

**Dated 5 February 2024**

## **SUPPLEMENTAL DEED POLL**

**Southland Building Society**

DEED POLL dated 5 February 2024

MADE BY

SOUTHLAND BUILDING SOCIETY ("SBS Bank")

## INTRODUCTION

- A. This Supplemental Deed Poll is issued pursuant to and subject to the Deed Poll dated 30 April 2014 as amended and restated on 26 September 2017 (**Deed Poll**).
- B. The unsecured, subordinated bonds (**Bonds**), details of which are set out in this Supplemental Deed Poll, are "Subordinated Bonds" as defined and for the purposes of the Deed Poll.

## TERMS

### 1. INTERPRETATION

#### 1.1 In this Supplemental Deed Poll:

- (a) "**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 cannot be determined by reference to Reuters screen 'BKBM', the interest rate will be the rate specified by SBS Bank in good faith.
- (b) "**Arranger**" means Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch) (**Westpac**).
- (c) "**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.
- (d) "**Bookbuild**" means the process expected to take place on the Rate Set Date when certain parties lodge bids for Bonds and on the basis of those bids, SBS Bank and the Joint Lead Managers determine the Issue Margin.
- (e) "**First Optional Redemption Date**" means Wednesday, 22 August 2029.
- (f) "**Fixed Interest Rate**" means the interest rate set and announced by SBS Bank prior to, and applying from, the Issue Date. The Fixed Interest Rate incorporates a margin above the Base Rate.
- (g) "**Issue Margin**" means the percentage rate per annum determined by SBS Bank in consultation with the Joint Lead Managers through the Bookbuild and announced by SBS Bank via NZX on or about the Rate Set Date. While the benchmark for the interest rate

calculation changes to the 3 Month Bank Bill Rate after the First Optional Redemption Date, the Issue Margin remains unchanged.

- (h) **"Joint Lead Managers"** means Bank of New Zealand, Forsyth Barr Limited, Jarden Securities Limited and Westpac.
  - (i) **"Opening Date"** means Monday, 12 February 2024.
  - (j) **"Rate Set Date"** means Thursday, 15 February 2024.
- 1.2 Any capitalised expressions which are used but not defined in this Supplemental Deed Poll bear the same meanings as are given to them by the Deed Poll.

## 2. PRINCIPAL CONDITIONS OF BONDS

- 2.1 The Bonds are issued upon the terms and subject to the conditions set out in the Deed Poll and this Supplemental Deed Poll.
- 2.2 The specific principal terms and conditions of the Bonds are as follows:
- (a) **Type of Bond:** Subordinated, unsecured, redeemable shares issued pursuant to clause 14.1 of the Rules of SBS Bank.
  - (b) **Status of Bond:** Subordinated Bond.
  - (c) **Senior Creditors:** The Bonds rank (in a liquidation) behind the claims of SBS Bank's preferred and secured creditors, unsecured depositors, general creditors and the holders of SBS Bank's everyday redeemable shares which SBS Bank issues in respect of everyday transactional and savings accounts and call and term deposits.
  - (d) **Junior Creditors:** The Bonds rank (in a liquidation) ahead of the claims of SBS Bank's holders of Tier 1 Capital Instruments (or holders of instruments which rank or are expressed to rank equally with any such securities).
  - (e) **Issue Date:** Thursday, 22 February 2024.
  - (f) **Maturity Date:** Tuesday, 22 August 2034.
  - (g) **Scheduled Call Dates:** The Bonds will be callable at the option of SBS Bank on any Interest Payment Date (other than the Maturity Date) which falls on or after five and a half years from the Issue Date for the Bonds (each an **Optional Redemption Date**). The First Optional Redemption Date is 22 August 2029. For the avoidance of doubt, the Bonds are not redeemable at the option of the Holder under any circumstances.
  - (h) **Principal Amount and Issue Price:** \$1.00 per Bond payable in full prior to issue.
  - (i) **Minimum Multiples:** N/A
  - (j) **Maximum Holding:** N/A
  - (k) **Minimum Subscription and Minimum Holding:** \$5,000.00 and multiples of \$1,000 thereafter.
  - (l) **Interest Rate:** The Bonds pay a fixed rate of interest at the Fixed Interest Rate until the First Optional Redemption Date (being the five and a half year anniversary of the Issue Date of the

Bonds) 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.

From the First Optional Redemption Date, being 22 August 2029, the Bonds pay a floating rate of interest. The floating interest rate applicable to each Interest Period will:

- (i) be reset quarterly and apply from the first day of each Interest Period; and
- (ii) 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.

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.

- (m) **Issue Margin:** The Issue Margin applicable for the Fixed Interest Rate period is the same as the Issue Margin applicable during the Floating Interest Rate period.

The indicative Issue Margin will be determined by SBS Bank in conjunction with the Joint Lead Managers and announced via NZX on or about the Opening Date (12 February 2024).

The Issue Margin will be determined by SBS Bank in conjunction with the Joint Lead Managers following the Bookbuild and announced via NZX on or about the Rate Set Date.

The Fixed Interest Rate will be announced by SBS Bank via NZX on or about the Rate Set Date.

- (n) **Payment of Interest:** 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).

The first Interest Payment Date is 22 May 2024.

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).

Payments on the Bonds will be made to the persons who are the registered Holders of the Bonds as at the Record Date immediately preceding that Interest Payment Date.

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.

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.

- (o) **Record Date:** 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) **Listing:** SBS Bank intends to quote the Bonds on the New Zealand Debt Market (NZDX). It is expected that quotation of the Bonds on the NZDX will occur on Friday, 23 February 2024.
- (q) **Transfers of the Bonds:** SBS Bank may decline to accept or register a transfer of the Bonds if the transfer would result in the transferor or the transferee holding or continuing to hold Bonds with a Principal Amount of less than \$5,000 (if not zero) or if the transfer is not a multiple of \$1,000.
- (r) **Cancellation of the Bond:** Not applicable.
- (s) **Regulatory and Tax Calls:** SBS Bank may redeem all or any of the Bonds by repayment of the Principal Amount early if a Regulatory Event or a Tax Event occurs. In summary:
  - (i) A Regulatory Event would occur if SBS Bank 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), SBS Bank's treatment of the Bonds as Tier 2 Regulatory Capital of SBS Bank is adversely affected, or will be adversely affected.
  - (ii) A Tax Event would occur if SBS Bank 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 SBS Bank's costs in respect of the Bonds.

However, SBS Bank must first obtain the RBNZ's consent to any early redemption.
- (t) **Loss Absorbing:** The Bonds are not "Loss Absorbing Bonds" as defined in the Deed Poll. While they have loss absorbing features, the key feature of "Loss Absorbing Bonds" in the Deed Poll is that they are subject to a write-down mechanism in clause 6, which does not apply to these Bonds.
- (u) **Other:**
  - (i) SBS Bank may only pay Interest and make early repayments of the Principal Amount in respect of the Bonds if SBS Bank and the SBS Banking Group are certified (by 2 SBS Bank directors on behalf of the full SBS Bank Board of Directors) as meeting the Solvency Test. Any such Solvency Certificate must not be dated more than 100 days prior to the due date for the payment of Interest or repayment of Principal Amount (as the case may be). Accordingly, once a Solvency Certificate has been provided, SBS Bank will be entitled to make Interest payments and early repayments of Principal Amount for a maximum of 100 days from the date of that Solvency Certificate (or any subsequent Solvency Certificate which is provided). In any case where Interest payments or repayments of the Principal Amount are suspended, the failure to make any such payment will not be a default by SBS Bank.

If, at any time after a Solvency Certificate has been provided, the SBS Bank Board of Directors ceases to be satisfied on reasonable grounds that SBS Bank and/or the SBS Banking Group will be able to meet the Solvency Test immediately after payment of any Interest or early repayment of any Principal Amount, then any such payments of Interest or early repayments of Principal Amount will be suspended.

In the event that payments are suspended, SBS Bank will subsequently be permitted to pay the suspended amounts, but only if SBS Bank and the SBS Banking Group will be able to meet the Solvency Test after payment of the suspended amounts has been made.

- (ii) The Bonds (subject to the provisions of SBS Bank's Rules) carry voting rights at meetings of SBS Bank's members and also carry the right to equally participate in any surplus assets of SBS Bank which remain in a liquidation after all of SBS Bank's prior commitments have been satisfied.
- (iii) **Issuer Rating:** BBB (Fitch).
- (iv) **Issue Rating of the Bonds:** BB+ (Fitch).
- (v) **Amendments to the Deed Poll:**
  - (1) The following is added as subparagraph (c) of the definition of Holder in clause 1.1 of the Deed Poll:
    - (c) Voting at meetings of SBS Bank's members can only be exercised by Holders in accordance with the SBS Bank Rules. For the purposes of voting at meetings of SBS Bank members only (i.e. not at Bondholder meetings), the Holder of both a Lodged Bond and an Unlodged Bond is the person whose name is entered in the Register as the holder of that Bond (in which regard any information, certificate or any other document issued by the Agent, whether in writing, orally, electronically or by any other means of communication whatsoever, regarding ownership of any such Bond to be conclusive and binding for all purposes).
  - (2) Clause 1.5 of Schedule 2 of the Deed Poll is deleted and replaced with the following wording:

*1.5 "SBS Bank will at the request in writing of Holders holding not less than 5% of the aggregate Principal Amount of the Outstanding Bonds convene a meeting of the Holders. The request shall state the nature of the business proposed to be dealt with at the meeting concerned".*
  - (3) Clause 4.2 of Schedule 2 of the Deed Poll is deleted and replaced with the following wording:

*4.2 The quorum for passing an Extraordinary Resolution will be Holders present in person or by Representative holding or representing 75% in Principal Amount of the Bonds.*
  - (4) Clause 14.1 of Schedule 2 of the Deed Poll is deleted and replaced with the following wording:

*14.1 The expression "Extraordinary Resolution" means a resolution passed at a meeting of the Holders duly convened and held in accordance with the provisions herein contained, where persons holding at least 75% of the*

*Principal Amount of the Outstanding Bonds who are entitled to vote, vote in favour of the resolution.*

- (5) Clause 16.1 of Schedule 2 of the Deed Poll is deleted and replaced with the following wording:

*16.1 **Resolution:** anything that may be done by Holders by a resolution (other than an Extraordinary Resolution) passed at a meeting of Holders may be done by a resolution in writing signed by not less than 75% of the Holders having the right to vote on that resolution, holding in aggregate Bonds conferring the right to cast not less than 75% of the votes which could be cast on that resolution.*

- (6) A new Clause 16.2 of Schedule 1 of the Deed Poll is added as follows:

*16.2 **Extraordinary Resolution:** anything that may be done by Holders by an Extraordinary Resolution passed at a meeting of Holders may be done by a resolution in writing signed by persons holding at least 75% of the Principal Amount of the Outstanding Bonds, who are entitled to vote on the resolution.*

- (7) Clauses 16.2 and 16.3 of Schedule 2 of the Deed Poll shall be re-numbered clauses 16.3 and 16.4 respectively.

- (8) Clause 14.3(a) of the Deed Poll is amended as indicated by adding the following underlined wording:

*(a) without the consent of any Holder where such amendment is of a minor or technical nature or will not be of any prejudice to the Holders or is expressed to be inapplicable 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 NZDX Market.*

#### EXECUTION

**SIGNED** as a deed by **SOUTHLAND BUILDING SOCIETY** under its common seal:

In the presence of:



Signature of director 5 Feb, 2024 8:22:31 AM GMT+13

LM Robertson

Name of director



Signature of director 5 Feb, 2024 8:20:15 AM GMT+13

AJ O'Connell

Name of director

