



Southland Building Society trading as SBS Bank **Limited Disclosure Document**

For an offer of unsecured, subordinated, debt securities issued as redeemable shares

5 February 2024

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this Offer on www.disclose-register.companiesoffice.govt.nz, offer number OFR13709. Southland Building Society has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial advice provider to help you to make an investment decision.

Joint Lead Managers:



FORSYTH BARR



JARDEN



Section 1 - Key Information Summary

What is this?

This is an offer (**Offer**) of unsecured, subordinated, debt securities issued as redeemable shares that qualify as Tier 2 Regulatory Capital (**Bonds**). The Bonds are debt securities issued by Southland Building Society (**SBS Bank**). You give SBS Bank money, and in return we promise to pay you interest and repay the money at the end of the term. If SBS Bank runs into financial trouble, you might lose some or all of the money you invested.

The Bonds are debt securities that have the features of Regulatory Capital instruments and building society shares. They are different to most bonds issued by banks or other corporates because they are able to be repaid early by us in some situations and they carry the right to vote and participate in surplus assets of SBS Bank on a liquidation.

About Southland Building Society

Established in 1869 (and registered under the Building Societies Act 1965), Southland Building Society trades as SBS Bank. We became a registered bank on 7 October 2008 under the Reserve Bank of New Zealand Act 1989.

As a registered bank, our conditions of registration require compliance with all New Zealand Regulatory Capital, liquidity and risk management requirements.

As a mutual building society, we are owned by our customers by virtue of their membership interests. We offer loans, savings and deposit products. We also offer funds management products and financial advisory services, and insurance through our subsidiaries Funds Administration New Zealand Limited (trading as SBS Wealth) and Southsure Assurance Limited (trading as SBS Insurance) (respectively) and consumer personal lending, credit card and motor vehicle finance lending through our subsidiary Finance Now Limited.

Information about us and our financial statements are published in disclosure statements required under the Banking (Prudential Supervision) Act and on the RBNZ dashboard at <https://bankdashboard.rbnz.govt.nz/orgs/SBS-Bk>. Our disclosure statements are available at <https://www.sbsbank.co.nz/about-us/Annual-Reports-and-Disclosures>

Purpose of this Offer

The purpose of this Offer, and the money raised under it, will be used to support continued business operation and growth and will be treated by SBS Bank as Tier 2 Regulatory Capital, as required by the Reserve Bank of New Zealand (**RBNZ**). More information regarding the purpose of this Offer can be found in section 4 of this LDD "*Purpose of the Offer*" or in section 9 of this LDD "*Information about SBS Bank*".

Key Terms of the Offer

Issuer	Southland Building Society, trading as SBS Bank.
Description	The Bonds are unsecured, subordinated debt securities which are issued as redeemable shares and qualify as Tier 2 Regulatory Capital.
Term	10.5 years (subject to early redemption by SBS Bank).
Offer Amount	Up to \$60,000,000.
Key Features	<p>The Bonds are debt securities that have the features of Regulatory Capital instruments and building society shares. They are different to most bonds issued by banks or other corporates because:</p> <ul style="list-style-type: none"> • they are able to be redeemed early by SBS Bank in some situations, with the approval of the RBNZ; and • they give Holders the right to: <ul style="list-style-type: none"> - vote at meetings of members of SBS Bank; and - participate (equally with all other members of SBS Bank) in surplus assets of SBS Bank in a liquidation; and • Holders have no right to require SBS Bank to repay the Bonds early including where SBS Bank is unable to make, or defaults on, scheduled interest payments. <p>The rights of Holders on default by SBS Bank under the Master Deed, are more limited than is typical of a debt instrument which is not Regulatory Capital.</p>
Interest Rate	<p>The interest rate for the first five and a half years from the Issue Date will be fixed, after which it will change to a floating rate that resets quarterly.</p> <p>The interest rate for the first five and a half years until the First Optional Redemption Date (22 August 2029) will be a fixed rate equal to the sum of the Base Rate and the Issue Margin, but in any case will be no less than the minimum interest rate announced via NZX on or about the Opening Date.</p> <p>The interest rate from (and including) the First Optional Redemption Date will be a floating rate and will:</p> <ul style="list-style-type: none"> • be reset quarterly and apply from the first day of each Interest Period; and • be equal to the sum of the 3 Month Bank Bill Rate (applying at the time the interest rate is set) and the Issue Margin. <p>If the sum of the 3 Month Bank Bill Rate plus the Issue Margin is less than 0%, the floating rate will be deemed to be 0% per annum.</p> <p>SBS Bank expects to announce an indicative Issue Margin range (which may be subject to change) via NZX on or about the Opening Date. The initial interest rate and Issue Margin will be determined by SBS Bank in conjunction with the Joint Lead Managers following the Bookbuild on the Rate Set Date (15 February 2024) and announced via NZX on or about this date.</p> <p>Each time the interest rate is reset after the First Optional Redemption Date, SBS Bank will announce the new interest rate via NZX on or about the date it is reset (it will also be available on the Offer Register and on SBS Bank's website). The Issue Margin will not change throughout the term.</p>
Interest Payments	<p>Until the First Optional Redemption Date (22 August 2029), interest will be paid in arrear in equal quarterly instalments on each Interest Payment Date, being 22 February, 22 May, 22 August, 22 November in each year, commencing on the First Interest Payment Date (or if that date is not a Business Day, the next Business Day without adjustment, interest or further payment as a result thereof).</p> <p>The first Interest Payment Date is 22 May 2024.</p> <p>From (and including) the First Optional Redemption Date, interest will be paid in arrear quarterly on each Interest Payment Date on the basis of the actual number of days in the relevant Interest Period and a year of 365 days</p>

	(366 days in a leap year) (subject to early redemption by SBS Bank). The payment of interest on each Interest Payment Date (other than on the Maturity Date), is conditional on SBS Bank satisfying the Solvency Condition described in section 3 of this LDD " <i>Terms of the Offer</i> ". Payments are also subject to the Business Day convention described in section 3 of this LDD " <i>Terms of the Offer</i> ".
Early Redemption	SBS Bank may redeem the Principal Amount of your Bonds (together with accrued interest): <ul style="list-style-type: none"> on any Optional Redemption Date (being the five and a half year anniversary of the Issue Date and each quarterly Interest Payment Date thereafter); and if a Regulatory Event or a Tax Event occurs, provided that we give you notice of the early repayment and receive approval of the early repayment from the RBNZ. There is no right for the Holder to redeem the Bonds at any time. More information about early repayment can be found in section 3 of this LDD " <i>Terms of the Offer</i> ".
Subordination	The Bonds are unsecured, subordinated obligations of SBS Bank, meaning that if SBS Bank goes into liquidation, you will not be entitled to any payment of the Principal Amount of your Bonds, or interest thereon, until all Senior Creditors (including preferred creditors, depositors and the holders of SBS Bank everyday redeemable shares) have been paid in full.
Quotation	Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market. However, the Bonds have not yet been approved for trading and NZX accepts no responsibility for any statement in this LDD. Ticker code SBS1T2 has been reserved for the Bonds. It is expected that quotation of the Bonds on the NZX Debt Market will occur on Friday, 23 February 2024.
Selling Restrictions	This Offer is subject to certain selling restrictions and you will be required to indemnify certain people if you breach these. See section 3 " <i>Terms of the Offer</i> " and section 8 " <i>Other Information Relating to the Offer</i> " of this LDD for more information.
Rights of Members	The Bonds give Holders the right to vote at meetings of members of SBS Bank and participate (equally with all other members) in surplus assets of SBS Bank on a liquidation.
Further Payments, Fees or Charges	Taxes may be deducted from interest payments on the Bonds. See section 7 of this LDD " <i>Tax</i> " for more information. SBS Bank will pay brokerage to market participants in respect of the Offer. You are not required to pay brokerage or any other fees or charges to SBS Bank to subscribe for the Bonds. However, you may have to pay brokerage to the firm from whom you receive an allocation of Bonds.
Offer Opening Date	Monday, 12 February 2024.
Closing Date	Thursday, 15 February 2024 at 11am (NZ time) or earlier at SBS Bank's discretion.
Issue Date	Thursday, 22 February 2024.
Minimum Subscription and Minimum Holding Amounts	The minimum subscription and holding amounts for Bonds is \$5,000 and multiples of \$1,000 thereafter.

No guarantee

SBS Bank is responsible for paying interest on, and repayment of, the Bonds.

The Bonds are not guaranteed by any member of the Group or any other person.

How you can get your money out early

You have no ability to require us to redeem/repay the Principal Amount of your Bonds early (or any accrued interest) including where there is an Event of Default as described in the Master Deed.

SBS Bank intends to quote the Bonds on the NZX Debt Market. This means you may be able to sell them on the NZX Debt Market before the end of their term if there are interested buyers. If you sell your Bonds, the price you get will vary depending on factors such as the financial condition of SBS Bank and movements in the markets interest rates. You may receive less than the full amount that you paid for them. We may, at our option, repay the Principal Amount of your Bonds early as described under the heading "*Early Redemption*" above.

How the Bonds rank for repayment

In a liquidation of SBS Bank, the Bonds will rank equally among themselves, equally with all other debt securities of SBS Bank which are issued as subordinated redeemable shares, and behind secured creditors and liabilities mandatorily preferred by law, and debt securities issued as redeemable shares which are not subordinated.

This means that in a liquidation of SBS Bank, if there are insufficient funds to repay all of the Bonds, you will be repaid by SBS Bank:

- only **after** SBS Bank has repaid:
 - creditors preferred by law and secured creditors (for example,

Inland Revenue and employees);

- all holders of unsecured and unsubordinated debt securities not issued as redeemable shares; and
- all holders of unsubordinated redeemable shares (which includes redeemable shares issued in respect of our everyday transactional and savings accounts and call and term deposits); and
- **on a proportionate basis** (at the same time and to the same extent) together with SBS Bank's debt securities issued as subordinated redeemable shares; and
- **before** equity and holders of other securities and obligations that rank behind the Bonds.

More information regarding how the Bonds will rank on a liquidation of SBS Bank can be found in section 5 of this LDD "*Key Features of the Bonds*" on page 11.

No security

Our obligation to repay the Principal Amount of, or pay interest on, the Bonds is not secured against any asset of SBS Bank or the Group.

Key risks affecting this investment

Investments in debt securities have risks. A key risk is that we do not meet our commitments to repay you or pay you interest (credit risk). Section 6 of this LDD *"Risks of Investing"* discusses the main factors that give rise to the risk. You should consider if the credit risk of these debt securities is suitable for you.

The interest rate for these Bonds should also reflect the degree of credit risk. In general, higher returns are demanded by investors from businesses with higher risk of defaulting on their commitments. You need to decide whether the Offer is fair. SBS Bank considers that the most significant risk factors are:

- Risks associated with our lending activities including default by our borrowers. The economic performance of the New Zealand residential market will affect how this risk impacts on SBS Bank. SBS Bank's predominant activity is the provision of residential first mortgage finance, which is undertaken throughout New Zealand. Where serious and adverse changes occur in the residential market, widespread default becomes more likely. If widespread default occurs, this could impact on SBS Bank's ability to meet its financial commitments.
- Risks associated with SBS Bank's funding. SBS Bank's sources of funding include funding from retail deposits and financial institutions. Serious and adverse economic conditions could impact on SBS Bank's sources of funding, including SBS Bank's ability to access funding and/or interest rates at which SBS Bank can borrow and/or lend money. SBS Bank's relative size and its mutual status impact how this risk affects SBS Bank.

This summary does not cover all of the risks of investing in the Bonds. You should also read section 6 of this LDD *"Risks of Investing"* and section 5 of this LDD *"Key Features of the Bonds"*.

What is the Bonds' credit rating?

A credit rating is an independent opinion of the capability and willingness of an entity to repay its debts (in other words, its creditworthiness). It is not a guarantee that the financial product being offered is a safe investment. A credit rating should be considered alongside all other relevant information when making an investment decision.

Both SBS Bank and the Bonds have been rated by Fitch Australia Pty Limited (**Fitch**). The Bonds have a credit rating of BB+. SBS Bank's credit rating is BBB with a stable outlook. The credit rating for the Bonds is lower than our Issuer credit rating because the Bonds are subordinated obligations of SBS Bank.

Fitch gives ratings from AAA through to C. The following describes the credit rating grades available:

	Credit rating¹	Description of the rating	Probability of default²
	AAA	Highest credit quality: Exceptionally strong capacity for payment of financial commitments.	1 in 600
	AA	Very high credit quality: Very strong capacity for payment of financial commitments.	1 in 300
	A	High credit quality: Strong capacity for payment of financial commitments but may be more vulnerable to adverse business or economic conditions than is the case for higher ratings.	1 in 150
Our credit rating is BBB with a stable outlook	BBB	Good credit quality: Adequate capacity for payment of financial commitments but adverse business or economic conditions are more likely to impair the capacity of the obligor to meet its financial commitments.	1 in 30
The Bonds credit rating is BB+	BB	Speculative: Elevated vulnerability to default risk, particularly in the event of adverse changes in business economic conditions over time; however, business or financial flexibility exists which supports the servicing of financial commitments.	1 in 10
	B	Highly speculative: Material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.	1 in 5
	CC	Very high levels of credit risk: Default of some kind appears probable.	1 in 2
	C	Exceptionally high levels of credit risk: Default is imminent or inevitable, or the issuer is in standstill.	-

¹ The modifiers + or – may be added to the above ratings to indicate relative status within the major rating categories.

² The approximate median likelihood that an investor will not receive payment on a five-year investment on time and in full (source: Reserve Bank of New Zealand publication “Know your Credit Ratings” dated March 2010).

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Section 2 - Key Dates and Offer Process

Opening Date	Monday, 12 February 2024.
Rate Set Date	Thursday, 15 February 2024.
Closing Date/Time	Thursday, 15 February 2024 at 11am (NZ time) or earlier at SBS Bank's discretion.
Issue Date	Thursday, 22 February 2024.
Expected date of initial quotation and trading of the Bonds on NZX Debt Market	Friday, 23 February 2024.
First Interest Payment Date	Wednesday, 22 May 2024.
Interest Payment Dates	22 February, 22 May, 22 August, 22 November in each year during the term of the Bonds.
First Optional Redemption Date	Wednesday, 22 August 2029.
Maturity Date	Tuesday, 22 August 2034.

Dates are indicative only.

The Opening and Closing Date/Time are indicative only and are subject to change. SBS Bank has the right, in its absolute discretion to open or close this Offer early, to accept late applications and to extend the Closing Date/Time, without notice.

If the Closing Date/Time is extended, all subsequent dates may also be extended. Any such changes will not affect the validity of any applications received.

All of the Bonds offered under this Offer have been reserved for subscription by clients of the Joint Lead Managers, Primary Market Participants and other approved financial intermediaries. There is no public pool for the Bonds.

SBS Bank reserves the right to cancel this Offer at any time, in which case, all application monies will be refunded (without interest) as soon as practicable.

Section 3 – Terms of the Offer

Issuer	Southland Building Society, trading as SBS Bank.
Description	The Bonds are unsecured, subordinated debt securities which are issued as redeemable shares and qualify as Tier 2 Regulatory Capital.
Currency	The Bonds will be denominated in New Zealand dollars.
Offer Amount	Up to \$60,000,000.
Key Dates	The key dates applicable to this Offer can be found in section 2 of this LDD " <i>Key Dates and Offer Process</i> ".
Term	10.5 years, maturing on 22 August 2034 (subject to SBS Bank's right to redeem the Bonds on any Optional Redemption Date).
Issue Price and Principal Amount	The Bonds will be issued at \$1.00 per Bond, which is also the Principal Amount.
Minimum Subscription Amount and Minimum Holding Amounts	The minimum subscription and holding amounts for the Bonds is \$5,000 and multiples of \$1,000 thereafter.
Key Features	<p>The Bonds are debt securities that have the features of Regulatory Capital instruments and building society shares. They are different to most bonds issued by banks or other corporates because:</p> <ul style="list-style-type: none"> • they are able to be repaid early by SBS Bank in some situations, with the approval of the RBNZ; and • they give Holders the right to: <ul style="list-style-type: none"> - vote at meetings of members of SBS Bank; and - participate (equally with all other members of SBS Bank) in surplus assets of SBS Bank in a liquidation; and • Holders have no right to require SBS Bank to repay the Bonds early including where SBS Bank is unable to make, or default on, scheduled interest payments. <p>Where your Bonds are held by a custodian (i.e. your name is not entered in the Register), only the custodian will have the right to vote at meetings of SBS Bank's members (subject to the terms of any custodial arrangement with you). If you would like the right to vote your membership interest, you will need to hold the Bonds in your own name</p> <p>The rights of Holders on default by SBS Bank under the Master Deed, are more limited than is typical of a debt instrument which is not Regulatory Capital.</p>
Interest Rate	<p>The interest rate for the first five and a half years from the Issue Date will be fixed after which it will change to a floating rate.</p> <p>The interest rate for the first five and a half years until the First Optional Redemption Date (22 August 2029) will be a fixed rate equal to the sum of the Base Rate and the Issue Margin, but in any case will be no less than the minimum interest rate announced via NZX on or about the Opening Date.</p> <p>The interest rate from (and including) the First Optional Redemption Date will be a floating rate and will:</p> <ul style="list-style-type: none"> • be reset quarterly and apply from the first day of each Interest Period; and • be equal to the sum of the 3 Month Bank Bill Rate (applying at the time the interest rate is set) and the Issue Margin. <p>If the sum of the 3 Month Bank Bill Rate plus the Issue Margin is less than 0%, the floating rate will be deemed to be 0% per annum.</p> <p>The initial interest rate will be determined by SBS Bank in conjunction with the Joint Lead Managers following the Bookbuild on the Rate Set Date (15 February 2024) and announced via NZX on or about this date. Each time the interest rate is reset after the First Optional Redemption Date, SBS Bank will announce the new interest rate via NZX on or about the date it is reset (it will also be available on the Offer Register and on SBS Bank's website).</p>
Issue Margin	<p>The Issue Margin is the percentage rate per annum determined by SBS Bank in consultation with the Joint Lead Managers through the Bookbuild. SBS Bank expects to announce an indicative Issue Margin range (which may be subject to change) via NZX on or about the Opening Date. The actual Issue Margin (which may be above, below or within the announced indicative Issue Margin range) will be announced by SBS Bank via NZX on or about the Rate Set Date.</p> <p>The Issue Margin will not change throughout the term.</p>
Base Rate	The Base Rate will be the mid-market rate for an interest rate swap with a term of 5 and a half years commencing on the Issue Date, as calculated by the Arranger, according to market convention, with reference to Bloomberg Page ICNZ4 (or any successor page) on or about the Rate Set Date, expressed as a percentage per annum, adjusted for quarterly payments and rounded, if necessary, to the nearest 2 decimal places with 0.005 being rounded up.

Interest Payments	<p>Until the First Optional Redemption Date (22 August 2029), interest will be paid in arrear in equal quarterly instalments on each Interest Payment Date, being 22 February, 22 May, 22 August, 22 November in each year, commencing on the First Interest Payment Date (or if that date is not a Business Day, the next Business Day without adjustment, interest or further payment as a result thereof).</p> <p>The first Interest Payment Date is 22 May 2024.</p> <p>From (and including) the First Optional Redemption Date, interest will be paid in arrear quarterly on each Interest Payment Date on the basis of the actual number of days in the relevant Interest Period and a year of 365 days (366 days in a leap year) (subject to early redemption by SBS Bank).</p> <p>An Interest Period is the period from (and including) an Interest Payment Date (or the Issue Date in the case of the first Interest Period) to (but excluding) the next Interest Payment Date (or the Maturity Date in the case of the final Interest Period).</p> <p>The payment of interest on each Interest Payment Date (other than on the Maturity Date), is conditional on SBS Bank satisfying the Solvency Condition (set out below).</p>
Business Day Convention	<p>If an Interest Payment Date on or before the First Optional Redemption Date is not a Business Day, SBS Bank will make payment on the next Business Day, and no adjustment will be made to the amount of interest payable as a result of the delay in payment.</p> <p>If an Interest Payment Date after the First Optional Redemption Date is not a Business Day, then the Interest Payment Date will be the next Business Day, unless that day falls in the next calendar month, in which case it will be the preceding Business Day, and, in either case, the amount of interest payable will be adjusted to reflect the actual payment date.</p>
Record Date	<p>The Record Date for any payment due in respect of the Bonds is 5:00pm on the close of business on the tenth day before the due date for that payment or, if that day is not a Business Day, the preceding Business Day.</p>
Entitlement to Payments	<p>Payments on the Bonds will be made to the persons who are the registered Holders of the Bonds as at the Record Date.</p>
Solvency Condition	<p>Where interest payments or early repayment of the Principal Amount are suspended because SBS Bank doesn't have a current Solvency Certificate (or can no longer rely on a Solvency Certificate given), SBS Bank is not required to make such payment and this will not constitute a default by SBS Bank under the Master Deed.</p> <p>Failure to make any interest payment or repay the Principal Amount when due where SBS Bank is otherwise solvent, is a default under the Master Deed, but does not allow the Holder to call for early repayment of the Bonds. Any interest not paid because SBS Bank is not solvent, remains owing by SBS Bank. That unpaid interest will also accrue interest at the relevant interest rate. That interest will be payable on the earlier of the first Business Day on which the Solvency Condition is satisfied, and the Maturity Date.</p> <p>The Solvency Condition does not apply to payments that are required to be made on the Maturity Date or if SBS Bank is in liquidation.</p>
Ranking of the Bonds on a Liquidation	<p>The Bonds are unsecured, subordinated debt obligations of SBS Bank. This means that if SBS Bank goes into liquidation or it is dissolved (other than for the purposes of a solvent reconstruction or amalgamation), you will not be entitled to any payment of the Principal Amount of, or accrued interest on, your Bonds until all of SBS Bank's prior ranking creditors have been paid in full.</p> <p>This means that in a liquidation of SBS Bank, if there are insufficient funds to repay all of the Bonds, you will be repaid by SBS Bank:</p> <ul style="list-style-type: none"> • only after SBS Bank has repaid: <ul style="list-style-type: none"> ▫ creditors preferred by law and secured creditors (for example, Inland Revenue and employees); ▫ all holders of unsecured and unsubordinated debt securities not issued as redeemable shares; and ▫ all holders of unsubordinated redeemable shares (which includes redeemable shares issued in respect of our everyday transactional and savings accounts and call and term deposits); and • on a proportionate basis (at the same time and to the same extent) together with SBS Bank's debt securities issued as subordinated redeemable shares; and • before equity and holders of other securities and obligations that rank behind the Bonds. <p>You will also have the right (equally with all of SBS Bank's other members) to participate in SBS Bank's surplus assets (if any) on liquidation.</p> <p>In a liquidation of SBS Bank, it is unlikely that there will be surplus assets available for the liquidator to pay any amount to Holders in respect of the Bonds.</p>
No Early Redemption by Holder	<p>You have no right to require early redemption of the Bonds, including in relation to an Event of Default as described in the Master Deed. This means that subject to early redemption by SBS Bank, or you selling your Bonds to another Holder, you will have to hold your Bonds until maturity to receive repayment of the Principal Amount.</p>

Early Redemption by SBS Bank	<p>Early redemption on Optional Redemption Dates</p> <p>SBS Bank may repay the Principal Amount of your Bonds (together with accrued interest) on any Optional Redemption Date (which is the five and a half year anniversary of the Issue Date (being 22 August 2029) and each quarterly Interest Payment Date thereafter), provided we give you notice of the early repayment and receive the approval of the RBNZ.</p> <p>Early redemption by SBS Bank for a Regulatory Event or Tax Event</p> <p>We may redeem the Principal Amount of the Bonds early if a Regulatory Event or a Tax Event occurs. In brief:</p> <ul style="list-style-type: none"> a Regulatory Event would occur if we determined that, because of a material change in law, regulation or directive or a change in interpretation or administration of any relevant law, regulation or directive (that was not anticipated by SBS Bank at the time of issuing the Bonds), our treatment of the Bonds as Tier 2 Regulatory Capital of SBS Bank is adversely affected, or will be adversely affected. A full definition of 'Regulatory Event' can be found in the Master Deed. a Tax Event would occur if we determined that, because of a material change in law or practice affecting taxation (that was not anticipated by SBS Bank at the time of issuing the Bonds), there would be a more than minimal increase in our costs in respect of the Bonds. A full definition of 'Tax Event' can be found in the Master Deed. <p>In each case, we must first satisfy the Solvency Condition, obtain the consent of the RBNZ to repay the Principal Amount early and we are required to give you notice of that early repayment. The RBNZ is not obliged to provide such consent and generally will not do so unless either:</p> <ul style="list-style-type: none"> prior to or concurrent with the early redemption, the Bonds are replaced with another capital instrument of at least the same quality; or the RBNZ notifies us that replacement of the Bonds is not needed having regard to SBS Bank's capital position.
Consequences of Early Redemption for Investors	Any early repayment of your Bonds by SBS Bank may not suit your circumstances at the time of payment. In addition, you may be unable to reinvest the amount you receive on your Bonds at the same or similar rate of return to the interest rate on the Bonds.
Who May Apply Under the Offer	All of the Bonds offered under this Offer have been reserved for subscription by clients of the Joint Lead Managers, Primary Market Participants and other approved financial intermediaries. No person may apply for Bonds (including through a Joint Lead Manager, Primary Market Participants and other approved financial intermediaries) unless they have obtained a copy of the LDD. There will be no public pool for the Bonds.
How to Apply	Application instructions are set out in section 13 of this LDD " <i>How to Apply</i> " on page 11.
Credit Rating	<p>Issuer Credit Rating</p> <p>BBB (stable outlook) by Fitch.</p> <p>Bonds' Credit Rating</p> <p>BB+ by Fitch.</p> <p>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.</p>
Transfer Restrictions	You are entitled to sell or transfer your Bonds at any time, subject to the terms of the Master Deed, Supplemental Deed and any applicable laws and regulations. We will not register any transfers of Bonds if the transfer would result in you holding Bonds with a Principal Amount of less than \$5,000 (but greater than zero).
Selling Restrictions	The Offer and subsequent transfers of Bonds are subject to the selling restrictions contained in section 10 of this LDD " <i>Other Information relating to the Offer</i> ". By subscribing for the Bonds, you agree to indemnify SBS Bank, the Joint Lead Managers and their respective directors, officers, employees and agents in respect of any loss, cost, liability or expense sustained or incurred as a result of you breaching the selling restrictions contained in this LDD.
Rights of Members	The Bonds give Holders the right to vote at meetings of members of SBS Bank and participate (equally with all other members) in surplus assets of SBS Bank on a liquidation.
Arranger	Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch) (Westpac).
Joint Lead Managers	Bank of New Zealand, Forsyth Barr Limited, Jarden Securities Limited and Westpac.
Bond Registrar, Paying Agent and Calculation Agent	Computershare Investor Services Limited. The Bonds will be accepted for settlement within the NZClear system.
ISIN	NZSBBDT390C6
Brokerage	0.50% brokerage plus 0.50% on firm allocations, paid by SBS Bank.
Further Payments, Fees or Charges	<p>Taxes may be deducted from interest payments on the Bonds. See section 7 of this LDD "<i>Tax</i>" or section 8 of this LDD "<i>Tax consequences for overseas Holders</i>" for more information.</p> <p>SBS Bank will pay brokerage to market participants in respect of the Offer.</p> <p>You are not required to pay brokerage or any other fees or charges to SBS Bank to subscribe for the Bonds. However, you may have to pay brokerage to the firm from whom you receive an allocation of the Bonds.</p>
Approved Issuer Levy	SBS Bank intends to register the Bonds for approved issuer levy (AIL) and, where it is eligible to do so in respect of interest paid to a non-resident Holder that is subject to the non-resident withholding tax rules (and

	unless otherwise elected by the Holder), to pay AIL in lieu of deducting non-resident withholding tax. If the Bonds qualify for the 0% rate of AIL, SBS Bank intends to apply the 0% rate, otherwise it will apply AIL at the applicable rate. The amount of any AIL paid will be deducted from payments to the relevant Holder.
Master Deed and Supplemental Deed	The terms and conditions of the Bonds are set out in the Master Deed and Supplemental Deed. Holders are bound by, and are deemed to have notice of, the Master Deed and Supplemental Deed. If you require further information in relation to these documents, you may obtain a copy free of charge from the Offer Register at www.disclose-register.companiesoffice.govt.nz , offer number OFR13709).
Governing Law	New Zealand.

Trading your Notes on the NZX Debt Market

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 LDD have been complied with. However, the Bonds have not yet been approved for trading and NZX accepts no responsibility for any statement in this LDD. NZX is a licensed market operator, and the NZX Debt Market is a licensed market, under the FMCA.

To be eligible to trade your Bonds on the NZX Debt Market, you must have an account with a Primary Market Participant, a common shareholder number or CSN and an authorisation code. If you do not have an account with a Primary Market Participant, you should be aware that opening an account can take a number of days depending on the Primary Market Participant's new client procedures.

If you do not have a CSN, you will be automatically assigned one if you invest in the Notes. If you do not have an authorisation code, it is expected that you will be sent one by the Registry. If you have an account with a Primary Market Participant and have not received an authorisation code by the date you want to trade your Notes, your Primary Market Participant can arrange to obtain your authorisation code from the Registry. Your Primary Market Participant will be charged a fee for requesting your authorisation code from the Registry and may pass this cost on to you.

You may only transfer your Notes in aggregate Principle Amount multiples of NZ\$1,000, and after any transfer you and the transferee must each hold Bonds with an aggregate Principle Amount of no less than NZ\$5,000, or no Bonds.

You will likely have to pay brokerage on any transfer of Notes you make through a Primary Market Participant.

Section 4 - Purpose of the Offer

This Offer will raise Tier 2 Regulatory Capital to help SBS Bank meet its Regulatory Capital requirements and manage its capital position. The proceeds of this Offer will be used to support continued business operations and growth. Registered banks are required to maintain Regulatory Capital at certain minimum levels in order to meet losses if the bank encounters financial difficulties.

The use of the money raised will not change depending on how much is raised under this Offer. This Offer is not underwritten.

See section 9 of this LDD "*Information about SBS Bank*" for more information about SBS Bank's business, Regulatory Capital requirements and capital management strategy.

Section 5 - Key Features of the Bonds

A number of key features of the Bonds are described in section 3 of this LDD "Terms of the Offer". The other key features of the Bonds are described below.

The information in this section is a summary of certain terms of the Master Deed and Supplemental Deed. Copies of the Master Deed and Supplemental Deed are included on the Offer Register at www.disclose-register.companiesoffice.govt.nz (OFR13709).

Capitalised terms used but not defined in this section 5 of this LDD have the meanings given to them in the Master Deed.

Status of the Bonds

The Bonds will be unsecured and subordinated obligations of SBS Bank, issued and owing under the Master Deed and the Supplemental Deed. Legal title to each Bond is determined by reference to the name of the Holder listed in the Bond Register (subject to correction for fraud or error). SBS Bank is entitled to deal exclusively with the Holder named in the Bond Register for all purposes, including when making any payments.

Ranking

Ranking on a liquidation of SBS Bank

As a building society, SBS Bank issues the following classes of debt securities:

- debt securities not issued as redeemable shares;
- debt securities issued as redeemable shares; and
- debt securities issued as subordinated redeemable shares.

The Bonds will be issued as subordinated redeemable shares.

In a liquidation of SBS Bank, the Bonds will rank equally among themselves, equally with all other debt securities of SBS Bank which are issued as subordinated redeemable shares, and behind; secured creditors and liabilities mandatorily preferred by law; debt securities not issued as redeemable shares; and debt securities issued as redeemable shares which are not subordinated.

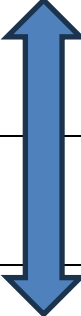
This means that in a liquidation of SBS Bank, if there are insufficient funds to repay all of the Bonds, you will be repaid by SBS Bank:

- only **after** SBS Bank has repaid:
 - creditors preferred by law and secured creditors (for example, Inland Revenue and employees);
 - all holders of unsecured and unsubordinated debt securities not issued as redeemable shares, including the Senior Bonds; and
 - all holders of unsubordinated redeemable shares (which includes redeemable shares issued in respect of our everyday transactional and savings accounts and call and term deposits); and
- **on a proportionate basis** (at the same time and to the same extent) together with holders of SBS Bank's debt securities issued as subordinated redeemable shares; and
- **before** equity and holders of other securities and obligations that rank behind the Bonds.

The below diagram shows the ranking of the Bonds on a liquidation of SBS Bank.

The indicative amounts stated in the table:

- assume \$60,000,000 of Bonds are issued;
- are based on the financial position of SBS Banking Group as at 30 September 2023, but adjusted as if \$60,000,000 of Bonds had been issued at that date (which means the amount of liabilities ranking equally with the Bonds stated in the table exceeds by \$60,000,000 the corresponding amount derived from SBS Banking Group's most recent financial statements. This adjustment does not affect the other amounts listed in the table. The total value of the Bonds to be issued will be announced by SBS Bank on or about the Rate Set Date (15 February 2024) via NZX (it will also be available on the Offer Register and on SBS Bank's website).

	Ranking on liquidation of SBS Bank	Examples	Indicative Amount
 <p>Higher ranking</p>	Liabilities that rank in priority to the Bonds	Creditors preferred by law (such as employees of SBS Bank and IRD for unpaid tax), secured creditors, deposits (issued without redeemable shares, including the Senior Bonds), other unsecured debt (such as redeemable shares issued by SBS Bank in respect of everyday transactional and savings accounts and call and term investments, including accrued interest) and general creditors	\$5,661m*
	Liabilities that rank equally with the Bonds	The Bonds	\$60m
		Debt securities where they are issued as subordinated redeemable shares	\$72m
	Liabilities that rank below the Bonds	Junior Creditors (as defined in the Master Deed)	Nil
Lower ranking	Equity	Relevant Tier 1 Capital Instruments (as defined in the Master Deed)	Nil
		Reserves and retained earnings. All members of SBS Bank (including holders of Bonds) participate equally in the surplus assets of SBS Bank (if any) remaining after all payments are made above	\$524m

* Includes \$4,874m of debt securities on issue.

The amounts shown are presented in millions of New Zealand dollars and may be subject to rounding adjustments.

In the event of a liquidation of SBS Bank, the actual amounts of liabilities and equity of SBS Bank may differ from the indicative figures provided above.

Interest Payments

The subordination of the Bonds means that SBS Bank is only permitted to make interest payments, and repay any Principal Amount early, if there is a current Solvency Certificate in place on the due date for those payments and no adverse circumstances have occurred which prevent SBS Bank from relying on a Solvency Certificate.

Issue of further liabilities ranking equally with or in priority to the Bonds

There are no restrictions on SBS Bank incurring liabilities which rank equally with, or in priority to the Bonds except for a covenant which effectively restricts the creation of liabilities which rank ahead of redeemable shares, in proportion to the number of redeemable shares SBS Bank has on issue. Both deposits and unsubordinated redeemable shares rank ahead of the Bonds. There are no other restrictions on us issuing further debt securities under the Master Deed. The creation of such further liabilities may reduce the amount recoverable by you in the case of liquidation of SBS Bank.

You are not entitled to offset or net any claims SBS Bank may have against you with any amounts owing to you by us in relation to the Bonds.

No Security

SBS Bank's obligation to repay the Principal Amount of, or pay interest on, the Bonds, is not secured. This means that you have no recourse to any of our assets if we do not repay the Principal Amount of, or pay interest on, the Bonds.

No Guarantee

The Bonds are not guaranteed by any member of the Group or any other person and SBS Bank is solely responsible for the repayment of the Bonds.

Variations to the Master Deed

SBS Bank may, in limited circumstances, vary the Master Deed without your consent if the variation is of a minor or technical nature only, will not be of any prejudice to Holders, does not apply to any Bonds then outstanding or is made to comply with any requirement or directive of RBNZ or any applicable law, including the Listing Rules or for the purposes of obtaining or maintaining a quotation on the NZX Debt Market.

Events of default

The Bonds have very limited events of default and your rights are limited if an Event of Default occurs, as described below.

An Event of Default will occur if:

- SBS Bank does not pay any amount payable under the Master Deed within 10 Business Days of its due date; or
- an order is made, or an effective resolution is passed, for the liquidation of SBS Bank.

However, to the extent that a payment on the Bonds is not required to be made because SBS Bank does not satisfy the Solvency Condition, the amount is not due and payable and a payment default cannot occur.

If a payment default occurs, you may only bring proceedings:

- to recover any amount then due and payable but unpaid on your Bonds (subject to satisfaction of the Solvency Condition if the payment of the unpaid amount was subject to the Solvency Condition);
- to obtain an order for specific performance of any other obligation in respect of your Bonds; or
- for the liquidation of SBS Bank.

The outcome of any proceedings brought before a court may be uncertain, and a court may decide not to grant the remedies sought.

Where an Event of Default occurs due to the commencement of the liquidation of SBS Bank, in addition to the rights listed above, the Principal Amount of each Bond and any accrued but unpaid interest on the Bonds will immediately become due and payable, and you may claim in the liquidation for that amount. In this circumstance, your claim will be subordinated as described in section 5 of this LDD "Key Features of the Bonds", under "Ranking", and it is unlikely that you will receive payment of any amount owing on your Bonds.

Section 6 - Risks of Investing

Introduction

Any investment in the Bonds will involve risks. This section describes:

- general risks associated with an investment in the Bonds; and
- specific key risks relating to our creditworthiness.

The disclosure of risks relating to SBS Bank's creditworthiness has been based on an assessment of both the realistic probability of a risk occurring and the impact of the risk (to SBS Bank and/or investors) if it did occur. There is no guarantee or assurance that the importance of different risks will not change or that other risks will not emerge over time.

You should note that the risk factors set out below may not be exhaustive, and you should consider these risk factors in conjunction with other information disclosed in this LDD and our latest disclosure statement and annual report, before deciding to invest in the Bonds.

Where practicable, SBS Bank seeks to mitigate these risks to minimise our exposure. However, there can be no assurance that any risk mitigation strategies implemented will fully protect us from these risks.

The disclosure of risks in this section does not take into account your personal circumstances, including your financial position or investment requirements. As such, it is important that before making any decision to invest in the Bonds, you give consideration to the suitability of this investment in light of your individual risk profile for investments, investment objectives and personal circumstances (including financial and taxation).

General Risks

Insolvency of SBS Bank

An investment in the Bonds is subject to the general risk that SBS Bank becomes insolvent, is placed in receivership, liquidation or statutory management or we are otherwise unable to pay the Principal Amount of, and/or interest on, your Bonds. In that event, you may not recover all, or any of, your principal investment or receive the expected returns.

There are no restrictions on SBS Bank incurring liabilities which rank equally with, or in priority to, or behind, the Bonds. This includes further debt securities issued under the Master Deed. In addition, SBS Bank may repay any of its debt securities which rank equally with, or behind the Bonds, provided it has satisfied the Solvency Condition. Any further issue or repayment of debt securities by SBS Bank could adversely affect your ability to be repaid and/or the value of the Bonds.

To mitigate this risk, the board of SBS Bank sets appropriate policies to ensure that it has access to funding to enable us to meet our debts as they fall due.

As a registered bank, SBS Bank must also comply with certain liquidity and other financial restrictions (for example, capital ratios measured against risk-weighted assets). The RBNZ also requires most New Zealand incorporated registered banks, including SBS Bank, to maintain prudential buffers above the minimum ratios.

The following paragraphs explain how specific features of the Bonds, such as their subordination, impact on this general insolvency risk.

Subordination: If we go into liquidation, you will not be entitled to any payment of the outstanding Principal Amount of your Bonds or interest thereon, until all of our Senior Creditors (including preferred creditors, depositors and the holders of SBS Bank everyday redeemable shares which we issue in respect of everyday transactional and savings accounts and call and term deposits) have been paid in full.

The Bonds will rank equally among themselves and may rank equally with other subordinated debt including any existing SBS capital bonds. This means that on a liquidation of SBS Bank, if there are insufficient funds to repay all of the Bonds, you will be repaid by SBS Bank on a proportionate basis together with the other holders of subordinated debt.

More information on the subordination features of the Bonds can be found in section 5 "*Key Features of the Bonds*" of this LDD on page 11.

Interest Payments: SBS Bank is only permitted to make interest payments on the Bonds, and repay any Principal Amount early, if there is a current Solvency Certificate in place on the due date for those payments and no adverse circumstances have occurred which prevent SBS Bank from relying on a Solvency Certificate. This means that you may not be paid interest on your Bonds.

To mitigate this risk, the board of SBS Bank sets appropriate policies to ensure that it has access to funding to enable SBS Bank to meet its debts as they fall due.

In any case where interest payments or early repayment of the Principal Amount are suspended because SBS Bank doesn't have a current Solvency Certificate, SBS Bank is not required to make such payment and non-payment will not constitute a default by SBS Bank under the Master Deed.

Negative Interest Rate Repricing: The interest rate will be a fixed rate for a period of 5.5 years until the First Optional Redemption Date, after which it will change to a floating rate that resets at quarterly intervals. The floating rate will be equal to the sum of the applicable 3 Month Bank Bill Rate plus the Issue Margin. The 3 Month Bank Bill Rate changes to reflect market conditions over time, so the 3 Month Bank Bill Rate will likely vary for each Interest Payment Date after the First Optional Redemption Date. The 3 Month Bank Bill Rate may go down, including below 0% per annum. If the sum of the 3 Month Bank Bill Rate plus the Issue Margin is less than 0% per annum, the floating rate will be deemed to be 0% per annum. This means that you will not receive any interest on your Bonds while the floating is 0% per annum.

Risk if selling the Bonds

You are also subject to the general risk that if you wish to sell your Bonds before maturity:

- You may be unable to find a buyer at all, or at an acceptable price, due to lack of demand or because the Bonds cease to be traded on the NZX Debt Market; and/or
- The price at which you are able to sell your Bonds may be less than what you originally paid for them. This could occur due to interest rate movements, the financial position of SBS Bank at the time, changes to the Bonds' and/or SBS Bank's credit rating or other reasons.

The likelihood of this risk occurring and its impact on the Bonds is more uncertain when markets are affected by domestic and international events or disruptions, like COVID-19. The likelihood of these kinds of disruptions occurring over the term of the Bonds, and their impact (both positive and negative) on the price of the Bonds, is not known. As such, this risk is particularly relevant over a longer period of time, such as the 10.5 year term of the Bonds.

If the price of the Bonds is adversely affected for any reason including those described above, the Bonds may trade below their Principal Amount (being \$1.00 per Bond). If you sell your Bonds at a time when their price is adversely affected, you may lose some of the money you invested.

Specific Risks relating to SBS Bank's creditworthiness

Like all other businesses and financial institutions, SBS Bank is subject to risks in relation to its creditworthiness. These risks can arise due to a number of factors including changes in the domestic and international economy, general business conditions and increased competition.

Credit risk relating to lending activities

Credit risk is the risk that borrowers or other counterparties to certain contractual arrangements with SBS Bank, do not meet their payment obligations to us.

The economic performance of the New Zealand residential housing market will affect how this risk impacts on SBS Bank. SBS Bank's predominant activity is the provision of residential first mortgage finance, which is undertaken throughout New Zealand. A large scale downturn in the New Zealand residential housing market or serious and adverse changes in the economy affecting New Zealand households, could result in widespread default by borrowers. If widespread default occurs, this could impact on SBS Bank's ability to meet its financial commitments.

SBS Bank's relative size in the retail banking market and relative concentration to residential first mortgage lending, means SBS Bank is more sensitive to market changes which adversely affect the housing market, or any geographic regions in which our borrowers are located.

SBS Bank seeks to manage and mitigate credit risk through appropriate strategies including managing concentrations, maintaining appropriate credit approval criteria and general credit risk provisioning.

In extreme circumstances, SBS Bank's failure to adequately manage and mitigate credit risk over a sustained period of time could result in SBS Bank suffering financial losses. This could affect SBS Bank's profitability and/or capital position. It could also affect our credit rating and/or the credit rating of the Bonds. These circumstances could affect SBS Bank's ability to make payments on the Bonds and/or could affect the price at which the Bonds can be sold.

More information about SBS Bank's credit risk and provisioning of impaired loans is contained in our disclosure statements which are available, free of charge, at <https://www.sbsbank.co.nz/about-us/Annual-Reports-and-Disclosures>

Credit risk relating to Regulatory Capital

The Bonds are Regulatory Capital instruments and there is no right for Holders (or any other person) to require early redemption, including when SBS Bank is unable to make or defaults on scheduled interest payments.

Your right to receive any interest or early redemption payments is conditional on SBS Bank having a current Solvency Certificate, and therefore, non-payment will not constitute a default by SBS Bank under the Master Deed.

Failure to make any interest payment or early repayment of the Principal Amount when due where SBS Bank is otherwise solvent, is a default under the Master Deed, but does not allow the Holder to call for early repayment of the Bonds.

The rights of Holders on default by SBS Bank under the Master Deed are more limited than is typical of a debt instrument which is not Regulatory Capital. This could mean Holders have to remain as Holders of Bonds in certain situations where there is increased credit risk. More information on Events of Default is set out in section 5 of this LDD "Key Features of the Bonds". Investors are encouraged to ensure they understand and seek advice on this feature of the Bonds.

Liquidity and Funding Risk

Liquidity risk is the risk that SBS Bank is unable to pay its debts as they fall due, or we are unable to access funding (on acceptable terms) to support SBS Bank's on-going operations. SBS Bank's most significant liabilities are our redeemable share call accounts, Senior Bonds and term investment deposits (which both rank ahead of the Bonds for repayment in a liquidation). Like any bank, if there was a sudden and unexpected number of withdrawals from call accounts and repayment of term investments, SBS Bank could experience liquidity difficulties.

SBS Bank's sources of funding include funding from retail deposits, wholesale and retail investors and financial institutions. Funding risk may arise if SBS Bank is unable to attract investment in its deposit products or if there is uncertainty or unfavourable conditions in the financial markets meaning that SBS Bank is unable to offer desirable terms (including interest rates) or it is unable to access sufficient funding at all or on acceptable terms. This could occur as a result of a number of factors including:

- a material downturn in the New Zealand economy;
- reduced investor confidence (in the New Zealand financial services market generally, or in SBS Bank in particular);
- the credit rating of SBS Bank or the Bonds being downgraded (or being withdrawn or suspended); and
- increased domestic competition for retail deposits.

SBS Bank's credit rating and relative size mean that it may not have available to it the same range of global capital market funding options as larger banks.

Liquidity difficulties which are experienced by SBS Bank over an extended period, could result in SBS Bank being unable to pay its debts when due including interest payments on the Bonds or repayment of the Principal Amount.

SBS Bank has systems and frameworks in place for managing liquidity

and funding risks and ensuring compliance with minimum funding and liquidity ratios imposed by the RBNZ. This includes a contingency funding plan to prepare SBS Bank to manage stress.

Financial Markets and Interest Rate Risk

Financial markets and interest rate risk relates to the risk that SBS Bank faces due to changes in wholesale interest rates and the availability or cost of credit in the financial markets. SBS Bank relies on funding within the wholesale markets and could suffer losses if the availability or cost of this funding increases significantly. In addition, SBS Bank could suffer losses if there are material changes in wholesale interest rates that affect the margin between the interest rate it pays on money it borrows and the interest rate it charges on money it lends.

These circumstances could affect SBS Bank's ability to make payments on the Bonds and/or could affect the price at which the Bonds can be sold.

Capital Risk

Capital risk is the risk that SBS Bank does not have sufficient capital to meet its prudential regulatory requirements. Maintenance of Regulatory Capital is a condition of our bank registration and a failure to comply could ultimately result in the loss of bank registration, although this is very unlikely to occur. This risk is relevant to SBS Bank because, as a bank which is also a building society, it may be more difficult for us to raise Regulatory Capital. In July 2023, the RBNZ approved a mutual capital instrument that qualifies as CET1 capital and may be issued by banks structured as mutuals. However no mutual capital instruments have yet been issued and investor appetite for these instruments has not yet been tested. Loss of our bank registration would materially and adversely impact SBS Bank and the Bonds.

More information about SBS Bank's Regulatory Capital requirements can be found in section 9 of this LDD "Information about SBS Bank" on page 14.

Subsidiaries

The Group comprises SBS Bank and its subsidiaries as specified in its latest published financial statements. The activities of the Group include funds management products and financial advisory services, insurance and consumer personal lending, credit card and motor vehicle finance lending. If any of SBS Bank's subsidiaries experienced a material or sustained failure to manage risks in their respective businesses resulting in a material financial impact on the subsidiary, this could have an adverse impact on SBS Bank and the Group as a whole. SBS Bank has a Group risk management framework to manage and mitigate this risk.

Regulatory Change Risk

Regulatory risk includes the risk that changes in laws, regulations, rules, codes of practice, accounting standards or policies (**Laws**) or the way they are applied, could adversely affect SBS Bank. This could occur if changes resulted in increased costs or decreased earnings for SBS Bank, changes to prudential regulatory requirements including liquidity and capital adequacy, changes relevant to our predominant activities, increased competition or changes to the structure or operation of our business.

Financial institutions like SBS Bank are subject to significant ongoing regulatory change which requires significant resources to manage appropriately. SBS Bank's regulated activities, including being a registered bank (which principally involves taking deposits and being a consumer lender under the Credit Contracts and Consumer Finance Act 2003) and being a financial advice provider under the FMCA, mean SBS Bank is subject to financial regulation which is increasingly complex and is changing rapidly. Those operating in New Zealand's financial markets like SBS Bank, are also increasingly subject to conduct risk.

Conduct in the financial markets is a current focus of the New Zealand Government and regulators, with more conduct-specific regulation due to be implemented in the next few years.

Non-compliance with any relevant Laws and/or conduct standards expected by regulators or the New Zealand consumer, could result in regulatory fines, compensation and/or sanctions and could

damage our reputation. This can occur in certain circumstances even if the breach is minor, inadvertent or infrequent. SBS Bank's relative size in the retail banking market means it may feel the effects of some regulatory changes more acutely than larger financial institutions and appropriately resourcing to manage risk and compliance is more challenging.

Material failure to appropriately manage risks associated with regulatory change could ultimately impact on SBS Bank's financial performance. SBS Bank is committed to standards of good conduct and regulatory compliance minimise, as expressed in its Good Conduct and Ethical Behaviour Charter, the principles of which are imbedded in all SBS Bank policy, procedures and frameworks.

Operational Risk including Cyber Security Risks

Operational risk is the risk of loss to SBS Bank arising from a failure of its internal or external processes, people or systems. These losses may result from (for example) failure to comply with relevant Laws, from fraud or forgery, from a breakdown in the availability or integrity of services, systems and information, from a breach of security (including cyber-security), loss of key staff or damage to our reputation. In addition to losses, operational failures could result in SBS Bank's operating or information systems failing or becoming disabled, or large fines being imposed on it (if the failure relates to breaches of relevant Laws).

These circumstances could affect SBS Bank's ability to make payments on the Bonds and/or could affect the price at which the Bonds can be sold.

SBS Bank has in place systems and processes for managing operational risks, including business continuity plans and cyber-security risk protocols.

Impact of Risks

SBS Bank expects that some of these risks will arise to some degree, in the ordinary course of business. However, it is not possible to forecast accurately the probability, degree or magnitude of impact of any of the particular business, financial and other risks described above.

SBS Bank manages and mitigates these risks within its Group risk appetite and Group risk management framework and, if appropriately managed, these risks are not expected to have a materially adverse impact on us. However, if unusual or unplanned circumstances arise, such as widespread defaults by borrowers, unexpectedly large numbers of withdrawals from deposits or a breakdown in the financial markets, any or all of the risks discussed above could become difficult to manage and could adversely impact on SBS Bank. In extreme circumstances, failure to manage these risks in a material way and/or over a sustained period could mean that SBS Bank is not able to meet its commitments on the Bonds. In addition, material or sustained failure to manage risks could result in a deterioration in the financial performance or creditworthiness of SBS Bank, could adversely affect its credit rating or the credit rating of the Bonds or could impact the market price of the Bonds.

More detailed information around these risks and SBS Bank's general risk governance are contained in its disclosure statements which are available, free of charge, at <https://www.sbsbank.co.nz/about-us/Annual-Reports-and-Disclosures>

Section 7 - Tax

The returns on the Notes will be affected by taxes. The information set out in this section 7 and in section 8 of this LDD is based on the New Zealand law in force at the date of this LDD, does not constitute tax advice to any Holder, is general in nature and is limited to New Zealand taxation only.

Withholding tax will be deducted from interest that is payable on the Bonds. There may also be other tax consequences from acquiring or disposing of the Bonds. If you have queries relating to the tax consequences of an investment in the Bonds, you should obtain professional advice on those consequences.

Withholding tax

Under the Master Deed, you indemnify us in respect of any tax which we become liable to pay on your behalf. We may deduct any indemnity payment from future amounts payable to you.

The information below does not constitute taxation advice to you nor is it a complete statement of the laws applicable. The information is believed by SBS Bank to be correct as at the date of this LDD. Taxation

laws are subject to change, and such changes may materially affect your tax position with respect to an investment in the Bonds. You should seek qualified, independent financial and taxation advice relevant to your own particular circumstances before investing.

New Zealand taxation implications for New Zealand tax resident Holders

Under New Zealand tax law, we must deduct resident withholding tax (**RWT**) from all interest paid or credited to New Zealand investors, and non-resident investors who hold Bonds through a fixed establishment in New Zealand. If you do not provide us with your IRD number, we will deduct RWT at the non-declaration rate. If you provide your IRD number but do not elect a tax rate, we will deduct tax at the applicable default rate.

If you hold a current exemption and you are registered on Inland Revenue's RWT exemption register, we will not deduct RWT.

Inland Revenue can ask us to use a different tax rate than what you have advised..

Section 8 – Tax consequences for Overseas Holders

If at any time Bonds are held by a Holder who is not a New Zealand tax resident and not engaged in business through a fixed establishment (as defined in the Tax Act) in New Zealand (Non-resident Holder), we will deduct non-resident withholding tax (**NRWT**) at the applicable NRWT rate. However, SBS Bank intends to register the Bonds for approved issuer levy (**AIL**) and, where eligible to do so, to pay AIL in lieu of withholding NRWT. Any AIL paid by SBS Bank other than at a rate of 0% will be deducted from the interest paid to the Holder. In the event of any change of law to the AIL regime, SBS Bank reserves the right not to pay the AIL described above.

Where a Holder who is not a New Zealand Holder holds the Bonds jointly with a person who is a New Zealand tax resident, RWT must be deducted from interest paid to the non-resident at the applicable rate of RWT. Payment of AIL does not allow a zero per cent rate of NRWT in this case. Further, if a non-resident Holder is entitled to relief from New Zealand tax on the non-resident's interest income under a double tax agreement, the non-resident must separately apply to Inland Revenue for that relief by filing a return, as double tax agreement relief does not apply at source in this scenario.

Overseas Holders may be subject to tax in their own jurisdiction and should seek advice from a tax adviser.

We are entitled to rely upon information given by you as to your tax residency and activities in New Zealand when making any withholding for RWT or NRWT. All non-resident investors must provide us with their current overseas residential address.

The above is a generalised statement of taxation laws in force in New Zealand as at the date of this LDD. Changes to these or other laws may affect the tax consequences of an investment in the Bonds.

Section 9 – Information about SBS Bank

SBS Bank's business

Information about SBS Bank's business is contained in half-yearly disclosure statements that SBS Bank prepares under the Banking (Prudential Supervision) Act. SBS Bank's disclosure statements are available at www.sbsbank.co.nz/about-us/Annual-Reports-and-Disclosures. Further information about SBS Bank's business is contained in the investor presentation for the Offer, which is available via NZX or the Offer Register at www.disclose-register.companiesoffice.govt.nz (offer number OFR13709).

SBS Bank's Regulatory Capital requirements

The Bonds will qualify as Tier 2 Regulatory Capital for SBS Bank under the RBNZ's prudential regulatory requirements. Those requirements include capital adequacy requirements that banks must comply with under their conditions of registration. These requirements are intended to ensure that an adequate level of capital is maintained, providing a buffer to absorb losses from a bank's activities before depositors and other senior creditors are affected. The RBNZ's approach to assessing capital adequacy focuses on the credit risk associated with a bank's exposures, market and operational risks and the quality and quantity of a bank's capital.

The amount of the Bonds that SBS Bank may count as Tier 2 Regulatory Capital in its capital ratio calculations will decrease by

20% each year during the final 4 years of the term before the Maturity Date.

It is possible that future rule change(s) may deem that the Bonds will no longer fully qualify as "Tier 2" Regulatory Capital instruments. If that happens, we may determine that a Regulatory Event has occurred and may seek to redeem the Bonds before the end of their 10.5 year term.

Types of Regulatory Capital

The RBNZ currently classifies a bank's Regulatory Capital into different categories. These are referred to as Tier 1 Capital (consisting of Common Equity Tier 1 capital and Additional Tier 1 Capital) and Tier 2 Regulatory Capital.

In 2019, the RBNZ completed a comprehensive review of the capital framework applying to New Zealand banks. An outcome of the review was that the Regulatory Capital requirements for New Zealand are being increased significantly.

The following table sets out the Regulatory Capital ratios that SBS Bank must maintain as at the date of this LDD and the Regulatory Capital ratios SBS Bank will be required to maintain once the RBNZ's capital reforms are fully implemented in July 2028. The Regulatory Capital ratios will increase progressively over this period.

		RBNZ's required ratio of capital to risk weighted assets ¹	
Capital type	Description	The date of this LDD ²	July 2028 ³
Common Equity Tier 1 Regulatory Capital	Includes ordinary share capital, retained earnings, and certain accounting reserves. Some amounts (eg the value of goodwill) must be deducted to determine the final value of Common Equity Tier 1 Regulatory Capital.	More than 7%, including a prudential capital buffer of 2.5%	More than 11.5%, including a prudential capital buffer of 7%
Additional Tier 1 Regulatory Capital	Additional Tier 1 Regulatory Capital is a lower quality form of capital than Common Equity Tier 1 Regulatory Capital, but is still freely available to absorb losses. Additional Tier 1 Regulatory Capital includes perpetual preference shares.	Up to 1.5%	Up to 2.5%
Tier 1 Regulatory Capital	The sum of Common Equity Tier 1 Regulatory Capital and Additional Tier 1 Regulatory Capital	More than 8.5%, including a prudential capital buffer of 2.5%	More than 14%, including a prudential capital buffer of 7%
Tier 2 Regulatory Capital	Tier 2 Regulatory Capital is a lower quality form of capital than Tier 1 Regulatory Capital, but is still available to absorb losses and strengthens a bank's overall capital position. Tier 2 Regulatory Capital includes subordinated instruments like the Bonds.	Up to 2%	Up to 2%
Total Regulatory Capital	The sum of Tier 1 Regulatory Capital and Tier 2 Regulatory Capital	More than 10.5%, including a prudential capital buffer of 2.5%	More than 16%, including a prudential capital buffer of 7%

¹ These ratios include the minimum capital ratios that non-systemically important banks (like SBS Bank) must maintain and the prudential capital buffer above the minimum capital ratios that non-systemically important banks must maintain to avoid restrictions on distributions (among other things). Different minimum capital ratios apply to domestically systemically important banks.

² These are the ratios that apply to SBS Bank as at the date of this LDD. Different ratios apply to domestically systemically important New Zealand banks.

³ These are the ratios that will apply to SBS Bank, from 1 July 2028.

Loss absorbing features of the Bonds

In very general terms, a capital instrument is available to absorb losses if the holder of the instrument has no, or only a very limited, ability to demand that payments are made on the instrument.

The Bonds will count as Tier 2 Regulatory Capital, and the conditions of the Bonds include loss absorbing features. For example:

- at any time before the Maturity Date (22 August 2034) or the liquidation of SBS Bank, the payment of interest on your Bonds is conditional on SBS Bank satisfying the Solvency Condition;
- you have no right to require early repayment of your Bonds;
- any early repayment of your Bonds is at SBS Bank's option and is subject to certain conditions being met (including the Solvency Condition being satisfied and SBS Bank obtaining the RBNZ's prior approval); and
- the Bonds are subordinated to unsubordinated creditors of SBS Bank (including depositors and other unsubordinated debt such as redeemable shares issued by SBS Bank in respect of everyday transactional and savings accounts

and call and term investments, including accrued interest) in the event of a liquidation of SBS Bank.

SBS Bank's capital management strategy

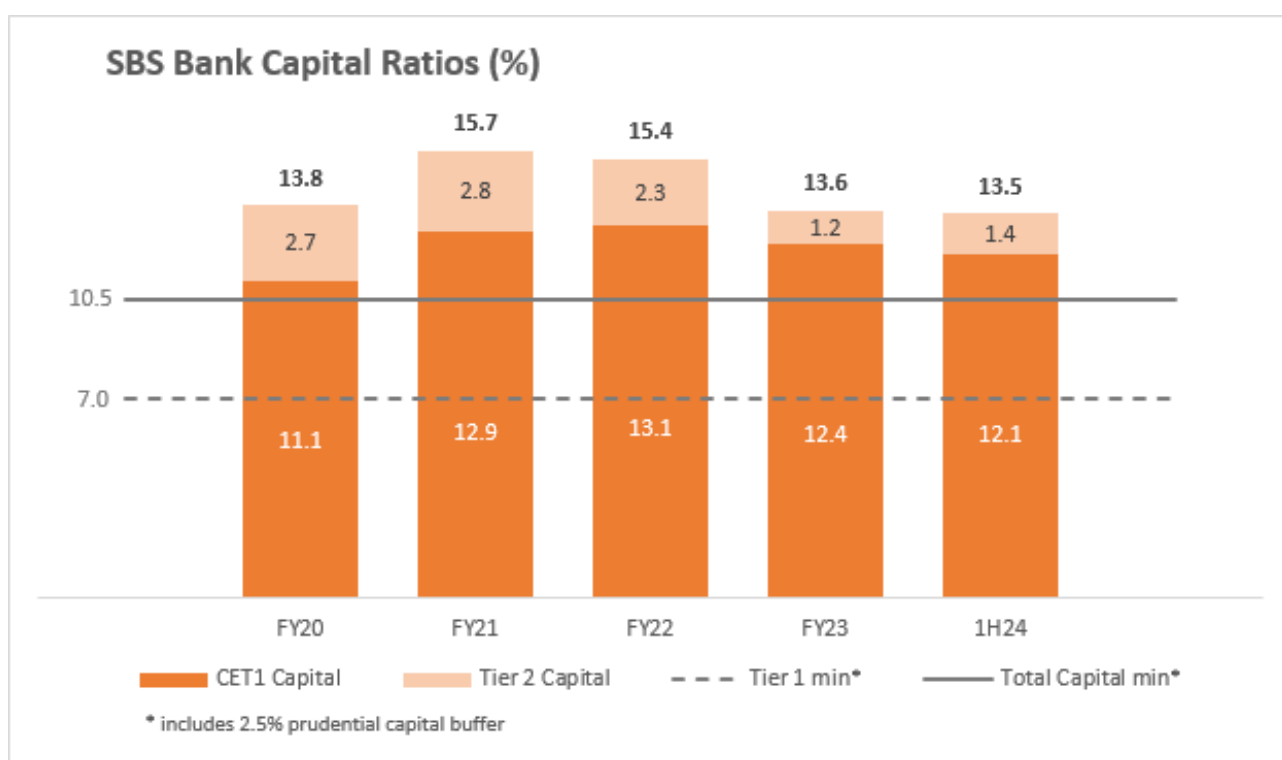
The primary objectives of SBS Bank's capital management are to ensure that SBS Bank complies with the Regulatory Capital requirements prescribed by the RBNZ, holds a strong capital position in order to support its business objectives and meets Regulatory Capital requirements even in a stressed environment.

SBS Bank actively measures and manages its capital structure and makes adjustments to this in light of changing economic conditions and the risk characteristics of its activities. This is to ensure that SBS Bank has sufficient capital to absorb losses and to enable SBS Bank's continued growth.

SBS Bank's board of directors has overall responsibility for ensuring the Group has adequate capital in relation to its risk profile and establishes minimum internal capital levels and limits above the regulatory minimum.

SBS Bank's Regulatory Capital position

The graph below shows SBS Bank's historical Regulatory Capital position under the applicable RBNZ rules since 2020.



The information in the graph is based on information in SBS Bank's disclosure statement for each period. It is illustrative only and does not guarantee or forecast the future regulatory capital position for SBS Bank.

Section 10 – Other Information Relating to the Offer

Selling Restrictions

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 LDD. This LDD 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 LDD.

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 below.

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 LDD 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 LDD 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 LDD has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this LDD 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 an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Australia

SBS Bank is 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.

No prospectus or other disclosure document (as defined in the Corporations Act), offering material or advertisement in relation to the Bonds (including this LDD) 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 LDD is not, and under no circumstances is to be construed as, an advertisement or public offering of the Bonds in Australia.

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 LDD and anyone who receives this LDD must not distribute it to any person who is not entitled to receive it.

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(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O. 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.

Role of the Arranger and Joint Lead Managers

This LDD does not constitute a recommendation by the Arranger, any Joint Lead Manager or any of their respective directors, officers, employees, agents or advisers to subscribe for, or purchase, any Bonds.

The role of the Arranger in relation to the Offer is to provide assistance with arranging the offer and organising the Bookbuild.

The Joint Lead Managers will assist with the Bookbuild and with the marketing and distribution of the Bonds but are not otherwise involved in the Offer.

Each recipient of this LDD must make their own independent investigation and assessment of the financial condition and affairs of SBS Bank before deciding whether or not to invest in the Bonds.

Section 11 - How to Complain

If you have any feedback, concerns or complaints about the Bonds, please contact us through any of our branches or by calling us on 0800 727 2265. If your issue is not satisfactorily resolved, you can request that your complaint be directed to our Customer Complaints Team, who can be contacted using the following details:

Southland Building Society
51 Don Street, Invercargill

9810 or

PO Box 835
Invercargill 9840

Telephone: 0800 727 2265
Attention: Customer Complaints Team
Email: customercomplaints@sbsbank.co.nz

If you are not satisfied with the response you receive, you may then direct your complaint to the Banking Ombudsman Scheme at the following address:

Freepost 218002
PO Box 25327
Featherston Street
Wellington 6146
Telephone: 0800 80 59 50
Email: help@bankomb.org.nz

The Banking Ombudsman Scheme will not charge a fee to any complainant to investigate or resolve a complaint.

Please note that if your complaint is sent directly to the Banking Ombudsman without having already followed the above process with us and our Customer Complaints Team, your complaint will be referred back to us to be attended to in the first instance.

Section 12 - Where You Can Find More Information

Further information about us and the Bonds is available on the Offer Register at www.disclose-register.companiesoffice.govt.nz offer number OFR13709, including our latest disclosure statement and Annual Report (which include financial statements), the Master Deed and the Supplemental Deed. A copy of this information can also be obtained on request from the Registrar of Financial Service Providers.

You will need to search for the Offer on the Offer Register by searching for the name of the Offer "*Offer of Unsecured Subordinated Bonds By SBS Bank*" or by searching for the issuer "*Southland Building Society*".

Our latest disclosure statement and Annual Report and other information about us can also be obtained free of charge from our website – www.sbsbank.co.nz

You may request a copy of the Master Deed, Supplemental Deed, our latest disclosure statement and Annual Report and further copies of this LDD free of charge, during normal business hours at any branch or our head office at:

51 Don Street
Invercargill 9810

These documents can also be obtained free of charge from our website – www.sbsbank.co.nz

Our latest Annual Report is also filed on a public register at the Companies Office of the Ministry of Business, Innovation and Employment and is available for public inspection during normal business hours or may be inspected on the Ministry of Business, Innovation and Employment's website – www.business.govt.nz/companies free of charge by searching in the "Other Registers".

Notices to the Holders may be given by making an announcement via NZX and will be available free of charge at www.nzx.com/companies/SBS

Section 13 - How to Apply

How to Apply

All of the Bonds offered under this Offer have been reserved for subscription by clients of the Joint Lead Managers, Primary Market Participants and other approved financial intermediaries.

There is no public pool for the Bonds.

This means that you can only apply for the Bonds through a Primary Market Participant or other approved financial intermediary who has obtained an allocation of the Bonds. You can find a Primary Market Participant by visiting [www.nzx.com/services/market-participants/ find-a-participant](http://www.nzx.com/services/market-participants/find-a-participant).

The Primary Market Participant or approved financial intermediary will:

- provide you with a copy of this LDD (if you have not already received a copy);
- explain what you need to do to apply for the Bonds; and
- explain what payments need to be made by you, and by when.

SBS Bank reserves the right to refuse all or any part of any application for the Bonds under this Offer without giving a reason.

Personal information rights

Personal information provided by you will be held by SBS Bank and the Registrar and will be used in accordance with SBS Bank's Privacy Statement (as such statement may be amended or substituted from time to time). As at the date of this LDD, SBS Bank's Privacy Statement is available at www.sbsbank.co.nz/sbs-privacy. You have a right to access and correct any personal information about you under the Privacy Act 2020. You can also access your information on the Registrar's website at www.linkmarketservices.co.nz. You will be required to enter your holder number and FIN.

Section 14 - Contact Information

Issuer

Southland Building Society (SBS Bank)

Address: 51 Don Street

Invercargill 9810

or

PO Box 835

Invercargill 9840

Telephone: 0800 727 2265

Email: p-info@sbsbank.co.nz

Website: www.sbsbank.co.nz

Bond Registrar

Computershare Investor Services Limited

Level 2, 159 Hurstmere Road

Takapuna

Auckland 0622

Private Bag 92119

Auckland 1142

Phone: +64 (9) 488 8700

Arranger and Joint Lead Manager

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

Westpac on Takutai Square

Level 8, 16 Takutai Square

Auckland 1010

Phone: 0800 772 142

Joint Lead Managers

Bank of New Zealand

Level 6

80 Queen Street

Auckland 1010

New Zealand

Phone: 0800 284 017

Forsyth Barr Limited

Level 23, Shortland & Fort

88 Shortland Street

Auckland 1010

Phone: 0800 367 227

Jarden Securities Limited

Level 32, PwC Tower

15 Customs Street West Commercial Bay

Auckland 1010

New Zealand

Phone: 0800 005 678

Glossary

Term	Meaning
\$	means the lawful currency of New Zealand.
3 Month Bank Bill Rate	means, in relation to an Interest Period, the interest rate that is the 'FRA' rate (expressed as a percentage per annum) for bank bills having a term of 3 months (rounded, if necessary, to the nearest 4 decimal places with 5 being rounded up) as quoted on Reuters screen 'BKBM' (or its successor or replacement page) at or about 10:45 a.m. on any date that the interest rate is reset by SBS Bank. If the 3 Month Bank Bill Rate becomes unavailable SBS Bank will replace it with an alternative reference rate. In doing so SBS Bank will act in good faith and in a commercially reasonable manner and may consult with such sources of market practice as it considers appropriate. Any such replacement may result in the Bonds performing differently (which may include payment of a lower interest rate) than if the 3 Month Bank Bill Rate had continued to be available and apply to the Bonds.
Arranger	means Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch).
Banking (Prudential Supervision) Act	means the Banking (Prudential Supervision) Act 1989.
Base Rate	means the mid-market rate for an interest rate swap with a term of 5 and a half years commencing on the Issue Date, as calculated by the Arranger, according to market convention, with reference to Bloomberg Page ICNZ4 (or any successor page) on or about the Rate Set Date, expressed as a percentage per annum, adjusted for quarterly payments and rounded, if necessary, to the nearest 2 decimal places with 0.005 being rounded up.
Bonds	means the unsecured, subordinated, debt securities issued as redeemable shares, constituted by the Master Deed and the Supplemental Deed and offered for subscription pursuant to this LDD.
Bookbuild	means the process expected to take place on the Rate Set Date when certain parties lodge bids for the Bonds and on the basis of those bids, SBS Bank and the Joint Lead Managers determine the Issue Margin and allocations of the Bonds.
Bond Register	means the register of the Holders of Bonds maintained by the Bond Registrar.
Bond Registrar	means Computershare Investor Services Limited.
Business Day	means any day (other than a Saturday or a Sunday) on which registered banks are generally open for business in Auckland and Invercargill except that in the context of the Listing Rules it means a day on which the NZX Debt Market is open for trading.
Closing Date	means the "Closing Date" as specified in section 2 of this LDD "Key Dates and Offer Process".
Companies Act	means the Companies Act 1993.
Event of Default	means an Event of Default as described in the Master Deed.
First Interest Payment Date	means the "First Interest Payment Date" as specified in section 2 of this LDD "Key Dates and Offer process".
First Optional Redemption Date	means the "First Optional Redemption Date" as specified in section 2 of this LDD "Key Dates and Offer process".
Fitch	means Fitch Australia Pty Limited.
FMCA	means the Financial Markets Conduct Act 2013.
Group	means SBS Bank and its subsidiaries, as specified in SBS Bank's latest published financial statements.
Holder	means the registered owner of a Bond or as otherwise defined in the Master Deed.
Interest Payment Date	means each quarterly interest payment date, being 22 February, 22 May, 22 August and 22 November in each year until (and including) the Maturity Date.
Interest Period	means the quarterly period from (and including) an Interest Payment Date (or the Issue Date in the case of the first Interest Period) to (but excluding) the next Interest Payment Date.
Issue Date	means the "Issue Date" specified in section 2 of this LDD "Key Dates and Offer Process".
Issue Margin	means the margin determined by SBS Bank in conjunction with the Joint Lead Managers following the Bookbuild, as announced via NZX (and available on the Offer Register) on or about the Rate Set Date.
Joint Lead Managers	means Bank of New Zealand, Forsyth Barr Limited, Jarden Securities Limited and Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch).
LDD	means this Limited Disclosure Document.
Listing Rules	means the listing rules that apply to the NZX Debt Market as amended from time to time.
Master Deed	means the deed poll dated 30 April 2014 executed by SBS Bank constituting, among other things, the Bonds as amended and restated by a Deed of Amendment and Restatement dated 26 September 2017.
Maturity Date	means the "Maturity Date" as specified in section 2 of this LDD "Key Dates and Offer Process".
Minimum Holding	means 5,000 Bonds.
Non-Resident Holder	is defined in section 8 of this LDD "Tax consequences for Overseas Holders".

NRWT	non-resident withholding tax and has the meaning given to it in the Tax Act.
NZX	means NZX Limited.
NZX Debt Market	means the debt security market operated by NZX.
NZX Participant Rules	means the rules that apply to Participants.
Offer	means the Offer of Bonds made in this LDD.
Offer Register	means the online offer register maintained by the Companies Office and the Registrar of Financial Service Providers known as "Disclose" and accessible online at www.disclose-register.companiesoffice.govt.nz , offer number OFR13709.
Opening Date	means the "Opening Date" as specified in section 2 of this LDD " <i>Key Dates and Offer Process</i> ".
Optional Redemption Date	means, in respect of a Bond, the five and a half year anniversary of the Issue Date (being the First Optional Redemption Date) and each Interest Payment Date thereafter.
Participant	means a business accredited by NZX to participate in the markets provided by NZX.
Primary Market Participant	has the meaning given to that term in the NZX Participant Rules from time to time.
Principal Amount	means \$1.00 per Bond.
Rate Set Date	means the "Rate Set Date" as specified section 2 of this LDD " <i>Key Dates and Offer Process</i> ".
RBNZ	means the Reserve Bank of New Zealand.
Regulatory Capital	means capital required for New Zealand regulatory purposes as further described in section 9 of this LDD " <i>Information about SBS Bank</i> ".
Regulatory Event	has the meaning given to that term in the Master Deed.
RWT	means Resident Withholding Tax and has the meaning given to it in the Tax Act.
SBS Bank (we, us, or our)	means Southland Building Society trading as SBS Bank.
Senior Bonds	means the unsecured, fixed rate, medium term, senior bonds issued by SBS Bank under the Master Deed and supplemental deeds dated 28 February 2022 and 28 August 2023.
Senior Creditors	means (in SBS Bank's liquidation) all of SBS Bank's preferred and secured creditors, deposits (issued without redeemable shares, including the Senior Bonds), other unsecured debt (such as redeemable shares which SBS Bank issues in respect of everyday transactional and savings accounts and call and term investments, including accrued interest) and general creditors.
Solvency Certificate	means a certificate signed by not less than two directors of SBS Bank on behalf of all directors, certifying that as at the date of such certificate SBS Bank and the Group is solvent.
Solvency Condition	means a condition set out in the Master Deed requiring SBS Bank to have a current Solvency Certificate before making any interest payments or early repayment of the Principal Amount.
Statutory Management	means that SBS Bank has been declared, on the recommendation of the RBNZ under the Banking (Prudential Supervision) Act, to be in "statutory management", which will mean, among other things, that a Statutory Manager assumes control of SBS Bank.
Statutory Manager	means a person appointed as "statutory manager" on the recommendation of the RBNZ under the Banking (Prudential Supervision) Act to take over control of SBS Bank in Statutory Management.
Supplemental Deed	means the Supplemental Deed dated 5 February 2024 executed by SBS Bank, setting out the principal terms and conditions of the Bonds.
Tax Act	means the Income Tax Act 2007.
Tax Event	has the meaning given to that term in the Master Deed.
Tier 1 and Tier 2	mean (respectively) tier 1 and tier 2 Regulatory Capital as further described in section 9 of this LDD " <i>Information about SBS Bank</i> ".