

21 April 2023

HEARTLAND BANK SUBORDINATED NOTES – FINAL TERMS SHEET

Further to Heartland Bank Limited's (**Heartland**) announcement earlier today, the final terms sheet relating to its issue of unsecured subordinated notes (**Notes**) is attached and available via www.heartland.co.nz/unsecured-subordinated-notes-offer.

Details of the offer and the Notes are contained in the Limited Disclosure Document dated 11 April 2023 (**LDD**), which is available on the Disclose Register at <https://disclose-register.companiesoffice.govt.nz/> under Heartland's offer number OFR13495. The LDD is also available at www.heartland.co.nz/unsecured-subordinated-notes-offer, or by contacting one of the Joint Lead Managers to the offer (listed below) or your usual financial advice provider.

For further information, please contact a Joint Lead Manager or your usual financial advice provider.

Arranger and Joint Lead Manager



0800 772 142

Joint Lead Managers



0800 275 269



0800 226 263



0800 367 227

ENDS

The person who authorised this announcement:

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Final Terms Sheet

as at 21 April 2023

For an issue of NZ\$100 million
Heartland Bank Limited
unsecured subordinated notes

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; andon the date on which the Notes are repaid
First Optional Redemption Date	28 April 2028
Maturity Date	28 April 2033

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	NZ\$100 million.		
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		Senior Credit Rating of the Issuer	Notes Credit Rating
	Fitch Australia Pty Limited	BBB (Stable)	BB+
	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.		
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	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.		
Early Redemption	<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) is 7.51% per annum, being 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.</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>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>3.20% per annum.</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 'GDCCO 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>
<p>Calculation of Interest Payments</p>	<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>
<p>Solvency Condition</p>	<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.

	The Solvency Condition does not apply to payments that are required to be made on the Maturity Date or if Heartland is in liquidation.
No Event of Default for Failure to Satisfy the Solvency Condition or Due to Reserve Bank	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.
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.
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)	A day that is not a Saturday or Sunday and on which commercial banks are open for general business in Wellington and Auckland.
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

	<ul style="list-style-type: none"> 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.
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.