

HEARTLAND CASH AND TERM PIE FUND PRODUCT FACT SHEET

QUICK FACTS

The Heartland Cash and Term PIE Fund (the Fund) is designed to enable you to make an investment that is similar to a call deposit or a term deposit in a tax-efficient way.

If you invest in the Fund you will receive one Unit for every \$1.00 you choose to invest, and those Units will be held in an Account. You can choose whether to:

- invest in Units held in a Heartland Cash PIE Account, giving you ready access to your money and a variable rate of return; or
- invest in Units held in a Heartland Term PIE Account, giving you a fixed-term investment with a fixed rate of return.

The Fund's current standard rates of return are available at www.heartland.co.nz, by calling 0800 85 20 20 or by visiting your local Heartland branch.

The Fund is a managed investment scheme and a Portfolio Investment Entity (PIE) for tax purposes. This means the Fund offers tax advantages for some investors.

The Fund is managed by Heartland PIE Fund Limited (Manager), a subsidiary of Heartland Bank Limited (Heartland). The Fund invests in an interest-bearing unsecured deposit account with Heartland. Your investment is held by the Fund's independent trustee, The New Zealand Guardian Trust Company Limited (Trustee).

Full terms and conditions

You should read this Fact Sheet before you invest in the Fund. By investing in the Fund, you agree to these terms, the terms of the Heartland PIE Funds Trust Deed dated 1 December 2014 (**Trust Deed**) and Heartland's Account and Service General Terms and Conditions (**General Terms & Conditions**) in accordance with the Trust Deed, which together constitute your agreement with the Manager in relation to your investment. The Trust Deed is available on the Companies Office website at www.business.govt.nz/companies or by requesting a copy from the Manager. The General Terms & Conditions are available at www.heartland.co.nz.

The offer is only available in New Zealand.

Signing up and paying your investment amount

To open a Heartland Cash PIE Account or a Heartland Term PIE Account, you may complete and submit to us our standard application forms or apply over the phone or via any online service we provide from time to time and you must give us all information we require, and (if your application is accepted) pay your chosen investment amount in one of the following ways:

- by direct credit to the Heartland Cash and Term PIE Fund bank account, as shown on the application form or as notified by us to you, with your investor name as the reference; or
- by cheque, making your cheque out to "Heartland PIE Nominees Limited" and crossing it "Not Transferable".

The Manager may decline an application (in whole or in part) for any reason. If this happens, any money received will be refunded in full without interest.

You can choose how much to invest, provided that your initial investment is at least \$1,000 per Account. You must also keep your Account Balance (which is the number of Units held in your Account multiplied by \$1.00) at or above \$1,000 at all times. If your Account Balance falls below \$1,000, the Manager may close your Account and pay you your entire Account Balance as if you had requested withdrawal of your entire Account Balance. In the case of a Heartland Term PIE Account, such repayment will be treated as an early withdrawal and may be subject to the application of a reduced rate of return for early withdrawals as described below under "Making a withdrawal".

Payment of your returns

With a Heartland Cash PIE Account

You will receive monthly distributions on the Units held in your Heartland Cash PIE Account and a final distribution if you close your Heartland Cash PIE Account.

Distributions will be based on your daily Account Balance and the current rate of return on Units held in your Heartland Cash PIE Account.

Your distributions will be credited in the form of Units to be held in your Heartland Cash PIE Account.

With a Heartland Term PIE Account

You can choose the frequency with which distributions are made on the Units held in your Heartland Term PIE Account (for example, quarterly or on maturity), depending on the length of your investment which you can choose from the range of options offered from time to time.

Distributions will accrue on a daily basis at the rate of return agreed between you and the Manager.

You can choose whether to have your distributions paid in cash or credited in the form of Units to be held in your Heartland Term PIE Account.

Making a withdrawal

From a Heartland Cash PIE Account

You can withdraw all or part of your Account Balance to a nominated bank account by submitting a withdrawal request.

The Manager may also deem your withdrawal request to be a request to withdraw the number of Units (if any) required to be cancelled to reflect tax paid or payable by the Fund on your Units.

If you request withdrawal of your entire Account Balance, you will receive a cash payment of your Account Balance and a cash distribution of any returns on your Units since the last distribution date, less tax deductions and any applicable fees and expenses.

From a Heartland Term PIE Account during the term of your investment

Your investment is locked in for the period of your agreed term.

Accordingly, you do not have a right to withdraw the Account Balance of your Heartland Term PIE Account before maturity.

However, the Manager understands that people's circumstances do change. The Manager may accept written requests for early repayment in certain circumstances such as the death of an investor or unforeseen financial hardship (but is not required to do so).

If the Manager does agree to an early repayment, the rate of return payable on the Units held in your Heartland Term PIE Account may be reduced by up to 3% per annum (calculated across the term of the investment).

From a Heartland Term PIE Account at the end of your term

Prior to the maturity date of your Heartland Term PIE Account, the Manager will give you a notice to tell you that your investment is about to mature. You can then elect to:

- reinvest your money in either in a Heartland Term PIE Account, a Heartland Cash PIE Account or another Heartland account; or
- withdraw your money by transferring it to a bank account.

If you don't make an election, on maturity your Heartland Term PIE Account may (at the Manager's discretion) be placed in a Heartland Cash PIE Account or invested in a Heartland Term PIE Account for the same term as your original investment at the rate of return that applies at that time.

If the maturity date for your Heartland Term PIE Account is scheduled to fall on a weekend or public holiday, it will be rescheduled to fall on the closest previous business day and the term will be adjusted accordingly.

You can make a withdrawal request in respect of your Heartland Cash PIE Account, or enquire about early repayment of your Heartland Term PIE Account, or elect to reinvest or withdraw at the end of the term of your Heartland Term PIE Account, either in person at your local Heartland branch, by providing instructions in writing (which may be by means of an electronic message), by telephone, via any online/internet banking service provided by Heartland from time to time, or by any other means in accordance with the General Terms & Conditions. Withdrawal requests will usually be processed on the same day if received by 3.00pm.

Fees, charges and expenses

As at the date of this Fact Sheet, there are no fees or charges to invest in the Fund.

Heartland's standard service fees apply, for example, in relation to setting up automatic payments or making same day cleared payments. Details of these fees are contained in Heartland's Account and Service Fee Guide which is available at www.heartland.co.nz.

If the Manager agrees to a request for early repayment of your Heartland Term PIE Account, the rate of return on your investment may be reduced, as described above under "Making a withdrawal".

Heartland pays the Fund's expenses and the Trustee's fees. The Manager pays any fees charged by Heartland for acting as the registrar. If Heartland or the Manager did not pay these fees and expenses the Fund would be required to pay them, which may affect your ability to recover in full the amount of your investment or the amount of your returns.

Taxation

The Fund is a PIE for tax purposes. For certain investors, investing through a PIE can mean that you pay less tax on returns than you would pay if you had invested in Heartland deposits directly. All taxable income on your investment in the Fund is taxed at your Prescribed Investor Rate (PIR).

Your PIR

You will need to advise Heartland of your PIR and IRD number when setting up your Account, otherwise your returns will be taxed at the PIR default rate of 28%. If you notify the Manager of a PIR that is lower than your correct PIR, you will be liable to pay tax on your income at your marginal tax rate (plus any interest and penalties) and to file a tax return. If you notify the Manager of a PIR that is higher than your correct PIR, you will not be able to claim back the excess tax paid.

If you advise the Manager of a change to your PIR after the beginning of the tax year, the tax payable by the Fund on income which is attributable to you will be recalculated using the new PIR. However, any tax which has already been paid on your behalf before the Manager was advised of the change will not be recalculated.

For joint investors, income will be allocated to the investor whose name is entered first on the register. Where joint investors have different PIRs, tax will be deducted at the highest PIR.

For information on how to calculate your PIR visit the Inland Revenue Department (IRD)'s website www.ird.govt.nz.

Payment of tax

The tax liability on Units held in your Account is calculated and deducted by the Manager at your notified PIR when net income is allocated and distributed to you.

Further information on PIEs can be found at www.ird.govt.nz. You should consult a professional tax adviser if you require tax advice relating to your

specific circumstances. The Manager and Heartland are unable to give tax advice and do not take any responsibility for the tax implications of your investment.

Alterations to your investment

Changes that may be made to your investment

- The rate of return on your Heartland Cash PIE Account is variable, which means that the interest rate may change at any time without advance notice to you.
- The Manager may introduce (or alter) fees or charges to invest in the Fund or change its policy on payment of the Fund's expenses, including the Trustee's and registrar's fees. You will be given at least 30 days' advance notice if any such change occurs.
- The Manager, with the consent of the Trustee, can change the investment policy of the Fund at any time. You will be given notice if any such change occurs.
- If at any time your investment in Units might or would cause the Fund to become ineligible as a PIE, the Manager may take all steps it considers necessary or desirable (including suspending withdrawals or repaying the number of your Units giving rise to the breach in accordance with the procedure set out in the Trust Deed) to ensure the Fund is eligible or continues to be eligible as a PIE.
- The Manager may suspend or delay payment of withdrawal amounts if it determines that it is in the interests of Unit holders generally.
- The Manager may suspend withdrawals if a statutory manager is appointed to Heartland and Open Bank Resolution is invoked. You can find out more about the Open Bank Resolution process on the Reserve Bank of New Zealand's website, www.rbnz.govt.nz.
- If any amounts are owing by you to Heartland, the Manager shall, upon request by Heartland, use some or all of any withdrawal amounts to meet those amounts.
- The Trust Deed may be altered either through an extraordinary resolution of Unit holders or with the approval of the Trustee in certain circumstances.

The Manager may decide to wind up or close the Fund at any time. You will be given at least 30 days' advance notice if this occurs and you will be repaid in accordance with the Trust Deed. **Changes that may not be made to your investment**

The Manager may not, without your agreement, change:

- your right to receive your current Account Balance and to be paid any returns on it (fixed rate or variable rate, depending on the type of Account) for so long as we hold it, less any applicable fees or charges, subject to the terms of the Trust Deed; or
- any fixed rate of return on Units held in a Heartland Term PIE Account agreed between you and the Manager.

Changes you may request

You may request a change to the terms of the Units held in your Account, such as a different return payment option or early withdrawal in certain circumstances, and the Manager may agree to the requested change but is not obliged to do so.

Further information about the Fund

An investment in Units does not represent a deposit in, or other liability of, the Manager or Heartland. None of the Manager, Heartland, the Trustee or any other person guarantees (either partially or fully) the capital value or performance of the Units or the Fund.

No investment is free from risk and the Units are no exception. You may not be able to get back your investment or you may not receive the returns you expect. This could happen for a number of reasons, including that:

- the IRD may require the Manager to make a deduction from your Account Balance to recover amounts owed by you as a taxpayer;
- the Fund may become insolvent or otherwise have insufficient assets to allow withdrawal of your Account Balance in full, as a result of Heartland's insolvency or otherwise; or
- you do not receive your expected tax advantages.

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Further information about the Fund can be found in the Trust Deed, which sets out matters relating to the Fund including:

- the Trustee's obligation to hold the assets in trust solely for the Unit holders and the Manager's obligation to manage and administer the trust;
- the Trustee's and the Manager's powers in relation to the Fund; and
- how the Manager and the Trustee are indemnified out of the Trust's assets in performing their duties and exercising their powers, except in certain circumstances.

The most recent financial statements for the Fund are available at www.heartland.co.nz.

Further information about Heartland can be found in Heartland's latest Disclosure Statement which is available at www.heartland.co.nz or from your local Heartland branch.

Questions

You can contact Heartland's Retail Investments team with any enquiries at:

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