

## TSB AND HEARTLAND BANK MERGER PROPOSAL

### KEY INFORMATION

TSB to merge with Heartland = NZ bank with scale

Toi Foundation to sell its shares in TSB to facilitate the merger

Sale consideration of \$620 million - cash, debt and equity

Toi Foundation's new stake = 17.5% in Heartland Group Holdings

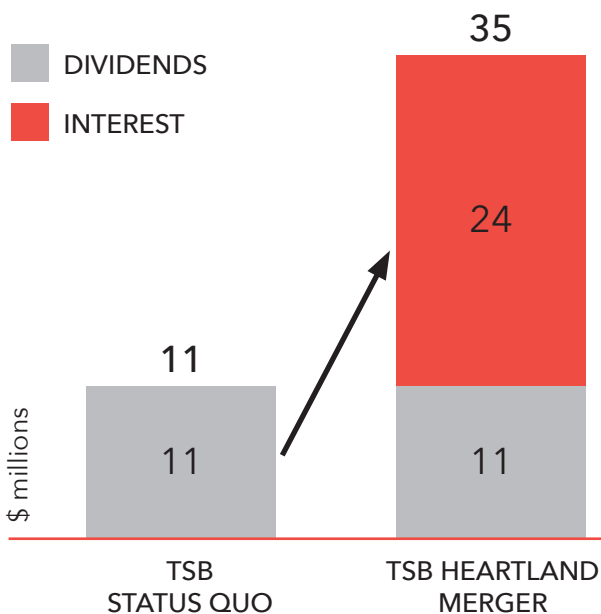
#### WHAT WOULD STAY

- Jobs
- TSB brand
- Branches
- Commitment to Taranaki
- Community funding and grants into Taranaki
- TSB products and services

#### WHAT WOULD GROW

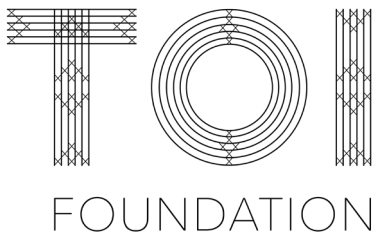
- \$20 million a year in extra funding and grants for the Taranaki community
- TSB's scale and ability to compete
- TSB's access to capital for technology and business improvements
- Access to more products and services
- Both banks will be stronger together

#### ANNUAL CASH INCOME TO TOI FOUNDATION FROM TSB



#### WHY IS THIS PROPOSAL BEING CONSIDERED?

- To help Toi Foundation give back more to the Taranaki community via granting today and for future generations
- To support TSB's future strengthening and growth
- To start diversifying Toi Foundation's investments



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### ABOUT TOI FOUNDATION

- Every dollar has purpose - building a thriving, inclusive and equitable Taranaki. Toi Foundation exists for one reason - to invest back into our region's people, places and projects.
- Toi Foundation has an investment portfolio that generates returns to do this - it owns 100% of the shares in TSB and 66% of Fisher Funds. Those investments support initiatives that strengthen communities, improve our environment, create opportunities for tamariki and rangatahi, support housing, arts, culture, recreation and many other projects, programmes and events that make Taranaki a better place to live.
- All of Toi Foundation's grants are distributed in Taranaki - currently ~\$30 million a year - should the proposal proceed, over time this could increase by \$20 million annually. Increased giving will continue to be in Taranaki.
- Last year alone, Toi Foundation committed the equivalent of \$282.74 for every person living in our region, one of the highest rates of community giving in New Zealand.
- Our responsibility is to ensure we can continue building on that legacy for decades to come. Toi Foundation Trustees follow rigorous processes for considering and managing investments prudently for the benefit of Taranaki over the long-term.

### WHAT DOES TOI FOUNDATION FUND

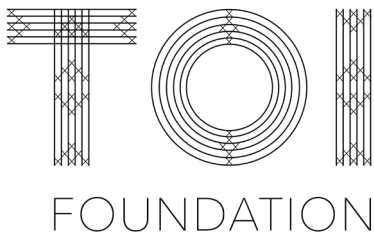
(All examples provided are from the 2024/25 financial year)

- **Capital grants:**  
From flagship support for cancer treatment equipment at Taranaki Base Hospital that has enabled patients to access treatment locally (previously only available in Palmerston North) through to sports clubs across Taranaki, schools, neighbourhood watch, charities, all councils, clubs, and rest homes - Toi Foundation funds buildings, equipment, gear and other capital initiatives to keep organisations thriving.
- **Impact and innovation:**  
Strategic programmes, or longer, multi-year initiatives, that have deeper impact in the region - like housing initiatives, youth programmes, Big Brothers, Big Sisters, environmental initiatives and support for disadvantaged members of our communities.
- **Individuals thriving in their chosen field:**  
More than 150 individuals represented Taranaki in sporting, cultural and academic events across New Zealand and around the world.
- **Programmes and events:**  
From flagship events like Festival of Lights and WOMAD to local community programmes at schools, councils, churches, societies, clubs, charities and marae.
- **Stronger communities:**  
From Access Radio, Zipper Cardiac Support Club, to South Taranaki Coast Guard and Women's Refuge - Toi Foundation funded clubs, charities, schools, societies, churches, all three councils, and food banks from its strengthening communities fund.

- **Over the past 4-year Toi Foundation has provided grants across multiple sectors:**

Arts, hobbies, culture, sport & recreation	\$38.1m
Education & research	\$19.4m
Health	\$7.9m
Social services	\$15.9m
Environment	\$11.4m
Housing	\$7.1m
Law & advocacy	\$2.4m

Every year, Toi Foundation receives more funding requests than it is able to support. We know the need across Taranaki is growing, and we're always looking for responsible ways to grow and sustain our support, so more people, projects and communities can benefit.



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#### ABOUT HEARTLAND

- Heartland Bank offers specialist products with over 150 years of banking and finance experience with regional roots dating back to Ashburton in 1875.
- In 2024, Heartland Bank became the first New Zealand registered bank to acquire an Australian bank (Challenger Bank).
- Today, Heartland Bank have eight key offices nationwide.
- Heartland Bank is owned by Heartland Group Holdings, which is listed on the NZX and ASX.
- Approximately 90% of Heartland Group Holdings' shareholders are in New Zealand, around 5% in Australia and around 5% are international institutional investors.
- Heartland Bank is the 9th largest New Zealand bank by total assets with core product portfolios including motor finance, reverse mortgages, rural and business finance.

#### MERGER PROPOSAL SUMMARY

- The proposal is for TSB to merge with Heartland to form a larger bank with scale - TSB Heartland Bank.
- To enable this, Toi Foundation would sell its 100% shareholding in TSB to Heartland Group Holdings.
- The two banks are complementary, meaning existing operations, products and services in Taranaki would be retained.
- The sale consideration of \$620 million would be comprised of debt, equity and cash.
- The equity component would make Toi Foundation the largest shareholder in Heartland Group Holdings, with a 17.5% shareholding in a significantly larger ~\$1.4 billion business.

#### PROCESS TO DATE

- In 2024 Toi Foundation received an unsolicited inquiry about its willingness to sell TSB.
- Toi Foundation tested the market: several parties held discussions, some did not proceed, and multiple proposals were ultimately received. These remain confidential.
- Heartland's proposal was best for TSB, strongly supported TSB's continued presence in the region, and best met Toi Foundation's purpose to make a positive impact on the community.
- No other proposal advocated a merger with TSB.
- This is the proposal that we are now consulting on. No decision has been made.

### Consultation now open and closes 5pm, Tuesday 30 June 2026

Submit written feedback (in English or Te Reo Māori):

**Online:** [www.toifoundation.org.nz/your-feedback/](http://www.toifoundation.org.nz/your-feedback/)

**Email:** [info@toifoundation.org.nz](mailto:info@toifoundation.org.nz)

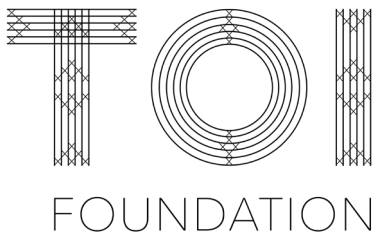
**Post/drop-in:** 121 Gill Street, New Plymouth

**Phone:** 0800 769 9471

#### ALL SUBMISSIONS WILL BE CONSIDERED

There is no word count limit. Submissions can be in English, Te Reo Māori, or both.

Trustees will review all submissions before making a final decision. A summary of feedback will be published when the final decision is announced.



## TSB AND HEARTLAND BANK MERGER PROPOSAL

### KEY INFORMATION

#### Common questions

##### **Can't we just leave TSB as it is?**

Over time it would put TSB further behind other banks. TSB needs funds to grow for technology and business upgrades, and to comply with the Reserve Bank's capital retention rules. Some of these rules are changing, however, TSB still needs a lot of money to be compliant and fund its improvements.

##### **Why are you selling Taranaki's "family silver"?**

Toi Foundation understands and supports the strong regional pride in TSB. We owe the leaders in the 1980s who made the decision to keep TSB independent a lot of gratitude. They made a brave decision that went against conventional wisdom. We also have to acknowledge that times have changed significantly, and TSB operates in a very different environment – it needs support to get access to capital. Toi Foundation is committed to prioritising things that matter for Taranaki as part of this proposal – including jobs, bank operations, branches and customer service.

##### **Do Toi Foundation Trustees benefit financially?**

No Trustee receives any financial gain as a result of this proposal.

##### **Is this just about Toi Foundation wanting money?**

This is about long-term viability for TSB and growing Toi Foundation's investments for future generations of Taranaki residents. This will also enable the Foundation to grant more into Taranaki.

##### **Is Heartland an Australian bank?**

Heartland was founded in Ashburton and is 90% owned by New Zealand shareholders. Around 5% is owned by Australian shareholders, and around 5% by international institutional investors. Heartland acquired an Australian bank – the only New Zealand bank to have done this.

##### **What does Heartland do?**

Heartland and TSB are different but complementary. TSB is a full-service retail bank, Heartland is a leading provider of reverse equity mortgages, asset finance and vehicle finance. Because of the complementary nature of these, there is less duplication in roles.

##### **Why aren't we buying out Heartland?**

Toi Foundation does not have the free cash to acquire Heartland.

##### **Is TSB being sold too cheaply?**

TSB was valued independently as part of this process. The \$620 million is in the range of this valuation. This isn't about selling to the highest bidder – it needed to be a fair deal where community and strategic fit mattered.

##### **Will TSB slowly disappear?**

Heartland understands the importance of Taranaki and is committed to regional New Zealand. The merged bank would be called TSB Heartland Bank. Taranaki remains a key operational hub and jobs are retained. No branch closures are planned.

##### **Why is Toi Foundation loaning money to Heartland Group Holdings?**

Part of the \$620 million consideration is a vendor loan from Toi Foundation to Heartland. It must be repaid within two years and will earn a market interest rate for Toi Foundation.

##### **Does a 17.5% shareholding in Heartland Group Holdings give you enough say?**

Toi Foundation would be the largest shareholder in Heartland Group Holdings and have representation on the board of TSB Heartland Bank and Heartland Group Holdings.

##### **Have you already decided?**

No final decision has been made. Community feedback is important and all formal submissions will be considered by Trustees before they decide.