

NZX/ASX release
2 June 2026

Proposed merger of Heartland Bank and TSB will create a New Zealand challenger bank of scale with a regional focus

Heartland Group Holdings Limited (**Heartland**) (NZX/ASX: HGH) is pleased to announce that it has signed a conditional merger implementation agreement (**MIA**) with Toi Foundation and Toi Foundation Holdings Limited (together, **Toi Foundation**) to merge Heartland Bank Limited (**Heartland Bank**) and TSB Bank Limited (**TSB**).

Under the proposed transaction, Heartland will acquire from Toi Foundation all TSB shares on issue for an aggregate consideration of \$620 million. Immediately following the acquisition, Heartland Bank and TSB will merge to create TSB Heartland Bank Limited (**TSB Heartland Bank**).¹

Summary of the proposed transaction and merger

- Recognising each bank's long history and deep connection to regional New Zealand, the merged bank will be called TSB Heartland Bank.
- TSB Heartland Bank will be a challenger bank of scale with a regional focus – increasing banking competition and choice for New Zealanders.
- By combining Heartland Bank's specialist product expertise with TSB's cost-effective funding platform and transactional banking capabilities, TSB Heartland Bank will be a full-service capable bank differentiated by its specialist product offerings, with a lower risk-weighted product portfolio.
- Greater scale and product diversification will improve financial efficiency and resilience, which may support an uplift in the merged bank's long-term credit rating.²
- Material synergies are expected to be progressively realised over a three-year period post-completion by reducing shared costs across TSB Heartland Bank.
- Synergy realisation and the transaction structure are expected to drive material normalised earnings per share accretion for Heartland shareholders, alongside an enhanced dividend per share profile.
- The aggregate consideration to Toi Foundation of \$620 million represents 76% of TSB's book value³ and comprises ordinary equity in Heartland (resulting in a 17.5% shareholding in Heartland by Toi Foundation), a pre-completion cash dividend paid by TSB, a vendor loan provided to Heartland by Toi Foundation, and Toi Foundation subscribing for Heartland Bank Tier 2 capital.
- Subject to Heartland shareholder approval, it is expected that one Toi Foundation nominee will be initially appointed to the Heartland Board with effect from completion of the proposed merger. It is also expected that on completion of the proposed merger, two existing TSB directors will initially join the TSB Heartland Bank Board.⁴
- The proposed merger is targeting completion in December 2026, subject to satisfaction of a number of conditions in the MIA, including community consultation by Toi Foundation with Taranaki residents⁵, Heartland shareholder approval and any necessary New Zealand and Australian regulatory approvals.

The proposed transaction builds on Heartland's strong merger, acquisition and integration track record, including the recent acquisition of Challenger Bank Limited (now Heartland Bank Australia Limited (**Heartland Bank Australia**)) – which made Heartland Bank the first New Zealand registered bank to acquire an Australian authorised deposit-taking institution.

Transaction costs are estimated to be approximately \$15 million. Approximately \$7 million will be expensed and therefore reflected in Heartland's net profit after tax (**NPAT**) for the financial year ending 30 June 2026 (**FY2026**) and approximately \$8 million will be expensed and reflected in Heartland's NPAT for the financial year ending 30 June 2027 (**FY2027**) (subject to the transaction completing in FY2027).⁶ Heartland now expects the difference between reported and underlying NPAT in FY2026 to include transaction costs in addition to any fair value changes on equity investments held and other one-off non-recurring expenses.

See the accompanying investor presentation for more details.

Heartland will host an investor briefing at 10.30am (NZST) today, Tuesday, 2 June 2026 – see page 3 for webcast details.

Note: All figures in NZD unless otherwise stated.

Strategic rationale

The proposed merger will create a New Zealand challenger bank of scale with a regional focus – increasing banking competition and choice for New Zealanders. By bringing together Heartland Bank’s specialist product expertise and TSB’s cost-effective funding platform and established transactional banking capabilities, TSB Heartland Bank will be a full-service capable bank differentiated by its specialist products, with a lower risk-weighted product portfolio.

Should the proposed merger proceed, substantial scale benefits, value creation and material synergies are expected to be available.

TSB Heartland Bank will become New Zealand’s seventh largest bank⁷, with approximately \$15 billion in total New Zealand assets (a 171% increase in Heartland’s New Zealand asset base). With a materially increased scale and diversified product set, it will have an enhanced ability to serve customers throughout their financial lifecycle, support a productive economy, and deliver improved financial returns. In addition, the proposed merger may support an uplift in the merged bank’s long term credit rating compared with Heartland Bank, reflecting TSB Heartland Bank’s strengthened asset quality and lower risk-weighted product profile.

Heartland’s specialist product focus across New Zealand and Australia will be retained and enhanced by the addition of full-service banking capabilities in New Zealand. As the NZX/ASX listed parent company of a larger, optimised New Zealand banking business, Heartland will have the ability to deploy capital more effectively across the group, and have the scale required to deliver an improved cost-to-income ratio through greater operating leverage.

Material synergies are estimated through cost efficiencies associated with bringing the two banks together by reducing duplication in activities, processes and shared business overheads. It is anticipated that these synergies will be progressively realised over a three-year period post-completion of the proposed merger. When fully realised, these synergies are expected to deliver an ongoing ~\$34 million p.a. benefit to profit before tax.⁸

There is also potential for further upside from funding and liquidity synergies, in addition to the ability to leverage Heartland’s investment in current and future technology programmes. Work remains ongoing in relation to technology integration costs and potential technology synergies. However, these are not expected to materially impact the proposed transaction’s financial outcomes. Total one-off integration costs of approximately \$34 million are expected to be incurred over a three-year period post-completion as synergies are realised.

Continued regional focus and nationwide presence

Heartland Bank and TSB each have long histories and a deep connection to regional New Zealand. The proposed merger will be grounded in ensuring good outcomes for both Heartland Bank’s and TSB’s customers, and the communities they serve. With its combined rich Kiwi heritage, TSB Heartland Bank will keep its focus on helping New Zealanders to meet their banking needs.

Heartland Bank traces its roots more than 150 years to the Ashburton Permanent Building & Investment Society in 1875. Its specialist product strategy and community investment via the Heartland Trust reflect its ongoing commitment to Canterbury and New Zealand. This investment is expected to continue and strengthen through TSB Heartland Bank.

TSB is a community trust-owned bank with deep regional roots in Taranaki, and has grown to provide banking services nationwide. Known for its customer-centric approach, TSB has built a reputation for trust and simplicity over generations. In 2025, the bank marked a significant milestone, celebrating its 175th anniversary.

Reflecting each bank’s community roots, TSB Heartland Bank will have a continued regional focus and nationwide presence in New Zealand. It is intended that TSB Heartland Bank will retain Heartland Bank’s existing nationwide presence, with Taranaki as a key operational hub for customer-based banking services – including maintaining a local branch network and customer-facing roles in Taranaki.

Through the sale of TSB to Heartland, Toi Foundation will receive a more diversified investment portfolio, including 17.5% of the shares in Heartland. This will enhance Toi Foundation’s ability to fund philanthropic activities across the Taranaki region.

Proposed transaction details

Consideration

The aggregate consideration to Toi Foundation of \$620 million represents 76% of TSB's book value³ and includes a pre-completion cash dividend from TSB of \$50 million. The remaining consideration comprises:

- \$250 million of ordinary equity issued to Toi Foundation by Heartland (200 million shares issued at a price of \$1.25 per share, being a 14.6% premium to Heartland's 10-day volume weighted average share price on the NZX of \$1.09 prior to announcement, representing a 17.5% shareholding in Heartland post-completion of the proposed transaction)
- \$56 million of subordinated debt (issued by Heartland Bank as Reserve Bank of New Zealand eligible Tier 2 capital)
- \$264 million vendor loan provided by Toi Foundation to Heartland⁹, with a two-year term, but able to be refinanced by Heartland at any time without break fees applying.

Heartland will remain well capitalised post-transaction, with TSB Heartland Bank and Heartland Bank Australia each maintaining strong regulatory capital positions. No ordinary equity share capital issuances by Heartland are expected to be needed to meet future capital requirements.

MIA and indicative timetable

The proposed merger is targeting completion in December 2026, subject to satisfaction of the conditions in the MIA, including community consultation by Toi Foundation with Taranaki residents⁵, Heartland shareholder approval and any necessary New Zealand and Australian regulatory approvals.

Each party may terminate the MIA if any condition is incapable of being satisfied, or is not satisfied or waived, by the requisite date. The MIA includes customary interim period obligations which apply from execution of the MIA to completion of the proposed merger, including requiring Heartland Bank and TSB to operate in the ordinary course of business consistent with past practice.

As is the case with any acquisition, the proposed transaction is subject to various risks, including that it may not complete if the conditions are not satisfied. See the accompanying investor presentation for more details on the MIA, including the risks associated with the proposed transaction.

Key event	Indicative timing
Toi Foundation community consultation with Taranaki residents ⁵	June – July 2026
Confirmatory due diligence completed and conditions satisfied	June 2026
Warranty and indemnity insurance obtained	June 2026
Notice of Meeting dispatched to Heartland shareholders	July 2026
Heartland shareholder meeting to vote on the proposed transaction, including appointment of Toi Foundation nominated director	August 2026
Targeted merger implementation date ¹⁰	December 2026

Heartland is being advised by Jarden (sole financial advisor), Chapman Tripp (legal and tax), Deloitte (financial and technology due diligence) and EY (independent synergy assessment) in relation to the proposed transaction.

Investor briefing

Heartland will host an investor briefing at 10.30am (NZST) today, Tuesday, 2 June 2026. To join the live webcast, investors and media are invited to register at ccmediaframe.com/?id=43ZmloKv. The recording will be available via the same link and from Heartland's website after the call ends.

Investor day

Heartland's investor day, previously scheduled for Friday 5 June 2026, will be deferred to a later date, enabling Heartland to provide a more detailed update on its strategy and financial ambitions, including as a larger banking group (subject to approval of the proposed transaction).

– ENDS –

The person who authorised this announcement:

Andrew Dixon, Chief Executive Officer

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About Heartland

Heartland is an Australasian financial services group providing specialist banking products to New Zealanders and Australians. Heartland is listed on the New Zealand and Australian stock exchanges under the HGH ticker (NZX/ASX: HGH). Through its various predecessors, Heartland has a long history in financial services, stretching back to Ashburton, New Zealand in 1875.

Today, Heartland is the listed holding company for two banks – [Heartland Bank](#) in New Zealand and [Heartland Bank Australia](#). Each bank is focused on providing specialist banking products to enable better lives for New Zealanders and Australians. In both countries, these products include Reverse Mortgages, Livestock Finance, and Savings and Deposits. In New Zealand, Heartland Bank also offers Motor Finance and Asset Finance.

Heartland's role as the listed parent company is to ensure capital is allocated to the parts of its business which generate strong returns, and to set the strategy and risk appetite within which the group operates. This enables Heartland to maximise shareholder returns and for each bank to enhance the value it offers customers by helping more New Zealanders and Australians with their specialist banking needs.

More: heartlandgroup.info

About Toi Foundation

Toi Foundation is a perpetual philanthropic community trust focused on building a thriving, inclusive and equitable Taranaki for current and future generations. Toi Foundation supports communities in traditional, philanthropic ways, while also looking to the future with a focus on strategic and innovative granting and impact investing to achieve even greater long-term, intergenerational and transformational benefits for Taranaki. It has owned TSB since 1988, with its investment portfolio currently including 100% of TSB and 66% of Fisher Funds. More: toifoundation.org.nz

Endnotes

¹ Heartland Bank will be the surviving entity following completion of the proposed merger.

² Heartland Bank currently has a long-term credit rating of BBB stable (issued by Fitch Australia Pty Ltd).

³ As at 31 December 2025.

⁴ Subject to the approval of the respective boards of Heartland Bank and TSB.

⁵ Residents are defined as any people residing in the Taranaki region.

⁶ Final transaction costs are subject to actual spend.

⁷ Based on RBNZ Banking Dashboard data as at 31 December 2025.

⁸ Estimated synergies are management estimates prepared for transaction evaluation purposes and are forward-looking. Cost synergies (~\$34 million p.a.) represent expected annual pre-tax run-rate benefits anticipated to be progressively realised within 3 years post-completion, subject to execution risk, regulatory requirements, market conditions and final integration design. Synergy estimates have not been audited and may differ materially from actual outcomes.

⁹ Less the value of any non-permitted pre-completion dividend paid by TSB (if any), noting this would not reduce the aggregate consideration to Toi Foundation.

¹⁰ Prior to 1 December 2026, TSB is permitted to pay to Toi Foundation dividends of an equivalent amount to those declared or paid by Heartland in the same period, based on the relative values of TSB and Heartland and, if the merger implementation date is delayed beyond the 1 December 2026 target, TSB is permitted to pay to Toi Foundation a dividend of up to \$2.4 million per full calendar month (pro-rated for any partial month) from 1 December 2026 to completion, in each case funded solely from TSB's NPAT generated during the relevant period.