



# Limited Disclosure Document

## For an offer of Subordinated Notes - The Co-operative Bank Limited

This document gives you important information about this investment to help you decide whether you want to invest. There is useful information about this offer on [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose). The Co-operative Bank Limited 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 to make an investment decision.



Arranger and Lead Manager  
Dated 3 June 2016



The Co-operative Bank  
Change banking for good



## SECTION 1

# Key information summary

## What is this?

This is an offer of unsecured, subordinated, loss absorbing, Tier 2 regulatory capital debt securities (the **Subordinated Notes**). Subordinated Notes are debt securities issued by The Co-operative Bank Limited (the **Bank, we, our or us**). You give the Bank money, and in return the Bank promises to pay you interest and repay the money at the end of the term. If the Bank runs into financial trouble, you might lose some or all of the money you invested.

The Subordinated Notes are debt securities that have the features of regulatory capital instruments and are different to most corporate bonds in the following respects:

- they are able to be repaid early by the Bank in some situations with the approval of the Reserve Bank of New Zealand (the **RBNZ**); and
- they are loss absorbing, meaning that they may be written off (see section 6 (key features of the Subordinated Notes) of this Limited Disclosure Document (LDD) on page 10).

**Warning** – If the Bank experiences financial difficulty, the Subordinated Notes can be written off completely. This means you could lose all of your investment.

## About The Co-operative Bank

The Bank became a registered bank in October 2011, and has existed as a financial institution since 1928. Based in

Wellington, the Bank has over 300 staff nationally and a customer base of over 147,000. The Bank offers loans, savings and deposit products, KiwiSaver, and life insurance (through its wholly-owned subsidiary Co-operative Life Limited).

Information about the Bank and the Bank's financial statements are published quarterly in disclosure statements required under the Reserve Bank of New Zealand Act 1989.

The Bank's quarterly disclosure statements are available at [www.co-operativebank.co.nz/about-us/financial-information/disclosure-statements](http://www.co-operativebank.co.nz/about-us/financial-information/disclosure-statements).

More information about the Bank can be found in section 4 (about The Co-operative Bank) of this LDD on page 8.

## Purpose of this offer

Registered banks are required to maintain certain levels of regulatory capital, of different types. This capital is used to meet losses if the bank encounters financial difficulties.

The purpose of this offer is, and the money raised under it will be used, to meet the Bank's Tier 2 Capital requirements, as required by the RBNZ. More information can be found in section 5 (purpose of the offer) of this LDD on page 9.

Key terms of the offer	
Description of Subordinated Notes	The Subordinated Notes are unsecured, subordinated, loss absorbing, Tier 2 regulatory capital debt securities
Term	10 years (subject to early redemption)
Early redemption on Optional Redemption Date	The Bank may repay the principal amount of your Subordinated Notes on any Optional Redemption Date (being 28 July 2021 and each quarterly Interest Payment Date thereafter), provided that the Bank gives you notice of the repayment. The RBNZ's approval is required for the Bank to repay the principal amount of the Subordinated Notes early
Offer size	Up to \$30,000,000
Minimum holding	\$5,000, and a whole multiple of \$1,000 thereafter
Interest rate	For the first five years from the issue date, the interest rate will be fixed. The interest rate will be set by the Bank and announced prior to the opening date of the offer From the first Optional Redemption Date (28 July 2021), the interest rate will be floating and will be the sum of the BKBM Rate for the relevant Interest Period and a margin. The margin will be set by the Bank and announced prior to the opening date of the offer
Interest payments	Interest will be paid on each Interest Payment Date (generally the 28th day of January, April, July or October). The Bank is only obliged to pay interest if it is solvent on the relevant Interest Payment Date. Any interest not paid for this reason remains owing by the Bank. That unpaid interest will also accrue interest. That interest will be payable on the first business day on which the Bank is able to pay its due debts Before the first Optional Redemption Date, if an Interest Payment Date is not a business day, interest will be paid on the next business day After the first Optional Redemption Date, if an Interest Payment Date is not a business day, interest will be paid on the next business day in the same month or (if there is not one) the previous business day

<b>Early bird interest</b>	The Bank will pay interest on all subscription money banked before the issue date at 4.00% per annum. More information can be found in section 3 (terms of the offer) of this LDD on page 6
<b>Loss absorbency</b>	If the Bank encounters financial difficulty, the Subordinated Notes may be written off in part or in full (meaning that their principal amount will not be repaid and that no further interest will be paid on the amount written off). This may happen only if there is a Trigger Event (being a direction by the RBNZ or a statutory manager appointed to the Bank to write off the Subordinated Notes). More information can be found in section 6 (key features of the Subordinated Notes) of this LDD on page 10
<b>Offer opening date</b>	20 June 2016
<b>Offer closing date</b>	26 July 2016
<b>Issue date</b>	28 July 2016
<b>Expected listing and quotation date</b>	Listing date of the Bank – 28 July 2016 Quotation date of the Subordinated Notes – 29 July 2016

## Offer made in New Zealand only

This LDD only constitutes an offer of Subordinated Notes in New Zealand.

### No guarantee

The Bank is solely responsible for repaying you. No other member of The Co-operative Bank group of companies, nor any other person, guarantees repayment of the principal amount of, or payment of interest on, the Subordinated Notes.

### How you can get your money out early

You have no right to require the Bank to repay the principal amount of your Subordinated Notes early. However, the Bank may repay the principal amount of your Subordinated Notes early if:

- it elects to do so (which it can do on any Optional Redemption Date, provided it gives you between 20 and 60 business days' notice of the repayment); or
- there are certain adverse tax consequences to the Bank in respect of the Subordinated Notes as the result of a change in law (that was not anticipated at the time of issuing the Subordinated Notes); or
- because of a change in the RBNZ's prudential standards relating to capital adequacy (that was not anticipated at the time of issuing the Subordinated Notes), the Subordinated Notes cease to qualify as Tier 2 Capital of the Bank.

In each case, the RBNZ's approval is required for the Bank to repay the principal amount of the Subordinated Notes early, and the Bank would need to give you notice of that early repayment.

The Bank intends to quote these Subordinated Notes on the NZX Debt Market (the **NZDX**). This means you may be able to sell them on the NZDX before the end of their term if there are interested buyers. If you sell your Subordinated Notes, the price you get will vary depending on factors such as the financial condition of the Bank and movements in the market interest rates. You may receive less than the full amount that you paid for them.

Application has been made to NZX for permission to quote the Subordinated Notes on the NZDX. All of NZX's

requirements relating to that application that can be complied with on or before the date of this LDD have been complied with. However, the Subordinated Notes have not yet been approved for quotation and NZX accepts no responsibility for any statement in this LDD.

### How Subordinated Notes rank for repayment

On a liquidation of the Bank, your rights and claims under the Subordinated Notes would rank after all other creditors of the Bank that rank in priority to the Subordinated Notes. As at the date of this LDD, that is all creditors of the Bank (including all holders of current and savings accounts and term deposits), other than holders of Capital Notes issued by the Bank (as PSIS Limited), which mature on 25 September 2016. Those Capital Notes will rank equally with the Subordinated Notes, once issued.

More information on how the Subordinated Notes rank on the liquidation of the Bank can be found in section 6 (key features of the Subordinated Notes) of this LDD on page 10.

### No security

The Bank's obligation to repay the principal amount of, or pay interest on, the Subordinated Notes is not secured. This means that you have no recourse to any of the Bank's assets if the Bank does not repay the principal amount of, or pay interest on, the Subordinated Notes.

### Key risks affecting this investment

If the Bank experiences financial difficulty, the Subordinated Notes may be written off. You will not have any choice as to whether a write-off occurs, and you may not have a chance to sell your Subordinated Notes before the write-off. If the Subordinated Notes 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 the Bank does not meet its commitments to repay you or pay you interest (credit risk). Section 7 of this document (risks of investing) discusses the main factors that give rise to the risk. You should consider if the credit risk of these debt securities is suitable for you.

The interest rate for the Subordinated Notes 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.

The Bank considers that the most significant risk factors are:

- borrowers or other entities with whom the Bank has contractual arrangements not meeting their obligations to the Bank;
- the Bank being unable to pay its debts as they fall due or being unable to access funding (or funding on acceptable terms) to support its on-going operations;
- difficulties that the Bank has raising equity because of its status as a co-operative company;
- the Bank's small size in the retail banking market and relative concentration to mortgage lending; and
- claims on the Bank's wholly-owned subsidiary Co-operative Life Limited affecting the Bank's profitability.

This summary does not cover all of the risks of investing in the Subordinated Notes. You should also read section 7 (risks of investing) of this LDD on page 11.

## What is The Co-operative Bank's credit rating?

The Bank's credit rating is BBB- with a positive outlook. The Subordinated Notes are not yet rated. However, the Bank has applied for rating of the Subordinated Notes. The expected credit rating of the Subordinated Notes is BB+. This is lower than the Bank's credit rating because the Notes are subordinated obligations of the Bank.

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.

The Bank has been rated by Fitch Ratings Inc. (**Fitch**). Fitch gives ratings from AAA through to C.

	Credit rating <sup>1</sup>	Description of the rating	Probability of default <sup>2</sup>
	AAA	Highest credit quality – 'AAA' ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events	1 in 600
	AA	Very high credit quality – 'AA' ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events	1 in 300
	A	High credit quality – 'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings	1 in 150
The Bank's credit rating: BBB-, outlook positive	BBB	Good credit quality – 'BBB' ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity	1 in 30
The expected credit rating for the Subordinated Notes: BB+	BB	Speculative – 'BB' ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists which supports the servicing of financial commitments	1 in 10
	B	Highly speculative – 'B' ratings indicate that 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
	CCC	Substantial credit risk – 'CCC' ratings indicate that default is a real possibility	1 in 2
	CC	Very high levels of credit risk – 'CC' ratings indicate that default of some kind appears probable	1 in 2
	C	Exceptionally high levels of credit risk – 'C' ratings indicate that default is imminent or inevitable, or the issuer is in standstill	

<sup>1</sup> The modifiers '+' or '-' may be added to the above ratings to indicate relative status within the major rating categories.

<sup>2</sup> 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 'Explaining Credit Ratings', dated November 2008).

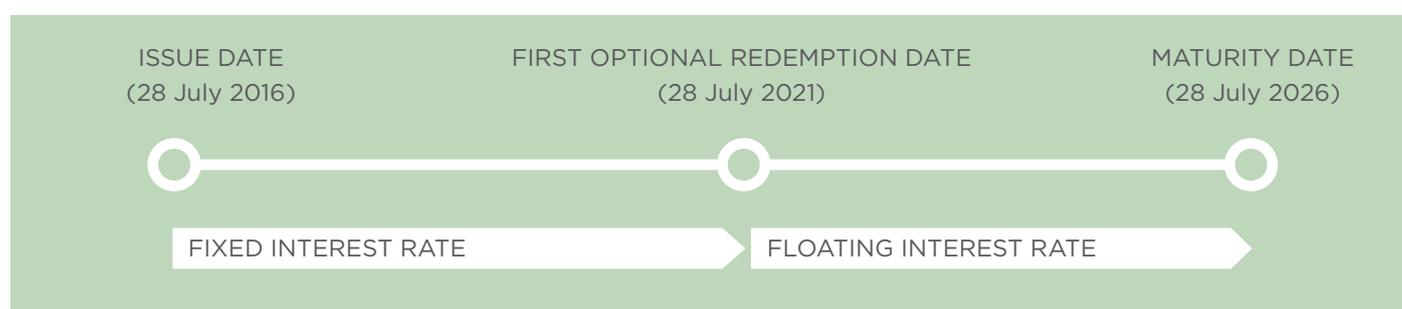
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## SECTION 2

# Key dates and offer process

<b>Offer opening date</b>	20 June 2016
<b>Offer closing date</b>	26 July 2016
<b>Issue date</b>	28 July 2016
<b>Expected listing and quotation date</b>	Listing date of the Bank – 28 July 2016 Quotation date of the Subordinated Notes – 29 July 2016
<b>Optional Redemption Date</b>	28 July 2021 and each Scheduled Interest Payment Date thereafter
<b>Maturity date</b>	28 July 2026
<b>Interest Payment Dates</b>	28 January, April, July and October each year
<b>First Interest Payment Date</b>	28 October 2016



The offer opening date and the offer closing date are indicative only and are subject to change. The Bank has the right in its absolute discretion and without notice to open or close the offer early, to accept late applications, and to extend the closing date. If the closing date is extended, the issue date, the expected date of initial quotation and trading of the Subordinated Notes on the NZDX, the Interest Payment Dates and the maturity date may be extended accordingly. Any such changes will not affect the validity of any applications received.

The Bank also has the right to cancel the offer at any time, in which case, all subscription money banked will be refunded, with interest at the early bird interest rate of 4.00% per annum to (but excluding) the cancellation date, within five business days of the cancellation date.

## SECTION 3

# Terms of the offer

<b>Issuer</b>	The Co-operative Bank Limited
<b>Description of Subordinated Notes</b>	The Subordinated Notes are unsecured, subordinated, loss absorbing, Tier 2 regulatory capital debt securities
<b>Term</b>	10 years (although the Bank has the right to redeem the Subordinated Notes on any Optional Redemption Date, provided it gives you notice of the repayment)
<b>Offer size</b>	Up to \$30,000,000
<b>Interest rate</b>	<p>For the first five years from the issue date, the interest rate will be fixed. The interest rate will be set by the Bank and announced prior to the opening date of the offer</p> <p>From the first Optional Redemption Date, the interest rate will be floating and will be the sum of the BKBM Rate for the relevant Interest Period and a margin. The margin will be set by the Bank and announced prior to the opening date of the offer</p> <p>The BKBM Rate is a benchmark floating interest rate for the New Zealand money market. It is commonly used by major New Zealand financial institutions as a reference rate. This rate changes to reflect market conditions within the money market</p> <p>Benchmark interest rates are unpredictable, and you should not expect the floating interest rate to be the same as the fixed interest rate</p>
<b>Interest payments</b>	<p>Interest will be paid on each Interest Payment Date, subject to a solvency requirement</p> <p>Before the first Optional Redemption Date, if an Interest Payment Date is not a business day, interest will be paid on the next business day</p> <p>After the first Optional Redemption Date, if an Interest Payment Date is not a business day, interest will be paid on the next business day in the same month or (if there is not one) the previous business day</p>
<b>Solvency requirement for interest payments</b>	The Bank must be solvent (i.e., able to pay its debts as they fall due) before it is required to pay you interest
<b>Early bird interest</b>	The Bank will pay interest on all subscription money received at 4.00% per annum from the date the Bank banks that subscription money to (but excluding) the issue date (or any earlier date specified in this LDD). Unless otherwise specified in this LDD, all early bird interest will be paid within five business days of the issue date
<b>Ranking of Subordinated Notes on liquidation</b>	On a liquidation of the Bank, your rights and claims under the Subordinated Notes would rank after all other creditors of the Bank, other than creditors holding debt securities ranking equally with or behind the Subordinated Notes
<b>Minimum investment amount</b>	\$5,000, and a whole multiple of \$1,000 thereafter
<b>Issue price</b>	Each Subordinated Note is issued at par (\$1.00 per Subordinated Note)
<b>No early repayment</b>	You have no right to require early repayment of the Subordinated Notes
<b>Early redemption on Optional Redemption Date</b>	The Bank may repay the principal amount of your Subordinated Notes on any Optional Redemption Date, provided that the Bank gives you notice of the repayment. The RBNZ's approval is required for the Bank to repay the principal amount of the Subordinated Notes early. Interest accrued to the early repayment date will be paid on that early repayment date
<b>Early redemption by the Bank for tax or regulatory reasons</b>	<p>The Bank may repay the principal amount of your Subordinated Notes early if:</p> <ul style="list-style-type: none"><li>• there are certain adverse tax consequences to the Bank in respect of the Subordinated Notes as the result of a change in law (that was not anticipated at the time of issuing the Subordinated Notes); or</li><li>• because of a change in the RBNZ's prudential standards relating to capital adequacy (that was not anticipated at the time of issuing the Subordinated Notes), the Subordinated Notes do not qualify as Tier 2 Capital of the Bank</li></ul> <p>In each case, the RBNZ's approval is required for the Bank to repay the principal amount of the Subordinated Notes early, and the Bank would need to give you notice of that early repayment. Interest accrued to the early repayment date will be paid on that early repayment date</p>

<b>Record date</b>	Payments on the Subordinated Notes will be made to the persons who are the registered holders of those Subordinated Notes as at close of business on the 10th day before the relevant payment date (or, if that date is not a business day, the preceding business day)
<b>Loss absorbency</b>	The Subordinated Notes are loss absorbing. This means that, if the Bank encounters financial difficulty, all or some of the Subordinated Notes may be written off (meaning that their principal amount will not be repaid and that no further interest will be paid on the amount written off). This may happen only if there is a Trigger Event. If the Subordinated Notes are written off, you will lose a corresponding amount of your investment. If all of the Subordinated Notes are written off, you will lose all of your investment  More information is available in section 7 (risks of investing) of this LDD on page 11
<b>Cumulative interest payments</b>	Any interest not paid because the Bank is not solvent remains owing by the Bank. That unpaid interest will also accrue interest. That interest will be payable on the first business day on which the Bank is able to pay its due debts
<b>Quotation on NZX</b>	The Bank intends to apply to NZX for permission to quote the Subordinated Notes on the NZDX. NZX ticker code <b>COO010</b> has been reserved for the Subordinated Notes
<b>Brokerage</b>	The Bank is paying brokerage to broker firms participating in the offer of the Subordinated Notes for applications made through that broker. You are not required to pay brokerage or any charges to the Bank in connection with your application for Subordinated Notes. However, you should ask the firm from whom you receive an allocation of Subordinated Notes whether or not it intends to charge you brokerage
<b>Governing law</b>	New Zealand

## Deed Poll

The Bank entered into a deed poll dated 26 May 2016 (the **Deed Poll**) under which it will issue the Subordinated Notes. A copy of the Deed Poll may be obtained from the Disclose Register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose).

## Rebates

Holding Subordinated Notes alone does not make you eligible to participate in the Bank's rebate scheme (through which the Bank currently shares a portion of its annual profits with certain eligible customers). For any holder of Subordinated Notes who is a transacting shareholder of the Bank, the size of that holder's Subordinated Note holding will not be factored into any rebate calculation.

## Comparable pricing

To assist you to assess the risk premium of the Subordinated Notes, you can refer to [www.nzx.com/markets/NZDX/bonds](http://www.nzx.com/markets/NZDX/bonds). This website allows you to compare the yield of the financial products listed on the NZDX. When comparing the yield of two debt securities, it is important to consider all relevant factors (including the credit rating (if any), the expected redemption date, whether the debt securities are subordinated or not, and the other

terms of the relevant debt securities (such as whether they can be written off or otherwise not repaid by the issuer in any circumstances)).

## Trading Subordinated Notes on the NZDX

To be eligible to trade your Subordinated Notes on the NZDX you must have an account with a primary market participant, a common shareholder number (**CSN**) and an authorisation code (**FIN**). If you do not have an account with a primary market participant, you should be aware that opening an account can take a number of days depending on the primary market participant's new client procedures.

If you do not have a CSN you will be automatically assigned one. If you do not have a FIN, it is expected that you will be sent one by the Registrar of the Subordinated Notes (Computershare Investor Services Limited). If you have an account with a primary market participant and have not received a FIN by the date you want to trade your Subordinated Notes, your primary market participant can arrange to obtain your FIN from the Registrar of the Subordinated Notes. Your primary market participant will be charged a fee for requesting your FIN from the Registrar of the Subordinated Notes and may pass this cost on to you.

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## SECTION 4

# About The Co-operative Bank

The Bank became a registered bank in October 2011, and has existed as a financial institution since 1928. Based in Wellington, the Bank has over 300 staff nationally and a customer base of over 147,000.

As a registered bank the Bank observes and complies with New Zealand's wide ranging banking regulatory requirements, including governance, capital, liquidity and risk management conditions of registration. The Bank's credit rating is BBB- with a positive outlook from Fitch.

The Bank is the only New Zealand co-operative company registered as a bank in New Zealand. As a co-operative company, we're owned by our customers. We share some of our profit with eligible customers through our discretionary rebate.

The Bank has four core beliefs: fairness, mutual benefit, respect for individuals and a better future.

The Bank operates a national branch network, as well as providing digital banking services through its internet and mobile app banking. It offers loans, savings and deposit products, KiwiSaver, and life insurance (through its wholly-owned subsidiary Co-operative Life Limited). The Bank's loan and deposit products focus on the retail banking sector. The Bank does not offer commercial or agricultural loans.

Overall, the Bank has delivered strong growth since bank registration while building its franchise and maintaining its overall credit quality. Please go to [www.co-operativebank.co.nz](http://www.co-operativebank.co.nz) for further information on the Bank – the 'About Us' section provides governance and financial information.

## SECTION 5

# Purpose of the offer

Registered banks are required to maintain certain levels of regulatory capital, of different types. This capital is used to meet losses if the bank encounters financial difficulties.

The purpose of this offer is, and the money raised under it will be used, to meet the Bank's Tier 2 Capital requirements. The use of the money raised will not change depending on how much is raised under the offer.

The Bank intends to raise up to \$30,000,000 from the offer. The Bank will not accept any over-subscriptions. The Bank may scale subscriptions at its discretion. Any subscription money for any subscriptions that are not accepted will be refunded (with interest at the early bird interest rate of 4.00% per annum from the date the money is banked to (but excluding) the refund date) within five business days of the issue date.

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

### Information on regulatory capital

The RBNZ imposes capital adequacy requirements on banks. These requirements are intended to ensure that an adequate level of capital is maintained, to provide a buffer to absorb unexpected losses (such as might occur if a bank encountered financial difficulties).

The RBNZ currently classifies a bank's regulatory capital into three tiers – Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital. Common Equity Tier 1 Capital includes paid up ordinary shares, certain reserves and retained earnings less certain deductions. Additional Tier 1 Capital comprises high quality components of capital and consists of certain financial products that are not classified as Common Equity Tier 1 Capital but which have loss absorbing characteristics.

Tier 2 Capital consists of subordinated instruments and, whilst a lesser form of capital than Tier 1 Capital, still has a capacity to absorb losses and strengthens the bank's overall capital position. Tier 2 Capital together with Tier 1 Capital constitutes Total Capital and the ratio of Total Capital to risk-weighted assets is called the Total Capital Ratio.

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

- a Common Equity Tier 1 Capital Ratio of not less than 4.5%;
- a Tier 1 Capital Ratio of not less than 6.0% (Common Equity Tier 1 and Additional Tier 1); and
- a Total Capital Ratio (Tier 1 and Tier 2) of not less than 8.0%.

From 1 January 2014, the RBNZ has also required most New Zealand incorporated registered banks, including the Bank, to maintain a conservation buffer of 2.5% above the minimum ratios.

As at 31 March 2016, the Bank had:

- a Common Equity Tier 1 Capital Ratio of 15.7%;
- a Tier 1 Capital Ratio of 15.7%; and
- a Total Capital Ratio of 15.8%.

Assuming that \$30,000,000 of Subordinated Notes are issued, the Subordinated Notes will increase the Bank's Total Capital Ratio by 2.2%. More information on the Bank's capital adequacy is contained in the Bank's quarterly disclosure statements, which are available, free of charge, at [www.co-operativebank.co.nz/about-us/financial-information/disclosure-statements](http://www.co-operativebank.co.nz/about-us/financial-information/disclosure-statements).

## SECTION 6

# Key features of the Subordinated Notes

## Ranking

The Subordinated Notes are unsecured and are subordinated to the Bank's other obligations. If the Bank encounters financial difficulty, the Subordinated Notes may be written off in part or in full (meaning that their principal amount will not be repaid and that no further interest will be paid on the amount written off). This may only happen if a Trigger Event occurs.

A Trigger Event will occur if the RBNZ directs the Bank to write off the Subordinated Notes (in part or in full), or if a statutory manager is appointed to the Bank and decides that the Bank must write off the Subordinated Notes (in part or in full). An RBNZ direction can only be given, or a statutory manager can only be appointed, in limited circumstances where the Bank encounters financial difficulty.

If the Subordinated Notes are written off, all, or only some, of the value of each Subordinated Note might be written off. The value of Subordinated Notes written off will be the amount required to ensure that, after the write-off, the RBNZ is satisfied that the Bank is viable. If only some of the value of the Subordinated Notes is written off, Subordinated Notes will have their face value written off proportionately. For example, if 25% of the Subordinated Notes are written off, each Subordinated Note will have 25% of its face value written off.

If the Subordinated Notes are written off, you will lose a corresponding amount of your investment. If only some of the value of the Subordinated Notes is written off, you will only continue to receive interest on the remaining face value of your Subordinated Notes that is not written off (and only that principal amount will be repaid). If all of the Subordinated Notes are written off, you will lose all of your investment. You will not be entitled to any compensation if your Subordinated Notes are written off.

Because the Subordinated Notes are subordinated, any further obligations (other than subordinated obligations or obligations that rank equally with the Subordinated Notes) incurred by the Bank after the Subordinated Notes are issued (including any new deposits in current and savings accounts or in term deposits made by customers of the Bank) will rank in priority to the Subordinated Notes.

There are no restrictions on the Bank incurring liabilities that rank equally with, or in priority to, the Subordinated Notes. The Deed Poll under which the Subordinated Notes are issued allows for further notes to be issued under it. Those notes would rank equally with the Subordinated Notes.

The diagram below illustrates the ranking of the Subordinated Notes in the event of our liquidation<sup>3</sup> and is based on \$30,000,000 of Subordinated Notes being on issue and assumes that the Subordinated Notes have not been written off (either in part or in full). If the Bank was placed in liquidation, assuming they have not been written off, the Subordinated Notes would not be repaid until after all creditors ranking in priority to the Subordinated Notes were repaid.

### No security

The Bank's obligation to repay the principal amount of, or pay interest on, the Subordinated Notes is not secured. This means that you have no recourse to any of the Bank's assets if the Bank does not repay the principal amount of, or pay interest on, the Subordinated Notes.

### No guarantees

The Bank is solely responsible for repaying you. No other member of The Co-operative Bank group of companies, nor any other person, guarantees repayment of the principal amount of, or payment of interest on, the Subordinated Notes.

	Ranking on liquidation of the Bank	Examples	Indicative amount
Higher ranking/ earlier priority  ↑ ↓ Lower ranking/ later priority	Liabilities that rank in priority to the Subordinated Notes	Creditors preferred by law (including IRD for unpaid tax) and any permitted prior ranking security interests	
		Savings accounts and term deposits, including accrued interest	\$1,882,588,000
	Liabilities that rank equally with the Subordinated Notes	Subordinated Notes, including the accrued interest	
		Capital notes issued by the Bank (as PSIS Limited) in 2006, which mature on 25 September 2016, including accrued interest	\$31,597,000 (which includes \$30,000,000 of Subordinated Notes)
	Equity	Relevant Tier 1 Securities (as defined in the Deed Poll)	Nil
		Retained earnings and other reserves	\$156,968,000

<sup>3</sup> The financial information in this table is stated as at 31 March 2016 adjusted as if \$30,000,000 of Subordinated Notes had been issued at that date.

## SECTION 7

# Risks of investing

## Introduction

This section describes potential risks associated with an investment in the Subordinated Notes. This section describes certain:

- general risks associated with an investment in the Subordinated Notes;
- specific risks that relate to the Subordinated Notes themselves; and
- significant specific risks relating to the Bank's creditworthiness.

The selection of risks relating to the Bank's creditworthiness has been based on an assessment of a combination of the realistic probability of a risk occurring and the impact of the risk 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.

Where practicable, the Bank seeks to implement risk mitigation strategies to minimise the exposure to certain risks outlined below, although there can be no assurance that those arrangements will fully protect the Bank from those risks.

You should carefully consider these risks (together with the other information in this LDD) before deciding to invest in the Subordinated Notes.

This section does not cover all of the risks of investing in the Subordinated Notes.

The statement of risks in this section does not take account of your personal circumstances, financial position or investment requirements. Therefore, it is important that before making any investment decision you give consideration to the suitability of an investment in the Subordinated Notes in light of your individual risk profile for investments, investment objectives and personal circumstances (including financial and taxation issues).

## General risks

Your investment is subject to the general risk that we become insolvent and are not able to meet our obligations to you to pay interest and to repay the principal when due under the Subordinated Notes.

The Subordinated Notes are loss absorbing. This means that, if the Bank encounters financial difficulty, all or some of the Subordinated Notes may be written off (meaning that their principal amount will not be repaid and that no further interest will be paid on the amount written off). If the Subordinated Notes are written off, you will lose a corresponding amount of your investment. If all of the Subordinated Notes are written off, you will lose all of your investment. The Subordinated Notes may only be written off in limited circumstances if the RBNZ directs this to happen or if a statutory manager is

appointed to the Bank and decides that the Bank must write off the Subordinated Notes (in part or in full). More information is available in section 6 (key features of the Subordinated Notes) of this LDD on page 10.

Your investment is also subject to the risk that, if you want to sell your Subordinated Notes before maturity, you may not be able to find a buyer, or you may receive less than you originally paid for the Subordinated Notes. This risk will depend both on the financial position of the Bank at the relevant time and the interest rates prevailing in the market.

## Specific risks relating to the Subordinated Notes

Because of the nature of the Subordinated Notes (unsecured, subordinated, loss absorbing, Tier 2 regulatory capital debt securities), the Bank considers that the key risks associated with an investment in Subordinated Notes relate to the structure of the Subordinated Notes themselves.

### Interest payment risk

You may not be paid interest on your Subordinated Notes. This is because it is a term of the Subordinated Notes that the Bank must be solvent (i.e., able to pay its debts as they fall due) before it is required to pay you interest. To mitigate the Bank's solvency risk, our Board sets appropriate policies to ensure that it has enough capital and adequate access to funding for the Bank to meet its debts as they arise.

### Optional repayment risk

Some or all of your Subordinated Notes may be redeemed by the Bank on any Scheduled Interest Payment Date on or after the first Optional Redemption Date. The Bank may also redeem the Subordinated Notes if:

- there are certain adverse tax consequences to the Bank in respect of the Subordinated Notes as the result of a change in law (that was not anticipated at the time of issuing the Subordinated Notes); or
- because of a change in the RBNZ's prudential standards relating to capital adequacy (that was not anticipated at the time of issuing the Subordinated Notes), the Subordinated Notes cease to qualify as Tier 2 Capital of the Bank.

A repayment (or the timing of it) may not suit you in light of market conditions or your individual circumstances. Depending on market conditions at the time, you may not be able to reinvest the amount you receive on repayment at a similar rate of return to the interest rate on the Subordinated Notes.

You have no right to require the Bank to redeem your Subordinated Notes early meaning that, unless you can sell your Subordinated Notes, or they are redeemed early by the Bank in the circumstances described above, you will have to hold them to maturity. This may not suit your investment requirements.

### **Subordination risk**

If the Bank is put into liquidation (and your Subordinated Notes have not been written off in full), your claim to payment of the principal amount of your Subordinated Notes will rank:

- ahead of claims of shareholders of the Bank to the surplus assets of the Bank;
- equally with claims of other holders of Subordinated Notes and holders of other debt securities that rank equally with the Subordinated Notes;
- behind the Bank's depositors; and
- behind the claims of all other creditors of the Bank (such as those of the Bank's secured creditors).

More information on the ranking of the Subordinated Notes in the liquidation of the Bank is available in section 6 (key features of the Subordinated Notes) of this LDD on page 10.

You will lose some or all of your investment if the Bank has insufficient assets to pay all amounts owing to its creditors whose claims rank ahead of the Subordinated Notes and you will not receive any unpaid interest on your Subordinated Notes.

In addition, if any of your Subordinated Notes are written off, you will no longer have the right to be repaid the principal amount written off, or to receive interest on that amount, and you will have no claim in a liquidation of the Bank in respect of the amount of your Subordinated Notes written off.

The Deed Poll does not restrict the Bank from issuing financial products of any kind. For example, the Bank may issue debt securities that rank ahead of, equally with, or behind, the Subordinated Notes.

You do not have the right to participate in any future issue of financial products by the Bank merely because you hold Subordinated Notes. In addition, the Deed Poll does not restrict the Bank from repaying its other debt securities, including debt securities that rank equally with or behind the Subordinated Notes.

Your ability to be repaid in a liquidation of the Bank or the price or value of the Subordinated Notes may be adversely affected if the Bank issues, or repays, other financial products.

### **Market risks**

The market price of the Subordinated Notes will fluctuate due to various factors, including investor perceptions, New Zealand and international economic conditions, changes in interest rates, credit spreads and inflation rates and the financial performance and position of the Bank.

The Subordinated Notes may trade at a market price

below their principal amount of \$1 per Subordinated Note. If you sell your Subordinated Notes at such a time, you may lose some of the money you invested.

### **Liquidity risk**

The market for the Subordinated Notes may not be liquid and may be less liquid than the market for comparable securities issued by the Bank or other entities. If liquidity is low, you may be unable to sell your Subordinated Notes at an acceptable price, or at all.

### **Interest rate risk**

After five years, the interest rate payable in respect of the Subordinated Notes will convert from fixed to floating (if the Subordinated Notes have not been redeemed by the Bank or written-off (in part or in full)). Depending on the interest rates prevailing in the financial markets at or after that time, the floating interest rate may be lower than the fixed interest rate.

The interest rate payable on the Subordinated Notes may become unattractive relative to other investments if interest rates in the financial markets increase after the Subordinated Notes are issued. This may affect your ability to sell your Subordinated Notes for the price you paid for them.

## **Specific risks relating to The Co-operative Bank's creditworthiness**

The Bank is subject to the same general risks in relation to its creditworthiness that all financial institutions face. Its primary risks are as follows:

### **Credit risk**

The risk that borrowers or other entities with whom the Bank has contractual arrangements do not meet their obligations to the Bank. It includes the risks, for example, of loss to the Bank if an unexpectedly large number of borrowers do not repay their loans with the Bank or the issuers of senior bonds with whom the Bank has invested, default on their repayment. Information on the Bank's level of provisioning for impaired loans is contained in the Bank's quarterly disclosure statements, which are available, free of charge, at [www.co-operativebank.co.nz/about-us/financial-information/disclosure-statements](http://www.co-operativebank.co.nz/about-us/financial-information/disclosure-statements).

### **Liquidity and funding risk**

The risk that the Bank is unable to pay its debts as they fall due or is unable to access funding (or funding on acceptable terms) to support its on-going operations. The Bank's most significant liabilities are its call accounts and term deposits. The Bank may encounter liquidity difficulties if there was a sudden and unexpectedly large number of withdrawals from call accounts and repayment of term deposits at the same time. Funding risk may arise from trouble in the financial markets or a reduction in the number of customers willing to invest in the Bank's deposit products. Ultimately, prolonged liquidity difficulties could result in the Bank failing to meet its payment obligations.

## Capital risk

The risk that the Bank does not have sufficient capital to meet its prudential standards requirements. Maintenance of regulatory capital is a condition of the Bank's banking licence. Ultimately, failure to maintain the required levels could mean the loss of the Bank's banking licence, which would severely inhibit the Bank's ability to continue trading. More information of the Bank's regulatory capital requirements is available in section 5 (purpose of the offer) of this LDD on page 9 .

## Interest rate risk

The risk of changes in wholesale interest rates, as well as changes in lending and borrowing margins. The risk arises from the mismatch between the re-pricing profiles of the Bank's assets and liabilities. The Bank may suffer losses as a result of interest rate risk if there is not a sufficient margin between the interest rate it pays on money it borrows and the interest rate it charges on money it lends.

## Operational risk

The risk of loss to the Bank resulting from inadequate internal processes, people or systems. It includes the risk of loss as result of the Bank's failure to monitor its legal and regulatory compliance obligations or as a result of loss arising from fraud, cyber security breaches, failure of technology systems and other operational failures (including those arising from failures by third party suppliers). Operational failures could result in large fines if those failures are a result of regulatory breaches, or significant losses, if the operational failure relates to fraud or malicious third party acts. These fines or losses might impact the ability of the Bank to operate profitably. Failure to comply with law or regulation could ultimately result in the loss of the Bank's banking licence, which would severely inhibit the Bank's ability to continue trading.

## Regulatory change risk

The risk of financial or reputational loss arising from changes to laws, policies, regulations, standards or specifications that have an adverse impact on the Bank and its operations. The Bank operates in an area that is highly regulated. Changes to laws, policies, regulations, standards or specifications could significantly increase the cost to the Bank of doing business in unpredictable ways.

These risks are similar to those faced by any other banks or lending and retail deposit-taking institutions.

The risks that the Bank faces that are different to other banks or lending and retail deposit-taking institutions, or that are likely to affect the Bank more than other banks or lending and retail deposit-taking institutions are set out below.

## Difficulty raising equity

Because the Bank is a co-operative company, its constitution imposes restrictions on its ability to raise capital by issuing ordinary shares. The Bank currently manages capital risks by maintaining a high capital adequacy ratio relative to the other banks – as at 31 March 2016, 15.8%. Accordingly, if material credit losses or a material regulatory change required the Bank to raise equity capital, which it was only able to do by issuing ordinary shares, it would first need shareholder approval to amend the constitution to facilitate this. More information about the capital adequacy ratios that the Bank is required to maintain can be found in section 5 (purpose of the offer) of this LDD on page 9.

## Scale and concentration

The Bank's small size in the retail banking market and relative concentration to mortgage lending leaves its profitability exposed to both reducing margins and adverse employment levels or house price movements. If an unexpectedly large number of borrowers failed to repay their loans as a result of less favourable economic conditions, the Bank could be exposed to loss. The Bank's small size is being mitigated over time through growing its balance sheet. The Bank's exposure to mortgage loans is mitigated through a relatively low single borrower concentration and having a relatively small volume of low equity loans.

## Claims on Co-operative Life Limited

The Bank underwrites life insurance via its wholly-owned subsidiary, Co-operative Life Limited. Co-operative Life Limited currently earns around a quarter of the Bank's profit. As such, if the Bank must satisfy a large number of claims over a short period of time, its profitability might suffer. If there was an unexpectedly large number of claims, the Bank could be exposed to loss. To manage this risk, Co-operative Life Limited holds reinsurance cover.

## Impact of risks

The Bank expects some of these risks to arise in the normal course of its business and manages these risks in the normal course of its business within a formal corporate governance framework overseen by its Board. However, if unusual circumstances exist, such as there being widespread defaults in a residential mortgage sector or a sudden and unexpectedly large number of customers withdrawing their deposits with the Bank, the risks could become more difficult to manage and the impact on the Bank may be more severe. In extreme circumstances, a failure to manage these risks could mean that the Bank is not able to meet its payment obligations on the Subordinated Notes (including because of the Subordinated Notes being written off after a Trigger Event).

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## SECTION 8

# Tax

New Zealand residents will have resident withholding tax deducted from their interest payments, and there may be other tax consequences from acquiring or disposing of the Subordinated Notes.

If you have queries relating to the tax consequences of the investment, you should obtain professional advice on those consequences.

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## SECTION 9

# Withholding tax and approved issuer levy

We will deduct any applicable tax or other government charges from the interest we pay you. The amount of tax will depend on your tax status and tax residency.

If you are a New Zealand tax resident (or non-resident engaged in business in New Zealand through a fixed establishment in New Zealand), we will deduct resident withholding tax (**RWT**) from any interest payable in relation to your Subordinated Notes. If you don't tell us your IRD number, we will deduct tax at the default tax rate of 33%. If you provide your IRD number but don't elect a tax rate, we will deduct tax at the default rate of 33% (or 28% if you are a company). If you are exempt from RWT you must provide us with a valid RWT exemption certificate.

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

If you are not a New Zealand tax resident (and are not engaged in business in New Zealand through a fixed establishment in New Zealand), we would normally be required to deduct non-resident withholding tax (**NRWT**) from the interest we pay you in relation to your Subordinated Notes. However, unless you advise otherwise in the application form, we will use the approved issuer levy (**AIL**) regime in respect of interest payments we make to you. The cost of the AIL will be deducted from each interest payment we make to you on your Subordinated Notes in place of the NRWT we would otherwise have had to deduct.

The AIL cost would normally be of an amount equal to 2% of each interest payment we make to you, but it is sometimes possible to apply a 0% AIL rate to certain

types of bonds. If the Subordinated Notes qualify for the 0% AIL rate we will apply this rate in respect of interest payments we make to you. Otherwise we will apply the 2% deduction rate.

If you do not wish to have the AIL regime applied in relation to your Subordinated Notes, please indicate this on the application form and we will deduct NRWT (rather than AIL) from the interest payments we make to you. The NRWT rate applied to the interest payable on your Subordinated Notes will depend on your country of residence and whether a double taxation agreement is applicable. The NRWT deduction rate is normally 10% (if you are a tax resident in a country New Zealand has concluded a double tax agreement with) but can be up to 15%.

If you are a non-resident that has a New Zealand fixed establishment, you may also choose to have AIL deducted from the interest payments we make to you in relation to your Subordinated Notes. If you elect this treatment, you will not be required to include income from the Subordinated Notes in the New Zealand income tax return you file. However, we will still be required to deduct RWT from the interest payments we make to you (in addition to the AIL we will also deduct), unless you provide us with a valid RWT exemption certificate.

Tax legislation and rates of tax may change in the future. This information is a summary only of the tax that may be payable in respect of interest earned on Subordinated Notes, in accordance with current tax legislation.

You can visit the IRD website, [www.ird.govt.nz](http://www.ird.govt.nz) for more information on the current withholding tax rates.

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## SECTION 10

# How to complain

We endeavour to maintain a very good relationship with all of our investors. However, if you are unhappy with the service you receive from us, please contact:

Chief Executive

The Co-operative Bank Limited

Corner Ballance and Featherston Streets

PO Box 54

Wellington 6140

Telephone: **+64 4 495 7702**

Email: [subnotes@co-operativebank.co.nz](mailto:subnotes@co-operativebank.co.nz)

Website: [www.co-operativebank.co.nz](http://www.co-operativebank.co.nz)

The Bank is a member of a dispute resolution scheme, the Banking Ombudsman Scheme. If the Bank cannot agree on how to resolve your issue, you can refer the matter to the Banking Ombudsman:

Banking Ombudsman

Level 5, Huddart Parker Building

1 Post Office Square

Wellington 6011

Telephone: **0800 805 950**

Email: [help@bankomb.org.nz](mailto:help@bankomb.org.nz)

Website: [www.bankomb.org.nz](http://www.bankomb.org.nz)

The Banking Ombudsman will not charge you a fee for investigating or resolving a complaint.

Complaints can also be made to the Financial Markets Authority through its website [www.fma.govt.nz](http://www.fma.govt.nz).

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## SECTION 11

# Where you can find more information

Further information regarding the Bank and the Subordinated Notes is available on the offer register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose) and can be obtained by request from the Registrar of Financial Service Providers.

The Bank's quarterly disclosure statements are available, free of charge, at [www.co-operativebank.co.nz/about-us/financial-information/disclosure-statements](http://www.co-operativebank.co.nz/about-us/financial-information/disclosure-statements).

## SECTION 12

# How to apply

### Application

To apply for the Subordinated Notes, you need to complete an application form and submit it. An application form is attached to this LDD.

You may also apply for Subordinated Notes by lodging an application with any Primary Market Participant (as defined in the NZX Listing Rules), the Arranger and Lead Manager or any other channel approved by NZX.

### Payment and acceptance of offers

You must pay for your Subordinated Notes as set out in the application form.

The Bank may refuse all or any part of your application without giving a reason. The Bank may also decide not to accept any applications. If the Bank refuses your application, it will refund your subscription money (with interest at the early bird interest rate of 4.00% per annum from the date your subscription money is banked to (but excluding) the refund date) within five business days of the issue date.

If the Bank accepts your application in part only, it will refund the balance of your subscription money (with interest at the early bird interest rate of 4.00% per annum from the date your subscription money is banked to (but excluding) the refund date) within five business days of the issue date.

If your payment for the Subordinated Notes is dishonoured, the Bank may not issue you Subordinated Notes or may cancel your Subordinated Notes. You will not receive any interest (whether early bird interest or otherwise) if this happens.

### Offer made in New Zealand only

This LDD only constitutes an offer of Subordinated Notes in New Zealand. The Bank has not taken, and will not take, any action which would permit a public offering of the Subordinated Notes, or possession or distribution of any offering material, in any other country where action for that purpose is required. The Subordinated Notes may only be offered for sale or sold in accordance with

all applicable laws and regulations in any country in which they are offered, sold or delivered. If this LDD is received by you outside New Zealand, you should seek advice on your ability to apply for Subordinated Notes.

By subscribing for Subordinated Notes, each investor agrees to indemnify the Bank and the Arranger and Lead Manager and their respective directors, officers, employees and agents in respect of any loss, cost, liability or damages suffered as a result of an investor breaching the selling restrictions referred to in this section.

### No recommendation by the Arranger and Lead Manager

This LDD does not constitute a recommendation by the Arranger and Lead Manager or any of its directors, officers, employees, agents or advisers to subscribe for, or purchase, any Subordinated Notes.

The Arranger and Lead Manager and its directors, officers, employees, agents or advisers:

- do not accept any responsibility or liability whatsoever for any loss arising from this LDD or the Disclose Register or their contents or otherwise arising in connection with the offer of Subordinated Notes; and
- have not independently verified the information contained in this LDD or the Disclose Register and make no representation or warranty, express or implied, and do not accept any responsibility or liability for, the origin, validity, accuracy or completeness of, or any errors or omissions in, any information, statement or opinion contained in this LDD or the Disclose Register.

The limitations and exclusions set out above are subject to any limitations imposed by law, including any liability that may arise under the Financial Markets Conduct Act 2013.

You must make your own independent investigation and assessment of the financial condition and affairs of the Bank before deciding whether or not to apply for Subordinated Notes.

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## SECTION 13

# Contact information

The contact details of the Bank are:

The Co-operative Bank Limited  
Corner Ballance and Featherston Streets  
PO Box 54  
Wellington 6140

Telephone: **+64 4 495 7702**

Email: **subnotes@co-operativebank.co.nz**

Website: **www.co-operativebank.co.nz**

The contact details of the Arranger  
and Lead Manager are:

ANZ Bank New Zealand Limited  
Level 10, ANZ Centre  
171 Featherston Street  
PO Box 540  
Wellington 6140

The contact details of the Registrar of the  
Subordinated Notes are:

Computershare Investor Services Limited  
Level 2, 159 Hurstmere Road  
Takapuna  
Private Bag 92119  
Auckland 1142

Telephone: **+64 9 488 8777**

Email: **enquiry@computershare.co.nz**

Website: **www.investorcentre.com/nz**

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# Glossary

In this LDD, certain terms have the meanings given to them below:

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**Arranger and Lead Manager** means  
ANZ Bank New Zealand Limited;

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**Bank, we, us** and **ours** means  
The Co-operative Bank Limited;

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**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 the first day of that Interest Period. 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;

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**Deed Poll** means  
the deed poll dated 26 May 2016 made by the Bank in favour of each person who is from time to time a holder of Subordinated Notes;

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**Interest Payment Date** means,  
in respect of each Subordinated Note, each Scheduled Interest Payment Date and any date on which the Subordinated Note is redeemed by the Bank;

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**Interest Period** means  
each period commencing on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date, with the first Interest Period starting on the issue date;

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**LDD** means  
this Limited Disclosure Document;

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**NZX** means  
NZX Limited;

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**NZDX** means  
the NZX Debt Market operated by NZX;

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**Optional Redemption Date** means  
any Scheduled Interest Payment Date occurring on or after 28 July 2021;

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**RBNZ** means  
the Reserve Bank of New Zealand;

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**Reserve Bank Act** means  
the Reserve Bank of New Zealand Act 1989;

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**Scheduled Interest Payment Date** means  
the 28th day of January, April, July and October each year and the maturity date for the Subordinated Notes;

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**Subordinated Notes** means  
the unsecured, subordinated, loss absorbing Tier 2 regulatory capital debt securities offered under this LDD; and

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**Trigger Event** means:

- a direction is given, by notice in writing, to the Bank by the RBNZ under section 113 of the Reserve Bank Act, on the basis that the financial position of the Bank is such that it meets any of the grounds in sections 113(1)(a) to (e) of the Reserve Bank Act, requiring the Bank to write down a class of capital instruments that includes the Subordinated Notes of a specified aggregate amount; or
- the Bank is made subject to statutory management pursuant to section 117 of the Reserve Bank Act and the statutory manager announces his or her decision to write down a class of capital instruments that includes the Subordinated Notes of a specified aggregate amount (by publication of a notice on the Bank's website or other suitable public forum).

# Application form instructions

There is no public pool for the Subordinated Notes and you should contact the Lead Manager or your financial adviser in order to get an allocation of Subordinated Notes.

Please complete all relevant sections of this application form using BLOCK LETTERS.

## A. Applicant details and information

- Insert your title, full name(s), address and telephone numbers.
- Applications must be in the name(s) of natural persons, companies or other legal entities.
- Applications by a minor, trust, fund, estate, business, firm or partnership, club or other unincorporated body cannot be accepted unless they are made in the individual name(s) of the person(s) who is (are) the legal guardian(s), trustee(s), proprietor(s), partner(s) or office bearer(s) (as appropriate).

## B. Common Shareholder Number (CSN)

- A CSN is required to trade the Subordinated Notes on the NZX Debt Market. The CSN must match the name on this application form. If it does not, you will be allocated a new CSN under the name provided on this application form. If you do not have a CSN, leave the spaces blank and you will be allocated a CSN and Authorisation Code (FIN), which is like a pin number for buying and selling shares, when your application is received.

## C. Electronic communications

- Please enter your email address if you wish to receive, where applicable, all your communications (including transaction statements, payment advices, meeting documents and any other related information from The Co-operative Bank Limited) by email.

## D. Application payment

- Payment must be made before the date specified in the LDD in New Zealand dollars for immediate value via one-time direct debit, cheque or NZClear.
- An application for Subordinated Notes must be for a minimum aggregate amount of \$5,000 and in multiples of \$1,000 thereafter.

### • Option 1 - Direct Debit

- By ticking Option 1 and signing the application form, you agree that the Registrar is authorised to withdraw from this account the full dollar amount of Subordinated Notes applied for (or any lesser amount determined by The Co-operative Bank Limited).
- The direct debit will be processed on the first business day after your application is received by the Registrar (Computershare Investor Services Limited) or, if received on the closing date, the same business day. Please confirm with your bank that payments can be withdrawn from this account and ensure that there are sufficient funds in the bank account. **Should your direct debit fail, your application will be rejected.**

### • Option 2 - Cheque

- Cheques must be attached to the application form and made out in favour of 'The Co-operative Bank Subordinated Note Offer', and crossed 'Not Transferable'.
- Your cheque will be banked on the business day it is received. If your cheque is post-dated or dishonoured, your application may be rejected.
- Where an application is for \$500,000 or more of Subordinated Notes, payment must be made by bank cheque or any other method of payment acceptable to The Co-operative Bank Limited.

### • Option 3 - NZClear

- Only institutional investors may settle through the NZClear system and this must be agreed with the Registrar in advance.

## E. Interest and maturity payments

- Insert the New Zealand dollar bank account into which you wish interest payments to be deposited and principal when due, or Cash Management Account.

## F. IRD number and tax deduction rate

- We recommend you seek independent tax advice.
- **Resident.** To confirm you are a New Zealand resident applicant, please provide a New Zealand bank account in Section E and provide your IRD number and Resident Withholding Tax (RWT) rate. Your application may be rejected if you do not provide all this information.
- If you are applying on behalf of a minor (under the age of 18) or a dependent, use their IRD number. If the applicant is a trust, company, partnership or other entity, use that entity's IRD number.
- RWT will be deducted from any interest paid to you (unless you tick the Exempt box and provide a valid RWT exemption certificate or you tick the Non-resident withholding tax box).
- The RWT rate you should choose is dependent on your income level. To make sure the correct rate is applied and to find out about your obligations after the end of the tax year, go to [www.ird.govt.nz/rwt](http://www.ird.govt.nz/rwt) or call 0800 870 700. The RWT rate for a company is 28%, if it is not acting as a trustee for the purposes of purchasing the Subordinated Notes and has provided an IRD number.
- **Non-resident.** If you are a non-resident for New Zealand tax purposes under the Income Tax Act 2007, please tick the Non-resident withholding tax box and include your country of tax residence

below. You will be treated as a New Zealand tax resident unless this box has been ticked.

- If Approved Issuer Levy is payable, it will be deducted from any interest paid to you unless you notify the Registrar that you wish to have non-resident withholding tax deducted.

#### G. US Tax certification – US persons

- A US tax certification is required if you are a US person. W-Forms and instruction sheets may be downloaded from the Download Forms page on ANZ Securities' website ([www.anzsecurities.co.nz/directtrade/static/downloadforms.aspx](http://www.anzsecurities.co.nz/directtrade/static/downloadforms.aspx)).

#### H. Signature

- Read the application form carefully and sign (and date) the form.
- Each applicant must sign the application form (including all joint applicants) and provide the confirmations below. If the applicant is a company or other entity, it should be signed by a duly authorised person in accordance with any applicable constitution or governing document. If the application form is signed by an attorney, the power of attorney document is not required to be lodged, but the attorney must complete the certificate of non-revocation of power of attorney on the reverse of the application form. If the application form is signed by an agent, the agent must complete the certificate of agent on the reverse of the application form.
- If you elect to pay by one-time direct debit, you should ensure that the signatories are consistent with your bank authorities.

#### Delivery

- There is no public pool for the Subordinated Notes. Your completed application form must be returned to a primary market participant or approved financial intermediary in time for them to send your application to the Registrar (Computershare Investor Services Limited) by 5.00 p.m. on the closing date (26 July 2016). Applications delivered directly to the Registrar without a stamp from the Lead Manager, a primary market participant or approved financial intermediary may be accepted or rejected at The Co-operative Bank Limited's sole discretion.
- Applications cannot be revoked or withdrawn.
- Applicants should remember that the offer period may be changed at our sole discretion.
- The Co-operative Bank Limited may accept or reject any application without giving any reason.
- The Co-operative Bank Limited will refuse to accept applications which are for less than the minimum amount or where no account details for payments of Subordinated Note interest and principal by direct credit are provided.



**F. IRD number and tax deduction rate**

IRD number (only one IRD number is required in respect of a joint application):

Please elect a RWT rate by ticking one of the circles below (unless you have ticked the Non-resident withholding tax circle below):

**10.5%**    **17.5%**    **28%** (companies only)    **30%**    **33%**    **Exempt** - Tick this circle if you hold a RWT exemption certificate and attach a copy of the certificate.

Please tick this circle if your application is a joint application by a resident for New Zealand tax purposes and a non-resident for New Zealand tax purposes who does not carry on business in New Zealand through a fixed establishment in New Zealand.

Non-resident withholding tax.

Country of tax residence:

**G. US tax certification - US persons**

A US tax certification is required if you are a US person. W-Forms and instruction sheets may be downloaded from the Download Forms page on ANZ Securities' website - please complete the following section to determine which W-Form(s) to complete:

Customer type	Please download and complete
<input type="radio"/> Individual or Joint Individual	W-8BEN
<input type="radio"/> Company or Trust	W-8BEN-E
<input type="radio"/> Partnership	W-8IMY <b>plus</b> W-Form for each partner (form prepared for each partner depends on their type - follow the selection rules used for Customer Type).

**H. Signature****Confirmations**

By signing this application form:

- You agree to apply for the Subordinated Notes subject to the terms and conditions set out in the LDD, this application form and the Deed Poll.
- You have read and understood the LDD.
- You declare that all the details and statements made by you in this application form are complete and accurate and you are authorised to disclose this information.
- You agree to provide your financial adviser, The Co-operative Bank and their agents with all requested due diligence information that is required to satisfy applicable laws, such as the customer due diligence obligations under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009.
- You agree that your financial adviser may provide The Co-operative Bank and its agents with all due diligence information that is held by, or later provided to, your financial adviser in relation to you that is required by The Co-operative Bank to satisfy applicable laws, including the customer due diligence obligations under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009.
- You warrant that you received this offer in New Zealand and you are eligible to participate in the offer or you are an investor in a jurisdiction where the Subordinated Notes may be lawfully offered in compliance with all applicable laws and regulations. You agree to indemnify The Co-operative Bank, the Arranger and Lead Manager and their respective directors, officers, employees and agents in respect of any loss, cost, liability or expense sustained or incurred by any of them as a result of you breaching that warranty or the selling restrictions described in the LDD.

Signature: \_\_\_\_\_ Date:

Signature: \_\_\_\_\_ Date:

Signature: \_\_\_\_\_ Date:

**I. Certificate of non-revocation of power of attorney/agent**

Please tick the circle below:

If you are acting on behalf of the applicant for whom you have power of attorney; or

If you are acting as agent on behalf of the applicant.

I, (full name)

of (place and country of residence)

(occupation)

certify that by deed/agency agreement dated (date of instrument creating the power of attorney)

(full name of person/body corporate which appointed you)

of (place and country of residence of person/body corporate which appointed you)\*

appointed me (his/her/its) attorney/agent

That I have executed the application for Subordinated Notes printed on this application form under that appointment and pursuant to the powers thereby conferred on me; and

That I have not received any notice or information of the revocation of my appointment as attorney/agent.

Signed at: (location where signed)

Date:

Signature of attorney/agent:

\* If a donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.

# Application form



The **Cooperative Bank**  
Change banking for good

This application form is issued with the Limited Disclosure Document (**LDD**) dated 3 June 2016 for the offer by The Co-operative Bank Limited (**The Co-operative Bank**) of unsecured, subordinated, loss absorbing, Tier 2 regulatory capital debt securities (**Subordinated Notes**). This application form represents an offer to purchase the Subordinated Notes described in the LDD. Capitalised terms used in this application form have the same meaning given to those terms in the LDD. You should read and understand the LDD before completing your application. An application will constitute an irrevocable offer by the applicant to subscribe for and acquire the dollar amount of Subordinated Notes specified on this application form (or such lesser amount which The Co-operative Bank may determine) on the terms and conditions set out in the LDD, the Deed Poll and this application form. An application cannot be withdrawn or revoked by the applicant once it has been submitted.

Chris Lee and Partners  
PO Box 1633  
Paraparaumu Beach  
Paraparaumu 5252

## A. Applicant details and information

Are you a Co-operative Bank customer (please circle one)				Yes	No
If YES, please enter your Co-operative Bank customer number here:				<input type="text"/>	<input type="text"/>
Title:	First name(s):			Surname:	
Title:	First name(s):			Surname:	
Title:	First name(s):			Surname:	
Company/Trust/Account designation (if applicable):					
Postal address	Street address or PO Box:			Suburb/Town:	
	City:	Postcode:	Country:		
Telephone	Mobile:	Daytime:			

## B. Common shareholder number

If you have a Common Shareholder Number (**CSN**) please enter it here:

## C. Application payment

Enter the dollar amount of Subordinated Notes you wish to apply for: NZ\$

Choose **ONE** of the **PAYMENT** options below by ticking the circle next to your selected option.

### Option 1

**One-time direct debit** from the following bank account:

Bank Branch No. Account No. Suffix

Account holder name:

Name of bank:

### Option 2

**Attached cheque** for the full dollar amount of Subordinated Notes applied for, made payable to 'The Co-operative Bank Subordinated **Note Offer**'.

### Option 3

**Settle through the NZClear system.** NZClear Mnemonic:  Trade with CISL90

## D. Electronic communications

I wish to receive communications via email. Email:

## E. Interest and maturity payments

Choose **ONE** of the **INTEREST PAYMENT** options below by ticking the circle next to your selected option.

### Option 1

Pay interest directly into the **bank account provided in section C above**.

Or you can choose an alternative bank account for interest:

Bank Branch No. Account No. Suffix

Account holder name:

Name of bank:

### Option 2

Pay interest directly into a **Cash Management Account**.

Name of NZX firm where Cash Management Account is held:

Cash Management client account number:

**F. IRD number and tax deduction rate**

IRD number (only one IRD number is required in respect of a joint application):

Please elect a RWT rate by ticking one of the circles below (unless you have ticked the Non-resident withholding tax circle below):

**10.5%**    **17.5%**    **28%** (companies only)    **30%**    **33%**    **Exempt** - Tick this circle if you hold a RWT exemption certificate and attach a copy of the certificate.

Please tick this circle if your application is a joint application by a resident for New Zealand tax purposes and a non-resident for New Zealand tax purposes who does not carry on business in New Zealand through a fixed establishment in New Zealand.

Non-resident withholding tax.

Country of tax residence:

**G. US tax certification - US persons**

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- You agree that your financial adviser may provide The Co-operative Bank and its agents with all due diligence information that is held by, or later provided to, your financial adviser in relation to you that is required by The Co-operative Bank to satisfy applicable laws, including the customer due diligence obligations under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009.
- You warrant that you received this offer in New Zealand and you are eligible to participate in the offer or you are an investor in a jurisdiction where the Subordinated Notes may be lawfully offered in compliance with all applicable laws and regulations. You agree to indemnify The Co-operative Bank, the Arranger and Lead Manager and their respective directors, officers, employees and agents in respect of any loss, cost, liability or expense sustained or incurred by any of them as a result of you breaching that warranty or the selling restrictions described in the LDD.

Signature: \_\_\_\_\_ Date:

Signature: \_\_\_\_\_ Date:

Signature: \_\_\_\_\_ Date:

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Please tick the circle below:

If you are acting on behalf of the applicant for whom you have power of attorney; or

If you are acting as agent on behalf of the applicant.

I, (full name)

of (place and country of residence)

(occupation)

certify that by deed/agency agreement dated (date of instrument creating the power of attorney)

(full name of person/body corporate which appointed you)

of (place and country of residence of person/body corporate which appointed you)\*

appointed me (his/her/its) attorney/agent

That I have executed the application for Subordinated Notes printed on this application form under that appointment and pursuant to the powers thereby conferred on me; and

That I have not received any notice or information of the revocation of my appointment as attorney/agent.

Signed at: (location where signed)

Date:

Signature of attorney/agent:

\* If a donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.





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