



**Final Term Sheet**  
**Heritage Bank Limited**  
**A\$50,000,000 Floating Rate Subordinated Notes due 24 June 2030**

*This document summarises certain indicative terms for the proposed transaction. Please refer to the Information Memorandum dated 2 June 2016 (“Information Memorandum”) as amended by the Pricing Supplement for full terms and conditions (“Terms”).*

Issuer:	Heritage Bank Limited (ABN 32 087 652 024) (“Heritage” or the “Issuer”)
Programme:	A\$2bn Debt Issuance Programme
Issue:	A\$50,000,000 Floating Rate Subordinated Notes (“Notes”)
Issuer Rating:	Moody’s: Baa1 (Stable) Fitch: BBB+ (Negative)
Expected Issue Rating:	Moody’s: Baa3
Joint Lead Managers and Book Runners:	Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) National Australia Bank Limited (ABN 12 004 044 937)
Ranking:	<p>The Notes constitute direct and unsecured subordinated obligations of the Issuer, ranking:</p> <ul style="list-style-type: none"> <li>a) ahead of the claims of all members of the Issuer other than in their capacity as depositors;</li> <li>b) ahead of all Relevant Tier 1 Capital Instruments;</li> <li>c) equally among themselves;</li> <li>d) equally with all other Relevant Tier 2 Capital Instruments; and</li> <li>e) behind the claims of Unsubordinated Creditors.</li> </ul> <p>It is a requirement under APRA’s prudential standards, which came into effect on 1 January 2013, that any term subordinated debt, in order to be eligible for inclusion as regulatory capital, contain provisions for conversion or write-off in the event of non-viability.</p> <p>If a Non-Viability Trigger Event occurs, the Notes will be subject to Write-Off. If the Notes have been Written-Off on account of a Non-Viability Trigger Event, the Issuer’s accrued and future obligations to make payments will cease and holders of Notes will have no rights to recover any unpaid amounts.</p> <p>There is no provision for conversion.</p>
No Deposits or Protected Accounts:	<p>The Notes are not:</p> <ul style="list-style-type: none"> <li>a) deposits with, nor deposit liabilities of, the Issuer or any other member of the Group for the purposes of the Banking Act;</li> </ul>

	<p>b) protected accounts for the purposes of the depositor protection provisions of the Banking Act or the financial claims scheme established under the Banking Act; nor</p> <p>c) guaranteed or insured by the Australian Government or under any compensation scheme of the Australian Government, or by any other government, under any other compensation scheme or by any government agency or any other party.</p>
Aggregate Principal Amount:	A\$50,000,000
Denominations:	Denominations of A\$10,000. Minimum consideration of A\$500,000
Pricing Date:	16 June 2020
Settlement Date:	24 June 2020
Maturity Date:	24 June 2030
Interest Rate:	3 month BBSW + 350bps paid quarterly in arrears
Interest Payment Dates:	Quarterly on each 24 September, 24 December, 24 March, 24 June until (and including) the Maturity Date (or earlier redemption date). The first Interest Payment Date will be 24 September 2020
Re-offer Price:	100%
Day Count Fraction:	Actual/365
Business Day Convention:	Modified Following
Business Days:	Sydney, Brisbane and Melbourne
Call Date – Issuer Call Option:	Subject to obtaining prior written approval from APRA, the Issuer may redeem the Notes on 24 June 2025 and every Interest Payment Date thereafter.
Redemption in Other Circumstances:	<p>The Issuer may redeem Notes before the Maturity Date on the occurrence of a Tax Event or Regulatory Event.</p> <p>Holders have no right to request redemption before the Maturity Date.</p>
Conditions to Early Redemption:	<p>Any early redemption is subject to a number of conditions which are set out in Condition 4 of the Terms, including APRA's prior approval. The Solvency Condition would also need to be satisfied (see below). Holders should note that any approval is at APRA's discretion and may not be given.</p> <p>The Issuer will not be permitted to redeem the Notes prior to the Maturity Date unless before or concurrently with redemption:</p> <p>a) the Issuer replaces the Notes with a capital instrument which is of the same or better quality (for the purposes of APRA's prudential standards) and the replacement of the relevant Notes is done under conditions that are sustainable for the income capacity of the Issuer</p>

	<p>and the Group; or</p> <p>b) the Issuer obtains confirmation from APRA that APRA is satisfied, having regard to the Level 1 and Level 2 capital position of the Issuer, that the Issuer does not have to replace the Notes.</p>
Payment subject to Solvency Condition:	<p>Payment by the Issuer of interest, principal or any other amount owing to a Holder in connection with a Subordinated Note is conditional upon the Issuer being Solvent at the time the payment is due and the Issuer must not pay an amount owing to a Holder in connection with a Subordinated Note except to the extent that the Issuer may pay that amount and still be Solvent immediately after paying that amount.</p>
Cumulative Amounts:	<p>Unpaid amounts will accrue interest until paid and will be payable on the first Interest Payment Date (in the case of interest) of the first date (in the case of any other amount) on which the Issuer meets the Solvency Condition.</p> <p>However, if Notes have been Written-Off on account of a Non-Viability Trigger Event, the Issuer's accrued and future obligations to make payments will cease and holders of Notes will have no rights to recover any unpaid amounts.</p>
Non-Viability Trigger Event:	<p>A Non-Viability Trigger Event occurs on the earlier of:</p> <ol style="list-style-type: none"> <li>1 the issuance of a notice, in writing, by APRA to the Issuer that the conversion of Relevant Capital Instruments into mutual equity interests or write-off of Relevant Capital Instruments is necessary because without the conversion or write-off, the Issuer would become non-viable; or</li> <li>2 a determination by APRA, notified in writing to the Issuer, that without a public sector injection of capital into, or equivalent support with respect to, the Issuer, the Issuer would become non-viable.</li> </ol> <p>Potential investors should refer to Condition 5 of the Terms where the non-viability provisions are set out. Investors should consult with their own legal, tax and other professional advisors concerning the implications of investing and holding Notes which are subject to Write-Off on the occurrence of a Non-Viability Trigger Event.</p> <p>There is only one method of loss absorption for the Notes – Write-Off.</p>
Write-Off following a Non-Viability Trigger Event:	<p>The method of loss absorption for the Notes is Write-Off. If a Non-Viability Trigger Event occurs, and the Notes are required to be Written-Off (refer below), the Notes (including the right to payments of accrued but unpaid interest or future interest and repayment of Face Value) will be immediately and irrevocably written-off and terminated. Holders' investment will be lost and no compensation paid to them.</p>
Priority in Loss Absorption:	<p>If a Non-Viability Trigger Event occurs under item 1 of the description of a Non-Viability Trigger Event, and only an amount (not all) of the Issuer's Relevant Capital Instruments is required to be converted or written-off, the amount of Relevant Capital Instruments which will be converted or be written-off will be determined as follows:</p> <ol style="list-style-type: none"> <li>1 first, all Relevant Tier 1 Capital Instruments will be converted or written-off before the Notes are Written-Off to any extent (if the Issuer has any outstanding Relevant Tier 1 Capital Instruments at that time);</li> <li>2 second, if the conversion or write-off of Relevant Tier 1 Capital</li> </ol>

	<p>Instruments is less than the amount sufficient to satisfy APRA that the Issuer would not become non-viable, Notes will be Written-Off and other Relevant Tier 2 Capital Instruments (if any) will be converted or written-off in an aggregate amount which, when added to the amount of Relevant Tier 1 Capital Instruments converted or written-off will satisfy APRA that the Issuer would not become non-viable.</p> <p>As at the date of this Term Sheet, the Issuer does not have any Relevant Tier 1 Capital Instruments on issue and the Issuer has Relevant Tier 2 Capital Instruments on issue, but APRA has given approval for these to be redeemed on 24 June 2020.</p>
Negative Pledge:	The Notes are not subject to a negative pledge provision.
Events of Default:	<p>An Event of Default occurs if:</p> <p>a) the Issuer fails to pay any amount of interest or principal due in respect of the Notes and such default continues for a period of 5 Business Days (in the case of interest) or 2 Business Days (in the case of principal); or</p> <p>b) a Winding-Up in Australia occurs.</p> <p>For the avoidance of doubt, non-payment of any amount due to the application of the Solvency Condition does not constitute an Event of Default.</p>
Consequences of an Event of Default:	<p>(a) If the Event of Default in paragraph (a) above occurs, a Holder may (subject to paragraph (c) below) institute proceedings:</p> <p>(i) to recover any amount then due and payable but unpaid on the Notes (subject to the Solvency Condition); or</p> <p>(ii) for a Winding-Up of the Issuer.</p> <p>(b) If an Event of Default occurs under paragraph (b) above, then the Notes will, without further action, become immediately due and payable and the Holder of one or more Notes may, subject to paragraph (d) below, prove or claim in the Winding-Up of the Issuer in Australia for any amount then due and payable but unpaid on the Note, but may take no further action to enforce the obligations of the Issuer for the payment of any amount in respect of the Notes. A Holder may not prove or claim in any such Winding-Up when interest is not paid by virtue of the Issuer being unable to satisfy the Solvency Condition.</p> <p>(c) No remedy of the Holders against the Issuer (including any right to sue for a sum of damages which has the same economic effect as an acceleration of the Issuer's payment obligations), other than as specified in paragraph (a) and (b) above shall be available to the Holders of Notes as a consequence of an Event of Default.</p> <p>(d) In a Winding-Up of the Issuer, a claim by a Holder for an amount owing by the Issuer in connection with a Note, is subordinated to the claims of Unsubordinated Creditors of the Issuer, in that:</p> <p>(1) all claims of Unsubordinated Creditors must be paid in full before the Holder's claim is paid; and</p> <p>(2) until the Unsubordinated Creditors have been paid in full, the Holder must not claim in the Winding-Up in competition with the Unsubordinated Creditors so as to diminish any distribution, dividend or payment which, but for that claim, the Unsubordinated Creditors would have been entitled to receive.</p>

	<p>There is no limit on the amount of debt or other obligations which rank equally or ahead of the Notes that may be incurred or assumed by the Issuer. A Holder does not have any right to set-off any amounts owing to it by the Issuer in respect of a Note against any amount owing by that Holder to the Issuer on any account. The Issuer does not have any right to set-off any amounts owing to it by a Holder on any account against any amount owing by the Issuer to that Holder on any account. Condition 4 of the Terms, which sets out the redemption provisions, is applicable to the Notes, subject to Condition 10 of the Terms (which sets out the subordination provisions, and includes this paragraph (d)).</p> <p>(e) Unsubordinated Creditors means a depositor of the Issuer and each creditor of the Issuer other than:</p> <p>(1) the Holders; and</p> <p>(2) creditors of the Issuer under other instruments issued as Relevant Tier 1 Capital Instruments and Relevant Tier 2 Capital Instruments.</p>
Further Issues:	The Issuer may create and issue further Notes without the consent of any existing Holder.
Time Limit for Claims:	A claim against the Issuer for a payment under a Note is void unless made within 5 years from the date on which payment first became due.
Form:	Registered, uncertificated
Transfer Procedure:	<p>Notes may only be transferred in whole and in accordance with all applicable laws and regulations of each relevant jurisdiction.</p> <p>The minimum net amount payable by a transferee on a transfer of Notes must be A\$500,000 (disregarding any part of the consideration paid or to be paid out of money lent to the purchaser by the person offering the Notes or an associate of that person), unless the transfer is effected in another way that does not require disclosure to investors in accordance with Part 6D.2 of the Corporations Act and the transfer does not constitute an offer to a “retail client” as defined for the purposes of section 761G of the Corporations Act.</p>
Settlement:	Austraclear / Euroclear / Clearstream
Registrar and Paying Agent:	Austraclear
Calculation Agent:	Austraclear
Listing:	Unlisted
Governing Law:	The Notes and all related documents will be governed by the laws of the State of New South Wales.
Withholding Tax:	<p>Notes will be offered and issued in a manner which satisfies the requirements of section 128F of the <i>Income Tax Assessment Act 1936</i> (Cth) so that payments of interest will not be subject to Australian withholding tax.</p> <p>See Information Memorandum for further information on Australian</p>

	withholding tax.
Selling Restrictions:	Australia, United Kingdom, United States of America (Reg S), European Economic Area, Hong Kong, Singapore and general selling restrictions apply. See Information Memorandum for further information on the selling restrictions.
ISIN:	AU3FN0054771
Common Code:	219251394

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