

# SBS Bank Retail Bond Offer.



 **FORSYTH BARR**

Investor Presentation // August 2023.

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# Important Notice and Disclosure



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## 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 presentation. NZX is a licensed market operator, and the NZX Debt Market is a licensed market under the FMCA.

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Offer Highlights.

# Offer Highlights

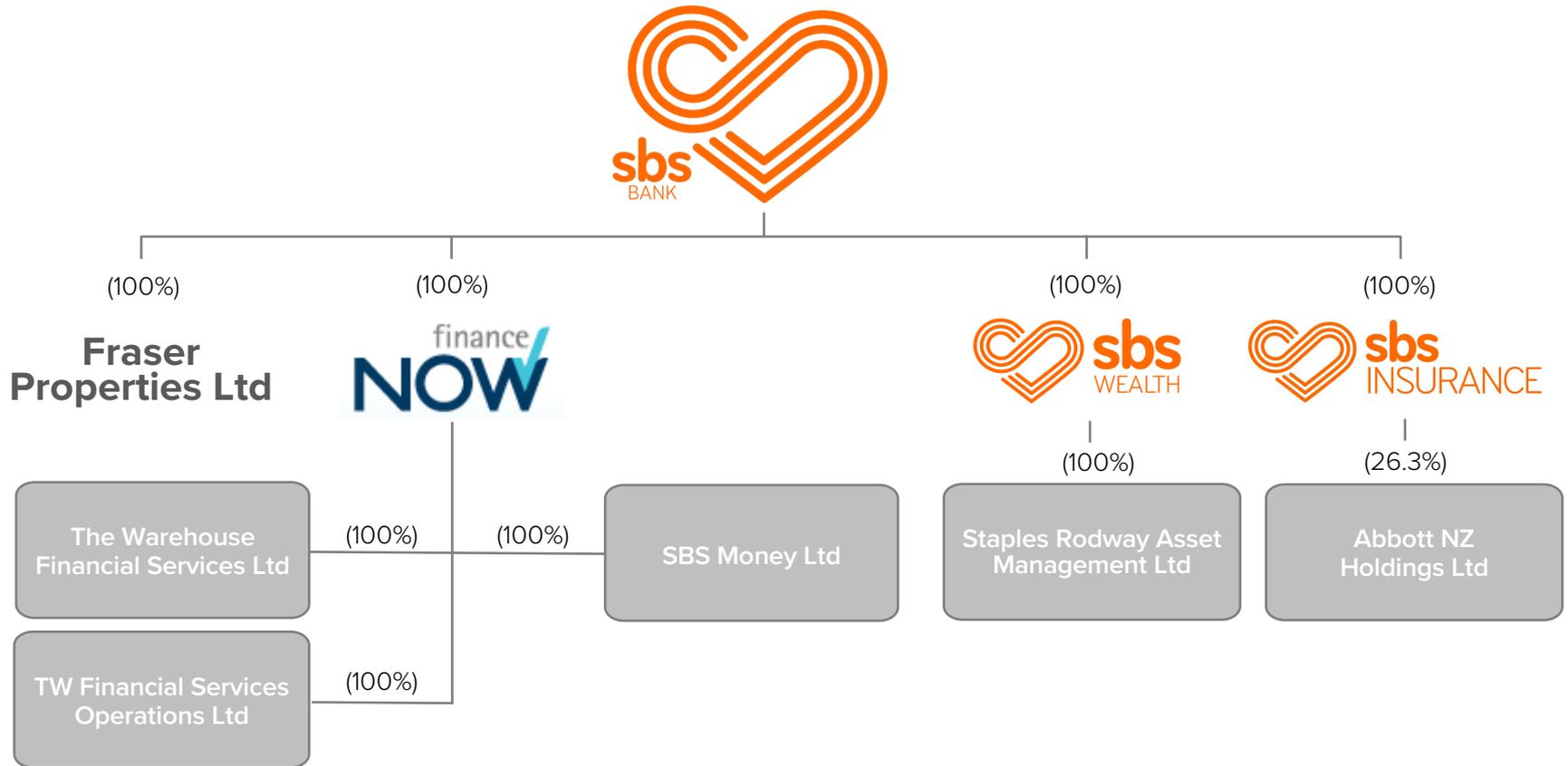


<b>Issuer</b>	Southland Building Society, trading as SBS Bank.
<b>Description</b>	Unsecured, senior, fixed rate bonds ( <b>Bonds</b> ).
<b>Expected Issue Credit Rating of the Bonds</b>	BBB+ by Fitch Australia Pty Limited ( <b>Fitch</b> ).
<b>Term &amp; Maturity</b>	5.5 years maturing on 7 March 2029.
<b>Offer Amount</b>	Up to \$125,000,000 (with the ability to accept oversubscriptions of up to an additional \$50,000,000 at SBS Bank's discretion).
<b>Purpose</b>	The purpose of this Offer is to raise funds which will be used by SBS Bank for general corporate purposes, including making loans available to SBS Bank customers.
<b>Quotation</b>	<p>Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating to that quotation that can be complied with on or before the date of distribution of the Terms Sheet, have been complied with. However, the Bonds have not yet been approved for trading and NZX accepts no responsibility for any statement in the Terms Sheet.</p> <p>NZX is a licensed market operator, and the NZX Debt Market is a licensed market, under the FMCA.</p> <p>Ticker code SBS020 has been reserved for the Bonds.</p>
<b>Joint Lead Managers</b>	Forsyth Barr and Westpac.

The background features a large, stylized logo for SBS. The logo is composed of thick, light-orange lines. On the left, there are several concentric, overlapping curved lines that form a partial circle. On the right, there are several parallel, downward-pointing chevron-like shapes. The entire logo is centered on a solid orange background.

# SBS Overview.

# SBS Group Structure

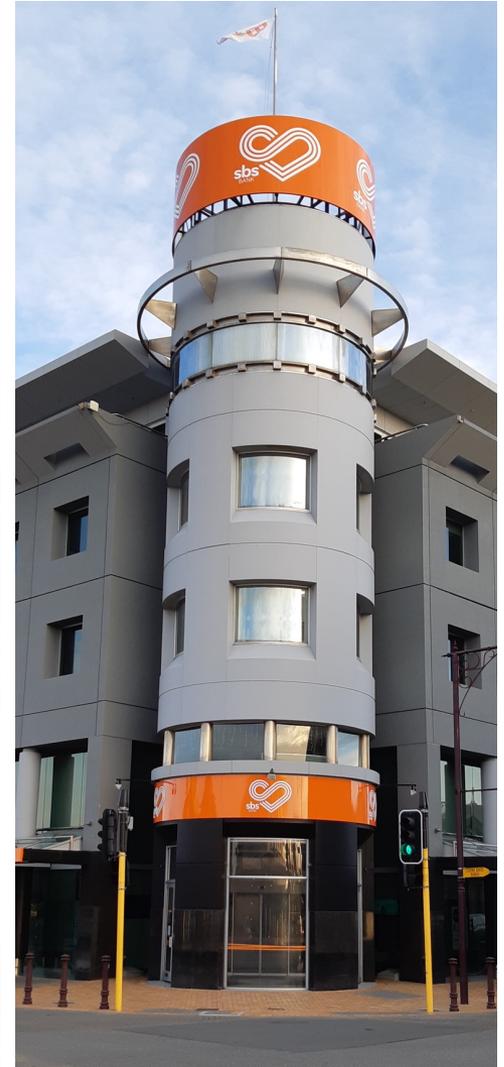


- SBS Group provides a broad range of products and services including retail banking, funds management, financial advisory services, insurance, and consumer lending.
- \$6.0 billion total assets as at 31 March 2023.
- Structure diagram excludes various securitisation trusts.
- Other associates - Your Car NZ Limited 9.9% (online vehicle purchase platform), Raizor Global Ltd 16% (social enterprise).

# Network



- ▶ 14 bank branches across the country.
- ▶ 1 virtual bank branch (based in Invercargill) for out of branch areas.
- ▶ Finance Now Limited (FNL) offices in Invercargill and Auckland.
- ▶ SBS Insurance head office in Invercargill.
- ▶ SBS Wealth offices in Wellington and Christchurch.



# Our Strategic Proposition



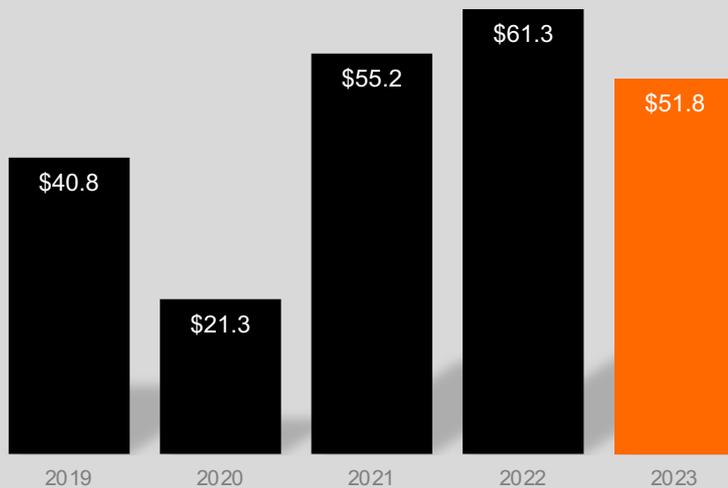
- ▶ Commitment to mutuality.
- ▶ Focus on residential lending at bank level.
- ▶ FirstHome Combo aimed at leveraging group strengths and providing tangible member benefit.
- ▶ Continuing focus on simplification and retooling of existing products.
- ▶ Continued digital and data development and functionality for:
  - Lending
  - Term Investments
  - Transactional accounts
- ▶ Continued strong consumer lending proposition.
- ▶ Commitment to our people, their engagement, development and well-being.
- ▶ Sustainability is at the heart of SBS.



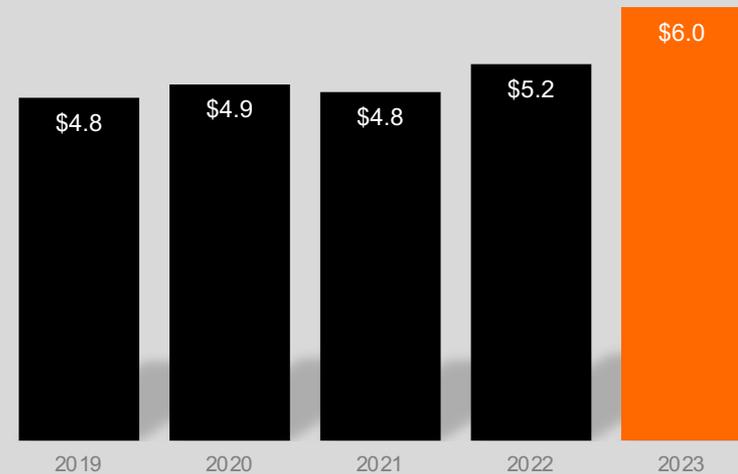


# Financials.

## Operating Surplus (Million)



## Total Assets (Billion)



### As at 31 March 2023:

- Operating surplus of \$51.8 million.
- SBS Bank regulatory capital increased to \$474.0 million (up from \$465.3 million, 31 March 2022).
- Outlook for FY24 – strong profitability and asset growth.

### As at 31 March 2023:

- Retail deposits \$4.2 billion.
- Loan advances \$5.0 billion.
- Total assets \$6.0 billion.

# 2023 Results at a Glance



## Income Statement

All in \$'000's

	31/03/2023	31/03/2022	31/03/2021	31/03/2020	31/03/2019
Interest income	287,452	192,337	216,375	254,542	246,803
Interest expense	48,466	21,746	31,073	37,156	26,191
Dividends on redeemable shares	98,326	37,401	66,101	98,249	104,851
	146,792	59,165	97,174	135,405	131,042
<b>Net interest income</b>	<b>140,660</b>	<b>133,172</b>	<b>119,201</b>	<b>119,137</b>	<b>115,761</b>
Net fee and commission income	24,557	24,785	24,511	24,844	24,450
Other income	5,766	5,868	7,546	10,406	12,369
<b>Total operating income</b>	<b>170,983</b>	<b>163,825</b>	<b>151,258</b>	<b>154,387</b>	<b>152,580</b>
Operating expenses	106,557	96,567	91,423	96,092	96,299
Credit impairment losses	12,671	5,977	4,641	36,973	15,443
<b>Operating surplus</b>	<b>51,755</b>	<b>61,281</b>	<b>55,194</b>	<b>21,322</b>	<b>40,838</b>
Net gain/(loss) from financial instruments at fair value through profit or loss	(32)	(207)	729	(269)	193
Share of associates profit net of tax	1,230	819	1,203	1,274	1,202
<b>Surplus before income tax</b>	<b>52,953</b>	<b>61,893</b>	<b>57,126</b>	<b>22,327</b>	<b>42,233</b>
Less income taxation expense	14,711	17,030	15,987	3,576	11,415
<b>Net surplus</b>	<b>38,242</b>	<b>44,863</b>	<b>41,139</b>	<b>18,751</b>	<b>30,818</b>
<b>Attributed to:</b>					
Members' interests	38,242	44,863	41,139	18,626	30,503
Non-controlling interests	-	-	-	125	315
	<b>38,242</b>	<b>44,863</b>	<b>41,139</b>	<b>18,751</b>	<b>30,818</b>

- Annual interest margin 2.60% (down from 2.73% March 2022).
- Decline in operating surplus due to the combined effects of lower interest margin and the non-recurrence of credit provision releases that occurred in the prior year.

## 2023 Results at a Glance (cont.)



### Statement of Financial Position

All in \$'000's

	31/03/2023	31/03/2022	31/03/2021	31/03/2020	31/03/2019
<b>Assets</b>					
Liquid assets and securities	758,138	645,944	679,854	675,578	686,451
Advances to customers	5,024,728	4,400,578	4,036,055	4,138,394	3,977,488
Other assets	221,890	173,273	120,437	127,556	90,579
	<b>6,004,756</b>	<b>5,219,795</b>	<b>4,836,346</b>	<b>4,941,528</b>	<b>4,754,518</b>
<b>Liabilities</b>					
Redeemable shares	4,096,601	3,337,489	3,361,335	3,378,387	3,236,987
Deposits from customers	69,007	131,980	191,151	134,655	144,106
Medium term notes	148,924	148,597	-	-	-
Commercial paper	346,284	345,891	344,422	336,592	298,417
Due to other financial institutions	668,065	600,797	341,019	540,517	538,694
Subordinated redeemable shares	64,221	105,330	105,574	103,865	132,003
Other liabilities	105,468	86,759	104,129	116,224	78,978
	<b>5,498,570</b>	<b>4,756,843</b>	<b>4,447,630</b>	<b>4,610,240</b>	<b>4,429,185</b>
<b>Equity</b>					
Attributable to members of the society	506,186	462,952	388,716	331,288	324,360
Attributable to non-controlling interests	-	-	-	-	973
	<b>506,186</b>	<b>462,952</b>	<b>388,716</b>	<b>331,288</b>	<b>325,333</b>

- Lending and funding showing strong growth for the year.
- Growth in wholesale facilities and utilisation of Funding for Lending Programme (FLP).

# Group Funding



	Funding Description	Credit Rating	31 March 2023*
Higher Ranking	Unsecured, senior debt securities which do not include member status of SBS: <ul style="list-style-type: none"> <li>• medium term note programme (SBS010)</li> <li>• commercial paper</li> <li>• deposits from customers which are not issued as redeemable shares (i.e. other deposits)</li> </ul>	BBB+	\$564m**
	Redeemable shares are unsecured securities of SBS Bank and include member status with SBS. These are commonly referred to as retail term deposits and are issued through the Bank's branch network and digital platform.	BBB	\$4,097m
	Subordinated redeemable shares are unsecured, subordinated debt obligations of SBS Bank (Tier 2 Capital), which also include member status.	BB+	\$64m
Lower Ranking	Retained earnings.		\$506m

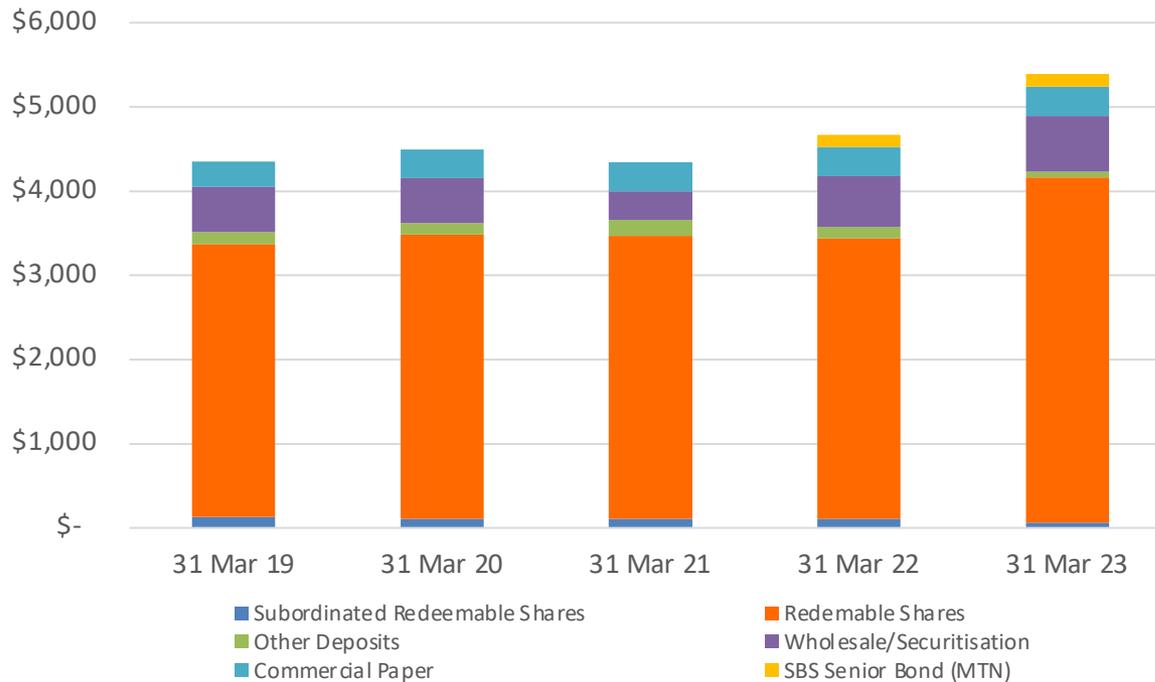
\* Excludes \$668m funding due to other financial institutions which is primarily securitised funding which would be ringfenced in the event of liquidation, and also excludes \$105m other liabilities.

\*\*Note this number does not include any Bonds which may be issued under this Offer.

# Group Funding (cont.)



**SBS Funding Composition** (Millions)



## Diversified Sources of Funding

### Deposits (BBB+)

- Includes Commercial Paper, SBS Senior Bond (MTN) and Other Deposits.

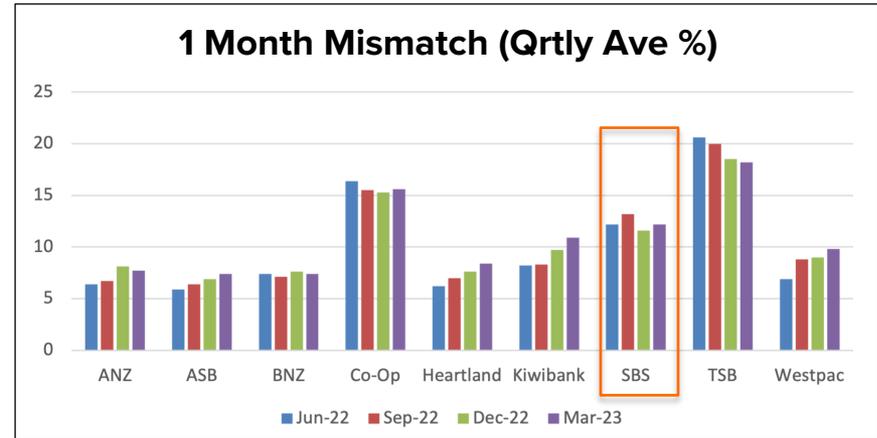
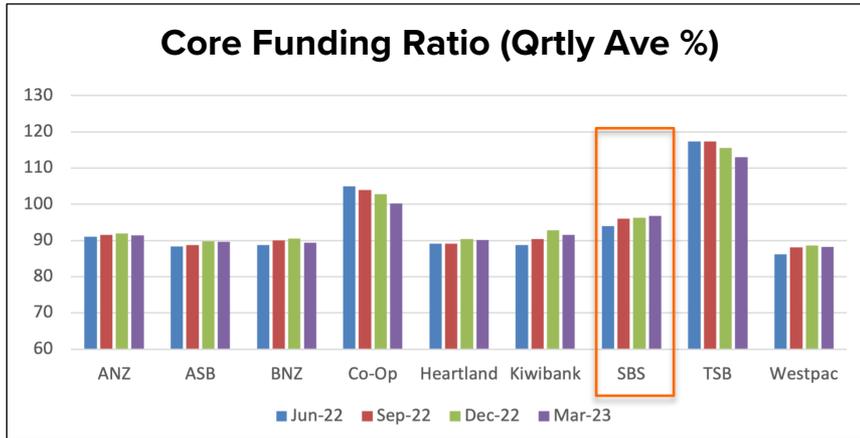
### Redeemable Shares (BBB)

- Rank behind Deposits.

### Subordinated Redeemable Shares (BB+)

- Rank behind Redeemable Shares.

# Liquidity and Funding



## Stable Funding:

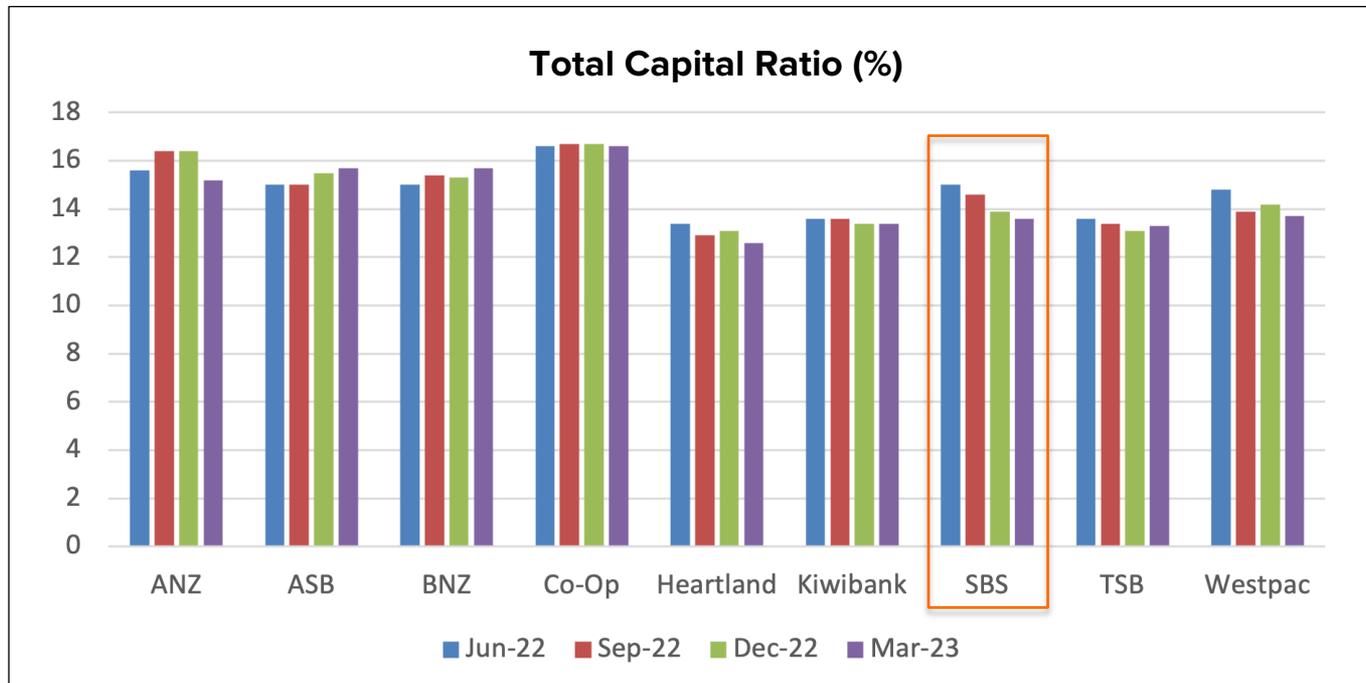
- Core funding ratio > 75%.
- Core funding ratio = 
$$\frac{\text{Customer funding (weighted by deposit size) plus market funding > 1 year to maturity}}{\text{Total loans \& advances}}$$

## Liquid Assets:

- 1 month mismatch ratio shows ability to meet commitments and outflows using primary and secondary liquids and inflows over 1 month.

## RBNZ Liquidity Thematic Review:

- As disclosed in the 31 March 2023 SBS Disclosure Statement, the RBNZ has completed a thematic review of liquidity calculations and banks' compliance with the RBNZ's Liquidity Policy (BS13). The RBNZ has concluded its assessment of SBS compliance with BS13 and determined that at no time have SBS been close to breaching its internal and / or minimum regulatory limits. While a number of areas of non-compliance were identified which were not individually material, the RBNZ has assessed these as material on a collective basis. SBS has a remediation plan in place and it is expected the RBNZ will monitor progress and improvements being implemented to SBS's control framework.



### Capital Growth:

- Provided a buffer of 5.6% over minimum capital ratios at March 2023 with Total Capital Ratio at 13.6%.
- Ratios remain comfortably above regulatory minimums.
- New Tier 2 continuous issuance currently in place via SBS Branch network.
- Monitoring market conditions for further Tier 2 issuances.
- Advanced development with RBNZ and market on CET1 mutual capital instrument.

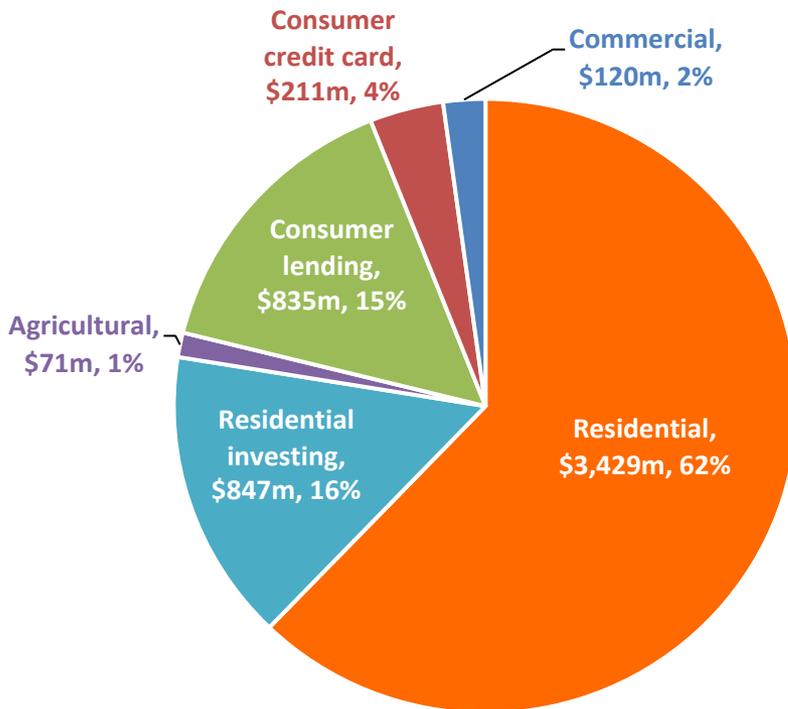
(Chart data source: RBNZ Dashboard).

The background is a solid orange color with a large, faint, abstract graphic. The graphic consists of several concentric, overlapping shapes that resemble stylized circles or loops, rendered in a lighter shade of orange. The shapes are arranged in a way that they seem to flow and connect, creating a sense of movement and depth. The overall effect is a modern, minimalist design.

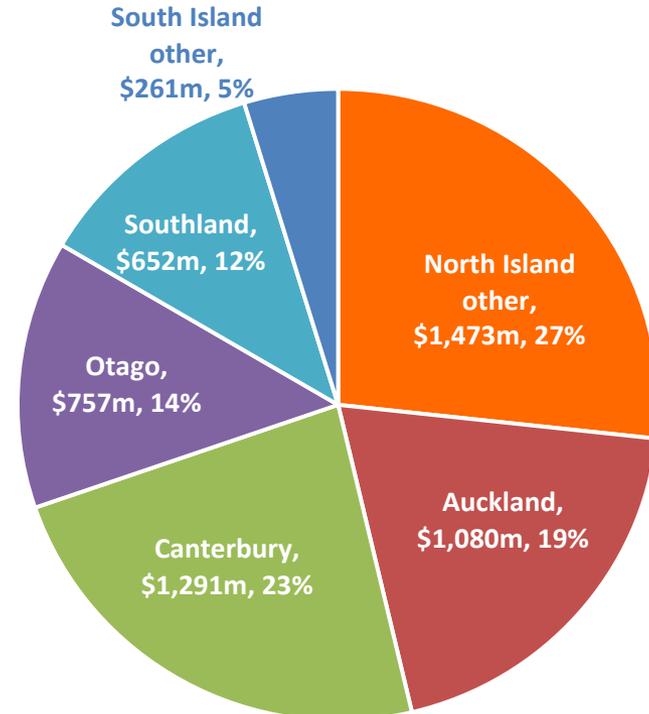
# Loan Portfolio.

# Lending Concentrations

**Loan Commitments by Sector**  
as at 31 March 2023 (\$m)



**Loan Commitments by Geography**  
as at 31 March 2023 (\$m)



- Lending is concentrated in residential property limiting carbon emission exposure from other sectors.
- 54% of total SBS Group lending is in the South Island.
- In excess of 80% of loan advances are secured by first mortgage over real property as a minimum.
- Board review proposals > \$5 million.
- No individual lending advances in excess of 10% of SBS Group equity.

- ▶ Mortgages sourced through branch network, digital network and approved brokers.
- ▶ Full documentation must be supplied for loan applications and supported by:
  - registered first and only mortgages
  - satisfactory credit reports
  - verified evidence of income
  - disclosed expenses (verified and tested against benchmark)
- ▶ Fully compliant with the new affordability assessment required by the updated Credit Contracts and Consumer Finance Act 2003.
- ▶ Conservative net servicing ratio is applied.
- ▶ Conservative LVR – subject to RBNZ High-LVR restrictions including no appetite for non-exempt residential investment lending with LVR >65%.
- ▶ Security valuations independently established via purchase price, third-party automated valuation model, rating valuation or registered valuation (mandatory for residential lending with LVR >80% and high-value security properties).
- ▶ Mandatory requirement for house insurance covering minimum sum insured or replacement value.

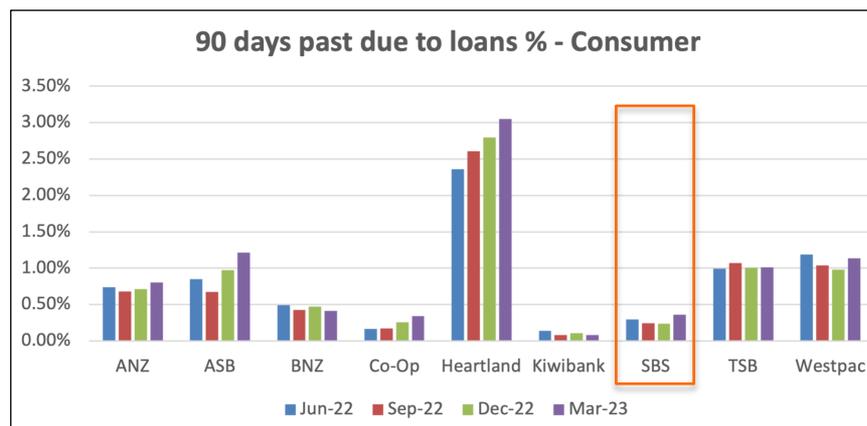
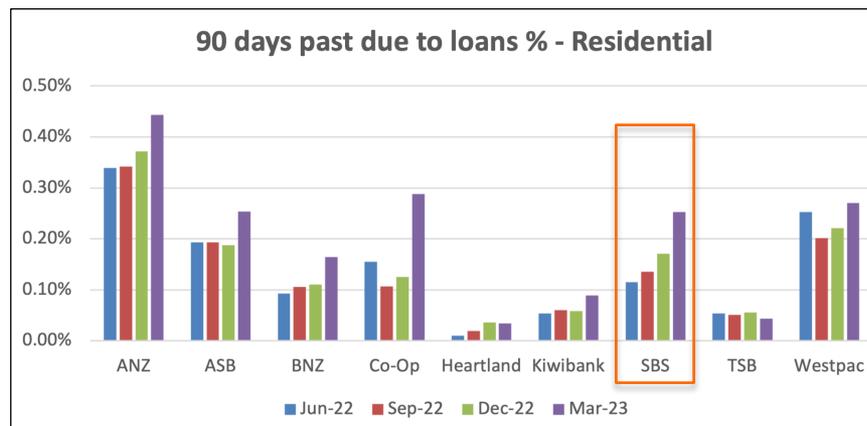
# Asset Quality



## Asset quality – advances to customers

### Banking Group

	31/03/2023	31/03/2022
Neither past due or impaired	4,953,365	4,372,811
Individually impaired amount	1,431	1,209
Past due amount	104,431	58,879
Total provision for credit impairment	(34,499)	(32,321)
<b>Total carrying amount</b>	<b>5,024,728</b>	<b>4,400,578</b>
<b>Ageing of past due but not impaired assets</b>		
Past due 0–29 days	72,257	41,789
Past due 30–59 days	11,931	8,217
Past due 60–89 days	5,800	3,912
Past due 90 days +	14,443	4,961
<b>Carrying amount</b>	<b>104,431</b>	<b>58,879</b>



- No residual impact from Covid-related assistance. The vast majority of those impacted during Covid peak are now resolved. Minimal impact from recent weather events.
- Level of arrears and impairments have increased to be in line with pre-Covid levels.
- 0-29 days past due - 70% of past dues in this bucket are < 10 days.

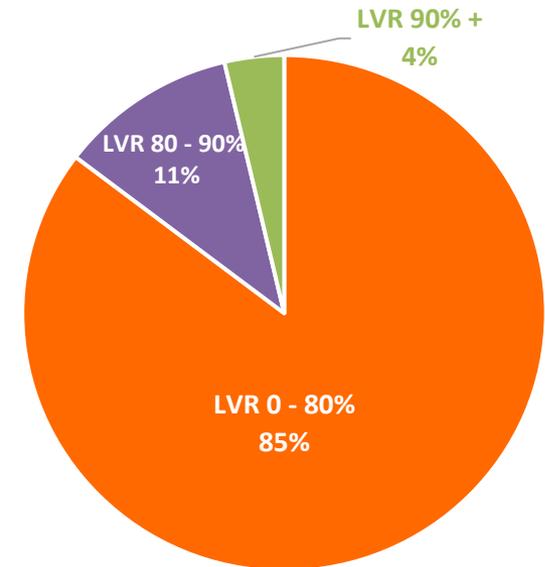
(Chart data source: RBNZ Dashboard).

# Residential Mortgages by LVR



## Residential Mortgages by Loan to Value Ratio as at 31 March 2023.

\$'000	BANKING GROUP			
	On balance sheet		Off balance sheet	
	31/03/2023	31/03/2022	31/03/2023	31/03/2022
LVR range				
0 - 80%	3,454,524	253,566	3,165,419	236,378
80 - 90%	444,830	9,546	364,126	2,350
90% +	148,623	7,879	84,401	1,031
<b>Total residential mortgages</b>	<b>4,047,977</b>	<b>270,991</b>	<b>3,613,946</b>	<b>239,759</b>



- First Home Loans make up 97% of the residential mortgages in the 90%+ loan to valuation grouping as at 31 March 2023 (31 March 2022 96%) and 82% of the 80-90% loan to valuation grouping (31 March 2022 84%).
- The First Home Loan product is insured by Kāinga Ora – Homes and Communities.
- Conservative lending practices maintained.
- Lending commitments managed well within imposed speed limits.

The background features a large, stylized logo for SBS in a light orange color. The logo is composed of several concentric, overlapping lines that form a shape resembling a heart or a stylized 'S'. The lines are thick and have rounded ends, creating a sense of depth and movement. The overall design is clean and modern, set against a solid orange background.

# ESG at SBS.

- ▶ Sustainability has always been at the heart of SBS as an organisation and supporting Members into home ownership and beyond was the reason that we were founded right here in New Zealand over 154 years ago.
- ▶ As part of our Environmental Strategy, SBS is adapting our operations to minimise waste, emissions, and paper use, and to advocate for sustainability throughout our value chain. SBS is embedding environmental and climate risk management throughout its operations.
- ▶ We partner with sustainable housing providers like Kāinga Ora & the Housing Foundation and offer our FirstHome Combo product to allow more New Zealanders find a place to call home.
- ▶ As a part of our Liquidity Management Policy SBS adopts a socially responsible investment policy to avoid direct investment in the arms manufacturing, tobacco and fossil fuel industries among others.



- ▶ SBS Wealth is continuously working to reduce carbon emissions both within its business and its investment portfolio. Working with Toitū, SBS Wealth operations are now certified as having been net carbonzero since 1 April 2019.
- ▶ The Lifestages KiwiSaver High Growth Fund is 60% less carbon intensive than the fund's benchmark while the Lifestages KiwiSaver High Growth Fund is 83% less exposed to fossil fuels than its benchmark. SBS Wealth has begun working with the Responsible Investment Association of Australasia, who will certify SBS Wealth's responsible investing practices in the coming months.
- ▶ SBS Wealth screen to ensure that all the following harmful practices are minimised or excluded from our KiwiSaver Funds:



Military Weapons



Nuclear



Tobacco



Civilian Firearms



Alcohol



Gambling & Casinos



Adult Entertainment

- ▶ SBS Wealth also overweight and targets investments in companies that have good Environmental, Social and Governance practices, or are making a positive impact in areas such as climate solutions and underweight those that aren't.

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Key Information.

# Key Terms of the Offer



<b>Issuer</b>	Southland Building Society, trading as SBS Bank.
<b>Description</b>	Unsecured, senior, fixed rate bonds.
<b>Issuer Credit Rating</b>	BBB by Fitch Australia Pty Limited.
<b>Expected Issue Credit Rating of the Bonds</b>	BBB+ by Fitch.
<b>Term and Maturity</b>	5.5 years maturing on 7 March 2029.
<b>Offer Amount</b>	Up to \$125,000,000 with the ability to accept oversubscriptions of up to an additional \$50,000,000 at SBS Bank's discretion.
<b>Purpose</b>	The purpose of this Offer is to raise funds which will be used by SBS Bank for general corporate purposes, including making loans available to SBS Bank customers.
<b>Interest Rate</b>	<p>The Bonds will pay a fixed rate of interest until the Maturity Date.</p> <p>The Interest Rate as set on the Rate Set Date (Thursday, 31 August 2023) will be equal to the sum of the Base Rate plus the Issue Margin, subject to the minimum Interest Rate of 6.10 per cent per annum.</p> <p>The Interest Rate will be announced by SBS Bank via NZX on Thursday, 31 August 2023 (the Rate Set Date).</p>

## Key Terms of the Offer (cont.)



<b>Issue Margin</b>	The indicative Issue Margin range is 1.40 to 1.55 per cent per annum. The Issue Margin (which may be within, above or below the indicative Issue Margin range) will be determined by SBS Bank in conjunction with the Joint Lead Managers following the bookbuild process and announced via NZX on the Rate Set Date.
<b>Interest Payment Dates</b>	Interest will be paid quarterly in arrear on each Interest Payment Date, being 7 March, 7 June, 7 September, and 7 December in each year, (or if that date is not a Business Day, the next Business Day without adjustment, interest or further payment as a result thereof) until (and including) the Maturity Date. The first Interest Payment Date is 7 December 2023.
<b>Ranking</b>	The Bonds rank equally among themselves, equally with all other present and future unsecured and unsubordinated obligations of SBS Bank and behind secured creditors and liabilities mandatorily preferred by law. The Bonds rank ahead of SBS Bank's redeemable shareholders, subordinated creditors and equity.
<b>Minimum Subscription and Minimum Holding Amounts</b>	The minimum subscription and holding amounts is NZ\$5,000 and multiples of NZ\$1,000 thereafter.
<b>Quotation</b>	Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market. Ticker code SBS020 has been reserved for the Bonds.
<b>Joint Lead Managers</b>	Forsyth Barr and Westpac.

## Key Dates



<b>Opening Date</b>	Monday, 28 August 2023.
<b>Closing Date</b>	Thursday, 31 August 2023, 11:00am (NZ time) or earlier at SBS Bank's discretion.
<b>Rate Set Date</b>	Thursday, 31 August 2023.
<b>Issue Date</b>	Thursday, 7 September 2023.
<b>Expected Date of Quotation and Trading of the Bonds on the NZDX Debt Market</b>	Friday, 8 September 2023.
<b>Interest Payment Dates</b>	7 March, 7 June, 7 September and 7 December in each year during the term of the Bonds.
<b>Maturity Date</b>	Wednesday, 7 March 2029.

**Note:** All dates are indicative only and are subject to change.

# Key Credit Highlights



1

100% profits retained in New Zealand.

2

SBS Senior Bond expected issue credit rating is BBB+

3

Strong prudential ratios.

4

78% of SBS Group Loan Advances are Residential Lending.\*

5

SBS Bonds rank above 79% of Group funding.\*

6

Arrears rates consistently better than industry average.^

\*As at 31 March 2023.

^refer RBNZ Financial Strength Dashboard

# Appendix 1: SBS Board



A J (Joe) O'Connell  
*Chairman*



M J (Mike) Skilling  
*Deputy Chairman*



M P (Mark) O'Connor



K J (Kevin) Murphy



S J (Sarah) Brown



P R N (Phil) Ellison



L M (Linda) Robertson

- The board are the elected representatives of the Members of SBS Bank (Southland Building Society).
- All board members reside in NZ and are independent non-executive directors.

# Appendix 2: SBS Group Executive



**Mark McLean**  
*SBS Group CEO*

**Finance Now**

**SBS Wealth**

**SBS Insurance**

**SBS Bank**



**Hadyn Halls**  
*Finance Now CEO*



**Morne Redgard**  
*SBS Wealth CEO*



**Tony Gaskin**  
*Acting SBS Insurance CEO*



**Jeff Mitchell**  
*Chief Financial Officer*



**Rowena Thompson**  
*Group Chief Risk Officer*



**Shane Evans**  
*Chief Transformation Officer*



**Michael Oliver**  
*(Acting) General Manager Retail*



**Hamish McKenzie**  
*General Manager People & Support*



SOUTHLAND BUILDING SOCIETY  
TRADING AS SBS BANK

# Indicative Terms Sheet.

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

28 AUGUST 2023



Arranger & Joint  
Lead Manager.



**FORSYTH BARR**

Joint Lead Manager.

## Indicative Terms Sheet dated 28 August 2023.

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

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

### Important Notice

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

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

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

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

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

<b>Issuer</b>	Southland Building Society, trading as SBS Bank.
<b>Description</b>	5.5 year unsecured, senior, fixed rate bonds.
<b>Ranking</b>	The Bonds rank equally among themselves, equally with all other present and future unsecured and unsubordinated obligations of SBS Bank, and behind secured creditors and liabilities mandatorily preferred by law. The Bonds rank ahead of SBS Bank's redeemable shareholders, subordinated creditors and equity.
<b>Issuer Credit Rating</b>	BBB by Fitch Australia Pty Limited ( <b>Fitch</b> ). 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.
<b>Expected Issue Credit Rating of the Bonds</b>	BBB+ by Fitch.
<b>Purpose</b>	The purpose of this Offer is to raise funds which will be used by SBS Bank for general corporate purposes, including making loans available to SBS Bank customers.
<b>Currency</b>	The Bonds will be denominated in New Zealand dollars.
<b>Offer Amount</b>	Up to \$125,000,000 (with the ability to accept oversubscriptions of up to an additional \$50,000,000 at SBS Bank's discretion).
<b>Term</b>	5.5 years.
<b>Opening Date</b>	Monday, 28 August 2023.
<b>Closing Date</b>	Thursday, 31 August 2023 at 11:00am (NZ time) or earlier at SBS Bank's discretion.
<b>Rate Set Date</b>	Thursday, 31 August 2023.
<b>Issue Date</b>	Thursday, 7 September 2023.

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

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

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

Copies of the Trust Documents and SBS’s latest financial information contained in its disclosure statements, are available at SBS Bank’s website at [sbsbank.co.nz/About-Us/Annual-Reports-and-Disclosures](https://www.sbsbank.co.nz/About-Us/Annual-Reports-and-Disclosures).

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

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

For further information regarding SBS Bank, visit [nzx.com/companies/SBS](https://www.nzx.com/companies/SBS).

# Important Information.

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

## Issuer

### **SBS Bank**

51 Don Street  
Invercargill 9810

## Securities Registrar

### **Computershare Investor Services Limited**

Level 2, 159 Hurstmere Road  
Takapuna  
Auckland 0622

## Arranger and Joint Lead Manager

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

Level 8, 16 Takutai Square  
Auckland 1010

## Joint Lead Manager

### **Forsyth Barr Limited**

Level 23, Shortland & Fort  
88 Shortland Street  
Auckland 1010

# Schedule.

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

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

## Member States of the European Economic Area

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

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

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

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

## United Kingdom

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

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

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

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

## Other regulatory restrictions

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

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

## Singapore

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

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

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

## Australia

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

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

unless:

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

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

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

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

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

### Hong Kong

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

### Japan

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

### United States of America

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

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

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

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

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

### Indemnity

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