will be advised by NZX announcement. Heartland Bank reserves the right to refuse to accept applications received by the Registrar after the Closing Date of the Offer.

Heartland Bank may accept or reject any application (in whole or in part) without giving any reason.

You should contact your financial adviser for details of how to submit your application. All Notes have been reserved for clients of the Joint Lead Managers, Primary Market Participants and approved financial intermediaries. This means that there is no public pool for the Notes and your completed Application Form, together with means of payment, must be provided to a Joint Lead Manager, Primary Market Participant or other approved financial intermediary in time for your application to be forwarded to the Registrar by 3.00 p.m. on the Closing Date.

Personal Information Rights

Personal information provided by you will be held by Heartland Bank and the Registrar at their respective addresses shown under the "Contact information" section in the LDD or at such other place as is notified upon request. This information will be used for the purpose of managing your investment. Heartland Bank's privacy statement is available online at <https://www.heartland.co.nz/privacy-statement>.

If an individual, you have a right to access and correct any personal information about you under the Privacy Act 1993. You can also access your information on the Link Market Services website: www.linkmarketservices.co.nz (You will be required to enter your holder number and FIN.).

Application Form for Heartland Unsubordinated Notes

This application form (**Application Form**) is issued with the LDD dated and prepared as at 18 August 2017 issued by Heartland Bank Limited (**Heartland Bank**). Please complete this Application Form and return it to, or lodge it with, an appropriate person as specified in section H of the section entitled "Completion of Application Form". Before completing this Application Form, applicants should read the LDD to which this application relates.

A APPLICANT DETAILS REQUIRED

First Name(s):	Family Name:
First Name(s):	Family Name:
First Name(s):	Family Name:
Corporate Name or <<On Account>> :	
Postal Address:	
Telephone Home	Mobile/Work

B APPLICATION AMOUNT AND PAYMENT

Applications must be accompanied by payment in full. Payment must be in New Zealand currency at NZ\$1.00 per Note. Your Application Form must be received by Link Market Services Limited (**Registrar**) by 3.00 p.m., on 18 September 2017).

Applications must be for a minimum of NZ\$5,000 and, thereafter, in multiples of NZ\$1,000. Heartland Bank may accept or reject all or part of this application without giving reason.

Amount of Notes applied for: **NZ\$**

Please make payment by only **ONE of the options** below.

OPTION 1: Direct Debit

Direct debits allow Heartland or its agent to deduct money from your nominated bank account as payment for the amount of Notes applied for (or any lesser amount determined by Heartland Bank) on the date the Application Form is received by the Registrar or any day after that day. If you wish to make payment by this method, please complete your account details below. By signing this Form, the signatory agrees that Heartland, or its agent, is authorised to direct debit the bank account in accordance with the terms specified in the LDD.

Name of Bank	Name of Account
Account number:	
<input type="text"/>	<input type="text"/>
Bank	Suffix

OPTION 2: Cheque

Please attach your cheque for the total amount payable to "Heartland Notes Offer" and crossed "Not Transferrable".

OPTION 3: NZClear

Payment will be made by NZClear as arranged with the Registrar (authorised institutional investors only).

NZClear mnemonic:

C COMMON SHAREHOLDER NUMBER (CSN)

Please note that the application must be in the same name as the CSN below otherwise the application will be deemed to be made without a CSN and a new CSN will be allocated.

If you currently have a Common Shareholder Number (CSN), please enter it here:

D INTEREST AND PRINCIPAL PAYMENTS

You may choose only ONE of the options below. Please tick the box next to your selected option (✓):

- ☐ **OPTION 1: Direct credit to the New Zealand bank account above for direct debit purposes.**
- ☐ **OPTION 2: Direct Credit to the New Zealand into the bank account nominated below.**

Name of Bank	Name of Account
Account number:	
<input type="text"/>	<input type="text"/>
Bank	Suffix

☐ **OPTION 3: Direct credit to my cash management account. Cash Management Client Account number:**

Name of Primary Market Participant where Cash Management Account is held:

E IRD NUMBER & RESIDENT WITHHOLDING TAX

IRD number (only one IRD number is required in respect of joint applications. If you are applying on behalf of a minor (under the age of 18) or a dependant, use their IRD number. If the applicant is a trust, company, partnership or other entity use that entity's IRD number):

--	--	--	--	--	--	--	--	--	--

Please select a resident withholding tax (**RWT**) rate by ticking one of the boxes below (or if you are a non-resident for New Zealand tax purposes select the options further below):

- ☐ 10.5% ☐ 17.5% ☐ 28% (Companies Only) ☐ 30% ☐ 33% (default rate if no IRD number is provided)
- ☐ Exempt (Tick this box if you hold a RWT exemption certificate and attach a copy of the certificate).

If you are not a New Zealand tax resident, please complete the section below:

Are you (1) engaged in business in New Zealand through a fixed establishment in New Zealand (and are your Notes held for the purpose of that business) **OR** (2) are you a registered bank engaged in business in New Zealand through a fixed establishment. If 'yes' to either please provide your IRD number **AND** rate of RWT above. ☐ Yes ☐ No

Is this a joint application by a New Zealand tax resident and a non-resident for New Zealand tax purposes (who does not carry on business in New Zealand through a fixed establishment) in New Zealand (if 'Yes' please provide the New Zealand resident's IRD number AND rate of RWT above). ☐ Yes ☐ No

Please provide your country of tax residency

F ELECTRONIC CORRESPONDENCE & REPORTING

To enable Heartland Bank or the Registrar to provide you with your investor correspondence in relation to your holding in this security electronically, please complete your email address below. If you do not provide an email address, investor correspondence will be mailed to you at the address provided on this Application Form.

G - SIGNATURE(S) OF APPLICANT(S)

I/We hereby acknowledge that I/we have received and read the LDD, and apply for the dollar amount of Notes set out above and agree to accept such Notes or such lesser number as may be allotted to me/us. I/We agree to be bound by the terms and conditions of the Notes and by the provisions set out in the LDD, Deed Poll and this Application Form (**including the terms and conditions following**).

In the case of joint applications, each joint applicant agrees that, unless otherwise expressly indicated in this Application Form, Notes will be held jointly as joint tenants.

Please read the whole of this Application Form before signing (including the terms and conditions following).

All applicants on the Application Form must sign.

Date: _____

Date: _____

Date: _____

TERMS AND CONDITIONS

- (a) I/We agree to subscribe for Notes upon and subject to the terms and conditions of the LDD, Deed Poll, this Application Form, and I/we agree to be bound by the provisions of these documents.
- (b) I/We declare and warrant to Heartland Bank that I/we have received, read and understood the LDD.
- (c) I/We declare that all details and statements made by me/us in this Application Form are complete and accurate.
- (d) I/We certify that, where information is provided by me/us in this Application Form about another person or we give an authorisation on behalf of another person, I/we are authorised by such person to disclose the information to Heartland Bank and the Registrar and to give that authorisation.
- (e) I/We acknowledge that an application cannot be withdrawn or revoked once it has been submitted.
- (f) I/We acknowledge that the Offer is only made in New Zealand and certain other jurisdictions specified in the LDD, and by applying for Notes, I/we warrant that I/we received this offer in New Zealand or are an investor in one of those jurisdictions and I/we are eligible to participate in the Offer.
- (g) I/We agree to provide my/our financial adviser, Heartland Bank and its agents with all requested due diligence information that is required to satisfy applicable laws, such as the customer due diligence obligations under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009.
- (h) I/We agree that my/our financial adviser may provide Heartland Bank and its agents with all due diligence information that is held by, or later provided to, my/our financial adviser in relation to me/us that is required by Heartland Bank to satisfy applicable laws, including the customer due diligence obligations under the Anti-Money Laundering and Countering Financing Terrorism Act 2009.

This Application Form, the Offer and any contract arising out of its acceptance are each governed by New Zealand law.

The information in this Application Form is provided to enable Heartland Bank and the Registrar to process your application, and to administer your investment. By signing this Application Form, each applicant authorises Heartland Bank and the Registrar to disclose information in situations where Heartland Bank or the Registrar are required or permitted to do so by any applicable law or by a governmental, judicial or regulatory entity or authority in any jurisdiction, or in connection with the promotion of any other investment opportunities by Heartland Bank or its related bodies corporate. Personal information will be held by Heartland Bank and the Registrar at their respective addresses shown in the "Contact information" section of the LDD or at such other place as is notified upon request. If you are an individual under the Privacy Act 1993, you have the right to access and correct any of your personal information. You can also access your information on the Registrar's website (www.linkmarketservices.co.nz). You will be required to enter your holder number and FIN.

H SEND APPLICATION AND PAYMENT TO THE INSTITUTION FROM WHOM YOU RECEIVED THIS OFFER DOCUMENT IN TIME SO THAT IT CAN BE FORWARDED AND RECEIVED BY LINK MARKET SERVICES NO LATER THAN 3.00 P.M. ON 18 SEPTEMBER 2017

Investor phone number: +64 9 375 5998

I CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY:

Complete this section if you are acting on behalf of the Applicant on this Application Form for whom you have power of attorney.

I, _____

Of, ** _____ Occupation _____

Hereby Certify:

1. THAT by a deed dated the _____ day of _____

The Donor, _____ Occupation _____

Of, ** _____

appointed me his/her/its Attorney on the terms and conditions set out in the power of attorney.

2. THAT I have executed the application for Notes printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me.

3. THAT at the date of this certificate I have not received notice of any event revoking that power of attorney.

Signed at: _____ This _____ day of _____ 2017

Signature Of Attorney: _____

** Insert place and country of residence. If a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.

J CERTIFICATE OF NON-REVOCATION OF AGENT

Complete this section if you are acting as agent on behalf of the Applicant on this Application Form.

I, _____

Of, ** _____ Occupation _____

Hereby Certify:

1. THAT by the agency agreement dated the _____ day of _____

The Donor, _____

Of, ** _____ Occupation _____

appointed me his/her/its agent on the terms and conditions set out in the agency agreement.

2. THAT I have executed the application for Notes printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me.

3. THAT at the date of this certificate I have not received any notice or information of the revocation of my appointment as agent.

Signed at: _____ This _____ day of _____ 2017

Signature Of Agent: _____

** Insert place and country of residence. If a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.

