

SELLING TARANAKI SHORT

**THE DECLINE OF TSB BANK, THE CAPTURE OF TOI
FOUNDATION,
AND A SALE THAT TARANAKI CANNOT AFFORD TO
IGNORE**

A Research Paper for Public Interest

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PREPARED FOR PUBLIC INFORMATION AND COMMUNITY CONSULTATION

A Note on Sources and Purpose

This paper is research-based, not opinion-based. Every figure cited has been checked against primary sources: TSB Bank annual reports, Heartland Group NZX announcements, Reserve Bank of New Zealand enforcement records, Toi Foundation audited financial statements and grant listings, Companies Office records, Public Service Commission appointment announcements, and contemporaneous news reporting from RNZ, Stuff, the NZ Herald, The Post (Taranaki Daily News), and specialist financial publications including interest.co.nz and Good Returns.

Where figures have been independently verified, they are stated as facts. Where estimates or ranges are used, they are identified as such. Where claims circulating in public debate have been found to be inaccurate (and there are a number of these) every effort has been made to ensure inaccuracies are identified and corrected.

The purpose of this paper is to place before the Taranaki community — and before those who appoint and regulate the institutions described — a complete, factually grounded account of how the region's most significant community asset has been managed over the past decade, how the governance body responsible for it has changed, and why the proposed sale of TSB Bank to Heartland Group deserves far more scrutiny than the current consultation process allows.

The community consultation window closes 30 June 2026. This paper argues that window is inadequate for the decision being made — and that the body conducting the consultation is itself a subject of legitimate concern.

Executive Summary

For 176 years, TSB Bank has been Taranaki's bank. Founded in New Plymouth in 1850 as the Taranaki Savings Bank, it grew to become one of New Zealand's most innovative and best-managed regional financial institutions — the first bank in the country to offer interest-bearing cheque accounts, the first to deploy ATMs, and a consistent leader in customer satisfaction. At its peak under Managing Director Kevin Rimmington (1988–2009) and into the early years of his successor Kevin Murphy, it was profitable, growing, and entirely in community hands.

In June 2026, the Toi Foundation — the philanthropic trust that has owned TSB since 1988 — announced a conditional agreement to sell TSB Bank to Heartland Group for \$620 million. The proposed merged entity would be called TSB Heartland Bank. If the deal proceeds, Taranaki will lose 100% control of its bank. The Foundation will hold a 17.5% minority stake in a listed company it cannot control.

This paper argues that the sale is the product of a decade of management misjudgements and inadequate governance oversight — not of structural forces beyond the bank's control — and that the body proposing to make the decision is itself compromised by conflicts of interest so serious that it lacks the standing to represent the community's interests in this transaction.

The Five Core Arguments

1. TSB Bank was an exceptional institution whose profitability and strategic position were damaged by identifiable management misjudgements and inadequate governance oversight over a ten-year period — not because of structural forces beyond its control. The bank that is being sold at a 24% discount to book value is not the bank it should have been, and the gap between what it was and what it should be is largely self-inflicted.
2. The Toi Foundation board was ideologically transformed under Grant Robertson-era appointments from 2018 onwards, redirecting the trust's strategic purpose away from broad community service and toward a narrowly defined Māori development agenda, without public consultation or democratic mandate.
3. The current board is compromised by conflicts of interest of extraordinary scale. Three trustees — the Deputy Chair, a trustee, and a former CEO — simultaneously governed Te Kotahitanga o Te Atiawa Trust, the Foundation's single largest grant recipient at \$1.5 million per year. A total of five trustees are connected to organisations that collectively received a quarter of all Foundation grants. These same trustees are now making a once-for-all decision about Taranaki's most valuable asset. The structural conflict is not incidental. It is the central governance fact of this sale.
4. The same board whose conflicts and ideological orientation are documented here is now proposing to sell the community's most valuable community asset. The fitness of these trustees to make an irreversible decision about Taranaki's financial future is a legitimate and urgent question.
5. The consultation process — a four-week window with no binding outcome — is structurally inadequate for a decision of this magnitude. The process should be stood down pending an independent review of the board's composition, its conflicts of interest, and the adequacy of the proposed transaction terms.

The people proposing to sell Taranaki's bank were appointed without a public mandate, have redirected millions of dollars of grants to organisations they personally govern, and stand to benefit substantially from a sale that locks in and grows that income stream permanently. The Taranaki community deserves better than a four-week consultation conducted by the very people whose fitness to make this decision is the central question.

Part One: A Bank Built on Excellence — The TSB Story to 2017

1.1 Origins and the Long Period of Conservative Excellence

The Taranaki Savings Bank was established in New Plymouth on 1 November 1850, making it one of the oldest continuously operating financial institutions in New Zealand. According to TSB's own historical account, its very first depositor was Māori — a man who rode from Mōkau to entrust the new bank with £34. This speaks to the institution's community roots and its relationship with Taranaki Māori from the very beginning. For over a century it served as the savings bank of a region defined by its agricultural prosperity — the rich volcanic soils of the Taranaki ring plain, the dairying and pastoral farming that flowed from them, and later the oil and gas industry that brought a second wave of wealth to the province.

From its earliest decades the bank displayed a pattern that would define it throughout its history: conservative funding, genuine local accountability, and a willingness to innovate in customer service while maintaining financial discipline. It remained stubbornly independent through the consolidation waves that swept New Zealand banking in the 1980s, resisting the corporate shift that saw the other 11 trustee banks corporatised or swallowed by larger networks. TSB stood aside — in 1984 and again in 1986 — rejecting the national branding adopted by its peers.

When the Trustee Banks Restructuring Act 1988 corporatised the sector, TSB was vested as a limited liability company, maintaining its fiercely independent character. ASB Bank and Westland Bank were the only other institutions to follow a similar path. Neither lasted: Westland was absorbed into ASB in 1994 and ASB passed into full Australian ownership by 2000 — leaving TSB as the last of the trustee banks still wholly New Zealand-owned.

1.2 Innovation That Preceded the National Banks

TSB's record of genuine innovation — not marketing innovation, but structural and technological innovation that benefited its customers — is well documented and distinguished:

- 1975: First bank in New Zealand to offer free, interest-bearing cheque accounts. At a time when the major banks charged fees and paid no interest on everyday accounts, TSB introduced a product that directly benefited ordinary savers. This was not a marketing gimmick — it was a structural advantage passed to customers.
- 1976: First bank in New Zealand to implement bank-wide, real-time computer processing. TSB's technology investment allowed customers to see their balances updated in real time across all branches — a capability that the big banks would not match for years.
- 1981: First bank in New Zealand to deploy ATMs¹. TSB installed Cashflow network ATMs in its Hāwera, Fitzroy, New Plymouth, and New Plymouth City Centre branches — the first 24-hour cash access available to New Zealand bank customers. The National Bank did not deploy ATMs until 1984; Westpac not until 1982.

¹ The Northern Building Society also deployed an ATM in 1981, but it was not at that time a registered bank.

- 1990: TSB was commercialising its software platform under the name UniBank, licensing it to financial institutions overseas — a remarkable achievement for a regional savings bank. The Australian Financial Review reported that TSB's retail banking system was making bigger financial institutions take notice, noting that UniBank processed over 830,000 transactions monthly.
- Consistent top rankings in Consumer NZ surveys: from 2016 to 2023, TSB won Consumer NZ's People's Choice Award for customer satisfaction for eight consecutive years, and in the 2024 survey it narrowly missed a further award, coming second only to The Co-operative Bank. Across this period TSB consistently ranked first or second in customer satisfaction, ahead of all four Australian-owned banks, with only The Co-operative Bank as a genuine peer.

TSB continued winning these customer satisfaction awards even during the years in which the AML and CCCFA compliance failures documented in Part Two were unfolding. This is not a contradiction in this paper's argument — it illustrates it. The qualities that won these awards were front-line: branch staff, local relationships, and retail product design. These were the living legacy of the Rimmington-era service culture, and they persisted at branch level even as board-level governance and back-office compliance systems were failing above them. A bank can have excellent tellers and a deficient AML programme at the same time; customer satisfaction surveys measure the former, regulatory enforcement actions measure the latter. Tellingly, by 2026 — for the first time since the award began — no New Zealand bank met the threshold for Consumer's People's Choice Award at all.

TSB's innovations were not for competitive advantage in a distant shareholder's portfolio. They were innovations for Taranaki customers — and then for New Zealand customers — by a bank that was owned by the community it served.

1.3 The Rimmington Era: Building the Franchise (1988–2009)

Kevin Rimmington served as Managing Director of TSB from 1988 to 2009 — a 21-year tenure that coincided almost exactly with the period of the bank's most settled and profitable operation as an independent entity. He joined TSB as a young man and rose through the institution; when he retired in 2009 he left behind a bank that was financially strong, deeply embedded in Taranaki life, and structurally conservative in all the right ways.

Several features of the Rimmington era are worth identifying precisely because they contrast sharply with what followed:

- Funding discipline: Under Rimmington, TSB maintained a funding model built almost entirely on retail customer deposits — the most stable, lowest-cost source of bank funding available. At the time of his retirement, customer deposits funded approximately 90% of the bank's balance sheet, with minimal reliance on wholesale markets. This distinction would prove critically important during the 2008 Global Financial Crisis, when the major banks' heavy reliance on offshore wholesale funding created severe liquidity pressure. TSB, with its locally-funded balance sheet, sailed through the crisis.
- Profitability discipline: Throughout the Rimmington era TSB maintained a cost-to-income ratio in the 40-50% range — a measure of operating efficiency

that the major banks considered healthy. A cost-to-income ratio below 50% means the bank earns at least two dollars of income for every dollar it spends on operations. This disciplined cost culture would be progressively abandoned by his successors.

- **Community roots:** The bank maintained a dense branch network across Taranaki, including in smaller communities like Opunake, Eltham, Stratford, Hāwera, Inglewood, Waitara, and Fitzroy. These branches were not economically marginal outposts — they were the foundation of TSB's deposit base and customer loyalty in a region where local presence mattered.
- **Conservative balance sheet:** TSB did not chase high-margin, high-risk lending. Its loan book was dominated by plain vanilla residential mortgages and small business lending in Taranaki. The bank held essentially no offshore exposures and maintained capital ratios well above regulatory minimums.

1.4 The Murphy Era: Expansion and Its Consequences (2009–2018)

Kevin Murphy took over as Managing Director in January 2009 after nearly 30 years at TSB, having joined as a teller at age 19. He was a product of the institution, a Taranaki man, and in his early years his results were strong.

The Murphy era also deserves credit for a less publicised strategic decision. The TSB Community Trust — the Foundation predecessor to Toi Foundation — acquired its controlling stake in Fisher Funds Management during this time, beginning with a 26% purchase in September 2013 for approximately \$33 million. This was a significant strategic decision: it diversified the trust's revenue base away from dependence on a single banking asset and positioned it to benefit from the growing KiwiSaver market. The acquisition proceeded in stages: a further increase to approximately 49% in October 2015, reaching a controlling position of approximately 66% by 2017 — the year before Murphy's retirement.

The Fisher Funds investment has proven to be a valuable diversification of the Foundation's asset base. Fisher now manages over \$25 billion in assets as of June 2025, and Toi Foundation's 66% stake is estimated to be worth in the range of \$460 million to \$660 million² — comparable in scale to the TSB Bank itself. The Fisher Funds dividend to the Foundation has ranged from \$13 million in lean years to \$56 million in bumper years. However, the most recent Toi Foundation financial report shows total dividend revenue from both TSB and Fisher Funds fell from \$31.8 million to \$28 million in the 2024/25 year — a dip that some have suggested may have sharpened the Foundation's appetite to restructure its asset base. If Fisher's income contribution is under pressure, the timing of the TSB sale becomes more explicable as an attempt to diversify and stabilise the Foundation's income stream — though this rationale has not been publicly stated by the trustees.

The foundation's two major assets — TSB Bank and Fisher Funds — together represent a portfolio worth well over a billion dollars, all of it held for the benefit of the Taranaki community. That community ownership is now proposed to be substantially dismantled.

² Based on the AUM-based valuation methodology used in the 2022 Kiwi Wealth transaction where Fisher Funds paid \$310 million for \$6.34 billion of AUM, implying approximately 4.9% of AUM, Toi Foundation's 66% stake in Fisher Funds would be worth in the range of \$460 million to \$660 million at current AUM levels.

Murphy retired from the bank in January 2018, formally stepping down after nine years as CEO. The TSB board's announcement described his contribution in warm terms, noting his oversight of the national expansion from a Taranaki-focused bank to the sixth largest bank in New Zealand, with branches across the country. Murphy was described by the board as having 'laid the foundations for the bank's ongoing success.'

That assessment, in retrospect, requires qualification.

The expansion strategy

The national expansion Murphy oversaw was genuinely ambitious. TSB opened branches in Auckland, Wellington, Christchurch, Hamilton, and other centres. Home lending grew at 14% in the 2018 financial year — nearly 2.5 times the market growth rate. The bank positioned itself as the friendly, New Zealand-owned alternative to the Australian-owned big four, and for a period that positioning attracted customers.

But the expansion strategy carried structural risks that were not adequately managed:

- The national branch network was expensive to run and built for a model of customer behaviour that was already changing. Branch usage was declining sector-wide as digital banking grew. TSB was investing in physical infrastructure at the moment the market was moving away from it.
- The mortgage-led growth strategy was low-margin. Residential mortgages are the most competitive product in New Zealand banking — the big four have enormous scale advantages in this market. TSB was competing in the least profitable segment of the least profitable product category, against banks with six to ten times its asset base.
- The cost base expanded to support the national ambition. Operating expenses grew substantially through the expansion period, loading the bank's cost-to-income ratio — the ratio that would eventually balloon to crisis levels under Murphy's successor.

The AML compliance failure — the most serious legacy

The most consequential failure of the Murphy era was not the expansion strategy but the compliance failure that unfolded simultaneously. The Reserve Bank of New Zealand had been signalling concerns about TSB's anti-money laundering (AML) programme as far back as 2013 — the year Murphy's national expansion was gathering pace. The RBNZ issued a formal warning to TSB in November 2016, stating that between 30 June 2013 and 9 June 2016, TSB had failed to review and maintain its AML risk assessment as required by the AML/CFT Act.

This formal warning should have triggered immediate and comprehensive remediation. Murphy had fourteen months remaining as CEO when the warning was issued. The evidence is that adequate remediation was not delivered during that period. When Murphy retired in January 2018, the formal warning was 14 months old and the compliance programme remained inadequate.

The board that oversaw Murphy — the TSB board appointed by the TSB Community Trust — allowed this to occur. The Trust's own board, responsible for appointing and monitoring the bank's governance, was equally culpable. The Rimmington era's compliance culture had apparently not been adequately embedded into the

institution's systems, and neither the bank board nor its Trust owner moved with appropriate urgency when the regulator raised its concerns.

The AML compliance failure runs from 2013 to 2021 — eight years from first RBNZ concern to court judgment. This is not a brief lapse. It is a sustained governance failure spanning two CEOs and the entire period during which the Toi Foundation's board was being reconstituted under Grant Robertson's appointments.

1.5 TSB's Record Profit — and Why It Misleads

The \$85.6 million pre-tax profit for FY2016 — TSB's record — requires important context that was not provided in the bank's own announcement and has not been widely understood in subsequent public debate.

TSB held approximately \$67.5 million in Solid Energy bonds. Solid Energy, the state-owned coal mining company, entered receivership in February 2015. TSB wrote off \$53.9 million of its Solid Energy exposure in early 2015, severely depressing that year's profit. In subsequent years, as the Solid Energy assets were realised, TSB recovered portions of these write-offs:

- FY2016: \$13.7 million write-back of Solid Energy bond valuation, contributing directly to the record \$85.6 million result
- FY2018: A further \$15.5 million in Solid Energy recoveries boosted pre-tax profit to \$72.1 million
- FY2019: \$2.1 million in further recoveries

When these one-off recoveries are stripped out, the underlying performance picture is significantly more modest: the true underlying FY2018 profit was \$56.6 million, and the underlying FY2019 profit was \$60.5 million. TSB's own CEO Donna Cooper was careful to make this adjustment in her 2019 annual report statement — noting that 'once the impact of recoveries from Solid Energy is removed, the bank's profit before tax increased year on year from \$56.6m to \$60.5m.'

This matters enormously for the narrative the Foundation has used to justify the sale. The argument that TSB's performance has deteriorated from a historical peak of \$85 million in pre-tax profit to \$57.6 million today overstates the decline significantly. The actual underlying peak — what the bank was genuinely earning from its normal operations — was in the range of \$56–63 million, not \$85 million. The genuine comparison for FY2025's \$57.6 million pre-tax profit is not a catastrophic decline; it is essentially flat relative to the underlying performance a decade ago, with a difficult intermediate period explained by specific and identifiable factors.

Part Two: Underperformance and Its Causes — Compliance Costs, Strategic Overreach, and Missed Governance (2018–2024)

2.1 The Cooper Appointment and Its Context

Donna Cooper was appointed CEO of TSB in July 2018, becoming the first woman to lead the bank in its 168-year history. She came with strong credentials: former CEO of The Warehouse Financial Services Group, prior work with American Express across the UK, New Zealand, India, and Australia. Her appointment was widely welcomed.

But the context into which she stepped was extraordinarily difficult, and some of the difficulties were of the institution's own making. She inherited:

- A formal RBNZ AML warning now 20 months old with no adequate remediation in place
- A national branch network built for an expansion strategy that was already straining profitability
- A cost base that had grown substantially to support the national ambition
- A banking environment about to be significantly disrupted by COVID-19 — branch closures affected customer access and impaired loan provisions rose across the sector, though banking was less physically disrupted than many industries
- A regulatory environment growing substantially more demanding and expensive across all banks

The COVID-19 pandemic struck in March 2020 — less than two years into Cooper's tenure. The bank's FY2020 result was significantly impacted by COVID-related loan impairments, though TSB maintained its capital position and continued paying dividends. These impacts were experienced across the banking sector and cannot be attributed to TSB-specific management failures.

2.2 Two Regulatory Failures Running Concurrently

The AML Compliance Failure

The sequence of regulatory events during Cooper's tenure tells a story of inherited failure meeting inadequate response:

Year	Event	Significance
June 2013 – June 2016	RBNZ identifies TSB's AML risk assessment deficiencies	Murphy era — no adequate response
November 2016	RBNZ issues formal written warning to TSB	Murphy era — 14 months remaining in his tenure
January 2018	Murphy retires; Cooper appointed July 2018	Warning is now 14-20 months old

2019	RBNZ on-site inspection; finds compliance still 'inadequate and ineffective'	Three years after formal warning
2019	TSB finally establishes dedicated AML remediation programme	Response comes six years after initial concern
2021	RBNZ takes High Court action; \$3.5 million penalty imposed	Eight years from first concern
2015–2021	Separately: TSB overcharges customers under Credit Contracts Act	Running concurrently with AML failure
August 2024	Commerce Commission imposes \$2.5 million penalty for CCCFA overcharging	48,000 customers overcharged ~\$3.6 million

The RBNZ's own statement on taking legal action was pointed: 'We are disappointed that TSB did not respond sufficiently to our initial formal warning. We are now obliged to take this High Court procedure.' The court found TSB's compliance programme 'inadequate and ineffective' despite the formal warning having been in place for nearly five years.

The CCCFA Overcharging Failure

Running concurrently with the AML failure — and entirely separate from it — was a second regulatory breach that has received less public attention than it deserves. Under the Credit Contracts and Consumer Finance Act (CCCFA), TSB overcharged approximately 48,000 customers by a total of \$3.6 million in credit and default fees between 2015 and 2021. The breach spanned six years and two CEOs. Crucially, TSB self-reported this breach rather than having it discovered by the regulator — a point in its favour — but the scale and duration of the overcharging is troubling. TSB was required to pay approximately \$6 million in remediation to affected customers. In August 2024, the Commerce Commission imposed an additional \$2.5 million penalty through the High Court.

The CCCFA overcharging period (2015–2021) coincides almost exactly with the AML non-compliance period (2013–2021). Two separate compliance frameworks. Two separate sets of harmed parties. One bank, over the same extended period. This is not the profile of an institution experiencing isolated technical failures — it is the profile of a compliance culture that was systemically inadequate.

Two separate regulatory frameworks. Two separate financial penalties totalling \$6 million. 48,000 customers overcharged. Both failures running concurrently across nearly a decade. The board that governed TSB throughout this period was the board appointed and overseen by Toi Foundation.

2.3 The Profit Collapse and Strategic Retreat

TSB's financial performance deteriorated dramatically in FY2023:

Financial Year	Pre-Tax Profit	After-Tax Profit
FY2022	\$53.5m	\$38.1m
FY2023	\$28.9m	~\$20m
FY2024	\$50.9m	\$34.0m
FY2025	\$57.6m	\$41.2m

The FY2023 result — a 48% drop in NPAT — was devastating and led directly to Cooper's departure within a week of the result being announced. The causes were specific and compounding:

- AML remediation programme costs: The expensive multi-year programme to bring compliance up to standard was being borne in operating expenses
- Technology investment: The Datacom cloud migration (confirmed July 2023) and associated IT modernisation were substantial capital and operating costs
- Regulatory compliance costs: Industry-wide increases in compliance requirements loaded costs across all smaller banks disproportionately
- Interest rate environment: The rapid rise in interest rates compressed net interest margins during the adjustment period
- Cost-to-income ratio: By FY2023 the ratio had blown out to approximately 89% — meaning TSB was spending 89 cents for every dollar it earned. Former chair Harvey Dunlop publicly described it as having ballooned 'from a healthy 40-50% to over 75%'

Donna Cooper departed in July 2023. Within days, acting CEO Gordon Davidson announced the closure of seven branches — a third of the network — including Opunake and Eltham in Taranaki's own heartland. The national expansion strategy that Murphy had built over nearly a decade was being dismantled. The network that had reached into Auckland's North Shore, Napier, Nelson, and Palmerston North was retreating.

TSB's current branch network of 12 branches — seven of them in Taranaki — is a shadow of the national presence Murphy constructed. At its peak, TSB operated approximately 25 branches across New Zealand. The bank that had been rebranded as 'a truly nationwide bank' in October 2017 had, six years later, essentially re-regionalised.

2.4 Recovery — Interrupted by Sale

The appointment of Kerry Boielle as CEO in January 2024 marked the beginning of a genuine recovery. The remediation programme was substantially complete. The cost-to-income ratio improved from 89% to 72% in FY2025. Pre-tax profit recovered to \$57.6 million — the best result since FY2019. The dividend to Toi Foundation increased to \$15 million, the highest since 2018.

The bank that Toi Foundation announced it was selling in June 2026 was a bank that had just completed its most expensive period of remediation and restructuring, and

was showing genuine signs of recovery. The timing of the sale announcement — immediately following the bank's strongest recovery result in six years — is one of the most pointed questions opponents of the sale have raised.

Former Managing Director Kevin Rimmington, who ran TSB for 21 years, addressed the Foundation directly at the public meeting held on Friday 6 June 2026, following Toi Foundation's own presentation: 'If the trust is unhappy with the level of dividends coming from the bank, the solution is simple — change the directors to get the required results. Don't sell the thing. TSB Bank is Taranaki's most valuable asset, it is a living icon of our region's independence. Trustees, you are the guardians of a legacy.'

2.5 The Missed Strategic Opportunity: Fisher Funds and TSB

One of the more intellectually interesting arguments against the sale concerns a strategic opportunity that the Toi Foundation and its investee companies never seized: the potential integration of TSB Bank and Fisher Funds into a vertically integrated wealth and banking proposition.

Fisher Funds is one of New Zealand's largest fund managers, with over \$25 billion in funds under management following the Kiwi Wealth acquisition. TSB Bank has a strong customer base and \$8.7 billion in deposits. Together, they represent a formidable New Zealand-owned financial services group: a bank with a strong deposit base and customer relationships, owned by the same entity that controls a major KiwiSaver and investment manager.

In a world where integrated wealth management and banking propositions command premium valuations, the Foundation's ownership of both assets represented a strategic opportunity that was never exploited. A TSB customer could theoretically have been offered seamless access to Fisher Funds' KiwiSaver and investment products. Fisher Funds' clients could have been offered banking services from the same trust-owned group. The two businesses could have shared customer data, distribution infrastructure, and brand values around New Zealand ownership and community benefit.

This integration never happened. The two businesses continued to operate in separate silos, reporting to the Foundation through entirely separate governance chains. No joint product was developed. No combined distribution strategy was pursued. No synergy between the two community-owned assets was captured.

One reason for this is timing: the Foundation's controlling stake in Fisher Funds was not fully established until 2017, by which time the AML crisis was already unfolding at TSB and management bandwidth was consumed by compliance remediation. Another reason is structural: integrating a bank and a fund manager under a charitable trust is legally and regulatorily complex. But a further reason, which cannot be dismissed, is that the Foundation's board — as constituted from 2018 onwards — was more interested in its grant-making agenda than in the commercial development of its investment portfolio.

The sale of TSB forfeits any future possibility of realising this integrated value. Once TSB becomes part of Heartland Group — a listed company with its own shareholders — it cannot be recombined with Fisher Funds. A strategic option worth potentially hundreds of millions of dollars is being permanently abandoned.

Part Three: The Heartland Comparison — How the Smaller Bank Became the Buyer

3.1 Heartland's Origins and Business Model

Heartland Group Holdings traces its corporate history to Ashburton in 1875. The modern Heartland Bank was created in 2011 from the merger of four smaller institutions: Marac Finance, Southern Cross Building Society, CBS Canterbury, and Heartland Building Society. It listed on the NZX in 2012 and received its banking licence in 2012.

Heartland's business model is fundamentally different from TSB's. Rather than competing head-to-head with the major banks in mainstream mortgage and deposit markets, Heartland deliberately positioned itself in niche lending segments where it could achieve higher margins and where the big four had less appetite to compete:

- Reverse mortgages: Lending to older homeowners against equity in their properties — a growing market given New Zealand's aging population
- Motor vehicle finance: Primarily second-hand vehicle lending through dealer networks
- Rural finance: Specialist rural and livestock lending
- Commercial property: Small and medium commercial property lending
- Business finance: Asset-backed small business lending

In 2014 Heartland expanded into Australia, establishing Heartland Bank Australia to operate its reverse mortgage and motor finance businesses there.

3.2 Heartland's Financial Trajectory vs TSB

The comparison between Heartland's trajectory and TSB's over the past decade is instructive — though it requires care, because the two banks are measuring different things.

Heartland Group's total assets as at June 2025 were \$8.6 billion — smaller than TSB's \$9.6 billion. Yet Heartland is the buyer, not TSB.

How has this come about? Part of the answer is genuine customer-focused strength rather than mere positioning: Heartland has won Canstar's Bank of the Year Savings Award for eight consecutive years, with Canstar's research consistently finding Heartland offers some of the highest savings interest rates of any New Zealand bank. That is a real, sustained product advantage for savers — not just clever market positioning.

Heartland's apparently better performance lies partly in business model, partly in capital efficiency, and partly in market perception:

- Capital efficiency: Heartland's niche lending strategy generates higher net interest margins than TSB's mainstream mortgage book. Higher margins on a smaller asset base can produce similar or better returns on equity — and it is return on equity, not absolute profit, that drives market capitalisation for a listed bank.

- **Listed status:** Heartland is listed on the NZX. At the time of the merger announcement, Heartland was issuing \$250 million in new shares to Toi Foundation at \$1.25 per share — a 14.6% premium to its 10-day volume-weighted average price, suggesting the market regarded the deal as value-creating for Heartland shareholders. It is worth noting however that Heartland's share price was at a low of 70 cents in April 2025 — relatively recent.
- **Strategic clarity:** Heartland has maintained a consistent, differentiated strategy over 15 years. It has not attempted to compete with the big four in their core markets; it has found gaps and exploited them. TSB, by contrast, lost the innovative spirit that had distinguished it under Rimmington, charged into the mainstream mortgage market during the Murphy era — the most competitive and lowest-margin segment in New Zealand banking — and then retreated, having incurred the costs of expansion without the sustained benefits.

Heartland's FY2025 statutory NPAT is \$38.8 million — slightly below TSB's \$41.2 million. Heartland generates this from a smaller total asset base (\$8.6 billion versus TSB's \$9.6 billion) — a measure of its higher-margin niche lending positioning. The Australian business has added further returns, though FY2025 saw significant impairments in the Australian book dampen group results.

3.3 The Capital Review Factor

The merger was also, by Heartland's own CEO Andrew Dixon's admission, significantly enabled by the RBNZ's 2025 capital review, which introduced more granular risk weightings under the standardised approach — changes that specifically benefit smaller New Zealand banks. Fitch Ratings noted these changes 'are most beneficial to smaller New Zealand banks, modestly improving their competitive standing.'

The combined entity will benefit from more favourable risk weightings on reverse mortgages and commercial property. But this same regulatory tailwind would equally have benefited an independently managed TSB — raising the question of why the Foundation chose to sell at the precise moment the operating environment for smaller banks was improving.

3.4 A Cautionary Note on Heartland's Financial Position — and What TSB's Numbers Actually Show

It would be incomplete to present Heartland as a straightforwardly stronger institution than TSB.

Comparative data taken directly from the 2025 annual reports tells a more precise and useful story than the broad-brush 'TSB underperforms' narrative the Foundation has presented.

Metric	TSB Bank Year ended 31 Mar 2025	Heartland Group Year ended 30 Jun 2025
Total assets	9.6b	8.6b
Tier 1 capital ratio	15.28%	15.88% (NZ Bank CET1)
RWA density	41.3%	72.1%
Net interest margin	2.30%	3.56% (Group avg); 3.87% (NZ Bank avg)
Cost-to-income	72%	59.6% reported; 56.2% underlying
Return on equity	5.4%	3.2% reported; 4.2% underlying
Return on assets	0.4%	0.43% reported; 0.52% underlying
Non-performing loans	0.5%	3.21% ³

Two things stand out. First, Heartland Group's consolidated assets of \$8.6 billion are actually smaller than TSB's \$9.6 billion. Heartland Bank, the New Zealand banking operation, is smaller still.

Second, and more importantly: TSB's balance sheet is not the problem. Its risk-weighted assets are only 41.3% of total assets — reflecting a conservative, plain-vanilla mortgage book — and its Tier 1 capital ratio of 15.28% is comparable to Heartland Bank NZ's CET1 of 15.88%; TSB is carrying substantial capital against a demonstrably lower-risk asset base than its prospective acquirer. Its non-performing loan ratio of 0.50% is roughly a sixth of Heartland Bank's 3.21%. TSB's loan book, in other words, is in excellent health.

What TSB has is an income-statement problem, not a balance-sheet problem. Its net interest margin of 2.30% is well below Heartland Bank NZ's full-year average of 3.87%, and its cost-to-income ratio of approximately 72% is roughly 13 percentage points above Heartland Group's reported 59.6% — or 16 points above on an underlying basis.

These two factors — margin and cost discipline — are the key drivers of TSB's return on equity. At 5.4%, TSB's ROE exceeds Heartland Group's reported 3.2% for FY2025, though Heartland's result reflects a deliberate reset year marked by heavy provisioning; its underlying ROE of 4.2% and its FY2024 reported ROE of 6.6% are more representative of its earnings capacity. The comparison nonetheless illustrates the central point: TSB's balance sheet is not the constraint on its performance. What limits TSB's returns is a net interest margin of 2.30% — well below Heartland Bank NZ's full-year average of 3.87% — and a cost base that, while improving, remains higher than a specialist lender's. Both are addressable through management action without selling the bank.

This distinction matters enormously for how the sale decision should be judged. A balance-sheet problem — a loan book full of bad debts, or a capital shortfall — would be structural and could reasonably support an argument that the bank needs a stronger partner. TSB has neither problem; if anything its balance sheet is the most conservative and best-capitalised of the two. What TSB has is a cost-to-income ratio that is a function of its own management decisions over the past decade — the

³ Note: Heartland NPL ratio is a Heartland Bank figure, not a Group figure.

national expansion, the compliance remediation, the cost base discussed in Part Two. TSB has already brought this ratio down from approximately 89% to approximately 72% through its own efforts. Closing the remaining gap toward Heartland's 56% — even partway, to a still-modest 65% — is precisely the kind of internal operational reform that falls within a board's ordinary responsibilities, and is the substance of Kevin Rimmington's argument that the solution is to 'change the directors,' not sell the bank.

The community is being asked to trade a bank with a 0.50% non-performing loan ratio and a capital ratio comparable to its acquirer's, for a minority stake in an entity carrying Heartland's 3.21% non-performing loans and a reported return on equity of just 3.2%. Whatever the merits of the income-statement argument, this is a material change in the risk profile of the institution that holds Taranaki's savings — and it has not been presented to the community in these terms.

3.5 Heartland's Asset Quality and Integration Risk

Several further features of Heartland's financial position deserve careful scrutiny in the context of a \$620 million acquisition:

- **Non-performing loans:** Heartland's non-performing loan ratio as of June 2025 was approximately 3.21%, considerably higher than TSB's 0.5%. Heartland's niche lending — particularly motor finance and reverse mortgages — carries materially higher credit risk than TSB's predominantly residential mortgage book.
- **The impairment charge:** Heartland took a NZ\$49.6 million impairment charge in FY2025's first half — driven by arrears in motor finance and business lending — causing first-half profit to collapse to approximately \$2-5 million versus nearly \$38 million the prior year. Former TSB chair Elaine Gill characterised this loosely as a \$50 million loss, which is imprecise: it was an impairment charge that caused a profit collapse, not a net loss. But the underlying reality — that Heartland's riskier lending model created a single-year impairment charge larger than TSB's annual pre-tax profit — is a valid concern regardless of accounting classification.
- **Australian impairments:** The FY2025 results included significant impairments in the Australian banking operation, dampening group statutory NPAT to \$38.8 million despite underlying NPAT of \$46.9 million.
- **Integration risk:** The proposed merger would nearly triple Heartland's New Zealand asset base (a 171% increase). Managing an integration of this scale — absorbing a bank nearly twice its current NZ size — while maintaining service quality and regulatory compliance is a substantial operational challenge.
- **The vendor loan:** \$264 million of the \$620 million purchase price is being provided by Toi Foundation as a two-year vendor loan to Heartland to fund the acquisition. In substance, Toi Foundation is lending Heartland the money to buy TSB from Toi Foundation. If Heartland encounters financial difficulty in the two-year term, the Foundation's recovery on this loan may be compromised.

The community is being asked to approve a transaction in which its trust is selling its most valuable asset at a 24% discount to book value, lending the buyer 43% of the purchase price, and accepting a 17.5% minority stake in a listed company it cannot control — all on the basis of a four-week consultation with no binding outcome.

Part Four: The Ideological Transformation of Toi Foundation (2018–2026)

4.1 What the Foundation Was — and What It Has Become

TSB Community Trust was established in 1988 under the Community Trusts Act as the vehicle for community ownership of TSB Bank following its corporatisation under the Trustee Banks Restructuring Act. For over three decades it operated as a broad-based, responsive, arms-length grant-making body reflecting the full diversity of Taranaki civic life.

Grants were made across sport, education, health, community halls, arts, social services, churches, and Māori organisations — all treated on their merits. No constituency was systematically favoured over others. The trust's philosophy was one of community breadth: every sector of Taranaki life was regarded as a legitimate recipient of the community's wealth. This was an appropriate expression of the trust's statutory purpose: to hold and distribute the proceeds of a community asset — the bank — for the benefit of the community that owned it.

That model no longer describes what Toi Foundation is. The transformation occurred over a specific, identifiable period, driven by specific, identifiable appointments, and has produced a specific, documented reallocation of community resources. Whether this reorientation also contributed to weaker oversight of TSB cannot be proven from the public record alone — but the timing and the overlap in personnel are matters of fact, and they warrant scrutiny.

4.2 The Appointment Mechanism and Its Political Consequences

All Toi Foundation trustees are appointed by the Associate Minister of Finance under the Community Trusts Act 1999 — a detail confirmed by Toi Foundation's own Q&A materials published during the consultation, which note that 'Members of the Toi Foundation board of trustees are appointed by the Associate Minister of Finance.' The Minister may seek recommendations from the trust but makes the final decision. This mechanism was intended to ensure accountability to elected government, not to create a channel for political patronage. The record suggests these are two different stories. Under Grant Robertson, as Minister of Finance from 2018, the Toi board's composition and ideological direction was completely reshaped — eight of the ten current trustees trace to his appointments. Nicola Willis's two subsequent appointments (Gardiner and Mason) look more consistent with approving recommendations presented to her than with any independent strategic intent. Either way, the practical effect has been a board whose composition and strategic orientation were set in a six-year window by one minister's appointments, with no subsequent rebalancing.

The appointment record is as follows:

Trustee	Appointed by (approx. date)	Profile summary
Chris Ussher (Chair)	Grant Robertson (July 2018)	Commercial lawyer; no apparent political affiliations
Bali Haque	Grant Robertson (July 2018)	Former Labour education taskforce chair
Wharehoka Wano (Deputy Chair)	Grant Robertson (October 2019)	Māori sovereignty activist; CEO Te Topuni Ngarahu
Nicola Ngarewa	Grant Robertson (October 2019)	Former Labour-appointed Teaching Council chair
Liana Poutu	Grant Robertson (October 2019)	Treaty specialist; chairs Te Atiawa PSGE
Ryan Eagar	Grant Robertson (2020)	Commercial investor; no apparent political affiliations
John O'Sullivan	Grant Robertson (2020)	Commercial lawyer; no apparent political affiliations
Dion Tuuta	Grant Robertson (2021)	Former CEO Te Atiawa PSGE; now CE Te Puni Kōkiri
Emma Gardiner	Nicola Willis (2024)	Chair Ngāruahine PSGE; made formal submission against Treaty Principles Bill
Dianne Mason	Nicola Willis (January 2025)	Commercial consultant; energy transition focus

Eight of the ten current trustees were first appointed by Grant Robertson. The two Willis-era appointments — Gardiner and Mason — have not materially altered the board's overall orientation. Indeed, Gardiner's profile (as detailed below) is more deeply embedded in kaupapa Māori governance than several Robertson-era appointments.

4.3 The Strategic Transformation

In April 2020 the Robertson-appointed majority adopted a new Strategic Framework. The four focus areas were:

- Rangatiratanga | Empowering Māori Aspiration
- Child and Youth Wellbeing
- Improved Environment
- Access to Opportunities

The foundation's own website states: 'Central to the foundation's purpose is to prioritise Rangatiratanga', also stating that the foundation's strategic focus is 'grounded in the principles of tino rangatiratanga – the absolute sovereignty of Māori.' Whatever the merits of prioritising Māori aspiration, this represents a substantial departure from the trust's earlier broad-based grant-making model,

implemented without a referendum or direct community mandate. The stronger criticism is not that the Foundation has a priority — every charitable trust does — but that a priority of this magnitude was adopted without the community being asked.

In May 2021 the foundation rebranded from TSB Community Trust to Toi Foundation, adopting a Māori name and Māori design elements that reflected the new Rangatiratanga-centred strategic framework adopted the previous year. The trust's FAQ assured the public that 'the trust deed has not changed.' This assurance was technically accurate but practically misleading: the legal document was unchanged, but the exercise of trustee discretion over grant-making had been fundamentally redirected — without public consultation, without democratic mandate, and without any announcement to the Taranaki community that the trust's fundamental priorities were changing.

The community was not asked whether it endorsed the new strategic direction. There was no referendum, no public consultation, no announcement to the Taranaki community that the trust's fundamental priorities were changing. The transformation was implemented quietly, incrementally, over 2018–2021, as trustee composition was reshaped and the strategic framework was developed internally.

4.4 The Trend: How the Allocations have Changed Since 2020

The numbers — sourced directly from Toi Foundation's official grant listings — tell the story plainly.

Māori kaupapa grants grew by 343% in five years — from \$2.4 million (14.3% of total grants) in FY2020 to \$10.8 million (41.0%) in FY2025. By contrast, the categories that had historically been the Foundation's largest — Community Infrastructure (once 30.1%, now 5.5%) and Faith and Religious Organisations (once 11.4%, now 1.3%) — have been dramatically reduced. Sport and Arts have both declined in real share.

Grants directed exclusively to Māori kaupapa organisations represent 41% of total grants. Māori residents also benefit proportionately from the grants made in other categories — health, education, sport, community infrastructure, arts.

These are not ethnically targeted and serve the whole population; the Taranaki Air Ambulance Trust, for example, serves Māori and non-Māori alike. The 41% directed exclusively to Māori kaupapa organisations is therefore additional to, not instead of, the proportionate benefit Māori receive from general community grants.

The trend in dollar terms is confirmed by Toi Foundation's own published records. The following table shows how the Foundation's grant distribution has shifted across three data points — FY2020, FY2022, and FY2025. The pattern could not be clearer.

Grant Category	2020 Total	%	2022 Total	%	2025 Total	% / Trend
Māori — Kaupapa & Aspirations	\$2,440,802	14.3%	\$8,342,441	36.5%	\$10,817,750	41.0% ▲ 343%
Youth & Children's Services	\$529,107	3.1%	\$1,897,177	8.3%	\$2,777,000	10.5% ▲ 425%

Grant Category	2020 Total	%	2022 Total	%	2025 Total	% / Trend
Education & Early Childhood	\$2,092,571	12.3%	\$2,433,958	10.7%	\$2,476,750	9.4% ▲18%
Community & Civic (Other)	\$480,930	2.8%	\$1,262,050	5.5%	\$2,278,250	8.6% ▲374%
Community Infrastructure	\$5,130,181	30.1%	\$1,347,800	5.9%	\$1,440,600	5.5% ▼72%
Health, Disability & Wellbeing	\$795,497	4.7%	\$938,385	4.1%	\$1,426,998	5.4% ▲79%
Sport & Recreation	\$1,403,638	8.2%	\$1,454,300	6.4%	\$1,355,360	5.1% ▼3%
Arts, Culture & Heritage	\$945,100	5.6%	\$902,200	4.0%	\$649,600	2.5% ▼31%
Faith & Religious Organisations	\$1,936,300	11.4%	\$264,850	1.2%	\$333,700	1.3% ▼83%
TOTAL	\$17,017,234	100%	\$22,829,510	100%	\$26,370,358	100%

The reallocation is not incremental drift; it is a fundamental restructuring of the Foundation's priorities carried out systematically over the Robertson-appointment period. Note: Grant category classifications have evolved across the three years shown; minor reclassifications between categories may mean that rows do not sum precisely to the totals in all years, but the totals are taken directly from Toi Foundation's audited financial statements and are confirmed.

Community trusts have wide discretion in grant allocation and may properly prioritise particular groups. The situation is quite lawful. But there is a clear accountability argument: the community that funds this trust has a right to know and debate whether this allocation reflects the community's values or the personal values of trustees appointed without public mandate to pursue a certain agenda.

Part Five: The Trustees — Who They Are and Why It Matters

5.1 Introduction: The Governance Architecture

Understanding who the Toi Foundation trustees are, what organisations they govern, and what grants flow to those organisations is essential to evaluating the foundation's fitness to make the TSB sale decision. What follows is a trustee-by-trustee analysis based on publicly available information from the Companies Office, the Toi Foundation's own website, Public Service Commission announcements, and news reporting.

Before turning to individual profiles, two points of context are important. First, the political alignment of trustees matters, not because political views disqualify a trustee — they do not — but because the Foundation's grant-making reorientation coincided closely with appointments that overwhelmingly reflected one political ideology.

When a cluster of trustees appointed within a short window collectively redirect a community philanthropy toward a new and ideologically distinct set of strategic priorities, and when those priorities happen to benefit organisations that several of those same trustees personally govern, the governance concentration warrants scrutiny that transcends normal political tolerance for diversity of view.

Second, the conflict-of-interest structure of this board is extraordinary by any governance standard. Of the ten current trustees, only three — Ussher, Eagar, and O'Sullivan — can vote on any grant without mandatory recusal. The remaining seven trustees are each required to stand aside from decisions involving specific grant recipients they govern.

On decisions involving the Te Atiawa cluster of grants — \$4,677,500, the single largest concentration of related grants — the board loses three of its ten members (Wano, Poutu, Tuuta) to recusal simultaneously. Across the Māori kaupapa grant programme as a whole — \$10.8 million, 41% of all grants — five of the ten trustees (adding Gardiner and Ngarewa) have a recusal obligation on some portion of it.

A board that can only make some of its most consequential grant decisions with seven of ten members present, three of whom govern the receiving organisations, and that has half its membership conflicted somewhere within its largest single funding category, is not structured for independent decision-making.

5.2 Trustee Profiles and Conflict of Interest Analysis

Chris Ussher — Chair

Commercial lawyer based in New Plymouth. Former Treasury and Ministry of Social Development experience. Director of Toi Foundation Holdings Ltd (the foundation's commercial subsidiary). No publicly identifiable political alignment and no identifiable conflicts of interest with any grant recipient. First appointed by Grant Robertson in July 2018.

Assessment: No conflicts identified. It appears that Ussher is one of three trustees (alongside Eagar and O'Sullivan) who can vote on any grant without needing to recuse themselves.

Wharehoka Wano — Deputy Chair — HIGH RISK, CONFLICT OF INTEREST

Wano holds the most extensive governance portfolio of any trustee, spanning multiple organisations that receive Toi Foundation grants:

- CEO, Te Topuni Ngarahu (the statutory body governing Taranaki Maunga representing all 8 Taranaki iwi)
- Elected Trustee, Te Kotahitanga o Te Atiawa Trust (received \$1.5 million in grants)
- Chairperson, Taranaki Māori Trust Board
- Chairperson, Taranaki Tu Mai Trust
- Chairperson, Te Atiawa Taranaki Settlements Trust (fisheries)
- Inaugural Co-Chairperson, Taranaki Maunga Co-Governance Board

- Appointed Councillor, Te Tekau-mā-rua (advisory council to the Māori Monarch)

Wano's direct conflict of interest exposure totals approximately \$4,618,500 — 17.5% of all grants made by Toi Foundation in the year under review.

Beyond the financial conflicts, Wano is openly politically activist. At the 2023 Ratana celebrations he described the incoming coalition government as 'a really tough coalition Government that we're dealing with' and announced that Te Topuni Ngarahu would run voter registration campaigns to enrol whānau and get them voting — an unambiguous political mobilisation activity conducted by the deputy chair of a community trust expected to maintain broad political neutrality. Mobilising voters is a legitimate civic activity; doing so in the name of a body that draws on public trust resources is a different matter.

The Deputy Chair of Toi Foundation is simultaneously the CEO of the body that governs the Taranaki Maunga, a trustee of the largest single grant recipient, and an active political mobiliser. This is not a minor governance concern. It is a fundamental question about the independence and impartiality of the trust's leadership.

Liana Poutu — HIGH RISK, CONFLICT OF INTEREST

Poutu's governance position is the most structurally complex of any trustee. She holds simultaneously:

- Seat on the Toi Foundation grant-making board
- Chairmanship of Te Kotahitanga o Te Atiawa Trust — the single largest grant recipient (\$1.5 million)
- Trusteeship of Tui Ora Limited — the second largest Māori grant recipient (\$900,000)
- Directorship on the TSB Bank NZ board (the foundation's 100%-owned commercial subsidiary)
- Various other roles including Te Topuni Kokorangi, Te Atiawa Iwi Holdings Management Ltd, and the Taranaki-Whanganui Conservation Board

Poutu's direct conflict of interest exposure totals approximately \$4,206,000 — 15.9% of all grants. Her entire professional career has been in Treaty settlements, Māori governance, and Māori law — a legitimate and valuable expertise, but one that creates pervasive alignment with the interests of the grant recipients she governs.

Dion Tuuta — HIGH RISK, CONFLICT OF INTEREST

Tuuta's conflict of interest is the most acute of any trustee because it is direct, simultaneous, and involves executive rather than merely governance authority:

- He was CEO of Te Kotahitanga o Te Atiawa Trust from January 2021 to 2025 — holding executive authority over the single largest grant recipient over the period when the multi-year grant programme was being approved
- He was simultaneously a Toi Foundation trustee throughout this period
- His direct conflict of interest exposure totals approximately \$4,140,000 — 15.7% of all grants
- Additional roles include Director of Te Ohu Kaimoana, Director of PKW Holdings, Interim CE of Te Rūnanga o Ngāti Mutunga, and Director of TSB Bank NZ

- From 1 July 2026, he has been appointed Secretary for Māori Development and Chief Executive of Te Puni Kōkiri

The Te Puni Kōkiri appointment (confirmed by the Public Service Commission for a five-year term from 1 July 2026) is notable: it demonstrates that Tuuta is regarded as credible across party lines. But it does not retroactively resolve the conflict that existed from 2021 to 2025 when he was simultaneously CEO of the largest grant recipient and a trustee of the grant-making body.

The Tuuta situation is a textbook example of structural conflict risk: executive authority in both the granting body and the receiving organisation at the same time. The foundation's Note 22 financial statement disclosures confirm related-party grants with the claim that connected trustees had no involvement in those decisions. But recusal from specific decisions does not address the structural problem: a board on which three trustees must recuse themselves every time the largest grant programme is discussed is not a board that can exercise independent judgment about whether that programme represents an appropriate use of community funds.

Emma Gardiner — MEDIUM-HIGH RISK, CONFLICT OF INTEREST

Appointed by Nicola Willis in 2024/25, Gardiner was expected by some observers to represent a rebalancing of the board's orientation. Her profile tells a different story:

- Chair, Te Korowai o Ngāruahine Trust (Ngāruahine Treaty settlement PSGE) — direct COI for \$1,261,000 in grants
- Board Member, Te Topuni Ngarahu — sits on the same governance body as Deputy Chair Wano
- Made a formal parliamentary submission as Pouwhakarae of Te Korowai o Ngāruahine opposing the Treaty Principles Bill, describing it as having 'no substance,' arguing it would 'silence' hapū and iwi.

While quite legitimate, it is still explicit political activism. The Willis appointment that might have been expected to rebalance the board has instead reinforced it. Gardiner's direct conflict of interest exposure is approximately \$1,261,000 (4.8% of all grants).

Nicola Ngarewa — MEDIUM RISK, CONFLICT OF INTEREST

Nicola Ngarewa is a prominent education figure whose public advocacy has consistently aligned with left-leaning education reform, including Treaty integration into every classroom. Her Teaching Council role (appointed by Labour) oversaw significant changes to teacher registration requirements incorporating te reo and tikanga. Her direct conflict of interest exposure, arising from grants to organisations connected to her Ngāti Ruanui iwi governance roles, totals approximately \$565,000 — 2.1% of all grants.

Other Trustees

Bali Haque's appointment history places him most directly within the previous government's reform agenda — his Tomorrow's Schools Review was a flagship Labour education policy deliverable. His NPDC councillorship creates a direct conflict for \$225,000 in grants to the council. His public commentary on education has consistently aligned with union-aligned, centralising positions reflecting a left-leaning policy orientation.

Ryan Eagar, John O'Sullivan, and Dianne Mason are the commercially oriented members of the board with no apparent grant-level conflicts of interest. Their presence provides some governance ballast, but they are outnumbered, even if conflicted members recuse themselves on votes involving conflict of interest clusters.

5.3 The Scale of the Conflict: Unique Pool Analysis

To avoid double-counting where multiple trustees are connected to the same grant recipient, a unique pool analysis was conducted:

Conflict cluster	Unique grant exposure
Te Atiawa cluster (Wano, Poutu, Tuuta — overlapping recipients)	~\$4,677,500 (17.7% of all grants)
Gardiner (Ngāruahine/8-iwi, separate)	~\$1,088,000 (4.1%)
Ngarewa (Ngāti Ruanui, partial overlap)	~\$565,000 (2.1%)
Haque (NPDC)	\$225,000 (0.9%)
Mason (NP Injury Safe Trust)	\$32,500 (0.1%)
TOTAL unique pool	~\$6,588,000 (25.0% of all grants)

A quarter of every dollar distributed by Toi Foundation flows to organisations governed by its own trustees. This is hardly a coincidental pattern. It is the structural outcome of a board composition in which multiple trustees are simultaneously grant-makers and grant-receivers. To be clear, the Foundation's financial statements indicate that conflicted trustees recused themselves from the relevant decisions, and there is no evidence of personal financial enrichment. The concern here is structural concentration of influence and clear conflict of interest.

Part Six: Legal and Ethical Standing

6.1 Is It Illegal?

The procedural safeguards appear to be followed. Note 22 of the financial statements discloses related-party grants. Recusal protocols are described as operational. No trustee appears to have voted on a grant to their own organisation. Criminal liability would require proof of dishonest intent that has not been established.

However, the Trusts Act 2019 imposes mandatory duties that cannot be excluded by the trust deed. The relevant provisions are:

- Section 26: Trustees must hold or deal with trust property and act for the benefit of the beneficiaries in accordance with the terms of the trust
- Section 27: Trustees must exercise their powers for a proper purpose
- Section 34: Trustees must avoid a conflict between the interests of the trustee and the interests of the beneficiaries

This all raises a legitimate question whether the cumulative pattern — 41% of grants flowing to Māori kaupapa organisations (with Māori also benefiting proportionately from general grants), three trustees connected to the five largest Māori grants, and those same trustees now proposing to sell the community's most valuable asset — is consistent with a duty to act for the benefit of the community as a whole, consistent with the trust's purpose.

This question has not been tested in a New Zealand court in the community trust context. But it is not a frivolous question. A civil claim under the Trusts Act 2019 by community beneficiaries that the trustees have breached mandatory duties concerning proper purpose, beneficiary benefit, and conflicts of interest has a coherent legal architecture. It would not be easy to win — but it is not unarguable.

6.2 Is It Unethical?

Yes — by widely accepted charitable governance standards. The Institute of Directors' governance standards, Charities Services guidelines, and the equivalent standards of every comparable community trust's code of conduct all point in the same direction: trustees of a community trust must serve the overall interests of the community, not just the constituency with which they are personally affiliated.

The purpose of conflict of interest rules is prophylactic — preventive. You do not wait for bias to be proven; you prevent the structural conditions that create the appearance and the reality of bias. Those conditions have not been prevented at Toi Foundation. They have been allowed to develop and compound over the six-year period since the Robertson-era appointments reshaped the board's composition from 2018 onwards.

6.3 The 'Fit and Proper' Question

The phrase 'fit and proper' in New Zealand financial regulation — as used by the RBNZ in its prudential standards and by the Financial Markets Authority in its licensing requirements — refers to a combination of competence, character, and the absence of conflicts of interest that would compromise independent judgment.

Competence is not the issue: most trustees are demonstrably competent in their own domains. Character in the sense of dishonest intent is not established. But conflict of interest — the third pillar — is where the foundation fails the test.

Three trustees (Wano, Poutu, Tuuta) are so extensively connected to major grant recipients that their independent judgment on a substantial proportion of the foundation's grant-making is structurally compromised. The Trusts Act 2019's mandatory duty (section 34) requires trustees to avoid conflicts between their own interests and those of the beneficiaries. Where a trustee chairs the largest grant recipient, governs the second-largest, and simultaneously directs the commercial subsidiary that generates the income — as Poutu does — the conflict is not incidental; it is the defining characteristic of the role.

The Deposit Takers Act 2023, which now governs bank governance in New Zealand, requires TSB Bank's directors to meet RBNZ fit and proper criteria including explicit freedom from conflicts of interest that would compromise their ability to act in the bank's best interests. Given that Poutu and Tuuta were simultaneously TSB Bank directors, Foundation trustees, and executives or chairs of major grant recipients, the question of whether their foundation-level conflicts affected their fitness for the bank

director role is a legitimate regulatory question that appears not to have been formally addressed.

6.4 The Community Trusts Act — What It Actually Requires

Some commentary on the sale has suggested a '75% approval threshold' is required by the Community Trusts Act. This deserves correction. The 75% threshold in the Act applies specifically to schemes for boundary adjustments and amalgamations between community trusts — it does not govern sales of the underlying bank asset to a third party. No such threshold has been confirmed as applicable to the current transaction.

TSB's own website states plainly: 'Under its Trust Deed, Toi Foundation must consult the Taranaki community on the proposed merger. No decision will be made until the trustees have received and considered the community's views and feedback on the proposal.' The operative phrase is 'received and considered' — not 'been bound by.' This is an advisory consultation. The trustees are legally required to hear the community. They are not legally required to obey it.

The four-week consultation period closing 30 June 2026 is not a referendum and it is not binding. The trustees who are conducting it are the same trustees whose fitness to make this decision is the central question of this paper.

Part Seven: The Sale — Terms, Rationale, and Questions

7.1 The Deal Structure

The proposed transaction, announced 2 June 2026, involves Heartland Group Holdings acquiring 100% of TSB Bank from Toi Foundation for aggregate consideration of \$620 million, structured as follows:

Component	Amount
Pre-completion cash dividend from TSB to Toi Foundation	\$50,000,000
Ordinary equity in Heartland (200 million shares at \$1.25/share, giving Toi Foundation 17.5% of merged Heartland)	\$250,000,000
Heartland Tier 2 subordinated debt subscribed by Toi Foundation	\$56,000,000
Vendor loan provided by Toi Foundation to Heartland — two-year term	\$264,000,000
TOTAL aggregate consideration	\$620,000,000

TSB book value (December 31 2025)	~\$815,000,000
Purchase price as % of book value	76%
Discount to book value	~\$195,000,000

The merged entity will be named TSB Heartland Bank Limited, headquartered in New Plymouth and listed on the NZX. The book value of approximately \$815 million is derived from TSB's equity as at December 31 2025, per TSB's own published financial statements. Completion is targeted for December 2026, subject to community consultation (closing 30 June 2026), Heartland shareholder approval (August 2026), and RBNZ/APRA regulatory approvals.

7.2 The \$30 Million Annual Return Claim

Toi Foundation's public materials project that the merger will increase annual income available for grants from approximately \$10 million per year to approximately \$30 million per year — a \$20 million increase. This claim deserves scrutiny.

The Foundation has explained the arithmetic: a 5% cash yield applied to the aggregate \$570 million of investable consideration (the vendor loan, the Tier 2 debt, and the Heartland equity) produces approximately \$28-30 million annually. As a registered charity, Toi pays no income tax on interest, which enhances the return relative to a taxable investor.

Several questions about this projection remain unanswered in public materials:

- The \$30 million figure appears to treat the vendor loan as a permanent income-generating asset, but the vendor loan has a two-year term. After two years, Heartland must refinance the \$264 million loan commercially. The Foundation will then need to redeploy that capital elsewhere — at whatever interest rates prevail in 2028-29. The projected \$30 million income stream is therefore not locked in; it depends substantially on reinvestment rates after the vendor loan matures.
- The Foundation states that none of the \$30 million is projected to come from capital returns, and that capital returns from Heartland equity growth are a hoped-for additional upside. This is honest — but it means the equity component must perform for the overall deal to be transformative, and Heartland's equity track record includes the \$49.6 million impairment charge that crushed FY2025 first-half profits.
- The Foundation acknowledges it has had 'professional advisors' throughout the process and that advice has been 'reviewed and checked' — but it has not disclosed the identity of those advisors, the nature of the advice, or whether an independent fairness opinion was obtained. The community is being asked to accept a complex \$620 million transaction on the basis of an internally verified projection.
- The Foundation's answer when asked whether alternative structures retaining Taranaki ownership were considered was simply: 'No other discussions allowed for a merger, or this type of continued ownership.' This is not an explanation of what alternatives were explored — it is a statement that none met Heartland's specific deal structure. Whether the Foundation actively

sought alternatives from other parties (SBS Bank, the Co-operative Bank, Kiwibank, or a capital restructuring of TSB itself) was not directly answered.

The Foundation has confirmed that other parties were in discussions and that strict confidentiality agreements were signed. This suggests a competitive process of some kind occurred — but the community has no way to assess whether the Heartland offer was the best available, or simply the most convenient.

Part Eight: The Case for the Sale — and Why It Does Not Hold

8.1 Two Different Questions

Before examining the Foundation’s case for the merger, it is important to be honest about what kind of argument it is.

The Foundation’s central pitch is a portfolio-management argument: TSB Bank is one asset among several, its returns are below what the same capital could earn elsewhere, and a prudent trustee diversifies and reallocates toward higher-yielding assets. Viewed purely as a question of fund management — “how should a trustee holding \$620 million of capital deploy it to maximise income for grant-making?” — this argument is difficult to fault. Any finance professional asked that narrow question would likely give a similar answer.

But that is not the only question, and arguably not the right one. TSB was never merely a financial asset that happened to sit on Toi Foundation’s balance sheet. It is the bank Taranaki built, has owned for 176 years, and has used as the foundation of its own financial independence — the region’s largest locally-headquartered employer in the financial sector, a source of local lending decisions, branch jobs, sponsorship, and civic identity.

“How do we maximise the return on our \$620 million portfolio?” is the question an institutional investor asks. “What should happen to the institution this community built and has owned for 176 years?” is a different question, with a different and much larger set of stakeholders than Toi Foundation’s grant-making budget.

The Foundation has answered the second question as though it were the first. That collapse of two distinct questions into one — treating TSB purely as a portfolio holding to be optimised, rather than as a community institution held in trust — is, this paper argues, itself evidence of the governance drift documented in Part Ten. A board that sees its primary relationship to TSB in fund-management terms has already departed from the broader trusteeship role for which it holds the bank on the community’s behalf.

With that distinction in mind, the three pillars of the Foundation’s case can be examined on their merits. Pillars 1 and 3 are factual and structural claims, and the comparative data examined in Part Three shows both to be considerably weaker than presented. Pillar 2 is, at its core, the portfolio-management argument described above — and the honest response is not that the arithmetic is wrong, but that the arithmetic answers the wrong question.

8.2 The Three Pillars

Pillar 1: TSB needs scale to compete in a digitising environment

This is the Foundation's most credible argument. Digital banking requires infrastructure investment that smaller banks struggle to fund. The big four banks have technology budgets that dwarf TSB's entire operating expenditure. Regulatory compliance costs fall disproportionately on smaller institutions.

The weakness: the RBNZ's December 2025 capital review specifically acknowledged this problem and introduced reforms designed to address it — reducing common equity requirements across the system by about \$5 billion, freeing up capital for smaller banks and deposit-takers to compete more effectively from October 2026. That same tailwind would have benefited an independent TSB just as much as it benefits the merged entity. The Foundation has not publicly acknowledged the significance of these reforms in its consultation materials.

There is a further problem with the scale argument. The comparative data in Part Three shows that TSB's difficulty is not a thin capital base or a weak balance sheet — its Tier 1 capital ratio of 15.28% is comparable to Heartland Bank NZ's CET1 of 15.88%, and its risk-weighted assets are a markedly lower share of total assets. Scale would help with technology spending, but TSB's core problem — a cost-to-income ratio of 72% against Heartland's underlying 56.2% — is a function of TSB's own cost base, which is a management variable, not a function of balance sheet size.

Pillar 2: The merger increases grant income from \$10m to \$30m annually

The arithmetic is internally consistent: a 5% yield on \$570 million of investable proceeds (tax-free for a charity) does produce approximately \$28–30 million annually, compared to the average \$11 million TSB dividend of recent years. As a portfolio-optimisation calculation, this is broadly sound — which is exactly the point made in section 8.1. If one accepts that Toi Foundation's primary identity in relation to TSB is that of a fund manager seeking the best return on \$620 million of capital, the numbers point toward the merger.

The weakness is not the arithmetic — it is the question the arithmetic answers. The \$11 million average dividend reflects shareholder choices, not regulatory necessity. TSB's capital ratio of approximately 15.2% is well above the 9% minimum. The Foundation could have paid itself higher dividends while maintaining compliance — it chose not to. The low yield it is now using to justify the sale is partly a yield of its own making. Furthermore, the \$30 million projection is significantly dependent on the vendor loan rate and reinvestment conditions after the two-year loan matures — neither of which is locked in.

The comparative data in Part Three adds a further dimension. On reported figures, TSB's 5.4% return on equity actually exceeds Heartland Group's reported 3.2% for FY2025 — though Heartland's result reflects a heavy provisioning year, and its prior-year reported ROE of 6.6% and underlying ROE of 4.2% are more representative of its normal earnings capacity. Even so, on a normalised basis the ROE gap between the two institutions is modest. The more durable gap is overwhelmingly explained by TSB's cost-to-income ratio (72% versus Heartland's reported 59.6%, or 56.2% on an underlying basis) and net interest margin (2.30% versus Heartland Bank NZ's full-year average of 3.87%) — not by any deficiency in TSB's asset quality or capital position, both of which are comparable to or stronger than Heartland's.

If TSB's cost-to-income ratio were brought toward Heartland's level through operational reform — as TSB has already partially achieved, moving from 89% to 72% — much of the ROE gap would close without a merger. The Foundation's framing treats a fixable, internal, cost-discipline problem as if it were proof that TSB cannot generate adequate returns as an independent bank, and treats "adequate returns for a portfolio" as the only test that matters.

Pillar 3: Heartland is a good partner — complementary rather than competing

TSB is a retail deposit and mortgage bank. Heartland is a niche lender in reverse mortgages, motor finance, and rural lending. The combination is genuinely complementary rather than simply duplicative, and the merged entity would have a more diverse product range and customer base than either bank alone.

The weakness: The data in section 3.4 shows TSB's overall non-performing loan ratio is 0.50% against Heartland Bank NZ's 3.21%. These are not marginal differences. The impairment charge of \$49.6 million that crushed Heartland's FY2025 first-half results was not a one-off aberration — it was the periodic consequence of this risk profile, and the category data shows where that risk concentrates.

"Complementary" is the Foundation's word for combining a loan book with a 0.50% non-performing rate with one approximately six times higher. Diversification can also mean dilution, and on this evidence it is TSB's asset quality that would be diluted, not Heartland's.

8.3 What This Means

The Foundation's three pillars have genuine substance — for the Foundation, as a fund manager. Pillars 1 and 3 are weaker than presented once TSB's own balance sheet and asset quality are examined: TSB's problem is a fixable cost-to-income ratio, not a weak balance sheet, and Heartland's loan book is materially riskier than TSB's across every category measured. Pillar 2 is arithmetically sound but answers a fund-management question rather than the question that should govern the disposal of a 176-year-old community institution. Each pillar describes a path to a larger, more liquid income stream for Toi's grant-making activities — including the \$6.5 million per year that flows to organisations governed by the trustees making this decision. Whether that same path serves the broader interests of the Taranaki community is the question this paper has sought to answer. A bank with an excellent balance sheet and a fixable cost problem is being merged into a riskier institution, at a discount to book value, by trustees whose own income stream stands to grow substantially as a result, and whose own framing of the decision treats the bank as nothing more than an asset to be optimised. This paper does not argue that the sale is irrational on its face. It argues that the case for the sale is considerably weaker than presented once TSB's own numbers are examined — and that the process by which the decision has been reached, by trustees with material conflicts of interest, without independent valuation disclosure, on a four-week consultation with no binding force, is inadequate for a decision of this permanence and scale.

Part Nine: The Sale — The Unanswered Questions

9.1 The Seven Critical Questions

1. Why is the bank being sold at a 24% discount to book value?

The \$620 million purchase price represents a 24% discount to TSB's book value of approximately \$815 million as at December 2025. The foundation's stated rationale — 'portfolio diversification' — does not explain why this discount appropriately reflects fair value for a profitable, recovering bank, and no independent valuation supporting the 76% figure has been publicly disclosed.

2. Why is the vendor lending the buyer \$264 million to complete the purchase?

The vendor loan is the most structurally unusual feature of this transaction. Toi Foundation is lending Heartland \$264 million — 43% of the purchase price — to enable Heartland to acquire TSB from Toi Foundation. In substance, the community is funding the purchase of its own bank by a third party. The loan has a two-year term. If Heartland encounters financial difficulty in that period, the Foundation's ability to recover the loan is dependent on Heartland's financial health — the same institution it has just sold its bank to.

3. What control does the 17.5% stake actually provide?

After the sale, Toi Foundation will hold 17.5% of the merged Heartland Group — entitling it to a single board seat (subject to shareholder approval) with no veto rights and no ability to block decisions. The 100% community ownership that TSB has had since 1988 — which gave the Foundation control over dividends, strategy, management, branch locations, and community obligations — will be replaced by a minority stake in a listed company whose primary accountability is to its public shareholders, not to Taranaki.

4. Does ownership actually mean control?

In responding to questions about the loss of 100% ownership, Toi Foundation has repeatedly argued that 'ownership does not mean control of its operations' and that 'modern banks are subject to a lot more regulatory oversight than they were in the past, so shareholders have very limited control.' This argument deserves direct rebuttal.

It is true that TSB Bank's directors have a statutory responsibility to manage the bank in the bank's interests, not the Foundation's. It is true that the RBNZ's regulatory framework limits shareholder interference in day-to-day operations. But as 100% owner, the Foundation has always had the power to appoint directors, set governance expectations, determine dividend policy, approve strategic direction, and ultimately replace management. None of these powers depend on overriding the bank's statutory independence — they are the legitimate exercise of ownership.

After the merger, Toi will have none of these powers. One board seat at Heartland Group Holdings — a listed company with eight other directors — gives the Foundation a voice but not a vote that matters. Toi acknowledges that if there is a future capital raise, its shareholding could be diluted unless it participates. It has no ability to set TSB Heartland's dividend policy. It has no ability to prevent the merged bank from closing Taranaki branches after whatever commitment period applies. The Foundation's argument that it did not really have control before conveniently

minimises the enormous difference between ownership-with-influence and minority-stakeholder-without-veto.

5. What does 'Taranaki will be a key operational hub' actually guarantee?

Heartland's merger announcement states that Taranaki will be 'a key operational hub' and that the branch network and customer-facing roles will be maintained. No time limit is specified. No publicly disclosed enforceable protection has been identified in any transaction document released to date. There is no 'three-year protection clause' of the kind some commentators have suggested — that specific term does not appear in any source document made public. The protection for Taranaki's banking infrastructure, as publicly presented, rests on representations made in a press release rather than on contractual commitments whose terms and enforceability have been disclosed to the community.

6. Why now — when the bank has just completed its recovery?

TSB's FY2025 result — \$57.6 million pre-tax profit, \$41.2 million after-tax, \$15 million dividend — was the bank's best performance since FY2019. The expensive AML remediation programme was substantially complete. The branch network rationalisation was done. The cost-to-income ratio was improving. The bank that is being sold is a bank that just finished its most difficult period and is showing genuine signs of recovery. Selling at this precise moment forecloses the recovery trajectory.

Toi Foundation has provided important context for its own position. In its public Q&A, the Foundation stated: 'The average annual dividend Toi has received from TSB over the last 10 years is \$11 million. This represents a cash return of 1.77% (on the \$620 million transaction value) per annum.' This is an internally consistent argument — a 1.77% annual cash yield on the bank's implied value is indeed low by any investment standard. But the framing conceals a crucial point: the dividend is low because of a choice to leave capital in the bank rather than extract it. TSB's regulatory capital position has remained well above minimum requirements throughout this period. The Foundation could have sought higher dividends; it chose not to.

The Foundation also stated: 'The existing and ongoing regulatory requirements for reinvestment in the bank to fund loan growth means Toi only realises a small portion of TSB's annual profit in dividends. The vast majority of the profit is required to stay in the bank.' This is partially true — bank capital requirements do constrain dividend capacity — but it is not the whole story. TSB's total capital ratio of approximately 15.2% is materially above the RBNZ minimum of 9%. The capital that has been retained in the bank beyond regulatory requirements represents a shareholder choice, not a regulatory necessity. A more assertive shareholder could have extracted higher dividends while maintaining compliance. The question of why the Foundation did not do so — particularly given the recovering profitability trajectory — remains unanswered.

7. What is the synergy claim actually worth?

Heartland's merger announcement claims material synergies of approximately \$34 million per annum when fully realised, with full run-rate expected over a three-year post-completion period. One-off integration costs are also estimated at approximately \$34 million. If synergies ramp gradually over three years before reaching full annual run-rate — which is the normal pattern for bank integrations of this complexity — then the integration costs are not recovered until well into year three of the programme. Once full run-rate is achieved the recurring annual benefit is

meaningful, but the three-year ramp materially reduces the net present value of the synergy case when properly discounted for execution risk and timing uncertainty. Integration programmes of this scale frequently underperform their announced synergy targets.

8. Could TSB have been the buyer rather than the seller?

Former MD Kevin Rimmington's argument — 'change the directors, don't sell the thing' — implies that better management over the past decade would have left TSB in a stronger position. This is plausible. If TSB had not experienced the cost blowout of the national expansion, had managed the AML compliance proactively rather than reactively, and had maintained the cost discipline of the Rimmington era, it would today be a more profitable and better-capitalised institution. The fact that Heartland is in a position to acquire it is at least partly a measure of TSB's relative governance failure over the past fifteen years.

Heartland's CEO Andrew Dixon has acknowledged that the RBNZ's capital review changes 'certainly helped it in a big way' in making the merger viable. If those same regulatory improvements would have benefited an independently managed TSB, the question arises: why not wait for those benefits to flow through to TSB's independent performance before committing to a sale at 76% of book value?

Part Ten: The Governance Failure — How Toi Foundation Became Complicit in TSB's Decline

10.1 The Shareholder's Ultimate Responsibility

In any corporate governance framework, the ultimate accountability for an institution's performance rests with its owner. TSB Bank's 100% owner has been the Toi Foundation (formerly TSB Community Trust) since 1988. The Foundation appointed and oversaw the TSB board throughout the periods of compliance remediation, strategic overreach, and cost pressure described in Parts Two and Three of this paper.

This is not a peripheral point. The Foundation was not a passive financial investor with limited governance rights — it was the sole owner, with full power to appoint directors, require changes of strategy, demand remediation of compliance failures, set dividend policy, and if necessary remove management.

When TSB's compliance programme failed to meet RBNZ standards for eight years; when the cost-to-income ratio moved from 45% to 89% before recovering; when two separate regulatory penalties totalling \$6 million were incurred — the Foundation's board must answer for its oversight role.

10.2 The Timeline of Governance Failure

The critical overlap between the Foundation's ideological transformation and TSB's compliance and financial deterioration needs examination. It is the same board, the same period, and the same absence of adequate shareholder scrutiny:

- From 2018 onwards: Robertson begins appointing trustees whose primary orientation is Māori kaupapa governance and Labour education policy — not banking oversight or commercial governance
- April 2020: The Robertson majority adopts a strategic framework placing Rangatiratanga at the centre of the Foundation's purpose — not TSB's commercial performance or shareholder returns
- 2019–2021: TSB's AML compliance remains 'inadequate and ineffective' despite a three-year-old formal warning; the evidence does not establish what shareholder scrutiny was applied, but the outcome — continued regulatory failure — indicates it was insufficient
- May 2021: Foundation rebrands to Toi Foundation — institutional energy directed at brand and strategic transformation while compliance remediation continues at material cost to the bank's profitability
- FY2023: TSB's profit falls 48%; Cooper departs; branches close — the compounding costs of compliance remediation, strategic overreach, and an expanded cost base arrive simultaneously
- 2024: Commerce Commission imposes \$2.5 million CCCFA penalty for overcharging running from 2015 to 2021 — concurrent with the AML remediation period
- June 2026: Foundation announces sale — framed as strategic portfolio management rather than as the consequence of a decade of inadequate shareholder oversight

Whether or not the Foundation's grant-making priorities directly caused inattention to TSB's commercial governance is not provable from the public record. What the record does establish is a pattern: the same period that saw the Foundation's grant-making progressively reallocated toward Māori kaupapa organisations governed by its own trustees also saw sustained AML compliance failure, a second concurrent regulatory breach, and a profit trajectory that required expensive remediation. The shareholder that had full power to demand remediation, change directors, and reset strategy allowed those problems to compound over nearly a decade. That is not a finding of intent — it is a finding of outcome.

10.3 The Self-Interest in the Sale

The sale decision must be understood in the context of the grant-making model the Robertson-era board has built. Over six years, the Robertson-appointed Māori trustees have collectively built a grant programme now worth \$10.8 million per year to Māori kaupapa organisations — 41% of all Foundation grants. Of this, the Te Atiawa cluster of Wano, Poutu, and Tuuta is connected to \$4,677,500 in grants to organisations they personally govern, while Gardiner and Ngarewa are connected to a further \$1,826,000 in grants to their respective iwi organisations — bringing the total connected to sitting trustees to \$6,588,000, a quarter of all grants made by the Foundation. The continuation and growth of this grant programme depends entirely on the Foundation's investment income.

If TSB's dividend recovery continued under independent management — reaching, say, \$20–25 million annually on the back of a recovering cost-to-income ratio and improving regulatory position — that income would flow to the Foundation's general grant-making budget. The grant-making model could be sustained and expanded without selling the bank.

But the grant programme's continuation does not depend on community ownership of the bank — it depends only on the Foundation receiving investment income from somewhere. After the sale, the Foundation would hold \$250 million in Heartland equity, \$56 million in subordinated debt, and a \$264 million vendor loan — a portfolio of financial assets that, if Heartland performs well, could generate comparable or greater income than the TSB dividend. The trustees who have directed 41% of grant funding to Māori kaupapa organisations — including organisations they themselves govern — would continue to make those decisions from a reconstituted portfolio.

The community loses control of its bank. The trustees retain control of the grant-making apparatus. That is not a neutral outcome.

A board that has redirected 41% of community grants to Māori kaupapa organisations — in a process that generated documented conflicts of interest — now proposes to sell the community's most valuable asset for less than book value while lending the buyer \$264 million to complete the purchase. The public is entitled to ask whether a different board — one more representative of the whole Taranaki community — would have made the same decision.

Part Eleven: What Should Happen — The Case for Standing Down the Process

11.1 The Immediate Requirement: Suspension of the Consultation

The community consultation window closing 30 June 2026 is structurally inadequate for a decision of this magnitude. It is asking the Taranaki community to comment — in four weeks, on a complex financial transaction — when the very body conducting the consultation is itself a subject of legitimate governance concern.

Before the community can meaningfully evaluate the proposed sale, it needs answers to questions that the Foundation has not provided and that the current consultation process does not require it to answer:

- What independent valuation advice was obtained about TSB's value before accepting 76% of book value?
- Were alternative transactions considered — including a trade sale to a different buyer, or a capital restructuring that preserved community ownership?
- What specific contractual protections for Taranaki employment and branches are included in the binding transaction documents?
- What are the interest rate and covenants on the \$264 million vendor loan?
- What recourse does the Foundation have if Heartland cannot refinance the vendor loan at the end of its two-year term?
- How were conflicted trustees managed in the decision to proceed with the sale — particularly given that the sale will alter the Foundation's investment portfolio and therefore the future income base for the grant programme that benefits their own organisations?

11.2 The Required Investigations

Three regulatory bodies have jurisdiction over aspects of this situation, and all three should be engaged:

Charities Services (Department of Internal Affairs)

As the regulator of registered charities, Charities Services has jurisdiction to investigate whether a charity's trustees are complying with their duties and the charity's governing rules. A formal complaint requesting a governance review of Toi Foundation's conflict of interest management — including a review of the grant pattern, the recusal protocols, and the adequacy of the Note 22 disclosures — is within their mandate.

Independent Review — Minister of Finance

The most direct and legally straightforward accountability mechanism available is a request to the Minister of Finance to commission an independent review of the Foundation's governance arrangements. As the appointing authority under the Community Trusts Act, the Minister has a direct interest in whether the trust is being governed consistently with its statutory purpose and whether conflict of interest management is adequate. An independent review — conducted by an appropriately qualified governance reviewer rather than a party to the transaction — would be both proportionate and well within precedent for community trusts facing governance questions of this scale.

Reserve Bank of New Zealand

Under the Deposit Takers Act 2023, the RBNZ has ongoing responsibilities over TSB Bank's governance. The question of whether TSB Bank directors who are also Foundation trustees — and who govern or chair major Foundation grant recipients — have undisclosed or inadequately managed conflicts affecting their bank director fitness is within the RBNZ's supervisory remit. The RBNZ should be asked to review whether its fit and proper assessment of Poutu and Tuuta as TSB directors adequately considered their simultaneous governance roles in grant recipient organisations.

11.3 The Minister of Finance

As the appointing authority under the Community Trusts Act, the Minister of Finance has direct power over board composition through the appointment and reappointment process. The Minister is Nicola Willis. The appointments made by her predecessor Grant Robertson created the board configuration that this paper has documented. Willis's own appointments — Gardiner and Mason — have not altered the board's fundamental orientation.

The Minister is not required to reappoint trustees at the end of their terms, and terms of appointment are therefore a meaningful accountability lever. Mid-term removal requires specific statutory grounds and is a higher bar, but declining to renew appointments or appointing trustees with different expertise and community representation at the next available opportunity would materially change the board's composition and orientation over time. The question for the Minister is whether she is satisfied that the current board — as constituted — has the independence, the commercial governance expertise, and the conflict-free standing required to make a once-in-a-generation decision about the region's most significant community asset.

A direct request to the Minister to review the board's composition, the adequacy of its conflict of interest framework, and whether the current trustees collectively meet the independence standards expected of a public philanthropy managing community assets of this scale would be entirely appropriate. The Minister should be asked whether she is satisfied that a board on which three trustees must recuse themselves from decisions covering 15–20% of total grant expenditure can exercise the independent judgment that stewardship of a community asset requires.

11.4 Rimmington's Argument Restated

Kevin Rimmington's argument is simple and should be heard. He ran TSB for 21 years. He knows the institution. He said: if the trust is unhappy about the level of dividends, change the directors. Don't sell the thing.

This paper adds a further dimension to that argument: before changing the bank's directors, consider changing the trust's trustees. The board that appointed and oversaw the directors who presided over a decade of compliance failures and strategic drift is not the board best positioned to make a permanent decision about the bank's future. A differently constituted board — one that genuinely represented the full diversity of Taranaki civic life, that brought commercial and banking governance expertise to the table, and that did not have significant financial relationships with major grant recipients — might have reached an entirely different conclusion about whether and when to sell.

Conclusion: What Is Being Lost and What Must Be Demanded

In 1850, the people of Taranaki established a savings bank. They built it with local deposits, managed it through local governance, and kept its profits in the community. For 176 years — through two world wars, the Depression, repeated banking crises, deregulation, digital transformation, and a global pandemic — TSB Bank survived and served Taranaki as a community-owned institution.

That record of survival was not accidental. It was the product of conservative funding discipline, genuine customer focus, community accountability, and — for the long middle decades — management that understood the bank's purpose was not shareholder return but community service.

The proposed sale would end that 176-year record. TSB would become TSB Heartland Bank — a unit of a listed company whose primary accountability is to its public shareholders, not to Taranaki. The branch network protections are unenforceable. The community board seat is a single voice among many. The vendor loan is an extraordinary risk. The 24% discount to book value is an extraordinary concession.

What is also at stake is the economic contribution TSB makes to Taranaki as an employer. TSB employs around 590 staff, with its headquarters and much of its workforce based in New Plymouth. Its technology functions, risk and compliance teams, finance operations, and executive leadership are all located in Taranaki. When a bank is acquired and merged, these back-office and head office functions are invariably consolidated at the acquirer's centre of gravity. Heartland Group is headquartered in Auckland. The consequential migration of high-value, professional

employment from New Plymouth to Auckland is not a hypothetical risk — it is the normal pattern of bank mergers. The payroll impact on the Taranaki economy of losing even a portion of these roles would be substantial and permanent.

The scale of community opposition is striking. An informal survey of social media commentary conducted by local journalist Jim Tucker found that of 232 people who expressed a position, 209 (90%) declared opposition to the merger and only 23 declared support. While not a scientific poll, this aligns with the broader pattern of public reaction — petitions, public meeting attendance, and commentary that Toi's own trustees described as representing 'a feeling' more than analysis, but which directly challenges the assumption that the community will accept a four-week advisory process as adequate. And the body proposing to make this decision — the Toi Foundation — has forfeited the community's trust through its own conduct. It transformed its grant-making priorities without public mandate. It appointed itself as the steward of a Rangatiratanga agenda that many Taranaki residents did not authorise and did not elect. It allowed conflicts of interest to develop to a scale that no properly governed public philanthropy should tolerate. And it oversaw, through nine years of inadequate shareholder scrutiny, the compliance failures and strategic drift that made the sale argument possible.

The community is now being asked to comment on the outcome of all of this — in four weeks, in an advisory process with no binding force — before returning quietly to its business while the trustees decide.

That is not adequate. It is not what 176 years of community banking warrants. And it is not what the Taranaki community should accept.

This paper calls for:

1. Immediate suspension of the consultation process pending independent review
2. A formal investigation by Charities Services into the Foundation's conflict of interest governance
3. A Minister of Finance-commissioned independent governance review of the Foundation's compliance with its statutory purpose and the adequacy of its conflict of interest management
4. A review by the Reserve Bank of New Zealand of the fit and proper status of Foundation trustees serving as TSB Bank directors
5. A request to the Minister of Finance to exercise her appointing power to ensure the Foundation's board has the independence, commercial governance expertise, and community representativeness required for a decision of this magnitude
6. Full public disclosure of all transaction documents, independent valuation advice, vendor loan terms, and the minutes of Foundation board meetings at which the sale decision was made
7. A genuine and binding community process — not a four-week advisory consultation — before any decision of this magnitude is finalised

Taranaki built this bank. Taranaki owns this bank. Taranaki deserves better than this.

Appendix A: Key Financial Data

TSB Bank Profit History (Primary Sources)

Financial Year	Pre-Tax Profit	After-Tax Profit	Dividend Paid	Source/Notes
FY2016	\$85.6m	\$61.6m	\$12.5m	Includes \$13.7m Solid Energy write-back
FY2017	~\$74m	~\$53m	\$12.5m	Includes Solid Energy recoveries
FY2018	\$72.1m	~\$52m	\$12.5m	Incl. \$15.5m Solid Energy; underlying \$56.6m
FY2019	\$62.6m	~\$45m	\$12.5m	Incl. \$2.1m Solid Energy; underlying \$60.5m
FY2020	~\$35m	~\$25m	\$7.5m	COVID impact
FY2021	~\$38m	~\$28m	\$10m	
FY2022	\$53.5m	\$38.1m	\$12.5m	Confirmed — NZ Herald
FY2023	\$28.9m	~\$20m	\$10m	48% drop; Cooper departs
FY2024	\$50.9m	\$34.0m	\$10m	Recovery begins
FY2025	\$57.6m	\$41.2m	\$15m	Best result since FY2019

Toi Foundation Grant Distribution FY2024/25 — Top Māori Grants with Trustee Connections

Grant Recipient	Amount	Trustee Connection
Te Kotahitanga o Te Atiawa Trust	\$1,500,000	Wano (trustee), Poutu (Chair), Tuuta (former CEO)
Parihaka Papakāinga Trust	\$1,000,000	None directly identified
Tui Ora Limited	\$900,000	Poutu (trustee)
Te Matatini	\$802,500	Wano (CEO of organising body)
Urenui Pa Trustees	\$430,000	Wano, Poutu, Tuuta (Te Atiawa hapū under PSGE)
He Toronga Pakihi ki Taranaki	\$420,000	Wano, Poutu, Tuuta, Gardiner, Ngarewa (8-iwi)
Pukerangiora Management Committee	\$460,000	Wano, Poutu, Tuuta (Te Atiawa hapū)
Taranaki Mounga Project	\$500,000	Wano (CEO), Gardiner (board member)
Whakatipuranga Rima Rau	\$325,000	Wano, Poutu, Tuuta (Te Atiawa programme)

Appendix B: Key Sources

All sources are primary or authoritative secondary sources. Where figures have been independently verified against primary sources, they are stated as confirmed. Where estimates are used, they are identified as such.

Financial Data

- TSB Bank Annual Reports and Media Releases FY2016–FY2025 (tsb.co.nz/about/news)
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- RBNZ Capital Review — Consultation Paper August 2025, Final Decisions December 2025

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- Trusts Act 2019 (legislation.govt.nz)
- Deposit Takers Act 2023 (legislation.govt.nz)
- Charities Act 2005 (legislation.govt.nz)

Trustee and Governance Sources

- Toi Foundation: Trustee Biographies (toifoundation.org.nz/about-us/our-trustees)
- Toi Foundation Annual Reports
- Companies Office NZ: Director search for all named trustees (companiesoffice.govt.nz)
- Public Service Commission: Appointment of Dion Tuuta as Secretary for Māori Development / CE Te Puni Kōkiri, confirmed July 2026
- TSB Bank: Board of Directors (tsb.co.nz/about/leadership-team/board-of-directors)

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- RNZ — TSB merger and community reaction coverage, June 2026
- The Post (Taranaki Daily News) — Public meetings and community opposition coverage, June 2026
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- Australian Financial Review — 'Bank Sells Its Own Software', Philip Hoskin, August 10 1990 (confirming TSB UniBank software export)
- Taranaki Media Facebook page — Elaine Gill opinion piece, Kevin Rimmington public meeting speech, June 2026
- Ngāmotu Advocate (ngamotunews.co.nz) — Toi Foundation response to Kevin Landrigan, June 11 2026
- Jim Tucker Media — TSB deal Q&A with Toi Foundation; community survey of opposition, June 2026
- Taranaki Daily News — Kevin Landrigan opinion piece 'Why TSB deal doesn't stack up', June 10 2026
- Mortgage Professional / NZ Adviser — Donna Cooper appointment and departure coverage
- Scoop — TSB Record Profit announcement, June 2016

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