

Warning on Unsolicited Offers from Acasta Limited

9 June 2016

Heartland Bank Limited (**Heartland**) (NZX: HBL) has received a notice from Acasta Limited (**Acasta**) that it intends to make unsolicited offers to purchase Heartland shares from certain Heartland shareholders.

If you were to accept that offer, you would be swapping your Heartland shares for an unsecured debt from Acasta which would be payable over 10 years from 30 June 2017. No information has been provided to us about Acasta's ability to fund such a debt obligation and you would be running the risk that Acasta may default in payment during the 10 year period.

The offer by Acasta is at a price (\$1.40 per share) which on its face is above the current market price of Heartland's shares (which was \$1.28 at the close of trading on 8 June 2016). However, in the detailed terms and conditions of the offer, the total amount of the offer is proposed to be paid in 10 instalments over **10 years from 30 June 2017**, which has the effect of making the offer only worth **approximately \$1.07 per share**.

Shareholders who accept the offer from Acasta will not be entitled to any dividends during the 10 year period – they will be foregone to Acasta. By way of example, if the offer was made this time last year and you accepted that offer, you would not have received Heartland's last two fully imputed dividends totalling 8c per share. For further information on what this means for you, we recommend you consult your financial adviser.

The sole director and ultimate shareholder of Acasta is John Armour who has been involved in similar unsolicited offers to shareholders of Heartland and other NZX-listed issuers.

Should any shareholder receive an unsolicited offer, Heartland strongly recommends seeking independent financial advice and checking the current market price for Heartland shares at www.nzx.com/companies/Heartland.

In view of the limited tools available to regulators to protect shareholders from these unsolicited offers, Heartland has also established a Share Sale Plan (**Plan**) offering shareholders who hold not more than 10,000 Heartland shares (**Eligible Shareholders**) the opportunity to sell their shares at the then current market price. If an Eligible Shareholder chooses to participate in the Plan, Heartland will facilitate the on-market sale of their Heartland shares through a broker and will pay the brokerage fees associated with the trade. A copy of the Share Sale Plan Document will be mailed to Eligible Shareholders, and will be available on Heartland's website <http://shareholders.heartland.co.nz/>.

Should you receive an unsolicited offer from Acasta and are contemplating the sale of your Heartland shares, Heartland strongly recommends that you consider taking advantage of the

Plan if you are an Eligible Shareholder. Participation in the Plan will ensure you receive a market price on the day of sale for your Heartland shares. As noted above, the value of the offer by Acasta is substantially below the current market price, so it is almost certain that you would receive more money selling your Heartland shares under the Plan.

Heartland is also sending the **attached** letter to shareholders today.

If you would like confirmation as to whether any other correspondence received is an official Heartland communication, or whether an offer to buy your shares has the support of your Board, you can contact Heartland's company secretary by email (Anna-Lisa.Strain@heartland.co.nz) or by phone (09 927 9151).

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For further information, please contact:

Simon Owen
Chief Financial Officer
Heartland Bank Limited
DDI 09 927 9195