

# HEARTLAND BANK LIMITED OFFER DOCUMENT

## Pro Rata Rights Offer

16 NOVEMBER 2017

**HEARTLAND**  
— BANK —

**FNZC**  
Lead Manager

This is an important document. You should read the whole document before deciding what action to take with your Rights. If you have any doubts as to what you should do, please consult your broker, financial, investment or other professional adviser.

# IMPORTANT INFORMATION

## General Information

The Offer is made under the exclusion in clause 19 of Schedule 1 of the Financial Markets Conduct Act 2013. This document is not a product disclosure statement or prospectus and does not contain all of the information which may be required in order to make an informed investment decision about the Offer or Heartland.

## Additional information available under continuous disclosure obligations

Heartland is subject to continuous disclosure obligations under the Listing Rules. You can find market releases by Heartland at [nzx.com](http://nzx.com) under the code HBL.

## Offering Restrictions

This Offer Document does not constitute an offer, advertisement or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer, advertisement or invitation.

This Offer Document may not be sent or given to any person who is not an Eligible Shareholder or an Institutional Investor in circumstances in which the Offer or distribution of this Offer Document would be unlawful. The distribution of this Offer Document (including an electronic copy) outside New Zealand or Australia may be restricted by law. In particular, this Offer Document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside New Zealand or Australia except to Institutional Investors or as Heartland may otherwise determine in compliance with applicable laws. Further details on the offering restrictions that apply are set out in the section of this Offer Document headed "Details of the Offer".

If you come into possession of this Offer Document, you should observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities law. Heartland disclaims all liability to such persons.

## Changes to the Offer

Subject to the Listing Rules, Heartland reserves the right to alter the dates set out in this Offer Document. Heartland reserves the right to withdraw the Offer and the issue of New Shares at any time before the Allotment Date at its absolute discretion.

## No Guarantee

No guarantee is provided by any person in relation to the New Shares to be issued under the Offer. Likewise, no warranty is provided with regard to the future performance of Heartland or any return on any investments made pursuant to this Offer Document.

## Decision to participate in the Offer

The information in this Offer Document does not constitute a recommendation to acquire New Shares nor does it amount to financial product advice. This Offer Document has been prepared without taking into account the particular needs or circumstances of any investor, including their investment objectives, financial and/or tax position.

## Privacy

Any personal information you provide online or on the Entitlement and Acceptance Form will be held by Heartland and/or the Share Registrar at the addresses set out in the Directory. This information will be used for the purposes of administering your investment in Heartland. This information will only be disclosed to third parties with your consent or if otherwise required by law. Under the Privacy Act 1993, you have the right to access and correct any personal information held about you.

## Enquiries

Enquiries about the Offer can be directed to an NZX Primary Market Participant, or your solicitor, accountant or other professional adviser. If you have any questions about the number of New Shares shown on the Entitlement and Acceptance Form that accompanies this Offer Document, or how to apply online or complete the Entitlement and Acceptance Form, please contact the Share Registrar.

## Defined terms

Capitalised terms used in this Offer Document have the specific meaning given to them in the Glossary at the back of this Offer Document.

# LETTER FROM THE CHAIR

16 November 2017

Dear Heartland shareholder

## **Raising capital to fund growth and strengthen Heartland's balance sheet**

Heartland is seeking to raise up to approximately NZ\$59 million of new equity from shareholders to support continued growth in its loan portfolio and maintain a strong balance sheet.

On behalf of the board of directors, it is my pleasure to invite you to participate in this pro rata rights offer.

## **Excellent opportunity for further growth**

Heartland's strategy is focused on identifying the technology and partnerships that can help it to reach more customers.

It focuses on markets where it can provide the best product for its customers, and ensures it is the best choice in that market through superior product features and a first-class customer experience, whether it's online, over the phone or in-person.

Underlying asset growth is expected to continue for the 2018 financial year and increased volumes in each business division are projected.

## **Recent performance**

Heartland achieved an excellent result for the 2017 financial year. Highlights include delivering a net profit after tax of \$60.8 million (a 12 percent increase on the previous financial year), establishing new online lending platforms and partnerships with fintechs, and successfully implementing a new core banking system.

The strong performance delivered a total dividend for the year of 9.0 cents per share, an increase of six percent on the total dividend for 2016. Total shareholder return<sup>1</sup> for 2017 was 59 percent and across the last three years it has averaged 32.4 percent per year.

For the three months to 30 September 2017, Heartland achieved a net profit after tax of \$16 million, a 12 percent increase on the same period last year. It grew net finance receivables \$138 million to \$3,684 million, which equates to 16% annualised growth (4% growth for the three month period).

The board is confident in Heartland's ability to continue to achieve strong growth and profitability and deliver its forecast net profit after tax of \$65 million to \$68 million for the 2018 financial year.

## **Participating in the offer**

The offer provides an opportunity for shareholders to increase the number of shares they hold in Heartland at a discounted price.

Under the offer, eligible shareholders are entitled to purchase one (1) new share for every 15 existing shares held, as at 5pm on 17 November 2017.

The issue price for these shares is \$1.70 per share. This reflects a 10.1 percent discount to the closing price of Heartland's shares as traded on the NZX Main Board on 8 November 2017 (which was \$1.89 per share), and a 9.5 percent discount to the theoretical ex-right price (TERP) of \$1.88 per share (based on the 8 November 2017 closing price).<sup>2</sup>

## **Bookbuild**

The rights will not be tradable on the NZX Main Board. Instead, any rights not taken up, or attributable to ineligible shareholders, will be offered to investors through a bookbuild process led by First NZ Capital Securities Limited, the Lead Manager.

In addition to institutional investors, we are particularly pleased to give retail shareholders the opportunity to participate in the bookbuild. This allows eligible shareholders to apply for additional shares over and above their entitlement and further cement their investment in Heartland.

<sup>1</sup> Total shareholder return means share price appreciation plus dividends received calculated as at 8 November 2017. It has been calculated excluding the benefit of imputation credits and assumes dividends are reinvested.

<sup>2</sup> The theoretical ex-right price is the theoretical price at which a share would trade immediately after the ex-date for the offer. It is a theoretical calculation only and the actual price at which shares will trade immediately after the ex-date for the offer will depend on many factors and may not be equal to the theoretical ex-right price.

The price payable for these shares will be set during the bookbuild, but will be no less than the issue price of \$1.70 per share and no greater than the close price prior to the day of the bookbuild. Any premium above the issue price that is achieved in the bookbuild will be shared between those shareholders who did not, or were unable to, take up their rights, in proportion to the number of rights not taken up.

A few other points to note:

- The offer is not underwritten – given its size and intended use of proceeds for supporting continued strong asset growth over time, Heartland didn't consider underwriting provided value for shareholders.
- Eligible shareholders will have until 5.00pm on Friday, 8 December 2017 to complete the application form. You are encouraged to apply online at [heartlandshareoffer.co.nz](http://heartlandshareoffer.co.nz), but if you would prefer to mail your application form, please allow enough time for mail deliveries.

### **Next steps**

After reading this document, the board encourages you to consider this offer, and seek financial, investment, or other professional advice from a qualified adviser if you require. Additional information, including Heartland's latest financial statements and investor presentation, can be found at [shareholders.heartland.co.nz](http://shareholders.heartland.co.nz).

I am pleased to confirm that all Heartland directors and their related parties who hold shares, totalling 15 percent of Heartland's shares, intend to take up their full entitlements under the offer.

On behalf of the board, I'd like to thank you for your on-going support of Heartland and welcome your participation in this offer.

Best wishes



**Geoffrey Ricketts**

*Chair of the board*

HEARTLAND BANK LIMITED

## PART 1: OFFER AT A GLANCE

Issuer	Heartland Bank Limited.
The Offer	<p>A pro rata rights issue of 1 New Share for every 15 Existing Shares held at 5.00pm on the Record Date, followed by a Shortfall Bookbuild.</p> <p>The Offer is not underwritten and the Rights will not be quoted on the NZX Main Board.</p> <p>The amount to be raised under the Offer is up to approximately \$59 million.</p>
Issue Price	<p>\$1.70 per New Share.</p> <p>Any New Shares issued under the Shortfall Bookbuild will be issued at the Bookbuild Price.</p>
Shortfall Bookbuild	Eligible Shareholders who take up their Rights in full have the opportunity to apply for additional New Shares which are attributable to any Rights not taken up. These applications for additional New Shares will go into a bookbuild process which will also involve Institutional Investors.
Existing Shares currently on issue	522,651,539 Existing Shares.
Maximum number of New Shares being offered	34,843,435 New Shares.
Maximum number of Shares on completion of the Offer	557,494,974 Shares.
<b>Important dates</b>	
Announcement of the Offer	9 November 2017
Record Date for determining entitlements to Rights (New Zealand time)	5.00pm, 17 November 2017
Offer Document, Entitlement and Acceptance Forms sent to Eligible Shareholders	22 November 2017
Closing Date (last day for receipt of the completed Entitlement and Acceptance Form with payment)	8 December 2017
Shortfall Bookbuild occurs	12 December 2017
Allotment of New Shares under the Offer	14 December 2017
Expected date for quotation of New Shares issued under the Offer	14 December 2017
Payment of any Premium achieved in the Shortfall Bookbuild to holders of any Rights not exercised	By 21 December 2017
Mailing of holding statements	By 21 December 2017

## PART 2: ANSWERS TO FREQUENTLY ASKED QUESTIONS

Question	Response
What is the Offer?	<p>The Rights Offer is a pro rata rights issue of 1 New Share for every 15 Existing Shares at \$1.70 per New Share. This means that if you are an Eligible Shareholder, you will have the option, but not the obligation, to subscribe for 1 New Share for every 15 Existing Shares you hold at 5.00pm (NZ time) on the Record Date (17 November).</p> <p>The Rights Offer will be followed by a Shortfall Bookbuild, which is explained below. The Rights Offer and the Shortfall Bookbuild together make up the "Offer".</p> <p>Heartland is aiming to raise up to approximately \$59 million under the Offer.</p>
Why is Heartland making the Offer?	<p>Heartland will use proceeds of the Offer (following payment of Offer costs) to fund growth in its loan portfolio and maintain a strong balance sheet.</p>
Is the Offer underwritten?	<p>The Offer is not underwritten. Given the size of the Offer and intended use of proceeds for supporting continued strong asset growth over time, Heartland did not consider underwriting provided value for Shareholders.</p>
Am I eligible to participate in the Rights Offer?	<p>You will be able to participate in the Rights Offer if you are an Eligible Shareholder.</p> <p>You are an Eligible Shareholder if, as at 5.00 pm on the Record Date, you are recorded in Heartland's share register as a Shareholder and:</p> <ul style="list-style-type: none"><li>(a) your address is shown in Heartland's share register as being in New Zealand or Australia; or</li><li>(b) your address is shown in Heartland's share register as being in Hong Kong, Singapore, the United Kingdom or Norway and you are an Institutional Investor,</li></ul> <p>and you are not in the United States and you are not acting for the account or benefit of a person in the United States.</p>
How much will I pay for New Shares under the Rights Offer?	<p>The Issue Price under the Rights Offer is \$1.70 per New Share.</p>
How do I take up my Rights?	<p>Applications can be made online at <a href="http://heartlandshareoffer.co.nz">heartlandshareoffer.co.nz</a> from 23 November 2017 or by completing the Entitlement and Acceptance Form and returning it to the Share Registrar together with payment. <b>Please allow adequate time for mail deliveries. Applications received after 5.00pm (New Zealand time) on the Closing Date may not be accepted.</b></p>
What is the Shortfall Bookbuild?	<p>This is a separate process that takes place after the Rights Offer that deals with any Rights that are not taken up by the Closing Date (including those Rights attributable to Ineligible Shareholders). Any Rights not taken up will be sold under a process conducted by the Lead Manager. The Shortfall Bookbuild is expected to be completed by 12 December 2017.</p>
Am I eligible to participate in the Shortfall Bookbuild?	<p>Traditionally only Institutional Investors participate in the Shortfall Bookbuild. However, in addition to Institutional Investors, Heartland is also offering retail investors the opportunity to participate in the Shortfall Bookbuild and apply for additional New Shares over and above their entitlement under the Rights Offer.</p> <p>You may participate in the Shortfall Bookbuild if you are an Eligible Shareholder and <b>you have taken up your Rights in full.</b></p>

Question	Response
How do I participate in the Shortfall Bookbuild?	<p>To participate in the Shortfall Bookbuild you must:</p> <ul style="list-style-type: none"> <li>(a) take up your Rights in full (Part A of the Entitlement and Acceptance Form); and</li> <li>(b) apply for New Shares under the Shortfall Bookbuild by specifying the dollar value of New Shares that you wish to apply for (Part B of the Entitlement and Acceptance Form).</li> </ul> <p>If you do not take up your Rights in full, then you will not be eligible to participate in the Shortfall Bookbuild and your application for any additional New Shares under the Shortfall Bookbuild will be disregarded.</p> <p>Applications can be made online at <a href="http://heartlandshareoffer.co.nz">heartlandshareoffer.co.nz</a> from 23 November 2017 or by completing the Entitlement and Acceptance Form and returning it to the Share Registrar together with payment. <b>Payment must be made for both your Rights and the dollar value of New Shares that you are applying for under the Shortfall Bookbuild.</b></p> <p>The price for New Shares under the Shortfall Bookbuild will be the Bookbuild Price set during the bookbuild.</p>
How many New Shares will I receive under the Shortfall Bookbuild?	<p>The number of New Shares you will receive under the Shortfall Bookbuild will depend on the allocation made to you. Allocations and any necessary scaling of applications for New Shares under the Shortfall Bookbuild will be determined by Heartland in its discretion in consultation with the Lead Manager.</p>
How will the Bookbuild Price be set?	<p>The Bookbuild Price will be determined by Heartland and the Lead Manager, but will be no less than the Issue Price of \$1.70 per New Share and no greater than the close price prior to the day of the bookbuild. The Bookbuild Price will be influenced by the level of demand for New Shares from Institutional Investors at various prices.</p>
How much will I pay for New Shares under the Shortfall Bookbuild?	<p>You will pay the Bookbuild Price for any additional New Shares that you are allocated under the Shortfall Bookbuild.</p>
How do I sell my Rights?	<p>Eligible Shareholders may sell some or all of their Rights by completing the relevant section of their Entitlement and Acceptance Form and ensuring the purchaser returns it to the Share Registrar together with payment.</p> <p>However, the Rights will not be quoted on the NZX Main Board and there will be no licensed market on which Shareholders may sell their rights. Accordingly, there may be no market for the Rights and it may be difficult to find a purchaser for any Rights.</p> <p>If you do nothing with some or all of your Rights you may still receive value for those Rights if a Premium is payable under the Shortfall Bookbuild.</p>
How do I pay for my New Shares?	<p>You are able to pay for your New Shares by way of cheque or direct debit.</p> <p>If you are applying for additional New Shares in the Shortfall Bookbuild, you will be required to make full payment at the time of application. If any scaling is applied to the application, a refund of any extra application monies will be processed within five business days.</p> <p>More detail on payment options are included in the Entitlement and Acceptance Form.</p>

## PART 3: DETAILS OF THE OFFER

### The Offer

The Offer is an offer of New Shares in Heartland to Eligible Shareholders under a pro rata Rights Offer, followed by a Shortfall Bookbuild. Under the Rights Offer, Eligible Shareholders are entitled to subscribe for 1 New Share for every 15 Existing Shares held at 5.00pm on the Record Date. Any fractional Rights will be rounded down to the nearest whole number. The Rights will not be quoted on the NZX Main Board.

If you are an Eligible Shareholder you may take up all or some of your Rights, transfer all or some of your Rights or do nothing with all or some of your Rights. If you are an Eligible Shareholder and you do not take up all of your Rights, or you transfer some or all of your Rights, your current shareholding will be diluted as a result of the issue of New Shares.

If you take up your rights in full, you may also apply for additional New Shares, by specifying a NZ\$ of New Shares for which you wish to apply for in your completed Entitlement and Acceptance Form to exercise your Rights.

The maximum number of New Shares that may be issued under the Offer is 34,843,435.

The Offer is not underwritten.

### Issue Price

The Issue Price is \$1.70 per New Share.

Payment for the New Shares must be paid in full in accordance with the instructions set out in the online application process or on the Entitlement and Acceptance Form.

Heartland may choose to accept late applications, but has no obligation to do so. Heartland may accept or reject any online application or Entitlement and Acceptance Form which it considers is not completed correctly, and may correct any errors or omissions on any online application or Entitlement and Acceptance Form.

As required by the Listing Rules, if Heartland receives, before the Closing Date, a renunciation and an acceptance in respect of the same Right(s), the renunciation shall be given priority to the acceptance.

Application monies received will be held in a trust account with the Share Registrar until the corresponding New Shares are allotted or the application monies are refunded. No interest will be paid on any application monies.

Any refunds of application monies will be made within five business days (as defined in the Listing Rules) of allotment, or any decision not to proceed with the Offer.

### Eligibility

The Offer is only open to Eligible Shareholders, Institutional Investors and persons that Heartland is satisfied can otherwise participate in the Offer in compliance with all applicable laws.

Heartland considers that the legal requirements of jurisdictions other than New Zealand, Australia, Hong Kong, Singapore, the United Kingdom and Norway are such that it would be unduly onerous for Heartland to make the Rights Offer in those jurisdictions. This decision was made having regard to the small number of Shareholders in such overseas jurisdictions and the costs of complying with overseas legal requirements.

This Offer Document is only being sent by Heartland to Eligible Shareholders and Institutional Investors. The distribution of this Offer Document (including an electronic copy) outside New Zealand or Australia may be restricted by law. Any failure to comply with such restrictions may contravene applicable securities law. Heartland disclaims all liability to such persons.

### Australia

This document and the offer of New Shares are being made available in Australia in reliance on the Australian Securities and Investments Commission Corporations (Foreign Rights Issues) Instrument 2015/356.

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

Prospective investors should not construe anything in this document as legal, business or tax advice nor as financial product advice for the purposes of Chapter 7 of the Australian Corporations Act.

### **Hong Kong**

No New Shares 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 New Shares 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 New Shares 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.

### **Norway**

No offering material in relation to the Offer has been, or will be, filed with or approved by the Norwegian Financial Supervisory Authority, the Oslo Stock Exchange or the Norwegian Registry of Business Enterprises. Accordingly, the Offer will not be offered in the Kingdom of Norway unless the provisions of the Norwegian Securities Trading Act (Nw. Verdipapirhandelloven) (as amended) have been satisfied.

### **Singapore**

This Offer Document has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offer Document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the New Shares may not be circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the **SFA**)) pursuant to Section 274 of the SFA, (ii) 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 (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

### **United Kingdom**

The offer of the New Shares is only being made to "qualified investors" within the meaning of section 86(7) of the Financial Services and Markets Act 2000 (**FSMA**) and to members of the Issuer as contemplated by section 43 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. No communication, invitation or inducement to engage in investment activity (within the meaning of section 21 of the 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 New Shares in circumstances in which section 21(1) of the FSMA applies to the Issuer.

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

### **Opening and Closing Dates**

The Rights Offer will open for receipt of acceptances from 23 November 2017. The last day for receipt of completed online applications and Acceptance and Entitlement Forms with payment is 5.00pm on 8 December 2017.

### **Shortfall Bookbuild**

New Shares attributable to Unexercised Rights will be offered to Eligible Shareholders who take up their Rights in full, and Institutional Investors, under the Shortfall Bookbuild. If you do not take up your Rights under the Rights Offer or are an Ineligible Shareholder, the New Shares attributable to your Unexercised Rights will be offered for sale in the Shortfall Bookbuild.

The Lead Manager will manage the Shortfall Bookbuild on behalf of Heartland. The Shortfall Bookbuild will be completed by 12 December 2017.

### **Shortfall Bookbuild process**

Eligible Shareholders that take up their Rights in full can apply for New Shares by specifying the dollar value of New Shares for which you wish to apply at the time you complete and return the enclosed Entitlement and Acceptance Form to exercise your Rights. The price at which the New Shares will be issued to Eligible Shareholders is the Bookbuild Price to be set as described below.

All Eligible Shareholders that wish to apply for New Shares as part of the Shortfall Bookbuild must do so in NZ\$.

Institutional Investors participating in the Shortfall Bookbuild will bid for New Shares attributable to Unexercised Rights. The minimum bid that may be submitted for a New Share under the Shortfall Bookbuild is the Issue Price of \$1.70 per New Share and this amount is payable to Heartland.

The Bookbuild Price will be determined by Heartland and the Lead Manager and will be:

- no less than the Issue Price; and
- no more than the closing price on the NZX Main Board for an Existing Share as at the close of trading on the day prior to the Shortfall Bookbuild (unless the closing price is less than the Issue Price, in which case the Bookbuild Price will be equal to the Issue Price).

The proceeds from each New Share issued under the Shortfall Bookbuild (if any) will be paid by the Share Registrar as follows:

- the Issue Price of \$1.70 to Heartland; and
- any Premium achieved to the holders of Unexercised Rights (including Ineligible Shareholders) in proportion to their holdings of Unexercised Rights. Ineligible Shareholders will be deemed to hold the number of Rights they would have received if they were Eligible Shareholders for the purpose of calculating the amount of any Premium payable to them.

### **Example**

This example assumes that there is demand for all of the New Shares available under the Shortfall Bookbuild and that the Bookbuild Price exceeds the Issue Price.

Issue Price per New Share: \$1.70

Bookbuild Price per New Share: \$1.80

Premium: \$0.10

In this example, a Shareholder who holds 15,000 Existing Shares at 5.00pm on the Record Date who is either an Ineligible Shareholder or is an Eligible Shareholder who chooses not to take up any of his or her Rights will have 1,000 Unexercised Rights. That Shareholder will receive \$100 in aggregate for his or her Unexercised Rights in the Shortfall Bookbuild, being the Premium of \$0.10 multiplied by the number of Unexercised Rights held by him or her.

The above is an example only. **There is no guarantee that the Bookbuild Price will exceed the Issue Price.**

If the Bookbuild Price is equal to the Issue Price, there will be no Premium payable to the holders of Unexercised Rights.

### **Application to participate in Shortfall Bookbuild**

If you are an Eligible Shareholder and you have taken up all of your Rights, you may participate in the Shortfall Bookbuild by completing Part B of the Entitlement and Acceptance Form and applying for a dollar amount of New Shares at the Bookbuild Price.

If you are an Institutional Investor, you may participate in the Shortfall Bookbuild by contacting the Lead Manager who will provide details as to the process to be undertaken in relation to the Shortfall Bookbuild.

### **Shortfall Bookbuild allocation policy**

Allocations and any necessary scaling of applications for New Shares under the Shortfall Bookbuild will be determined by Heartland in its discretion in consultation with the Lead Manager.

Once the Bookbuild Price has been determined, the application monies in respect of any applications for New Shares through the Shortfall Bookbuild by Eligible Shareholders will be divided by the Bookbuild Price to calculate the number of New Shares that those Eligible Shareholders have applied for, rounded down to the nearest whole New Share. Any refunds of application monies due to scaling of applications or applications not being accepted under the Shortfall Bookbuild will be made within five business days (as defined in the Listing Rules) of allotment (without interest). If, **solely due to rounding**, there is any difference between the dollar amount of New Shares for which you apply through the Shortfall Bookbuild and the value (based on the Bookbuild Price) of the New Shares you receive through the Shortfall Bookbuild, this will be retained by Heartland.

**Payment of Premium**

The Premium, if any, will be paid by the Share Registrar in New Zealand dollars in accordance with the direct credit payment instructions provided by the relevant Shareholder to Heartland (if any) and otherwise by cheque sent by ordinary post to their address as recorded in Heartland's share register. No interest will be paid in respect of any Premium payable. Payment (if any) is expected to be made by 21 December 2017.

**Allotment and Issue of New Shares**

New Shares issued pursuant to the exercise of Rights are expected to be allotted and issued by 14 December 2017. Holding statements confirming the allotment of your New Shares will be issued and mailed in accordance with the Listing Rules.

**Terms and Ranking of New Shares**

New Shares will rank equally with, and have the same voting rights, dividend rights and other entitlements as, Existing Shares in Heartland quoted on the NZX Main Board.

Heartland's dividend policy is to determine dividends (both interim and final) based on its net profit after tax, subject to maintaining a prudent level of capital for its needs.

**Minimum Amount to be Raised**

There is no minimum amount that must be raised for the Offer to proceed.

**NZX Main Board Quotation**

The Rights will not be quoted on the NZX Main Board.

It is a term of the Offer that Heartland will take any necessary steps to ensure that the New Shares are, immediately after the issue, quoted on the NZX Main Board. The New Shares have been accepted for quotation by NZX and will be quoted upon completion of allotment procedures. NZX Main Board is a licensed market operated by NZX, a licensed market operator, regulated under the FMCA.

**Stamping Fee**

A broker stamping fee of 0.50% of application monies on New Shares allotted will be paid to NZX Primary Market Participants who submit a valid claim for a broker stamping fee on successful applications, subject to a maximum fee of \$250 per application. The aggregate broker stamping fee payable on all successful applications will be limited to \$50,000. In the event that the total broker stamping fees payable exceed \$50,000, the stamping fee payable per successful application will be scaled back on a pro rata basis.

No brokerage is payable by you for the issue to you of New Shares. The broker stamping fee will be paid by Heartland. Heartland reserves the right to decline payment of broker stamping fees where it considers that holdings have been split or otherwise structured to take advantage of the stamping fee arrangements.

## GLOSSARY

<b>Allotment Date</b>	14 December 2017.
<b>Bookbuild Price</b>	The price per New Share determined by Heartland in consultation with the Lead Manager through the Shortfall Bookbuild process based on the bids received from Institutional Investors.
<b>Closing Date</b>	8 December 2017.
<b>Eligible Shareholder</b>	<p>A person who, at 5.00pm on the Record Date, was recorded in Heartland's share register as being a Shareholder and:</p> <p>(a) whose address is shown in Heartland's share register as being in New Zealand or Australia; or</p> <p>(b) whose address is shown in Heartland's share register as being in Hong Kong, Singapore, the United Kingdom or Norway and who is an Institutional Investor,</p> <p>and who is not in the United States and who is not acting for the account or benefit of a person in the United States.</p>
<b>Entitlement and Acceptance Form</b>	The personalised entitlement and acceptance form accompanying this Offer Document for Eligible Shareholders.
<b>Existing Share</b>	A Share on issue on the Record Date.
<b>FMCA</b>	The Financial Markets Conduct Act 2013.
<b>Heartland</b>	Heartland Bank Limited.
<b>Ineligible Shareholder</b>	A Shareholder of Heartland who is not an Eligible Shareholder.
<b>Institutional Investor</b>	<p>A person:</p> <ul style="list-style-type: none"><li>• in New Zealand, who Heartland considers is an institutional, habitual or sophisticated investor and to whom an offer of financial products can be made without disclosure under Part 3 of the FMCA;</li><li>• in Australia, who Heartland considers is a person to whom an offer of shares for issue may lawfully be made without disclosure under part 6D.2 of the Corporations Act 2001 (Australia) (as modified by any applicable regulatory instrument);</li><li>• in Hong Kong, who Heartland considers is a professional investor as defined in the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong;</li><li>• in Norway, who Heartland considers is an institutional and/or professional investor, or is otherwise able to participate in the Offer, in accordance with the Norwegian Securities Trading Act;</li><li>• in Singapore, who Heartland considers is an "institutional investor" or a "relevant person" as defined in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore; or</li><li>• in the United Kingdom, who Heartland considers is a "qualified investor" within the meaning of section 86(7) of the Financial Services and Markets Act 2000, as amended,</li></ul> <p>and who is not in the United States and who is not acting for the account or benefit of a person in the United States.</p>
<b>Issue Price</b>	NZ\$1.70 per New Share.

<b>Lead Manager</b>	First NZ Capital Securities Limited.
<b>Listing Rules</b>	The listing rules of NZX in relation to the NZX Main Board (or any market in substitution for that market) in force from time to time, read subject to any applicable rulings or waivers.
<b>New Share</b>	A Share in Heartland offered under the Offer of the same class as, and ranking equally in all respects with, Heartland's quoted Existing Shares at the Allotment Date.
<b>NZX</b>	NZX Limited.
<b>NZX Main Board</b>	The main board equity security market operated by NZX.
<b>NZX Primary Market Participant</b>	Any company, firm, organisation, or corporation designated or approved as a primary market participant from time to time by NZX.
<b>Offer</b>	The Rights Offer and the Shortfall Bookbuild.
<b>Offer Document</b>	This document.
<b>Premium</b>	The amount per New Share, if any, by which the Bookbuild Price exceeds the Issue Price.
<b>Record Date</b>	17 November 2017.
<b>Right</b>	A renounceable right to subscribe for 1 New Share for every 15 Existing Shares held at 5.00pm on the Record Date at the Issue Price, issued pursuant to the Offer.
<b>Rights Offer</b>	The pro rata renounceable rights offer of New Shares detailed in this Offer Document.
<b>Share</b>	A fully paid ordinary share in Heartland.
<b>Shareholder</b>	A registered holder of Shares.
<b>Share Registrar</b>	Link Market Services Limited.
<b>Shortfall Bookbuild</b>	The bookbuild process for New Shares attributable to Unexercised Rights.
<b>Unexercised Rights</b>	Those Rights not taken up by the Closing Date, including the Rights attributable to Ineligible Shareholders.

**NOTE:**

- All references to time are to New Zealand time unless stated or defined otherwise.
- All references to currency are to New Zealand dollars unless stated or defined otherwise.
- All references to legislation are references to New Zealand legislation unless stated or defined otherwise.

# DIRECTORY

## ISSUER

### Heartland Bank Limited

35 Teed Street  
Newmarket, Auckland 1023  
PO Box 9919  
Newmarket  
Auckland 1149  
Phone +64 9 520 0097  
<https://heartland.co.nz/>

### Directors of Heartland Bank Limited

Geoffrey Ricketts	Chair and Independent Non-Executive Director
Bruce Irvine	Deputy Chair and Independent Non-Executive Director
Jeff Greenslade	Executive Director and Chief Executive Officer
Ellie Comerford	Independent Non-Executive Director
John Harvey	Independent Non-Executive Director
Graham Kennedy	Independent Non-Executive Director
Chris Mace	Independent Non-Executive Director
Vanessa Stoddart	Independent Non-Executive Director
Greg Tomlinson	Non-Executive Director

## LEGAL ADVISORS

### Chapman Tripp

Level 35, ANZ Centre  
23-29 Albert Street  
Auckland 1010  
Phone +64 9 357 9000

## LEAD MANAGER

### First NZ Capital Securities Limited

Level 39, ANZ Centre  
23-29 Albert Street  
Auckland 1010  
Phone +64 9 302 5500

If you have any queries about the number of Rights shown on the Entitlement and Acceptance Form which accompanies this Offer Document, or how to apply online or complete the Entitlement and Acceptance Form, please contact the Registrar at:

## SHARE REGISTRAR

### Link Market Services Limited

Auckland office  
Level 11, Deloitte Centre  
80 Queen Street  
Auckland 1010  
Phone +64 9 375 5998

[enquiries@linkmarketservices.co.nz](mailto:enquiries@linkmarketservices.co.nz)

Sydney office  
Level 12  
680 George Street  
Sydney NSW 2000  
Phone +61 2 8280 7100



HEARTLAND  
— BANK —