
Heartland Bank Limited launches note offer

Date 1 April 2019

Release Immediate

Heartland Bank Limited ("**Issuer**") today announced that it is offering up to \$75,000,000 (with the ability to accept oversubscriptions at its discretion) of 5 year, unsecured, unsubordinated, fixed rate notes ("**Notes**" or "**Offer**").

The Offer is made pursuant to the Financial Markets Conduct Act 2013 as an offer of debt securities of the same class as existing quoted debt securities (being the Issuer's fixed rate notes which are quoted on the NZX Debt Market under ticker code HBL010). The notice required by the Financial Markets Conduct Regulations 2014 is attached. Full details of the Offer are set out in the attached terms sheet.

A copy of the presentation that the Issuer will be giving to investors in connection with the Offer is also attached.

The Notes will have a maturity date of 12 April 2024 and are expected to be quoted on the NZX Debt Market. They are expected to have an issue credit rating of BBB from Fitch Ratings Ltd.

The indicative issue margin range is 1.75% per annum to 1.90% per annum. An announcement (via NZX) of the actual margin (which may be above or below the indicative margin range), the interest rate and the issue amount of the Notes will be made following the bookbuild process. This is expected to be on 5 April 2019. The interest rate will not be less than 3.50% per annum.

Interest will be paid on the Notes semi-annually in arrear with the first interest payment due on 12 October 2019 (although because this is not a business day the payment will be made on Monday 14 October, without any interest adjustment).

The Offer will open on 1st April 2019 and close on 5th April 2019. The Notes are expected to be issued on 12 April 2019, with initial quotation and trading of the Notes on the NZX Debt Market expected to occur on 15 April 2019.

All of the Notes (including any oversubscriptions) have been reserved for the Joint Lead Managers (and their clients) and NZX Primary Market Participants and other institutional investors invited to participate in the bookbuild.

Investors interested in the offer should contact any of the Joint Lead Managers (details below), a NZX Primary Market Participant, or their usual financial adviser, to obtain details as to how Notes may be acquired. There will be no public pool for the Notes.

Ends

For more information please contact:

Joint Lead Managers

- BNZ 0800 284 017
- Commonwealth Bank of Australia (acting through its New Zealand branch) 0800 272 633
- Deutsche Craigs Limited 0800 226 263
- Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch) 0800 942 822

Heartland Bank Limited

Michael Drumm

General Counsel

Michael.Drumm@heartland.co.nz

T: (09) 927 9136



NZX/ASX Release

**Notice pursuant to clause 20(1)(a) of schedule 8 of the Financial Markets Conduct
Regulations 2014**

1 April 2019

Heartland Bank Limited (**Heartland**) gives notice under clause 20(1)(a) of schedule 8 of the Financial Markets Conduct Regulations 2014 (**Regulations**) that it proposes to make an offer of fixed rate notes due 12 April 2024 (**Notes**) in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 (**FMCA**).

The main terms of the Notes are set out in the terms sheet which accompanies this notice. Except for the interest rate and maturity date, the Notes will have identical rights, privileges, limitations and conditions as Heartland's NZ\$150,000,000 fixed rate notes maturing on 21 September 2022, which are quoted on the NZX Debt Market under the ticker code HBL010 (**Quoted Notes**) and therefore are of the same class as the Quoted Notes for the purposes of the FMCA and the Regulations. The Quoted Notes have been continuously quoted on the NZX Debt Market over the preceding 3 months.

As at the date of this notice, Heartland is in compliance with:

- (a) the continuous disclosure obligations that apply to it in relation to the Quoted Notes; and
- (b) its financial reporting obligations (as defined in the Regulations).

As at the date of this notice, there is no excluded information required to be disclosed for the purposes of the Regulations.

As at the date of this notice, there is no information that would be required to be disclosed under a continuous disclosure obligation or which would be excluded information required to be disclosed for the purposes of the Regulations if the Quoted Notes had had the same redemption date or interest rate as the Notes being offered (as applicable).

For further information, please contact:

Heartland Bank Limited

Michael Drumm

General Counsel

Michael.Drumm@heartland.co.nz

T: (09) 927 9136



Terms Sheet: Dated 1 April 2019

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

This Terms Sheet sets out the key terms of an offer by Heartland Bank Limited ("**Heartland Bank**" or "**Issuer**") for an offer of up to NZ\$75,000,000 (with the ability to accept oversubscriptions at Heartland Bank's discretion) fixed rate notes ("**Notes**") under its Deed Poll dated 18 August 2017 ("**Deed Poll**") as modified and supplemented by supplemental deed dated 29 March 2019 ("**Supplemental Deed**").

IMPORTANT NOTICE

The offer of Notes by Heartland Bank is made in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 ("**FMCA**").

The offer contained in this Terms Sheet is an offer of Notes that have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as Heartland Bank's NZ\$150,000,000 unsecured, unsubordinated, fixed rate, interest bearing notes (which have a fixed interest rate of 4.50% per annum) maturing on 21 September 2022, which are currently quoted on the NZX Debt Market under the ticker code HBL010 ("**Existing Notes**").

Accordingly, the Notes are of the same class as the Existing Notes for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014 ("**FMC Regulations**").

Heartland Bank is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited ("**NZX**") for the purpose of that information being made available to participants in the market and that information can be found by visiting www.nzx.com/companies/HBL.

The Existing Notes are the only debt securities of Heartland Bank that are in the same class as the Notes.

Investors should look at the market price of the Existing Notes referred to above to find out how the market assesses the returns and risk premium for those notes.

Issuer	Heartland Bank.
Issue Price and Principal Amount	NZ\$1.00 per Note.
Term and Maturity Date	5 years maturing on 12 April 2024.
Description of the Notes	Unsecured, unsubordinated, medium term, fixed rate notes.
Purpose	General corporate purposes.
Offer Amount	Up to NZ\$75 million, with the ability to accept oversubscriptions at the discretion of Heartland Bank.

Minimum Application Amount	NZ\$5,000 and in multiples of NZ\$1,000 thereafter.
Interest Rate	<p>The Interest Rate will be fixed for the term of the Notes.</p> <p>The Interest Rate will be the greater of:</p> <ul style="list-style-type: none"> • 3.50% per annum; and • the aggregate of the Base Rate and the Margin. <p>The Margin may be above or below the Indicative Issue Margin referred to below.</p> <p>The Interest Rate will be announced by the Issuer via NZX on or shortly after the Rate Set Date.</p> <p>Further information regarding the Base Rate and the Margin is set out below.</p>
Base Rate	The mid-market rate for an interest rate swap of a term matching the period from the Issue Date of the Notes to the Maturity Date as calculated by the Arranger in consultation with the Issuer, according to market convention, with reference to ICAP New Zealand Limited (Bloomberg: ICNI > NZD Interest Rate Swaps) (or its successor page) on the Rate Set Date (rounded to 2 decimal places, if necessary, with 0.005 being rounded up).
Indicative Issue Margin (for the purposes of the bookbuild)	1.75-1.90% per annum.
Margin	The Margin (which may be above or below the Indicative Issue Margin) will be set on the Rate Set Date by Heartland Bank in consultation with the Arranger, following a bookbuild process conducted by the Joint Lead Managers.
Bookbuild Opens	1 April 2019
Bookbuild Closes	Midday, 5 April 2019
Rate Set Date	5 April 2019
Issue Date	12 April 2019
Expected Date of Initial Quotation and Trading of the Notes on the NZX Debt Market	15 April 2019
Frequency of Interest Payments	Interest will be payable semi-annually in arrear in equal amounts on each Interest Payment Date.
Interest Payment Dates	Each 12 April and 12 October during the term of the Notes, commencing on 12 October 2019 (although because 12 October is not a Business Day the payment will be made on Monday 14 October without any interest adjustment, in accordance with the

	Business Day Convention described below).
Entitlement to Interest Payments	Holders on the Register as at 5pm on the 10th calendar day before the relevant Interest Payment Date or, if that day is not a Business Day, the preceding Business Day.
Who May Apply and How to Apply	<p>All of the Notes (including any oversubscriptions) have been reserved for the Joint Lead Managers (and their clients) and NZX Primary Market Participants and other institutional investors invited to participate in the bookbuild.</p> <p>There will be no public pool for the Notes.</p> <p>Retail investors should contact any Joint Lead Manager, their financial adviser or any Primary Market Participant for details on how they may acquire the Notes. A Primary Market Participant can be found by visiting: www.nzx.com/investing/find-a-participant</p> <p>Any allotment of Notes (including any oversubscriptions) will be at the Issuer's discretion, in consultation with the Joint Lead Managers. The Issuer reserves the right to refuse to make any allotment (or part thereof) without giving any reason.</p> <p>Applications cannot be withdrawn or revoked. Applications may be scaled in the event of oversubscriptions. The Issuer in consultation with the Joint Lead Managers reserves the right to scale at its discretion.</p> <p>If an application for Notes is declined, any application money received by the Issuer will be refunded (without interest) as soon as practicable, and in any event within 5 Business Days.</p>
No Brokerage Payable by Subscribers to Heartland Bank	Subscribers are not required to pay Heartland Bank any amounts over and above the Issue Price in connection with their application for Notes. However, they may have to pay brokerage to any firm from whom they receive an allocation of Notes.
Quotation	The Issuer has made application for the Notes to be quoted on the NZX Debt Market, and it is a term of this offer that it will take any necessary steps to ensure that the Notes are quoted immediately after issue. NZX ticker code HBL020 has been reserved for the Notes.
Minimum Transfer Amounts and Minimum Holding	Notes may only be transferred in multiples of NZ\$1,000. However, no transfer may be effected if it would result in the transferor or the transferee holding or continuing to hold Notes with an aggregate Principal Amount of less than the minimum Principal Amount of NZ\$5,000.
Trading Notes on the NZX Debt Market	Each investor's financial adviser will be able to advise them as to what arrangements will need to be put in place for investors to trade the Notes, including obtaining a common shareholder

	number (CSN) and authorisation code (FIN) and opening an account with a Primary Market Participant as well as the costs and timeframes for putting such arrangements in place.		
Credit Ratings		Heartland Bank's Credit Rating	Expected Issue Credit Rating
	Fitch Ratings Ltd	BBB (Outlook Stable)	BBB
	A credit rating is not a recommendation by any rating organisation to buy, sell or hold Notes. The above rating information is current at the date of this Terms Sheet and may be subject to suspension, revision or withdrawal at any time by Fitch Ratings Ltd. Fitch Ratings Ltd has not been involved in the preparation of this Terms Sheet.		
Business Days and Business Day Convention	<p>A Business Day is a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Auckland and Wellington.</p> <p>If any Interest Payment Date or the Maturity Date falls on a day that is not a Business Day, the due date for the payment to be made on that date will be the following Business Day (but with no interest adjustment as a result of the delay in payment).</p>		
No Guarantee	The Notes are not guaranteed by any other member of the Heartland Bank Group or by any other person.		
Repayment Following Event of Default	<p>If an event of default (as defined in the Deed Poll) occurs a Note holder may, by notice in writing to Heartland Bank, require any Note held by that holder to be repaid early.</p> <p>If the Notes are repaid on a date that is not an Interest Payment Date following an event of default, the interest payable on the date of repayment will be adjusted to reflect the number of days from the previous Interest Payment Date (or the Issue Date if the Notes are repaid prior to the first Interest Payment Date) to the date of repayment.</p>		
Deed Poll and Supplemental Deed	The terms and conditions of the Notes are set out in the Deed Poll, taken together with the Supplemental Deed. Holders are bound by, and are deemed to have notice of, the Deed Poll and Supplemental Deed. Copies of these documents will be made available by Heartland Bank for inspection by a Note holder at its address set out under "Address Details" below. Copies can also be found on its website at: https://www.heartland.co.nz/about-us/documents-and-forms		
ISIN	NZHBLD0020L2		
Approved Issuer Levy	The Issuer 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 of Notes that is subject to the non-resident withholding tax rules, to pay AIL in lieu of deducting non-resident withholding tax. If the Notes qualify for the 0% rate of AIL, the Issuer intends to apply the 0% rate. Otherwise, it will pay AIL at the applicable rate and deduct the amount from interest paid to the relevant holder.
Registrar & Paying Agent	Link Market Services Limited The Notes will be accepted for settlement within the NZClear system.
Arranger	Bank of New Zealand (“BNZ”)
Joint Lead Managers	BNZ, Commonwealth Bank of Australia (acting through its New Zealand branch), Deutsche Craigs Limited, Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch).
Other Debt Securities	Heartland Bank may issue other series of Notes under the Deed Poll (as well as other debt instruments) without the consent of Note holders, on such terms as it thinks fit.
Selling Restrictions	The offer and subsequent transfers of Notes are subject to the selling restrictions contained in the schedule to this Terms Sheet.
Governing Law	New Zealand
Singapore Securities and Futures Act Product Classification	Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) as modified or amended from time to time (the “SFA”), Heartland Bank has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).
Important Information for Australian Investors	Heartland Bank is neither a bank nor an authorised deposit-taking institution which is authorised under the Banking Act 1959 of Australia (Australian Banking Act) nor is Heartland Bank authorised to carry on banking business under the Australian Banking Act. Heartland Bank is not supervised by the Australian Prudential Regulation Authority. The Notes are not guaranteed by the Commonwealth of Australia or the Government of New Zealand. An investment in any Notes issued by Heartland Bank will not be covered by the depositor protection provisions in section 13A of the Australian Banking Act and will not entitle Noteholders to claim under the financial claims scheme under Division 2AA of the Australian Banking Act.

The dates and times set out in this Terms Sheet are indicative only and are subject to change. Heartland Bank has the right in its absolute discretion and without notice to close the offer early, to extend the closing date for the offer, or to choose not to proceed with the offer. If the closing date for the offer is extended, subsequent dates may be extended accordingly.

Any internet site addresses provided in this Terms Sheet are for reference only and, except as expressly stated otherwise, the content of any such internet site is not incorporated by reference into, and does not form part of, this Terms Sheet.

Investors are personally responsible for ensuring compliance with all relevant laws and regulations applicable to them (including any required registrations). Investors should seek qualified independent financial and taxation advice before deciding to invest.

Address Details

Issuer

Heartland Bank Limited

PO Box 9919
35 Teed Street
Newmarket
Auckland 1023

Joint Lead Managers

Bank of New Zealand

Private Bag 92208
Level 6, Deloitte Centre
80 Queen Street
Auckland

Registrar

Link Market Services Limited

PO Box 91976
Auckland 1142

Commonwealth Bank of Australia

(acting through its New Zealand branch)

P.O. Box 35, Shortland Street
Level 6, ASB North Wharf
12 Jellicoe Street
Auckland 1010

Arranger

Bank of New Zealand

Private Bag 92208
Level 6, Deloitte Centre
80 Queen Street
Auckland

Deutsche Craigs Limited

Level 36, Vero Centre
48 Shortland Street
Auckland 1010

Westpac Banking Corporation

(ABN 33 007 457 141)

(acting through its New Zealand branch)

P.O. Box 934
Level 8, 16 Takutai Square
Auckland 1010

Schedule – Selling Restrictions

General

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

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

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

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

Indemnity

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

Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (**Corporations Act**)) in relation to the Notes (including this Terms Sheet) has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission (**ASIC**) or any other regulatory authority in Australia. No person may:

- (a) make or invite (directly or indirectly) an offer of the Notes for issue, sale or purchase in, to or from Australia (including an offer or invitation which is received by a person in Australia); and
- (b) distribute or publish, any Terms Sheet, information memorandum, prospectus or any other offering material or advertisement relating to the Notes in Australia,

unless:

- i. the minimum aggregate consideration payable by each offeree or invitee is at least A\$500,000 (or its equivalent in an alternative currency and, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Corporations Act;
- ii. the offer or invitation is not made to a person who is a “retail client” within the meaning of section 761G of the Corporations Act;
- iii. such action complies with all applicable laws, regulations and directives; and
- iv. such action does not require any document to be lodged with, or registered by, ASIC or any other regulatory authority in Australia.

Each Joint Lead Manager has represented and agreed, and by applying for the Notes under this Terms Sheet, each person to whom the Notes are issued (an **Investor**) will be deemed to have represented and agreed, that it will comply with Banking exemption No. 1 of 2018 dated 21 March 2018 promulgated by the Australian Prudential Regulation Authority and which requires all offers and transfers to be in parcels of not less than A\$500,000 in aggregate principal amount. Banking exemption No. 1 does not apply to transfers which occur outside Australia.

This Terms Sheet is not, and under no circumstances is to be construed as, an advertisement or public offering of any Notes in Australia.

Relevant Member States of the European Economic Area

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

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the any of the Joint Lead Managers for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

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

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

United Kingdom

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

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

Japan

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

Singapore

This Terms Sheet has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly this Terms Sheet or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

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

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

securities or securities based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Hong Kong

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

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

Heartland Bank Limited

Note Offer

April 2019



Important Notice

- Heartland Bank Limited (Heartland Bank or Issuer or Company) is offering up to NZ\$75,000,000 (with the ability to accept oversubscriptions at the discretion of Heartland Bank) fixed rate notes due 12 April 2024 (Notes) in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 (FMCA).
- The Notes will have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as Heartland Bank's NZ\$150,000,000 unsecured unsubordinated, fixed rate, interest bearing notes (which have a fixed interest rate of 4.50% per annum) maturing on 21 September 2022, which are currently quoted on the NZX Debt Market under the ticker code HBL010 (Existing Notes).
- Accordingly, the Notes are of the same class as the Existing Notes for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014 (FMC Regulations).
- Heartland Bank is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited (NZX) for the purpose of that information being made available to participants in the market and that information can be found by visiting www.nzx.com/companies/HBL
- The Existing Notes are the only debt securities of Heartland Bank that are in the same class as the Notes.
- Investors should look at the market price of the Existing Notes referred to above to find out how the market assesses the returns and risk premium for those notes.
- The Notes will constitute unsecured, unsubordinated debt obligations of Heartland Bank. The Notes will rank equally and without any preference among themselves and at least equally with all other unsecured and unsubordinated indebtedness of Heartland Bank, except indebtedness preferred by law and subject to laws affecting creditors' rights generally and equitable principles of general application.
- Neither the repayment of, nor interest on, the Notes is guaranteed by any member of the Heartland Bank group or by any other person.

Disclaimer

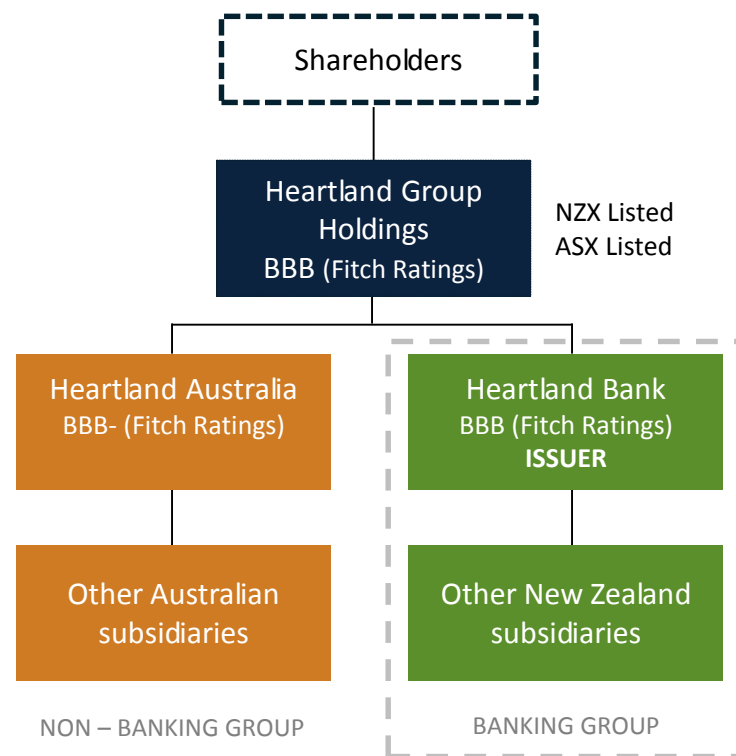
- This presentation has been prepared by Heartland Bank for the purpose of briefings in relation to its financial statements, and in relation to the offer of the Notes.
- The presentation and the briefing (together the Presentation) contain summary information only, and you should not rely on the information in the Presentation in isolation from the full detail in the financial statements and, in relation to the Offer of the Notes, the Terms Sheet referred to below.
- The information in the Presentation has been prepared with due care and attention. However, except as provided in the FMCA, no person (including the Company and its directors, shareholders and employees) will be liable to any other person for any loss arising in connection with the Presentation.
- The Presentation outlines a number of the Company's forward-looking plans and projections. Those plans and projections reflect current expectations, but are inherently subject to risk and uncertainty, and may change at any time. There is no assurance that those plans will be implemented or that projections will be realised.
- Except as required by law or the NZX Listing Rules, no person is under any obligation to update this presentation at any time after its release to you or to provide you with further information about the Company.
- Any internet site addresses provided in this Presentation are for reference only and, except as expressly stated otherwise, the content of any such internet site is not incorporated by reference into, and does not form part of, this Presentation.
- Unless otherwise indicated in this presentation, all financial results are those for the six months ended 31 December 2018 and all comparisons are to the previous corresponding financial period of the six months ended 31 December 2017.
- This presentation is for preliminary purposes only. It is not an offer to issue or sell financial products and no part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever.
- The information in this presentation is of a general nature and does not constitute financial product advice, investment advice or any recommendation to purchase or subscribe for any financial products. Nothing in this presentation constitutes legal, financial, tax or other advice.
- A terms sheet dated 1 April 2019 (**Terms Sheet**) has been prepared in respect of the offer of the Notes. The Terms Sheet is an important document and should be read carefully. Investors should not subscribe for Notes until they have read the Terms Sheet. Investors should consider the risks which are associated with an investment in the Notes, particularly with regard to their personal circumstances (including financial and tax issues). Investors should seek qualified independent financial advice before deciding to invest.
- The Terms Sheet sets out the applicable selling restrictions in respect of the Notes.

Heartland Bank



Corporate structure

- Heartland Group Holdings is a financial services group with operations in New Zealand and Australia. It is listed on the NZX Main Board and the ASX Main Board under a Foreign Exempt Listing. Its operating subsidiaries are:
- **Heartland Bank** - a New Zealand registered bank that provides 'best or only' banking products focusing on savings and deposits, reverse mortgages, motor vehicle finance, business finance, rural finance and personal lending; and
- **Heartland Australia** - a specialist provider of reverse mortgage lending and also provides funding through partners in the small business and consumer lending sectors.
- This offer of Retail Notes is from Heartland Bank Limited. No member of the Heartland Group Holdings Limited group of companies will be guaranteeing the Notes.



Heartland Bank Board of Directors



Bruce Irvine
Chair & Independent Director



Jeff Greenslade
Executive Director



Geoff Rickets
Director



Ellie Comerford
Director



Vanessa Stoddard
Independent Director



John Harvey
Independent Director



Kate Morrison
Independent Director

Heartland Bank



Business Finance

Gross finance receivables \$1,094 million, up \$32 million (6.1% annualised growth)

Working capital and plant and equipment finance distributed through Heartland's relationship managers, partners and intermediaries.

Strong growth through Business Intermediated (44.3% annualised growth) and Open for Business (56.2% annualised growth)



Rural Finance

Gross finance receivables \$646 million, down \$15 million (4.5% annualised decrease)

Rural loans and livestock finance distributed through Heartland's relationship managers, alliance partners and online through our digital platform, Open for Livestock



New Zealand Reverse Mortgages

Gross finance receivables \$533 million⁽³⁾, up \$26 million (10.3% annualised growth excluding FX)

Primarily distributed through our Heartland Seniors Finance sales team in



Harmony and other personal lending

Gross finance receivables \$189 million, up \$35 million (44.3% annualised growth excluding FX)

Our partnership with Harmony enables Heartland to lend through Harmony online platform for personal loans

New Zealand Harmony and personal lending grew 37.7% (annualised growth)

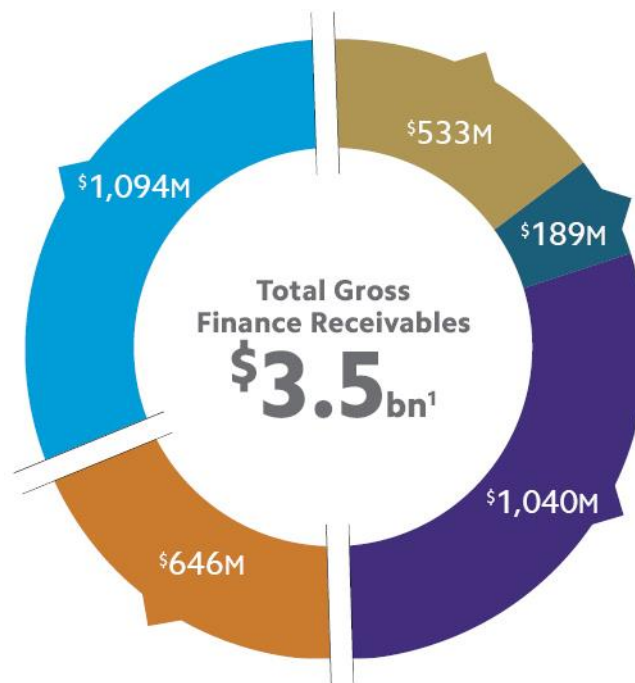
Australian Harmony and personal lending grew 77% (annualised growth excluding FX)



Motor Vehicle Finance

Gross finance receivables \$1,040 million, up \$79 million (16.3% annualised growth)

Lending through our motor vehicle dealer network continues to experience robust growth - enabling customers to access finance at point of sale



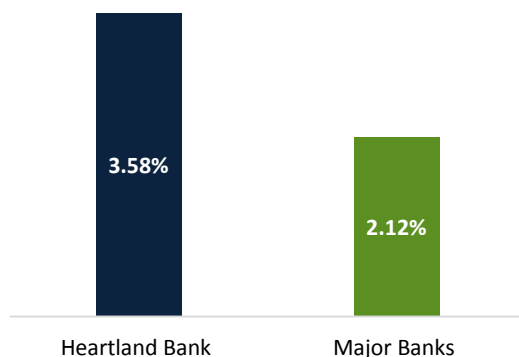
1. Excludes residential mortgage lending of \$21 million as at 31 December 2018.

2. Excludes impact of changes in foreign currency exchange rates.

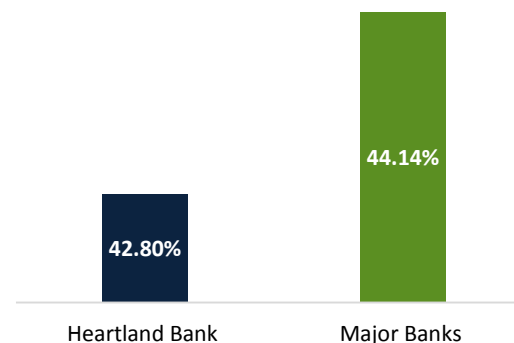
3. \$50 million of AU Reverse Mortgages that was purchased by the Bank is included in the Gross Receivables and Reverse Mortgage numbers.

Financial highlights

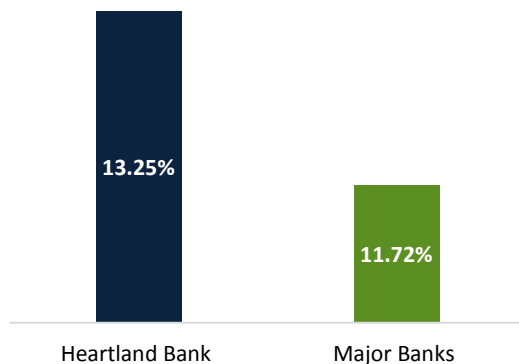
**Net Interest Margin (NIM)
after Impairment**



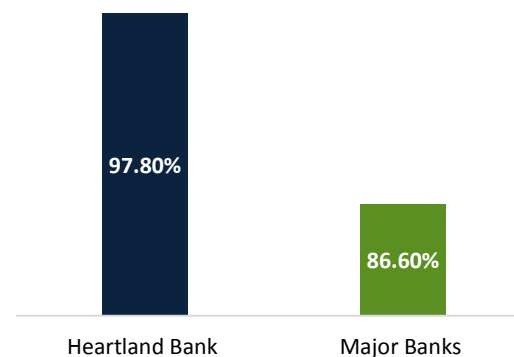
Operating Expense Ratio



**Capital
Common Equity Tier 1**

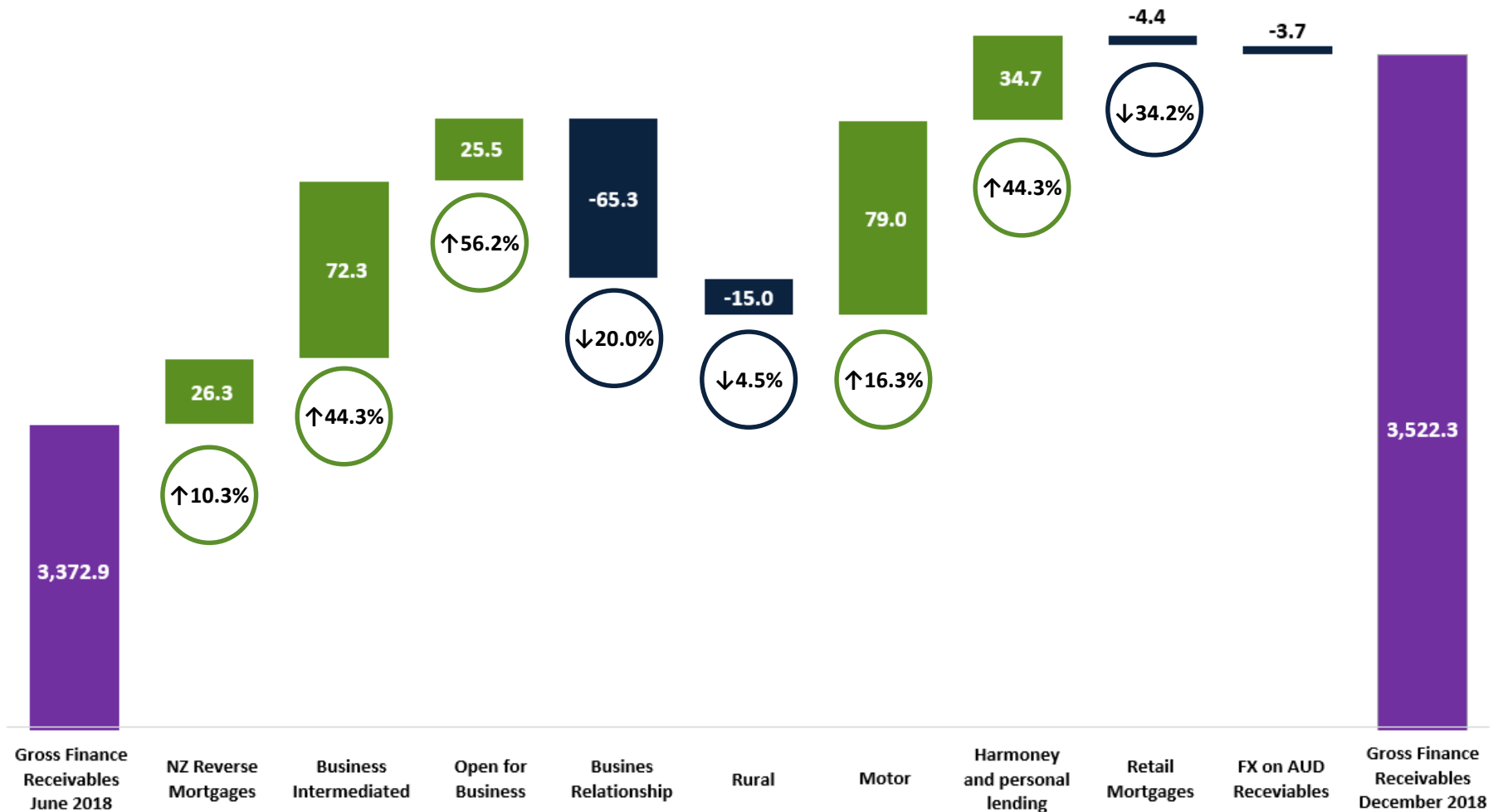


**Liquidity
Core Funding Ratio**



- Major Banks = Average ratios for ASB, ANZ, BNZ, Westpac, and KiwiBank from most recent disclosure statement.
- Heartland Bank's figures are based on its disclosure statement for the six months ended 31 December 2018.
- NIM after impairment = (Interest Income – Interest Expense – Impairment Expense) divided by Average Interest Bearing Assets. Adjusted for Tier 2 bond repayment break costs.
- Cost to Income Ratio = Operating Expenses / Net Operating Income. Adjusted for corporate restructure, ASX listing costs, adverse impact of foreign currency movements, and Tier 2 bond repayment break costs.
- Common Equity Tier 1 and Core Funding Ratio for Major Banks as stated in the 31 December 2018 RBNZ Bank Financial Strength Dashboard.

Strong growth in Gross Finance Receivables

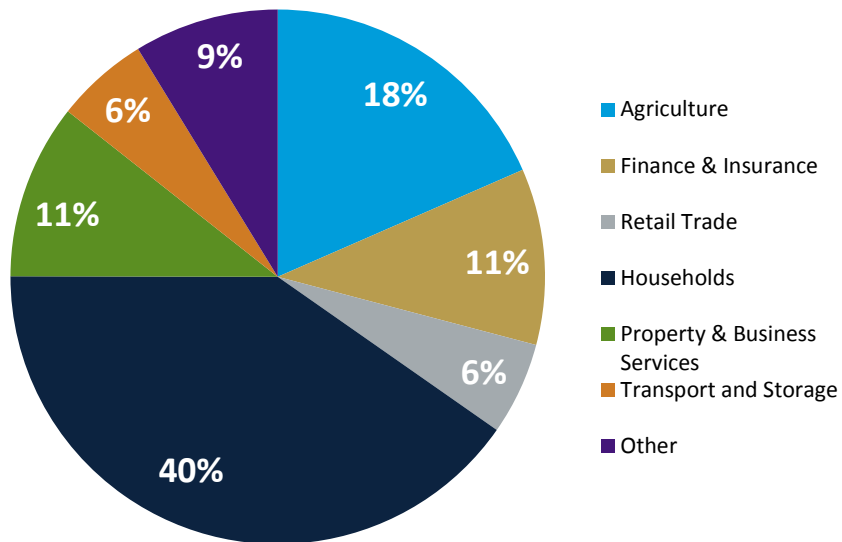


- The graph shows annualised growth in Gross Finance Receivables expressed in \$ million.
- Harmony and other personal lending includes NZ (up \$24.5 million, 37.7% annualised growth) and Australia (up \$10.2 million, 77.0% annualised growth excl. FX).
- \$50 million of AU Reverse Mortgages that was purchased by the Bank is included in the Gross Receivables and Reverse Mortgage numbers.

Concentration of credit risk

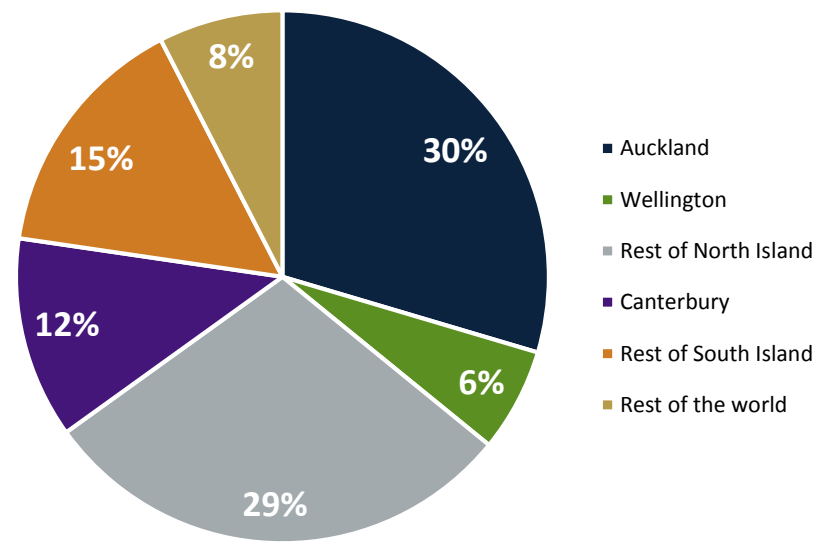
By industry sector

As at 31 December 2018



By geographic region

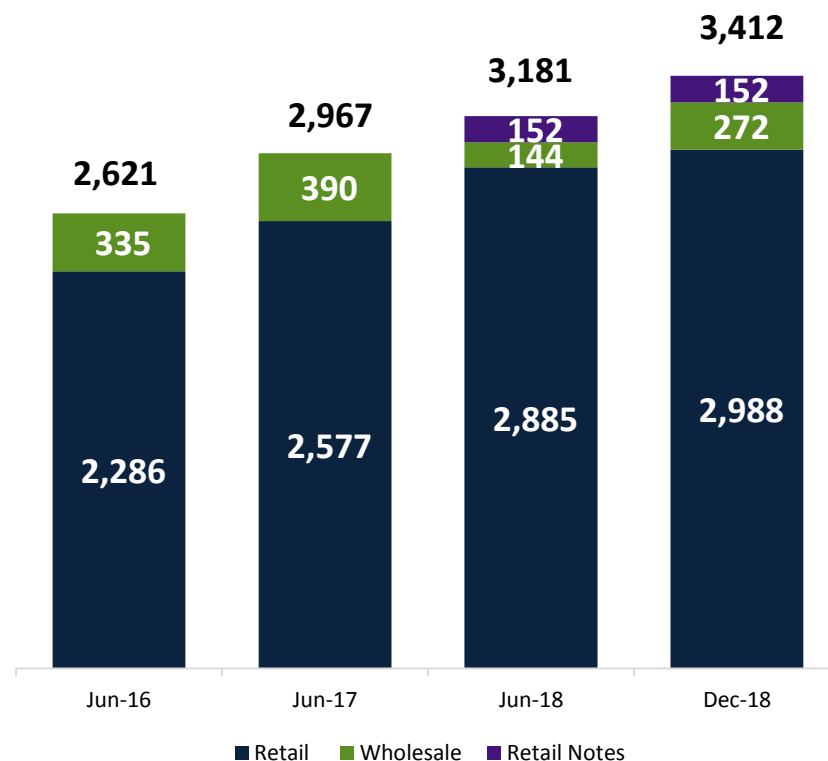
As at 31 December 2018



- Heartland Bank's figures are based on its disclosure statement for the six months ended 31 December 2018.

Borrowings

- 8.8% annualised growth in New Zealand gross finance receivables funded by 7.1% annualised growth in retail deposits
- 88% retail deposit funded, with a weighted average tenor for term deposits of 12.6 months
- Funding diversity supported through a range of wholesale facilities
- \$150m inaugural retail note issuance September 2017 with a fixed coupon of 4.50%, currently trading at approximately 3.04% in the secondary market with approximately 3.5 years left to run

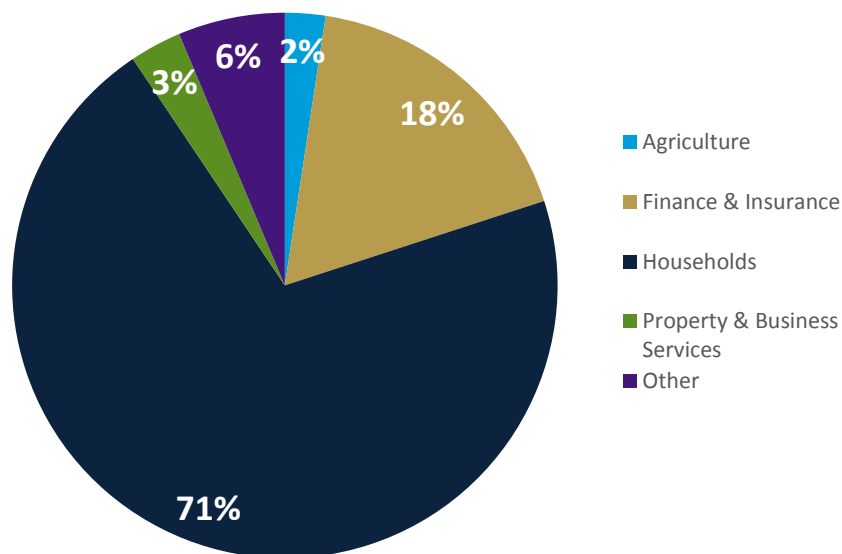


• Heartland Bank's figures are based on its disclosure statement for the six months ended 31 December 2018.

Concentration of funding

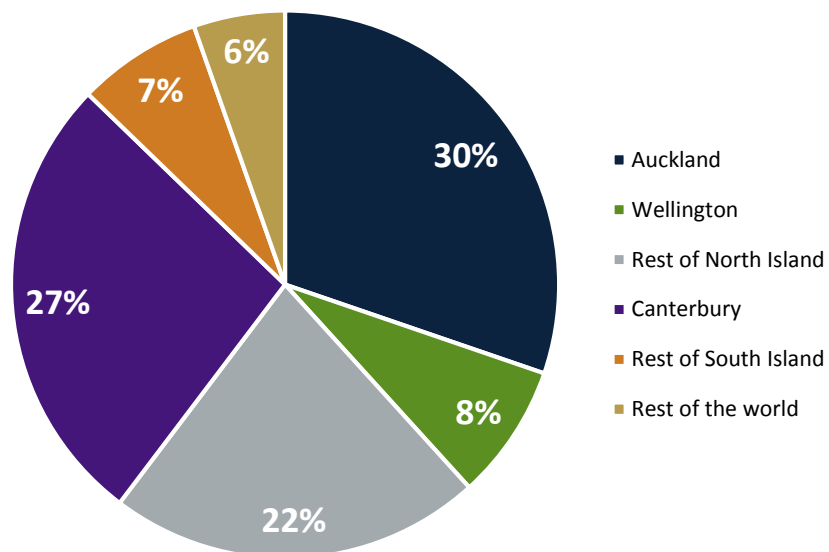
By industry sector

As at 31 December 2018



By geographic region

As at 31 December 2018



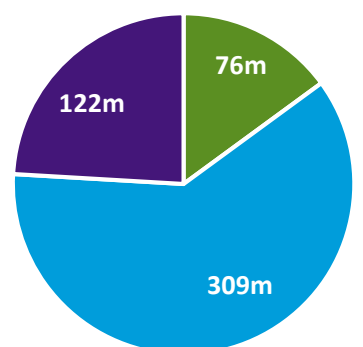
- Heartland Bank's figures are based on its disclosure statement for the six months ended 31 December 2018.

Liquidity

- Heartland Bank manages a high quality liquid asset portfolio in line with regulatory requirements
- The liquid asset portfolio has a high proportion (66%) of primary liquid assets rated AAA+

Liquidity Composition

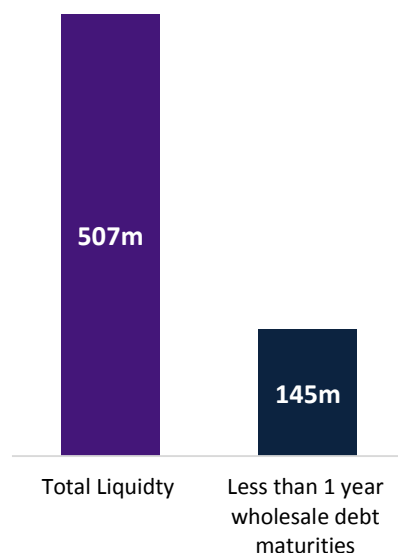
As at 31 December 2018



- Investments
- Cash and cash equivalents
- Undrawn committed bank facilities

Liquidity Position

As at 31 December 2018



RBNZ BS13 metrics

As at 31 December 2018

	RBNZ Minimum	Heartland Bank ⁽¹⁾	Major Banks ⁽²⁾
1 Week Mismatch Ratio	0.0%	5.6%	5.4%
1 month Mismatch Ratio	0.0%	7.7%	6.4%
Core Funding Ratio	75.0%	97.8%	86.6%

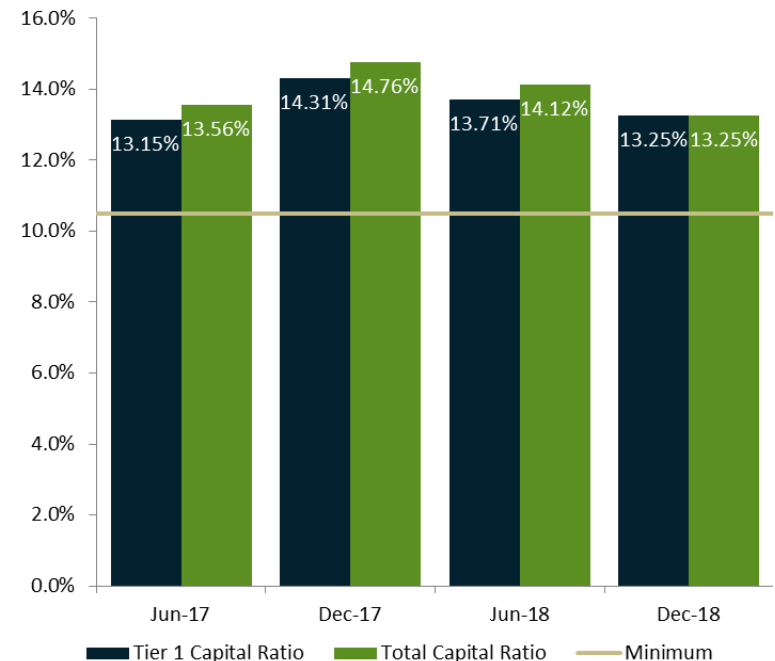
1. 3 month average as at 31 December 2018. Australian business assets removed from ratio calculation.

2. Quarterly Average of ASB, ANZ, BNZ, Westpac, and KiwiBank as at 31 December 2018 from the RBNZ Bank Financial Strength Dashboard.

Regulatory Capital

- Heartland Bank no longer has any hybrid regulatory capital after the Tier 2 notes were repaid as part of corporate restructure in October 2018.
- Following the completion of the corporate restructure, the Australian business now resides outside of the New Zealand banking group, and is therefore not included in Heartland Bank's capital ratio.
- The RBNZ capital review on New Zealand banks is at consultation stage only with many details to be clarified, and the RBNZ is yet to have made any final decisions.
- If the RBNZ proposal was to be implemented in its current form, Heartland Bank would be required to lift its Tier 1 capital ratio to 15% over a 5 year transitional period. This equates to an increase in Tier 1 capital of less than 0.4% (approx. \$15m) per year, based on Heartland Bank's financial position as at 31 December 2018.

Heartland Bank Regulatory Capital



- Heartland Bank's figures are based on its disclosure statement for the six months ended 31 December 2018.

Divisional Summary



Motor Vehicle Finance

- Motor gross finance receivables increased \$79.0m in the six months to 31 December 2018 to \$1,039.9m (16.3% annualised growth)
- Motor Net Operating Income increased 8.9% to \$28.2m
- Increased partnership with intermediaries offering customers vehicle finance at point of sale



Motor – Gross Finance Receivables

As at 31 December 2018

\$1,039.9m

▲ 16.3%
annualised growth from June 2018

New Zealand Reverse Mortgages

- NZ Reverse Mortgage gross finance receivables increased \$26.3m in the six months to 31 Dec 2018 to \$533.3m, 10.3% annualised growth, excl. FX)
- Increased focus on brand awareness and digital distribution
- Heartland Bank has assisted over 15,000 New Zealanders to live a more comfortable retirement, with currently over 7,000 active customers



NZ Reverse Mortgages – Gross Finance Receivables

As at 31 December 2018

\$533.3m

▲ 10.3%
annualised growth from June 2018

Harmoney and other personal lending

- Harmoney and other personal lending gross finance receivables increased \$34.7m in the six months to 31 December 2018 to \$188.6m (annualised growth 44.3%, excl. FX)
- NZ Harmoney and other personal lending increased 37.7% (annualised growth) to \$153.6m
- Australia Harmoney increased 77.0% (annualised growth excl. FX) to \$35.0m
- Harmoney and other personal lending Net Operating Income (NZ and Australia) increased 38.0% to \$9.5m
- Key funder of Harmoney platform across New Zealand and Australia

Harmoney and other personal lending – Gross Finance Receivables

As at 31 December 2018

\$188.6m

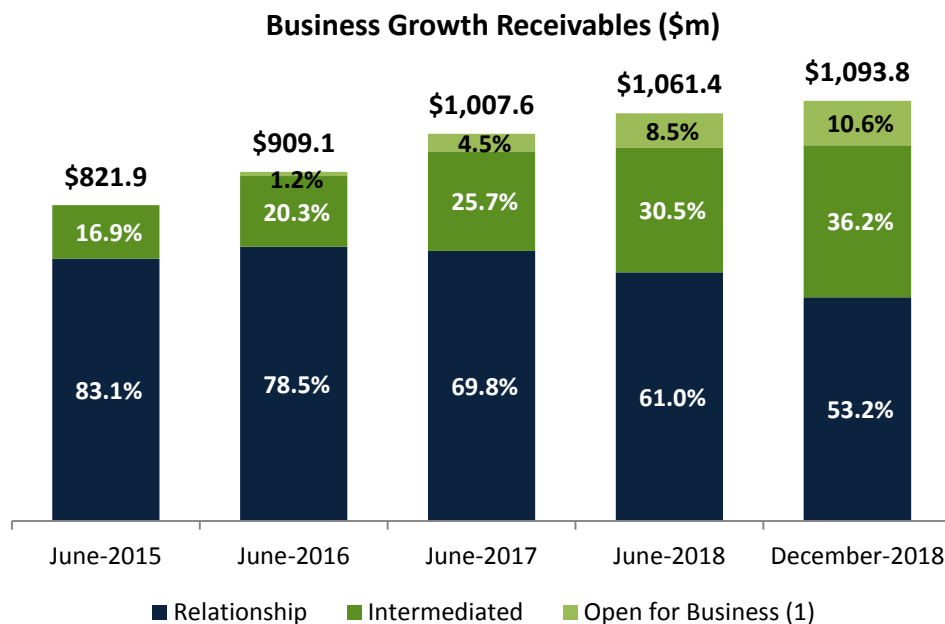
▲ **44.3% excl. FX**
annualised growth from June 2018

▲ **42.6% incl. FX**
annualised growth from June 2018



Business Finance

- Business gross finance receivables increased \$32.4m in the six months to 31 Dec 2018 to \$1,093.8m (6.1% annualised growth)
- Business Net Operating Income increased 5.7% to \$27.6m
- Intermediated business continues to grow strongly with 44.3% annualised growth
- Business relationship lending decreased in line with strategy to reduce concentration risk



Business – Gross Finance Receivables

As at 31 December 2018

\$1,093.8m

▲ 6.1%
annualised growth from June 2018

1. Refer to Digital Strategy slide for Open for Business commentary on page 21.

Rural Finance

- Rural annualised gross receivables decreased 4.5%
- Reduction in lending through Rural Relationship and Livestock Direct, but a small increase in digital Open for Livestock lending.
- Continuing to manage down large Rural Relationship lending to reduce concentration risk in this segment
- A combination of strong grass growth across the country and Mycoplasma bovis saw the decrease in trading beef livestock between breeders and finishers.



O4L OPEN
FOR
LIVESTOCK

Rural – Gross Finance Receivables

As at 31 December 2018

\$645.5m

▼ **4.5%**

annualised decrease from June 2018

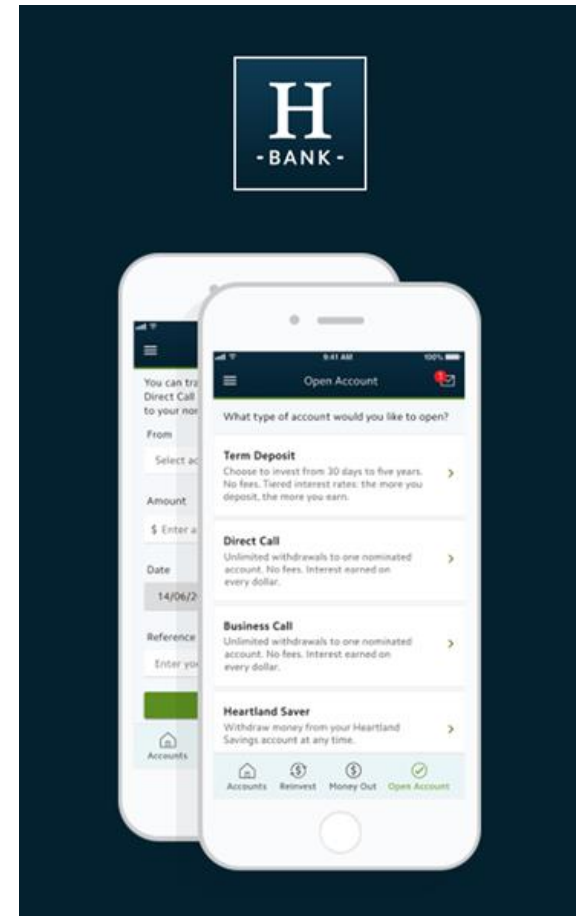
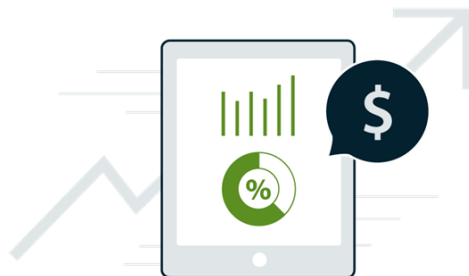
Digital Strategy

O4B

- Open for Business experienced strong growth with gross receivables increasing 56.2% to \$115.4 million
- Increased investment is required to raise awareness and reach an estimated market of \$5.6bn¹
- Outside specialist capital is being considered to support development

Deposits: Mobile App

- 10% Depositors now on App



1. Based on the number of SMEs in New Zealand (Ministry of Business, Innovation and Employment Small Business Fact Sheet 2017) with a turnover, risk profile and needs consistent with O4B.

Note Issue



Summary of Terms

Issuer	Heartland Bank Limited (“ Heartland Bank ” or the “ Issuer ”)
Description	Unsecured, unsubordinated, medium term, fixed rate notes
Offer Amount	Up to NZ \$75 million, with the ability to accept oversubscriptions at the discretion of Heartland Bank
Tenor	5 years, maturing 12 April 2024
Expected Issue Credit Rating	BBB (Fitch Ratings Ltd)
Interest Rate	The greater of: <ul style="list-style-type: none"> • 3.50 percent per annum; and • the aggregate of the Base Rate (5 year NZD swap rate) and the Margin set on the Rate Set Date following a book build process
Indicative Margin	1.75 to 1.90 percent per annum. The actual Margin may be above or below this range.
Frequency of Interest Payments	Interest will be payable semi-annually in arrear in equal amounts on each Interest Payment Date (being each 12 April and 12 October during the term of the Notes, commencing on 12 October 2019. Although because 12 October is not a Business Day the payment will be made on Monday 14 October without any interest adjustment, in accordance with the Business Day Convention)
Brokerage	Subscribers are not required to pay Heartland Bank any amounts over and above the Issue Price in connection with their application for Notes. However, they may have to pay brokerage to any firm from whom they receive an allocation of Notes.
Arranger & Organising Participant	Bank of New Zealand
Joint Lead Managers	Bank of New Zealand, Commonwealth Bank of Australia (acting through its New Zealand Branch), Deutsche Craigs Limited, Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand Branch)
Listing and Quotation	The issuer has made application for the Notes to be quoted and listed on the NZX Debt Market. The NZX ticker code HBL020 has been reserved for the Notes

How to apply

- All of the Notes (including any oversubscriptions) have been reserved for the Joint Lead Managers (and their clients) and NZX Primary Market Participants and other institutional investors invited to participate in the book build
- There will be no public pool for the Notes
- Retail investors should contact any Joint Lead Manager, their financial adviser or any Primary Market Participant for details on how they may acquire the Notes. A Primary Market Participant can be found by visiting: www.nzx.com/investing/find-a-participant
- Any allotment of Notes (including any oversubscriptions) will be at the Issuer's discretion, in consultation with the Joint Lead Managers. The issuer reserves the right to refuse to make any allotment (or part thereof) without giving any reason
- Applications cannot be withdrawn or revoked. Applications may be scaled in the event of oversubscriptions. The Issuer in consultation with the Joint Lead Managers reserves the right to scale at its discretion
- If an application for Notes is declined, any application money received by Heartland Bank will be refunded (without interest) as soon as practicable, and in any event within 5 Business Days

Key Dates

Launch Date	1 April 2019
Roadshow	2 April 2019, 3 April 2019
Bookbuild	1 April 2019 to 12:00pm 5 April 2019
Rate Set Date	5 April 2019
Issue Date/ Allotment Date	12 April 2019
Expected Date of Quotation	15 April 2019
First Interest Payment Date	12 October 2019 (payment will be made on Monday 14 October as 12 October is not a business day)
Maturity Date	15 April 2024

Questions



Key Contacts

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BNZ

0800 284 017

Commonwealth Bank of Australia (acting through its New Zealand branch)

0800 272 633

Deutsche Craigs Limited

0800 226 263

Westpac Banking Corporation (ABN 33 007 457 141 acting through its New Zealand branch)

0800 942 822