

Southland Building Society Limited Disclosure Document

For an offer of Subordinated Redeemable Shares - the
SBS Capital Bond

29 September 2017

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.business.govt.nz/disclose, offer number OFR11977. Southland Building Society has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you make an investment decision.



Section 1 - Key Information Summary

What is this?

This is an offer of unsecured, subordinated, loss-absorbing, redeemable shares ("**SBS Capital Bonds**"). SBS Capital Bonds are debt securities issued by Southland Building Society (the "**Bank**", "we", "us" or "our"). You give us money, and in return we promise to pay you Interest and repay the money at the end of the term. If we run into financial trouble, you might lose some or all of the money you invested.

SBS Capital 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, they are loss-absorbing and they carry the right to vote and participate in surplus assets of the Bank on a liquidation.

Warning – If we experience financial difficulty, the SBS Capital Bonds can be written-off completely. This means that you could lose all of your investment.

About Southland Building Society

Established in 1869 (under the Building Societies Act 1965), Southland Building Society, trading as SBS Bank, has been successfully operating for 148 years. We became a registered bank on 7 October 2008 under the Reserve Bank of New Zealand Act 1989 (the "**Reserve Bank Act**"). 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, financial advisory services, and insurance through our subsidiaries Funds Administration New Zealand Limited and Southsure Assurance Limited (respectively) and consumer and motor finance through our subsidiary Finance Now Limited.

Information about us and our financial statements are published in disclosure statements required under the Reserve Bank Act. Our disclosure statements are available at www.sbsbank.co.nz/about-us/sbs-bank/financial-information-and-disclosure-statements.

Purpose of this offer

Registered banks are required to maintain Regulatory Capital at certain minimum levels in order to meet losses if the bank encounters financial difficulties. The purpose of this offer, and the money raised under it, will be used to support continued growth and will be treated by us 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 3 of this LDD "Purpose of the Offer" on page 7.

Key Terms of the Offer

Description	The SBS Capital Bonds are unsecured, subordinated, loss-absorbing, debt securities which are issued as redeemable shares. The SBS Capital Bonds qualify as Tier 2 Regulatory Capital.
Term	10 years (subject to early redemption by us).
Early redemption	<p>We may repay the Principal Amount of your SBS Capital Bonds (together with accrued Interest):</p> <ul style="list-style-type: none"> • On any SBS Optional Redemption Date (being the fifth anniversary of the Issue Date of your SBS Capital Bonds) and each quarterly Interest Payment Date thereafter; and • If a Regulatory Event or a Tax Event occurs, <p>provided that we give you notice of the early repayment and receive approval of the early repayment from the RBNZ. The SBS Capital Bonds are not quoted/listed (so there is no established market for selling them) and there is no right for the Holder to redeem them at any time. More information about early repayment can be found in section 2 of this LDD "Key Terms of the Offer" on page 6.</p>
Key features	<p>SBS Capital 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 us in some situations, with the approval of the RBNZ; • They are loss-absorbing which means that they may be written-off; and • They give Holders the right to: <ul style="list-style-type: none"> o vote at meetings of members of the Bank; and o participate (equally with all other members of the Bank) in surplus assets of the Bank on a liquidation (subject to any write-offs under the loss absorption features).
Minimum holding	The minimum application amount for SBS Capital Bonds is \$10,000.

Interest rate	<p>The interest rate for the first five years from the Issue Date will be fixed. The fixed interest rate for your SBS Capital Bonds will be the fixed interest rate announced by us prior to, and applying on, your Issue Date. The current fixed interest rate for the SBS Capital Bonds can be found on the Offer Register at www.business.govt.nz/disclose.</p> <p>After the first five years, the interest rate for each Interest Period (3 months) will:</p> <ul style="list-style-type: none"> • Be set and advised to you by us; • Apply from the first day of each Interest Period; and • Be based on the BKBM Rate (applying at the time the interest rate is set) and a margin which will be set by the Bank and notified to you prior to your Issue Date.
Interest payments	<p>Interest will be paid on each Interest Payment Date (which is each quarterly (3 monthly) date, calculated from your Issue Date). We will only pay Interest if the Bank is solvent on the relevant Interest Payment Date. Where any Interest is not paid for this reason, it remains owing by us. Any Interest which is due but unpaid due to insolvency will be payable on the first Business Day on which the Bank is solvent. Payments are subject to the Business Day convention described in section 2 of this LDD “<i>Terms of the Offer</i>” on page 5.</p>
Subordination	<p>The SBS Capital Bonds are unsecured, subordinated obligations of the Bank, meaning that if we go into liquidation, you will not be entitled to any payment of the Principal Amount of your SBS Capital Bonds, or interest thereon, until all our Senior Creditors (including preferred creditors, depositors and the holders of our everyday redeemable shares) have been paid in full.</p>
Loss absorbency	<p>The SBS Capital Bonds are loss-absorbing which means that if we encounter financial difficulty, the SBS Capital Bonds may be written-off in part or in full. Any Principal Amount which is written-off will not be repaid to you by us and no further Interest will be paid by us on that amount. This could occur if there is a Write-down Event (which occurs by direction of the RBNZ or a statutory manager). More information about the loss absorbency features of the SBS Capital Bonds can be found in section 4 of this LDD “<i>Key Features of the SBS Capital Bonds</i>” on page 8.</p>
Rights of members	<p>The SBS Capital Bonds give Holders the right to vote at meetings of members of the Bank and participate (equally with all other members of the Bank) in surplus assets of the Bank on a liquidation (subject to any write-offs under the loss absorption features).</p>
Brokerage	<p>You are not required to pay brokerage or any charges to us in connection with your application for SBS Capital Bonds. However, you may have to pay a brokerage fee or commission and other applicable fees to any person who recommends the investment to you or who arranges the application for you.</p>
Offer Opening Date	<p>2 October 2017.</p>
Closing date	<p>This is a continuous issue LDD and accordingly, there is no closing date.</p>
Issue date	<p>SBS Capital Bonds will be issued as soon as practicable upon us accepting your application (generally within 24 hours).</p>

No guarantee

The SBS Capital Bonds are not guaranteed by any member of the Group or any other person and we are solely responsible for repayment of the Principal Amount of the SBS Capital Bonds (including Interest thereon).

How you can get your money out early

You have no ability to require us to redeem/repay the Principal Amount of your SBS Capital Bonds early (or any accrued Interest).

We do not intend to quote these SBS Capital Bonds on a market licensed in New Zealand and there is no other established market for trading them. This means that you may not be able to sell your SBS Capital Bonds before the end of their term.

We may, at our option, repay the Principal Amount of your SBS Capital Bonds early as described under the heading “*Early redemption*” above.

How the SBS Capital Bonds rank for repayment

If we go into liquidation, you will not be entitled to any payment of the Principal Amount or Interest thereon, until all our Senior Creditors (including preferred creditors, depositors and the holders of everyday redeemable shares) have been paid in full. The Premier Bonds and any other SBS Capital Bonds will rank equally with your SBS Capital Bonds.

Given the loss-absorbing nature of the SBS Capital Bonds, it is likely, in the event of a liquidation, that the SBS Capital Bonds will have been written-off (and to the extent that this is the case, the right to participate in surplus assets on liquidation will not apply).

More information regarding how the SBS Capital Bonds will rank on a liquidation of the Bank and the circumstances in which a write-off may occur, can be found in section 4 of this LDD “*Key Features of the SBS Capital Bonds*” on page 8 and a table showing the ranking of the SBS Capital Bonds in the event of a

liquidation of the Bank (and assuming that the SBS Capital Bonds have not been written-off (in full or part)) can be found on the Offer Register at www.business.govt.nz/disclose, offer number OFR11977.

No security

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

Key risks affecting this investment

If we experience financial difficulty, the SBS Capital Bonds may be written-off (see Section 2 of this LDD “*Terms of the offer*” on page 6 for more information). You will not have any choice as to whether a write-off occurs and you may not have a chance to sell your SBS Capital Bonds before the write-off. If the SBS Capital Bonds are written-off in part or in full you will lose some or all of your 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 5 of this LDD “*Risks of Investing*” on page 10 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 SBS Capital 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. We consider that the most significant risk factors are:

- Risks associated with our lending activities including default by our borrowers. The Bank’s predominant activity is the provision of residential first mortgage finance, which is undertaken throughout New Zealand. As such, the economic performance of the New Zealand residential market will affect how this risk

impacts on the Bank. Where serious and adverse changes occur in the residential market, widespread default becomes more likely. If widespread default occurs, this could impact on the Bank’s ability to meet its financial commitments.

- Risks associated with the Bank’s funding. The Bank’s sources of funding include funding from retail deposits and financial institutions. Serious and adverse economic conditions could impact on the Bank’s sources of funding, including the Bank’s ability to access funding and/or interest rates at which the Bank can borrow and/or lend money. The Bank’s relative size and its mutual status impact how this risk affects the Bank.

This summary does not cover all of the risks of investing in SBS Capital Bonds. You should also read section 5 of this LDD “*Risks of Investing*” and section 4 “*Key Features of the SBS Capital Bonds*”.

What is the Bank’s 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 the Bank and the SBS Capital Bonds have been rated by Fitch Ratings Inc (“**Fitch**”). The SBS Capital Bonds have a credit rating of BBB-. The Bank’s credit rating is BBB with a stable outlook. The credit rating for the SBS Capital Bonds is lower than our credit rating because the SBS Capital Bonds are subordinated obligations of the Bank.

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

Credit rating ¹	Description of the rating	Probability of default ²
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 The SBS Capital Bonds’ credit rating is 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
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 - Terms of the Offer

Issuer	Southland Building Society, trading as SBS Bank.
Description	The SBS Capital Bonds are unsecured, subordinated, loss-absorbing, debt securities which are issued as redeemable shares. The SBS Capital Bonds qualify as Tier 2 Regulatory Capital.
Opening Date	The offer opens on 2 October 2017. This is a continuous issue LDD and accordingly, there is no closing date. However, we may determine to close (and/or to re-open) this offer at any time, in our discretion.
Issue price and Principal Amount	The SBS Capital Bonds will be issued at \$1.00 per bond, which is also the Principal Amount.
Term and Maturity Date	10 years, maturing on the tenth anniversary of the Issue Date (subject to our right to redeem the SBS Capital Bonds on any SBS Optional Redemption Date).
Key features	<p>SBS Capital 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 us in some situations, with the approval of the RBNZ; • They are loss-absorbing which means that they may be written-off; and • They give Holders the right to: <ul style="list-style-type: none"> o vote at meetings of members of the Bank; and o participate (equally with all other members of the Bank) in surplus assets of the Bank on a liquidation (subject to any write-offs under the loss absorption features).
Interest rate	<p>The interest rate for the first five years from the Issue Date will be fixed. The fixed interest rate for your SBS Capital Bonds will be the fixed interest rate announced by us prior to, and applying on, your Issue Date. The current fixed interest rate for the SBS Capital Bonds can be found on the Offer Register at www.business.govt.nz/disclose.</p> <p>After the first five years, the interest rate applicable to each Interest Period (3 months) will:</p> <ul style="list-style-type: none"> • Be set and advised to you by us (by notice in writing (including electronically) and available on internet banking and on our website); • Apply from the first day of each Interest Period; and • Be based on the BKBM Rate (applying at the time the interest rate is set) and a margin which will be set by the Bank and notified to you prior to your Issue Date. <p>Investors in SBS Capital Bonds may have different Issue Dates and, therefore, different Interest Payment Dates and Interest Periods commencing and ending on different dates. Holders of SBS Capital Bonds under this LDD may, at any time, be on different floating interest rates. Fluctuations in the floating rate (due to fluctuations in the BKBM Rate) could have a different effect on Holders depending on when their Interest Payment Dates fall.</p>
Interest Payments	<p>Interest will be paid on each quarterly date (calculated from the Issue Date) which is the first day after each Interest Period (each an “Interest Payment Date”).</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>Interest payable on each Interest Payment Date will be calculated 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 solvency requirements.</p> <p>Any interest not paid because we are not solvent, remains owing by us. That unpaid interest will also accrue interest. That interest will be payable on the first Business Day on which the Bank is solvent.</p>
Business day convention	Where any payment on the SBS Capital Bonds is due on a date which is not a Business Day, that payment will be made on the next Business Day.
Entitlement to payments	Payments on the SBS Capital Bonds will be made to the persons who are the registered Holders of the SBS Capital Bonds as at the due date for payment.

<p>Ranking of the SBS Capital Bonds on a liquidation</p>	<p>The SBS Capital Bonds are unsecured, subordinated debt obligations of the Bank. This means that if we go into liquidation or we are 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 SBS Capital Bonds until all of our prior ranking creditors have been paid in full. This means that repayment of your Principal Amount and payment of Interest thereon will rank after the claims of preferred creditors, depositors and holders of our everyday redeemable shares (issued in respect of everyday transactional and savings accounts and call and term investments). Claims of holders of subordinated redeemable shares will thereafter rank equally amongst themselves.</p> <p>You will also have the right (equally with all of our other members) to participate in the Bank's surplus assets (if any) on liquidation. However, this right to participate in surplus assets on liquidation will not apply to the extent that any Principal Amount or Interest on the SBS Capital Bonds has been written-off under the loss-absorbency provisions (noting that it is likely, in the event of a liquidation of the Bank, that the SBS Capital Bonds will have been written-off).</p>
<p>Loss absorbency (write-off)</p>	<p>The SBS Capital Bonds are loss-absorbing. If we encounter financial difficulty, all or some of the Principal Amount (and Interest thereon) of the SBS Capital Bonds may be written-off (meaning the Principal Amount (and Interest thereon) which is written-off will not be repaid to you and that no further Interest will be paid on the amount written-off). This may happen only if there is a Write-down Event. If the SBS Capital Bonds are written-off, you will lose a corresponding amount of your investment.</p> <p>A Write-down Event occurs when:</p> <ul style="list-style-type: none"> • The Bank is placed in Statutory Management and the Statutory Manager decides; or • The RBNZ has given the Bank a direction, <p>that we must write-down the principal and/or interest owing in relation to some or all of our capital instruments.</p> <p>More information about the loss-absorbing features of the SBS Capital Bonds, including the circumstances which could lead to a direction from the RBNZ, can be found in section 4 of this LDD "<i>Key Features of the SBS Capital Bonds</i>" on page 8.</p>
<p>Minimum application amount</p>	<p>The minimum application amount for SBS Capital Bonds is \$10,000.</p>
<p>How to apply</p>	<p>Application instructions are set out in section 9 of this LDD "<i>How to Apply</i>" on page 12.</p>
<p>No early repayment</p>	<p>You have no right to require early repayment of the SBS Capital Bonds, except in relation to an Event of Default as described in the Master Deed. This means that subject to early repayment by us, or you selling your SBS Capital Bonds to another Holder, you will have to hold your SBS Capital Bonds until maturity.</p>
<p>Early redemption</p>	
<p>• Early redemption on SBS Optional Redemption Dates</p>	<p>We may repay the Principal Amount of your SBS Capital Bonds (together with accrued Interest) on any SBS Optional Redemption Date (which is the fifth anniversary of the Issue Date (being the first SBS Optional Redemption Date) 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 the Bank for a Tax Event or Regulatory Event</p>	<p>We may redeem the Principal Amount of the SBS Capital 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 us at the time of issuing the SBS Capital Bonds), our treatment of the SBS Capital Bonds as Tier 2 capital of the 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 us at the time of issuing the SBS Capital Bonds), there would be a more than minimal increase in our costs in respect of the SBS Capital Bonds. A full definition of 'Tax Event' can be found in the Master Deed. <p>In each case, we must first 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 SBS Capital Bonds are replaced with another capital instrument of at least the same quality; or • The RBNZ notifies us that replacement of the SBS Capital Bonds is not needed having regard to our capital position.

<ul style="list-style-type: none"> • Consequences of early redemption for investors 	Any early repayment of your SBS Capital Bonds by us may not suit your circumstances at the time of payment. In addition, you may be unable to reinvest the amount you receive on your SBS Capital Bonds at the same or similar rate of return to the Interest rate on the SBS Capital Bonds.
Transfers and selling restrictions	<p>You are entitled to sell or transfer your SBS Capital 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 SBS Capital Bonds if the transfer would result in you holding SBS Capital Bonds with a Principal Amount of less than \$10,000 (but greater than zero).</p> <p>We do not intend to quote these SBS Capital Bonds on a market licensed in New Zealand and there is currently no other established market for trading them.</p>
Brokerage	You are not required to pay brokerage or any charges to us in connection with your application for SBS Capital Bonds. However, you may have to pay a brokerage fee or commission and other applicable fees to any person who recommends the investment to you or who arranges the application for you.
Master Deed and Supplemental Deed	The terms and conditions of the SBS Capital 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.business.govt.nz/disclose .
Governing Law	New Zealand.

Section 3 - Purpose of the Offer

Registered banks are required to maintain Regulatory Capital at certain minimum levels in order to meet losses if the bank encounters financial difficulties.

The purpose of this offer is to support continued growth and the money raised under this offer will be treated by us as Tier 2 Regulatory Capital, as required by the RBNZ.

The use of the money raised will not change depending on how much is raised under the offer.

Where any subscription is not accepted, the relevant subscription monies will be refunded (without interest).

The minimum issue size is at the discretion of the Bank. The offer is not underwritten.

What is Regulatory Capital?

The RBNZ requires New Zealand banks to hold a minimum amount of 'Regulatory Capital'. In this context, securities which form part of the Regulatory Capital of a bank are those that, in certain circumstances, can absorb losses that a bank suffers before it becomes insolvent.

The RBNZ currently classifies a bank's Regulatory Capital into three tiers – Common Equity Tier 1 capital (CET1), Additional Tier 1 capital (AT1) and Tier 2 capital.

To qualify as Regulatory Capital, an instrument must satisfy various criteria set out in the RBNZ's capital adequacy requirements.

Tier 1 capital is permanently and freely available to absorb losses without the bank being obliged to cease trading. A common example of Tier 1 capital is the ordinary share capital of a bank. Tier 1 capital is important because it safeguards both the survival of the bank and the stability of the financial system.

Tier 2 capital generally only absorbs losses in the event of a winding up of the Bank. A common example of Tier 2 capital is subordinated debt.

The SBS Capital Bonds will be used to meet our Tier 2 capital requirements.

Further information about the RBNZ capital adequacy framework can be found on the RBNZ website at www.rbnz.govt.nz/regulation-and-supervision/banks/prudential-requirements/information-relating-to-the-capital-adequacy-framework-in-new-zealand.

It is possible that future rule change(s) may deem that the SBS Capital Bonds will no longer fully qualify as "Tier 2" capital instruments. If that happens, we may determine that a Regulatory Event has occurred and may seek to redeem the SBS Capital Bonds before the end of their 10 year term.

Tier 1 capital together with Tier 2 capital constitutes Total Capital and the ratio of Total Capital to risk-weighted assets is called the Total Capital Ratio.

New Zealand incorporated banks, including us, are required to comply with the following capital ratios, measured in relation to their risk-weighted assets:

- A CET1 Capital Ratio of not less than 4.5%;
- A Tier 1 (CET1 and AT1) Capital Ratio of not less than 6.0%; and
- A Total Capital (Tier 1 and Tier 2) Ratio of not less than 8.0%.

The RBNZ also requires most New Zealand incorporated registered banks, including us, to maintain a conservation buffer of 2.5% above the minimum ratios.

The minimum capital requirements and the other conditions of bank registration applicable to us, including our current capital ratios, are described in our latest disclosure statement. Our disclosure statements are available at www.sbsbank.co.nz/about-us/sbs-bank/financial-information-and-disclosure-statements.

Section 4 - Key Features of the SBS Capital Bonds

Ranking

Ranking on a liquidation of the Bank

The SBS Capital Bonds are unsecured, subordinated obligations of the Bank. If we go into liquidation (and your SBS Capital Bonds have not been written-off in full), you will not be entitled to any payment of the outstanding Principal Amount of your SBS Capital Bonds or Interest thereon, until all of our Senior Creditors (including preferred creditors, depositors and the holders of our 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 SBS Capital Bonds will rank equally among themselves and will rank equally with other subordinated debt, including the Premier Bonds. This means that on a liquidation of the Bank, if there are insufficient funds to repay all of the SBS Capital Bonds, you will be repaid by us on a proportionate basis together with the other holders of subordinated debt.

If we are placed in liquidation, you are entitled to prove in that liquidation for the outstanding Principal Amount and Interest owed to you, including for amounts that we did not pay when due prior to the liquidation because the Bank and the Group did not, at the due date for the payments, have a current Solvency Certificate (but does not include any amount written-off). Given the loss-absorbing nature of the SBS Capital Bonds, it is likely, in the event of a liquidation, that the SBS Capital Bonds will have been written-off (and to the extent this is the case, the right to participate in surplus assets on liquidation will not apply).

Table of Rankings of Debt Securities

A table showing the ranking of the SBS Capital Bonds in the event of a liquidation of the Bank (and assuming that the SBS Capital Bonds have not been written-off (in full or part)) can be found on the Offer Register at www.business.govt.nz/disclose, offer number OFR11977.

Interest Payments

The subordination of the SBS Capital Bonds means that we are only entitled 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 the Bank from relying on a Solvency Certificate.

There are no restrictions on us incurring liabilities which rank equally with, or in priority to the SBS Capital Bonds except for a covenant which effectively restricts the number of deposits we can issue in proportion to the number of redeemable shares we have on issue. Both deposits and redeemable shares rank ahead of the SBS Capital Bonds. There are no other restrictions on us issuing further debt securities under the Master Deed.

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

Loss-Absorbing

What is a Write-down Event?

The SBS Capital Bonds are loss-absorbing. If we encounter financial difficulty, all or some of the Principal Amount (and Interest thereon) of the SBS Capital Bonds may be written-off (meaning the Principal Amount (and Interest thereon) which is written-off will not be repaid to you and that no further Interest will be paid on the amount written-off). This may happen only if there is a Write-down Event.

A Write-down Event occurs if:

- The Bank is placed in Statutory Management and the Statutory Manager decides; or
- The RBNZ has given the Bank a direction, that we must write-down the principal and/or interest owing in relation to some or all of our capital instruments.

How is the Write-down amount determined?

Following a Write-down Event, we will determine how much we will write-down the principal amounts and/or interest owing in relation to each of our capital instruments (including the SBS Capital Bonds). To the extent that we are able to, we will write-down amounts in accordance with the following principles:

- 'Tier 1' capital instruments should be written down first; and
- 'Tier 2' capital instruments (including the SBS Capital Bonds) should be written-down second, on a pro-rata basis.

The SBS Capital Bonds will be treated as 'Tier 2' capital instruments. At the time of their issue, we have other subordinated redeemable shares on issue (the Premier Bonds). However, those shares are scheduled to be progressively repaid during the term of these SBS Capital Bonds and when the last of those shares are repaid (scheduled for 19 September 2019), these SBS Capital Bonds will be the only capital instruments we have on issue that are able to be written-down. Consequently, until other Tier 2 capital instruments are issued by us, Holders of these SBS Capital Bonds will bear the full effect of any write-down.

An explanation of what capital instruments are (including the concepts of 'Tier 1' and 'Tier 2' capital instruments) is set out in the section 3 of this LDD "*Purpose of the Offer*" on page 7.

Effect of Write-downs of the SBS Capital Bonds

If the Principal Amount of, or Interest on, the SBS Capital Bonds is reduced, the amount that you will be entitled to be repaid will be reduced accordingly (and could potentially be reduced to zero). Interest which has accrued against that part of the Principal Amount which has been written-off will, to the extent it is unpaid, be written-off at the same time as the Principal Amount is reduced. In addition, because Interest is calculated on the Principal Amount, the amount of Interest which accrues after the reduction in the Principal Amount will also reduce.

Any reductions in the Principal Amount or Interest will be permanent. Accordingly:

- The amounts written-off will not be reinstated;
- You will have no future claim against us for those amounts; and
- You will not be entitled to prove for such amounts if the Bank is liquidated.

It is possible for more than one Write-down Event to occur.

No Security

Our obligation to repay the Principal Amount of, or pay Interest on, the SBS Capital 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 SBS Capital Bonds.

No Guarantee

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

Variations to the Master Deed

We 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 SBS Capital Bonds then outstanding or is made to comply with any requirement or directive of RBNZ or any applicable law.

Section 5 - Risks of Investing

Introduction

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

- General risks associated with an investment in SBS Capital Bonds; and
- Specific key risks relating to our creditworthiness.

The disclosure of risks relating to our creditworthiness has been based on an assessment of both the realistic probability of a risk occurring and the impact of the risk (to us 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 SBS Capital Bonds.

Where practicable, we seek to mitigate these risks to minimise our exposure. However, there can be no assurance that any risk mitigation strategies implemented by us 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 SBS Capital 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 the Bank

An investment in SBS Capital Bonds is subject to the general risk that we become insolvent and are unable to pay the Principal Amount of, and/or Interest on, your SBS Capital Bonds.

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

Loss-Absorbing: The SBS Capital Bonds are loss-absorbing. This means that if we encounter financial difficulty, all or some of the Principal Amount (and Interest thereon) of the SBS Capital Bonds may be written-off (meaning the Principal Amount (and Interest thereon) which is written-off will not be repaid to you and that no further Interest will be paid on the amount written-off). You will have no claim in a liquidation of the Bank for any amount of your SBS Capital Bonds which is written-off. This may happen only if there is a Write-down Event.

More information on the loss-absorbency features of the SBS Capital Bonds, including an explanation of what a Write-down Event is and its effects on the SBS Capital Bonds, can be found in section 4 of this LDD "*Key Features of the SBS Capital Bonds*" on page 8.

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

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

There are no restrictions on us incurring liabilities which rank equally with, or in priority to, or behind, the SBS Capital Bonds. This includes further debt securities issued under the Master Deed. In addition, we may repay any of our debt securities which rank equally with, or behind the SBS Capital Bonds, provided we are solvent.

Any further issue or repayment of debt securities by us could adversely affect your ability to be repaid and/or the value of the SBS Capital Bonds.

More information on the subordination features of the SBS Capital Bonds can be found in section 4 "*Key Features of the SBS Capital Bonds*" of this LDD on page 8.

Interest Payments: We are only entitled to make Interest payments on the SBS Capital 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 us from relying on a Solvency Certificate. This means that you may not be paid Interest on your SBS Capital Bonds.

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

In any case where Interest payments or early repayment of the Principal Amount are suspended because we don't have a current Solvency Certificate, the failure to make any such payment will not constitute a default by us under the Master Deed.

Risk if selling the SBS Capital Bonds

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

- You may be unable to find a buyer at all, or at an acceptable price, noting that we do not intend to quote these SBS Capital Bonds on a market licensed in New Zealand and there is no other established market for trading them; and
- The price at which you are able to sell your SBS Capital Bonds may be less than what you originally paid for them. This could occur due to interest rate movements, the financial position of the Bank at the time, or other reasons.

This risk is particularly relevant over a longer period of time, such as the 10 year term of the SBS Capital Bonds. As such, the SBS Capital Bonds may trade below their Principal Amount (being \$1.00 per SBS Capital Bond). If you sell your SBS Capital Bonds at this time, you may lose some of the money you invested.

Specific Risks relating to Southland Building Society's creditworthiness

Like all other businesses and financial institutions, we are subject to risks in relation to our creditworthiness. These risks can arise due to a number of factors including changes in the economy, general business conditions and increased competition.

Credit Risk

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

The Bank's predominant activity is the provision of residential first mortgage finance, which is undertaken throughout New Zealand. As such, the economic performance of the New Zealand residential housing market will affect how this risk impacts on the Bank.

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 the Bank's ability to meet its financial commitments.

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

More information about our credit risk and provisioning of impaired loans is contained in our disclosure statements which are available, free of charge, at www.sbsbank.co.nz/about-us/sbs-bank/financial-information-and-disclosure-statements.

Liquidity and Funding Risk

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

The Bank's sources of funding include funding from retail deposits and financial institutions. Funding risk may arise if we are unable to attract investment in our deposit products or if there is uncertainty or unfavourable conditions in the financial markets meaning that we are unable to offer desirable terms (including interest rates) or we are unable to access sufficient funding at all or on acceptable terms.

Liquidity difficulties which are experienced by us over an extended period, could result in us being unable to pay our debts when due.

Financial Markets and Interest Rate Risk

Financial markets and interest rate risk relates to the risk that the Bank faces due to changes in wholesale interest rates and the availability or cost of credit in the financial markets. The Bank relies on funding within the wholesale markets and could suffer losses if the availability or cost of this funding increases significantly. In addition, the Bank could suffer losses if there are material changes in wholesale interest rates that affect the margin between the interest rate we pay on money we borrow and the interest rate we charge on money we lend.

Capital Risk

Capital risk is the risk that we do not have sufficient capital to meet our prudential regulatory requirements. Maintenance of Regulatory Capital is a condition of our registration and a failure to comply could ultimately result in the loss of bank registration. This is particularly relevant to us because, as a bank which is also a building society, it is more difficult for us to raise Regulatory Capital (because we are unable to issue ordinary shares which could constitute Tier 1 capital or issue Tier 2 capital which is convertible into ordinary shares).

More information about our Regulatory Capital requirements can be found in section 3 of this LDD "*Purpose of the Offer*" on page 7.

Regulatory Change Risk

Regulatory change risk is 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 us. This could occur if changes resulted in increased costs or decreased earnings for the Bank, changes to prudential regulatory requirements including liquidity and capital adequacy, increased competition or changes to the structure or operation of our business. Our failure to comply with all relevant Laws could result in regulatory fines and/or sanctions and could damage our reputation. Our relative size in the retail banking market means we may feel the effects of some regulatory changes more acutely than larger financial institutions.

Operational Risk

Operational risk is the risk of loss to us arising from a failure of our 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 large fines imposed on us (if the failure relates to breaches of relevant Laws) and could, in extreme circumstances, result in the loss of our registration as a New Zealand bank.

Impact of Risks

We expect that some of these risks will arise in the ordinary course of business. We manage and mitigate these risks and, so managed, these risks are not expected to have a materially adverse impact on us. However, if unusual 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 us. In extreme circumstances, failure to manage these risks could mean that we are not able to meet our commitments on the SBS Capital Bonds (including because all or part of the Principal Amount of the SBS Capital Bonds is written-off following a Write-down Event).

More information around these risks and our risk mitigation practices are contained in our disclosure statements which are available, free of charge, at www.sbsbank.co.nz/about-us/sbs-bank/financial-information-and-disclosure-statements.

Section 6 - Tax

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

Withholding tax

The return on the SBS Capital Bonds will be affected by taxes.

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 us 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 SBS Capital 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 SBS Capital Bonds through a fixed establishment in New Zealand. If you don't provide us with your IRD number or if you provide your IRD number but do not elect a tax rate in your application form, we will deduct tax at the applicable default rate.

If you hold a current certificate of exemption and have given us a copy of that certificate, we will not deduct RWT.

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

New Zealand taxation implications for non-New Zealand tax resident holders

If at any time a SBS Capital Bond is 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.

In respect of a Non-resident Holder who holds the SBS Capital Bond jointly with a resident Holder, RWT will instead be deducted at the applicable RWT rate.

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.

Section 7 - How to Complain

Any problems or concerns about the SBS Capital Bonds can first be directed to any of our branches or by contacting 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

Address: 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 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 8 - Where you can find more information

Further information about us and the SBS Capital Bonds is available on the Offer Register at www.business.govt.nz/disclose, offer number OFR11977, 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 Disclose Register by searching for the name of the offer "*SBS Capital Bond*" 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".

Section 9 - How to Apply

To apply for SBS Capital Bonds, you need to complete an application form and submit it to us. The application form is attached to this LDD.

You are required to pay for your SBS Capital Bonds at the time of application. Details as to how subscription monies should be paid are set out in the application form.

We may refuse all or any part of your application without giving any reason. If we refuse your application, we will refund your subscription money (without interest). If your payment for the SBS Capital Bonds is dishonoured, we may not issue you SBS Capital Bonds or may cancel your bonds. You will not receive any interest if this occurs.

Offer made only in New Zealand

This LDD does not constitute an offer of SBS Capital Bonds in any jurisdiction other than New Zealand. No action has been or will be taken by us which would permit a public offering of the SBS Capital Bonds, or possession or distribution of any offering material,

in any country or jurisdiction where action for that purpose is required (other than New Zealand). SBS Capital Bonds may only be offered for sale or sold in conformity with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered. No information memorandum, prospectus, circular, advertisement or other offering material in respect of any SBS Capital Bonds may 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.

By subscribing for SBS Capital Bonds, you indemnify the Bank and its directors, officers, employees and agents in respect of any loss incurred as a result of you breaching the above selling restrictions.

As with any investment, we recommend that you consult an independent financial adviser before you decide whether or not to invest.

Section 10 - Contact Information

The contact details for the Bank are:

Southland Building Society
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

Glossary

\$ means the lawful currency of New Zealand.

Associated Person means a person defined as an associated person in section 2 of the Reserve Bank Act, which can be summarised as follows:

- a person that directly or indirectly controls the Bank's management;
- a person that has a direct or indirect qualifying interest in 20% or more of the voting or non-voting securities issued by the Bank;
- a person that the Bank directly or indirectly controls the management of; or
- a person in relation to which the Bank has a direct or indirect qualifying interest in 20% or more of the voting or non-voting securities issued by that person.

Bank, we, us or our means Southland Building Society trading as SBS Bank.

BKBM 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 the Bank. If the BKBM Rate cannot be determined by reference to Reuters screen 'BKBM', the interest rate will be the rate specified by the Bank in good faith.

Business Day means any day (other than a Saturday or a Sunday) on which registered banks are generally open for business in Invercargill.

Companies Act means the Companies Act 1993.

Group means the Bank and its subsidiaries, as specified in the Bank's latest published financial statements.

Holder means the registered owner of a SBS Capital Bond.

Interest means dividends on a SBS Capital Bond.

Interest Payment Date means each quarterly interest payment date, calculated in each case from the Issue Date.

Interest Period means the three month 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, in respect of a SBS Capital Bond, the date upon which that SBS Capital Bond is issued.

LDD means this Limited Disclosure Document.

Master Deed means the deed poll dated 30 April 2014 executed by the Bank constituting, among other things, the SBS Capital Bonds as amended and restated by a Deed of Amendment and Restatement dated 26 September 2017.

Maturity Date means, in respect of a SBS Capital Bond, the tenth anniversary of the Issue Date.

Minimum Holding means 10,000 SBS Capital Bonds.

Non-resident Holder is defined in section 6 of this LDD "Tax" on page 11.

NRWT means non-resident withholding tax and has the meaning given to it in the Tax Act.

Offer Register means the electronic register of offers established under the Financial Markets Conduct Act 2013 and found at: www.business.govt.nz/disclose. The record for this offer can be found under offer number OFR11977.

Opening Date means 2 October 2017.

Premier Bonds means the subordinated redeemable shares issued by the Bank under an Investment Statement dated 30 April 2014.

Principal Amount means initially \$1.00 per SBS Capital Bond, subject to adjustment as described in this LDD.

RBNZ means the Reserve Bank of New Zealand as established under the Reserve Bank Act.

Regulatory Capital means capital required for New Zealand regulatory purposes as further described in Section 3 of this LDD "Purpose of the Offer" on page 7.

Regulatory Event has the meaning given to that term in the Master Deed.

Reserve Bank Act means the Reserve Bank of New Zealand Act 1989.

Rules means the rules of the Bank, a copy of which is available on the Offer Register.

RWT means resident withholding tax and has the meaning given to it in the Tax Act.

SBS Capital Bonds means the unsecured, SBS Capital Bonds constituted by the Master Deed and the Supplemental Deed and offered for subscription pursuant to this LDD.

SBS Optional Redemption Date means, in respect of a SBS Capital Bond, the fifth anniversary of the Issue Date (being the first SBS Optional Redemption Date) and each Interest Payment Date thereafter.

Senior Creditors means (in the Bank's liquidation) all of the Bank's preferred creditors, unsecured depositors, other unsecured creditors and holders of the Bank's everyday redeemable shares which the Bank issues in respect of everyday transactional and savings accounts and call and term investments.

Solvency Certificate means a certificate signed by not less than two directors of the Bank on behalf of all directors, certifying that as at the date of such certificate the Bank is solvent.

Statutory Management means that the Bank has been declared, on the recommendation of the RBNZ under the Reserve Bank Act, to be in "statutory management", which will mean, among other things, that a Statutory Manager assumes control of us.

Statutory Manager means a person appointed as "statutory manager" on the recommendation of the RBNZ under the Reserve Bank Act to take over control of us in Statutory Management.

Supplemental Deed means the Supplemental Deed dated 26 September 2017 executed by the Bank, setting out the principal terms and conditions of the SBS Capital 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 3 of this LDD "Purpose of the Offer" on page 7.

Write-down Event means:

- the Bank has been declared to be subject to Statutory Management; or
- the RBNZ has given us a direction on the basis that it has reasonable grounds to believe that one or more of the circumstances listed in sections 113(1)(a) to 113(1)(e) of the Reserve Bank Act exist in relation to the Bank or, where contemplated by the relevant section, an Associated Person of the Bank,

and a Statutory Manager decides or the RBNZ direction directs (as applicable) that the Bank write-down the principal amount (and/or Interest thereon) of a class of the Bank's capital instruments, which includes the SBS Capital Bonds, by a required aggregate amount.

Application Form - Guide

This guide provides our key requirements for completing the application form. If you are still having trouble, please visit your local branch, contact us on 0800 727 2265, or refer to our more detailed application guide available at sbsbank.co.nz/terms-conditions.

The Star - *

The '*' symbol identifies the information which is important and we need you to provide it to be able to accept your application to invest.

If you do not properly provide this information, withhold this information or provide false information, you may find that you cannot open an account with us or you may have any existing account or application suspended, withdrawn or closed, and in certain cases, you may have fines imposed on you by the New Zealand Government.

Multiple Applicants

If there are more than two Personal Applicants, or four Applicant representatives for Organisations, you will need to obtain an Applicant Supplement Form for your co-Applicants. This form is available from any branch, by calling our Contact Centre on 0800 727 2265, or at sbsbank.co.nz/terms-conditions.

Attorneys

If you are an attorney completing the application for another person or an organisation, you need to enter their details in the application. You will also need to contact the bank to complete additional documentation in relation to your authority to act on their behalf.

Addresses

As this offer is only available to people in New Zealand, we expect the address details to be a New Zealand address, unless you are a New Zealand attorney completing the application in New Zealand on the applicant's behalf.

Guidance on what documentation can be used for address verification can be obtained from any team member or by reading our Identification and Address Verification Requirements information which is available from any branch, by calling our Contact Centre on 0800 727 2265, or at sbsbank.co.nz/terms-conditions.

Tax Details

Under New Zealand tax law we are required to obtain, and likewise you are required to provide, information for all other countries in which you, your organisation and any controlling persons and beneficial owners are a tax resident (if any). You must also provide your tax numbers for each country in which you are a tax resident. This is important information.

Identification

Before you establish a new banking relationship or open your investment with us, we are required under the Anti Money Laundering and Countering Financing of Terrorism Act 2009 to obtain suitable forms of identification as well as evidence of a residential address for you, your organisation and persons who have authority to act for/on behalf of you or the organisation.

Guidance on what documentation can be used for this purpose can be obtained from any team member or by reading our Identification and Address Verification Requirements information which is available from any branch, by calling our Contact Centre on 0800 727 2265, or at sbsbank.co.nz/terms-conditions.

Investment Details

Before completing this section in the application form, you need to contact the Bank to obtain the applicable Interest Rate and Margin which would apply to your investment. The rates, along with Investment and Maturity Dates entered in the application form, are indicative only and will be determined at the time we accept your full application. If rates have changed between the date you sign your application form and the date we accept your application, we will seek your acceptance of these changes prior to opening your investment. Your Investment Certificate will confirm the final details of your investment once opened.

Applicant Acknowledgement & Declaration

The Acknowledgement and Declaration are especially important. By signing the application form, you are agreeing to the matters set out therein. Before signing, make sure you have read and understand what you are agreeing to. If you are unsure, don't commit yourself until you have sought guidance from either one of our team members or an Authorised Financial Adviser and you are comfortable that you understand the investment.

If you are not with one of our team members when completing the application, make sure you have it witnessed by one of the listed Trusted Referees (set out in the witness section) at the time you are signing it.

Signing Rule

For Personal Applicants who have additional signatories and all Organisation Applicants and you will need to complete a separate Account Operating Authority form along with an Authorised Signatory Form for each additional authorised signatory. These forms can be obtained from any branch or by calling our Contact Centre on 0800 727 2265.

Submitting your application

You need to ensure your application for the SBS Capital Bond includes the following:

- Identification and address verification (if posting, then send us certified copies rather than originals);
- A properly completed application form; and
- Payment for your investment.

Once you have all the above, please return your application to any branch of SBS Bank, or post it to SBS Bank, PO Box 835, Invercargill 9840.

Payment

Payment for your SBS Capital Bond investment must be in New Zealand dollars only and can be made by:

- **Cheque** - Made out to Southland Building Society and drawn on a New Zealand branch of a registered bank; or
- **Deposit** - Either in branch or by direct credit. The account for direct credits can be obtained in your local branch or by calling us on 0800 727 2265.



SBS Capital Bond Application – Personal

for investments in subordinated redeemable shares



Personal Details (Applicant 1) *denotes a mandatory field

Title* Mr Mrs Miss Ms Other (please detail)

First name(s)* Middle Name(s)

Surname*

Preferred Name

Gender* Male Female Date of Birth*

Country of birth*

Countries of citizenship* (list all)
United States citizens must provide tax number below

If you are **not** a New Zealand citizen, do you hold a NZ Permanent Resident Visa or Permit?* Yes (provide copy) No

Occupation*

Address Details*

Current Residential Address*

Country Post Code

Current Postal Address (if different from residential)*

Country Post Code

Type of Address Verification provided (Refer to the Application Form - Guide)

Contact Details*

Home phone _____

At least one contact number is required. Mobile phone _____

Tick your preferred contact number Work phone _____

Email

Tax Details*

For joint applicants, please tick this box if this is the IRD number to be used for Tax purposes.

Countries of tax residency* (tick all that apply)

<input type="checkbox"/> New Zealand	NZ IRD Number	-	-	(8/9 digits)
<input type="checkbox"/> Australia	Tax File Number	-	-	(8/9 digits)
<input type="checkbox"/> United States	Social Security/ITIN	-	-	(9 digits)
<input type="checkbox"/> United Kingdom	National Insurance Number	-	-	(9 digits)
<input type="checkbox"/> Other (specify)	Tax Identification Number			

NZ Resident Withholding Tax* Exempt

10.5% 17.5% 30% 33% (attach exemption certificate)

Non Resident Withholding Tax Country*

NRWT exempt (attach exemption) Country*

AIL to apply (see declaration) Country*

Identification*

Please provide identification (Refer to the Application Form - Guide)

Personal Details (Applicant 2) *denotes a mandatory field

Title* Mr Mrs Miss Ms Other (please detail)

First name(s)* Middle Name(s)

Surname*

Preferred Name

Gender* Male Female Date of Birth*

Country of birth*

Countries of citizenship* (list all)
United States citizens must provide tax number below

If you are **not** a New Zealand citizen, do you hold a NZ Permanent Resident Visa or Permit?* Yes (provide copy) No

Occupation*

Address Details*

Current Residential Address*

Country Post Code

Current Postal Address (if different from residential)*

Country Post Code

Type of Address Verification provided (Refer to the Application Form - Guide)

Contact Details*

Home phone _____

At least one contact number is required. Mobile phone _____

Tick your preferred contact number Work phone _____

Email

Tax Details*

For joint applicants, please tick this box if this is the IRD number to be used for Tax purposes.

Countries of tax residency* (tick all that apply)

<input type="checkbox"/> New Zealand	NZ IRD Number	-	-	(8/9 digits)
<input type="checkbox"/> Australia	Tax File Number	-	-	(8/9 digits)
<input type="checkbox"/> United States	Social Security/ITIN	-	-	(9 digits)
<input type="checkbox"/> United Kingdom	National Insurance Number	-	-	(9 digits)
<input type="checkbox"/> Other (specify)	Tax Identification Number			

NZ Resident Withholding Tax* Exempt

10.5% 17.5% 30% 33% (attach exemption certificate)

Non Resident Withholding Tax Country*

NRWT exempt (attach exemption) Country*

AIL to apply (see declaration) Country*

Identification*

Please provide identification (Refer to the Application Form - Guide)



Investment details*

Please complete this section with one of our team members either in branch or by phoning 0800 727 2265

The Dates and Rates we provide for this section are indicative only. The actual Dates and Rates which apply when we receive your investment funds and completed application form may differ. If this is the case, we will seek your agreement to these changes prior to opening your investment.

Investment Amount (Minimum \$10,000) \$

Indicative Investment Date (The date SBS receive your funds for investment) Indicative Maturity date (10 years from the actual date we receive your funds for investment)

Indicative Initial Fixed Interest Rate % Indicative Interest Rate Margin (This will apply to the rate which applies after 5 years and is included in the Initial Fixed Interest Rate) %

Payment instructions (interest and Principal) Please advise us if this account changes Account Name: Pay to account No.:

Account use Please describe the nature and purpose of establishing the banking relationship and the intent of operation with the account* [] Savings [] Investing [] Other (please describe)

Account financing How will the account be financed? [] Salary/Wages [] Investment Income/Dividends [] Director Fees [] Superannuation [] Other (please describe)

Account name and signing rules* Legal name of the account (e.g., Anne Joan & Brian Alan Smith)*:

Complete with Bank staff Account or Header Number: (The "Account")



Signing Rule*

How many Applicants are required for any transaction/s or instruction/s to be actioned by the Bank?

- [] The persons named below may act alone
 - [] The persons named below must act together
 - [] Any ___ of the persons named below must act together
- Unless otherwise specified above, the signing rule for the Applicant's account will be for any Applicant to solely operate the account(s).

I/We agree that the Bank can authorise any transaction or activity regarding the administration of this account within the above Signing Rule, subject to any restrictions under the terms and conditions of the SBS Capital Bond and this application. My/Our agreement indemnifies the Bank against any disputed transaction or activity conducted on this account in line with this authorisation and I/we agree to operate the account in line with the signing rule indicated above.

Applicant Acknowledgement

By signing this form, I/we:

1. Confirm our application to invest in the SBS Capital Bond in accordance with the terms and conditions set out within this application, the Limited Disclosure Document, the Master Deed and Supplemental Deed.
2. Confirm that all the information supplied by me/us is true and correct and may be relied upon by the Bank and its subsidiaries.
3. Have read and understand the Limited Disclosure Document for the SBS Capital Bond.
4. Acknowledge my/our investment will be locked in for 10 years with no right of early redemption.
5. Acknowledge the SBS Capital Bonds are not quoted on any stock exchange and there is no established market for trading them.
6. Acknowledge the applicable fixed rate applies for the initial 5 years and includes a margin set at issue. Following this period, the rate is set quarterly based on the applicable BKBM Rate plus the same margin.
7. Acknowledge that Bank staff can't give personalised financial advice and confirm they have recommended I/we seek personalised financial advice.
8. Acknowledge that the Offer is only made to investors who are in New Zealand, and I/we warrant that I/we have received this offer in New Zealand and are therefore eligible to participate in the offer.
9. Acknowledge and agree, to be bound by the Bank's General Terms and Conditions and all other applicable terms and conditions, and the Applicant Declaration in this form.

Signature Applicant 1 (parent/guardian to sign on behalf of minor)	Date	Signature Applicant 2 (parent/guardian to sign on behalf of minor)	Date
Signature Applicant 3 (parent/guardian to sign on behalf of minor)	Date	Signature Applicant 4 (parent/guardian to sign on behalf of minor)	Date

Witness section If you are unable to complete this application with an authorised SBS Bank staff member, this section must be completed and signatures witnessed by: a Justice of the Peace, New Zealand Solicitor, Court Official or Notary Public, New Zealand Honorary Consul, Authorised Police or Chartered Accountant who are considered to be Trusted Referees. In addition the witness must be 18 years old, cannot be related to you, your spouse or your partner or a person who lives at the same address as you and must not be party to the account or transactions, and must supply a contact phone number. The Bank's staffs reserve the right to contact the Witness to confirm that witnessing took place.

Witness Declaration: I hereby confirm that I have verified and certify that the above person/s have signed this form, and as acting as witness I meet the Witnessing conditions detailed above.

Full Name of Witness Occupation
Category of Witness: [] SBS Bank Staff [] Lawyer/Solicitor [] Justice of the Peace [] Notary Public
[] NZ Honorary Consul [] Authorised Police [] Chartered Accountant

Business phone number Signature Date



Applicant Declaration

By signing this SBS Capital Bond Application, I/we acknowledge I/we have read and agree to all the terms outlined below

I/We:

- will notify the Bank immediately if there is any change in any information supplied by me/us;
- confirm that I/we have not withheld any information that may affect the Bank's decision;
- authorise the Bank to obtain credit reports on me/us from any credit reporting agency and make use of any monitoring service at any time it considers it appropriate or desirable;
- authorise the Bank to obtain from my/our employer/s or any other source, information as it may deem necessary in relation to this declaration;
- have read and understood the below Privacy Statement and consent to the collection, disclosure and retention of the information as set out in that statement;
- confirm that if I/we have elected Non Resident Approved Issuer Levy on interest payments I/we understand this is not a tax, but a levy paid by the Bank; and
- agree to be bound by the Bank's General Terms and Conditions (which I/we have been provided) and all other terms and conditions (including fees and charges) that apply to me/us, my/our relevant accounts and any account I/we am/are authorised to have access to.

I/We authorise the Bank to:

- debit to any of my/our accounts (whether or not in credit) all cheques or other payment orders;
- debit to any of my/our accounts (whether or not in credit) all cheques or other payment orders; and if the account/s becomes overdrawn I/we will pay interest on the debit balance (calculated daily) at the rate normally charged by the Bank and further the Bank may also debit to the account/s any fees as per the Southland Building Society Standard Terms and Conditions; and
- act upon any request in relation to any of my/our accounts or any property which the Bank may hold on my/our behalf, when signed or initiated electronically, by telephone, internet, email or by facsimile in accordance with the Signing Rule overleaf by the applicants subject to the terms and conditions contained in both this Member Application and Applicant Declaration.

Authority and Indemnity (Telephone, Internet, Email and Facsimile Instructions):

I/We:

- authorise the Bank to act on any telephone, internet, email or facsimile instruction ("Instruction") received by the Bank which is or is purported to be given by the Authorised Persons under the Signing Rule in relation to my/our accounts;
- agree to indemnify the Bank against all claims, actions, demands, liabilities and losses the Bank may incur as a result of the Bank acting upon any Instructions provided the Bank has not been negligent;
- agree to keep and to ensure that the Authorised Persons keep any password or code confidential and to notify the Bank immediately if I/we know or suspect that an unauthorised person is aware of the password or code; and
- agree that the Bank can record and retain any telephone, internet, email or facsimile Instructions for a period of 7 years.

I/we agree the Bank will not be liable for:

- acting on any unauthorised forged or fraudulent Instructions unless the Bank could have reasonably detected that such Instruction was unauthorised, forged or fraudulent; and
- not acting on an Instruction where the Instruction is illegible, unclear or there are insufficient funds in the account or for any other reason outside of the Bank's control.

A copy of our current General Terms & Conditions and Disclosure Statements are available on request and free of charge from any branch or agency of SBS Bank (Southland Building Society) or at sbsbank.co.nz



Privacy Statement

- Southland Building Society operates under the brand “SBS Bank”. The name of the registered bank is Southland Building Society (referred to as “the Bank”).
- I/We agree that the Bank may collect and retain personal information about me/us for the purpose of assisting the Bank to open and operate my/our accounts, administer my/our business and provide its products, services and information. All personal information is obtained in accordance with the Privacy Act 1993. The Bank and its subsidiaries are the intended recipients of this information though the information may be passed on to others.
- I/We understand that the Bank may make enquiries of any person it considers appropriate about any personal information that I/we provide to the Bank in order to check the accuracy of the information. The Bank may also request information from any other person about my/our character and employment. In the course of doing so, the Bank may disclose my/our personal information to the extent necessary. I/We authorise any such person to disclose personal information about me/us to the Bank and its subsidiaries.
- I/We agree that the Bank may, as part of opening and operating my/our accounts and/or offering and providing its products and services to me/us, use credit reporting and debt collecting services. I/We agree that:
 - the Bank may use these services to assess my/our current and ongoing credit worthiness;
 - the Bank may provide my/our personal information, including both positive and negative information about my/our credit history, to credit reporting and/or debt collecting agencies;
 - my/our personal information will be held by credit reporting agencies for credit reporting services; and
 - the credit reporting agencies will provide information about me/us to the Bank and to third parties as part of their credit reporting systems.
- I/We agree that the Bank may also use the monitoring services of credit reporting agencies to receive updates while I/we have a loan or any accounts with the Bank.
- I/We consent to the Bank giving my/our personal information to:
 - proposed or current guarantors of my/our obligations to us;
 - the Bank’s subsidiaries or any assignees or potential assignees;
 - anyone that the Bank needs to contact in order to carry out my/our instructions to the Bank (including the recipient of an automatic payment, bill payment or direct debit);
 - anyone that the Bank needs to contact in order to assist me/us in developing or running our business;
 - any company which the Bank has effected a lenders mortgage indemnity policy (“Mortgage Insurer”) so that the Mortgage Insurer can consider an application for lenders mortgage insurance. The Mortgage Insurer may obtain additional information from me/us and from other sources (including credit reporting agencies) to assist its evaluation of the application, its security and insurance risk and may disclose information about me/us to credit reporting agencies concerning defaults in payments or repayments of any of my/our loans or other product or service provided by the Bank to me/us; and
 - insurers in relation to any money I/we owe to the Bank or any property I/we have given the Bank security over.
- I/We also consent to the Bank using my/our personal information for:
 - marketing goods and services provided by the Bank and its assignees or subsidiaries; and
 - communicating with me/us, including by way of email and other electronic or social media means, in connection with administering, financing, insuring or enforcing my/our accounts and any other product or service provided by the Bank to me/us.
- I/We understand that my/our personal information will be held by the Bank and its subsidiaries and the Bank and its subsidiaries will take reasonable steps to protect my/our personal information from unauthorised access or disclosure. I/We are entitled to access this information and request the correction of the information the Bank and its subsidiaries holds about me/us.
- I/We understand that if I/we do not provide any information requested by the Bank or its subsidiaries, the Bank or its subsidiaries will inform me/us of the consequences for failing to do so.
- I/We understand that my/our personal information will only be disclosed to another party to the extent necessary for one or more of the purposes set out above, where required by law, or as otherwise authorised by me/us. I/We agree that the Bank can record and retain any telephone conversation between me/us and any member of the Bank for training and verification purposes.



SBS Capital Bond Application – Organisation

for investments in subordinated redeemable shares



Organisation Details *denotes a mandatory field

Use this form if the Organisation is a Trust, Partnership, Company or Continuing Estate, Club/Society or Charitable Organisation

Is the organisation established in New Zealand?* Yes No (Please refer to Risk & Compliance for any international organisations)

Organisation full legal name* (if a Trust – as per Trust deed)

Trading Name* (if different)

Occupation - What does your organisation do?*

Organisation Type* Trust Partnership Company Continuing Estate Club/Society

Legal Status* Incorporated Unincorporated

NZ Resident Withholding Tax*

10.5% 17.5% 30% 33% (trust/estate, partnership, unincorporated club/society)

28% 33% (companies and incorporated societies only)

NZ IRD number* - -

Foreign tax number - -

Country* Exempt (attach exemption certificate)

Accountant: Firm Ph. Email:

Solicitor: Firm Ph. Email:

Address Details*

Business Address/Registered Office*
(as per Companies extract for a company – not a PO Box)

Country Post Code

Postal Address*

Country Post Code

Organisation Identification* (tick all provided)

ID Type Extract from Trust Deed/Checklist Companies Extract Certificate of Incorporation Certificate of Registration Club or Society rules/constitution Partnership Agreement

ID Number/Details

Type of Address Verification provided

For Clubs and Societies – please also provide a copy of your signed AGM Meeting Minutes and your Charter/Rules/Constitution

Additional details about your Organisation*

Please describe the nature and purpose of establishing the banking relationship and the intent of operation with the account*: Savings Investing Other (please describe)

How will your organisation finance this account?* (e.g., dividends, payments from creditors, payment from another external account, profits from other businesses etc.)

Does your organisation earn 50% or more of its gross income from passive investments? (e.g., interest, dividends, royalties or rent.)* Yes No

Do 50% or more of the Trust's assets predominantly produce, or are held for the production of passive investment income?* Yes No

Is your organisation also any of the following? (tick all that apply) – please refer to the Application Form - Guide if you need additional information*

Registered Charity Government organisation or Crown-owned organisation (Including schools, DHBS, Police) Regional or Local Governmental Authority
 Financial Institution None of these apply

Trusts and Continuing Estates Only

Does a financial institution act as a Trustee or manage the Trust or Continuing Estate's investments?* Yes No

Type of Trust* Fixed Discretionary Charitable Other (please state type)

Full Name of the Trust's Settlor(s)*

Indicate the type & number of beneficiaries, below as per the Trust Deed/Will

Discretionary Beneficiaries _____ Fixed Beneficiaries _____ Other (describe) _____

Please complete the Beneficial Owners or Controlling Persons of your Organisation section of this form for both named beneficiaries and any other beneficiaries who have ever received a distribution from the Trust/Continuing Estate.

If a Charitable Trust, please describe the objects/purpose of the Trust



Organisation Applicant Representatives' Details

Personal Details to be completed by all applicants including; any person authorised to commit the Organisation to an application (i.e. Director, Trustee, Partner).

Persons who ultimately own (25% or more ownership) or have effective control of the Organisation (Senior Management Role or Beneficial Owners) who are NOT also applicants are required to be listed on the Beneficial Owners and Controlling Persons page.

Note: Where a corporate trustee is appointed to act on behalf of the member, such as a Professional Trustee Company, the details of which are to be noted below as an Applicant and the 'Trustee Company Details form' is required to be completed.

 **Personal Details (Applicant 1)** Preferred Contact for Organisation
*denotes a mandatory field

Title* Mr Mrs Miss Ms Other (please detail)

First name(s)* Middle Name(s)

Surname*

Preferred Name

Gender* Male Female Date of Birth*

Country of birth*

Countries of citizenship* (list all)
United States citizens must provide tax number below

If you are **not** a New Zealand citizen, do you hold a NZ Permanent Resident Visa or Permit?* Yes (provide copy) No

Occupation*

Role in the Organisation

Trustee Director Partner Authorised Person
 Power of Attorney Guarantor Office Bearer

 **Address Details***

Current Residential Address*

Country Post Code

Time at address* 12 months + less than 12 months

Current Postal Address (if different from residential)*

Country Post Code

Type of Address Verification provided

 **Contact Details***

At least one contact number is required. Tick your preferred contact number

Home phone
 Mobile phone
 Work phone

Email

 **Tax Details*** Countries of tax residency* (tick all that apply)

<input type="checkbox"/> New Zealand	NZ IRD Number	- -	(8/9 digits)
<input type="checkbox"/> Australia	Tax File Number	- -	(8/9 digits)
<input type="checkbox"/> United States	Social Security/ITIN	- -	(9 digits)
<input type="checkbox"/> United Kingdom	National Insurance Number	- -	(9 digits)
<input type="checkbox"/> Other (specify)	Tax Identification Number		

NZ Resident Withholding Tax* Exempt

10.5% 17.5% 30% 33% (attach exemption certificate)

Non Resident Withholding Tax Country*

NRWT exempt (attach exemption) Country*

AIL to apply (see declaration) Country*

 **Identification***

Please provide identification (Refer to the Application Form - Guide)

 **Personal Details (Applicant 2)** Preferred Contact for Organisation
*denotes a mandatory field

Title* Mr Mrs Miss Ms Other (please detail)

First name(s)* Middle Name(s)

Surname*

Preferred Name

Gender* Male Female Date of Birth*

Country of birth*

Countries of citizenship* (list all)
United States citizens must provide tax number below

If you are **not** a New Zealand citizen, do you hold a NZ Permanent Resident Visa or Permit?* Yes (provide copy) No

Occupation*

Role in the Organisation

Trustee Director Partner Authorised Person
 Power of Attorney Guarantor Office Bearer

 **Address Details***

Current Residential Address*

Country Post Code

Time at address* 12 months + less than 12 months

Current Postal Address (if different from residential)*

Country Post Code

Type of Address Verification provided

 **Contact Details***

At least one contact number is required. Tick your preferred contact number

Home phone
 Mobile phone
 Work phone

Email

 **Tax Details*** Countries of tax residency* (tick all that apply)

<input type="checkbox"/> New Zealand	NZ IRD Number	- -	(8/9 digits)
<input type="checkbox"/> Australia	Tax File Number	- -	(8/9 digits)
<input type="checkbox"/> United States	Social Security/ITIN	- -	(9 digits)
<input type="checkbox"/> United Kingdom	National Insurance Number	- -	(9 digits)
<input type="checkbox"/> Other (specify)	Tax Identification Number		

NZ Resident Withholding Tax* Exempt

10.5% 17.5% 30% 33% (attach exemption certificate)

Non Resident Withholding Tax Country*

NRWT exempt (attach exemption) Country*

AIL to apply (see declaration) Country*

 **Identification***

Please provide identification (Refer to the Application Form - Guide)

continued over page



Organisation Applicant Representatives' Details

Personal Details to be completed by all applicants including; any person authorised to commit the Organisation to an application (i.e. Director, Trustee, Partner).

Persons who ultimately own (25% or more ownership) or have effective control of the Organisation (Senior Management Role or Beneficial Owners) who are NOT also applicants are required to be listed on the Beneficial Owners and Controlling Persons page.

Note: Where a corporate trustee is appointed to act on behalf of the member, such as a Professional Trustee Company, the details of which are to be noted below as an Applicant and the 'Trustee Company Details form' is required to be completed.

Personal Details (Applicant 3) Preferred Contact for Organisation *denotes a mandatory field

Title* Mr Mrs Miss Ms Other (please detail)

First name(s)* Middle Name(s)

Surname*

Preferred Name

Gender* Male Female Date of Birth*

Country of birth*

Countries of citizenship* (list all)
United States citizens must provide tax number below

If you are **not** a New Zealand citizen, do you hold a NZ Permanent Resident Visa or Permit?* Yes (provide copy) No

Occupation*

Role in the Organisation

Trustee Director Partner Authorised Person
 Power of Attorney Guarantor Office Bearer

Address Details*

Current Residential Address*

Country Post Code

Time at address* 12 months + less than 12 months

Current Postal Address (if different from residential)*

Country Post Code

Type of Address Verification provided

Contact Details*

At least one contact number is required. Tick your preferred contact number

Home phone _____
 Mobile phone _____
 Work phone _____

Email _____

Tax Details* Countries of tax residency* (tick all that apply)

New Zealand NZ IRD Number - - (8/9 digits)

Australia Tax File Number - - (8/9 digits)

United States Social Security/ITIN - - (9 digits)

United Kingdom National Insurance Number - - (9 digits)

Other (specify) Tax Identification Number

NZ Resident Withholding Tax* Exempt

10.5% 17.5% 30% 33% (attach exemption certificate)

Non Resident Withholding Tax Country*

NRWT exempt (attach exemption) Country*

AIL to apply (see declaration) Country*

Identification*

Please provide identification (Refer to the Application Form - Guide)

Personal Details (Applicant 4) Preferred Contact for Organisation *denotes a mandatory field

Title* Mr Mrs Miss Ms Other (please detail)

First name(s)* Middle Name(s)

Surname*

Preferred Name

Gender* Male Female Date of Birth*

Country of birth*

Countries of citizenship* (list all)
United States citizens must provide tax number below

If you are **not** a New Zealand citizen, do you hold a NZ Permanent Resident Visa or Permit?* Yes (provide copy) No

Occupation*

Role in the Organisation

Trustee Director Partner Authorised Person
 Power of Attorney Guarantor Office Bearer

Address Details*

Current Residential Address*

Country Post Code

Time at address* 12 months + less than 12 months

Current Postal Address (if different from residential)*

Country Post Code

Type of Address Verification provided

Contact Details*

At least one contact number is required. Tick your preferred contact number

Home phone _____
 Mobile phone _____
 Work phone _____

Email _____

Tax Details* Countries of tax residency* (tick all that apply)

New Zealand NZ IRD Number - - (8/9 digits)

Australia Tax File Number - - (8/9 digits)

United States Social Security/ITIN - - (9 digits)

United Kingdom National Insurance Number - - (9 digits)

Other (specify) Tax Identification Number

NZ Resident Withholding Tax* Exempt

10.5% 17.5% 30% 33% (attach exemption certificate)

Non Resident Withholding Tax Country*

NRWT exempt (attach exemption) Country*

AIL to apply (see declaration) Country*

Identification*

Please provide identification (Refer to the Application Form - Guide)



Investment details*

Please complete this section with one of our team members either in branch or by phoning 0800 727 2265

The Dates and Rates we provide for this section are indicative only. The actual Dates and Rates which apply when we receive your investment funds and completed application form may differ. If this is the case, we will seek your agreement to these changes prior to opening your investment.

Investment Amount (Minimum \$10,000) \$

Indicative Investment Date
(The date SBS receive your funds for investment)

Indicative Maturity date
(10 years from the actual date we receive your funds for investment)

Indicative Initial Fixed Interest Rate %
Indicative Interest Rate Margin (This will apply to the rate which applies after 5 years and is included in the Initial Fixed Interest Rate) %

Payment instructions
(interest and Principal) Please advise us if this account changes

Pay to account No.:
Account Name:

Applicant Acknowledgement

By signing this form, I/we:

- 1. Confirm our application to invest in the SBS Capital Bond in accordance with the terms and conditions set out within this application, the Limited Disclosure Document, the Master Deed and Supplemental Deed.
2. Confirm that all the information supplied by me/us is true and correct and may be relied upon by the Bank and its subsidiaries.
3. Have read and understand the Limited Disclosure Document for the SBS Capital Bond.
4. Acknowledge my/our investment will be locked in for 10 years with no right of early redemption.
5. Acknowledge the SBS Capital Bonds are not quoted on any stock exchange and there is no established market for trading them.
6. Acknowledge the applicable fixed rate applies for the initial 5 years and includes a margin set at issue. Following this period, the rate is set quarterly based on the applicable BKBM Rate plus the same margin.
7. Acknowledge that Bank staff can't give personalised financial advice and confirm they have recommended I/we seek personalised financial advice.
8. Acknowledge that the Offer is only made to investors who are in New Zealand, and I/we warrant that I/we have received this offer in New Zealand and are therefore eligible to participate in the offer.
9. Acknowledge and agree, to be bound by the Bank's General Terms and Conditions and all other applicable terms and conditions, and the Applicant Declaration in this form.
10. In cases where the applicant is a trust or continuing estate, I/we confirm I/we will notify the Bank of any changes to beneficiaries including distributions made to unnamed beneficiaries previously not disclosed to the Bank.

Table with 4 rows and 2 columns. Each row contains a signature icon, 'Signature Applicant X', and 'Date'.

Witness section If you are unable to complete this application with an authorised SBS Bank staff member, this section must be completed and signatures witnessed by; a Justice of the Peace, New Zealand Solicitor, Court Official or Notary of the Public, New Zealand Honorary Consul, Authorised Police or Chartered Accountant who are considered to be Trusted Referees. In addition the witness must be 18 years old, cannot be related to you, your spouse or your partner or a person who lives at the same address as you and must not be party to the account or transactions, and must supply a contact phone number. The Bank's staff reserve the right to contact the Witness to confirm that witnessing took place.

Witness Declaration: I hereby confirm that I have verified and certify that the above person/s have signed this form, and as acting as witness I meet the Witnessing conditions detailed above.

Full Name of Witness Occupation
Category of Witness: [] SBS Bank Staff [] Lawyer/Solicitor [] Justice of the Peace [] Notary of the Public
[] NZ Honorary Consul [] Authorised Police [] Chartered Accountant

Business phone number Signature Date



Applicant Declaration

By signing this SBS Capital Bond Application, I/we acknowledge I/we have read and agree to all the terms outlined below

I/We:

- will notify the Bank immediately if there is any change in any information supplied by me/us;
- confirm that I/we have not withheld any information that may affect the Bank's decision;
- authorise the Bank to obtain credit reports on me/us from any credit reporting agency and make use of any monitoring service at any time it considers it appropriate or desirable;
- authorise the Bank to obtain from my/our employer/s or any other source, information as it may deem necessary in relation to this declaration;
- have read and understood the below Privacy Statement and consent to the collection, disclosure and retention of the information as set out in that statement;
- confirm that if I/we have elected Non Resident Approved Issuer Levy on interest payments I/we understand this is not a tax, but a levy paid by the Bank; and
- agree to be bound by the Bank's General Terms and Conditions (which I/we have been provided) and all other terms and conditions (including fees and charges) that apply to me/us, my/our relevant accounts and any account I/we am/are authorised to have access to.

Privacy Statement

- Southland Building Society operates under the brand "SBS Bank". The name of the registered bank is Southland Building Society (referred to as "the Bank").
- I/We agree that the Bank may collect and retain personal information about me/us for the purpose of assisting the Bank to open and operate my/our accounts, administer my/our business and provide its products, services and information. All personal information is obtained in accordance with the Privacy Act 1993. The Bank and its subsidiaries are the intended recipients of this information though the information may be passed on to others.
- I/We agree that the Bank may make enquiries of any person it considers appropriate about any personal information that I/we provide to the Bank in order to check the accuracy of the information. The Bank may also request information from any other person about my/our character and employment. In the course of doing so, the Bank may disclose my/our personal information to the extent necessary. I/We authorise any such person to disclose personal information about me/us to the Bank and its subsidiaries.
- I/We agree that the Bank may, as part of opening and operating my/our accounts and/or offering and providing its products and services to me/us, use credit reporting and debt collecting services. I/We agree that:
 - the Bank may use these services to assess my/our current and ongoing credit worthiness;
 - the Bank may provide my/our personal information, including both positive and negative information about my/our credit history, to credit reporting and/or debt collecting agencies;
 - my/our personal information will be held by credit reporting agencies for credit reporting services; and
 - the credit reporting agencies will provide information about me/us to the Bank and to third parties as part of their credit reporting systems.
- I/We agree that the Bank may also use the monitoring services of credit reporting agencies to receive updates while I/we have a loan or any accounts with the Bank.
- I/We consent to the Bank giving my/our personal information to:
 - proposed or current guarantors of my/our obligations to us;
 - the Bank's subsidiaries or any assignees or potential assignees;
 - anyone that the Bank needs to contact in order to carry out my/our instructions to the Bank (including the recipient of an automatic payment, bill payment or direct debit);
 - anyone that the Bank needs to contact in order to assist me/us in developing or running our business;
 - any company which the Bank has effected a lenders mortgage indemnity policy ("Mortgage Insurer") so that the Mortgage Insurer can consider an application for lenders mortgage insurance. The Mortgage Insurer may obtain additional information from me/us and from other sources (including credit reporting agencies) to assist its evaluation of the application, its security and insurance risk and may disclose information about me/us to credit reporting agencies concerning defaults in payments or repayments of any of my/our loans or other product or service provided by the Bank to me/us; and
 - insurers in relation to any money I/we owe to the Bank or any property I/we have given the Bank security over.
- I/We also consent to the Bank using my/our personal information for:
 - marketing goods and services provided by the Bank and its assignees or subsidiaries; and
 - communicating with me/us, including by way of email and other electronic or social media means, in connection with administering, financing, insuring or enforcing my/our accounts and any other product or service provided by the Bank to me/us.
- I/We understand that my/our personal information will be held by the Bank and its subsidiaries and the Bank and its subsidiaries will take reasonable steps to protect my/our personal information from unauthorised access or disclosure. I/We are entitled to access this information and request the correction of the information the Bank and its subsidiaries holds about me/us.
- I/We understand that if I/we do not provide any information requested by the Bank or its subsidiaries, the Bank or its subsidiaries will inform me/us of the consequences for failing to do so.
- I/We understand that my/our personal information will only be disclosed to another party to the extent necessary for one or more of the purposes set out above, where required by law, or as otherwise authorised by me/us. I/We agree that the Bank can record and retain any telephone conversation between me/us and any member of the Bank for training and verification purposes.

continued over page



Beneficial Owners or Controlling Persons of your Organisation

For all types of Organisations – please record all parties (persons and/or entities, including those who are applying for or may operate the account on behalf of the organisation) that ultimately own or have effective control of the Organisation. Where a Trustee Company is a Beneficial Owner please record the Trustee Company and the Trustee Company's Beneficial Owners who have not been previously detailed, in the Trustee Company Details Form. If you need additional space advise Bank staff.

Controlling persons are defined as:

- Persons or Entities who own 25% or more of the organisation (e.g. Shareholding)
- Persons with 'effective control' of the organisation (Trustee, Director, Partner, President, Secretary, Treasurer, CEO, Senior Management or those who are authorised to appoint signatories)
- All named Beneficiaries of a Trust or Continuing Estate and all beneficiaries who have previously received a distribution

Beneficial Owner/Controlling Person(s) 1

Full Name	Date of Birth
Tax Details Countries of tax residency* (tick all that apply)	
<input type="checkbox"/> New Zealand	NZ IRD Number - - (8/9 digits)
<input type="checkbox"/> Australia	Tax File Number - - (8/9 digits)
<input type="checkbox"/> United States	Social Security/ITIN - - (9 digits)
<input type="checkbox"/> United Kingdom	National Insurance Number - - (9 digits)
<input type="checkbox"/> Other (specify)	Tax Identification Number

Residential Address (not a PO Box)

Association to the Organisation
(Director, Shareholder, CEO, Beneficiary, etc)

Type of Beneficiary (if a Trust or Continuing Estate)
 Fixed Discretionary Other (please specify)

Beneficial Owner/Controlling Person(s) 3

Full Name	Date of Birth
Tax Details Countries of tax residency* (tick all that apply)	
<input type="checkbox"/> New Zealand	NZ IRD Number - - (8/9 digits)
<input type="checkbox"/> Australia	Tax File Number - - (8/9 digits)
<input type="checkbox"/> United States	Social Security/ITIN - - (9 digits)
<input type="checkbox"/> United Kingdom	National Insurance Number - - (9 digits)
<input type="checkbox"/> Other (specify)	Tax Identification Number

Residential Address (not a PO Box)

Association to the Organisation
(Director, Shareholder, CEO, Beneficiary, etc)

Type of Beneficiary (if a Trust or Continuing Estate)
 Fixed Discretionary Other (please specify)

Beneficial Owner/Controlling Person(s) 5

Full Name	Date of Birth
Tax Details Countries of tax residency* (tick all that apply)	
<input type="checkbox"/> New Zealand	NZ IRD Number - - (8/9 digits)
<input type="checkbox"/> Australia	Tax File Number - - (8/9 digits)
<input type="checkbox"/> United States	Social Security/ITIN - - (9 digits)
<input type="checkbox"/> United Kingdom	National Insurance Number - - (9 digits)
<input type="checkbox"/> Other (specify)	Tax Identification Number

Residential Address (not a PO Box)

Association to the Organisation
(Director, Shareholder, CEO, Beneficiary, etc)

Type of Beneficiary (if a Trust or Continuing Estate)
 Fixed Discretionary Other (please specify)

Beneficial Owner/Controlling Person(s) 7

Full Name	Date of Birth
Tax Details Countries of tax residency* (tick all that apply)	
<input type="checkbox"/> New Zealand	NZ IRD Number - - (8/9 digits)
<input type="checkbox"/> Australia	Tax File Number - - (8/9 digits)
<input type="checkbox"/> United States	Social Security/ITIN - - (9 digits)
<input type="checkbox"/> United Kingdom	National Insurance Number - - (9 digits)
<input type="checkbox"/> Other (specify)	Tax Identification Number

Residential Address (not a PO Box)

Association to the Organisation
(Director, Shareholder, CEO, Beneficiary, etc)

Type of Beneficiary (if a Trust or Continuing Estate)
 Fixed Discretionary Other (please specify)

Beneficial Owner/Controlling Person(s) 2

Full Name	Date of Birth
Tax Details Countries of tax residency* (tick all that apply)	
<input type="checkbox"/> New Zealand	NZ IRD Number - - (8/9 digits)
<input type="checkbox"/> Australia	Tax File Number - - (8/9 digits)
<input type="checkbox"/> United States	Social Security/ITIN - - (9 digits)
<input type="checkbox"/> United Kingdom	National Insurance Number - - (9 digits)
<input type="checkbox"/> Other (specify)	Tax Identification Number

Residential Address (not a PO Box)

Association to the Organisation
(Director, Shareholder, CEO, Beneficiary, etc)

Type of Beneficiary (if a Trust or Continuing Estate)
 Fixed Discretionary Other (please specify)

Beneficial Owner/Controlling Person(s) 4

Full Name	Date of Birth
Tax Details Countries of tax residency* (tick all that apply)	
<input type="checkbox"/> New Zealand	NZ IRD Number - - (8/9 digits)
<input type="checkbox"/> Australia	Tax File Number - - (8/9 digits)
<input type="checkbox"/> United States	Social Security/ITIN - - (9 digits)
<input type="checkbox"/> United Kingdom	National Insurance Number - - (9 digits)
<input type="checkbox"/> Other (specify)	Tax Identification Number

Residential Address (not a PO Box)

Association to the Organisation
(Director, Shareholder, CEO, Beneficiary, etc)

Type of Beneficiary (if a Trust or Continuing Estate)
 Fixed Discretionary Other (please specify)

Beneficial Owner/Controlling Person(s) 6

Full Name	Date of Birth
Tax Details Countries of tax residency* (tick all that apply)	
<input type="checkbox"/> New Zealand	NZ IRD Number - - (8/9 digits)
<input type="checkbox"/> Australia	Tax File Number - - (8/9 digits)
<input type="checkbox"/> United States	Social Security/ITIN - - (9 digits)
<input type="checkbox"/> United Kingdom	National Insurance Number - - (9 digits)
<input type="checkbox"/> Other (specify)	Tax Identification Number

Residential Address (not a PO Box)

Association to the Organisation
(Director, Shareholder, CEO, Beneficiary, etc)

Type of Beneficiary (if a Trust or Continuing Estate)
 Fixed Discretionary Other (please specify)

Beneficial Owner/Controlling Person(s) 8

Full Name	Date of Birth
Tax Details Countries of tax residency* (tick all that apply)	
<input type="checkbox"/> New Zealand	NZ IRD Number - - (8/9 digits)
<input type="checkbox"/> Australia	Tax File Number - - (8/9 digits)
<input type="checkbox"/> United States	Social Security/ITIN - - (9 digits)
<input type="checkbox"/> United Kingdom	National Insurance Number - - (9 digits)
<input type="checkbox"/> Other (specify)	Tax Identification Number

Residential Address (not a PO Box)

Association to the Organisation
(Director, Shareholder, CEO, Beneficiary, etc)

Type of Beneficiary (if a Trust or Continuing Estate)
 Fixed Discretionary Other (please specify)



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