

HEARTLAND BANK

Term Sheet: Dated 31 March 2017

A\$20m Floating Rate Subordinated Unsecured Convertible Notes due 7 April 2027

This term sheet is subject to and must be read in conjunction with the terms and conditions of the Notes as set out in the information memorandum dated 31 March 2017 ("**Information Memorandum**").

Issuer	Heartland Bank Limited (" Heartland " or the " Issuer ")
Arranger	National Australia Bank Limited (ABN 12 004 044 937)
Description of the Notes	Subordinated unsecured convertible notes (" Notes "). If a Non-Viability Trigger Event occurs, the Notes will be converted into ordinary shares in Heartland (" HBL Shares ") and will be Written Off if Conversion does not occur when required.
Term	10 years. The Notes mature on the Maturity Date (7 April 2027)
Pricing Date	31 March 2017
Settlement Date	7 April 2017
Issue Amount	A\$20 million
Face Value	A\$10,000 per Note
Purpose of the offer	The Notes will qualify as Tier 2 Capital for Heartland's regulatory capital requirements. The proceeds of the Notes will be used for Heartland's general corporate purposes.
Credit rating of the Notes	BBB- (Fitch)
Interest Rate	Floating rate that is reset quarterly to be equal to BBSW (a benchmark floating interest rate for the Australian capital market) plus the Margin. The Margin will not change over the term of the Notes.
Margin	4.15% per annum
Interest Payment Dates	Interest is paid quarterly in arrear on each 7 January, 7 April, 7 July, 7 October and on the date the Notes are repaid, commencing on 7 July 2017.
Business Day convention	If an Interest Payment Date is not a Business Day 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.
Solvency Condition	The payment of amounts on the Notes (other than payment of the face value and accrued but unpaid interest on the Maturity Date) is subject to Heartland satisfying the Solvency Condition on the relevant payment date. Heartland will satisfy the Solvency Condition if it is "solvent" at the time the

	<p>relevant payment is due and will remain "solvent" immediately after making the payment. For these purposes, "solvent" means satisfying the solvency test in section 4 of the Companies Act 1993.</p>
Conversion	<p>Some or all of the Notes will immediately be Converted into HBL Shares if a Non-Viability Trigger Event occurs. A Non-Viability Trigger Event can occur if Heartland experiences severe financial difficulty.</p>
Non-Viability Trigger Event	<p>A Non-Viability Trigger Event will occur if:</p> <ul style="list-style-type: none"> the Reserve Bank of New Zealand ("RBNZ") gives Heartland a direction under the Reserve Bank of New Zealand Act 1989 ("RBNZ Act") requiring Heartland to convert or write off of a class of capital instruments that includes the Notes; or Heartland is made subject to statutory management under the RBNZ Act and the statutory manager announces his or her decision to convert or write off a class of Heartland's capital instruments that includes the Notes.
HBL Shares issued on Conversion	<p>If a Non-Viability Trigger Event occurs, holders of Notes ("Holders") will receive approximately A\$10,100.00 worth of HBL Shares for each of their Notes that is Converted.</p>
Write Off	<p>If for any reason the Notes are not Converted into HBL Shares when required following a Non-Viability Trigger Event then those Notes will be Written Off. This means Holders will receive nothing further in relation to those Notes, Holders rights under them (including rights to payment of interest and principal) will be terminated and Holders will lose all of their investment in them.</p> <p>Holders will not receive any compensation, and Holders have no right to take action against Heartland, if any of their Notes are Written Off.</p> <p>Holders have no right to request that their Notes be Converted.</p>
Ranking in a liquidation	<p>Ranking if no Conversion or Write Off</p> <p>The Notes are subordinated and unsecured. If Heartland is put into liquidation (and the Notes are not Converted or Written Off), Holders' claims for payment of the principal amount of their Notes and any accrued but unpaid interest will rank:</p> <ul style="list-style-type: none"> ahead of claims of holders of HBL Shares and instruments that rank below the Notes; equally with claims of other Holders of Notes and holders of other securities that rank equally with the Notes (such as Heartland's subordinated bonds issued in 2013 (maturing on 15 December 2018)); and behind all other claims (such as those of Heartland's secured creditors, depositors and trade and general creditors). <p>Ranking following Conversion</p> <p>If the Notes are Converted, each Holder will become a holder of HBL Shares and rank equally with other holders of HBL Shares in a liquidation of Heartland.</p>

	<p>Ranking on Write Off</p> <p>If any of the Notes are Written Off, Holders will cease to hold those Notes and to have rights in relation to them, and Holders will have no claim in a liquidation of Heartland in respect of those Notes.</p>
Early Repayment	<p>The Notes are a long-term investment with a term of 10 years.</p> <p>Heartland has the right to repay some or all of the Notes on the First Optional Redemption Date (7 April 2022) or on any scheduled Interest Payment Date thereafter or if a Regulatory Event or Tax Event occurs, but only if:</p> <ul style="list-style-type: none"> • specified conditions are satisfied (including Heartland obtaining the RBNZ's consent); and • Heartland satisfies the Solvency Condition. <p>Holders should not assume that Heartland will choose to repay Notes early. Holders do not have a right to request that their Notes be repaid early for any reason.</p>
Selling Restrictions	<p>There is no public or retail offer of Notes in Australia, New Zealand or in any other jurisdiction.</p> <p>Any information memorandum, disclosure document, circular, advertisement or other offering material in respect of the Notes (including this term sheet and the Information Memorandum) may only be published, delivered or distributed in or from any country or jurisdiction under circumstances which will result in compliance with all applicable laws, regulations, applicable listing rules, the selling restrictions set out in Section 9 (<i>Distribution</i>) of the Information Memorandum and the transfer restrictions set out in the terms of the Notes.</p> <p>Offers and transfers of any Notes in, or into, Australia must be in parcels of not less than A\$500,000 in aggregate face value.</p>
No guarantee or security	<p>The Notes are not guaranteed by any member of the Heartland group or any other person, government, government agency or compensation scheme.</p> <p>The Notes are not secured against any assets of Heartland.</p>
Further notes and securities	<p>The terms of the Notes do not restrict Heartland from raising more debt or issuing other securities.</p>
No quotation	<p>The Notes will not be quoted on any stock or other securities exchange.</p>
ISIN	<p>AU3FN0035416</p>