



NZX Release

Notification of Allotment of Securities

7 September 2016

For the purposes of Listing Rules 7.12.1 and 5.2.5 of the NZX Main Board Listing Rules, Heartland Bank Limited (**Heartland**) (NZX: HBL) advises of the issue of net share settled options (**Options**) under the existing Heartland LTI Net Share Settled Option Plan (**Plan**) as detailed below.

Subject to their continued employment by the Heartland, it is expected that optionholders will be able to exercise the Options in the period beginning in September 2017 and ending in July 2019.

On exercise, optionholders will be entitled to a settlement amount per Option. This settlement amount will be equal to the amount by which an agreed price of \$1.70 exceeds an opening price. This opening price is \$1.19 (being a 5% premium over the volume weighted average price of Heartland ordinary shares for the 20 business days following 18 August 2015), less the aggregate amount of cash dividends (cents per Heartland ordinary share) paid by Heartland in the period between 19 August 2015 and 30 June 2017.

The total settlement amount due to an optionholder will be satisfied by the issue of Heartland ordinary shares with a total market value (at the time of exercise) equal to that settlement amount (based on the volume weighted average price of Heartland ordinary shares for the prior 20 business days). As the settlement amount per Option and the market price of Heartland shares on the exercise date is not currently known, the number of Heartland ordinary shares to be issued upon exercise of the Options cannot be determined at this time. For illustrative purposes only, attached as an Appendix is a worked example showing the number of Heartland ordinary shares that would be issued in one particular scenario.

Class of Security	Net share settled options issued under the Plan
ISIN	N/A – the Options will not be quoted
Number issued	2,026,206
Issue price	Nil
Payment	Nil
Amount paid up	N/A
Principal terms	As stated above
Percentage of total class issued	100%
Reason for issue	The board of Heartland has resolved to offer the Options to selected employees in order to: (a) better incentivise and motivate those particular individuals to continue in employment with Heartland;

- (b) better incentivise and motivate participants to exercise long-term thinking to contribute to the long-term success of Heartland; and
- (c) more closely align the interests of those particular individuals with those of Heartland and its shareholders.

Authority for issue	Directors' resolution dated 31 August 2016
Terms or details of issue	As set out above and in the Plan
Total number of securities of the class after issue	7,452,783
Date of issue	7 September 2016

- Ends -

For further information please contact:

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APPENDIX: WORKED EXAMPLE

Set out below is a worked example provided for illustrative purposes only. All amounts below (other than the number of Options and the Opening price) are examples, and not indicative of any expectations.

Assumptions:

- Opening price (i.e. 5% premium over VWAP for 20 business period following 18 August 2015) = \$1.19 (**X**)
- Aggregate cash dividends of \$0.15 (**Y**) per share have been paid by Heartland in respect of Heartland ordinary shares in the period between 19 August 2015 and 30 June 2017.
- Agreed price at time of exercise = \$1.70 (**Z**).
- Market price of Heartland shares at the time of exercise = \$1.70 (**MP**).
- All Options exercised on the same day.

Outcomes:

The settlement amount per Option is **\$0.66** (**Z – (X – Y)**), resulting in a total settlement amount for all Options of **\$1,337,295** (2,026,206 x \$0.66).

This would be satisfied by the issue or transfer of 786,644 Heartland ordinary shares (**\$1,337,295 / MP**, rounded up to the nearest share).