

TSB AND HEARTLAND BANK MERGER PROPOSAL

FACT SHEET

Toi Foundation has signed a conditional merger implementation agreement to sell Toi Foundation's 100% shareholding in TSB to Heartland Group, to enable TSB to merge with Heartland Bank, as part of its strategy to grow philanthropic giving in Taranaki.

Taranaki residents are being consulted and asked to provide feedback on this proposal, via written submissions. No decision on whether to approve the proposal will be made by Toi Foundation trustees until they have considered the feedback received through this consultation process.

If the conditional proposal proceeds in its current form, Toi Foundation, the owner of TSB, would use a portion of the proceeds from the sale of its shares in TSB to reinvest in the merged bank, to hold a 17.5% shareholding in Heartland Group.

Heartland Group and Heartland Bank will also issue debt instruments and borrow money from Toi Foundation as part of the proposed merger. The combination of these interests will assist Toi Foundation to start diversifying its investment portfolio and increase philanthropic giving in Taranaki.

PARTIES INVOLVED

- Toi Foundation Holdings Limited (Toi Foundation) - currently owns 100% of the shares in TSB Bank Limited (TSB).
- Heartland Group Holdings Limited (Heartland Group) - owns 100% of the shares in Heartland Bank Limited (Heartland Bank).

BACKGROUND

- The conditional merger proposal followed an unsolicited approach regarding the potential sale of some or all of Toi Foundation's shares in TSB.
- Toi Foundation Trustees then undertook a confidential and competitive process with independent advisors and interested parties to ensure it secured the best possible proposal for the community.

DEAL STRUCTURE

- If the conditional proposal is approved in its current form, Toi Foundation would sell its 100% shareholding in TSB to Heartland Group and receive an aggregate consideration of NZD\$620 million.
- Heartland Bank and TSB would amalgamate and be known as TSB Heartland Bank.
- The \$620 million aggregate consideration to Toi Foundation comprises:
 - \$264 million vendor loan provided by Toi Foundation to Heartland Group
 - \$56 million of subordinated debt regulatory instrument (issued by Heartland Bank as Tier 2 capital)
 - \$250 million in ordinary shares in Heartland Group (200 million shares at NZ\$1.25 each), giving Toi Foundation an approximate 17.5% shareholding in Heartland Group
 - \$50 million pre-completion cash dividend from TSB (which is facilitated by the sale and merger).

BRAND AND CUSTOMER CONSIDERATIONS

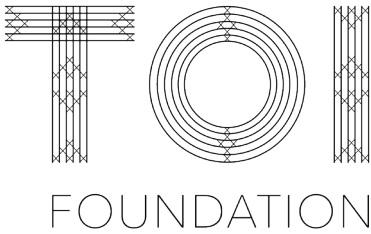
- The merged bank would be called TSB Heartland Bank.
- There would be no change to the range of TSB's retail banking products or services.
- There would be no change in the near-term to the range of Heartland Bank's specialist product offering and services.
- Both organisations intend for the merged bank to maintain a strong regional presence, including retaining Taranaki as a key operational hub for customer-based banking services, maintaining a local branch network, retaining customer-facing roles, continuing to operate TSB's New Plymouth based operations, contact centres, and lending centre of excellence (alongside Heartland Bank's nationwide presence).

GOVERNANCE

- If the proposed transaction and merger proceeds, and subject to Heartland Group shareholder approval, it is expected that one Toi Foundation nominee would be appointed to the Heartland Group Board. It is also expected that on completion, two existing TSB directors would join the TSB Heartland Bank Board.

ANALYSIS OF THE PROPOSAL

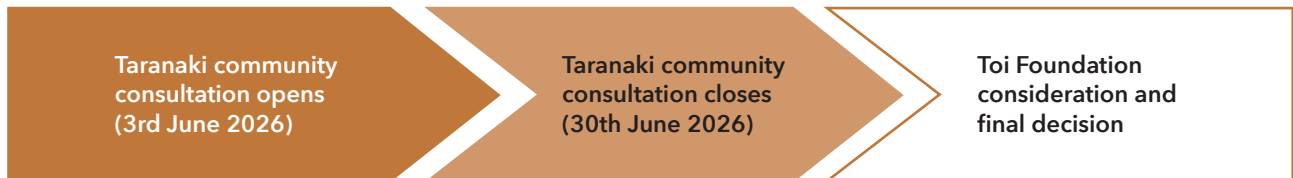
- Both parties have undertaken due diligence.
- Toi Foundation has also obtained independent valuation assessments, and its investment bank has been actively involved in the development of a detailed implementation plan and business plan (respectively) for the merger and the merged bank.
- This process involves working closely with Heartland and TSB senior management to design organisational and operating structures that will best support the merged bank.



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NEXT STEPS



Toi Foundation will undertake a consultation programme with Taranaki residents to seek their feedback on the proposal. Toi Foundation Trustees will consider the feedback received then meet to make a final decision.

If Toi Foundation Trustees decide to proceed...



Heartland Group to seek shareholder approval



Regulatory approvals

Approvals will be sought from regulators, including the Reserve Bank of New Zealand (RBNZ) and (if required) the Financial Markets Authority (FMA) by TSB and Heartland Bank.



Implementation

Completion by Toi Foundation and Heartland Group of certain other conditions precedent, including finalising their respective due diligence investigations, finalising the implementation plan for the merger and putting in place arrangements for the representations and warranties to be provided respectively by Heartland Group and Toi Foundation for the sale and merger.

MORE INFORMATION

www.toifoundation.org.nz/your-feedback/