

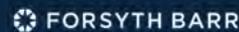


Heartland Bank Limited Subordinated Notes Offer

Investor Presentation

11 April 2023

Joint Lead Managers



Important Information and Disclaimer

This presentation has been prepared by Heartland Bank Limited (“**Heartland**”) in relation to its offer (“**Offer**”) of unsecured subordinated notes (“**Notes**”) to New Zealand investors and certain overseas institutional investors.

A limited disclosure document (“LDD”) has been prepared in respect of the Offer. The LDD is available on the online Disclose Register maintained by the Companies Office at <https://disclose-register.companiesoffice.govt.nz> (offer number OFR 13495) or can be obtained from the Joint Lead Managers or your usual financial advice provider.

Information

This presentation contains summary information about the Notes and Heartland and its activities that is current as at the date of this presentation. The information in this presentation does not purport to be complete nor does it contain all the information which a prospective investor may require in evaluating a possible investment in the Notes. The information in this presentation has been obtained from sources believed to be reliable and accurate at the date of preparation and has been prepared with due care and attention, but its accuracy, correctness, reasonableness and completeness cannot be guaranteed.

No person is under any obligation to update this presentation at any time after its release or to provide further information about Heartland.

Not financial product advice

The information in this presentation is general in nature and does not take account of your individual objectives, financial situation, needs or other circumstances. It does not constitute financial, investment, legal, tax, accounting or other advice or a recommendation to purchase Notes.

You should carefully read and consider the LDD, consider the suitability of an investment in the Notes having regard to your individual risk profile for investments, investment objectives and personal circumstances (including financial and taxation issues) and consult your financial, legal, tax and other professional advisers before deciding to invest in the Notes.

Investment risk

This investment is riskier than a bank deposit. The Notes are complex financial products that are not suitable for many investors. If you do not fully understand how the Notes work or the risks associated with them, you should not invest in them.

Restrictions on distribution

The LDD only constitutes an Offer to investors in New Zealand and to certain overseas institutional investors in accordance with the selling restrictions set out in the LDD.

Heartland has not taken and will not take any action that would permit a public or regulated offering of the 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 compliance with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered.

The LDD and any disclosure statement, information memorandum, prospectus, 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).

Specific selling restrictions will apply to an initial offer of the Notes in Australia, the European Union (excluding Austria), Hong Kong, Japan, Singapore, the United Kingdom and the United States or to US persons.

Disclaimer

To the maximum extent permitted by law, none of Heartland, Westpac Banking Corporation ABN 33 007 457 141 (acting through its New Zealand branch) (“Westpac”) as Arranger, or Westpac, Bank of New Zealand, Craigs Investment Partners Limited or Forsyth Barr Limited as Joint Lead Managers, or their respective directors, officers, employees, agents or advisers, make any representation, recommendation or warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained in this presentation, or in any further information that may at any time be supplied in connection with the Offer or accept responsibility or liability therefor or for any loss or damage howsoever occurring resulting from the use of or reliance on this presentation by any person.

Important Information and Disclaimer (continued)

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This presentation includes certain financial measures that are "non-GAAP (generally accepted accounting practice) financial information" on slide 15. Such financial information and financial measures (including underlying profit or loss, underlying return on equity (ROE) and underlying cost to income ratio (CTI)) do not have standardised meanings prescribed under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and therefore, may not be comparable to similarly titled measures presented by other entities.

Financial data in this presentation is as at 31 December 2022 unless otherwise indicated. Any other financial information provided as at a date after 31 December 2022 has not been audited or reviewed by any independent registered public accounting firm.

Credit rating

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Disclosure regarding forward-looking statements

This presentation may contain certain forward-looking statements with respect to the financial condition, results of or operations and business of Heartland. Forward-looking statements can generally be identified by the use of words such as 'project', 'foresee', 'plan', 'expect', 'aim', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'should', 'will' or similar expressions.

Forward-looking statements in this presentation include statements regarding the timetable and Heartland's strategies and future plans. Any indications of, or guidance or outlook on, future earnings or financial position or performance are also forward-looking statements. All such forward-looking statements involve known and unknown risks, significant uncertainties, assumptions, contingencies, and other factors, many of which are outside the control of Heartland, which may cause the actual results or performance of Heartland to be materially different from any future results or performance expressed or implied by such forward-looking statements.

Such forward-looking statements speak only as of the date of this presentation. Except as required by law or regulation, Heartland undertakes no obligation to update these forward-looking statements for events or circumstances that occur subsequent to the date of this presentation or to update or keep current any of the information contained herein.

Any estimates or projections as to events that may occur in the future (including projections of revenue, expense, net income and performance) are based upon the best judgement of Heartland from the information available as of the date of this presentation. A number of factors could cause actual results or performance to vary materially from the projections, including the risk factors set out in the LDD. Investors should consider the forward-looking statements in this presentation in light of those risks and disclosures.

You are strongly cautioned not to place undue reliance on any forward-looking statements, particularly in light of the current economic climate.

Past performance

Past performance information provided in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) a promise, representation, warranty or guarantee as to the past, present or future performance of Heartland.

Important Information and Disclaimer (continued)

General

For the purposes of this "Important Information and Disclaimer" section, "presentation" means the slides, any oral presentation of the slides by Heartland, any question-and-answer session that follows that oral presentation, hard copies of this presentation and any materials distributed at, or in connection with, that presentation.

The information and opinions contained in this presentation are provided as at the date of this presentation.

Capitalised terms used in this presentation have the same meaning as set out in the LDD, unless the context otherwise requires.

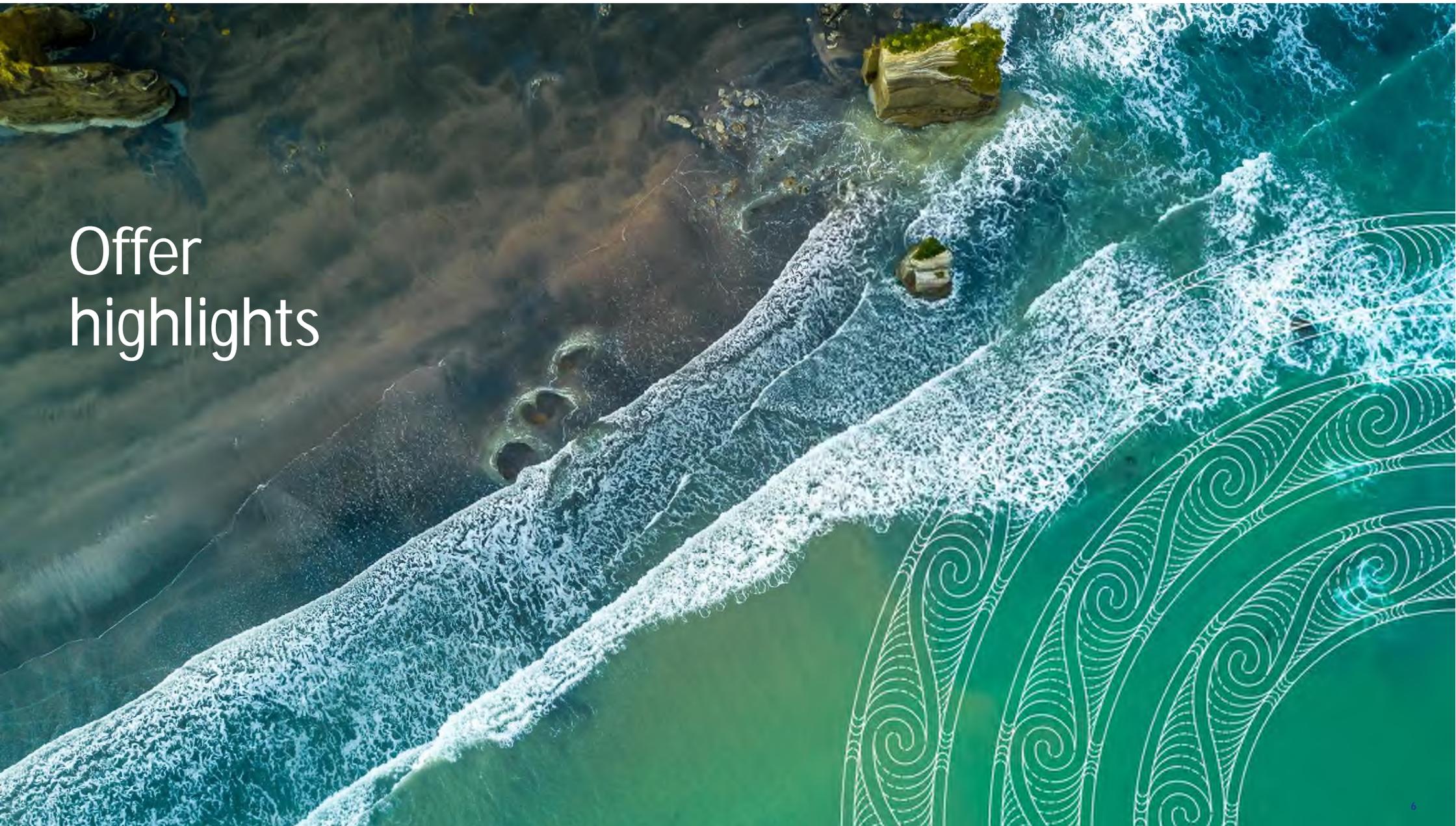
To the maximum extent permitted by law, the information contained in, or otherwise accessible through, the websites mentioned in this presentation do not form part of the presentation unless we specifically state that the information is incorporated by reference thereby forming part of the presentation.



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Offer
highlights



Offer highlights

Issuer	Heartland Bank Limited (" Heartland ").
Description of the Debt Securities	Unsecured subordinated notes (" Notes ").
Offer amount	Up to NZ\$75 million. Heartland reserves the right to accept oversubscriptions of up to an additional NZ\$50 million at its discretion.
Face Value / Issue Price	NZ\$1.00 per Note.
Purpose	The Offer will raise Tier 2 Capital to help Heartland meet its regulatory capital requirements and manage its capital position. The proceeds of the Offer will be used for Heartland's general corporate purposes.
Maturity Date	28 April 2033.
Interest Rate	The interest rate will be a fixed rate for a period of 5 years, after which it will change to a floating rate that resets at quarterly intervals.
Credit Rating	The Notes have a credit rating of BB+ by Fitch Australia Pty Limited.
Quotation	Heartland intends to quote the Notes on the NZX Debt Market. NZX ticker code HBL1T2 has been reserved for the Notes.
No Public Pool	There is no public pool for the Notes. All Notes will be reserved for subscription by clients of the Joint Lead Managers, Primary Market Participants and other persons invited to join the Bookbuild.
Selling Restrictions	The offer of Notes will only be made to investors in New Zealand and to certain overseas institutional investors.
Arranger	Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch) (" Westpac ").
Joint Lead Managers	Bank of New Zealand, Craigs Investment Partners Limited, Forsyth Barr Limited and Westpac.

Heartland overview



Heartland background

- **Heartland Bank Limited (Heartland)** has been a registered bank in New Zealand since December 2012 and has a long history, with roots stretching back to 1875. Heartland focuses on 'best or only' banking products in the household, business and rural sectors, providing customers with savings and deposit products, online home loans, reverse mortgages, business loans, car loans and rural loans through scalable digital platforms. The Notes have a credit rating of BB+ from Fitch Australia Pty Limited (**Fitch**). Heartland has a long-term unsecured credit rating of BBB (stable) from Fitch.
- Heartland is committed to delivering financial solutions through speed and simplicity, particularly via digital platforms which reduce the cost of onboarding and make it easier for customers to open accounts or apply for funds when they need it.
- Heartland's parent company is **Heartland Group Holdings Limited**, which is a financial services group with operations in New Zealand and Australia and is listed on the NZX Main Board and on the ASX under a foreign exempt listing.

Strategic progress

Heartland's strategic vision is to provide **best or only products via scalable digital platforms**, achieved through the below objectives.

Business as usual growth



Total gross receivables of \$4.7bn as at 31 Dec 2022, as reported on in "**Portfolio breakdown**", slide 12.



Heartland experienced the **highest growth rate in retail deposits of all main and domestic banks in NZ**.¹



Heartland awarded **Canstar NZ's Bank of the Year – Savings** for fifth consecutive year.²



Expanded Online Home Loans criteria to permit lending against terraced homes and townhouses.



Introduced a **Guaranteed Future Value product across the Opel vehicle range**.

Frictionless service at the lowest cost



Ongoing development of **new functionality and digital platforms** to enable increased self-service.



Core banking system upgrade almost complete.



Heartland Mobile App users up 46% from July 2022.



Calls per customer to Motor, Deposits and Business teams reduced by 7% from July to December 2022.

Acquisitions



Exploring acquisitions where there is a fit with Heartland's strategic vision and the opportunity to add value, either as a means of adding scale or technology.

¹ Based on balance sheet data from the RBNZ for the first quarter (Q1) of FY2023.

² Awarded July 2022.

Sustainability

Heartland's sustainability framework is built on the following three key pillars:

Environmental conservation



Lending to new generation vehicles comprised 14% of all vehicle lending in 1H2023.



Launched a green vehicle rate in December 2022.



Undertook ANZSIC¹ code analysis to understand Heartland's exposure to customers in high emitting industries, and industries susceptible to governmental regulations in NZ's journey to carbon-zero by 2050.

Social equity



The **Manawa Ako internship programme** welcomed 25 Māori and Pasifika interns in its sixth intake.



Celebrated the diversity of Heartland's people through various events, including Te Wiki o Te Reo Māori (Māori Language Week), Diwali and several Pasifika language weeks.

Economic prosperity



Heartland consistently offered market leading and competitive deposit rates, **enabling New Zealanders to grow their savings in a high cost of living environment.**



Developed a refix comparison calculator for Online Home Loans, allowing potential applicants to see how much could be saved by refinancing with Heartland.

¹ Australian and New Zealand Standard Industrial Classification (**ANZSIC**).

Portfolio breakdown

	Household				Business		Rural	
	Motor Finance	Reverse Mortgages	Online Home Loans	Personal Loans	Asset Finance	Business	Open for Business	Rural
Product description	Loans to assist customers to purchase a motor vehicle or boat, secured over the relevant asset.	Heartland reverse mortgages enable older home owners to release some of the equity in their home to help them live a more comfortable retirement.	Residential mortgages for purchasing residential property or refinancing an existing residential mortgage.	Unsecured loans to individuals.	Business loans available to small to medium businesses for a variety of purposes, including plant/equipment and working capital.	Includes floorplan lending to vehicle retailers and wholesale facilities to other lenders.	Term loans available to customers for multiple purposes.	Rural loans which include financing for 100% of stock purchases, refinancing/purchasing of a sheep or beef farm or dairy farm.
Finance receivables ^{1,2}	\$1.46bn	\$809m	\$302m	\$55m	\$676m	\$596m	\$133m	\$676m
Net operating income ^{1,2}	\$32.7m	\$20.5m	\$2.1m	\$2.9m	\$14.9m	\$15.8m	\$6.7m	\$16.9m

¹As at 31 December 2022.

²This is reflective of Heartland Bank receivables only.

Financial information

Financial performance (reported)

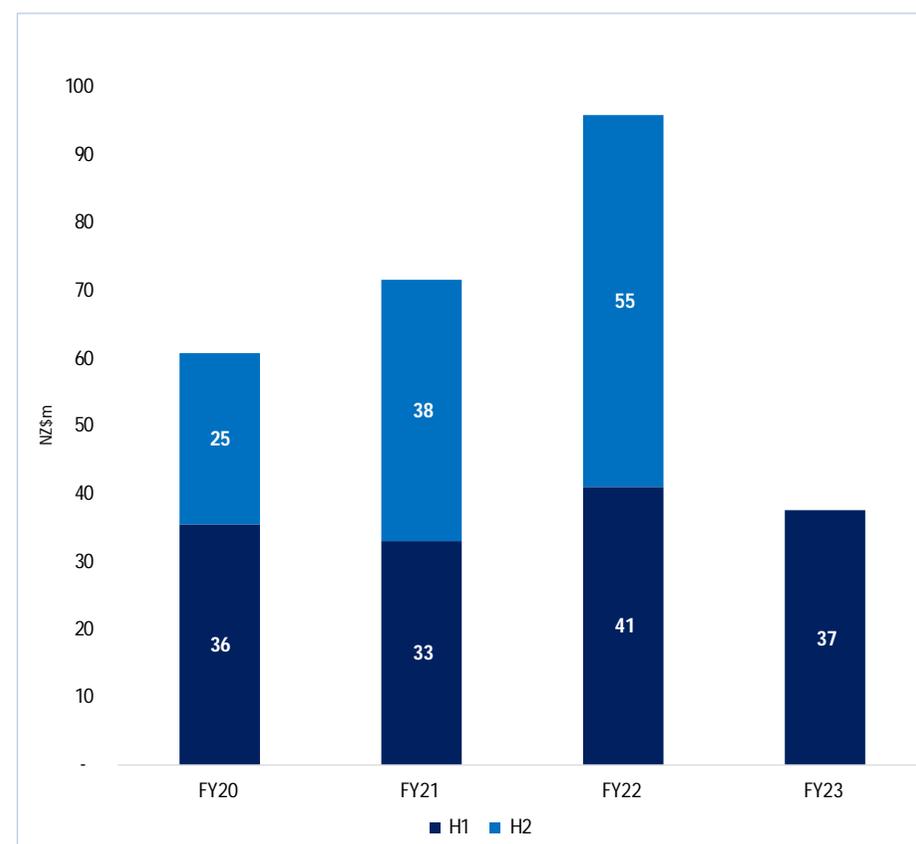
Heartland Income Statement extract

NZ\$m	1H20	1H21	1H22	1H23
Net Operating Income (NOI)	102	104	112	114
Operating Expenses (OPEX)	44	53	48	53
Impairment Expense	9	5	9	9
Net Profit Before Tax (NPBT)	49	46	55	52
Tax Expense	13	13	14	15
Net Profit After Tax (NPAT)	36	33	41	37

Heartland key financial metrics

	1H20	1H21	1H22	1H23
Net interest margin (NIM)	4.52%	4.53%	4.66%	4.15%
Cost to income ratio (CTI)	43.54%	51.33%	42.95%	46.41%
Impairment expense ratio	0.48%	0.24%	0.42%	0.39%
Return on equity (ROE)	12.02%	10.59%	12.26%	10.45%

Heartland reported NPAT



Financial performance (underlying)

The financial information on this slide is non-GAAP financial information. Non-GAAP financial information is provided as a supplementary measure for readers and is used internally by management to assess Heartland's performance alongside NZ GAAP reported measures, where one-offs, both positive and negative, can make it difficult to compare profits between years. However, these do not have standardised meanings and should not be viewed in isolation nor considered a substitute for measures reported in accordance with NZ GAAP, which are set out on slide 14. Non-GAAP financial information has not been subject to review by PricewaterhouseCoopers, Heartland's external auditor.

A reconciliation to GAAP financial information is set out in Appendix 1.

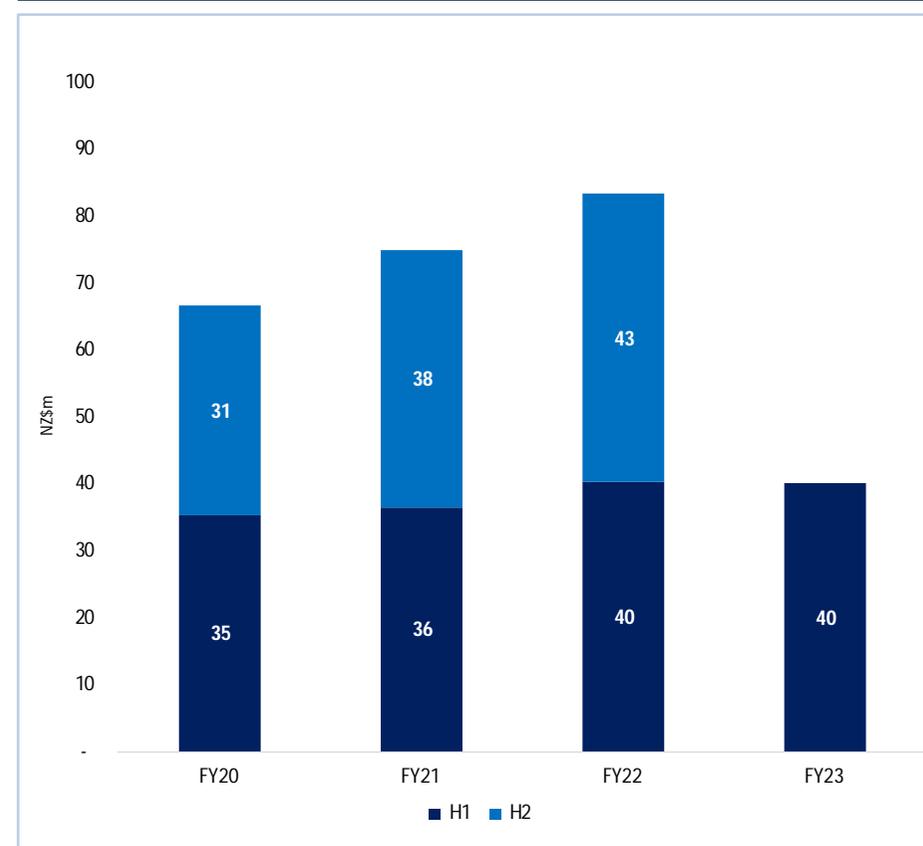
Heartland Income Statement measures

NZ\$m	1H20	1H21	1H22	1H23
Net Operating Income	101	104	112	118
Operating Expenses	43	49	48	53
Impairment Expense	9	5	9	9
Net Profit Before Tax	48	51	56	56
Tax Expense	13	14	16	16
Net Profit After Tax	35	36	40	40

Heartland key financial metrics

	1H20	1H21	1H22	1H23
Net interest margin	4.52%	4.53%	4.66%	4.15%
Cost to income ratio	42.99%	46.79%	42.72%	45.13%
Impairment expense ratio	0.48%	0.24%	0.42%	0.39%
Return on equity	11.93%	11.65%	12.02%	11.14%

Heartland underlying NPAT



Financial position

Heartland Balance Sheet extract

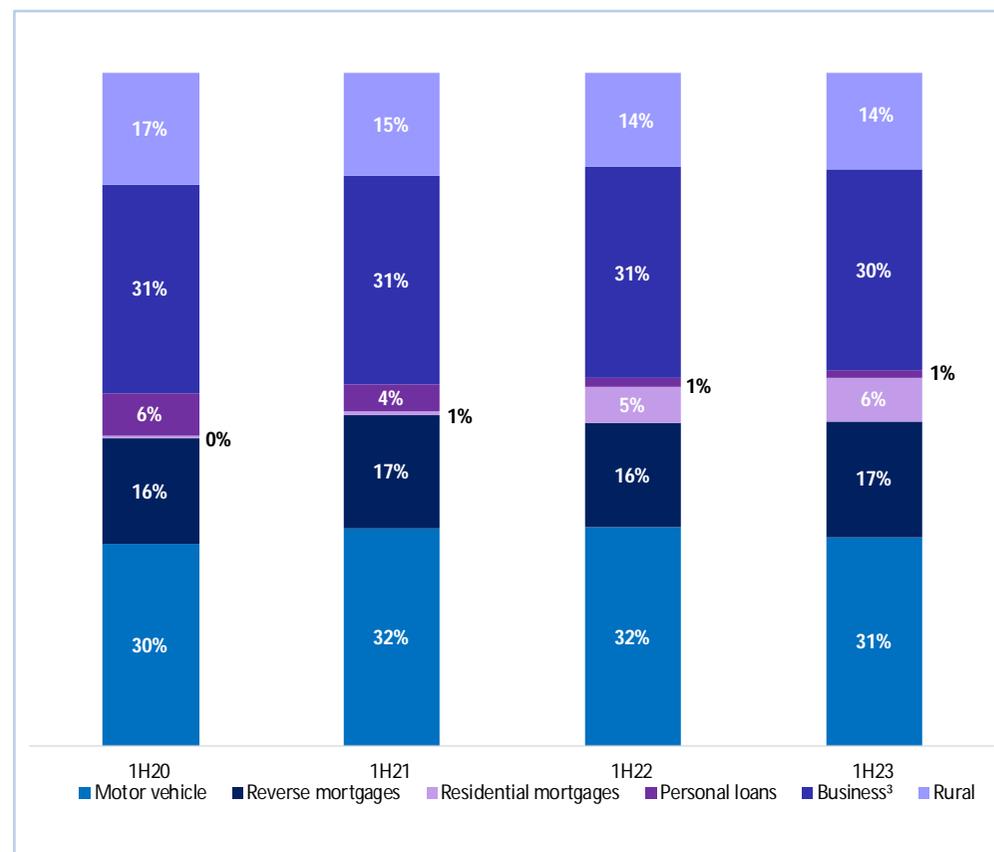
(NZ\$m)	1H20	1H21	1H22	1H23
Liquid Assets	453	582	469	566
Net Finance Receivables	3,687	3,665	4,119	4,661
Other Assets ¹	122	111	115	182
Total Assets	4,262	4,358	4,703	5,409
Retail Deposits	3,244	3,271	3,337	4,078
Other Borrowings	385	390	622	519
Total Funding	3,629	3,661	3,959	4,596
Other Liabilities ²	59	64	61	90
Equity	574	634	683	723
Total Equity & Liabilities	4,262	4,358	4,703	5,409

¹Includes operating lease vehicles, right of use assets, intangible assets, amounts due from related parties, deferred tax asset.

²Includes lease liabilities, tax liabilities, derivative financial instruments, amounts due to related parties, trade and other payables.

³As per 'Business' breakdown on slide 12.

Heartland lending mix



Funding overview

Heartland funding sources as at 31 Dec 2022	Amount (NZ\$)	Maturity
Deposits Comprised of \$825m in a notice saver product, \$807m of callable deposits, \$2,445m of term deposits	\$4,078m	-
Retail Bond	\$120m	12-Apr-24
Heartland Auto Receivables Warehouse Trust 2018-1 Heartland's auto securitisation warehouse with a facility limit of \$400m	\$191m	29-Aug-24
Commercial Paper	\$207m	-

During the six months ended 31 December 2022, Heartland borrowings increased by \$249.7 million (5.7%) to \$4,596.3 million.

- Deposits grew \$480.5 million (13.4%) to \$4,077.7 million, driven by competitive pricing on targeted products, including Heartland's Notice Saver offerings which both received Canstar New Zealand recognition in the six months ended 31 December 2022.¹
- In the three months ended 30 September 2022, Heartland experienced the highest growth rate in retail deposits of all main and domestic banks in NZ.²
- Other borrowings decreased by \$230.8 million (30.8%), largely due to the maturity of \$150 million retail bond, as well as the amount drawn down in Heartland's committed auto warehouse facility decreasing by \$76.6 million.

¹Awarded July 2022.

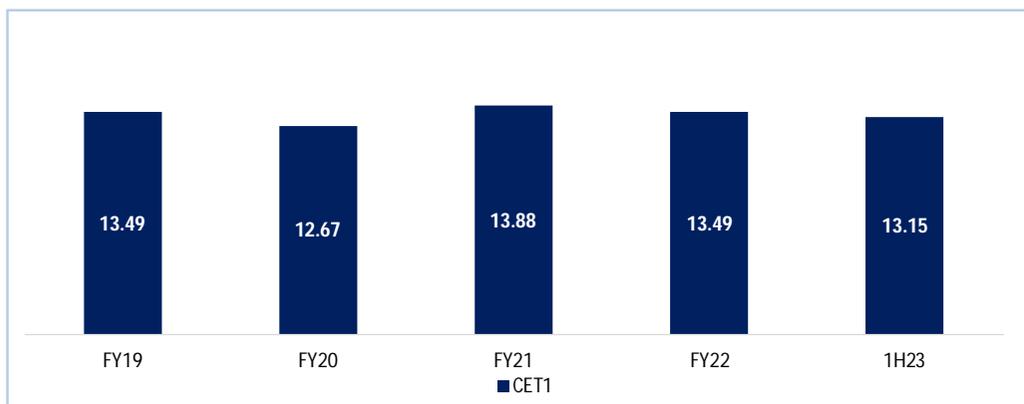
²Based on balance sheet data from the RBNZ.

Capital

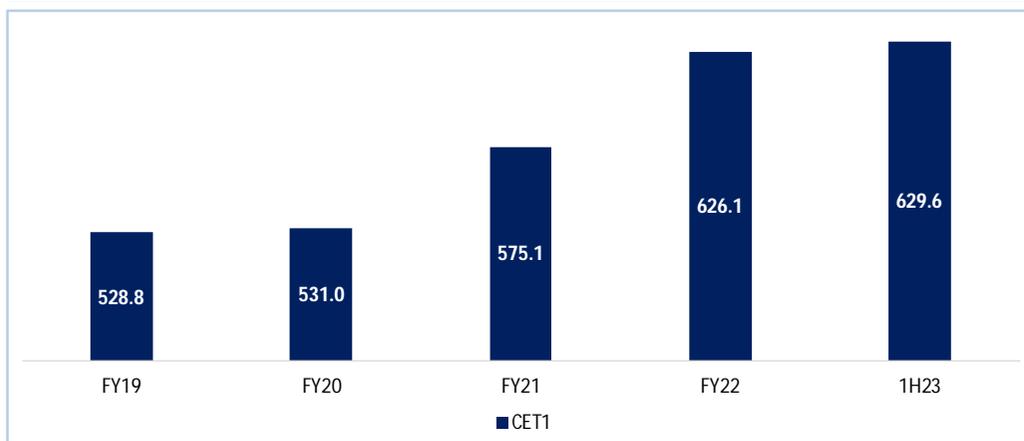


Capital management

Heartland Bank regulatory capital ratios (%)



Heartland Bank regulatory capital (NZ\$m)



Reserve Bank of New Zealand (RBNZ) capital adequacy ratios

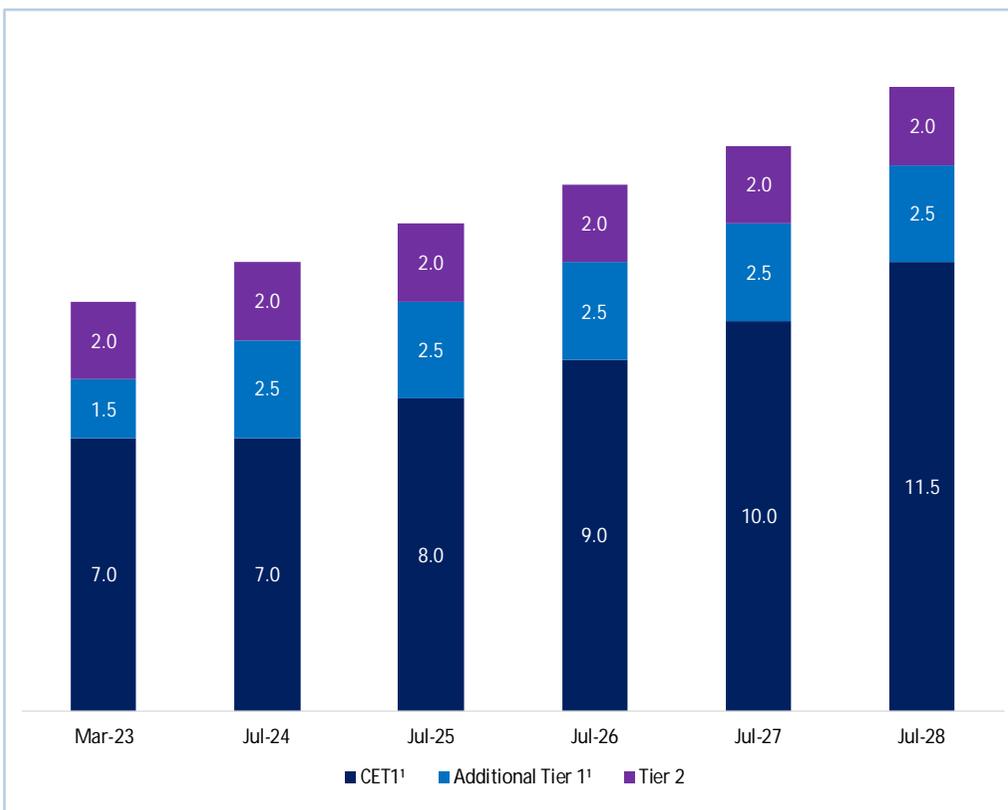
	Regulatory Minimum Dec 22	Prudential capital buffer (PCB)	Regulatory Minimum (inc. PCB) Dec 22	Heartland Bank Dec 22
Common Equity Tier 1 (CET1) capital ratio	4.5%	2.5%	7.0%	13.2%
Tier 1 capital ratio	6.0%	2.5%	8.5%	13.2%
Total capital ratio	8.0%	2.5%	10.5%	13.2%

The information on this slide is based on the information in Heartland's disclosure statement for each period. It is illustrative only and does not guarantee or forecast the future regulatory capital position for Heartland. For example, the information does not take into account the \$30m dividend paid by Heartland to its parent company, Heartland Group Holdings Limited, on 21 March 2023.

- Heartland's regulatory capital ratio remained well in excess of regulatory minimums at 13.15% as at 31 December 2022 (30 June 2022: 13.49%) following the removal of any bank dividend restrictions by the RBNZ on 1 July 2022. Heartland continues to operate significantly in excess of regulatory minimums and is well positioned to meet the RBNZ's future higher capital requirements.
- The RBNZ future capital requirements are for a CET1 capital ratio of 11.50% and a total capital ratio of 16.00% by 1 July 2028.

Future RBNZ capital requirements

Regulatory minimum capital ratios (%)



RBNZ regulatory capital requirements

- In December 2019, RBNZ announced its capital review decisions, which included a requirement for all of New Zealand's banks to increase their capital requirements. For all banks except domestic systemically important banks, this results in an increase in total capital to be held from 10.5% to 16% over the seven years to July 2028.
- These incremental requirements and the associated timeline are shown in the graph to the left.

¹ Tier 1 capital can comprise both CET1 and Additional Tier 1 capital. However, Additional Tier 1 capital can comprise no more than 2.5% of the Tier 1 capital ratio

Summary terms

Summary terms

Description of the Debt Securities	Unsecured subordinated notes.
Ranking in Liquidation	<p>In a liquidation of Heartland, the claims of Holders will rank:</p> <ul style="list-style-type: none"> • behind the claims of all depositors and holders of other senior debt obligations; • equally with the claims of other Holders and any other securities and obligations of Heartland that rank equally with the Notes; and • ahead of the rights of Heartland's shareholders and holders of any other securities and obligations of Heartland that rank behind the Notes.
No Guarantee	The Notes are not guaranteed by any member of the Heartland Banking Group, Heartland Group Holdings Limited (Heartland's parent company) or any other person.
Repayment	<p>The Notes must be repaid by Heartland on the Maturity Date (28 April 2033). Heartland may choose to repay:</p> <ul style="list-style-type: none"> • all or some of the Notes early on the First Optional Redemption Date (being 28 April 2028) or on any Interest Payment Date after that date; or • all (but not some) of the Notes early on any Interest Payment Date if a Tax Event or a Regulatory Event has occurred. <p>Holders have no right to require early redemption, and Holders should not assume that Heartland will elect to repay the Notes before the Maturity Date.</p> <p>Early redemption is subject to certain conditions, including Heartland obtaining the RBNZ's prior written approval (which the RBNZ may not provide) and Heartland satisfying the Solvency Condition.</p>
Interest Payments	Quarterly.
Interest Rate	<p>The interest rate will be a fixed rate for a period of 5 years, after which it will change to a floating rate that resets at quarterly intervals.</p> <ul style="list-style-type: none"> • The interest rate for the first 5 years until the First Optional Redemption Date (28 April 2028) will be a fixed rate equal to the sum of the Swap Rate (a reference rate for a 5 year period) on the Rate Set Date (21 April 2023) plus the Issue Margin, but in any case will be no less than the minimum interest rate announced via NZX on or about the Opening Date. • The interest rate from (and including) the First Optional Redemption Date will be a floating rate which will be reset quarterly to be equal to the sum of the applicable 3 Month Bank Bill Rate (a benchmark interest rate for a 3 month period) plus the Issue Margin.

Summary terms (continued)

Issue Margin	<p>The Issue Margin is the percentage rate per annum determined by Heartland in consultation with the Joint Lead Managers through the Bookbuild. Heartland expects to announce an indicative Issue Margin range (which may be subject to change) via NZX on or about the Opening Date. The actual Issue Margin (which may be above, below or within the announced indicative Issue Margin range) will be announced by Heartland via NZX on or about the Rate Set Date.</p> <p>The Issue Margin will not change.</p>
Minimum subscription amount	<p>NZ\$5,000, and in multiples of NZ\$1,000 thereafter.</p>
Brokerage	<p>0.50% on firm allocations plus 0.50% brokerage, payable by Heartland.</p>

Summary terms (continued)

Interest payments

- The payment of interest on each Interest Payment Date (other than on the Maturity Date (28 April 2033)) is conditional on Heartland satisfying the Solvency Condition.
- The Solvency Condition will be satisfied if Heartland is Solvent¹ at the time the payment is due and Heartland is able to pay the amount and remain Solvent immediately after paying the amount.
- The Solvency Condition does not apply to payments that are required to be made on the Maturity Date or if Heartland is in liquidation.
- If interest is not paid on an Interest Payment Date because the Solvency Condition is not satisfied, the unpaid interest will remain owing, will itself bear interest (at the same rate as the Notes), and will be payable on the earlier of the next Business Day on which the Solvency Condition is satisfied and the Maturity Date.

Events of Default

- The Notes have very limited events of default, as described below:
 - Payment default: an event of default will occur if Heartland fails to pay any amount due in respect of the Notes within 15 Business Days of its due date.
 - Commencement of liquidation: an event of default will occur on the commencement of liquidation of Heartland.
- To the extent that a payment on the Notes is not required to be made because the Solvency Condition is not satisfied or (in the case of early repayment only) the Reserve Bank has not given its prior written approval to the repayment, the amount is not due and payable and a payment default cannot occur.
- If a payment default occurs, the Note holder may only bring proceedings:
 - to recover any amount then due and payable but unpaid on the Notes (subject to satisfaction of the Solvency Condition if the payment of the unpaid amount was subject to the Solvency Condition);
 - for specific performance of any other obligation in respect of the Notes; or
 - for the liquidation of Heartland.
- In addition to the rights listed above, in the case of the commencement of liquidation of Heartland, the Face Value of each Note and any accrued but unpaid interest on the Notes will immediately become due and payable, and a Holder may claim in the liquidation for that amount. In this circumstance, a Holder's claim will be subordinated and it is unlikely that a Holder will receive payment of any amount owing on the Notes.

¹ "Solvent" means satisfying the solvency test contained in section 4 of the Companies Act 1993.

Key dates

Key dates for the Offer	Date
Limited Disclosure Document lodgement	11 April 2023
Opening Date and announcement date of minimum interest rate and indicative Issue Margin range	17 April 2023
Closing Time	11.00am on 21 April 2023
Rate Set Date	21 April 2023
Issue Date / allotment date	28 April 2023
Expected date of initial quotation and trading of the Notes on the NZX Debt Market	1 May 2023

Key dates for the Notes	Date
First Interest Payment Date	28 July 2023
Interest Payment Dates	<ul style="list-style-type: none"> Quarterly in arrear on each 28 January, 28 April, 28 July and 28 October during the term of the Notes, commencing on 28 July 2023; and on the date on which the Notes are repaid
First Optional Redemption Date	28 April 2028
Maturity Date	28 April 2033

Contact details

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Additional information (including a copy of the LDD) can be found at:

<http://www.heartland.co.nz/unsecured-subordinated-notes-offer>





Appendices

Appendix 1: Financial performance - reconciliation

\$m	1H20	1H21	1H22	1H23
Reported NOI	102.2	103.7	112.1	114.5
<i>Less:</i>				
Upfront reverse mortgage fees	1.6	-	-	-
Net fair value gain/loss on investments	-	-	(0.3)	-
Hedge Accounting Impacts	-	-	-	(3.6)
Underlying NOI	100.6	103.7	112.4	118.1
Reported OPEX	44.5	53.3	48.2	53.1
<i>Less:</i>				
Upfront reverse mortgage costs	1.2	-	-	-
Aged items provisions and legacy accruals	-	-	-	(0.2)
Software write offs	-	4.3	-	-
Other non-recurring items	0.1	0.4	0.1	0.0
Underlying OPEX	43.2	48.5	48.0	53.3
Reported impairment expense	9.0	4.5	8.5	9.2
Underlying impairment expense	9.0	4.5	8.5	9.2
Reported NPBT	48.7	46.0	55.4	52.2
<i>Less:</i>				
Total adjustments (as above)	0.4	(4.7)	(0.4)	(3.4)
Underlying NPBT	48.4	50.7	55.9	55.6
Reported NPAT	35.5	33.0	41.0	37.5
<i>Less:</i>				
Post-tax impact of one-offs	0.3	(3.4)	0.8	(2.5)
Underlying NPAT	35.3	36.4	40.2	40.0
Reported NIM	4.5%	4.5%	4.7%	4.2%
Underlying NIM	4.5%	4.5%	4.7%	4.2%
Reported CTI	43.5%	51.3%	42.9%	46.4%
Underlying CTI	43.0%	46.8%	42.7%	45.1%
Reported impairment expense ratio	0.5%	0.2%	0.4%	0.4%
Underlying impairment expense ratio	0.5%	0.2%	0.4%	0.4%
Reported ROE	12.0%	10.6%	12.3%	10.4%
Underlying ROE	11.9%	11.7%	12.0%	11.1%

Thank you

HEARTLAND
BANK



Summary Terms Sheet

as at 11 April 2023

**For an issue of up to NZ\$75 million
Heartland Bank Limited
unsecured subordinated notes**

(with the right to accept oversubscriptions
of up to an additional NZ\$50 million)

HEARTLAND
— BANK —

JOINT LEAD MANAGERS:



This terms sheet (**Terms Sheet**) is a summary only. More details are contained in the Limited Disclosure Document (**LDD**) dated 11 April 2023. The LDD is available free of charge on the online Disclose Register maintained by the Companies Office at www.disclose-register.companiesoffice.govt.nz (offer number OFR13495) or can be obtained from the Joint Lead Managers or your usual financial advice provider.

This investment is riskier than a bank deposit. The Heartland Bank Limited (**Heartland**) unsecured subordinated notes (**Notes**) are complex financial products that are not suitable for many investors. If you do not fully understand how they work or the risks associated with them, you should not invest in them. You should read the LDD and you can seek advice from a financial advice provider to help you make an investment decision.

Capitalised terms used but not defined in this Terms Sheet have the meaning given to them in the LDD unless the context otherwise requires.

Key dates for the Offer

LDD lodgement	Tuesday, 11 April 2023
Opening Date	Monday, 17 April 2023
Rate Set Date	Friday, 21 April 2023
Closing Time	Friday, 11.00am on 21 April 2023
Issue Date/Allotment Date	Friday, 28 April 2023
Expected date of initial quotation and trading of the Notes on the NZX Debt Market	Monday, 1 May 2023

Key dates for the Notes

First Interest Payment Date	28 July 2023
Interest Payment Dates	<ul style="list-style-type: none"> Quarterly in arrear on each 28 January, 28 April, 28 July and 28 October during the term of the Notes, commencing on 28 July 2023; and on the date on which the Notes are repaid
First Optional Redemption Date	28 April 2028
Maturity Date	28 April 2033

Dates may change

The “Key dates for the Offer” (listed above) are indicative only and subject to change. Heartland may, in its absolute discretion, vary these dates (including by opening or closing the Offer early and extending the Closing Time). If the Closing Time is extended, all subsequent dates may also be extended. Any such changes will not affect the validity of any applications received.

Heartland reserves the right to cancel the Offer and the issue of the Notes.

Key risks

Investments in debt securities have risks. A key risk is that Heartland does not meet its commitments to repay you or pay you interest. Section 6 of the LDD discusses the main factors that give rise to this risk.

Overview of the Notes

Issuer	Heartland Bank Limited.						
Description of the Debt Securities	Unsecured subordinated notes.						
Ranking in Liquidation	<p>In a liquidation of Heartland, each Note gives the Holder the right to payment of an amount equal to the Face Value plus all accrued but unpaid interest. The right of Holders to payment of this amount will rank:</p> <ul style="list-style-type: none">• behind the claims of all depositors and other creditors of Heartland, except for the claims and rights described below;• equally with the claims of other Holders and holders of any other securities and obligations that rank equally with the Notes; and• ahead of the rights of Heartland's shareholders and holders of any other securities and obligations of Heartland that rank behind the Notes. <p>In a liquidation of Heartland, it is unlikely that there will be surplus assets available for the liquidator to pay any amount to Holders in respect of the Notes.</p>						
Offer Amount	Up to NZ\$75 million. Heartland reserves the right to accept oversubscriptions of up to an additional NZ\$50 million at its discretion.						
Purpose	<p>The Offer will raise Tier 2 Capital to help Heartland meet its regulatory capital requirements and manage its capital position.</p> <p>The proceeds of the Offer will be used for Heartland's general corporate purposes.</p>						
Regulatory Capital	The Notes will be treated as Tier 2 Capital.						
Credit Ratings	<table border="1"><thead><tr><th></th><th>Senior Credit Rating of the Issuer</th><th>Notes Credit Rating</th></tr></thead><tbody><tr><td>Fitch Australia Pty Limited</td><td>BBB (Stable)</td><td>BB+</td></tr></tbody></table> <p>A credit rating is not a recommendation to buy, sell or hold the Notes or any securities issued by Heartland. Ratings are subject to suspension, revision or withdrawal at any time.</p>		Senior Credit Rating of the Issuer	Notes Credit Rating	Fitch Australia Pty Limited	BBB (Stable)	BB+
	Senior Credit Rating of the Issuer	Notes Credit Rating					
Fitch Australia Pty Limited	BBB (Stable)	BB+					
No Guarantee	The Notes are not guaranteed by any member of the Heartland Banking Group, Heartland Group Holdings Limited (Heartland's parent company) or any other person.						
No Public Pool	There will be no public pool for the Notes. All Notes will be reserved for subscription by clients of the Joint Lead Managers, Primary Market Participants and other persons invited to join the Bookbuild.						
Repayment	Subject to an Early Redemption (see below), the Notes must be repaid by Heartland on the Maturity Date (28 April 2033).						
Amount that is Payable to Holders if the Notes are Repaid	Holders will receive the Face Value of the Notes plus all accrued but unpaid interest on the Notes when the Notes are repaid.						

<p>Early Redemption</p>	<p>Heartland may choose to repay:</p> <ul style="list-style-type: none"> • all or some of the Notes early on the First Optional Redemption Date or on any Interest Payment Date after that date; or • all (but not some) of the Notes early on any Interest Payment Date if a Tax Event or a Regulatory Event has occurred. <p>Early Redemption is subject to certain conditions, including Heartland obtaining the Reserve Bank's prior written approval (which the Reserve Bank may not provide) and Heartland satisfying the Solvency Condition.</p> <p>Holders have no right to require early redemption, and Holders should not assume that Heartland will choose to repay the Notes prior to the Maturity Date or that Heartland will be able to satisfy the conditions that apply to Early Redemption.</p>
<p>Interest Rate</p>	<p>The interest rate will be a fixed rate for a period of 5 years, after which it will change to a floating rate that resets at quarterly intervals.</p> <p>The interest rate for the first 5 years until the First Optional Redemption Date (28 April 2028) will be a fixed rate equal to the sum of the Swap Rate (a reference rate for a 5 year period) on the Rate Set Date (21 April 2023) plus the Issue Margin, but in any case will be no less than the minimum interest rate announced via NZX on or about the Opening Date.</p> <p>The interest rate from (and including) the First Optional Redemption Date will be a floating rate which will be reset quarterly to be equal to the sum of the applicable 3 Month Bank Bill Rate (a benchmark interest rate for a 3 month period) plus the Issue Margin.</p> <p>If the sum of the 3 Month Bank Bill Rate plus the Issue Margin is less than 0% per annum, the floating rate will be deemed to be 0% per annum.</p> <p>The initial interest rate and the Issue Margin will be determined by Heartland following the Bookbuild on the Rate Set Date (21 April 2023), and will be announced by Heartland via NZX on or about that date.</p> <p>Each time the interest rate is reset after the First Optional Redemption Date, the new interest rate will be announced by Heartland via NZX on or about the date it is reset.</p>
<p>Issue Margin</p>	<p>Heartland expects to announce an indicative Issue Margin range (which may be subject to change) via NZX on or about the Opening Date.</p> <p>The Issue Margin (which may be above, below or within the indicative Issue Margin range) will be determined by Heartland in consultation with the Joint Lead Managers through the Bookbuild. The Issue Margin will be announced by Heartland via NZX on or about the Rate Set Date.</p> <p>The Issue Margin will not change.</p>
<p>Swap Rate</p>	<p>The mid-market rate for an interest rate swap with a term of 5 years commencing on the Issue Date, as calculated by the Arranger in consultation with Heartland, according to market convention, with reference to Bloomberg Page ICNZ4 (or any successor page) on the Rate Set Date, expressed as a percentage per annum, adjusted for quarterly payments and rounded, if necessary, to the nearest 2 decimal places with 0.005 being rounded up.</p>
<p>3 Month Bank Bill Rate</p>	<p>In relation to an Interest Payment Date after the First Optional Redemption Date, the FRA rate administered by the New Zealand Financial Benchmark Facility (NZFBF) (or any person that takes over the administration of that rate) for bank bills having a term of, or of about, 3 months as displayed at or about 10.45am (New Zealand time) or such later time as Heartland may determine on the previous Interest Payment Date on Bloomberg BKBM page 'GDGO 2805' (or any successor page) or if that rate is not displayed by 10.45am (New Zealand time) or such later time as Heartland may determine on that date, the equivalent rate provided by the NZFBF (or any person that takes over the administration of that rate) at or around that time on that date, in each case expressed as a percentage per annum and rounded, if necessary, to the nearest 4 decimal places with 0.00005% being rounded up.</p> <p>Heartland is able to replace the 3 Month Bank Bill Rate with an alternative reference rate if the 3 Month Bank Bill Rate becomes unavailable.</p>

Calculation of Interest Payments	<p>Until the First Optional Redemption Date (28 April 2028) interest will be payable in equal amounts on each Interest Payment Date.</p> <p>After the First Optional Redemption Date the interest payable on each Interest Payment Date will be calculated on the basis of the actual number of days from (and including) the previous Interest Payment Date to (but excluding) the Interest Payment Date.</p>
Solvency Condition	<p>The payment of interest or principal in respect of a Note at any time before the Maturity Date or the liquidation of Heartland is subject to the following conditions:</p> <ul style="list-style-type: none"> • Heartland must be Solvent at the time the payment is due; and • Heartland must be able to pay the amount and remain Solvent immediately after paying the amount. <p>The Solvency Condition does not apply to payments that are required to be made on the Maturity Date or if Heartland is in liquidation.</p>
No Event of Default for Failure to Satisfy the Solvency Condition or Due to Reserve Bank	<p>No Event of Default arises if Heartland fails to pay an amount on the Notes on account of not satisfying the Solvency Condition or (in the case of early repayment only) the Reserve Bank has not given its prior written approval to the repayment.</p>
Unpaid Interest Accumulates	<p>If interest is not paid on an Interest Payment Date because the Solvency Condition is not satisfied, the unpaid interest will remain owing, will itself bear interest (at the same rate as the Notes), and will be payable on the earlier of the next Business Day on which the Solvency Condition is satisfied and the Maturity Date.</p>
Events of Default	<p>The Notes have very limited events of default, as described below:</p> <ul style="list-style-type: none"> • Payment default: An event of default will occur if Heartland fails to pay any amount due in respect of the Notes within 15 Business Days of its due date. • Commencement of liquidation: An event of default will occur on the commencement of liquidation of Heartland.
Limited Enforcement Rights and Rights in Liquidation of Heartland	<p>Holders' rights are limited if an event of default occurs, as described below:</p> <p>If a payment default occurs, Holders may only bring proceedings:</p> <ul style="list-style-type: none"> • to recover any amount then due and payable but unpaid on the Notes (subject to satisfaction of the Solvency Condition if the payment of the unpaid amount was subject to the Solvency Condition); • for specific performance of any other obligation in respect of the Notes; or • for the liquidation of Heartland. <p>In the case of the commencement of liquidation of Heartland, the Face Value of each Note and any accrued but unpaid interest on the Notes will immediately become due and payable, and Holders may claim in the liquidation for that amount (on a subordinated basis). It is unlikely that a Holder will receive payment of any amount owing on its Notes in a liquidation.</p>
No Restrictions on Issuing Further Securities or Creating Further Liabilities	<p>There are no restrictions on Heartland issuing further securities or creating further liabilities after the Notes have been issued that rank equally with, or in priority to, the Notes in a liquidation of Heartland.</p> <p>Heartland could therefore, at any time after the Issue Date, issue further securities or create further liabilities that rank equally with or in priority to the Notes.</p>
Business Days (for Interest Payment Purposes)	<p>A day that is not a Saturday or Sunday and on which commercial banks are open for general business in Wellington and Auckland.</p>

Business Day Convention	<p>If an Interest Payment Date on or before the First Optional Redemption Date is not a Business Day, Heartland will make payment on the next Business Day, and no adjustment will be made to the amount of interest payable as a result of the delay in payment.</p> <p>If an Interest Payment Date after the First Optional Redemption Date is not a Business Day, then the Interest Payment Date will be the next Business Day, unless that day falls in the next calendar month, in which case it will be the preceding Business Day, and, in either case, the amount of interest payable will be adjusted to reflect the actual payment date.</p>
Record Date (for Payment Purposes)	<p>In the case of:</p> <ul style="list-style-type: none"> • a payment of interest, the date which is 10 days before the relevant Interest Payment Date or, if that day is not a Business Day, the immediately preceding Business Day; or • a payment of any other amount, a date determined by Heartland and notified to NZX, <p>or in either case such other date as may be required by NZX.</p>
Brokerage	0.50% on firm allocations plus 0.50% brokerage, payable by Heartland.
No Underwriting	The Offer is not underwritten.
Minimum Subscription Amount	NZ\$5,000 and in multiples of NZ\$1,000 thereafter.
Face Value / Issue Price	NZ\$1.00 per Note.
ISIN	NZHBLD01T2L8
Quotation	<p>Heartland intends to quote the Notes on the NZX Debt Market. NZX ticker code HBL1T2 has been reserved for the Notes.</p> <p>NZX is a licensed market operator, and the NZX Debt Market is a licensed market, under the Financial Markets Conduct Act 2013.</p>
Documents	<p>LDD relating to the offer of Notes dated 11 April 2023.</p> <p>Deed Poll and terms of the Notes.</p> <p>Other documents and information are available on the online Disclose Register maintained by the Companies Office at www.disclose-register.companiesoffice.govt.nz (offer number OFR13495).</p>
Governing Law	New Zealand.
Approved Issuer Levy	Heartland intends to register the Notes for approved issuer levy (AIL) and, where it is eligible to do so in respect of interest paid to a non-resident Holder that is subject to the non-resident withholding tax rules (and unless otherwise elected by the Holder), to pay AIL in lieu of deducting non-resident withholding tax. If the Notes qualify for the 0% rate of AIL, Heartland intends to apply the 0% rate, otherwise it will apply AIL at the applicable rate. The amount of any AIL paid will be deducted from payments to the relevant Holder.
Selling Restrictions	<p>The LDD only constitutes an offer of Notes to investors in New Zealand and to certain overseas institutional investors in accordance with the selling restrictions set out in the LDD.</p> <p>Heartland has not taken and will not take any action that would permit a public or regulated offering of the 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).</p>

	<p>The Notes may only be offered for sale or sold in compliance with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered.</p> <p>The LDD and any disclosure statement, information memorandum, prospectus, 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).</p> <p>Specific selling restrictions will apply to an initial offer of the Notes in Australia, the European Union (excluding Austria), Hong Kong, Japan, Singapore, the United Kingdom and the United States or to US Persons.</p>
Arranger	Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch) (Westpac).
Joint Lead Managers	Bank of New Zealand, Craigs Investment Partners Limited, Forsyth Barr Limited and Westpac.
Registrar	Link Market Services Limited.

Limited Disclosure Document

An offer of unsecured subordinated notes

11 April 2023

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

HEARTLAND
— BANK —

JOINT LEAD MANAGERS:



 FORSYTH BARR



1 Key Information Summary

What is this?

This is an offer of unsecured subordinated notes ("**Notes**"). The Notes are debt securities issued by Heartland Bank Limited ("**Heartland**"). You give Heartland money, and in return Heartland 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.

About the Heartland Banking Group

Heartland is a New Zealand owned and operated registered bank under the Banking (Prudential Supervision) Act 1989 ("**BPS Act**"). The principal activities of the Heartland Banking Group are the raising of funds (primarily from retail depositors through Heartland's savings and deposit products) and providing

funding and other financial services to small-to-medium sized businesses, and the rural and household sectors, directly and through its various intermediaries.

Information about Heartland and Heartland's financial statements are published half-yearly in disclosure statements required under the BPS Act. Heartland's disclosure statements can be viewed and downloaded from the section entitled "Disclosure Statements and Quarterly Reports" at Heartland's website at www.heartland.co.nz/about-us/documents-and-forms.

Purpose of this Offer

The Offer will raise Tier 2 Capital to help Heartland meet its regulatory capital requirements and manage its capital position. The proceeds of the Offer will be used for Heartland's general corporate purposes.

Key terms of the Offer

Description of the debt securities	Unsecured subordinated notes
Term	10 years, ending on the Maturity Date (28 April 2033) if not repaid earlier
Offer amount	Up to NZ\$75 million. Heartland reserves the right to accept oversubscriptions of up to an additional NZ\$50 million at its discretion.
Face Value and Issue Price	NZ\$1.00 per Note
Minimum subscription amount	NZ\$5,000, and in multiples of NZ\$1,000 thereafter
Opening Date	17 April 2023
Closing Time	11.00am on 21 April 2023
Interest rate	<p>The interest rate will be a fixed rate for a period of 5 years, after which it will change to a floating rate that resets at quarterly intervals.</p> <p>The interest rate for the first 5 years until the First Optional Redemption Date (28 April 2028) will be a fixed rate equal to the sum of the Swap Rate (a reference rate for a 5 year period) on the Rate Set Date (21 April 2023) plus the Issue Margin, but in any case will be no less than the minimum interest rate announced via NZX on or about the Opening Date.</p> <p>The interest rate from (and including) the First Optional Redemption Date will be a floating rate which will be reset quarterly to be equal to the sum of the applicable 3 Month Bank Bill Rate (a benchmark interest rate for a 3 month period) plus the Issue Margin.</p> <p>If the sum of the 3 Month Bank Bill Rate plus the Issue Margin is less than 0% per annum, the floating rate will be deemed to be 0% per annum.</p> <p>Heartland expects to announce an indicative Issue Margin range (which may be subject to change) via NZX on or about the Opening Date. Heartland will determine the initial interest rate and the Issue Margin (which may be above, below or within the announced indicative Issue Margin range) following the Bookbuild on the Rate Set Date (21 April 2023), and will announce the initial interest rate and the Issue Margin via NZX on or about that date.</p> <p>Each time the interest rate is reset after the First Optional Redemption Date, Heartland will announce the new interest rate via NZX on or about the date it is reset.</p>
Interest Payment Dates	Interest on your Notes is scheduled to be paid quarterly in arrear on each 28 January, 28 April, 28 July and 28 October during the Term and on the date on which your Notes are repaid.

Interest payments are conditional The payment of interest on each Interest Payment Date (other than on the Maturity Date (28 April 2033)) is conditional on Heartland satisfying the Solvency Condition. See Section 5.2 of this LDD (Interest).

Unpaid interest accumulates If interest is not paid on your Notes on an Interest Payment Date because the Solvency Condition is not satisfied, the unpaid interest will remain owing and will itself bear interest. See Section 5.2 of this LDD (Interest).

Fees and charges Heartland will not charge you brokerage or any other fees to apply or subscribe for Notes. However, you may have to pay brokerage to the firm that gives you an allocation of Notes.

No guarantee

The Notes are not guaranteed by any member of the Heartland Banking Group, Heartland Group Holdings Limited (Heartland's parent company) or by any other person. Heartland is solely responsible for repayment of the Notes.

Neither Heartland Group Holdings Limited nor any other company in the Heartland Group Holdings Limited group stands behind or otherwise guarantees the Notes.

How you can get your money out early

Repayment of your Notes

Your Notes are a long term investment with a Term of 10 years. Heartland must repay your Notes on the Maturity Date (28 April 2033).

Heartland may repay:

- all or some of your Notes early on the First Optional Redemption Date (28 April 2028) or on any Interest Payment Date after that date; and/or
- all (but not some) of your Notes early on any Interest Payment Date if a Tax Event or Regulatory Event has occurred.

Early repayment is subject to certain conditions being met (including Heartland obtaining the Reserve Bank's prior approval and the Solvency Condition being satisfied).

See Section 5.3 of this LDD (Repayment of the Notes).

You have no right to require that your Notes be repaid early for any reason.

Sale on NZX

Heartland 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 Banking Group and movements in the market interest rates. You may receive less than the full amount that you paid for them.

How the Notes rank for repayment

In a liquidation of Heartland, each Note gives you the right to payment of an amount equal to the Face Value plus all accrued but unpaid interest. Your right to payment of this amount will rank:

- behind the claims of all depositors and other creditors of Heartland, except for the claims and rights described below;

- equally with the claims of other Holders and holders of any other securities and obligations of Heartland that rank equally with your Notes; and
- ahead of the rights of Heartland's shareholders and holders of any other securities and obligations of Heartland that rank behind the Notes.

In a liquidation of Heartland, it is unlikely that there will be surplus assets available for the liquidator to pay any amount to you in respect of your Notes.

Section 5.7 of this LDD (Ranking) explains how the Notes rank in a liquidation of Heartland.

No security

The Notes are not secured against any asset of any member of the Heartland Banking Group, Heartland Group Holdings Limited or any other person.

Key risks affecting this investment

Investments in debt securities have risks. A key risk is that Heartland 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 considers that the most significant risk factors are:

- Heartland is exposed to the risk that customers or counterparties default on their repayment or other contractual obligations to Heartland. A failure to adequately manage credit risk and/or provide for potential losses may result in Heartland suffering financial losses. Heartland's exposure to the New Zealand household sector (in particular, its motor vehicle and reverse mortgage lending portfolios), asset financing and the business, rural and livestock sectors mean the economic, social and environmental conditions in New Zealand may have a material impact on Heartland's credit risk.
- Heartland funds its business principally from retail deposits, complemented by funding from financial institutions. Heartland's ability to raise retail deposits and obtain institutional funding on acceptable terms may be affected by a range of factors, including a deterioration and/or volatility in market conditions and/or Heartland's credit rating. An inability to obtain

sufficient funding may adversely affect Heartland's financial performance or condition.

- Heartland is exposed to the risk of movements of interest rates. This could adversely affect Heartland's financial performance or condition.
- Heartland is exposed to execution risk as it pursues its growth objectives and may be adversely impacted by the tight labour market. A failure of Heartland to execute its growth strategy within its original timeframes and budget (or at all) may result in costs being incurred by Heartland without equivalent benefits or negatively impact Heartland's ability to compete in an increasingly competitive domestic lending market.
- Heartland relies on the performance, reliability and availability of its information technology, communication and other business systems. Cyber-attacks, interruption or failure of Heartland's key systems and cybersecurity measures or a failure to appropriately implement key technology system upgrades could result in significant disruptions to Heartland's business, reputational damage, heightened regulatory scrutiny and/or impact Heartland's financial performance or condition.
- Heartland could suffer losses as a result of exposure to operational risk factors, such as human error, intentional actions such as theft or fraud, the failure of internal or external processes and systems, or external events which are wholly or partially beyond Heartland's control. This could have an adverse impact on Heartland's operations or reputation and therefore customer demand.
- Heartland operates in an environment of significant regulatory supervision, which is subject to significant changes and extensive and increasing regulation. A failure to comply with the relevant laws, regulations

or legislative policy, and/or changes to those rules and regulations, could adversely affect Heartland's business, financial condition or performance.

If one or more of these risks eventuate, either individually or in combination, the detrimental impact on Heartland's financial performance may in turn:

- adversely affect the market price and liquidity of your Notes; and/or
- result in Heartland not making a payment on your Notes.

This summary does not cover all of the risks of investing in the Notes. You should also read Section 5 (Key features of the Notes) and Section 6 (Risks of investing) of this LDD.

What is the Notes' 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.

The Notes have been rated by Fitch Australia Pty Limited ("**Fitch**"). Fitch gives ratings from AAA through to C, excluding ratings attached to entities in default. Fitch ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

As at the date of this LDD, the Notes have a credit rating of BB+ from Fitch.

Rating	Summary descriptions of the rating
AAA	Highest credit quality – Exceptionally strong capacity for payment of financial commitments.
AA	Very high credit quality – Very strong capacity for payment of financial commitments.
A	High credit quality – 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.
BBB	Good credit quality – Adequate capacity for payment of financial commitments, but adverse business or economic conditions are more likely to impair the capacity to meet financial commitments.
Fitch credit rating of the Notes: BB+	Speculative – 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.
B	Highly speculative – 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.
CCC	Substantial credit risk – Very low margin of safety. Default is a real possibility.
CC	Very high levels of credit risk – Default of some kind appears probable.
C	Near default – Default or default-like process has begun, or the issuer is in standstill.

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2 Key dates and offer process

Opening Date	17 April 2023 The minimum interest rate and the indicative Issue Margin range will be determined and announced on this date.
Rate Set Date	21 April 2023
Closing Time	11.00am on 21 April 2023
Issue Date/allotment date	28 April 2023
Expected date of initial quotation and trading of the Notes on the NZX Debt Market	1 May 2023
First Interest Payment Date	28 July 2023
Interest Payment Dates	28 January, 28 April, 28 July and 28 October during the Term and on the date on which your Notes are repaid
First Optional Redemption Date	28 April 2028
Maturity Date	28 April 2033

The Opening Date and the Closing Time may change. Heartland has the right in its absolute discretion to open or close the Offer early and to extend the Closing Time. If Heartland changes the Opening Date and/or the Closing Time, the changes will be announced as soon as reasonably practicable by Heartland via NZX. If the Closing Time is extended, the Rate Set Date, the Issue Date, the expected date of initial quotation and trading of your Notes on the NZX Debt Market, the Interest Payment Dates, the First Optional Redemption Date and the Maturity Date may be extended accordingly. Any such changes will not affect the validity of any applications received. The Interest Payment Dates are subject to the Business Day convention described in Section 5.5 of this LDD (Payments). Other dates may also be adjusted if they do not fall on a Business Day.

Heartland reserves the right to cancel the Offer and the issue of the Notes.

3 Terms of the offer

3.1 Description of the Notes

The Notes	
Issuer	Heartland Bank Limited
Description	Unsecured subordinated notes
Term	10 years, ending on the Maturity Date (28 April 2033) if not repaid earlier
Interest rate	<p>The interest rate will be a fixed rate for a period of 5 years, after which it will change to a floating rate that resets at quarterly intervals.</p> <p>The interest rate for the first 5 years until the First Optional Redemption Date (28 April 2028) will be a fixed rate equal to the sum of the Swap Rate (a reference rate for a 5 year period) on the Rate Set Date (21 April 2023) plus the Issue Margin, but in any case will be no less than the minimum interest rate announced via NZX on or about the Opening Date.</p> <p>The interest rate from (and including) the First Optional Redemption Date will be a floating rate which will be reset quarterly to be equal to the sum of the applicable 3 Month Bank Bill Rate (a benchmark interest rate for a 3 month period) plus the Issue Margin.</p> <p>If the sum of the 3 Month Bank Bill Rate plus the Issue Margin is less than 0% per annum, the floating rate will be deemed to be 0% per annum.</p> <p>The Issue Margin will not change during the Term.</p> <p>See Section 5.2 of this LDD (Interest).</p>

The Notes	
Interest Payment Dates	Interest on your Notes is scheduled to be paid: <ul style="list-style-type: none"> quarterly in arrear on each 28 January, 28 April, 28 July and 28 October during the Term, commencing on 28 July 2023; and on the date on which your Notes are repaid.
Interest payments are conditional	At any time before the Maturity Date, the payment of interest on each Interest Payment Date is conditional on Heartland satisfying the Solvency Condition. See Section 5.2 of this LDD (Interest).
Unpaid interest accumulates	If interest is not paid on an Interest Payment Date because the Solvency Condition is not satisfied, the unpaid interest will remain owing and will itself bear interest. See Section 5.2 of this LDD (Interest).
Repayment	Your Notes must be repaid by Heartland on the Maturity Date (28 April 2033). However, Heartland may repay all or some of your Notes earlier, on the First Optional Redemption Date (28 April 2028) or on any Interest Payment Date after that date. Heartland may also repay all (but not some) of your Notes earlier, on any Interest Payment Date, if a Tax Event or Regulatory Event has occurred. Early repayment is subject to certain conditions being met (including Heartland obtaining the Reserve Bank's prior approval and the Solvency Condition being satisfied). See Section 5.3 of this LDD (Repayment of the Notes). You have no right to require that your Notes be repaid early.
Ranking of the Notes	In a liquidation of Heartland, the Notes rank as unsecured subordinated debt of Heartland, and your claim will rank behind depositors and other unsubordinated creditors of Heartland. See Section 5.7 of this LDD (Ranking).

3.2 Description of the Offer

The Offer	
Offer amount	Up to NZ\$75 million. Heartland reserves the right to accept oversubscriptions of up to an additional NZ\$50 million at its discretion.
Opening Date, Closing Time and Issue Date	See Section 2 of this LDD (Key dates and Offer process)
Face Value and Issue Price	NZ\$1.00
Minimum subscription amount	NZ\$5,000 and in multiples of NZ\$1,000 thereafter
How to apply	There is no public pool for the Notes. All Notes will be reserved for subscription by clients of the Joint Lead Managers, Primary Market Participants and other persons invited to join the Bookbuild. Application instructions are set out in Section 13 of this LDD (How to apply).
Fees and charges	Heartland will not charge you brokerage or any other fees to apply or subscribe for Notes. However, you may have to pay brokerage to the firm that gives you an allocation of Notes.

The Offer	
Allocation of Notes	Following the Bookbuild, Heartland, in consultation with the Arranger, will allocate Notes to each of the successful Bookbuild participants. Those participants will in turn be solely responsible for allocating the Notes to individual investors. This means that Heartland (as issuer) has no direct role in determining the allocation that you receive from your financial adviser.
Selling restrictions	<p>The Offer is subject to the selling restrictions contained in Section 10.1 of this LDD (Selling restrictions).</p> <p>By subscribing for Notes, you agree to comply with the selling restrictions and to indemnify Heartland, the Arranger and each Joint Lead Manager (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 10.1 of this LDD (Selling restrictions).</p>
Governing law	The Notes, the Deed Poll and the Offer are governed by New Zealand law.

3.3 Trading your Notes on the NZX Debt Market

Heartland intends to have the Notes quoted on the NZX Debt Market. NZX ticker code HBL1T2 has been reserved for the Notes. NZX takes no responsibility for the content of this LDD. NZX is a licensed market operator and the NZX Debt Market is a licensed market under the Financial Markets Conduct Act 2013.

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 or 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.

If you do not have a CSN, you will be automatically assigned one if you invest in the Notes. If you do not have an authorisation code, it is expected that you will be sent one by the 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 Registrar. Your Primary Market Participant will be charged a fee for requesting your authorisation code from the Registrar and may pass this cost on to you.

You may only transfer your Notes in aggregate Face Value multiples of NZ\$1,000, and after any transfer you and the transferee must each hold Notes with an aggregate Face Value of no less than NZ\$5,000, or no Notes.

You will likely have to pay brokerage on any transfer of Notes you make through a Primary Market Participant.

3.4 Deed Poll

The terms of the Notes are set out in the Deed Poll. Holders are bound by, and are deemed to have notice of, the Deed Poll, including the terms of the Notes. If you require further information in relation to the Deed Poll, you may obtain a copy of the Deed Poll from the Disclose Register at www.disclose-register.companiesoffice.govt.nz (offer number OFR13495).

4 Purpose of the offer

As a registered bank, Heartland is required by the Reserve Bank to maintain an adequate level of regulatory capital to provide a buffer to absorb losses from its activities. The Offer will raise Tier 2 Capital to help Heartland meet its regulatory capital requirements and manage its capital position. The proceeds of the Offer will be used for Heartland's general corporate purposes.

The use of the money raised under the Offer will not change depending on the total amount that is raised. The Offer is not underwritten.

See Section 9 of this LDD (Information about Heartland) for more information about Heartland's business, regulatory capital requirements and capital management.

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). Other key features of the Notes and further detail about some of the key features described earlier in Section 3 of this LDD (Terms of the Offer) are described below.

5.2 Interest

This Section 5.2 contains further detail on when interest is payable, the interest rate and how interest payments are calculated.

Interest Payment Dates	Interest on your Notes is scheduled to be paid quarterly in arrear on each 28 January, 28 April, 28 July and 28 October during the Term and on the date on which your Notes are repaid (see Section 5.3 of this LDD (Repayment of the Notes)). The Interest Payment Dates are subject to the Business Day convention described in Section 5.5 of this LDD (Payments).
Interest payments are conditional	<p>The payment of interest on each Interest Payment Date (other than on the Maturity Date (28 April 2033)) is conditional on Heartland satisfying the Solvency Condition.</p> <p>The Solvency Condition will be satisfied if Heartland is Solvent at the time the payment is due and Heartland is able to pay the amount and remain Solvent immediately after paying the amount.</p> <p>The Solvency Condition does not apply to payments that are required to be made on the Maturity Date or if Heartland is in liquidation.</p>
Unpaid interest accumulates	If interest is not paid on an Interest Payment Date because the Solvency Condition is not satisfied, the unpaid interest will remain owing, will itself bear interest (at the same rate as the Notes), and will be payable on the earlier of the next Business Day on which the Solvency Condition is satisfied and the Maturity Date.
Interest rate	<p>The interest rate will be a fixed rate for a period of 5 years, after which it will change to a floating rate that resets at quarterly intervals.</p> <p>The interest rate for the first 5 years until the First Optional Redemption Date (28 April 2028) will be a fixed rate equal to the sum of the Swap Rate on the Rate Set Date (21 April 2023) plus the Issue Margin, but in any case will be no less than the minimum interest rate announced via NZX on or about the Opening Date.</p> <p>The interest rate from (and including) the First Optional Redemption Date will be a floating rate which will be reset quarterly to be equal to the sum of the applicable 3 Month Bank Bill Rate plus the Issue Margin.</p> <p>If the sum of the 3 Month Bank Bill Rate plus the Issue Margin is less than 0% per annum, the floating rate will be deemed to be 0% per annum.</p> <p>Heartland will determine the initial interest rate and the Issue Margin following the Bookbuild on the Rate Set Date, and will announce the initial interest rate and the Issue Margin via NZX on or about that date.</p> <p>Each time the interest rate is reset after the First Optional Redemption Date, Heartland will announce the new interest rate via NZX on or about the date it is reset.</p>
Swap Rate	<p>A swap rate is a reference rate commonly used in New Zealand by major financial institutions. The Swap Rate is a reference rate for a 5 year period.</p> <p>The Swap Rate will be determined on the Rate Set Date (21 April 2023).</p>
3 Month Bank Bill Rate	<p>A bank bill rate is a benchmark interest rate commonly used in New Zealand by major financial institutions. The 3 Month Bank Bill Rate is a benchmark interest rate for a 3 month period. Bank bill rates change to reflect market conditions over time, so the 3 Month Bank Bill Rate will likely vary for each Interest Payment Date after the First Optional Redemption Date (28 April 2028).</p> <p>The 3 Month Bank Bill Rate that is applicable for an Interest Payment Date will be the 3 Month Bank Bill Rate as at the previous Interest Payment Date.</p> <p>Heartland is able to replace the 3 Month Bank Bill Rate with an alternative reference rate if the 3 Month Bank Bill Rate becomes unavailable.</p>

Issue Margin	<p>The Issue Margin is the percentage rate per annum determined by Heartland in consultation with the Joint Lead Managers through the Bookbuild. Heartland expects to announce an indicative Issue Margin range (which may be subject to change) via NZX on or about the Opening Date. The actual Issue Margin (which may be above, below or within the announced indicative Issue Margin range) will be announced by Heartland via NZX on or about the Rate Set Date.</p> <p>The Issue Margin will not change during the Term.</p>
Calculation of interest payments	<p>Until the First Optional Redemption Date (28 April 2028) interest will be payable in equal amounts on each Interest Payment Date.</p> <p>After the First Optional Redemption Date the interest payable on each Interest Payment Date will be calculated on the basis of the actual number of days from (and including) the previous Interest Payment Date to (but excluding) the Interest Payment Date.</p>

5.3 Repayment of the Notes

Your Notes are a long term investment with a Term of 10 years. However, Heartland may repay all or some of your Notes early in certain circumstances. This Section 5.3 contains further detail on when Heartland may repay your Notes.

Maturity Date	Your Notes must be repaid by Heartland on the Maturity Date (28 April 2033) if not repaid earlier. The repayment of your Notes on the Maturity Date is not subject to the Solvency Condition.
When Heartland may choose to repay all or some of your Notes early	<p>Heartland may, subject to the conditions described below, choose to repay:</p> <ul style="list-style-type: none"> • all or some of your Notes early on the First Optional Redemption Date or on any Interest Payment Date after that date; or • all (but not some) of your Notes early on any Interest Payment Date if a Tax Event or a Regulatory Event has occurred.
First Optional Redemption Date	The First Optional Redemption Date is 28 April 2028.
Tax Event	<p>A Tax Event occurs if Heartland determines that:</p> <ol style="list-style-type: none"> (a) there has been, or there will be, a change in New Zealand law, regulation, ruling or directive (including by way of the imposition of, or any change to, any New Zealand law, ruling or directive) that applies, or is to apply, after the Issue Date; (b) there has been, or there will be, a change in the application, interpretation or administration of any New Zealand law, regulation, ruling or directive by any authority (including the New Zealand Inland Revenue) that applies, or is to apply, after the Issue Date; or (c) Heartland is or will be required to comply with any change in New Zealand law, regulation, ruling or directive or changed application, interpretation or administration that applies, or is to apply, after the Issue Date, <p>which directly or indirectly affects the taxation treatment in relation to the Notes, provided such event is not minor and which Heartland could not reasonably have anticipated as at the Issue Date.</p>
Regulatory Event	<p>A Regulatory Event occurs if Heartland determines that:</p> <ol style="list-style-type: none"> (a) all, some or a proportion of all or some Notes are not or will not be treated as Tier 2 Capital of the Heartland Banking Group under the Reserve Bank's prudential regulatory requirements (as amended from time to time); or (b) there has been, or there will be, any amendment to, clarification of, change in or to, change in the interpretation, application or administration of, or imposition of: <ol style="list-style-type: none"> (i) any law, regulation or directive in New Zealand; (ii) any official administrative pronouncement or action or judicial decision interpreting or applying any law, regulation or directive in New Zealand; or (iii) any order, direction, standard, requirement (including any prudential regulatory requirement), guideline or statement of the Reserve Bank (whether or not having the force of law),

	<p>in each case that applies, or is to apply, after the Issue Date and, as a result, Heartland is or will be adversely affected in relation to its regulatory capital treatment of the Notes, including:</p> <p>(A) additional requirements would be imposed on the eligibility of the Notes as Tier 2 Capital; or</p> <p>(B) there would be a negative impact on the eligibility of the Notes as Tier 2 Capital,</p> <p>in each case, other than as a result of an event that Heartland could reasonably have anticipated as at the Issue Date or as a result of an event which is minor.</p>
<p>Conditions to Heartland repaying all or some of your Notes early</p>	<p>Heartland may only choose to repay all or some of your Notes early if certain conditions are met, including that:</p> <ul style="list-style-type: none"> the Reserve Bank has given its prior written approval to the repayment of the Notes; and the Solvency Condition is satisfied. <p>The Solvency Condition will be satisfied if Heartland is Solvent at the time the payment is due and Heartland is able to pay the amount and remain Solvent immediately after paying the amount.</p> <p>The Solvency Condition does not apply to the repayment of your Notes on the Maturity Date or if Heartland is in liquidation.</p>
<p>Amount that is payable to you if your Notes are repaid</p>	<p>You will receive the Face Value of the Notes plus all accrued but unpaid interest on the Notes when your Notes are repaid.</p>
<p>No certainty that Heartland will choose to repay the Notes early or be able to satisfy the early repayment conditions</p>	<p>Heartland is under no obligation to repay the Notes early. There is no certainty that Heartland will choose to repay the Notes:</p> <ul style="list-style-type: none"> on the First Optional Redemption Date or any Interest Payment Date after that date; and/or if a Tax Event or Regulatory Event has occurred, <p>or that Heartland will be able to satisfy the conditions that apply to early repayment. In particular, there is no certainty that the Reserve Bank would give its approval to an early repayment.</p>
<p>Holders cannot choose to have the Notes repaid early</p>	<p>You have no right to require that your Notes be repaid early for any reason.</p>

5.4 Events of default

The Notes have very limited events of default and your rights are limited if an event of default occurs, as described below.

Events of default	Consequences
<p>Payment default An event of default will occur if Heartland fails to pay any amount due in respect of the Notes within 15 Business Days of its due date.</p> <p>To the extent that a payment on the Notes is not required to be made because the Solvency Condition is not satisfied or (in the case of early repayment only) the Reserve Bank has not given its prior written approval to the repayment, the amount is not due and payable and a payment default cannot occur.</p>	<p>If a payment default occurs, you may only bring proceedings:</p> <ul style="list-style-type: none"> to recover any amount then due and payable but unpaid on your Notes (subject to satisfaction of the Solvency Condition if the payment of the unpaid amount was subject to the Solvency Condition); for specific performance of any other obligation in respect of your Notes; or for the liquidation of Heartland. <p>The outcome of any proceedings brought before a court may be uncertain, and a court may decide not to grant the remedies sought.</p>
<p>Commencement of liquidation An event of default will occur on the commencement of liquidation of Heartland.</p>	<p>In addition to the rights listed above, in the case of the commencement of liquidation of Heartland, the Face Value of each Note and any accrued but unpaid interest on the Notes will immediately become due and payable, and you may claim in the liquidation for that amount.</p> <p>In this circumstance, your claim will be subordinated as described in Section 5.7 of this LDD (Ranking), and it is unlikely</p>

Events of default	Consequences
	that you will receive payment of any amount owing on your Notes.

5.5 Payments

The following provisions will apply to payments on the Notes.

Business Day convention	<p>If an Interest Payment Date on or before the First Optional Redemption Date is not a Business Day, Heartland will make payment on the next Business Day, and no adjustment will be made to the amount of interest payable as a result of the delay in payment.</p> <p>If an Interest Payment Date after the First Optional Redemption Date is not a Business Day, then the Interest Payment Date will be the next Business Day, unless that day falls in the next calendar month, in which case it will be the preceding Business Day, and, in either case, the amount of interest payable will be adjusted to reflect the actual payment date.</p>
Record Date and entitlement to payments	<p>Interest payments on the Notes will be made to the persons who are the Holders as at the close of business on the 10th day before the relevant Interest Payment Date or, if that day is not a Business Day, the immediately preceding Business Day or such other date as may be required by NZX.</p> <p>Any other payments on the Notes will be made to the persons who are the Holders as at the close of business on the date determined by Heartland and notified to NZX or such other date as may be required by NZX.</p>
No set-off	You do not have any right to set-off any amounts that Heartland owes to you in connection with the Notes against any amounts that you owe to Heartland (whether in connection with the Notes or otherwise).
Tax indemnity	If tax is not correctly deducted from a payment to you or if Heartland is required to pay an amount of tax on your behalf (for example, because you did not correctly notify details about your tax residence), then you indemnify Heartland in respect of any related liability, which may be recovered from you or withheld from future payments to you.

5.6 Amendments to the Deed Poll

The terms of the Notes (as set out in the Deed Poll) may be amended in certain circumstances, as described below.

Amendments without Holders' consent	<p>The terms of the Notes may be amended without your consent if, in Heartland's reasonable opinion, the amendment:</p> <ul style="list-style-type: none"> • is made to correct a manifest error, cure an ambiguity or correct or supplement any defective provision of the terms of the Notes or the Deed Poll; • is of a formal, minor or technical nature; • is necessary or expedient to comply with any law, the provisions of any statute, the requirements of any statutory authority, the NZX Listing Rules or the listing or quotation requirements of any securities exchange on which Heartland may propose to seek a listing or quotation of the Notes; • is necessary or expedient for the purpose of enabling the Notes to be quoted or to remain quoted on a securities exchange or to be lodged or to remain lodged in a clearing system or to be offered for sale or for subscription under the laws for the time being in force in any place; • is reasonably necessary if the 3 Month Bank Bill Rate is replaced by an alternative reference rate; or • will not materially adversely affect the rights of Holders as a whole.
Amendments with approval of a special resolution	The terms of the Notes may also be amended with the approval of a special resolution of Holders. A "special resolution" means a resolution passed at a meeting of Holders, properly convened and held in accordance with the Deed Poll, by at least 75% of the votes given on a poll or a resolution in writing signed by Holders holding or representing (in aggregate) not less than 75% in Face Value of the Notes.

Requirement to notify the Reserve Bank	No amendment can be made to the terms of the Notes unless at least 5 Business Days prior notice has been given to the Reserve Bank by Heartland, accompanied by any supporting documentation required by the Reserve Bank's prudential regulatory requirements.
Amendments are binding on all Holders	You are bound by all amendments made in accordance with the terms of the Notes even if you did not agree to them.

5.7 Ranking

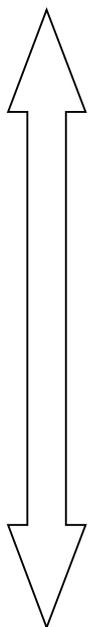
Ranking of your Notes

Your Notes are unsecured subordinated debt securities issued by Heartland. In a liquidation of Heartland, each Note gives you the right to payment of an amount equal to the Face Value plus accrued but unpaid interest. Your right to payment of this amount will rank:

- behind the claims of all depositors and other creditors of Heartland, except for the claims and rights described below;
- equally with the claims of other Holders and holders of any other securities and obligations of Heartland that rank equally with your Notes; and
- ahead of the rights of Heartland's shareholders and holders of any other securities and obligations of Heartland that rank behind the Notes.

In a liquidation of Heartland, it is unlikely that there will be surplus assets available for the liquidator to pay any amount to you in respect of your Notes.

The following diagram shows how Heartland's liabilities (including the Notes) and equity rank in a liquidation of Heartland. The diagram does not describe every type of liability or security that Heartland may have while the Notes are outstanding.

Higher ranking	Ranking in a liquidation of Heartland	Description	Examples	Liabilities and equity of Heartland as at 31 December 2022 (NZ\$m)
	Liabilities that rank in priority to the Notes	Secured debt and creditors preferred by law	Secured liabilities	47.2
			Liabilities given preference by law including employee entitlements and certain taxes	3.4
		Unsubordinated unsecured debt	Depositors and other unsubordinated creditors	4,077.7
			Unsecured unsubordinated notes and bonds	327.6
Liabilities that rank equally with the Notes (including the Notes)	Term subordinated debt	The Notes	125	
Liabilities that rank below the Notes	Perpetual subordinated debt and other equally ranked instruments	None	0	
Lower ranking	Equity*	Equity	Ordinary shares, reserves and retained earnings	723.1

Basis of preparation of table

Amounts in the table above (except for the estimated value of the Notes) are indicative amounts derived from Heartland's unaudited financial statements for the six months ended 31 December 2022. The actual amounts of liabilities and equity of Heartland at the point of its liquidation would be different to the indicative amounts set out in the diagram above.

The table has been adjusted to include the issue of Notes, based on an estimated issue size of NZ\$125 million (including NZ\$50 million of oversubscriptions). This adjustment does not affect the other amounts listed in the table. The total value of the Notes to be issued will be announced by Heartland on or about the Rate Set Date (21 April 2023) via NZX.

Amounts shown are presented in millions of New Zealand dollars and may be subject to rounding adjustments.

* The table above has not been adjusted to take into account the NZ\$30 million dividend paid by Heartland to its parent company, Heartland Group Holdings Limited, on 21 March 2023. This dividend payment reduced Heartland's equity by NZ\$30 million.

No restrictions on issuing further securities or creating further liabilities

There are no restrictions on Heartland issuing further securities or creating further liabilities after the Notes have been issued that rank equally with, or in priority to, the Notes in a liquidation of Heartland.

Heartland could therefore, at any time after the Issue Date, issue further securities or create further liabilities that rank equally with or in priority to the Notes.

6 Risks of investing

6.1 Introduction

This Section 6 describes the following potential risks associated with an investment in the Notes:

- general risks of investing in the Notes;
- significant specific risks relating to Heartland's creditworthiness; and
- other specific risks associated with the Notes.

The selection of risks relating to Heartland's creditworthiness has been based on an assessment of a combination of the probability of a risk occurring and the impact of the risk if it did occur. That assessment is based on Heartland's business as at the date of this LDD.

You should carefully consider these risk factors (together with the other information in this LDD) before deciding to invest in the Notes.

This Section 6 does not cover all of the risks of investing in the Notes. Additional risks that Heartland is not aware of, or that it currently considers are not material, and new risks may also become important risks over time.

The statement of risks in this Section 6 does not take account of your personal circumstances, financial position or investment requirements. Before making any investment decision, you should consider the suitability of an investment in the Notes in light of your individual risk profile for investments, investment objectives and personal circumstances (including financial and taxation issues) and consult your financial adviser.

6.2 General risks

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

The risk that Heartland encounters financial difficulty which has an adverse effect on your investment

If Heartland encounters financial difficulty, this may in turn:

- adversely affect the market price and liquidity of your Notes; and/or
- result in Heartland not making a payment on your Notes.

If Heartland becomes insolvent and is placed in liquidation, it is highly likely that you will lose all of your investment.

Market risks associated with the Notes

The market price of the Notes may fluctuate up or down and the Notes may trade below their Face Value

The market price of the Notes on the NZX Debt Market may fluctuate due to various factors, including liquidity and changes in interest rates, Heartland's financial position, regulations, Heartland's credit rating or the credit rating of the Notes (including as a result of a change in rating methodology). The Notes may trade at a market price below their Face Value, and the market price of the Notes may be more sensitive to changes in factors such as economic conditions, liquidity and risk tolerances than the market price of unsubordinated securities issued by Heartland or other issuers. If you were to sell your Notes at a time when the market price of the Notes was lower than their Face Value, you would lose some of the money you invested.

The liquidity of the Notes may be low

The market for the Notes may not be liquid and may be less liquid than that of other securities issued by Heartland or other issuers. If liquidity is low, you may not be able to sell your Notes at an acceptable price, or at all.

6.3 Specific risks relating to Heartland's creditworthiness

Heartland is exposed to a number of risks that may affect its business and therefore its financial performance and creditworthiness. As a bank, these include risks which may arise out of external events, such as a downturn in economic conditions both domestically and globally, an extreme weather or other natural disaster event or a global pandemic.

The risks in this section are the specific risks which Heartland has determined are particularly significant to Heartland's creditworthiness.

Heartland is exposed to credit risk and may incur losses from defaults by customers and counterparties

As a bank, Heartland's core business is lending money. Heartland 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). Heartland is also exposed to the risk that other counterparties fail to meet their contractual obligations to Heartland.

This could occur as a result of a material downturn in the domestic or global economies which may increase unemployment, cause adverse operating conditions for businesses, increase loan defaults and/or decrease property prices and the value of other assets held by Heartland as security.

As at 31 December 2022, over half of Heartland's lending was to the New Zealand household sector – over half of that lending was motor vehicle lending and the balance predominantly being reverse mortgage lending, together with some residential mortgage lending. The rest of Heartland's lending was principally asset financing, and lending to small-to-medium sized New Zealand businesses and to New Zealand's rural sector (including small-to-medium sized New Zealand farming businesses and livestock lending). Heartland's significant exposure to these sectors means that the economic, social and environmental conditions in New Zealand may have a material impact on Heartland's credit risk. For example:

- Reverse mortgage loan borrowers are guaranteed lifetime occupancy of their property, make no payments until the last borrower leaves the property and, at that time, are only required to repay their loan up to the sale proceeds of the property. This means that Heartland is exposed to the risk that the size of each reverse mortgage loan exceeds the value of the property at the time of repayment.
- Heartland's lending to the rural sector includes financing or taking security over livestock. Fluctuations in the market price of livestock or a widespread outbreak of disease affecting livestock (such as foot and mouth disease) could increase loan defaults in this sector.
- Significant natural disaster or weather events affecting specific geographic regions of New Zealand where Heartland has material exposures may also increase the risk of loan defaults.

A failure to adequately manage credit risk and/or provide for potential losses could result in Heartland suffering financial losses (lost principal and interest income), disruption to cash flows and increased collection costs. This, in turn, could affect Heartland's profitability and/or capital position and may also affect the credit rating of Heartland or the Notes.

Heartland is exposed to liquidity and funding risk

Heartland's ability to obtain significant levels of funding on an ongoing basis is fundamental to its business. Heartland relies on its New Zealand retail deposit base as its principal funding source, complemented by funding from financial institutions. Heartland's ability to raise retail deposits and obtain institutional funding on acceptable terms to support its on-going operations and strategy (which include growth opportunities through acquisitions) may be affected by:

- the level of investor confidence in the financial services sector generally, and Heartland in particular;
- intensified competition for retail deposits due to domestic economic conditions, natural disasters, climate or pandemic events or disruption to international institutional funding;
- the appetite of any institutional funder to provide funding to or continue funding Heartland, if required;
- Heartland's credit rating (which may change or be withdrawn or suspended at any time); and/or;
- a deterioration and/or volatility in market conditions.

If Heartland is unable to fund its assets or meet its payment obligations when they fall due, this may adversely affect its financial performance or condition.

Interest rate risk may adversely impact on Heartland's results

Heartland is exposed to the risk that market interest rates will change and impact on Heartland's results. If interest rates change, mismatches between repricing dates of interest-bearing assets and liabilities and differences between customer pricing and wholesale rates available to Heartland could adversely affect its financial performance or condition.

Heartland is exposed to execution risk as it pursues its strategic objectives, and may be adversely impacted by the tight labour market

Heartland's strategy involves continuing to seek and execute on growth opportunities, through business-as-usual growth or acquisitions. Adverse changes in market conditions or significant delays in suppliers providing required services may mean

it is more challenging for Heartland to execute its strategy within its original timeframes and budget. This may result in costs being incurred by Heartland without equivalent benefits. A failure to execute on growth strategies may also negatively impact Heartland's ability to compete in an increasingly competitive domestic lending market, including where Heartland's entry into new markets is more challenging than expected or an acquired business's performance fails to meet expectations.

The current employment market may make it difficult for Heartland to recruit and retain appropriately qualified staff, with the skills to deliver major projects and operate Heartland's business. A lack of qualified staff (including absences due to COVID-19 and other illnesses) could have an impact on how Heartland's business is conducted or the delivery of major projects, which could adversely affect customer demand and Heartland's financial performance or condition.

Heartland is exposed to technology risk, including information security risk

Heartland relies on the performance, reliability and availability of its information technology, communication and other business systems. Cyber-attacks, interruption or failure of Heartland's key systems and cybersecurity measures (including by data being compromised) or a failure to appropriately implement key technology system upgrades could result in significant disruptions to Heartland's business, reputational damage, heightened regulatory scrutiny and/or impact Heartland's financial performance or condition.

The delivery of many of Heartland's products through digital platforms heightens the risk associated with cyber-attacks and the impacts those attacks may have on the availability of Heartland's systems and services.

Heartland could suffer losses as a result of exposure to operational risk

Heartland's business 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 internal or external 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's control.

Any such failure may result in financial losses or a failure to comply with laws or regulations, contractual arrangements or industry standards, which could have an adverse impact on Heartland's operations or reputation and therefore customer demand.

Heartland is exposed to risk from non-compliance with, or changes to, laws, regulations or legislative policy

As a bank, Heartland operates in an environment of significant regulatory supervision and is subject to extensive and increasing regulation. Significant regulatory change or additional regulation which results from Heartland pursuing its strategic objectives (including acquisitions) may adversely affect Heartland and could have a significant impact on how its business is conducted, result in increased costs and have an adverse effect on Heartland's financial performance or condition.

Failure to comply with the relevant laws, regulations or legislative policy, and/or changes to those rules and regulations, could also adversely affect Heartland's business, potentially resulting in regulatory enforcement action (including fines and/or other pecuniary penalties), litigation (including class actions), changes in licence conditions or licences being revoked or reputational damage.

Possible impact of risks

Heartland expects some of the risks described in Section 6.3 to arise in the ordinary course of its business. When they do, this can lead to losses, an increase in costs, a reduction in revenues or a requirement to hold more capital.

Heartland manages these risks as part of its enterprise risk management framework and, in the ordinary course of business, these risks are not expected to have a materially adverse impact on Heartland or its creditworthiness.

However, circumstances outside of the ordinary course of business can arise, such as widespread and sudden borrower defaults in a particular sector or sectors of the economy, the dysfunction or unavailability of funding markets, unprecedented levels of depositor withdrawals or a prolonged cyber-attack that significantly disrupts business. The occurrence of these types of circumstances may make the risks more difficult to manage and the impact on Heartland more significant. It is not possible to predict or forecast with certainty the probability or magnitude of any of these risks.

A failure to manage these risks adequately could mean that Heartland is not able to make payments on the Notes when due or at all. This means you could lose some or all of your investment in the Notes. A deterioration in the creditworthiness or financial performance of Heartland may adversely affect its credit ratings and/or the market price and liquidity of the Notes, which means you may not be able to sell your Notes for their Face Value or at all.

6.4 Risks associated with your Notes specifically

An investment in the Notes is subject to the following other risks associated with the Notes specifically:

In a liquidation of Heartland, it is unlikely that you will receive payment of any amount owing on your Notes

The Notes are subordinated. In a liquidation of Heartland, your right to payment of an amount equal to the Face Value plus all accrued but unpaid interest will rank behind depositors and other unsubordinated creditors of Heartland. It is unlikely

that there will be surplus assets available for the liquidator to pay any amount to you in respect of your Notes. See Section 5.7 of this LDD (Ranking).

You have no rights against Heartland if interest is not paid because the Solvency Condition is not satisfied on the payment date

At any time before the Maturity Date (28 April 2033) the payment of interest on your Notes on an Interest Payment Date is conditional on Heartland satisfying the Solvency Condition. If Heartland does not pay interest on an Interest Payment Date because the Solvency Condition is not satisfied, it will not constitute a default by Heartland and you will have no right to take action against Heartland or any other person in respect of that non-payment. See Section 5.2 of this LDD (Interest).

The interest rate may go down to 0% per annum

The interest rate will be a fixed rate for the first 5 years until the First Optional Redemption Date, after which it will change to a floating rate that resets at quarterly intervals. The floating rate will be equal to the sum of the applicable 3 Month Bank Bill Rate plus the Issue Margin. The 3 Month Bank Bill Rate changes to reflect market conditions over time, so the 3 Month Bank Bill Rate will likely vary for each Interest Payment Date after the First Optional Redemption Date. The 3 Month Bank Bill Rate may go down, including below 0% per annum. If the sum of the 3 Month Bank Bill Rate plus the Issue Margin is less than 0% per annum, the floating rate will be deemed to be 0% per annum.

This means that, when the interest rate is reset, it may be lower than the rate that applied for a prior period, and may be 0% per annum. See Section 5.2 of this LDD (Interest).

You have no right to require early repayment of your Notes and Heartland may not repay your Notes early

The Notes are a long term investment with a Term of 10 years. **You have no right to require that your Notes be repaid early.** Heartland is under no obligation to repay the Notes early. There is no certainty that Heartland will choose to repay the Notes:

- on the First Optional Redemption Date or any Interest Payment Date after that date; and/or
- if a Tax Event or Regulatory Event has occurred,

or that Heartland will be able to satisfy the conditions that apply to early repayment. In particular, there is no certainty that the Reserve Bank would give its approval to an early repayment.

Unless your Notes are repaid early by Heartland, to realise your investment before the Maturity Date you would need to sell your Notes on the NZX Debt Market at the prevailing market price. You may not be able to sell your Notes, and even if you can, the price may be less than what you paid for your Notes. See Section 5.3 of this LDD (Repayment of the Notes).

Heartland may repay all or some of your Notes early in certain circumstances

In certain circumstances, Heartland can repay all or some of your Notes early (see Section 5.3 of this LDD (Repayment of the Notes)). You may be disadvantaged if all or some of the Notes are repaid early. For instance, if all or some of the Notes are repaid early you may not be able to reinvest the proceeds at a comparable return. See Section 5.3 of this LDD (Repayment of the Notes).

Heartland's regulatory requirements may change

As a New Zealand registered bank, Heartland is subject to regulatory requirements, including conditions of registration that are imposed by the Reserve Bank. The regulatory requirements that apply to Heartland may change from time to time and you may be disadvantaged by the changes. For instance, the Reserve Bank restricted banks from redeeming any capital instruments (such as the Notes) for a period during the COVID-19 pandemic.

7 Tax

The returns on the Notes will be affected by taxes. The information set out in this Section 7 and in Section 8 of this LDD is based on the New Zealand law in force at the date of this LDD, does not constitute tax advice to any Holder, is general in nature and is limited to New Zealand taxation only.

Holders that are New Zealand tax residents or are non-residents that are engaged in business in New Zealand through a fixed establishment in New Zealand and either (1) hold the Notes for the purpose of that business or (2) are a registered bank in New Zealand and are not associated with Heartland ("**New Zealand Holders**") will have resident withholding tax ("**RWT**") deducted from the interest (including amounts deemed to be interest for New Zealand withholding tax purposes) that is payable under the Notes, unless the Holder has provided the Registrar with appropriate evidence that the Holder has RWT-exempt status no later than 5 Business Days before the Record Date prior to the relevant payment date.

Deductions or withholdings on account of tax will be made at the maximum rates from time to time applicable by law unless a Holder provides evidence satisfactory to the Registrar that a lesser rate is applicable.

There may be other tax consequences from acquiring or disposing of the Notes, and from the redemption or maturity of the Notes.

If you have any questions regarding the tax consequences of investing in the Notes you should seek advice from a tax adviser.

8 Tax consequences for overseas Holders

The information in this Section 8 is based on the New Zealand law in force at the date of this LDD.

If a Holder is not a New Zealand Holder, approved issuer levy ("**AIL**") will be deducted from interest (including amounts deemed to be interest for New Zealand withholding tax purposes) paid to the Holder in lieu of deducting non-resident withholding tax ("**NRWT**") (unless the Holder elects for NRWT to be deducted or the payment of AIL is not effective to reduce the applicable rate of NRWT to 0%). If NRWT is deducted, Heartland will not pay any additional amount in respect thereof.

If Heartland applies the AIL regime as described above, Heartland will apply a zero rate of AIL, if possible. Otherwise, AIL will be deducted at the standard rate of 2% from the interest payment and Heartland will not pay any additional amount in respect thereof.

Where a Holder who is not a New Zealand Holder holds the Note jointly with a person who is a New Zealand tax resident, NRWT must be deducted from interest paid to the non-resident at the applicable rate of RWT. Payment of AIL does not allow a zero per cent rate of NRWT in this case. Further, if a non-resident Holder is entitled to relief from New Zealand tax on the non-resident's interest income under a double tax agreement, the non-resident must separately apply to Inland Revenue for that relief by filing a return, as double tax agreement relief does not apply at source in this scenario.

Overseas Holders may be subject to tax in their own jurisdiction and should seek advice from a tax adviser.

9 Information about Heartland

9.1 Heartland's business

Information about Heartland's business is contained in half-yearly disclosure statements Heartland prepares under the BPS Act. Heartland's disclosure statements are available at the section entitled "Disclosure Statements and Quarterly Reports" at www.heartland.co.nz/about-us/documents-and-forms. Further information about Heartland's business is contained in the investor presentation for the Offer, which is available on the Disclose Register at www.disclose-register.companiesoffice.govt.nz (offer number OFR13495).

Heartland is part of an Australasian financial services group ("**Heartland Group**") which pursues a strategic objective of exploring accretive acquisitions, with a particular focus on expansion in Australia.

Heartland Group Holdings Limited (Heartland's parent company) announced on 20 October 2022 that it had signed a conditional share purchase agreement for the acquisition of authorised deposit-taking institution Challenger Bank Limited ("**Challenger Bank**"). For regulatory reasons, it was anticipated that Challenger Bank would be required to be held through an Australian incorporated non-operating holding company ("**NOHC**"), and engagement was underway for that NOHC to also be the holding company for Heartland. Heartland Group Holdings Limited is continuing to consider the appropriate group structure to accommodate the Challenger Bank acquisition.

The final group structure may include Heartland becoming the parent entity of the Heartland Group. If this occurs, Heartland Banking Group's business would be carried out in both New Zealand and Australia, and Heartland expects Fitch will complete a rating review of Heartland and the Notes. As at the date of this LDD, Heartland does not expect any change to the credit ratings or outlook of Heartland or the Notes as a result of that review. The Challenger Bank acquisition, and the final group structure, remain subject to regulatory approvals (among other things).

9.2 Heartland's regulatory capital requirements

The Notes will qualify as Tier 2 Capital for Heartland under the Reserve Bank's prudential regulatory requirements. Those requirements include capital adequacy requirements that banks must comply with under their conditions of registration. These requirements are intended to ensure that an adequate level of capital is maintained, providing a buffer to absorb losses from a bank's activities before depositors and other senior creditors are affected. The Reserve Bank's approach to assessing capital adequacy focuses on the credit risk associated with a bank's exposures, market and operational risks and the quality and quantity of a bank's capital.

The amount of the Notes that Heartland may count as Tier 2 Capital in its capital ratio calculations will decrease by 20% each year during the final 4 years of the Term before the Maturity Date.

9.2.1 Types of regulatory capital

The Reserve Bank classifies a bank's regulatory capital into different categories. These are referred to as Tier 1 Capital (consisting of Common Equity Tier 1 Capital and Additional Tier 1 Capital) and Tier 2 Capital.

In 2019, the Reserve Bank completed a comprehensive review of the capital framework applying to New Zealand banks. An outcome of the review was that the regulatory capital requirements for New Zealand banks are being increased significantly.

The following table sets out the regulatory capital ratios that Heartland must maintain as at the date of this LDD and the regulatory capital ratios Heartland will be required to maintain once the Reserve Bank's capital reforms are fully implemented in July 2028. The regulatory capital ratios will increase progressively over this period.

Capital type	Description	Reserve Bank's required ratio of capital to risk weighted assets ¹	
		The date of this LDD ²	July 2028 ³
Common Equity Tier 1 Capital	Includes ordinary share capital, retained earnings, and certain accounting reserves. Some amounts (eg the value of goodwill) must be deducted to determine the final value of Common Equity Tier 1 Capital.	More than 7%, including a prudential capital buffer of 2.5%	More than 11.5%, including a prudential capital buffer of 7%
Additional Tier 1 Capital	Additional Tier 1 Capital is a lower quality form of capital than Common Equity Tier 1 Capital, but is still freely available to absorb losses. Additional Tier 1 Capital includes perpetual preference shares.	Up to 1.5%	Up to 2.5%
Tier 1 Capital	The sum of Common Equity Tier 1 Capital and Additional Tier 1 Capital	More than 8.5%, including a prudential capital buffer of 2.5%	More than 14%, including a prudential capital buffer of 7%
Tier 2 Capital	Tier 2 Capital is a lower quality form of capital than Tier 1 Capital, but is still available to absorb losses and strengthens a bank's overall capital position. Tier 2 Capital includes subordinated instruments like the Notes.	Up to 2%	Up to 2%
Total Capital	The sum of Tier 1 Capital and Tier 2 Capital	More than 10.5%, including a prudential capital buffer of 2.5%	More than 16%, including a prudential capital buffer of 7%

9.2.2 Loss absorbing features of the Notes

In very general terms, a capital instrument is available to absorb losses if the holder of the instrument has no, or only a very limited, ability to demand that payments are made on the instrument.

The Notes will count as Tier 2 Capital, and the terms of the Notes include loss absorbing features. Specifically:

- at any time before the Maturity Date (28 April 2033) or the liquidation of Heartland, the payment of interest on your Notes is conditional on Heartland satisfying the Solvency Condition;
- you have no right to require early repayment of your Notes;
- any early repayment of your Notes is at Heartland's option and is subject to certain conditions being met (including Heartland obtaining the Reserve Bank's prior approval and the Solvency Condition being satisfied); and
- the Notes are subordinated to unsubordinated creditors of Heartland (including depositors) in the event of a liquidation of Heartland.

9.3 Heartland's capital management strategy

The primary objectives of Heartland's capital management are to ensure that Heartland complies with the regulatory capital requirements prescribed by the Reserve Bank, holds a strong capital position in order to support its business objectives, meets regulatory capital requirements even in a stressed environment and maximises shareholder value.

Heartland actively measures and manages its capital structure and makes adjustments to this in light of changing economic conditions and the risk characteristics of its activities. This is to ensure that Heartland has sufficient capital to absorb losses and to enable Heartland's continued growth. In order to maintain or adjust its capital structure, Heartland may adjust the

¹ These ratios include the minimum capital ratios that non-systemically important banks (like Heartland) must maintain and the prudential capital buffer above the minimum capital ratios that non-systemically important banks must maintain to avoid restrictions on distributions (among other things). Different minimum capital ratios apply to systemically important banks.

² These are the ratios that apply to Heartland as at the date of this LDD. Different ratios apply to systemically important New Zealand banks.

³ These are the ratios that will apply to Heartland, from 1 July 2028.

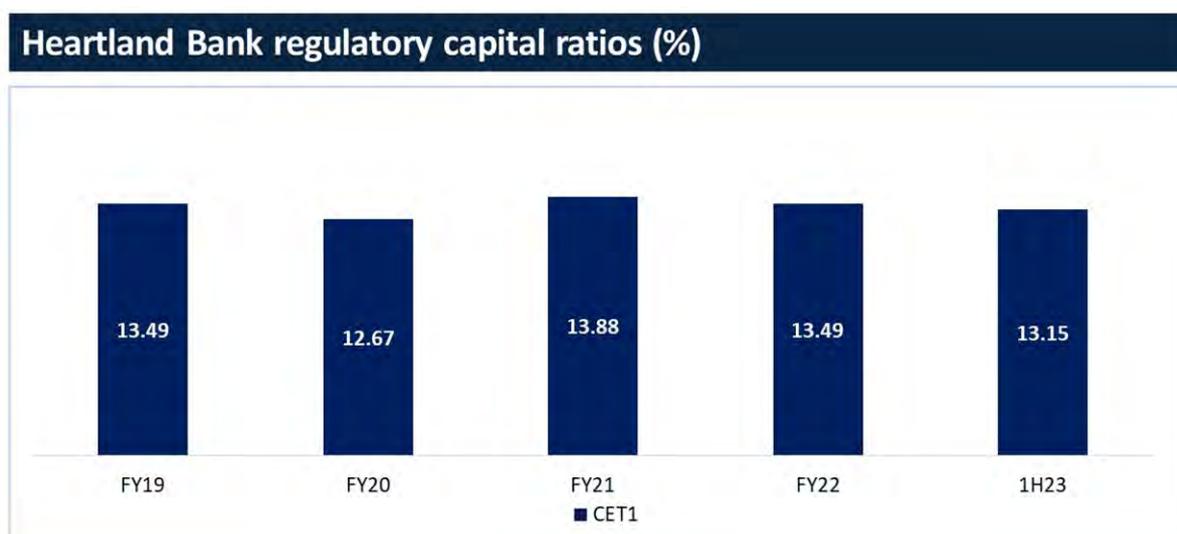
amount of dividend payments to its shareholder, reduce discretionary expenditure, return or issue capital or issue capital securities.

Heartland's board of directors has overall responsibility for ensuring the Heartland Banking Group has adequate capital in relation to its risk profile and establishes minimum internal capital levels and limits above the regulatory minimum.

9.4 Heartland's regulatory capital position

As at 31 December 2022, Heartland's regulatory capital is made up of Common Equity Tier 1 Capital, with a ratio of 13.15% to risk weighted assets. Heartland does not, at the date of this LDD, have any other forms of regulatory capital.

The graph below shows Heartland's historical regulatory capital position under the applicable Reserve Bank rules since 2018.



In the graph above CET1 = Common Equity Tier 1 Capital.

The information in the graph is based on information in Heartland's disclosure statement for each period. It is illustrative only and does not guarantee or forecast the future regulatory capital position for Heartland. For example, the information does not take into account the NZ\$30 million dividend paid by Heartland to its parent company, Heartland Group Holdings Limited, on 21 March 2023 as described in Section 5.7 of this LDD (Ranking).

10 Other information relating to the Offer

10.1 Selling restrictions

The Notes may only be offered for sale or sold in accordance with the selling restrictions contained in this Section 10.1 ("**Selling Restrictions**"). By subscribing for Notes, you agree to comply with the Selling Restrictions and to indemnify Heartland, the Arranger and each Joint Lead Manager (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.

The Selling Restrictions may be modified by Heartland, including following a change in a relevant law, regulation or directive.

10.1.1 Initial selling restrictions

The Notes may only be offered in New Zealand only in compliance with all applicable laws and regulations in New Zealand. No Notes may be offered in any other country or jurisdiction except in compliance with all applicable laws and regulations of that country or jurisdiction and the applicable Selling Restrictions set out in this Section 10.1.1. This LDD and any offering material or any documents in connection with the Notes may not be published, delivered or distributed in or from any country or jurisdiction except under circumstances which will result in compliance with all applicable laws and regulations in that country or jurisdiction and the applicable Selling Restrictions set out in this Section 10.1.1. The Selling Restrictions set out in this Section 10.1.1 do not apply once the Notes are issued.

This LDD does not constitute an offer of Notes in any jurisdiction in which it would be unlawful. In particular, this LDD may not be distributed to any person, and the Notes may not be offered or sold, in any country outside New Zealand except to the extent permitted below.

Australia

This LDD and the offer of Notes are only made available in Australia to persons to whom an offer of securities can be made without disclosure in accordance with applicable exemptions in sections 708(8) (sophisticated investors) or 708(11)

(professional investors) of the Australian Corporations Act 2001 (the "**Corporations Act**"). This LDD is not a prospectus, product disclosure statement or any other formal "disclosure document" for the purposes of Australian law and is not required to, and does not, contain all the information which would be required in a "disclosure document" under Australian law. This LDD has not been, and will not be, lodged or registered with the Australian Securities & Investments Commission or the Australian Securities Exchange. Heartland is not subject to the continuous disclosure requirements that apply in Australia.

Prospective investors should not construe anything in this LDD as legal, business or tax advice nor as financial product advice for the purposes of Chapter 7 of the Corporations Act. Investors in Australia should be aware that the offer of Notes for resale in Australia within 12 months of their issue may, under section 707(3) of the Corporations Act, require disclosure to investors under Part 6D.2 if none of the exemptions in section 708 of the Corporations Act apply to the re-sale.

European Union (excluding Austria)

This LDD has not been, and will not be, registered with or approved by any securities regulator in the European Union. Accordingly, this LDD may not be made available, nor may the Notes be offered for sale, in the European Union except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the "**Prospectus Regulation**").

In accordance with Article 1(4)(a) of the Prospectus Regulation, an offer of Notes in the European Union is limited to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation).

Hong Kong

WARNING: This LDD has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "**SFO**"). Accordingly, this LDD may not be distributed, and the Notes may not be offered or sold, in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Notes has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that 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 Notes that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Notes may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this LDD have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer of Notes. If you are in doubt about any contents of this LDD, you should obtain independent professional advice.

Japan

The Notes have not been, and will not be, registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "**FIEL**") pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the Notes may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors.

Any Qualified Institutional Investor who acquires Notes may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of Notes is conditional upon the execution of an agreement to that effect.

Singapore

This LDD and any other materials relating to the Notes have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this LDD and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Notes, may not be issued, circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part 13 of the Securities and Futures Act 2001 of Singapore (the "**SFA**") or another exemption under the SFA.

This LDD has been given to you on the basis that you are an "institutional investor" or an "accredited investor" (as such terms are defined in the SFA). If you are not such an investor, please return this LDD immediately. You may not forward or circulate this LDD to any other person in Singapore.

Any offer of Notes is not made to you with a view to the Notes being subsequently offered for sale to any other party in Singapore. On-sale restrictions in Singapore may be applicable to investors who acquire Notes. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

United Kingdom

Neither this LDD nor any other document relating to the offer of Notes has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("**FSMA**")) has been published or is intended to be published in respect of the Notes.

The Notes may not be offered or sold in the United Kingdom by means of this LDD or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This LDD is issued on a confidential basis in the United Kingdom to "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation. This LDD may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Notes has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to Heartland.

In the United Kingdom, this LDD is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("**FPO**"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investment to which this LDD relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this LDD.

United States

This LDD does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Notes have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States. The Notes may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws. Accordingly, the Notes will only be offered and sold outside the United States in compliance with Regulation S under the US Securities Act.

10.1.2 General selling restrictions

Heartland has not taken and will not take any action that would permit a public or regulated offering of the 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 compliance with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered.

Any disclosure statement, information memorandum, prospectus, 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).

10.2 Role of the Arranger and Joint Lead Managers

This LDD does not constitute a recommendation by the Arranger, any Joint Lead Manager or any of their respective directors, officers, employees, agents or advisers to subscribe for, or purchase, any Notes.

The role of the Arranger in relation to the Offer is to provide assistance with arranging the Offer and organising the Bookbuild. The Joint Lead Managers will assist with the Bookbuild and with the marketing and distribution of the Notes but are not otherwise involved in the Offer.

Each recipient of this LDD must make their own independent investigation and assessment of the financial condition and affairs of Heartland before deciding whether or not to invest in the Notes.

11 How to complain

If you have any feedback, concerns or complaints about the Notes, please contact Heartland at:

Heartland Bank Limited

35 Teed Street
Newmarket
Auckland 1023

Contact: Group Head of Communications
Phone: 0800 85 20 20
Email: heartland.bank@heartland.co.nz

Heartland is also a member of the Banking Ombudsman Scheme, which is an approved dispute resolution scheme. If Heartland cannot resolve your complaint to your satisfaction, the Banking Ombudsman Scheme offers a free, independent service to you and may be able to help. The Banking Ombudsman Scheme can be contacted at:

Banking Ombudsman
Freepost 218002
PO Box 25327
Wellington 6146
Phone: 0800 805 950 or +64 4 915 0400
Email: help@bankomb.org.nz

The Banking Ombudsman Scheme will not charge a fee to any complainant to investigate or resolve a complaint.

Complaints may also be directed to the Financial Markets Authority through its website at www.fma.govt.nz.

12 Where you can find more information

12.1 Disclose Register

Further information relating to Heartland 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.disclose-register.companiesoffice.govt.nz (offer number OFR13495). A copy of the information on the Disclose Register is also available on request to the Registrar of Financial Service Providers at www.fsp-register.companiesoffice.govt.nz. The information contained on the Disclose Register includes a copy of the Deed Poll, the investor presentation for the Offer, a credit rating report from Fitch in relation to the Notes, and other material information.

12.2 NZX

Notices to the Holders may be given by making an announcement on NZX and will be available free of charge at www.nzx.com/companies/HBL.

12.3 Disclosure statements

Heartland's half-yearly disclosure statements are available free of charge at the section entitled "Disclosure Statements and Quarterly Reports" at www.heartland.co.nz/about-us/documents-and-forms.

13 How to apply

13.1 How to apply

All of the Notes offered under the Offer have been reserved for subscription by clients of the Joint Lead Managers and Primary Market Participants and other approved financial intermediaries invited to participate in the Bookbuild.

There is no public pool for the Notes. This means you can only apply for the Notes through a Primary Market Participant or approved financial intermediary who has obtained an allocation. You can find a Primary Market Participant by visiting www.nzx.com/investing/find-a-participant.

The Primary Market Participant or approved financial intermediary will:

- provide you with a copy of this LDD (if you have not already received a copy);
- 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 Primary Market Participant or approved financial intermediary can also explain what arrangements will need to be put in place for you to trade the Notes (including obtaining a CSN, an authorisation code and opening an account with a Primary Market Participant) as well as the costs and timeframes for putting such arrangements in place.

13.2 Personal information rights

Personal information provided by you will be held by Heartland and the Registrar and will be used in accordance with Heartland's Privacy Statement (as such statement may be amended or substituted from time to time). As at the date of this LDD, Heartland's Privacy Statement is available at www.heartland.co.nz/privacy-statement. You have a right to access and correct any personal information about you under the Privacy Act 2020. You can also access your information on the Registrar's website at www.linkmarketservices.co.nz. You will be required to enter your holder number and FIN.

14 Contact information

Issuer:

Heartland Bank Limited

35 Teed Street
Newmarket
Auckland 1023

Contact: Group Head of Communications
Phone: 0800 85 20 20
Email: heartland.bank@heartland.co.nz

Registrar:

Link Market Services Limited

Level 30, PwC Tower
15 Customs Street West
Auckland 1010
New Zealand

Phone: +64 9 375 5998
Email: enquiries@linkmarketservices.co.nz

Arranger:

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

Phone: 0800 772 142

Joint Lead Managers:

Bank of New Zealand

Level 6
80 Queen Street
Auckland 1010
New Zealand

Phone: 0800 275 269

Craigs Investment Partners Limited

Level 32, Vero Centre
48 Shortland Street
Auckland 1010
New Zealand

Phone: 0800 226 263

Forsyth Barr Limited

Level 23, Shortland &
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88 Shortland Street
Auckland 1010
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Phone: 0800 367 227

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15 Glossary

3 Month Bank Bill Rate	<p>in relation to an Interest Payment Date after the First Optional Redemption Date:</p> <ul style="list-style-type: none"> the FRA rate administered by the New Zealand Financial Benchmark Facility ("NZFBF") (or any person that takes over the administration of that rate) for bank bills having a term of, or of about, 3 months as displayed at or about 10.45am (New Zealand time) or such later time as Heartland may determine on the previous Interest Payment Date on Bloomberg BKBM page 'GDCO 2805' (or any successor page); or if that rate is not displayed by 10.45am (New Zealand time) or such later time as Heartland may determine on that date, the equivalent rate provided by the NZFBF (or any person that takes over the administration of that rate) at or around that time on that date, <p>in each case expressed as a percentage per annum and rounded, if necessary, to the nearest 4 decimal places with 0.00005% being rounded up.</p> <p>Heartland is able to replace the 3 Month Bank Bill Rate with an alternative reference rate if the 3 Month Bank Bill Rate becomes unavailable.</p>
Additional Tier 1 Capital	is described in Section 9.2 of this LDD (Heartland's regulatory capital requirements).
Arranger	Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch).
Bookbuild	the process conducted after the closing of the Offer where certain investors lodge bids for Notes and, on the basis of those bids, Heartland, in consultation with the Joint Lead Managers, determines the Issue Margin and allocates the Notes.
BPS Act	the Banking (Prudential Supervision) Act 1989.
Business Day	<ul style="list-style-type: none"> for the purposes of giving notices, a day which is a business day within the meaning of the NZX Listing Rules; or for all other purposes, a day that is not a Saturday or Sunday and on which banks are open for general business in Wellington and Auckland.
Closing Time	the "Closing Time" specified in Section 2 of this LDD (Key dates and Offer process).
Common Equity Tier 1 Capital	is described in Section 9.2 of this LDD (Heartland's regulatory capital requirements).
Deed Poll	the deed poll made by Heartland under which the Notes will be issued.
Disclose Register	the online offer register maintained by the Companies Office and the Registrar of Financial Service Providers known as "Disclose", which can be accessed at www.disclose-register.companiesoffice.govt.nz .
Face Value and Issue Price	NZ\$1.00 per Note.
First Optional Redemption Date	the "First Optional Redemption Date" specified in Section 2 of this LDD (Key dates and Offer process).
Fitch	Fitch Australia Pty Limited.
Heartland	Heartland Bank Limited.
Heartland Banking Group	has the meaning given to "banking group" in Heartland's conditions of registration (as amended from time to time).
Holder	a person whose name is entered in the Register as a holder of Notes.
Interest Payment Date	each 28 January, 28 April, 28 July and 28 October during the Term and the date on which your Notes are repaid (see Section 5.2 of this LDD (Interest)), subject to the Business Day convention described in Section 5.5 of this LDD (Payments).
Issue Date	the "Issue Date" specified in Section 2 of this LDD (Key dates and Offer process).

Issue Margin	the percentage rate per annum determined by Heartland in consultation with the Joint Lead Managers through the Bookbuild and announced by Heartland via NZX on or about the Rate Set Date.
Joint Lead Managers	Bank of New Zealand, Craigs Investment Partners Limited, Forsyth Barr Limited and Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch).
LDD	this Limited Disclosure Document.
Maturity Date	the "Maturity Date" specified in Section 2 of this LDD (Key dates and Offer process).
Notes	the unsecured subordinated notes offered by Heartland under this LDD.
NZX	NZX Limited, and includes any person or authority which may in the future assume and perform the functions of NZX Limited.
NZX Debt Market	the debt market operated from time to time by NZX.
NZX Listing Rules	means the listing rules of NZX, as amended, varied or waived (whether in respect of Heartland or generally) from time to time.
Offer	the offer of Notes made in this LDD.
Opening Date	the "Opening Date" specified in Section 2 of this LDD (Key dates and Offer process).
Primary Market Participant	has the meaning given in the NZX Participant Rules, as amended from time to time.
Rate Set Date	the "Rate Set Date" specified in Section 2 of this LDD (Key dates and Offer process).
Record Date	has the meaning given in Section 5.5 of this LDD (Payments).
Register	the register of Holders of Notes established and maintained by or on behalf of Heartland.
Registrar	Link Market Services Limited.
Regulatory Event	has the meaning given in Section 5.3 of this LDD (Repayment of the Notes).
Reserve Bank	the Reserve Bank of New Zealand.
Selling Restrictions	has the meaning given in Section 10.1 of this LDD (Selling restrictions).
Solvency Condition	a condition to the payment of interest or principal in respect of a Note at any time before the Maturity Date or the liquidation of Heartland, requiring the following: <ul style="list-style-type: none"> • Heartland must be Solvent at the time the payment is due; and • Heartland must be able to pay the amount and remain Solvent immediately after paying the amount.
Solvent	satisfying the solvency test contained in section 4 of the Companies Act 1993.
Swap Rate	the mid-market rate for an interest rate swap with a term of 5 years commencing on the Issue Date, as calculated by the Arranger in consultation with Heartland, according to market convention, with reference to Bloomberg page 'ICNZ4' (or any successor page) on the Rate Set Date, expressed as a percentage per annum, adjusted for quarterly payments and rounded, if necessary, to the nearest 2 decimal places with 0.005% being rounded up.
Tax Event	has the meaning given in Section 5.3 of this LDD (Repayment of the Notes).
Term	the term of the Notes, being 10 years ending on the Maturity Date if not repaid earlier.
Tier 1 Capital	is described in Section 9.2 of this LDD (Heartland's regulatory capital requirements).
Tier 2 Capital	is described in Section 9.2 of this LDD (Heartland's regulatory capital requirements).