



SOUTHLAND BUILDING SOCIETY
TRADING AS SBS BANK

Indicative Terms Sheet.

For an offer of 5.5 year unsecured, senior,
fixed rate bonds issued as SBS Senior Bonds.

28 AUGUST 2023



Arranger & Joint
Lead Manager.



FORSYTH BARR

Joint Lead Manager.

Indicative Terms Sheet dated 28 August 2023.

Unsecured, senior, fixed rate, medium term debt securities due 7 March 2029.

This indicative terms sheet (**Terms Sheet**) is prepared in respect of an offer (**Offer**) by Southland Building Society, trading as SBS Bank (**SBS Bank**) of up to \$125,000,000 unsecured, senior, fixed rate bonds (**Bonds**) (with the ability to accept oversubscriptions of up to an additional \$50,000,000 at SBS Bank's discretion) under its Master Deed dated 30 April 2014 (as amended and restated on 26 September 2017), as modified and supplemented by the Supplemental Deed dated 28 August 2023 (together, **Trust Documents**). Capitalised terms used but not defined in the Terms Sheet have the meaning given to them in the Trust Documents.

Important Notice

The Offer of Bonds is being made in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 (**FMCA**). Except for the interest rate and maturity date, the Bonds will have identical rights, privileges, limitations and conditions as SBS Bank's \$150,000,000 4.32% unsecured, senior, fixed rate bonds maturing on 18 March 2027 which are quoted on the NZX Debt Market under the ticker code SBS010 (**Existing Bonds**).

The Bonds are of the same class as the Existing Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014.

SBS Bank is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited (**NZX**) for the purpose of that information being made available to participants in the market and that information can be found by visiting nzx.com/companies/SBS.

The Existing Bonds are the only debt securities of SBS Bank that are currently quoted and in the same class as the Bonds.

Investors should look to the market price of the Existing Bonds to find out how the market assesses the returns and risk premium for those bonds.

| | |
|--|--|
| Issuer | Southland Building Society, trading as SBS Bank. |
| Description | 5.5 year unsecured, senior, fixed rate bonds. |
| Ranking | The Bonds rank equally among themselves, equally with all other present and future unsecured and unsubordinated obligations of SBS Bank, and behind secured creditors and liabilities mandatorily preferred by law. The Bonds rank ahead of SBS Bank's redeemable shareholders, subordinated creditors and equity. |
| Issuer Credit Rating | BBB by Fitch Australia Pty Limited (Fitch). A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. |
| Expected Issue Credit Rating of the Bonds | BBB+ by Fitch. |
| Purpose | The purpose of this Offer is to raise funds which will be used by SBS Bank for general corporate purposes, including making loans available to SBS Bank customers. |
| Currency | The Bonds will be denominated in New Zealand dollars. |
| Offer Amount | Up to \$125,000,000 (with the ability to accept oversubscriptions of up to an additional \$50,000,000 at SBS Bank's discretion). |
| Term | 5.5 years. |
| Opening Date | Monday, 28 August 2023. |
| Closing Date | Thursday, 31 August 2023 at 11:00am (NZ time) or earlier at SBS Bank's discretion. |
| Rate Set Date | Thursday, 31 August 2023. |
| Issue Date | Thursday, 7 September 2023. |

| | |
|---|---|
| Maturity Date | Wednesday, 7 March 2029. |
| Interest Rate | <p>The Bonds will pay a fixed rate of interest until the Maturity Date.</p> <p>The Interest Rate as set on the Rate Set Date (Thursday, 31 August 2023) will be equal to the sum of the Base Rate plus the Issue Margin, subject to the minimum Interest Rate of 6.10 per cent per annum.</p> <p>The Interest Rate will be announced by SBS Bank via NZX on Thursday, 31 August 2023 (the Rate Set Date).</p> |
| Issue Margin | The indicative Issue Margin range is 1.40 to 1.55 per cent per annum. The Issue Margin (which may be within, above or below the indicative Issue Margin range) will be determined by SBS Bank in conjunction with the Joint Lead Managers following the bookbuild process and announced via NZX on the Rate Set Date. |
| Base Rate | The Base Rate will be the semi-annual mid market swap rate for an interest rate swap of a term and start date matching the period from the Issue Date to the Maturity Date as determined by the Arranger in accordance with market convention with reference to Bloomberg Page ICNZ4 (or any successor page) on the Rate Set Date, and expressed on a quarterly basis (rounded to 2 decimal places, if necessary, with 0.005 being rounded up). |
| Interest Payment Dates | <p>Interest will be paid quarterly in arrears on each Interest Payment Date, being 7 March, 7 June, 7 September and 7 December in each year (or if that date is not a Business Day, the next Business Day without adjustment, interest or further payment as a result thereof) until (and including) the Maturity Date.</p> <p>The first Interest Payment Date is 7 December 2023.</p> |
| Issue Price and Principal Amount | Par (\$1.00) per Bond. |
| Business Days | A day (other than a Saturday or Sunday) on which banks are generally open for business in Auckland and Invercargill. |
| Business Day Convention | Following Unadjusted. |
| Transfer Restrictions | SBS Bank may decline to accept or register a transfer of the Bonds if the transfer would result in the transferor or the transferee holding or continuing to hold Bonds with a Principal Amount of less than \$5,000 (if not zero) or if the transfer is not a multiple of \$1,000. |
| Record Date | The record date for any payment due in respect of the Bonds is 5:00pm on the tenth day before the due date for that payment or, if that day is not a Business Day, the preceding Business Day. |
| Minimum Subscription and Minimum Holding Amounts | The minimum subscription and holding amounts is \$5,000 and multiples of \$1,000 thereafter. |
| Who May Apply under the Offer | <p>All of the Bonds offered under this Offer (including any oversubscriptions) have been reserved for subscription by clients of the Joint Lead Managers, institutional investors, NZX Firms and other approved financial intermediaries invited to participate in the Bookbuild. No person may apply for Bonds (including through a Joint Lead Manager, NZX Firm or other approved financial intermediary) unless they have obtained a copy of the Terms Sheet.</p> <p>There will be no public pool for the Bonds.</p> |
| Bond Registrar, Paying Agent and Calculation Agent | <p>Computershare Investor Services Limited.</p> <p>The Bonds will be accepted for settlement within the NZClear system.</p> |
| ISIN | NZSBBDT370C8 |
| Brokerage | 0.50% brokerage plus 0.25% on firm allocations, paid by SBS Bank. |

| | |
|---|--|
| Quotation | <p>Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating to that quotation that can be complied with, on or before the date of distribution of this Terms Sheet have been complied with. However, the Bonds have not yet been approved for trading and NZX accepts no responsibility for any statement in this Terms Sheet. NZX is a licensed market operator, and the NZX Debt Market is a licensed market, under the FMCA.</p> <p>Ticker code SBS020 has been reserved for the Bonds.</p> |
| Expected Date of Quotation and Trading of the Bonds on the NZX Debt Market | It is expected that quotation of the Bonds on the NZX Debt Market will occur on Friday, 8 September 2023. |
| Arranger | Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch) (Westpac). |
| Joint Lead Managers | Forsyth Barr Limited and Westpac. |
| Trust Documents | <p>Master Deed dated 30 April 2014 (as amended and restated on 26 September 2017). Supplemental Deed dated 28 August 2023.</p> <p>By subscribing for the Bonds, investors agree to be bound by the Trust Documents.</p> |
| Governing Law | New Zealand. |
| Selling Restrictions | The Offer and subsequent transfers of Bonds are subject to the selling restrictions contained in the schedule to this Terms Sheet. |
| Important Information for Australian Investors | <p>We are not a bank nor an authorised deposit-taking institution which is authorised under the Banking Act 1959 (Cth) of Australia (the Australian Banking Act) nor are we authorised to carry on banking business under the Australian Banking Act. The Bonds are not obligations of any government and, in particular, are not guaranteed by the Commonwealth of Australia. We are not supervised by the Australian Prudential Regulation Authority. Bonds that are offered for issue or sale or transferred in, or into, Australia are offered only in circumstances that would not require disclosure to investors under Part 6D.2 or Part 7.9 of the Corporations Act 2001 of Australia (the Corporations Act) and issued and transferred in compliance with the terms of the exemption from compliance with section 66 of the Australian Banking Act that is available to us. Such Bonds are issued or transferred in, or into, Australia in parcels of not less than A\$500,000 in aggregate principal amount. An investment in any Bonds issued by SBS Bank will not be covered by the depositor protection provisions in section 13A of the Australian Banking Act and will not entitle holders to claim under the financial claims scheme for account-holders with insolvent ADIs under Division 2AA of the Australian Banking Act.</p> <p>In Australia, credit ratings are for distribution only to a person (a) who is not a “retail client” within the meaning of section 761G of the Corporations Act and is also a sophisticated investor, professional investor or other investor in respect of whom disclosure is not required under Part 6D.2 or 7.9 of the Corporations Act, and (b) who is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive this Terms Sheet and anyone who receives this Terms Sheet must not distribute it to any person who is not entitled to receive it.</p> |
| Singapore Securities and Futures Act Product Classification | Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, SBS Bank has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Bonds are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018). |

The dates and times set out in this Terms Sheet are indicative only. The indicative Issue Margin range, offer amount, dates and times are subject to change. SBS Bank has the right in its absolute discretion and without notice to amend the indicative Issue Margin range and offer amount, close the Offer early, to extend the Closing Date, or to choose not to proceed with the Offer. If the Closing Date is extended, subsequent dates may be extended accordingly.

Copies of the Trust Documents and SBS's latest financial information contained in its disclosure statements, are available at SBS Bank's website at sbsbank.co.nz/About-Us/Annual-Reports-and-Disclosures.

Any internet site addresses provided in this Terms Sheet are for reference only and, except as expressly stated otherwise, the content of any such internet site is not incorporated by reference into, and does not form part of, this Terms Sheet.

Investors are personally responsible for ensuring compliance with all relevant laws and regulations applicable to them (including any required registrations). Investors should seek qualified, independent legal, financial and taxation advice before deciding to invest.

For further information regarding SBS Bank, visit nzx.com/companies/SBS.

Important Information.

The Arranger and Joint Lead Managers and their respective directors, officers, employees and agents: (a) have not authorised or caused the issue of, or made any statement in, any part of this Terms Sheet, (b) do not make any representation, recommendation or warranty, express or implied regarding the origin, validity, accuracy, adequacy, reasonableness or completeness of, or any errors or omissions in, any information, statement or opinion contained in this Terms Sheet, and (c) to the extent permitted by law, do not accept responsibility or liability for this Terms Sheet or for any loss arising from this Terms Sheet or its contents or otherwise arising in connection with the offer of Bonds. This Terms Sheet does not constitute financial advice or a recommendation from the Arranger or the Joint Lead Managers or any of their respective directors, officers, employees and agents to purchase any Bonds. You must make your own independent investigation and assessment of the financial condition and affairs of SBS Bank before deciding whether or not to invest in the Bonds.

Issuer

SBS Bank

51 Don Street
Invercargill 9810

Securities Registrar

Computershare Investor Services Limited

Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622

Arranger and Joint Lead Manager

Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch)

Level 8, 16 Takutai Square
Auckland 1010

Joint Lead Manager

Forsyth Barr Limited

Level 23, Shortland & Fort
88 Shortland Street
Auckland 1010

Schedule.

The Bonds may only be offered for sale or sold in New Zealand in conformity with all applicable laws and regulations in New Zealand. No Bonds may be offered for sale or sold in any other country or jurisdiction except in conformity with all applicable laws and regulations of that country or jurisdiction and the selling restrictions contained in this Terms Sheet. This Terms Sheet may not be published, delivered or distributed in or from any country or jurisdiction except under circumstances which will result in compliance with all applicable laws and regulations in that country or jurisdiction and the selling restrictions contained in this Terms Sheet.

Without limiting the generality of the above, the following selling restrictions apply in respect of each relevant jurisdiction:

Member States of the European Economic Area

In relation to each Member State of the European Economic Area, no Bonds have been offered and no Bonds will be offered that are the subject of the offering contemplated by this Terms Sheet in relation thereto to the public in that Member State except that an offer of Bonds to the public in the Member State may be made:

- a. to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;
- b. to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) subject to obtaining the prior consent of the relevant Joint Lead Manager (as applicable) nominated by SBS Bank for any such offer; or
- c. in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of the Bonds shall require SBS Bank or any Joint Lead Manager to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision, the expression an **offer of Bonds to the public** in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds and the expression **EU Prospectus Regulation** means Regulation (EU) 2017/1129 (as amended or superseded).

United Kingdom

No Bonds have been offered and no Bonds will be offered that are the subject of the offering contemplated by this Terms Sheet in relation thereto to the public in the United Kingdom except that an offer of Bonds to the public in the United Kingdom may be made:

- a. to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- b. to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Joint Lead Manager (as applicable) nominated by SBS Bank for any such offer; or
- c. in any other circumstances falling within section 86 of the Financial Services and Markets Act 2000 (**FSMA**),

provided that no such offer of the Bonds shall require SBS Bank or any Joint Lead Manager to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an **offer of Bonds to the public** means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds and the expression **UK Prospectus Regulation** means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

Other regulatory restrictions

No communication, invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) has been or may be made or caused to be made or will be made in connection with the issue or sale of the Bonds in circumstances in which section 21(1) of the FSMA applies to SBS Bank.

All applicable provisions of the FSMA with respect to anything done in relation to the Bonds in, from or otherwise involving the United Kingdom must be complied with.

Singapore

This Terms Sheet has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Terms Sheet and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds has not been, and will not be, circulated or distributed, nor have the Bonds been, nor will they be, offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001, as modified or amended from time to time (the **SFA**) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a. a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- b. a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:
 1. to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
 2. where no consideration is or will be given for the transfer;
 3. where the transfer is by operation of law;
 4. as specified in Section 276(7) of the SFA; or
 5. as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act), offering material or advertisement in relation to the Bonds (including this Terms Sheet) has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission (**ASIC**), ASX Limited (**ASX**) (or any successor thereto) or any other regulatory authority in Australia. No person may:

- a. make or invite (directly or indirectly) an offer of the Bonds for issue, sale or purchase in, to or from Australia (including an offer or invitation which is received by a person in Australia); and
- b. distribute or publish, any Terms Sheet, information memorandum, prospectus or other disclosure document (as defined in the Corporations Act) or any other offering material or advertisement relating to the Bonds in Australia,

unless:

- i. the minimum aggregate consideration payable by each offeree or invitee is at least A\$500,000 (or its equivalent in an alternative currency and, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Corporations Act;
- ii. the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act;
- iii. such action complies with all applicable laws, regulations and directives; and
- iv. such action does not require any document to be lodged with, or registered by, ASIC, ASX (or any successor thereto) or any other regulatory authority in Australia.

By applying for the Bonds, each person to whom the Bonds are issued (an investor):

- a. will be deemed by SBS Bank and the Joint Lead Managers to have acknowledged that if any investor on-sells the Bonds within 12 months from their issue, the investor will be required to lodge a prospectus or other disclosure document (as defined in the Corporations Act) with ASIC unless either:
 - i. that sale is to an investor within one of the categories set out in sections 708(8) or 708(11) of the Corporations Act to whom it is lawful to offer the Bonds in Australia without a prospectus or other disclosure document lodged with ASIC; or
 - ii. the sale offer is received outside Australia; and
- b. will be deemed by SBS Bank and each of the Joint Lead Managers to have undertaken not to sell those Bonds in any circumstances other than those described in paragraphs (a)(i) and (a)(ii) above for 12 months after the date of issue of such Bonds.

Each person to whom the Bonds are issued will be deemed to have represented and agreed, that it will comply with Banking exemption No. 1 of 2018 dated 21 March 2018 promulgated by the Australian Prudential Regulation Authority which requires all offers and transfers to be in parcels of not less than A\$500,000 in aggregate principal amount. Banking exemption No. 1 does not apply to transfers which occur outside Australia.

This Terms Sheet is not, and under no circumstances is to be construed as, an advertisement or public offering of the Bonds in Australia.

Hong Kong

No Bonds have been offered or sold or will be or may be offered or sold in Hong Kong, by means of any document other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “Prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMPO)**) or which do not constitute an offer to the public within the meaning of the C(WUMPO). No advertisement, invitation or document relating to the Bonds may be issued or in the possession of any person or will be issued or be in the possession of any person in each case for the purpose of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Japan

The Bonds have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the **FIEL**) pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the Bonds may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires Bonds may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of Bonds is conditional upon the execution of an agreement to that effect.

United States of America

The Bonds have not been, and will not be, registered under the Securities Act of 1933, as amended (the **Securities Act**) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (**Regulation S**)) except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

No person or any person acting on its or their behalf has engaged or will engage in any directed selling efforts in relation to the Bonds, and each person has complied and will comply with the offering restrictions requirements of Regulation S.

The Bonds will not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time, or (ii) otherwise until 40 days after the completion of the distribution of all Bonds of the Tranche of which such Bonds are part, as determined and certified by any Joint Lead Manager, except in accordance with Rule 903 of Regulation S. Any Bonds sold to any distributor, dealer or person receiving a selling concession, fee or other remuneration during the distribution compliance period require a confirmation or notice to the purchaser at or prior to the confirmation of the sale to substantially the following effect:

‘The Bonds covered hereby have not been registered under the US Securities Act of 1933, as amended (the ‘Securities Act’) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States, or to or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Bonds and the closing date except in either case pursuant to a valid exemption from registration in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S.’

Until 40 days after the completion of the distribution of all Bonds of the Tranche of which those Bonds are a part, an offer or sale of the Bonds within the United States by any Joint Lead Manager, or any dealer or other distributor (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Regulation S.

Indemnity

By its subscription for the Bonds, each Holder agrees to indemnify SBS Bank, the Joint Lead Managers and each of their respective directors, officers and employees for any loss, cost, liability or expense sustained or incurred by SBS Bank or the Joint Lead Managers, as the case may be, as a result of the breach by that Holder of the selling restrictions set out above.