



Bank Better NZ



The Cooperative Bank

Annual Report & Disclosure Statement
For the year ending 31 March 2024

The Co-operative Bank is a **customer-owned co-operative** that operates in retail banking and associated personal financial services across Aotearoa New Zealand.

Our approach to banking is about leaving **everyone better off** – our customers, our people, the co-operative and our communities. ∞

About The Co-operative Bank



Our mission is to help New Zealanders bank better.
#BankBetterNZ



Founded in 1928, originally as PSIS, we became a **registered New Zealand bank, The Co-operative Bank, in 2011.**



We have a team of 400 people supporting **180,000 customers** across New Zealand.



As a co-operative, we are different from other banks in that **we are fully owned by our customers, and we can choose to share profits with them each year** via a rebate. We are governed by an elected Board of Directors, who customers can nominate and vote for as shareholders.



We offer what you'd expect from a bank – including **home loans, transactional and savings accounts, term deposits, debit and credit cards, KiwiSaver** offered by Fisher Funds, **general insurance** offered by IAG, and **life insurance** offered by Co-operative Life.



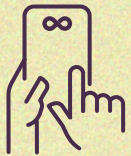
Alongside our network throughout New Zealand, **customers enjoy around the clock availability** through our mobile app, internet banking, and our New Zealand based customer service team is available seven days a week on our 0800 number.



We stick to what we do best – personal banking – so we don't compete in business or rural banking.

Our **bank better** model

We're here to grow together and share the gains.



Our customers

More customers have long-term value based relationships with the co-operative.

- 100% owned by customers, who are everyday New Zealanders
- With customers as our shareholders, our shared interest drives what we do
- We share profits with our customers as rebates
- Committed to leading in customer service and value
- Helping customers reach their financial goals, including home ownership and saving for their futures
- Protecting customers' lives and their assets
- We seek fair customer outcomes through our values, conduct, policy frameworks, products and services



Our people

Our people grow and develop and are better off working for the co-operative.

- Focus on our people's safety and wellbeing
- Ongoing investment in development and training to empower and grow our people
- Committed to diversity and inclusivity
- Employee wellbeing support and assistance
- Employee benefits programme
- Living Wage accredited
- 73% employee engagement



The co-operative

To realise potential as a sustainable, growing co-operative.

- Re-investing in technology systems for a stronger and scalable co-operative for the future
- Attracting and retaining customers who are community minded
- Certified B Corporation
- Science-aligned targets for reducing carbon emissions
- Certified net carbon zero and supporting certified renewable energy

Our **numbers** this year



\$20.2m

Profit before
rebates and tax



\$2.5m

Customer rebates paid



\$3b

Total home loan value



\$3b

Total deposits



#1

Customer satisfaction

Consumer People's
Choice Award, 2024



181,718

Total customers



\$854m

KiwiSaver funds
under management



20,841

Co-operative
Life policies



-12%

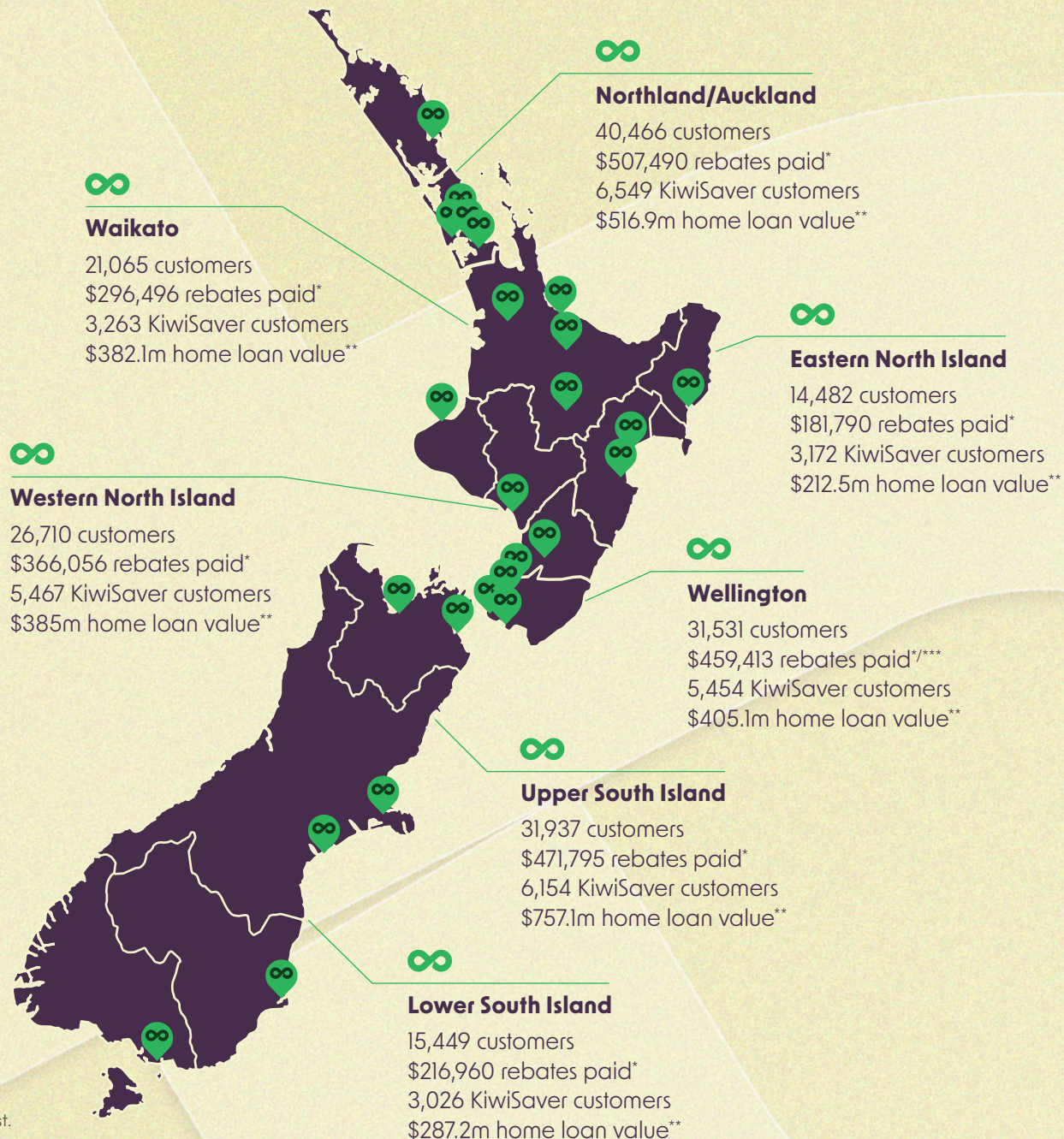
Reduction in
gross emissions

Our presence and impact

We have a team of 400 people supporting 180,000 customers across New Zealand.

We offer what you'd expect from a bank – including home loans, transactional and savings accounts, term deposits, debit and credit cards, KiwiSaver offered by Fisher Funds, general insurance offered by IAG, and life insurance offered by Co-operative Life.

Alongside our network throughout New Zealand, customers enjoy around the clock availability through our mobile app, internet banking and our New Zealand based customer service team is available seven days a week on our 0800 number. ∞



* Rebates paid in July 2023, for year ended 31 March 2023.

** Total home loan value excludes revolving credit balances and accrued interest.

*** Includes head office.

Helping more New Zealanders to bank better

Chair and CEO report

for 31 March 2024

Tēnā koutou,

We are pleased to present The Co-operative Bank's Annual Report for the financial year ended 31 March 2024.

The past year has been challenging for many New Zealanders, with interest rates continuing to increase in response to high inflation, and the long tail of the North Island floods and Cyclone Gabrielle that continue to affect households and communities. Supporting our customers through these challenges has been and continues to be important to us.

We are proud of the work our people have done this year to support our customers, to deliver on our strategy, and to deliver a steady and fair level of earnings that support a sustainable co-operative.

This has been achieved while making significant investments, including preparing for the replacement of our core banking system – a once in a generation investment – alongside future-focussed projects looking at our future customer needs in personal financial services and how we deliver those in the most efficient way possible.

It was another year of growth in the balance sheet of the co-operative, which delivered a consistent profit result.

Profit Before Rebates and Tax (PBRT) was \$20.2 million, up 9% on last year.

As expected, we faced increasing costs this year, primarily in technology and people costs. However, increased costs were

"It was another year of growth for the co-operative, which delivered a consistent profit result."

largely offset by increased interest income. This was underpinned by strong home loan growth of 8% – at 2.5 times the market growth of 3.1%. It was the second year in a row we have grown our home loan value at more than twice the market, adding about \$422 million to our balance sheet over the past two years, including \$218 million of home loan growth in the past year. This has taken our total home loan portfolio to \$3 billion.



Mark Wilkshire
Chief Executive Officer

Sarah Haydon
Chair



7%

Increase in
total deposits



22%

Increase in
KiwiSaver funds
under management

Retail deposits also grew by 7% to \$3 billion. At 31 March 2024, 96% of funding came from retail sources (term deposits, savings accounts and transaction accounts) and 4% came from wholesale funding.

We have also seen strong growth in KiwiSaver, which we partner with Fisher Funds to provide to our customers. Total funds under management were up 22% to \$854 million at 31 March 2024. We now have 33,006 customers who are part of the scheme.

We also continue to provide financial protection and reassurance to customers through our Co-operative Life business, with 20,841 policies in place at the end of March 2024. The key areas of customer benefit with these products are the payment of life and loan insurance claims, along with the comfort that comes from having these products in place. During the past year, 306 customer claims were paid with a total value of \$5.7 million, including \$5.1 million for life and trauma insurance claims and \$0.6 million for loan insurance claims.

Growing together and sharing the gains

Behind the numbers, our results represent strong growth in our core purpose to grow together and share the gains. Home ownership is a key part of that, and in particular, helping everyday New Zealanders into their first homes. This year we helped 373 customers to get the keys to their first homes. Of the 1,223 customers who drew down home loans with us this year, 30% were first home buyers.

One of our core strategies has been to build deeper, long-term relationships to help create mutual

benefit for our customers and the co-operative. At the end of the financial year, we had 181,718 customers, an increase of 5,226 on the same time last year.

We are proud that we continue to lead the market in customer service – voted #1 in the Consumer People's Choice Award for banking. To us this is the best kind of award to receive because it is voted on by customers.

Alongside this, we have retained our #1 position as the bank more customers would recommend than any other New Zealand bank, as measured by Net Promoter Scores – a business metric that asks customers if they would recommend us and that provides comparator scores for other banks.

Our people

A key part of our strategy to realise our full potential as a co-operative is to have a skilled and highly engaged workforce – so we can deliver the best possible service experience for our customers.

We were pleased that our annual engagement score was 73%, which is 5% above the median for the New Zealand finance sector. We remain focussed on continuing to

"We are proud that we continue to lead the market in customer service – voted #1 in the Consumer People's Choice Award for banking."

lift engagement and we have a number of initiatives underway around diversity and inclusion, development and staff benefits.

We have continued to invest in the health, safety and wellbeing of our people. This year that included delivering an enhanced wellbeing and employee assistance platform; improving our support, processes and training for our frontline teams, and building our readiness to deal with emergency events. Overall, our people feel positively about the co-operative's commitment to the health, safety and wellbeing of our people with 83% agreeing with this statement in the March 2024 employee engagement survey.

Looking ahead

With the caveat that predicting the future is at best an estimate, the outlook for the remainder of 2024 is for interest rates to stay at or around current levels, until inflation reaches the target range for the Reserve Bank. The official cash rate (OCR) set by the Reserve Bank is currently at 5.5%, where it has been for much of the past year. Market expectations are that the OCR is unlikely to see much movement during 2024. Around 50% of our existing home loan customers had fixed term rates expiring this year (5,926 customers). Those customers were transitioning from average fixed term interest rates of 4.44% p.a. to average rates of 6.99% p.a. We will continue to monitor and proactively support customers who are rolling over to current home loan rates.

Alongside this, we will continue to focus on setting up the co-operative for the future – exploring what our future customers will need from the co-operative, what the future bank looks like, and getting the right technology, products, channels and people in place. Our

first key milestone will be a decision on our new core banking system which we expect to make in the second half of this financial year.

At our AGM in July, we will ask our customer shareholders to vote on **proposed changes to our Constitution**, which are designed to help ensure the good governance and strength of the co-operative for the benefit of our customers, and to embed our commitment to our stakeholders and communities.

We continue to focus on our approach to managing climate risks and opportunities, and will release our first Climate Related Disclosures (CRD) report in 2024.

Change is constant in our sector, and there will be more over the coming year. In our regulatory environment, this will include work to implement the requirements of the Conduct of Financial Institutions regime (including a fair conduct programme) and a focus on the Deposit Takers Act. The Co-operative Bank is well aligned with the intent of both these legislative changes, and programmes we are embedding

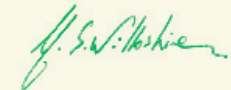
to support these changes will further enable us to keep delivering our purpose and to ensure our customers are treated fairly.

We also look forward to the review of the Credit Contracts and Consumer Finance Act announced by the Government, including potential changes to affordability assessment requirements, and to the final report of the Commerce Commission's Market Study into Personal Banking. The Commerce Commission has engaged with the industry over the past year around competition in the personal banking sector and released initial findings. We are supportive of the work being done and believe competition within the banking industry is important in order for consumers to receive the best outcomes. Any recommendations that would even up the playing field would be welcomed by The Co-operative Bank.

Most importantly, we will continue to deliver on our purpose over the coming year, putting customers at the heart of everything we do, and continuing to make a stable and sufficient profit to keep investing in the co-operative for the future. ∞



Sarah Haydon,
Chair



Mark Wilkshire,
Chief Executive Officer



A note from Sarah Haydon:

This is my final Annual Report as Chair of the Board for The Co-operative Bank. I will stand down at the Annual General Meeting in July after completing my nine years as a Director, including the last four as Chair of the Board. Following the AGM, current Deputy Chair Brett Sutton will become Chair. Brett is an experienced independent Director who was appointed to the Board in December 2017. It has been a privilege to serve the bank and its customer shareholders as a director, and the board as its Chair, and I know I will be leaving the co-operative in good heart and strong hands.

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Better



for our customers

Our aspiration: More customers having long-term value-based relationships with us.

Our purpose to grow together and share the gains drives our commitment to lead on customer service and value, support customers with their journeys to become financially better off, and to share our success as a bank – including sharing profits with customers.

Our customer strategy is to build deeper, long-term relationships to drive mutual benefit. To support that strategy, our frontline staff take time to understand our customers and their goals, provide information on products and services to help them reach their goals, and to help protect them and their assets. We have a customer needs assessment framework that supports and guides our people to offer consistently great customer service.

Alongside this, our Customer Advice team has been in place for just over a year, giving customers access to a team of Specialist Banking Advisors. Our customers have access to more specialised advice through this team and have used the service to help them get advice and solutions for their financial needs. It has also allowed us to be more proactive in providing advice at key moments for customers, such as ahead of any fixed rate roll-

over changes for home loans and with reviewing insurance needs when buying a new home.

Our ongoing customer research helps us understand how well our customers can access the products and services they want and need through each of our channels, and these insights inform improvements that we make. Recently changes have been made to the experience customers have joining the bank based on customer feedback.

At 31 March 2024, The Co-operative Bank had 181,718 customers, an increase of 5,226 on the same time last year; 81,301 customers are classified as Relationship Customers who have a significant relationship (as indicated by three or more personal financial needs met and/or with home loans or high value savings or deposits with the co-operative).

Leading in customer service

When it comes to service, we're committed to putting customers first, so it means a lot to us that customers put us first too. This year we were voted #1 in the Consumer People's Choice Award for banking, and we retained our position as the bank that more customers would recommend than any other New Zealand bank (as measured by Net Promoter Scores).

The Co-operative Bank regularly seeks feedback from our customers to gain insight into their needs and experiences. A monthly Net Promoter Score (NPS) metric was established in July 2022, which asks customers whether they would recommend The Co-operative Bank and provides comparative competitor scores. As at 31 March 2024 we had the highest Net Promoter Score of any bank in New Zealand.



Alongside this, in Consumer's annual customer satisfaction survey, The Co-operative Bank was rated #1 overall and in 11 out of the survey's 13 categories. We ranked first for overall satisfaction, interest on savings, home loan interest rates, personal loan interest rates, responsible lending, timely responses to enquiries, dealing fairly with problems and complaints, advice on products and services, security and privacy, digital banking features and value for money.

We have been awarded the Consumer People's Choice Award eight out of the past nine years, including the past three years running.

Giving customers a fair deal

We believe bank customers shouldn't have to choose between great service and competitive prices, so our pricing philosophy is focussed on consistently giving customers a fair deal.

This year, our home loan customers have continued to favour shorter terms, and in particular our one-year term. Our rates across all terms have remained competitive throughout the year, and have been mostly better than, or at times matching, main bank rates. Our one-year rate spent 42 weeks below advertised main bank median rates.¹

We have also consistently offered rates either equal to or above the main banks for our term deposits and savings accounts over the past year.

When it comes to term deposits, our customer data suggests New Zealanders prefer shorter terms, and around 90% of our term deposit customers opted for 6-month or 12-month terms this year. In 50 out of 52 weeks of the year our rates for 6-month and 12-month term deposits either

matched or were higher than the main bank median¹.

Helping customers into their own homes

As a key part of our purpose to grow together and share the gains, we are committed to supporting more New Zealanders into home-ownership – especially first-home buyers.

With that in mind we have worked hard to support home buyers, with 8% home loan growth again this year, similar to growth the year before.

We are a participating lender in the **Kāinga Ora First Home Loan scheme**, which can make it easier for buyers to get into their first home by lowering the required deposit to 5% (with loans underwritten by **Kāinga Ora**). This year we helped 200 customers into their first homes through our participation in that scheme.

This year \$580 million worth of home loans were drawn down for 2,350 customers, including 1,127 home loan top ups and 1,223 linked to property purchases or refinancing existing lending. Thirty percent of the new purchases (373



homes) were for first home buyers, above the market where 15%² of borrowers were funding first homes.

We are supporting home buyers in a raft of ways, including through our specialist home lenders, a **refreshed first home buyers hub on our website** and our customer advice team.

Around 50% of our existing home loan customers had fixed term rates expiring this year (5,926

customers). Those customers were transitioning from average fixed term interest rates of 4.44% p.a. to average rates of 6.99% p.a. To provide additional support for customers rolling over to higher rates, we have routinely contacted customers 75 days before their home loans need to be re-fixed, in addition to a follow up call 60 days before their fixed rate is going to roll over.

1. Based on a weekly (Friday) comparison of rates from [interest.co.nz](https://www.interest.co.nz) against the main bank (ANZ, ASB, BNZ, Kiwibank & Westpac) median.

2. RBNZ: New Residential mortgage lending by borrower type.

Contacting customers well in advance of their fixed rate expiry encourages them to consider their options and plan for the upcoming rate change. It provides an opportunity to discuss rates and repayment changes, which helps customers to understand the likely impacts of a rate change and any options to manage these, and provides customers with more confidence that they have the right home loan structure in place for their situation.

We also enabled customers to re-fix home loans in our app any time from 60 days before their fixed term expires. In an increasing rate environment, it can give customers confidence when they can lock in a new rate before their rollover date.

Despite many customers moving to higher rates, the bank's home loan arrears, 30 days past due, have remained stable year-on-year at 0.50% of the bank's home loans portfolio. This is consistent with arrears levels seen pre-Covid. Our home loan portfolio is primarily residential owner-occupied borrowers, with around 90% of our

customers paying both interest and principal, 5% on interest only, and the remaining 5% on revolving credit facilities; these ratios have remained stable over the past 12 months.

Another \$2.5 million in rebates

In July 2023 we put more money in our customers' pockets, paying \$2.5 million of rebates from the co-operative's profits from the previous financial year.

The co-operative made a reported profit before rebates and tax of \$18.5 million in the financial year that ended March 2023. Paying profit rebates is about sharing that success with customers.

Last year's rebate took the total we have paid to customers since the rebate initiative began in 2013 to \$20 million. Another \$2.5 million will be shared with customers in July 2024, as rebates from the co-operative's profits from the financial year ended on 31 March 2024.

We have typically paid a customer rebate every year since the scheme began, with the exception of 2020, due to the uncertainty of

the pandemic. For the year ending 31 March 2025 we are signalling a significant investment in our core banking systems which could be a factor in the decision about payment of a customer rebate in that year.

Hardship support

We continue to support customers who have been struggling to make repayments, most often because of loss of employment or health-related concerns.

Over the past 12 months, we have assisted 292 customers across our home loans, personal loans and credit card products (up from 165 the previous year). This included supporting 120 home loan customers with deferred payments on their home loans due to experiencing hardship situations.

As of 31 March 2024, we were providing hardship support to 61 customers, up from 40 customers at the same time last year.

"In July 2023 we put more money in our customers' pockets, paying \$2.5 million of rebates from the co-operative's profits from the previous financial year."

Settlement of flood and cyclone claims

Helping our customers protect themselves and their assets is an important part of what we do.

Several hundred of our customers had property damaged in the 2023 North Island floods on Auckland Anniversary weekend in 2023 and in Cyclone Gabrielle a fortnight later. Our customers, through our insurance partner IAG NZ Limited, lodged 389 claims for damage to homes, contents and vehicles from these two events.

Customers lodged 132 claims related to the North Island floods and IAG NZ Limited has settled 117 of these claims. Another 15 claims are in progress, including five with EQC Toka Tū Ake, eight for homes and two for contents.



Customers lodged 257 claims related to Cyclone Gabrielle and IAG NZ Limited has settled 224 of these. Another 33 of these claims remain in progress, including 16 with EQC Toka Tū Ake, 16 for homes and one for contents.

IAG's teams have worked hard to settle claims over the past year, however, some homeowners face a longer road as they are awaiting local councils to make decisions about land categorisation and possible voluntary buyout offers. Others are waiting for community or property specific flood mitigation work or have complex claims that take more time to resolve. Complexities can include shared ownership and the need for technical advice from multiple experts.

Through Asset Care insurance, our customers can obtain comprehensive vehicle, contents and home insurance, to help protect their most important assets. At the end of the financial year, 31,686 Asset Care policies were in place, covering more than 19,000 customers.

KiwiSaver growth

We work with **one of New Zealand's award-winning KiwiSaver providers**, Fisher Funds, to support our customers to save for their future – whether that be for retirement or their first home.

We had significant growth in our KiwiSaver customer numbers and balances this year. At 31 March 2024, we had 33,006 KiwiSaver customers with total funds under management of \$854m – up 22% from \$702m under management for 31,953 customers at the same time last year.

It is 10 years since we started offering KiwiSaver through Fisher Funds, so funds have built from zero to \$854 million over that time. We have renewed our relationship with Fisher Funds as a business partner that effectively provides KiwiSaver products to our customers.

Fraud and scams

As we continue to see increasing numbers of New Zealanders being impacted by scams and fraud, we are committed to helping reduce the risk and impacts for our customers.

For the first time this year, the Ministry of Business, Innovation and Employment collated **data on fraud from 11 of the country's largest financial institutions**, including The Co-operative Bank. Released as part of Fraud Awareness Week in November, the data showed that New Zealanders had lost almost \$200 million to fraud and scams the previous year.

As part of our efforts to help protect New Zealanders from fraud and scams, The Co-operative Bank is collaborating with other New Zealand banks on a number of initiatives including the establishment of a multi-sector New Zealand Anti-Scam Centre, an industry-wide Confirmation-of-Payee account checking service and committing to removing all weblinks from texts.

The first phase of work on the national Anti-Scam Centre went live this year, led by the New Zealand Banking Association (NZBA), and is focused on sharing additional information between banks to help identify and reduce fraudulent payments to mule accounts. A money mule is a person, or company, used by criminals to transfer illegally

obtained money on their behalf, and they are a growing issue in New Zealand.

The banking industry is committed to enabling the rollout of a Confirmation-of-Payee scheme over the coming year, which will allow people making an online payment from one bank account to another to check the name of the account they are paying. We are actively participating in these developments to add customer protection. The Co-operative Bank is a member of the NZBA fraud and scam working groups.

The sector has also collaborated this year on public education to raise awareness about scams and how to avoid them. This included television advertising, social media, news media partnerships, a 'Take a Sec to Check' radio campaign and sponsoring a four-part **You've Been Scammed by Nigel Latta television series**. We have also shared information on The Co-operative Bank's website and social media to help customers be scam savvy.

Digital enhancements and uptake

Our digital channels (our app and internet banking) are being used on average by 52,000 customers every day, up 6% on the same time last year.

Over the past year, our customers collectively logged into internet banking and the mobile app 53 million times; made more than 11 million funds transfers between their own accounts; and initiated more than six million payments to other customers online. Each month, 105,000 customers use the mobile app and/or internet banking at least once, including about 20,000 customers who use both.

One of the digital enhancements we made this year was to enable customers to re-fix their home loans in our mobile app. Since the feature was added in July 2023, about 38% of customers refixing their home loans have chosen to do that in the app.

Another key feature released in our app this year was Proof of Account, where customers can

download a PDF that they can share with agencies such as Work and Income, to verify the agency is paying into the correct bank account. This feature has been available for six months to the end of the financial year, during which time it was used more than 11,000 times by 6,200 customers.

7 days a week, 365 days a year

Another important change for our customers this year was the shift to 7-day-a-week inter-bank payment settlements from May 2023.

The Co-operative Bank sends and receives payments from other banks through a process called intraday. In the past, the New Zealand banking industry processed the bulk of these payments between banks on business days only.

The change to seven days a week, was led by **Payments NZ** (a governance organisation for New Zealand's payments system) and was called "SBI365" (Settlement Before Interchange 365 days a year).

"One of the digital enhancements we made this year was to enable customers to re-fix their home loans in our mobile app. Since the feature was added in July 2023, about 38% of customers refixing their home loans have chosen to do that in the app."

Supporting the introduction of SBI365 has delivered significant benefits for our customers, increasing the speed and visibility of payments. They can now send and receive electronic payments to and from their bank accounts to an account at a different bank, and have those transactions reflected in their available funds, 365 days a year. We know we live in a highly connected world and our customers expect fast, accessible, and uninterrupted services, regardless of the day of week or time of year. ∞

A life-long relationship

When Chiquita Hansen started her first full-time job as a care assistant at Horowhenua Hospital, her father took her into The Co-operative Bank to open her first bank account. That was 1982, when Chiquita was 16, and she still remembers how friendly and welcoming the staff were.

Forty-two years later, Chiquita and her husband Richard still bank with the co-operative, and she says the service is still first class.

Chiquita and Richard were in their early 20s when they bought their first home in Palmerston North in 1987.

"The decision to get our first home loan with the co-operative was automatic. We were pretty young and they made it very easy, and gave us really good advice."

Chiquita and Richard are now onto their seventh home loan, and all have been with The Co-operative Bank. "The great thing is we could always phone or email Hans [their Palmerston North Branch manager] to run past thoughts and scenarios

and we always appreciated his time and thoughts."

As well as day-to-day banking and home loans, Chiquita and Richard have their insurances with The Co-operative Bank.

"We like the Asset Care insurance and the simplicity of having everything in one place. We can buy a new car, make a phone call to the bank, and straight away the insurance is done."

Chiquita also appreciated the way the bank's staff supported the whānau when each of her parents passed away. "Because my dear Dad stayed with the bank until he died, he still had his accounts, and Hans and the team were very supportive with closing his accounts and making

it easier for us – and again when Mum passed soon after."

Just like her own Dad did for her, when Chiquita and Richard had their own two daughters, they took them into The Co-operative Bank to get their first accounts, and the branch team at Palmerston North made them feel welcome and special. "They really enjoyed getting stamps on their hands from the team when we visited the bank – it was really exciting for them."

Now both in their 30s, their daughters Ali and Ash still bank with The Co-operative Bank too.

And just like her Dad, Chiquita says there's a good chance she'll still be banking with The Co-operative Bank until the day she dies.



"The fact it's 100% kiwi owned is a really big thing for us. The rebates are nice. And you feel like you are part of the bank. You get to know the people and they know you – you wouldn't get that sort of relationship through any other bank."

Chiquita and Richard are among our 81,301 'relationship customers' (customers with 3 or more personal financial needs met and/or with home loans or high value savings or deposits with the co-operative). 

Chiquita and Richard Hansen with daughters Ali, 34 (left) and Ash, 32 (right) – all customers of The Co-operative Bank.

A first home dream come true



The Tariu family outside their new home, bought with a first home loan from The Co-operative Bank.

The Tariu family moved to New Zealand from Samoa in 2014 seeking a better future for their whānau, and with a big dream of one day buying their own home.

That dream has finally come true, with a first home loan from The Co-operative Bank.

The family of nine has spent 10 years moving between Christchurch rental properties. For several months, between one lease ending and finding a suitable new home, they lived in a single room with bunk beds in a holiday house, sharing a separate kitchen with neighbours.

They spent the last two years in an apartment near an industrial area, with gang affiliates next door, constant noise, fumes, and nowhere for the children to play.

But on 11 March 2024, they moved into their own home – a quiet and spacious stand-alone house, down a long drive, with land for the children to play on, good neighbours, and a garage where they've added a sleep-out.

After eldest son Walter Tariu, now 25, graduated university with a Bachelor of Criminal Justice and got a full-time job in 2021, he thought it was time to start the house-buying process. Through perseverance and commitment, the Tariu family managed to save up enough for a deposit within two and a half years.

After getting a home loan pre-approval from another bank, finding their dream house with four big bedrooms plus potential for a sleepout, and putting in their offer, the loan was declined because the bank said the family needed more bedrooms.

Through their broker Willie Leota, they persevered, including applying to The Co-operative Bank. And then they got the news they were hoping for.

"I got a call from Willie saying he had some good news... The Co-operative Bank was willing

to help and give us the mortgage. They came through."

Walter says that owning their own home has been a blessing for the family.

"It means a lot in so many ways. When we moved from Samoa to New Zealand we had nothing and, for me now, it is one of my biggest goals achieved," he says.

"As a Samoan household, looking after our Mum and Dad is always something we think about, and it was a good feeling getting this house and seeing the reactions on their faces, and to see Mum not have to worry anymore.

"It's a big big thank you to The Co-operative Bank, for coming through. Without them, we would have missed out on the house – 100% for sure."

The Tariu family were among the 373 first home buyers who drew down loans with The Co-operative Bank this year, and the 50% of new home loan business that came to us through brokers. ∞

Better



for our people

Our aspiration: Our people grow and develop and are better off working for the co-operative.

To deliver the best possible service experiences for our customers we need a skilled and highly engaged workforce. To realise our full potential as a co-operative, we need our people to realise their potential too.

We believe that attracting and retaining a talented, productive and engaged workforce helps us deliver great customer service, and to deliver change efficiently and effectively. As a co-operative, we also want our people to be better off working for us. Our purpose to grow together and share the gains includes our people.

Our focus areas for our people this year were to attract people aligned to The Co-operative Bank values and empower them to grow their career with us; develop and support our frontline workforce to deliver services to customers; build leaders at all levels; and improve workforce planning.

Some of the ways we delivered on our people strategy included redesigning our coaching and learning framework for frontline teams, replacing our Learning Management System and putting

in place new learning resources. We also placed greater focus on our performance management framework, development, and talent practices – to help create better outcomes for our customers, our people and the co-operative.

We also confirmed our Diversity and Inclusion Plan, with a focus on Te Ao Māori education and practices; delivered an enhanced wellbeing and employee assistance programme; and reviewed our support and processes for responding to challenging customers to help keep our people safe and supported.

We are pleased that this year we have continued to see high levels of staff engagement relative to other employers of our size and for our sector, as well as reducing staff turnover rates from 20% in April 2023 to 15.6% annual staff turnover



as at 31 March 2024. This helps to build the strength of our team to continue to deliver great products and service for our customers.

Key people changes this year included the departure of the bank's Chief Risk Officer Grant Allerby in August 2023, after seven and a half years with the co-operative, and our new Chief Risk Officer Liz Knight starting with the bank in February 2024. Liz was previously the Chief Risk Officer at Kiwibank and has an extensive banking background in New Zealand, Australia and Asia.

In August 2023, Alice Cappleman retired after seven and a half years as our Upper North Island Regional Manager. We were pleased to make an internal appointment to the Regional Manager vacancy, with Anishea Te Ngaru starting in the role from 29 April 2024. Anishea joined the bank as a part time Consultant in 2007 and moved into a Senior Consultant role in 2009 before starting her management journey in 2017 as our Branch Manager for Napier and Hastings.

Previous page
photo credit: Ethan
Childs, Capability
Coach, taken on the
Routeburn Track
Summer 2024.



People engagement

Our annual engagement survey indicates 73% of The Co-operative Bank's employees are 'engaged' – meaning they feel strongly motivated and connected to helping the organisation achieve its goals. This is 5% above the median for New Zealand financial services (as measured by **Culture Amp**). This year 91% of staff answered the engagement survey – the bank's highest participation rate to date.

The results highlighted that people feel supported by their managers, especially when it comes to wellbeing. One of our highest drivers of engagement is our culture and conduct toward each other. People highlighted the helpfulness of their colleagues, willingness to collaborate, and our commitment to our customers as key strengths. Areas for ongoing improvement include workforce planning, change management and communication, career development opportunities; and recognising people and their performance.

Diversity and inclusion

We're owned by our customers – everyday New Zealanders from across the country – so it's important to us to embrace and reflect the diverse cultures and people that make up Aotearoa New Zealand.

Diversity and inclusivity are core to our values, our commitment as a **B Corp certified organisation** and a key part of our strategy to develop a skilled and highly engaged workforce.

We are committed to fostering an environment where everyone feels a sense of belonging.

Our efforts around diversity and inclusion this year included developing a Te Ao Māori Plan and offering te reo Māori classes to our people. The classes proved popular, with 69 staff (including frontline staff, senior leadership and Board directors) participating in the first 12-week online Level 1 Te Reo Māori programme from September 2023.

"We are committed to fostering an environment where everyone feels a sense of belonging."

Another 25 people signed up to participate in the Level 1 programme starting early April 2024.

This year we also enhanced performance reviews through unconscious bias awareness training for all people leaders.

A commitment to diversity and inclusion helps to create a workforce that mirrors the unique population of Aotearoa, demonstrates our values, broadens our candidate pool to attract top talent and leads to better, more inclusive, decision making.

We achieved a score of 81% for diversity and inclusion in this year's staff engagement survey.

Learning and development

We want our people to be equipped to provide consistent high levels of service and to help customers achieve their financial goals. Over the past few years, there have been significant changes for our frontline roles, including responding to legislative changes. We have focussed on offering learning and development to help our people respond to change and to continue to provide the best possible service to customers. Following the implementation of our revised Model of Advice, we have been continuing to improve coaching, learning and development.

Paying a living wage

The Co-operative Bank has been an accredited Living Wage employer since December 2019 and we were proud to achieve reaccreditation in January 2024. The accreditation certifies (through evidence provided) that we pay all our employees at least the Living Wage, which is also extended to all our contractors – such as our security guards, cleaners and locksmiths.

Staff Banking Benefits

In February 2024 we launched an improved Staff Banking Benefits programme to support the financial wellbeing of our permanent staff. We have also given our people more choices and flexibility around how they access our staff banking benefits: online, through our Customer Advice team, or in a branch. ∞

Our people by the numbers at 31 March 2024

 **402**

The Co-operative Bank employs 402 people, comprising 214 at our national office Te Waka, and 188 in our national network.

 **62.4%**

Overall, 62.4% of our people are female, 37.3% are male and 0.3% gender diverse; 53% of our people leaders are female and 47% are male. Our Senior Leadership team is 50% male, 50% female.

 **13**

Among our long service anniversaries this year, three staff celebrated 10 years' service; five staff celebrated 15 years; four staff celebrated 20 years; and one staff member celebrated 25 years of service.

 **47**

Our longest serving staff member has worked at The Co-operative Bank for 47 years.

 **93**

This year we welcomed 93 new employees to the bank, and 48 staff members received internal promotions.

 **5.5**

The average tenure of our people is 5.5 years.

 **15.6%**

Our turnover this year was 15.6%.

Our Senior Leadership Team

Our Senior Leadership Team has extensive experience in the banking, financial and professional services sectors in New Zealand and internationally.

This year we had one change to our Senior Leadership Team: Chief Risk Officer Grant Allerby departed in August 2023, after seven and a half years with the co-operative, and our new Chief Risk Officer Liz Knight started with the bank in February 2024.



Mark Wilkshire
Chief Executive



Bevan Miller
Chief Financial Officer



Geoff Waller
Chief Customer Officer



Fiona Murphy
Chief Technology Officer



Catherine Bateman
Chief Marketing Officer



Sarah Able
Chief People & Culture Officer



Jon Armour
Chief Product Officer



Liz Knight
Chief Risk Officer

From customer to consultant

In 2020, The Co-operative Bank said 'yes' to a home loan for Katie Greenwood after the bank she'd been with for three years said 'no'.

It was a life-changing moment for the determined Palmerston North single mum – not only opening the door to home-ownership, but to a new career as well.

In June 2023, Katie joined the team at The Co-operative Bank. She is now a Senior Consultant, helping others with their home-loans and day to day banking.

"Ever since The Co-operative Bank approved my first home loan, it made me want to get into that industry. I remember how amazing it made me feel that when I put my mind to saving hard and buying a home, I could achieve it with the right support. The Co-operative Bank was that support for me, and if I can do that for someone else, that would be amazing."

Katie says she became a huge fan of The Co-operative Bank because it gave her a chance, and also for the amazing support and service. In 2020, her home loan consultant took the time to get to know her situation, her plans and her goals.

"When I went back she remembered me. She knew my situation and my goals and she cared about me. I wasn't just a number."

"The Co-op is so different to the big banks – the fact that it is a co-operative and gives back to customers is huge. This year I received a \$90 rebate. Some people might think that's not much but for me, especially as a solo parent with two children and with

a mortgage, it meant I was able to pay for my son to do dance for the term."

When Katie heard about a consultant role going at The Co-operative Bank in Palmerston North, she jumped at the chance – and she hasn't looked back.

"It's amazing. The Co-op really cares about its people. It really cares about its customers."

"I think we are the best bank ever. I know I am always going to be looked after."

Katie was one of the 93 new employees welcomed to The Co-operative Bank this year. ∞

Katie Greenwood
with her tamariki,
Taylen and Braxton.

"When I went back she remembered me. She knew my situation and my goals and she cared about me. I wasn't just a number."



Breaking the career ceiling



Just five years ago Kerron Mamanu was managing a gym in Dunedin and feeling like she'd hit a career ceiling. But that soon changed when she was offered a job with The Co-operative Bank as second in charge at our Dunedin branch.

Since joining The Co-operative Bank in October 2018, Kerron has learnt an entirely new industry, has been challenged, supported and encouraged to develop, and has discovered it's work that she loves. And in September 2023 she became The Co-operative Bank's newest branch manager.

Kerron is now leading a team of six at our Dunedin Branch – where she says she's relishing all the opportunities to support her branch team and their customers.

"I love seeing the full circle moments of this kind of role – opening student accounts with

customers and then seeing them finishing their degrees and starting their careers, and now coming in with partners or children, and that is after just five years," Kerron says.

"Coming into my first role with the bank I didn't know much about the industry. I'd seen the ads saying that when you are a customer at The Co-operative Bank you are not just a number, you are number one, and now I know how genuine that is.

"Money is a very personal thing. It is definitely not one-size-fits-all. Part of what makes The Co-operative Bank so special is

"Part of what makes The Co-operative Bank so special is that we know everyone is different and that the same solution doesn't always fit everyone..."

that we know everyone is different and that the same solution doesn't always fit everyone who comes in the door."

Kerron was one of the 48 staff members promoted internally this year. ∞

The Co-operative Bank's newest branch manager, Kerron Mamanu, in Dunedin.

Better

Bank

The Cooperative Bank



for the co-operative

Our aspiration: To realise potential as a sustainable, growing co-operative.

Our purpose, strategy and values continue to set the direction of the bank, and we are pleased with the progress made over the past year.

Our purpose



Grow together
and share the gains

Long term aspirations

For Our People
Our people grow and develop and are better off working for the co-operative.

For our customers
More customers having long term value-based relationships with us.

For the co-operative
To realise potential as a sustainable, growing co-operative.

Our strategies

- 1** | Lead in customer service and value.
- 2** | Develop a skilled and highly engaged workforce.
- 3** | Sustain earnings through diversification and efficiency.
- 4** | Build a stronger and scalable co-operative for the future.
- 5** | Deliver innovation as a smaller faster challenger.

Our values

Create
mutual benefit

With customers as our shareholders, our shared interest drives what we do.





Be
inclusive

We are confident being ourselves and inclusive of everyone we interact with.

Strive
for better

We hold ourselves to high standards and deliver to them.





Act
fairly

We are open, honest and do the right thing.

Our strategic goals by 2028 are to:

- Lead in customer service and value
- Develop a skilled and highly engaged workforce
- Sustain earnings through diversification and efficiency
- Build a stronger and scalable co-operative for the future
- Deliver innovation as a smaller faster challenger

To position ourselves to innovate, we have focussed on the big things that we expect to create the most long-term value for the co-operative and our members, while maintaining the best possible customer experiences and a stable and sustainable financial performance.

We have made significant progress in foundational areas in the past year including investment in technology, and repositioning our brand to align with our redefined purpose to grow together and share the gains.

From 1 April 2024, we have entered 'Horizon Two', the second of three phases in our strategy. This moves us from a foundational phase to

a build phase, where we invest in our core competencies and build on these to grow. We need to consistently balance our focus between the needs of today, the future state and the steps we need to take to get there, which makes this a critical building stage in our business strategy. Our future phase Horizon Three is to be an innovative and fast-to-market New Zealand bank.

Because the world around is changing quickly, the current phase also involves us considering different possible scenarios for the future (such as financial, commercial and climate scenarios) to map out the risks and opportunities and to help ensure we can sustain our earnings and continue to deliver the service our customers enjoy as things change.

We have a number of interrelated projects underway to set us up for the future, including looking at our future technology, our future customer needs and our future products and business model, as well as how to be cost efficient to ensure a stable and sustainable co-operative.



"We grew our home loan portfolio by 8% this year to \$3 billion. This was a strong result for the co-operative in a subdued housing market..."



8%

Growth on home loan lending



30%

Home loans to first home buyers



11.6%

Increase in term deposits

Growth in borrowing and lending

In line with our plans, we grew our home loan portfolio by 8% this year to \$3 billion. This was a strong result for the co-operative in a subdued housing market overall, which by comparison grew at just 3.1%. The biggest growth for the bank was in first home buyers, who made up 30% of property purchases.

Our above market home loan performance was supported by our focus on customer service, strong retention of our home loan customers, competitive pricing, and our focus on supporting first home buyers.

Our Personal Loan portfolio grew by 4.4% to \$78 million, reversing contraction in personal loans the previous year. Average loan values increased by 10% and new loan volumes by 5%. The modest growth in personal loans has in most cases come from existing customers' personal lending needs.

At 31 March 2024, 96% of our funding came from retail sources (term deposits, savings accounts and transaction accounts) and 4% came from wholesale funding. Contributing to this, we grew total deposits by 7% to \$3 billion, including \$1,808 million in term deposits and \$850 million in savings accounts.

Growth in deposits came from term deposits up 11.6%, and savings accounts growing by 2.5% overall. Our key savings product Step Saver grew by 11.4%.

Technology for the future

Our most significant future investment is to replace our core banking system and take advantage of modern core banking systems that are now available, enabling the bank to deliver innovative products and services for our customers in a fast and more dynamic way.

To reduce risk, we first need to simplify what we have in our core technology today, and we are well advanced in a core simplification project which we expect to complete by June 2025.

Our current system was custom built, with features added over time. Most of our simplification work has been moving these features to modern platforms

while minimising disruption to our customers, our staff and partners we work with.

Over the next 12 months we will decide on our future core banking system and embark on that multi-year replacement programme.

This year we invested in upgrading the bank's Wellington disaster recovery back-up data centre to a modern fit-for-purpose data centre. This has improved the bank's ability to respond in the event of a disaster and overall resiliency. This was a foundational technology investment and will enable future enhancements towards modernising the bank's technology infrastructure in 2025. This change had the added benefit of reductions in our carbon emissions through reduced power usage.

We have this year modernised many of our technology services and components, including more self-service features for customers to bank online (such as refixing a home loan rate through our mobile app), improving the back-end technology supporting lending, and refreshing our hardware for staff for more work flexibility and efficiency.

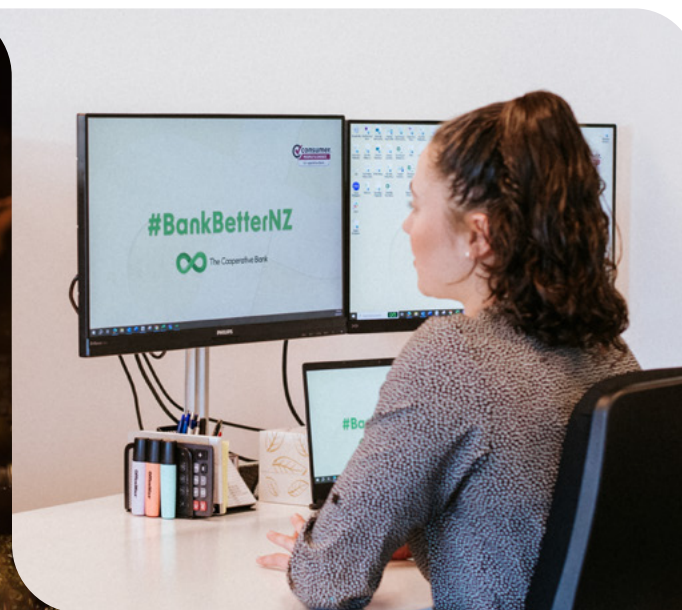
Information security maturity continues to be a priority for the co-operative and over the past year we have embedded secure design processes for new applications and services.

Upper Hutt and Lower Hutt merger

In May 2023 we announced a decision to merge our Upper Hutt and Lower Hutt branches, and we closed the Upper Hutt branch from 30 June 2023.

As our digital offering grows, customers are using our services differently, and many customer transactions are now done via internet banking, our mobile app, EFTPOS or ATMs. For customers choosing to use a branch for their banking, it is important we make sure our branches are in a good position to serve their needs, offering certainty of opening hours and good staffing levels.

Bringing the Upper Hutt and Lower Hutt branches together has created greater flexibility in staffing to ensure we are in the best position to serve the needs of customers who prefer to do their banking in a branch, and to continue to meet the needs of our customers, however they choose to interact with us.



Repositioning our brand

As part of our purpose to grow together and share the gains, this year we launched a new brand platform, #BankBetterNZ – our first major investment in the bank's brand in several years.

To help develop the new brand platform, we tested our thinking with customers to confirm that how we were positioning The Co-operative Bank in market was a realistic reflection of their experience.

We also encouraged our staff to think about the ways they help

customers to bank better every day, and to share and celebrate how we are different, as well as thinking about additional ways we could continue to help our customers bank better.

From July 2023, we shared #BankBetterNZ across television, radio, news websites and social media as well as in our branches and on digital billboards across New Zealand.

Our initial eight-week campaign delivered positive results with 260,000 new visitors to our website and more than 49,000

engagements on social media. We also saw a 14.5% increase in customer joins and strong mortgage growth between August and October.

We kicked off a second phase of activity in late October to continue to build the bank's reputation and consideration with two messages: *"Does your bank share its profits with you? Join the one that does"* and *"Competitive savings rates or a share in the profits? Both is good."*

We will continue to develop and build on the #BankBetterNZ brand positioning in the coming year.

"We also encouraged our staff to think about the ways they help customers to bank better every day, and to share and celebrate how we are different..."

Remediation payments

As advised last year, we continued to return some payments to customers following a review in the 2022 financial year of our credit fees and various other Credit Contracts and Consumer Finance Act (CCCFA) related processes, as well as a review of historical customer experiences.

Our remediation programme of work in respect of credit fees was completed on 30 June 2023, with the final payments being made to past customers in the first week of July 2023. The Co-operative Bank paid a total of \$5.4 million to current and past customers during the course of our credit fees remediation programme. This included about \$400,000 for 6,000 past customers over the past financial year, following the \$4.99 million paid to around 37,000 existing customers the prior year.

Responding to regulatory change

As a customer-owned co-operative, we believe in an approach to banking that leaves everyone better off – the co-operative, our customers, and our communities. Our success is positively linked to our customers' success.

Both the Deposit Takers Act (DTA) and the Conduct of Financial Institutions (CoFI) regime introduce legislative changes that at their core are intended to further protect consumers from potential harm and bring stability and fairness to the financial system in New Zealand.

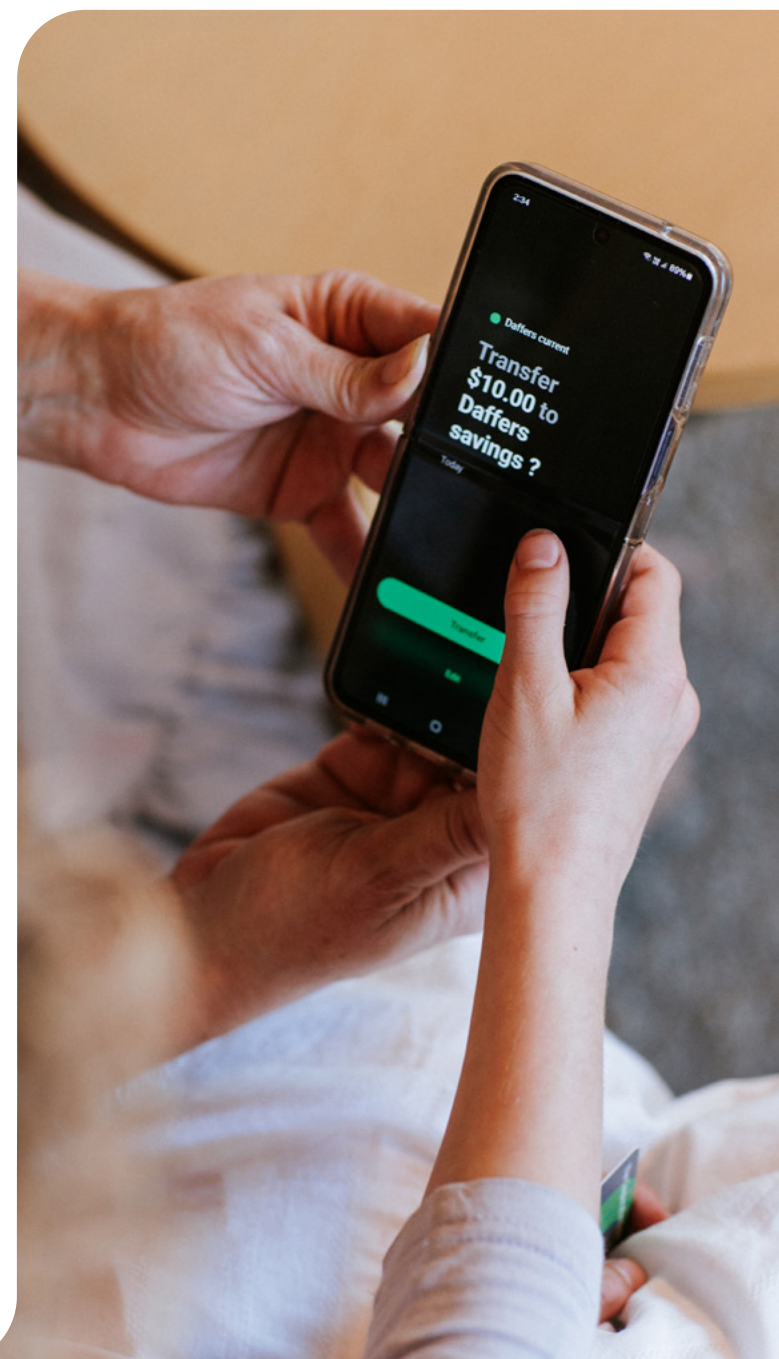
The DTA will establish a depositor compensation scheme expected to commence in mid-2025, which is designed to financially protect customers who have deposits with New Zealand deposit takers. This will include The Co-operative Bank, other registered banks, credit unions, building societies and finance companies.

"As a customer-owned co-operative, we believe in an approach to banking that leaves everyone better off."

The CoFI regime will require financial institutions like us to be licensed and treat consumers fairly.

The Co-operative Bank is well aligned with the intent of both these legislative changes, and the programmes we are embedding to support these changes will further support us in continuing to deliver our purpose to grow together and share the gains, and ensure our customers are treated fairly.

We also look forward to the review of the Credit Contracts and Consumer Finance Act announced by the Government, including potential changes to affordability assessment requirements introduced under the Act.





9%

Increase in profit
before rebates
and tax



8%

Growth on home
loan lending



6.2%

Increase in net
interest income



7%

Increase in
total deposits

Financial highlights

With a continued focus on enabling customers to own their own homes, the past financial year has continued to see solid growth in home loans and deposits, along with supporting our customers' KiwiSaver and insurance needs. These are the products we believe set customers up to have a strong financial future and develop a long-term relationship with the co-operative.

Profit before rebates and tax was \$20.2 million, up 9% on the previous year. The bank's underlying profit before rebates and tax (excluding non-cash fair value gains and losses on the derivative financial instruments that we use to hedge our interest rate risk) was \$21.3 million, up 10.5% from \$19.3 million last year. This result was in line with planned performance, demonstrating consistent, fair and sustainable profitability.

Underpinning the year's results:

- Home loan lending growth of 8% was 2.5 times market growth in a relatively slow housing market. The home loan portfolio grew by \$218 million, taking the total portfolio to \$3 billion.

- Loan growth was funded from increased term deposit and step saver balances. Total deposits grew 7% to \$3 billion.
- The Official Cash Rate (OCR) was 4.75% at the end of the last financial year. It had increased to 5.5% by May 2023, where it remained at the end of the financial year. Swaps rates were on average higher than recent years and were relatively volatile, overall increasing from April 2023 to October 2023, then falling until March 2024.
- Relative to the previous year, our net interest income was up 6.2%, reflecting the higher returns on the bank's own funds and transactional accounts in the higher interest rate environment, as well as the growth in mortgage lending.
- Commission income increased on both KiwiSaver and general insurance. KiwiSaver income increased due to higher funds under management from higher market returns, ongoing member contributions and growth in member numbers. Growth in general insurance income reflected higher cover

levels and reinsurance costs, leading to higher premiums across the industry.

- The insurance result generated by the Co-operative Life business was slightly up on the prior year despite higher volumes of claims in the current year.
- The 7.7% increase in total net operating income was largely offset by higher expenses, primarily in technology and people costs. Technology costs were up 25% on the previous year, as we are investing in new systems including Software as a Service and Cloud-based technology that will bring longer-term improvements and reduce the need to buy our own hardware. People costs were up 8% on the previous year as we have grown our team (particularly in technology, customer service and risk), and due to wage inflation.
- Bad debts were 19.4% lower than the previous year at the historically low level of \$1.1 million.
- We have continued to maintain prudently high levels of liquidity and capital (with a total capital ratio of 17.8% among the highest

"Home loan lending growth of 8% was 2.5 times market growth in a relatively slow housing market. The home loan portfolio grew by \$218 million, taking the total portfolio to \$3 billion.

in the market). From 2028 there will be a minimum total capital ratio requirement of 18% for the four large Australian-owned banks and 16% for other banks in New Zealand under Reserve Bank rules, and we are well placed to meet those requirements given our current capital position.

- Our BBB credit rating was re-affirmed by our ratings agency Fitch, who maintain a positive outlook on the Bank's rating.

Meeting high social and environmental standards



Our environmental progress

Over the past year we have:

- Set science-aligned target for reducing carbon emissions
- Recertified as a net carbon zero organisation with **Toitū Envirocare**
- Developed an Environmentally Preferable Purchasing Standard
- Continued to recycle to reduce our waste to landfill
- Made changes to our customer card products so they are now made of a high proportion of recyclable materials
- Reduced our energy consumption, and supported 100% certified renewable electricity
- Had a tree planting day to regenerate the natural environment in Wellington



Positive social impacts

Over the past year we have:

- Proactively worked with customers who are facing increased repayments due to increasing interest rates
- Established a formal diversity and inclusion programme with metrics and priorities, including measuring diversity and inclusion engagement, and a Te Ao Māori plan
- Continued to contribute to the New Zealand economy, providing access to credit primarily for housing needs and as a mid-sized employer throughout New Zealand
- Donated to charitable causes directly and through our Christmas giving programme
- Continued to support customers experiencing difficulties, and provided specific support and responses in cases such as after severe weather events like Cyclone Gabrielle

Certified



Corporation

B Corp certification

We are a B Corp certified organisation, which means we are part of a global business community that meets high standards of social and environmental performance, with strong governance practices. Over the past six months we have been working through the three yearly recertification process, which includes B Lab verifying changes to our policies, practices and activities and providing evidence of these.

Managing climate risk

We continue to focus on our approach to managing climate risks and opportunities, with our first Climate Report due in 2024.

We are exploring the impact that The Co-operative Bank has on the climate and the impact that the climate has on us.

Transparent and comparable disclosures relating to climate-related risks and opportunities are intended to contribute to the shift towards a low-emissions, climate-resilient future. They do so by ensuring that the effects of climate change are more routinely considered in an entity's strategy and decision making, and by enabling the Board to make more informed capital allocation decisions on behalf of its shareholder customers.

The reporting is part of a larger journey that the Bank is on to reduce our environmental footprint and to build the capability to manage the challenges that a changing climate will present to our strategy and business model.

The Climate Report will be available on our website, from June 2024.

Reducing our environmental footprint



-12%

Reduction in our gross emissions



See meridian.co.nz/certified

We have been recertified this year as a net carbonzero organisation by Toitū Envirocare. This certification warrants that our greenhouse gas emissions, reductions and offsets have been independently verified and our operations are carbon neutral.

Our gross emissions from business operations for the past 12 months was 535 tonnes³. The largest source of greenhouse gas emissions in our business operations is generated by transport from employee commuting activity and business travel.

We commit to science-aligned targets for carbon reduction to achieve by 2030, which will drive activity in our carbon programme and guide environmental principles in our activity, purchasing and investments over the next five years.

We reduced overall greenhouse gas emissions this year by 12% from the previous year. Major contributors to this included migrating physical technology infrastructure to the

cloud and optimising it, moving our Wellington data centre to a more modern facility, improvements in facilities and commencing the transition of petrol-based vehicles to lower carbon alternatives.

Carbon neutral operations

This year we also worked with **Meridian Energy** and chose their **Certified Renewable Energy product**. This allows us to report our market-based Scope 2 emissions related to electricity for branch and head office sites as zero⁴.

We offset remaining emissions with certified carbon credits. Over the past year these credits came from two international projects:



Meridian Energy's West Wind Farm, Wellington

- A **Gold Standard** solar power project in India, to deliver solar power and solar water heating systems in rural and semi-rural areas across the country. This project removes up to 55,000 tonnes of carbon emissions a year by replacing kerosene and fossil-fuel energy sources. The project also provides reliable electricity where demand outstrips supply to help avoid blackouts, lowers the cost of electricity, and reduces pollution inside homes.
- A **Fairtrade Gold Standard project in Ethiopia** with coffee farmers. Much of the global coffee supply is grown by small-scale farmers in developing countries, where cooking is often done indoors on an open wood fire. The programme provides Fairtrade coffee farmers with alternative cookstoves that are cleaner and more fuel efficient – supporting poverty alleviation, better health outcomes, local market growth as well as reduced carbon emissions. ∞

3. Gross emissions reported at 535 tCO₂e using location-based reporting so electricity consumption is transparent.

4. Reported as zero using the market-based reporting methodology as per the GHG Protocol's Scope 2 Guidance – more information and dual reporting of market-based and location-based emissions will be available in our 2024 Climate Report.

Corporate Governance

The Co-operative Bank Limited (The Co-operative Bank) is incorporated under the Companies Act 1993 and registered under the Co-operative Companies Act 1996. The Co-operative Bank is a registered bank regulated by The Reserve Bank of New Zealand (Reserve Bank). The Financial Markets Authority (FMA) and the Commerce Commission also have responsibility for regulatory oversight of the financial services sector.

The Co-operative Bank (and therefore ultimately the Group) is owned by The Co-operative Bank's customers.

Approach to Corporate Governance

The Board follows the corporate governance principles and guidelines embodied in the Financial Markets Authority's (FMA) publication "Corporate governance in New Zealand" supported by detailed implementation guidance issued by The Institute of Directors, and believes the Company's corporate governance principles, policies and practices described in our Corporate Governance Statement are broadly consistent with these. This statement and other documents referred to in this report can be found in the [governance section of our website](#). More information about the Board's role and focus can be found in the [Board Charter](#). This report provides information on some specific aspects of the [Corporate Governance Statement](#).

Board Composition

The Board completed its bi-annual reviews of the collective competencies required (and held) by the Board as a whole, and the attributes it requires from individual directors. Collectively, the Board considers that it has the range of commercial skills, knowledge, experience and diversity to meet and discharge its responsibilities at this time. We also re-confirmed director and Board independence, fitness and propriety under the terms of our Fit and Proper Policy during the year.

The independent Electoral Authority considered director nominations for the 2024 Director Election and assessed them against the competencies required to fill the vacancies created by the Directors retiring by rotation, in order to confirm the candidates that will go forward into the 2024

Director Election. The Electoral Authority comprising Ross Wilson (Chairperson), Simon Murdoch and Steven Fyfe perform a key role on behalf of the shareholders in making this assessment.

During the year, the Board appointed a working group to review and modernise the Constitution including updating the director election process and extending the role of the Electoral Authority. A new Constitution will be put forward for approval by the shareholders at the Annual Meeting.

Board and Committee meetings and attendances

Director ⁵	Appointed	Board	Risk Committee	Audit Committee ⁶	People & Culture Committee ⁶	Technology Committee ^{6,7}
Nicky Ashton	28 Jun 2018	9/9	4/4		4/4	
Sarah Haydon	24 Mar 2015	9/9	4/4	3/3		
Keiran Horne	1 Feb 2024	1/1	1/1	1/1		
David Smol	4 Mar 2021	9/9	3/4	3/3		
Brett Sutton	1 Dec 2017	9/9	4/4	3/3		2/2
Helen van Orton	15 Jul 2020	9/9	4/4		4/4	4/4
Clayton Wakefield	25 Aug 2016	9/9	4/4		4/4	4/4

- All the Directors are independent Directors.
- The above numbers do not include attendance at Committee meetings by non-members.
- Peter Muggleston, an independent member, attended all meetings of the Technology Committee.

Remuneration

Directors are remunerated in the form of Directors' fees approved by shareholders. The annual review of fees considers market movements, relevant comparator companies and any significant changes to Directors' responsibilities and time commitment. The Director fee rates per annum in effect at 31 March 2024 were:

Chair of the Board	\$150,000
Director	\$78,500
Committee Chair (additional to Director fee)	\$11,500
Deputy Chair (additional to Director fee)	\$10,000

The total amount paid to individual Directors for FY24 can be found in Note 26.

All Directors received the benefit of an indemnity from the company and Directors and Officers liability insurance cover to the extent permitted by law which arise out of the performance of their normal duties as directors unless the liability relates to conduct involving a lack of good faith. ∞

Our Board



(Top L–R): Helen van Orton, David Smol, Brett Sutton (Deputy Chair), Nicky Ashton
(Bottom L–R): Clayton Wakefield, Sarah Haydon (Chair), and Keiran Horne



Co-operative Life Report

Co-operative Life Limited is a wholly owned subsidiary of The Co-operative Bank. Employees of The Co-operative Bank complete all the business activities of Co-operative Life under the terms of a management deed. Notwithstanding this arrangement, the responsibilities and accountabilities of the Co-operative Life Directors are significant under legislation including the Insurance (Prudential Supervision) Act 2010.

The activities and results of Co-operative Life referred to here are included in The Co-operative Bank reports.

Our Co-operative Life customers

Life insurance products are offered as part of an overall needs analysis completed by The Co-operative Bank's frontline staff. At 31 March 2024 there were a total of 20,841 customer policies in place – 11,866 of these are life and trauma insurance and 8,975 are loan insurance policies.

The key area of customer benefit is the payment of life and loan insurance claims, along with the comfort that comes from having these products in place. During the

2024 financial year, 306 customer claims were paid to a value of \$5.7 million, including \$5.1 million for life and trauma insurance claims and \$0.6 million for loan insurance claims. This represented a 14% increase in claim value paid to customers over the prior year.

Our performance

New life and trauma insurance policies written increased, but new loan insurance policies reduced in FY24. Total new policies lifted slightly from 4,837 in FY23 to 4,854 in FY24.

New policies for Life Plus, the primary product for life protection, increased 36% on the prior year, with a 6% reduction for the two


20,841
Customer policies
in place


36%
Increase in
Life Plus policies


30%
Approval of
applications
through Intelligent
Life system

loan insurance products, Loan Plus and Loan Instalment Care. The portfolio's total policy numbers were lower, driven by the runoff of the legacy life insurance product Life Care, down 7%, and loan insurance products, down 6%.

The Intelligent Life system, which was implemented in FY23, continued to assist with providing customers with faster responses to their applications through the use of automated underwriting. Throughout the year an average of 30% of life insurance applications were completed straight through via the Intelligent Life system.

Gross Written Premium (GWP) increased 4% to \$12.9 million primarily driven by a 6% growth in premiums for the life insurance portfolio to \$9.4 million. This was partially offset by a reduction in loan insurance GWP, which reduced 5% to \$2.1 million.

Other notable activities

More recently customers have shown a reduced demand for the Loan Plus product. A comprehensive review of our insurance products was completed during the year. To ensure we continue to only provide products and services which best meet our customers' needs, and to support the organisation's simplification efforts, the Loan Plus product was removed from sale on 1 May 2024.

The accounting rules for insurance companies changed with the implementation of IFRS 17 (the new international financial reporting standard for insurance) which applied to Co-operative Life for the first time in FY24. This was a significant piece of work for the organisation that was completed with minimal disruption to the business. ∞

Our Co-operative Life Board



Alastair Hercus
Chair



Dave Kibblewhite
Board member



Helen van Orton
Board member



Clayton Wakefield
Board member

Life Board Meetings and attendances FY24

Director	Appointed	Board	Audit Committee
Alastair Hercus*	1 Nov 2020	4/4	3/3
Dave Kibblewhite*	1 Feb 2022	4/4	3/3
Helen van Orton	1 Jan 2022	4/4	
Clayton Wakefield	29 June 2018	4/4	

* Independent Directors.

Financial statements

Financial statements

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The Co-operative Bank

Disclosure Statement

This Disclosure Statement has been issued by The Co-operative Bank Limited (the "Registered Bank" or "Co-op Bank") in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order"). In this Disclosure Statement, words and phrases defined in the Order have the same meanings when used in this Disclosure Statement.

The financial statements and notes to the financial statements form part of this Disclosure Statement.

This Disclosure Statement is available on Co-op Bank's website www.co-operativebank.co.nz. In addition, any person can request a hard copy of Co-op Bank's Disclosure Statements at no charge. The copy will be dispatched by the end of the second working day after the day on which the request is received.

General Information

The name of the Registered Bank is The Co-operative Bank Limited and the address for service is Level 2, PwC Centre, 10 Waterloo Quay, Pipitea, Wellington 6011.

The reporting group is Co-op Bank and its subsidiaries (referred to as the "Banking Group"). All controlled entities are incorporated in New Zealand. 

The following symbols used throughout the Disclosure Statement represent:



Significant accounting policy



Significant accounting estimate or judgement

Historical Summary of Consolidated Financial Statements

	Year ended 31/03/2024	Restated Year ended 31/03/2023	Year ended 31/03/2022	Year ended 31/03/2021	Year ended 31/03/2020
	\$000	\$000	\$000	\$000	\$000
Income Statement					
Total interest income	235,004	155,523	108,880	122,520	137,005
Total interest expense	(149,038)	(74,591)	(36,890)	(54,906)	(75,000)
Net interest income	85,966	80,932	71,990	67,614	62,005
Total other income	15,114	13,516	17,213	18,602	17,461
Gains/(losses) on financial instruments at fair value	(1,132)	(1,609)	2,224	641	1,321
Net operating income	99,948	92,839	91,427	86,857	80,787
Total operating expenses	(78,618)	(72,901)	(71,206)	(62,961)	(63,245)
Total impairment gains/(losses)	(1,138)	(1,412)	17	354	(8,167)
Net profit before rebate and income tax	20,192	18,526	20,238	24,250	9,375
Rebate to shareholders	(2,500)	(2,500)	(2,500)	(2,500)	-
Net profit before tax	17,692	16,026	17,738	21,750	9,375
Income tax expense	(4,961)	(4,529)	(4,982)	(6,101)	(2,665)
Net profit after tax	12,731	11,497	12,756	15,649	6,710
Balance Sheet					
Total assets	3,493,011	3,343,597	3,197,540	3,122,167	2,979,577
Total individually impaired assets	4,933	3,536	3,775	6,647	6,636
Total liabilities	3,231,012	3,080,732	2,951,441	2,899,076	2,777,193
Equity	261,999	262,865	246,099	223,091	202,384

The Banking Group does not have minority interests.

The amounts included in the summary above have been extracted from the audited consolidated financial statements of the Banking Group.

Consolidated Income Statement

		Year ended 31/03/2024	Restated Year ended 31/03/2023
	Note	\$000	\$000
Interest income calculated using the effective interest method		184,208	131,394
Other interest income		50,796	24,129
Interest expense		(149,038)	(74,591)
Net interest income	4	85,966	80,932
Fees and other operating income	5	11,322	9,823
Insurance service result	10	3,792	3,693
Gains/(losses) on financial instruments at fair value	5	(1,132)	(1,609)
Net operating income		99,948	92,839
Operating expenses	6	(78,618)	(72,901)
Impairment (losses)/gains on loans and advances	12	(1,138)	(1,412)
Profit before rebate and income tax		20,192	18,526
Rebate to shareholders	16	(2,500)	(2,500)
Profit before income tax		17,692	16,026
Income tax expense	7	(4,961)	(4,529)
Profit after tax attributable to shareholders		12,731	11,497

The Notes to the Financial Statements form part of, and are to be read in conjunction with, these Financial Statements.

Consolidated Statement of Comprehensive Income

	Year ended 31/03/2024 \$000	Restated Year ended 31/03/2023 \$000
Profit after tax attributable to shareholders	12,731	11,497
Items that may be reclassified subsequently to profit or loss		
Fair value movement on fair value through OCI investments	3,187	(4,212)
Fair value movement on fair value through OCI investments released to the income statement	21	963
Fair value movement on cash flow hedging reserve	(23,230)	9,982
Fair value movement on cash flow hedging reserve released to the income statement	1,069	281
Income tax expense relating to items that may be reclassified	5,356	(1,923)
Other comprehensive (loss)/income for the period, net of tax	(13,597)	5,091
Total comprehensive (loss)/income for the period attributable to shareholders	(866)	16,588

The Notes to the Financial Statements form part of, and are to be read in conjunction with, these Financial Statements.

Consolidated Statement of Changes in Equity

	Note	Year ended 31/03/2024 \$000	Restated Year ended 31/03/2023 \$000
Balance at 1 April			246,099
Restatement from NZ IFRS 17 adoption			178
Restated balance at 1 April		262,865	246,277
Profit after income tax		12,731	11,497
Other comprehensive income		(13,597)	5,091
Closing balance of equity		261,999	262,865
Retained earnings			
Balance at 1 April			231,921
Restatement from NZ IFRS 17 adoption			541
Restated balance at 1 April		243,959	232,462
Profit after income tax		12,731	11,497
Balance at end of year		256,690	243,959
Fair value through OCI investments reserve			
Balance at 1 April			(5,945)
Restatement from NZ IFRS 17 adoption			(363)
Restated balance at 1 April		(8,647)	(6,308)
Fair value movement through other comprehensive income		3,208	(3,248)
Tax through other comprehensive income	7	(898)	909
Balance at end year		(6,337)	(8,647)
Cash flow hedging reserve			
Balance at beginning of year		27,553	20,123
Fair value movement through other comprehensive income		(22,161)	10,263
Tax through other comprehensive income	7	6,254	(2,833)
Balance at end of year		11,646	27,553
Total equity		261,999	262,865

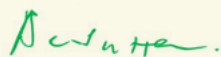
Consolidated Balance Sheet

		As at 31/03/2024	Restated As at 31/03/2023	Restated As at 31/03/2022
Note		\$000	\$000	\$000
Assets				
		23,578	39,453	31,458
Cash and cash equivalents				
Receivables and prepayments	8	22,239	21,016	18,693
Fair value through OCI investments	9	260,491	294,742	360,399
Derivatives	15	32,798	56,569	46,773
Loans and advances	11	3,110,186	2,889,354	2,695,961
Deferred tax asset	7	25	323	928
Current tax receivable		5,548	547	-
Reinsurance contract asset		657	997	669
Property, plant and equipment		5,293	5,662	6,023
Right of use lease assets	22	22,068	24,170	27,204
Intangible assets	13	10,128	10,764	9,609
Total assets		3,493,011	3,343,597	3,197,717

These financial statements were authorised for issue for and on behalf of the Board of Directors on 24 May 2024.



Sarah Haydon
Director



Brett Sutton
Director

The Notes to the Financial Statements form part of, and are to be read in conjunction with, these Financial Statements.

		As at 31/03/2024	Restated As at 31/03/2023	Restated As at 31/03/2022
Note		\$000	\$000	\$000
Liabilities				
		2,500	2,500	2,500
Rebates to customers	16			
Payables and other liabilities	17	11,445	13,451	12,627
Subordinated notes	20	36,336	35,460	35,537
Current tax liability		-	-	7,156
Derivatives	15	3,910	3,273	9,748
Deposits		3,022,293	2,834,211	2,690,668
Secured borrowings	18	124,412	159,564	160,136
Lease liabilities	22	27,375	29,228	30,289
Insurance contract liability	19	2,741	3,045	2,779
Total liabilities		3,231,012	3,080,732	2,951,440
Net assets		261,999	262,865	246,277
Equity				
		256,690	243,959	232,461
Retained earnings				
Fair value through OCI investments reserve		(6,337)	(8,647)	(6,307)
Cash flow hedging reserve		11,646	27,553	20,123
Total equity		261,999	262,865	246,277
Interest earning and discount bearing assets		3,402,695	3,231,681	3,095,383
Interest and discount bearing liabilities		2,995,290	2,822,125	2,641,246

Consolidated Statement of Cash Flows

		Year ended 31/03/2024	Restated Year ended 31/03/2023
	Note	\$000	\$000
Cash flows from operating activities			
Interest received		230,522	152,203
Insurance Service result		3,828	3,631
Other income received		8,452	11,947
Payments to suppliers and employees		(69,335)	(66,812)
Interest paid		(134,451)	(70,611)
Interest paid on subordinated notes		(3,201)	(2,259)
Income tax paid		(4,308)	(13,551)
Rebates to customers		(2,500)	(2,500)
Net cash flow from operating activities before changes in operating assets and liabilities		29,007	12,048
Change in loans and advances		(217,730)	(192,539)
Change in fair value through OCI investments		37,594	62,998
Change in deposits		178,398	135,244
Net repayment of secured borrowings		(35,238)	(616)
Net changes in operating assets and liabilities		(36,976)	5,087
Net cash flow from operating activities	23	(7,969)	17,135

		Year ended 31/03/2024	Restated Year ended 31/03/2023
	Note	\$000	\$000
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,593)	(1,486)
Purchase of intangible assets		(4,534)	(5,842)
Net cash flow from investing activities		(6,127)	(7,328)
Cash flows from financing activities			
Payment of lease liabilities		(1,779)	(1,812)
Net cash flow from financing activities		(1,779)	(1,821)
Net movement in cash and cash equivalents		(15,875)	7,995
Opening balance of cash and cash equivalents		39,453	31,458
Closing balance of cash and cash equivalents		23,578	39,453
<i>Reconciliation of cash and cash equivalents:</i>			
Cash on hand		758	785
Cash at NZ registered banks		22,820	38,668
Total cash and cash equivalents		23,578	39,453

The Notes to the Financial Statements form part of, and are to be read in conjunction with, these Financial Statements.

Notes to the financial statements

1. Statement of General Accounting Policies

Reporting entity

Co-op Bank is a profit-oriented entity incorporated in New Zealand under the Companies Act 1993 and registered under the Co-operative Companies Act 1996. Co-op Bank is an FMC Reporting Entity under the Financial Markets Conduct Act 2013.

Co-op Bank is a financial services co-operative providing a number of financial products to its customers including loans, current accounts, other deposits and insurance.

These financial statements are for the Banking Group, comprising Co-op Bank and its subsidiaries. For further information on the subsidiaries refer to Note 14.

Basis of preparation

The Banking Group's financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"), which complies with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards. They also comply with the Order as well as with International Financial Reporting Standards ("IFRS").

Measurement base

The financial statements have been prepared on a going concern basis in accordance with the historical cost concept. Exceptions to this are the revaluation of fair value through OCI investments and fair

value through profit or loss investments, and derivative financial instruments which are recognised at fair value.

Use of accounting estimates and judgements

The preparation of the financial statements requires the use of management judgement, estimates and assumptions that affect reported amounts. The estimates and assumptions used are based on historical experience and other factors which are reviewed on a regular basis. Actual results may differ from these estimates. For further discussion on the critical estimates and judgements used by the Banking Group that have the most significant effect on the amounts recognised in the financial statements, refer to Notes 12 (Asset Quality and Provision for Credit Impairment), 17 (Payables and Other Liabilities) and 19 (Life Insurance Net Policy Liabilities).

Functional and presentation currency and rounding

The functional and presentation currency of the Banking Group is New Zealand dollars and all amounts have been rounded to the nearest thousand dollars (\$000), except where otherwise stated.

Comparatives

To ensure consistency with the current period, comparative figures are restated to align with current year presentation where appropriate. In the prior year,

interest paid on subordinated notes was classified and presented in financing activities. The comparative Statement of cash flows has been amended to classify interest paid on subordinated notes in operating activities, consistent with the Banking Group's policy to classify interest paid as part of operating activities.

Offsetting

The Banking Group offsets assets and liabilities and presents the net amount in the balance sheet when the Banking Group has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. If these conditions are not met, the financial assets and financial liabilities are presented on a gross basis.

Income and expenses are presented in the income statement on a net basis for gains and losses arising from a group of similar transactions, or in other situations only when permitted under NZ GAAP.

Changes in accounting policies and application of new or amended accounting standards

Accounting policies are consistent with those applied in the Financial Statements for the year ended 31 March 2023 except for the impact of the following new accounting standards:

NZ IFRS 17 Insurance Contracts

Scope & effective date

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective and required to be adopted by the Banking Group in respect of its insurance contracts from 1 April 2023 (financial year ended 31 March 2024). As part of adoption, the comparative period information and the opening balances therein (1 April 2022) have been restated where required. As a result, the Banking Group has presented a third balance sheet as at 1 April 2022. The impacts of adoption of the new standards are discussed in the following section. Management exercised significant judgements in a number of areas relating to transition, applicable measurement model, and level of aggregation of insurance contracts.

Changes in recognition

The adoption of NZ IFRS 17 did not change the recognition criteria of the Banking Group's insurance and reinsurance contracts. All contracts previously reported continue to be recognised under NZ IFRS 17.

Changes in measurement

NZ IFRS 17 establishes specific principles for the measurement of insurance contracts issued and reinsurance contracts held by the Banking Group. Under the new standard, the Banking Group's insurance and reinsurance contracts are all eligible to be measured by applying the premium allocation approach ("PAA").

1. Statement of General Accounting Policies continued

Previously, the Banking Group measured net insurance policy liability by estimating the net present value of future cash flows of Life Plus and Loan Plus (including reinsurance) products using the projection method while unearned premiums on Loan instalment care ("LIC") product was measured using the accumulation method that represents unearned premium up to the next premium due date.

The PAA differs to the measurement bases previously applied by the Banking Group under the following areas:

- The liability for remaining coverage ("LRC") corresponds to premiums received less insurance acquisition cashflows (if any) and amounts already recognised as insurance revenue at the reporting date.
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not reported ("IBNR") claims) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Banking Group's obligation to pay other incurred insurance expenses.
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

Furthermore, NZ IFRS 17 provides measurement simplifications under PAA

which the Banking Group has applied as part of adopting the new standard which impact the Life Plus and LIC products which have contract boundaries not exceeding 12 months:

- Insurance acquisition cash flows ("IAC") are reported as expense when incurred (this was previously deferred and amortised over the contract's coverage period). This new policy impacts Life Plus and LIC products which have contract boundaries not exceeding 12 months. IAC continues to be deferred for Loan Plus product and amortised on a basis consistent with the recognition of the premium income over the coverage period.
- Previously, all insurance contracts are discounted to reflect the time value of money. Under NZ IFRS 17, the Banking Group is not required to adjust the carrying amount of the LRC to reflect the time value of money and the effect of financial risk given, at initial recognition, the Banking Group expects that the time between providing each part of the insurance services and the related premium due date is no more than a year.

The impact of the change in measurement bases discussed above resulted in an adjustment to opening equity on transition date (1 April 2022) of \$0.18 million (refer to the Statement of Changes in Equity).

Changes in presentation

NZ IFRS 17 prescribes the presentation of insurance and reinsurance contracts (and their corresponding components) in the income statement and balance sheet. The key changes mostly relate to the disaggregation of insurance contract assets and liabilities, reinsurance contracts and

liabilities, and impact of financing income and expenses. Income and expenses from reinsurance contracts other than finance income and expenses are now presented as a single net amount in the income statement whereas previously reinsurance recoveries revenue and outwards reinsurance expenses were presented separately. These new presentation requirements are reflected in these financial statements.

Under NZ IFRS 17, the Banking Group is required to disclose more granular qualitative and quantitative information for amounts recognised in the financial statements from insurance and reinsurance contracts, and any corresponding significant judgements when applying the standard.

Transition

On transition date (1 April 2022), the Banking Group:

- Has identified, recognised and measured each group of insurance and reinsurance contracts as if NZ IFRS 17 had always applied;
- Has identified, recognised and measured insurance acquisition cash flows as expense when incurred for eligible products (Life Plus and LIC) as if NZ IFRS 17 has always applied; and identified, recognised and measured insurance acquisition cash flows as asset for Loan Plus (consistent with previous treatment) and a recoverability assessment performed on transition date concluded that no impairment loss was identified.
- Has derecognised any existing balances that would not exist had NZ IFRS 17 always applied (mostly relating to deferred acquisition cash flows and impact of discounting).

- Has reclassified investment assets previously categorised as fair value through profit or loss ("FVTPL") to fair value through other comprehensive income ("FVTOCI") applying NZ IFRS 9 (see further discussion below).

Recognised any resulting net difference in equity amounting to \$0.18m increase. The opening balance sheet (1 April 2022) as well as the comparative balance sheet (31 March 2023) have all been presented under NZ IFRS 17 based on the above general assumptions and the transition approaches adopted by the Banking Group. NZ IFRS 17 prescribes the use of full retrospective approach as a default transition method unless it is impracticable. The approaches applied by the Banking Group for transition purposes are as follows:

Insurance Contract	Transition Approach
Life Plus	Full retrospective
Loan Instalment Care	Full retrospective
Loan Plus	Fair value
Reinsurance	Modified retrospective

In respect of Loan Plus and Reinsurance, management's assessment of the levels of impracticability involve challenges around data availability which may need to be obtained with significant effort to apply NZ IFRS 17 on full retrospective basis. Furthermore, even with data availability, as management cannot apply hindsight in reporting on full retrospective basis, this means that an objective re-creation of assumptions, estimates and judgements around past information will require

1. Statement of General Accounting Policies

continued

extensive analyses of each input for each prior period affected while not applying facts and circumstances that became known to management in those periods. On this basis, the use of fair value and modified retrospective approaches for Loan Plus and Reinsurance, respectively, was considered appropriate to fairly present the impact of the application of NZ IFRS 17 for these products in prior periods as if NZ IFRS 17 have always been in place. Modified retrospective for reinsurance was applied for PAAA eligibility testing.

Reclassification of investments from FVTPL to FVTOCI

At transition date (1 April 2022), the Banking Group reclassified investments held from fair value through profit or loss to fair value through Other Comprehensive Income with a fair value movement as at transition date of \$0.36million.

The reclassification of investment category is made on the basis of the facts and circumstances that existed as at 1 April 2022. The reclassification from FVTPL to FVTOCI is based on the Banking Group's business model assessment. The investments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

This is effected through a change in the categorisation of the Banking Group's investment portfolio from FVTPL to FVTOCI with net nil impact in total equity (refer to the Statement of Changes in Equity).

2. Accounting Classification and Measurement

Financial instruments classification and measurement

Financial instruments are transacted on a commercial basis. There are three measurement classifications under IFRS 9: amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). Financial assets are classified into these measurement categories on the basis of two criteria:

- The business model within which the financial asset is managed; and
- The contractual cash flow characteristics of the financial asset (specifically whether the contractual cash flows represent solely payments of principal and interest).

The Banking Group classifies its financial instruments into the following categories at initial recognition:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that the Banking Group does not intend to sell. Loans and receivables are initially measured at fair value plus direct transaction costs, and subsequently measured at amortised cost using the effective interest method. Assets classified as loans and receivables include loans and advances and receivables and prepayments.

Loans and advances cover all forms of lending to customers, including mortgages, overdrafts and personal loan balances. Loans and advances are recognised in the balance sheet when the cash is advanced and are reported net of provisions for impairment loss.

Fair value through profit or loss investments

Financial instruments in this category are measured at fair value, and are managed with other assets and liabilities which are accounted for on a fair value basis. Financial assets in this category interest rate swaps (derivatives).

Changes in the fair value of these financial instruments are recognised in profit or loss in the period in which they occur. The fair value gain or loss does not include interest earned and accrued on the financial assets, as this is recorded as part of interest income.

Fair value through OCI investments

Fair value through other comprehensive income ("OCI") investments are non-derivative financial assets that are designated as fair value through OCI. Fair value through OCI investments are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or changes in interest rates or exchange rates.

Fair value through OCI investments are initially measured at fair value, including transaction costs, and subsequently carried at fair value. Interest income is recognised in profit or loss using the effective interest method. Impairment losses are recognised directly in profit or loss. Other fair value changes, other than impairment losses, are recognised directly in Other Comprehensive Income and presented in the Fair value through OCI investments reserve within equity. When the financial asset is derecognised or impaired, the cumulative gains or losses previously recognised in OCI are reclassified in profit or loss.

Cash flows are solely payments of principal and interest.

Other financial liabilities

Other financial liabilities include all financial liabilities other than those classified at fair value through profit or loss. Other financial liabilities are initially recognised at fair value plus direct transaction costs, and are subsequently measured at amortised cost. Financial liabilities classified in this category include rebates to shareholders, payables and other liabilities, deposits, secured borrowings and subordinated notes.

Recognition and derecognition of financial assets and financial liabilities

The Banking Group recognises a financial asset or financial liability on its balance sheet when the Banking Group becomes a party to the contractual provisions of the financial asset or financial liability.

The Banking Group derecognises a financial asset from its balance sheet when:

- a. The contractual rights to the cash flows from the financial asset expire; or
- b. The Banking Group has transferred the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or when it does not retain control of the financial asset.

Financial liabilities are derecognised when the obligations specified in the contract have been discharged, cancelled or have expired.

3. Risk Management Policies

The Banking Group's objective is to appropriately manage all the risks that arise from its activities. An overall review of the Banking Group's Enterprise Risk Management Framework is conducted at least once every three years and approved by the Board. This framework outlines the risk management accountability and responsibility through the Banking Group. Key risks are reported to the Board by management along with those risk outside risk appetite measures. In line with this review, an assessment of the relevant policies, systems and reporting is undertaken to ensure that they are consistent with the stated risk appetite of the Banking Group.

Specific areas of risk management

The Banking Group's key areas of risk management include cyber and information security risk, credit risk, interest rate risk, liquidity risk, legal and regulatory risk, health and safety risk and climate risk. These are managed and mitigated by policies, procedures, operating limits and internal controls. Further policy details relating to the Banking Group's financial and operational risk management appetite, objectives, policies, strategies, and processes are included in Note 27.

Role of the Board and its Committees

The Board has responsibility for approving the Banking Group's Enterprise Risk Management Framework, setting the Banking Group's risk appetite, the policy framework to manage risks, approving key risk management policies and the approach to monitoring and reporting on

risks. The Board is assisted in meeting this responsibility through the operation of four committees. Each committee can advise and make recommendations however decision making rests with the Board.

Audit Committee

The Audit Committee assists the Board by:

- Providing assurance on financial reporting and overseeing the effectiveness and integrity of underlying systems and controls that mitigate the risk of failure to meet legal and regulatory requirements;
- Overseeing the effectiveness and integrity of the external audit function;
- Reviewing external climate reporting and associated attestations;
- Overseeing the effectiveness and integrity of the internal audit function in providing assurance on key internal controls and business processes; and
- Generally monitoring and fostering organisation and risk cultures to ensure they support ethical conduct and good customer outcomes in line with the Bank's beliefs through completion of the specific responsibilities in the Audit Charter and interaction with the Chief Executive, Chief Financial Officer and other management in doing so.

People and Culture Committee

The People and Culture Committee assists the Board by:

- Overseeing the effectiveness and integrity of people and culture strategies and policies including those relating to conduct and culture, and health, safety and wellbeing;

- Providing assurance on appointments, remuneration and performance of senior management; and
- Generally monitoring and fostering organisation and risk cultures to ensure they support ethical conduct and good customer outcomes in line with the Bank's beliefs through completion of the specific responsibilities in the People and Culture Committee Charter and interaction with the Chief Executive, Chief People and Culture Officer and other management in doing so.

Risk Committee

The Risk Committee assists the Board by:

- Overseeing the effectiveness and integrity of risk management;
- Overseeing the effectiveness and integrity of policy, legal and regulatory compliance processes;
- Overseeing the effectiveness and integrity of the systems and controls to mitigate risk; and
- Generally monitoring and fostering organisation and risk cultures to ensure they support ethical conduct and good customer outcomes in line with the Bank's beliefs through completion of the specific responsibilities in the Risk Committee Charter and interaction with the Chief Executive, Chief Risk Officer and other management in doing so.

Technology Committee

The Technology Committee assists the Board by:

- Providing Assurance on technology-related investments, operations, strategies and plans of the Bank
 - their alignment with the overall strategy and plan; and
 - the wider operational inter-dependencies across the Bank.
- Generally monitoring and fostering organisation and risk cultures to ensure they support ethical conduct and good customer outcomes in line with the Bank's beliefs through completion of the specific responsibilities in the Technology Committee Charter and interaction with the Chief Executive, Chief Technology Officer and other management in doing so.

Internal audit function

The Banking Group operates an outsourced internal audit model provided by an external assurance provider. The scope of work is planned by the external assurance provider through discussions with Directors and management before being submitted as an internal audit plan to the Board for approval following review by the Audit Committee. This encompasses reviews of functions, projects, activities and distribution channels within the Banking Group, determined using a wide range of inputs including the Banking Group's Risk Management Framework.

Internal audit reports are submitted to the Audit Committee each quarter with a summary of audit outcomes and management's intended remedial actions where necessary.

4. Net Interest Income

	Year ended 31/03/2024 \$000	Year ended 31/03/2023 \$000
Interest income		
Loans and advances*	172,106	123,378
Fair value through OCI investments	12,102	8,236
Interest rate derivative income	47,927	22,329
Other interest income	2,869	1,580
Total interest income	235,004	155,523
Interest expense		
Deposits	124,701	58,275
Interest rate derivative expense	18,016	10,816
Secured borrowings	1,882	1,811
Subordinated notes	3,330	2,521
Lease interest expense	1,109	1,168
Total interest expense	149,038	74,591
Net interest income	85,966	80,932

* This balance includes \$2,548 of interest earned on restructured assets and \$287,493 of interest earned on impaired assets for the year ended 31 March 2024 (2023: \$3,290 and \$209,542 respectively).



Interest income and expense

Interest income and expense are measured using the effective interest method. The effective interest method calculates the amortised cost of a financial asset or financial liability. It then allocates the interest income or interest expense, including any fees and directly related transaction costs, over the expected life of the financial

asset or liability. Directly related transactions costs include fees and commissions paid to brokers and other expenses of originating lending business, such as external legal costs and valuation fees.

Interest income and expense also include realised and accrued derivative income/expense.

5. Other Income

	Year ended 31/03/2024 \$000	Restated Year ended 31/03/2023 \$000
Fees and other operating income		
Fee income from account and card services	3,771	3,526
Commission income from general insurance and fund distribution	7,173	6,030
Margin income from foreign currency services	377	277
Other income	1	(10)
Total fees and other operating income	11,322	9,823
Gains/(losses) on financial instruments at fair value		
Fair value movement on fair value through OCI investments released to the income statement	(21)	(1,072)
Derivatives	(1,111)	(537)
Total gains/(losses) on financial instruments at fair value	(1,132)	(1,609)



Fees and commission revenue

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when it transfers control over a service to a customer. The nature and timing of the satisfaction of performance obligations in contracts with customers for a fee and commission is as follows:

- Fees and commission income including transaction fees and on-going service fees are recognised as income when the transaction has been completed or over the period the service is provided.
- Trail commissions are considered a form of variable consideration and therefore trail commission revenue is estimated and recorded at the time the policy is sold to include future trail commission estimated based on historical lapse rates and durations of policy types.

6. Expenses

	Year ended 31/03/2024 \$000	Restated Year ended 31/03/2023 \$000
Operating expenses		
Wages and salaries	34,851	31,939
KiwiSaver contributions	1,122	975
Other employment-related expenses	2,098	1,897
Leasing and rental expenses	466	493
Building occupancy expenses	1,856	1,800
Depreciation of property, plant and equipment	1,939	1,877
Depreciation of right of use assets	2,123	2,214
Amortisation of intangible assets	4,906	4,858
Information technology	8,592	6,850
Marketing	4,788	4,481
Electronic channels	4,629	4,606
Bank charges	1,269	1,230
Other expenses*	9,979	9,681
Total operating expenses	78,618	72,901

* Other expenses consists of administration, communication, and professional fees expenses.

Fees paid to auditors

Audit of full-year financial statements	679	560
Review of half-year financial statements	81	79
Audit related services	53	34
Total fees paid to auditors	813	673

Auditor's remuneration is included within Other expenses shown in operating expenses above. All subsidiary audit fees are paid by Co-op Bank. Audit of financial statements includes limited assurance review of the capital adequacy and regulatory liquidity disclosures. Audit related services

include the reasonable assurance review of Co-op Life's solvency return and trustee reporting and agreed upon procedures reporting in respect of the Trusts. There were no non-audit services provided in either the current or the prior year

7. Income Tax

a. Income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	Year ended 31/03/2024 \$000	Restated Year ended 31/03/2023 \$000
Profit before income tax	17,692	16,026
Tax expense at 28% (2022: 28%)	(4,954)	(4,487)
Non-deductible expenses	(7)	(42)
Income tax expense	(4,961)	(4,529)
<i>Comprising:</i>		
Current tax	(4,663)	(3,895)
Deferred tax	(298)	(634)
	(4,961)	(4,529)

b. Current tax recognised directly in OCI:

	Year ended 31/03/2024 \$000	Restated Year ended 31/03/2023 \$000
Fair value movements on fair value through OCI investments	(898)	910
Fair value movements on cash flow hedging reserve	6,254	(2,833)
	5,356	(1,923)

c. Deferred tax

31 March 2024	Opening balance \$000	Charged to profit before tax \$000	Closing balance \$000
Gross deferred tax liabilities:			
Intangible assets	(860)	49	(811)
Secured borrowings	(60)	24	(36)
Receivables and prepayments	(3,849)	(617)	(4,466)
Life insurance contracts	(79)	(9)	(88)
Gross deferred tax assets:			
Loans and advances – provision for credit impairment	2,654	37	2,691
Employee entitlements	536	28	564
Property, plant and equipment	325	120	445
Net lease liabilities	1,416	70	1,486
Provisions	240	-	240
Net deferred tax asset	323	(298)	25

7. Income Tax continued

c. Deferred tax continued

	Restated Opening balance \$000	Restated IFRS 17 adoption \$000	Restated Charged to profit before tax \$000	Restated Closing balance \$000
31 March 2023				
Gross deferred tax liabilities:				
Intangible assets	(999)	–	139	(860)
Secured borrowings	(91)	–	24	(36)
Receivables and prepayments	(3,402)	–	(447)	(3,849)
Life insurance contracts	29	(130)	22	(79)
Gross deferred tax assets:				
Loans and advances – provision for credit impairment	2,486	–	168	2,654
Employee entitlements	419	–	117	536
Property, plant and equipment	168	–	157	325
Net lease liabilities	864	–	552	1,416
Provisions	1,613	–	(1,373)	240
Net deferred tax asset	1,087	(130)	(634)	323

d. Imputation credit account

The imputation credits available to carry forward to future periods total \$46.7 million (2023: \$42.5 million).



Income tax expense

Income tax on net profit before tax comprises current and deferred tax and is based on the applicable tax law. Income tax expense is recognised in profit or loss except when it relates to items recognised in OCI, in which case it is recognised in OCI.

i. Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

ii. Deferred tax

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the tax base of those items.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which the deductible temporary differences or unused tax losses and tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Banking Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

8. Receivables and Prepayments

	Year ended 31/03/2024	Restated Year ended 31/03/2023
	\$000	\$000
Trade receivables	3,826	3,180
Prepayments	2,462	4,088
Accrued commissions	15,951	13,748
Total receivables and prepayments	22,239	21,016

9. Fair Value through OCI Investments

	Year ended 31/03/2024	Restated Year ended 31/03/2023
	\$000	\$000
Short-term deposits with NZ registered banks	6,134	23,110
Rated corporate bonds	5,110	14,492
Rated commercial paper	-	35,729
Rated corporate commercial paper	496	51,852
NZ registered bank bonds	11,426	9,604
Local government bonds	10,123	9,557
Listed multilateral development banks and other international organisations	162,830	150,398
Central Government	64,372	-
Total fair value through OCI investments	260,491	294,742

The investments in the listed multilateral development banks and other international organisations ("International Organisations") are New Zealand denominated Kauri bonds that are currently AA+ or AAA rated by all three major ratings agencies.

10. Insurance Service Result

		Year ended 31/03/2024	Restated Year ended 31/03/2023
	Note	\$000	\$000
Insurance revenue	19	12,887	12,457
Claims expense	19	5,715	5,009
Management fee		1,500	1,764
Medical fees		160	114
Directly attributable maintenance expenses		1,132	1,136
		8,507	8,023
Amounts attributed to insurance acquisition cashflows incurred during the year	19	(105)	(23)
Amortisation of insurance acquisition cashflow	19	162	66
Insurance services expenses		8,564	8,066
Reinsurance premiums paid		3,135	2,952
Reinsurance recoveries received		(2,581)	(2,227)
Adjustment to Asset for Incurred claims		(25)	(27)
Net expense from reinsurance contracts	19	529	698
Insurance service result		3,792	3,693

11. Loans and Advances

	Year ended 31/03/2024	Year ended 31/03/2023
	\$000	\$000
Advances to customers		
Residential mortgage loans	3,000,754	2,782,954
Non-mortgage loans	119,042	115,877
	3,119,796	2,898,831
Provisions for impairment	(9,610)	(9,477)
Total loans and advances	3,110,186	2,889,354

As at 31 March 2024 Residential Mortgage Loans include securitised receivables of \$658.2 million (2023: \$686.7 million). For further details refer to Note 18 Secured Borrowings.

12. Asset Quality and Provision for Credit Impairment

a. Gross individually impaired assets

	31 March 2024			31 March 2023		
	Mortgage \$000	Non-mortgage \$000	Total \$000	Mortgage \$000	Non-mortgage \$000	Total \$000
Opening balance	3,536	–	3,536	3,775	–	3,775
Additions	2,507	–	2,507	1,200	–	1,200
Amounts written off	(281)	–	(281)	–	–	–
Remediations	(829)	–	(829)	(1,439)	–	(1,439)
Closing balance	4,933	–	4,933	3,536	–	3,536

As at 31 March 2024, the amount of security held to back these assets at discounted valuation was approximately \$4.3 million (31 March 2023: \$3.0 million). There were no other undrawn balances on individually impaired lending commitments or other assets under administration at 31 March 2024 (2023: nil).

b. Aging of past due but not individually impaired assets

	31 March 2024			31 March 2023		
	Mortgage \$000	Non-mortgage \$000	Total \$000	Mortgage \$000	Non-mortgage \$000	Total \$000
1–29 days	39,050	1,732	40,782	31,888	1,478	33,366
30–59 days	3,879	237	4,116	4,815	110	4,925
60–89 days	4,378	160	4,538	2,188	105	2,293
90 days plus	4,759	173	4,932	8,030	248	8,278
	52,066	2,302	54,368	46,921	1,941	48,862

The amount of security held to back these assets at original valuation is approximately \$118.9 million (2023: \$115.5 million).

12. Asset Quality and Provision for Credit Impairment *continued*

c. Provision for credit impairment

	31 March 2024			31 March 2023		
	Mortgage \$000	Non-mortgage \$000	Total \$000	Mortgage \$000	Non-mortgage \$000	Total \$000
Collective provision						
Opening balance	3,264	5,653	8,917	2,668	5,722	8,390
Charged to profit or loss	724	(712)	12	596	(69)	527
Total collective provision	3,988	4,941	8,929	3,264	5,653	8,917
Individual provisions						
Opening balance	560	-	560	487	-	487
New provisions	298	-	298	255	-	255
Bad debts written off	(163)	-	(163)	-	-	-
Provisions released	(14)	-	(14)	(182)	-	(182)
Total individual provision	681	-	681	560	-	560
Total provision for impairment	4,669	4,941	9,610	3,824	5,653	9,477

d. Impairment losses charged to profit or loss

	31 March 2024			31 March 2023		
	Mortgage \$000	Non-mortgage \$000	Total \$000	Mortgage \$000	Non-mortgage \$000	Total \$000
Movement in collective provision	724	(712)	12	596	(69)	527
Movement in individual provisions	121	-	121	73	-	73
Bad debts written off	163	1,257	1,420	-	1,277	1,277
Bad debts recovered	(5)	(410)	(415)	(5)	(460)	(465)
Total impairment (gains)/losses	1,003	135	1,138	664	748	1,412

At 31 March 2024, there was one 90 days past due mortgage with a loan to valuation ratio, at original valuation, greater than 80% (31 March 2023: five).

At 31 March 2024, Co-op Bank had two restructured assets with a carrying value of \$18,000 (2023: two restructured assets at \$24,000). There are no assets acquired through the enforcement of security (2023: Nil).

12. Asset Quality and Provision for Credit Impairment *continued*

e. Loans and advances to customers

31 March 2024								
\$000s	Stage 1		Stage 2		Stage 3		Total	
	Credit exposure	Collective provision	Credit exposure	Collective provision	Credit exposure	Collective provision	Credit exposure	Collective provision
Residential mortgages	3,003,572	1,236	27,406	492	23,172	2,260	3,054,150	3,988
Non-mortgage loans	159,087	3,382	3,348	1,151	842	408	163,277	4,941
Total	3,162,659	4,618	30,754	1,643	24,014	2,668	3,217,427	8,929

31 March 2023								
\$000s	Stage 1		Stage 2		Stage 3		Total	
	Credit exposure	Collective provision	Credit exposure	Collective provision	Credit exposure	Collective provision	Credit exposure	Collective provision
Residential mortgages	2,790,557	1,819	27,123	1,287	17,795	158	2,835,475	3,264
Non-mortgage loans	156,662	4,004	2,958	1,276	880	373	160,500	5,653
Total	2,947,219	5,823	30,081	2,563	18,675	531	2,995,975	8,917

Movement between 31 March 2023 and 31 March 2024								
\$000s	Stage 1		Stage 2		Stage 3		Total	
	Credit exposure	Collective provision	Credit exposure	Collective provision	Credit exposure	Collective provision	Credit exposure	Collective provision
Residential mortgages	213,015	(583)	283	(795)	5,377	2,102	218,675	724
Non-mortgage loans	2,425	(622)	390	(125)	(38)	35	2,777	(712)
Total	215,440	(1,205)	673	(920)	5,339	2,138	221,452	12

Credit exposures include undrawn limits.

For an outline of the stage criteria refer to the significant accounting policy below.

The collective provision of \$8.93 million at 31 March 2024 was determined based on a weighted average of three scenarios – a base case (40% probability), a downside case (30% probability) and an upside case (30% probability). If the provision had been based 100% on the downside scenario, it would have increased by \$5.27 million. If it had been based 100% on the upside scenario, it would have decreased by \$3.40 million.

12. Asset Quality and Provision for Credit Impairment *continued*

Loss allowance

31 March 2024 Movements for credit impairment allowances	Stage 1 Collective provision 12 month ECL	Stage 2 Collective provision Lifetime ECL	Stage 3 Collective provision Lifetime ECL	Stage 3 Individual provision Lifetime ECL	Total provision
Residential mortgages					
Opening balance	1,819	1,287	158	560	3,824
Transfers with no impact on profit or loss:					
Transferred to Stage 1	–	808	–	–	808
Transferred to Stage 2	(808)	–	1,692	–	884
Transferred to Stage 3	–	(1,692)	–	–	(1,692)
Charged/(credited) to profit or loss	225	89	410	121	845
Closing provision balance for residential mortgages	1,236	492	2,260	681	4,669
Non-mortgage loans					
Opening balance	3,985	1,295	373	–	5,653
Transfers with no impact on profit or loss:					
Transferred to Stage 1	–	135	–	–	135
Transferred to Stage 2	(135)	–	94	–	(41)
Transferred to Stage 3	–	(94)	–	–	(94)
Charged/(credited) to profit or loss	(487)	(166)	(59)	–	(712)
Closing provision balance for non-mortgage loans	3,382	1,151	408	–	4,941
Total provision	4,618	1,643	2,668	681	9,610

12. Asset Quality and Provision for Credit Impairment *continued*

Loss allowance *continued*

31 March 2023 Movements for credit impairment allowances	Stage 1 Collective provision 12 month ECL	Stage 2 Collective provision Lifetime ECL	Stage 3 Collective provision Lifetime ECL	Stage 3 Individual provision Lifetime ECL	Total provision
Residential mortgages					
Opening balance	1,187	1,109	372	487	3,155
Transfers with no impact on profit or loss:					
Transferred to Stage 1	-	452	-	-	452
Transferred to Stage 2	(452)	-	(238)	-	(690)
Transferred to Stage 3	-	238	-	-	238
Charged/(credited) to profit or loss	1,084	(512)	24	73	669
Closing provision balance for residential mortgages	1,819	1,287	158	560	3,824
Non-mortgage loans					
Opening balance	3,980	1,365	377	-	5,722
Transfers with no impact on profit or loss:					
Transferred to Stage 1	-	(10)	-	-	(10)
Transferred to Stage 2	10	-	(19)	-	(9)
Transferred to Stage 3	-	19	-	-	19
Charged/(credited) to profit or loss	(5)	(79)	15	-	(69)
Closing provision balance for non-mortgage loans	3,985	1,295	373	-	5,653
Total provision	5,804	2,582	531	560	9,477

12. Asset Quality and Provision for Credit Impairment continued



Impairment of loans and advances

Impairment represents the best estimate of the losses incurred or expected to be incurred on the loan portfolio. The estimated impairment loss is measured as the difference between the asset's carrying amount and the estimated future cash flows discounted to their present value. As the discount unwinds during the period between recognition of impairment and recovery of the cash flow, it is recognised in interest income. Loans and advances are reviewed for impairment on a monthly basis.

Loans and advances are designated as impaired if:

- there is objective evidence of impairment as a result of one or more loss events that occurred after initial recognition of the loan or advance; and
- the loss event (or events) has/have had a reliably measurable impact on the estimated future cash flows of the individual loan or advance or the collective portfolio of loans and advances.

Loans and advances are designated as Past Due Assets where a counterparty has failed to make a payment when contractually due and where they have not been designated as impaired.

Impaired assets are classified as:

- Impaired Assets – credit exposures where a credit event has occurred and for which it is probable the Banking Group will not be able to collect all amounts owing;
- Restructured Assets – where the original contractual terms have been modified due to the financial difficulties of the borrower(s) and the revised terms are not comparable with the terms of new facilities with comparable risks and the yield on the asset following restructuring is equal to, or greater than, the Banking Group's average cost of funds, or where a loss is not otherwise expected to be incurred; or
- Other Impaired Financial Assets – any other credit exposures for which an impairment loss is required in accordance with NZ IFRS 9.

Individual provisions are made against the carrying amount of loans and advances that are identified as being impaired to reduce these loans and advances to the amounts that Management have estimated will ultimately be received.

A collective provision is maintained to reduce the carrying amount of portfolios of similar loans and advances to their estimated recoverable amounts. The collective provision represents expected losses not yet specifically identified in the loan portfolio and is estimated on the basis of historical loss experience for loans and advances with credit characteristics similar to those in the collective pool. The expected future cash flows for the portfolios of similar assets are estimated based on historical loss experience, current observable data such as changes in economic conditions and security values and an assessment of the impact of model risk. The collective provision also takes into account national or local economic conditions that correlate with defaults on the assets in the Banking Group. When the loans and advances are outstanding beyond the normal

contractual terms, the likelihood of the recovery of these loans is assessed by Management.

When a loan is known to be uncollectible and all the necessary legal procedures are completed, the final loss is written off directly to profit or loss and the related provision for loan impairment is adjusted accordingly. Subsequent recoveries of amounts previously written off are taken to profit or loss in the period they are recovered. Where impairment losses recognised in prior periods are subsequently decreased or no longer exist, such impairment losses are reversed in the current period's profit or loss.

Accordingly the impairment loss against loans and advances recognised in profit or loss reflects the net movement in the collective and individual impairment provisions, any amounts written-off and is net of any recoveries of impairment losses previously written off.

12. Asset Quality and Provision for Credit Impairment *continued*



Credit impairment provisioning

Management uses considerable judgement when calculating the level of impairment provisioning. Adjustments to the estimates and methodologies used are made as further data becomes available to ensure the loss estimates reflect actual loss experience. The assumptions included within these estimates include the probability of recovery, the cost of possible enforcement through security, related recovery costs and the expected sale proceeds. Changes in these assumptions could have a direct impact on the level of the allowance for impairment loss recorded.

In determining the ECL provision, the Banking Group uses three scenarios within the model that takes into account various current and forecast economic data.

- Base case scenario uses unemployment forecast of 5.1% over the next 12 months and house price index remains flat compared to the same period last year.
- Downside scenario is a more severe scenario that occurs due to an increase in unemployment to 5.9% along with reduction in property prices of 14% and 65 basis point increase in interest rates compared to baseline.

- Upside scenario represents an improvement over the base case with unemployment at 4.4%, house prices increasing by 14% and a 65 basis point reduction to interest rates.

A probability weighting is then assigned to each scenario to produce the ECL level; this takes into account the broader macroeconomic factors as well as estimates around underlying risks and uncertainties in the base case scenario available to the Banking Group at each assessment date.

Overlays

The Banking Group provides for an additional credit risk component to the ECL model discussed above to reflect the impact of factors not included in the baseline model. Excluding these factors would mean a potential understatement of total exposure particularly during periods of economic uncertainty. For example, data available to the Banking Group may not cover a long enough time horizon to factor-in impact of economic downturns to the portfolio.

Management exercises judgement in terms of the key factors not currently included in the baseline model including how the portfolio may react to downturn economic factors vis-à-vis current

customer experiences and mitigants; and the overall economic outlook. A set of parameters are also developed with which overlays are regularly reviewed and reassessed at each reporting date. Management expects to adjust overlays based on these parameters which use a combination of qualitative and quantitative information and assessments.

Climate related risks

The Banking Group considered climate-related risks and opportunities as part of its broader risk management approach. The activities in the current period (as part of the Banking Group's climate-related disclosure reporting obligations), involved the identification and assessment of key climate-related risks that impact our operations and financial position. These risk assessment, however, did not result in any material adjustment in the financial statements due to climate-related credit risks.

Expected credit loss measurement

Co-op Bank applies a three-stage model in accordance with NZ IFRS 9 to measure credit risk of a portfolio of assets using its internal credit risk model whose key inputs are probability of default (PD), loss given default (LGD), and exposure at default (ED). This is supplemented with forward-looking

information on macroeconomic factors. The following diagram summarises the impairment requirements under NZ IFRS 9:

Change in credit quality since initial recognition		
Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL
Initial recognition	Significant increase in credit risk since initial recognition	Credit impaired assets

- 12 month ECL (Stage 1): applies to all items resulting from possible default events within 12 months after reporting date.
- Lifetime ECL (Stage 2 and 3): represents the ECL that result from all possible default events over the expected life of a financial instrument. If a financial instrument experiences a significant increase in credit risk since initial recognition then is moved to Stage 2 but is not yet deemed to be credit-impaired. When objective evidence of credit-impairment emerges with one or more events that have a detrimental impact on the estimated future cash flows of the financial assets then the asset is moved to Stage 3.

12. Asset Quality and Provision for Credit Impairment *continued*

The change in the credit quality of a financial asset results in movements between the three stages.

The key judgments and assumptions adopted by Co-op Bank in addressing the requirements of the standard are discussed below:

Significant increase in credit risk (SICR)

Co-op Bank considers that a loan or advance to customers to have experienced a significant increase in credit risk when one or more of the quantitative and qualitative criteria have been met.

Quantitative and qualitative criteria

Over the term of the loans and advances to customers, Co-op Bank accounts for its credit risk by appropriately providing for ECL on a timely basis. In calculating the expected credit loss rates, Co-op Bank considers historical loss rates for each category of customers that share similar risk characteristics, and adjusts for forward looking macroeconomic data. Co-op Bank provides for credit losses against loans and advances to customers on both an individual and collective basis as follows:

Category	Basis	Description and quantitative criteria for SICR	Recognition of interest revenue
Stage 1 12 month ECL	Collective	Customers with a low risk of default that have a strong capacity to meet contractual cash flows (interest and/or principal repayments).	Effective interest rate applied to the gross carrying amount
Stage 2 Lifetime ECL	Collective	Significant increase in credit risk is presumed if the loans and advances are more than 30 days past due in making a contractual payment or when there is reasonable and/or supportable information that there is an increase in the risk of a default occurring on the asset as at the reporting date.	Effective interest rate applied to the gross carrying amount
Stage 3 Lifetime ECL	Collective	Loans and advances are deemed credit impaired when they are over 90 days past due in making a contractual payment and/or when there is objective evidence of the events that indicate the borrower is in significant financial difficulty.	Effective interest rate applied to the amortised cost (net of collective provision)
Stage 3 Lifetime ECL	Individual	Loans and advances are deemed 'impaired' when Co-op Bank has exhausted all options to rehabilitate a mortgage debt and/or expects to incur a loss. Impaired assets are specifically provided for on an individual basis.	Effective interest rate applied to the amortised cost (net of specific provision)
Write-off		Financial assets are written off when there is no reasonable expectation of recovery and customers fail to engage in a repayment plan with Co-op Bank	None

Definition of default and credit-impaired assets

Co-op Bank has defined a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative and qualitative criteria

- The borrowers are over 90 days past due in making a contractual payment
- There is objective evidence of the events that indicate the borrower is in significant financial difficulty
- The borrower is insolvent

The 90 days past due default definition used for the loans and advances to customers is consistent with the past due presumption under NZ IFRS 9 for the mortgage portfolio.

13. Intangible Assets

	Computer software \$000	Other \$000	Total \$000
Cost			
Balance at 1 April 2022	52,788	547	53,335
Additions	6,013	-	6,013
Disposals	-	-	-
Balance at 31 March 2023	58,801	547	59,348
Additions	4,270	-	4,270
Disposals	-	-	-
Cost at 31 March 2024	63,071	547	63,618
Accumulated amortisation			
Balance at 1 April 2022	43,179	547	43,726
Amortisation expense	4,858	-	4,858
Disposals	-	-	-
Balance at 31 March 2023	48,037	547	48,584
Amortisation expense	4,906	-	4,906
Disposals	-	-	-
Accumulated amortisation at 31 March 2024	52,943	547	53,490
Net book value as at 31 March 2023	10,764	-	9,609
Net book value as at 31 March 2024	10,128	-	10,764

No impairment losses have been recognised against the gross carrying amount of intangible assets during the year ended 31 March 2024 (2023: Nil).



Intangible assets

Intangible assets are non-monetary assets with no physical substance, and are carried at cost less accumulated amortisation and impairment losses.

Computer software is either acquired or internally developed. Certain costs, including employee costs associated with developing software products controlled by the Banking Group, are capitalised and recognised as computer software. Computer software is amortised on a straight line basis using rates between 10% and 33% per annum.

Other intangible assets represent the future profits to be earned from existing customers acquired in the acquisition of the Loan Instalment Care business. This was fully amortised by 31 March 2018.

The residual values, estimate of useful lives and amortisation methods are reviewed and adjusted if appropriate at each reporting date. The carrying amount of these assets is also reviewed for impairment at each reporting date. If any such impairment exists, the loss is recognised in profit or loss.

14. Subsidiaries

	Voting percentage held 31/03/2024	Voting percentage held 31/03/2023	Balance Date	Nature of business
Subsidiaries				
Co-operative Life Limited ("Co-op Life")	100%	100%	31 March	Life Insurance
PSIS Limited	100%	100%	31 March	Dormant entity
In-substance subsidiaries				
The Co-operative Bank Warehouse Trust ("Warehouse Trust")	–	–	31 March	Mortgage securitisation
The Co-operative Bank RMBS Trust ("Co-op RMBS Trust")	–	–	31 March	Mortgage securitisation

The subsidiaries and in-substance subsidiaries are incorporated in New Zealand. The Warehouse Trust and Co-op RMBS Trust are collectively known as the Securitisation Trusts. The Warehouse Trust and Co-op RMBS Trust are special purpose vehicles established solely for the purpose of purchasing the rights to the cash flows

of mortgages from Co-op Bank. In assessing whether Co-op Bank has control, the Banking Group considers whether it manages the key decisions that most significantly affect the vehicles' returns. The Banking Group has concluded it controls these vehicles.



Principles of consolidation

The consolidated financial statements include those of Co-op Bank and its subsidiaries. Subsidiaries are those entities over which Co-op Bank has the capacity to exert control. Control is deemed to exist when Co-op Bank has power over an entity, is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns.

The financial statements of the subsidiaries are included in the Banking Group's financial statements from the date on which control commences until the date on which control ceases. All material intra-group transactions and balances, and any unrealized income and expenses are eliminated on consolidation.

15. Derivatives

The following table details the fair value of interest rate swap derivatives outstanding at the reporting date:

	Notional		Fair Value Assets		Fair Value Liabilities	
	31/03/2024 \$000	31/03/2023 \$000	31/03/2024 \$000	31/03/2023 \$000	31/03/2024 \$000	31/03/2023 \$000
Cash flow designated hedges	1,570,964	1,661,400	23,456	43,175	3,087	359
Fair value designated hedges	87,140	78,190	8,587	9,974	-	-
Economic interest rate swaps not designated to hedge relationship	961,764	976,015	755	3,420	823	2,914
Total derivatives	2,619,868	2,715,605	32,798	56,569	3,910	3,273

The below table reflects the profile of the timing of the nominal amount and the average interest rate of interest rate swaps used as a hedging instrument.

31/03/2024 \$000	0-6 Months	6-12 months	12-24 Months	24 months +
Pay fixed	558,600	335,500	337,000	221,640
Average rate	2.70%	4.10%	3.56%	3.69%
Receive fixed	146,800	8,000	12,500	3,500
Average rate	5.13	4.30	4.68	4.48
Floating				34,564
Average rate				Floating
Total	705,400	343,500	349,500	259,704

31/03/2023 \$000	0-6 Months	6-12 months	12-24 Months	24 months +
Pay fixed	130,000	162,000	548,100	345,690
Average rate	0.80%	1.78%	2.56%	2.27%
Receive fixed	316,000	151,000	58,800	28,000
Average rate	5.37	5.49	4.99	4.62
Floating				34,564
Average rate				Floating
Total	446,000	313,000	606,900	408,254

Derivative financial instruments

Derivatives are financial instruments whose fair value changes in response to the change in the underlying specified variable or variables such as interest rate, foreign exchange rate, index or price and which require little or no initial investment the underlying cashflows of which are settled at a future date.

The Banking Group uses derivatives as part of its asset and liability risk management (refer to Note 27); in particular, derivatives are used to manage interest rate risks arising from fixed and variable interests of the Group's lending and borrowing activities and forex rate risks consistent with the Banking Group's risk management strategy. As at reporting date, the Banking Group holds interest rate swaps to manage (i) cash flow exposure on floating hedged items and (ii) fair value exposure on fixed hedged items; further, a cross-currency swap is also held to manage the foreign currency cash flow exposure in a foreign currency denominated debt exposure (refer to Note 20).

15. Derivatives continued

Gains and losses arising from changes in the fair value of derivative financial instruments are reported in the statement of profit or loss unless these arise from the effective portion of hedge designated items.

Hedge accounting

Derivative assets and liabilities designated into hedging relationships pertain to those held in accordance with the Banking Group's risk management strategy in managing the underlying risks and that meet the hedge accounting qualifying criteria. This includes, among others, ensuring that the hedging is assessed highly effective which relates to the extent to which changes in the fair value or the cash flows of the hedging instrument offset changes in the fair value or the cash flows of the hedged item and assessed at inception and prospectively at least at each reporting date.

Hedge accounting ceases when the risk management strategy changes, the hedging instrument matures, the forecast transaction is no longer highly probable to occur, or when the relationship becomes ineffective.

The Banking Group, as at reporting date, has two types of hedge accounting designations:

a. Cash flow hedges

These designations involve derivatives that are used to hedge exposure to variability in cash flows attributable to the hedged item which can be an asset, liability or forecast transaction. Changes in the fair value of these derivatives are reported in OCI to the extent of any effective portion while any ineffectiveness is reported

in the income statement. Any amount accumulated in OCI is subsequently reported in the income statement when the hedge accounting ceases.

Ineffectiveness arise from

- i. mismatches in the timing of variable repricing between the hedged item and hedging instruments;
- ii. difference in the benchmark rates between the hedged item and hedging instrument; and (iii) change in the credit risk of the Group or the swap counterparty (i.e., credit and debit valuation adjustments).

To calculate the change in fair value of the hedged item attributable to the hedged risk, the Group uses the hypothetical derivative method unless the critical-terms of the hedged item and the swaps are achieved (in the case of CClRS hedging). The hypothetical derivative method involves establishing a notional derivative that would be the ideal hedging instrument for the hedged exposure (normally an interest rate swap or forward contract with no unusual terms and a zero fair value at inception of the hedge relationship). The fair value of the hypothetical derivative is then used as a proxy for the net present value of the hedged future cash flows against which changes in value of the actual hedging instrument are compared to assess effectiveness and measure ineffectiveness.

The Banking Group holds interest rate swaps to manage interest rate risks arising from liabilities with variable

interest exposures and assets with long-dated variable resetting. Further, the Banking Group designated as a cashflow hedge a cross-currency interest rate swap to hedge the foreign currency exposure in the underlying Tier 2 note denominated in AUD.

Hedge ratio

The Banking Group sets the appropriate hedge ratio for each hedge relationship that reflects its risk management strategy for the underlying risk exposure being hedged; this takes into account the correlation between the hedged risk (i.e., floating interest rate in an interest-bearing financial asset, liability or forecast transaction) and the floating leg of the hedging instrument; an appropriate volume of hedging instrument (set on the basis of notional values) is then designated against the hedged item.

The hedge ratio is reviewed at each reporting date or when changes in the underlying circumstances that materially impact the correlation between variables in the hedged item and in the hedging instrument. If a change in hedge ratio is required under those conditions, the Banking Group performs a hedge effectiveness testing prior to the change in the hedge ratio and rebalances the ratio prospectively. A change in the risk management strategy and objective will result in de-designation rather than rebalancing. Any ineffectiveness that arises from hedge effectiveness testing

prior to rebalancing is reported in the statement of profit or loss.

For the period ended 31 March 2024, \$1.07 million of hedging losses were reported in profit or loss (2023: \$0.28 million gain).

b. Fair value hedges

These designations involve derivatives (asset swaps) that are used to hedge exposure to fair value changes of a recognised asset or liability. Changes in the fair value of these derivatives are reported in the statement of profit or loss to off-set the corresponding gains or losses in the fair value changes of the hedged item (or component thereof).

The Banking Group holds assets swaps designated as fair value hedges to manage the changes in the fair value of its bond investments classified as FVTOCI due to the change in the underlying wholesale rate of those bonds.

For the period 31 March 2024, \$0.51 million loss (2023: \$2.60 million gain) of hedging gains and losses on asset swaps were reported in profit or loss with a corresponding fair value gains and losses arising from the hedged item of \$0.69 million gain (2023: \$2.82 million loss).

Economic hedges pertain to interest rate swaps that are not formally designated as hedges but are also held to manage the Banking Group's market exposures in its assets, liabilities and forecast transaction rather than held for trading purposes. Fair value changes for economic hedges are reported in the income statement.

15. Derivatives *continued*

Fair value change for effectiveness testing

	Hedging instrument	Hedged item	Effective portion recognised in OCI	Ineffective portion recognised in P&L
31 March 2024				
Cash flow hedges	23,044	(25,701)	(21,975)	(1,069)
Fair value hedges*	(508)	686	(119)	178
	Hedging instrument	Hedged item	Effective portion recognised in OCI	Ineffective portion recognised in P&L
31 March 2023				
Cash flow hedges	(8,337)	3,184	8,057	280
Fair value hedges*	2,602	(2,821)	(247)	219

* The change in fair value of swaps relating to the fair value hedges reported in OCI relates to movement in the value of the hedged item due to margin movements representing the portion of the change in value for FVOCI debt instrument that is not designated as hedged risk under the hedge relationship. At 31 March 2024 this was \$0.40 million loss (2023: \$0.52 million).

	31/03/2024 \$000	31/03/2023 \$000
Continuing cash flow hedges	16,128	38,104
Dedesignated cash flow hedges	47	173
Tax on balances	(4,529)	(10,724)
Total	11,646	27,553



Derivative financial instruments

Derivatives are recognised on the date a contract is entered into and are measured at inception and subsequently at their fair value at each reporting date; fair value is determined based on the underlying market components of the derivatives such as benchmark interest rates or foreign currency exchange rates including adjustments to credit and debit valuation adjustments (CVA/DVA) to reflect the credit worthiness of the counterparty of the contract (refer to Note 33, Fair Value of Financial Instruments).

Fair value changes in derivative financial instruments are reported in profit or loss unless they pertain to the effective portion of cash flow hedge accounting designations where these are reported in the Cash Flow Hedging Reserve ("CFHR") component of Other Comprehensive Income in equity.

Cash flow hedging reserve

Derivatives are designated as cash flow hedges where the instrument hedges the variability in cash flows of a recognised asset or liability, or a foreign exchange component of a transaction. On initial designation the relationship between

the hedging instrument(s) and hedged item(s), together with the methods that will be used to assess the effectiveness of the hedging relationship, is documented. It is assessed, both at the inception of the hedge and on an on-going basis, whether the hedging derivatives have been 'highly effective' in offsetting changes in the respective hedged item(s).

Any ineffective portion of changes in the fair value of derivatives is recognised in profit or loss.

When the transaction or item that the derivative is hedging affects the income or expense then the associated gain or loss on the hedging derivative is transferred from the respective hedging reserve to the income statement. When the hedge expires, is sold, terminated, exercised, or no longer qualifies for hedge accounting, the cumulative amount deferred in equity is subsequently transferred to the income statement. In the case of a transaction that results in the recognition of a non-financial asset, the associated gain or loss on the hedging derivative is transferred from the hedging reserve to the initial cost of the non-financial asset in the balance sheet.

16. Rebates to Shareholders

The Board has resolved to pay rebates of \$2.5 million (2022: \$2.5 million).



Provision for rebates to shareholders

Rebates which are payable to eligible shareholders of Co-op Bank are recognised during the year with the final rebate pool being approved by the Board of Directors (the “Board”).

The rebate value varies according to the eligibility criteria. Eligibility criteria include the value of the shareholder’s business with Co-op Bank, how long they have been a customer, and whether their accounts are in good standing.

17. Payables and Other Liabilities

	31/03/2024	31/03/2023
	\$000	\$000
Trade creditors	3,866	6,843
Employee entitlements	2,629	2,491
Compliance and remediation provision	928	1,375
Other payables	4,022	2,742
Total payables and other liabilities	11,445	13,451

The Banking Group originally recognised a provision of \$6.3 million at 31 March 2022 for estimated compliance and remediation costs following a review of the Credit Contracts and Consumer Finance Act 2003 as it relates to the Banking Group’s products and services. The remaining balance of the provision was \$1.4m at 31 March 2023. A further \$0.5 million of remediation payments were processed during the year ended 31 March 2024, leaving a remaining balance of \$0.9 million at 31 March 2024.



Employee entitlements

Benefits accruing to employees are provided for when it is probable that settlement will be required and they can be measured reliably. Employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows in respect of services provided by employees up to the reporting date.



Compliance and remediation provisions

The determination of compliance and remediation provisions involves a significant degree of judgement. This includes identifying whether a present obligation exists as well as estimating the probability, size, timing and nature of any outflows that may arise in relation to the obligation. Assumptions are required regarding the number of customers impacted, the amount of remediation required per customer and other costs that may arise. Actual results may differ from the amounts provided for if actual outcomes differ from the assumptions used in estimating the provision.

18. Secured Borrowings

	31/03/2024	31/03/2023
	\$000	\$000
Warehouse Trust	-	-
Funding for lending programme	124,540	159,778
Costs of raising secured borrowings	(128)	(214)
Total secured borrowings	124,412	159,564

Of the total securitised receivables of \$658.2 million (as included in total Residential Mortgage Loans in Note 11), \$244.8 million (2023: \$227.2 million) are held by the Warehouse Trust to secure the borrowing facilities. Receivables are secured against these facilities by the master security deed in favour of security trustees who hold those securities for the benefit of the investor.

The remaining securitised receivables of \$413.4 million (2023: \$459.5 million) relate to the Co-op RMBS Trust. The Co-op RMBS Trust is an in-house residential mortgage backed securities facility that can issue securities that meet the Reserve Bank of New Zealand's ("RBNZ") criteria to use as collateral in repurchase transactions with the RBNZ. Co-op Bank holds the class A and class B bonds for all series of residential mortgage loans sold into the Trust.

Co-op Bank's interests in the securitised receivables rank behind the security interests of the security trustees.

The funding for lending programme ('FLP') offered secured term central bank funding to registered banks. The FLP allowed Co-op Bank to borrow directly from the RBNZ at the floating Official Cash Rate ("OCR") for a term of three years and was open from 7 December 2020 to 6 December 2022.

Co-op Bank's allocation made up of an initial allocation of 4% when launched and an additional incentive-based allocation of 2% based on new lending since inception. As at 31 March 2024, \$115 million has been drawn down at a current OCR of 5.50%.

This rate is subject to adjustment in line with OCR changes over the lending term. The draw down dates and maturity dates of the tranches are per the below table.

	Draw down date	Maturity date
Tranche 1 - \$40 million	7 December 2020	7 December 2023
Tranche 2 - \$40 million	26 August 2021	26 August 2024
Tranche 3 - \$40 million	14 March 2022	14 March 2025
Tranche 4 - \$35 million	11 November 2022	14 November 2025

As at 31 March 2024, the fair value of the Secured Borrowings is 124.4 million (2023: \$159.6 million) and the fair value of the securitised receivables is \$651.4 million (2023: \$674.8 million).

19. Insurance contracts

The Banking Group conducts an insurance business through its wholly owned subsidiary Co-op Life, the assets, liabilities and operations of which are consolidated into the Banking Group. Co-op Life is a registered life insurer and conducts its operations in accordance with the Life Insurance Act 1908 and the Insurance (Prudential Supervision) Act 2010. The operations comprise the selling, underwriting and administration of its Life Plus, Loan Plus, and Loan Instalment Care ("LIC") life insurance contracts. All insurance contracts written are non-investment linked and non-participating, with all profits and losses being allocated to the Banking Group.

Insurance Contract Liabilities

		\$000			
	Liability for remaining coverage	Liability for incurred claims			Total
31 March 2024		Future cash flows	Risk adjustment	Total	
Opening balances	678	2,256	111	2,367	3,045
Insurance Revenue	(12,887)	–	–	–	(12,887)
Insurance Service Expense					
Incurred claims and other insurance service expenses	–	6,074	–	6,074	6,074
Amortisation of insurance acquisition cash flow	162	–	–	–	162
Adjustments to liabilities for incurred claims	–	(359)	–	(359)	(359)
Insurance Service Result	(12,725)	5,715	–	5,715	(7,010)
Finance income / expense	–	(2)	–	(2)	(2)
Amounts recognised in the income statement	(12,725)	5,713	–	5,713	(4,325)
Cash flows					
Premiums received	12,885	–	–	–	12,885
Insurance Acquisition Cash flows	(105)	–	–	–	(105)
Claims and other expenses paid	–	(6,072)	–	(6,072)	(6,072)
Total Cashflows	12,780	(6,072)	–	(6,072)	6,708
Closing balance	733	1,897	111	2,008	2,741

19. Insurance contracts continued

Insurance Contract Liabilities continued

		\$000			
	Liability for remaining coverage	Liability for incurred claims			Total
31 March 2023		Future cash flows	Risk adjustment	Total	
Opening balances	691	1,983	105	2,088	2,779
Insurance Revenue	(12,458)	–	–	–	(12,458)
Insurance Service Expense					
Incurred claims and other insurance service expenses	–	4,730	–	4,730	4,730
Amortisation of insurance acquisition cash flow	66	–	–	–	66
Adjustments to liabilities for incurred claims	–	273	6	279	279
Insurance Service Result	(12,392)	5,003	6	5,009	(7,383)
Finance income / expense	–	4	–	4	4
Amounts recognised in the income statement	(12,392)	5,007	6	5,013	(7,379)
Cash flows					
Premiums received	12,402	–	–	–	12,402
Insurance Acquisition Cash flows	(23)	–	–	–	(23)
Claims and other expenses paid	–	(4,734)	–	(4,734)	(4,734)
Total Cashflows	12,379	(4,734)	–	(4,734)	7,645
Closing balance	678	2,256	111	2,367	3,045

Application of Premium Allocation Approach

The Banking Group applied the premium allocation approach ("PAA") in measuring its insurance contracts and reinsurance contracts held. In determining the appropriate measurement model, the Banking Group exercised judgement when assessing whether the PAA eligibility criteria are satisfied on the basis of contract boundary or whether the application of PAA will not result to any material difference when compared to the default General Measurement Model ("GMM"). In assessing materiality, the Banking Group has also considered qualitative factors such as the nature of the risk and types of its lines of business.

19. Insurance contracts continued



Classification

The Banking Group issues life insurance contracts in the normal course of business, under which it accepts insurance risk from its policyholders. The Banking Group determines whether it has insurance risk by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. To limit its exposure, the Banking Group has its own reinsurance programme in place where it cedes business to an external entity.

The Banking Group does not issue any contracts with direct participating features.

The Banking Group assesses its insurance and reinsurance contracts to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17; after separating any distinct components, the Banking Group applies IFRS 17 to all remaining components of the (host) insurance contract.

The Banking Group's products and reinsurance contract do not include any distinct components that require separation.

The Banking Group applies IFRS 17 to its insurance and reinsurance contracts at the portfolio level based on contracts of similar risks and contracts that are managed together; further sub-grouping is done based on annual cohorts of contracts issued and whether any of these contracts are onerous at any point in time. The portfolio level aggregation of reported contracts are as follows:

- Life plus
- Life instalment care
- Loan plus

As at balance date, the Banking Group has not identified any contracts that are onerous or are likely to be onerous.

Recognition

The Banking Group recognises groups of insurance contracts it issues from the earliest of the following:

- the beginning of the coverage period of the group of contracts,
- the date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date, or
- for a group of onerous contracts, if facts and circumstances indicate that the group is onerous, the date when the Banking Group makes that assessment.

The amount recognised from insurance and reinsurance contracts include all future cashflows within the contract boundary for each contract within the group; cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Banking Group can compel the policyholder to pay the premiums, or in which the Banking Group has a substantive obligation to provide the

policyholder with insurance contract services. A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised.

The Banking Group derecognises insurance contracts when:

- i. the rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or
- ii. the contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group; in such cases, the Banking Group derecognises the initial contract and recognises the modified contract as a new contract. When a modification is not treated as a derecognition, the Banking Group recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

19. Insurance contracts continued

Measurement

The Banking Group applies the (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds as follows:

Contract Group	Basis for using PAA
Life plus Loan instalment care	The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary
Loan plus	Modelled possible future scenarios results in a reasonable expectation that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the GMM.

The Banking Group is not required to adjust the carrying amount of the LRC to reflect the time value of money and the effect of financial risk given, at initial recognition, the Banking Group expects that the time between providing each part of the insurance services and the related premium due date is no more than a year. For eligible products, the Banking Group has recognised insurance acquisition costs as expensed when incurred.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Banking Group performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Banking Group recognises a loss in profit or loss for the net outflow, resulting in the

carrying amount of the liability for the group being equal to the present value of fulfilment cash flows including an adjustment for non-financial risk.

Subsequent to initial recognition, the Banking Group measures the carrying amount of the liability for remaining coverage (LRC) at the end of each reporting period based on opening balances of LRC adjusted by premiums received in the period, insurance acquisition cash flows (except for products in which the Banking Group chooses to expense insurance acquisition cash flows as they occur), amounts relating to the amortisation of any deferred insurance acquisition cash flows, and amount recognised as insurance revenue for the services provided in the period.

The Banking Group estimates the liability for incurred claims (LIC) as the fulfilment cash flows related to incurred claims; the fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Banking Group, and include an explicit adjustment for non-financial risk (the risk adjustment). The Banking Group does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Banking Group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the present value of fulfilment cash flows, including a risk adjustment. A loss component is established by the Banking Group for the liability for remaining coverage for such onerous group depicting the losses recognised.

Insurance contract liabilities and reinsurance contract assets

Insurance contract liabilities and reinsurance contract assets arising from insurance contracts and reinsurance contracts are calculated by Co-op Life's independent Appointed Actuary

- The Liability for Remaining Coverage for Life Plus and Loan Instalment Care contracts equals the unearned portion of premiums received, determined using a straight-line method.
- The Liability for Remaining Coverage for Loan Plus contracts equals the initial premium received, less acquisition costs, amortised over the coverage period of each contract in proportion to the underlying pattern of risk. The pattern of risk is assumed to follow the Rule of 78 approach, which closely matches the underlying incidence of claims.
- The Liability for Incurred claims is determined as the present value of projected claim payments, with claim termination patterns based on past experience. Future cash-flows are discounted at a risk-free rate, with an allowance for the illiquidity of future claim cash-flows. A risk adjustment is added, providing for a 75% probability of sufficiency. This is calculated based on actual month to month variations in emerging claim costs.
- The Asset for Remaining Reinsurance Coverage for the Life Plus reinsurance contract equals the unearned portion of reinsurance premiums paid, determined using a straight line method.

19. Insurance contracts continued

Actuarial information

The valuation of policy liabilities has been calculated by Co-op Life’s independent Appointed Actuary Peter Davies, B.Bus. Sc., FIA, FNZSA. The valuation is done in accordance with NZ IFRS 17. Mr Davies is an independent professional adviser to the Banking Group on insurance related matters.

The valuation of policy liabilities as at 31 March 2024 was dated 14 May 2024. Mr Davies confirmed in his actuarial report that he is satisfied with the nature, sufficiency and accuracy of the data provided to him by Co-op Life for the purpose of his valuation. There were no qualifications in the actuarial report. Non-financial risk factors are not disaggregated from other financial risk components included in the valuations of policy liabilities.

Valuation assumptions

The key assumptions that affect the estimation of the liability for incurred claims are as follows:

Discount rate: 1-year Government Bond rate with a 5% adjustment for illiquidity: 5.57% (2023: 5.19%).

Claim continuance: Continuance rates varying by claim duration, based on Company experience

Risk adjustment: 10%, providing an estimated 10% probability of sufficiency.

Assumptions for eligibility and onerous contract tests:

Discount, Inflation, and Tax Rates: Discount rates vary from 4.52% to 5.18% dependent on the product (2023: 3.09% to 5.34% net of tax). The discount rate basis is the table of New Zealand Treasury recommended risk-free rates for discounting long-term liabilities, with a 5% loading for illiquidity. The tax rate is set at 28% respectively.

Mortality: Life Plus Death cover was assumed 72% of NZ97 (mortality experience of NZ insured lives 1993–1997) (2023: 72%), based on the Banking Group’s own experience, adjusted for the smoking status of lives insured. Loan Plus was assumed 55% of NZ97 (2023: 55%).

Morbidity: Life Plus Trauma assumed at 54% of reinsurance rates (2023: 54%); Loan Instalment Care 25% of premiums (2023: 25%).

Cancellation Rates: Life Plus cancellation rates vary from 5.0% to 11% (2023: 5.5% to 11%) dependent on the age of the policy holder and the recent and expected future experience of cancellations. Loan Instalment Care is based on a cancellation rate of 30% per annum (2023: 35%).

Surrender volume and values

Loan Plus surrender volumes are based on a sliding scale which is modelled from actual experience adjusted for expected future experience. Loan Plus Surrender values are modelled from actual experience adjusted for expected future experience.

Administration costs

Life Plus renewals	\$60 per policy per annum (2023: \$38)
Loan Plus	\$31 per policy per annum (2023: \$1)
Loan Instalment Care	21% of premiums (2023: 20% of premiums)



Estimation of insurance contract liabilities

Life insurance contract liabilities are valued using actuarial models which are based on recognised actuarial methodologies, standards and principles. The actuarial methodologies take into account the risks and uncertainties of the life insurance policies which requires a high level of judgement. Variances between best estimate assumptions used and actual experience could affect the value of the Insurance contract liabilities.

The Banking Group also applied significant judgements and estimates applied in adopting IFRS 17. These are discussed in note 1 of these financial statements.

Onerous contracts

The Banking Group applies judgement when setting the criteria for determining whether an insurance contract is onerous. The criterion is based on actual experience observed.

The Banking Group also applied significant judgements and estimates applied in adopting IFRS 17. These include

- Determining the eligibility criteria for a measurement model
- Determining the transition approach based on reasonable and supportable information available

19. Insurance contracts continued

Solvency margin

The Insurance (Prudential Supervision) Act 2010 requires registered life insurers to maintain a positive Solvency Margin for the Shareholder Fund and each Statutory Fund at all times. We have calculated the prudential solvency position as at 31 March 2024 in accordance with the Reserve Bank of New Zealand ("RBNZ") Interim Solvency Standard for Life Insurance Business ("the Interim Solvency Standard"). The solvency position for the Co-op Life is summarised below:

	31/03/2024
	\$000
Adjusted equity for solvency capital	23,831
Minimum solvency capital	12,946
Solvency margin	10,885
Solvency ratio	184%

We have calculated the prudential solvency position as at 31 March 2023 in accordance with the RBNZ's Solvency Standard for Life Insurance Business ("the Solvency Standard"). The solvency position is summarised below:

	31/03/2023
	\$000
Adjusted equity for solvency capital	11,893
Minimum solvency capital	5,000
Solvency margin	6,893
Solvency ratio	238%

Reinsurance contract asset

	\$000		
	Asset for remaining coverage	Asset for incurred claims	Total
		Future cash flows	Risk adjustment
31 March 2024			
Opening balances	–	964	33
Allocation of reinsurance premiums paid	(3,135)	–	–
Recoveries of incurred claims including other insurance services expenses	–	2,581	–
Adjustments to assets for incurred claims	–	23	2
Amounts recognised in the income statement	(3,135)	2,604	2
Cash flows			
Reinsurance premiums paid	3,135	–	–
Reinsurance amounts received	–	(2,946)	–
Total cashflows	3,135	(2,946)	–
Closing balance	–	622	35
	\$000		
	Asset for remaining coverage	Asset for incurred claims	Total
		Future cash flows	Risk adjustment
31 March 2023			
Opening balances	–	638	31
Allocation of reinsurance premiums paid	(2,952)	–	–
Recoveries of incurred claims including other insurance services expenses	–	2,227	–
Adjustments to assets for incurred claims	–	25	2
Amounts recognised in the income statement	(2,952)	2,252	2
Cash flows			
Reinsurance premiums paid	2,952	–	–
Reinsurance amounts received	–	(1,926)	–
Total cashflows	2,952	(1,926)	–
Closing balance	–	964	33

19. Insurance contracts continued



Reinsurance

Classification

To limit its exposure, the Banking Group has its own reinsurance programme in place where it cedes business to an external entity.

The Banking Group assesses its reinsurance contracts to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17; after separating any distinct components, the Banking Group applies IFRS 17 to all remaining components of the (host) insurance contract. The Banking Group's reinsurance contract does not include any distinct components that require separation.

The Banking Group applies IFRS 17 to its reinsurance contracts at the portfolio level based on contracts of similar risks and contracts that are managed together; further sub-grouping is done based on annual cohorts of contracts issued and whether any of these contracts are onerous at any point in time. The portfolio level aggregation of reported contracts are as follows:

Measurement

The Banking Group applies the (PAA) to the reinsurance contracts that it holds as follows:

Contract Group	Basis for using PAA
Reinsurance contracts held	Modelled possible future scenarios results in a reasonable expectation that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the GMM.

Recognition

The Banking Group recognises groups of reinsurance contracts it issues from the earlier of the following:

- the beginning of the coverage period of the group of reinsurance contracts held; and
- the date the entity recognises an onerous group of underlying insurance contracts if the Banking Group entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The amount recognised from reinsurance contracts include all future cashflows within the coverage period for each contract within the group. Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Banking Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- Has the practical ability to reassess the risks transferred to it and can set a price of level of benefits that fully reflects those reassessed risks; or
- Has a substantive right to terminate the coverage.

The Banking Group derecognises insurance contracts when

- (the rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or
- the contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group; in such cases, the Banking Group derecognises the initial contract and recognises the modified contract as a new contract. When a modification is not treated as a derecognition, the Banking Group recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

The Banking Group is not required to adjust future cash flows for the time value of money and the effect of financial risk under NZ IFRS 17 given the cash flows are expected to be received in one year or less from the date the claims are incurred.

Reinsurance contracts held are measured (initially and subsequently) under the same principles as insurance contracts taking into account specific features that only relate to reinsurance contracts.

20. Subordinated notes

	31/03/2024	31/03/2023
	\$000	\$000
Subordinated notes	35,999	35,251
Issue costs	(167)	(231)
Accrued interest	504	440
Total subordinated notes	36,336	35,460

On 5 November 2021 Co-op Bank issued A\$33.0 million of subordinated notes as a wholesale investor placement in the Australian market. The subordinated notes were issued in Australia dollars at the face value of \$33.0 million.

Key terms	Wholesale Issue
Maturity date	5 November 2031
Early redemption date*	5 November 2026
Interest rate	3 month BBSW + 375 bps
Next interest payment	6 May 2024
Interest payment schedule	Quarterly in arrears

* Or any scheduled interest payment date following the early redemption date, subject to Co-op Bank being able to satisfy the solvency test immediately following the payment.

Subordinated notes may be redeemed on the early redemption date or if a regulatory or tax event occurs. Repayment is subject to restrictions, including regulatory approval, and will not occur unless those restrictions are complied with. Subordinated note securities rank behind deposits and other unsecured creditors of Co-op Bank.

The Subordinated notes are not guaranteed by any other member of the Banking Group, or by any other person. Some or all of the subordinated notes may be required to be written down if the RBNZ, or a Statutory Manager appointed by the RBNZ, directs Co-op Bank to write down the subordinated notes.

21. Share Capital

	31/03/2024	31/03/2023
	Number of shares	Number of shares
Class A shares		
Opening balance	173,381	169,825
Movement during the year	4,792	3,556
Closing balance	178,173	173,381
Class B shares		
Opening balance	2,129	2,151
Movement during the year	(19)	(22)
Closing balance	2,110	2,129
Total number of shares	180,283	175,510

Each customer who is an individual holds one Class A share of no nominal value and there is no uncalled capital. Class A shares confer voting rights and the potential right to participate in rebates and distributions. Upon the winding up or liquidation of Co-op Bank, holders of Class A shares will have a right to share in the surplus assets of Co-op Bank after payment of all creditors, pursuant to clause 20 of Co-op Bank's Constitution.

Each customer who is a non-natural person (such as companies or trusts) holds one Class B share of no nominal value and there is no uncalled capital. Class B shares do not confer voting rights (other than in relation to interest group resolutions affecting Class B shareholders) but they do confer the potential right to participate in rebates and distributions. Upon the winding up or liquidation of Co-op Bank, holders of Class B shares will not have a right to share in the surplus assets of Co-op Bank after payment of all creditors, pursuant to clause 20 of Co-op Bank's Constitution.

22. Leases

The Banking Group leases various premises under non-cancellable operating lease agreements. The leases have varying terms and renewal rights. All leases relate to property.

Where the Banking Group enters into a lease agreement as a lessee, a lease liability and right of use asset are recognised except for when the bank deems the lease to be short term or of low value. The Banking Group leases primarily relate to retail and office space.

Included within the income statement are the following amounts related to leases:

	12 months ended 31/03/2024	12 months ended 31/03/2023
	\$000	\$000
Lease interest expense	1,109	1,168
Right of use asset depreciation	1,553	2,192
Short term sublease income	–	–
Low value lease expense	–	–
Sublease interest income	70	19

No rent relief was received in the year ended 31 March 2024 (2023: Nil).



Estimation of lease term and incremental borrowing rate

When a new lease is entered into, the lease liability is measured as the net present value of all future lease payments discounted using the incremental borrowing rate and the right of use asset is measured as equal to the lease liability.

Lease term

Where the Banking Group has a legal right to renew a lease, an assessment has been made whether to include any

of the renewal terms in the calculation of the lease liability. This judgement can have significant impact on the value of the lease liability. The Banking Group uses historical information on existing leases and strategic plans when making this assessment.

Incremental borrowing rate

In calculating the incremental borrowing rate, the Banking Group uses wholesale swaps rates for the applicable lease term including any renewals plus a funding and liquidity margin.

The movement on the carrying value of the right of use assets is as follows:

	Right of use assets \$000
Gross asset at 1 April 2022	38,058
Additions	729
Leases exited	(1,571)
Gross asset at 31 March 2023	37,216
Additions	232
Leases exited	(781)
Gross asset at 31 March 2024	36,667
Accumulated depreciation at 1 April 2022	10,854
Depreciation expense	2,192
Leases exited	–
Accumulated depreciation at 31 March 2023	13,046
Depreciation expense	2,123
Leases exited	(573)
Accumulated depreciation as at 31 March 2024	14,599
Net book value as at 31 March 2023	24,170
Net book value as at 31 March 2024	22,068

23. Reconciliation of Profit after Tax with Net Cash Flow from Operating Activities

	Year ended 31/03/2024	Restated Year ended 31/03/2023
	\$000	\$000
Profit after tax attributable to shareholders	12,731	11,497
Non-cash items		
Depreciation	4,062	4,091
Amortisation	4,906	4,858
Impairment losses on loans and advances	1,553	1,877
Fair value (loss)/gain	2,993	(6,347)
Deferred tax	298	605
Amortised financing costs	151	176
Gain on disposal of assets	(107)	–
	13,856	5,260
Changes in working capital items		
Receivables and prepayments	(1,223)	(752)
Reinsurance contracts	340	(328)
Fair value through OCI investments	37,459	62,408
Loans and advances	(222,385)	(195,270)
Payables and other liabilities	(1,706)	623
Tax payable	355	(9,629)
Deposits	188,082	143,543
Secured borrowings	(35,238)	(683)
Subordinated notes	64	198
Insurance contract liabilities	(304)	266
	(34,556)	378
Net cash flow from operating activities	(7,969)	17,135



Statement of cash flows

The statement of cash flows has been prepared using the direct approach modified by the netting of certain items in order to provide more meaningful disclosure. This approach is used as many of the cash flows are received and disbursed on behalf of customers and reflect the activities of customers rather than those of the Banking Group. These include deposits, loans and advances, short term deposits and other financial assets.

The following are definitions of the terms used in the statement of cash flows:

- Cash and cash equivalents comprises cash on hand and cash held at registered banks;

- Investing activities are those relating to the acquisition, holding and disposal of property, plant and equipment and intangible assets;
- Financing activities are those activities which result in changes in size, composition and capital structure of the Banking Group which include both equity and debt; and
- Operating activities include all transactions and other events that are not investing or financing activities.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to the Inland Revenue are classified as operating.

24. Capital Commitments

There were no contractual capital commitments as at 31 March 2024 (31 March 2023: Nil).

25. Credit Related Commitments and Contingent Liabilities

The Banking Group has approved \$141.3 million of loans and advances which had not been paid out at 31 March 2024 (31 March 2023: \$124.3 million). The Banking Group has contingent liabilities in relation to potential claims and proceedings. The outcomes and total costs attributable to such potential exposures remains uncertain. There were no material contingent liabilities as at 31 March 2024 (31 March 2023: Nil).

A review by the Reserve Bank of New Zealand (RBNZ) of the Bank's Anti Money Laundering/Countering Financing of Terrorism processes in the 2024 financial year identified certain matters that the RBNZ considered to be non-compliant. The Bank has made improvements in response to these findings and is working with the RBNZ on finalising the matter. The Bank is not in a position to determine at this time whether there are financial statement implications that might arise from these matters.

26. Related Party Transactions

Transactions with key management personnel

Key management personnel are defined as being Directors and the Senior Leadership Team who have authority and responsibility for planning, directing and controlling the activities of the Banking Group. The information disclosed relating to key management personnel includes transactions with those individuals.

i. Directors' remuneration

The name of each person holding office as a Director of Co-op Bank throughout the financial year ended 31 March 2024 and the total remuneration received by each Director in relation to Co-op Bank is set out below:

	Year ended 31/03/2024 \$000	Year ended 31/03/2023 \$000
Sarah Haydon	150	145
Clayton Wakefield	90	79
Brett Sutton	100	89
Nicky Ashton	90	79
Helen van Orton	79	70
David Smol	90	79
Keiran Horne	13	-
Total Directors' remuneration	612	541

The total maximum remuneration payable to the Directors of Co-op Bank is approved by the shareholders at the Annual General Meeting and apportioned by the Directors. For the year ended 31 March 2024 this amount was \$630,000 (2023: \$572,000). For details on remuneration to Directors of Co-op Bank's subsidiaries, refer to the Additional Annual Report Disclosures section of the Annual Report.

The Banking Group has purchased Directors' and Officers' Liability insurance to indemnify all Directors of Co-operative Life and The Co-operative Bank (and certain employees including the senior leadership team). The Co-operative Bank Limited also indemnifies its Directors (and certain employees including the senior leadership team) under a Directors' Indemnity Deed Poll. No Director received any other benefit that was additional to their total remuneration.

26. Related Party Transactions *continued*

ii. Senior management compensation

	Year ended 31/03/2024	Year ended 31/03/2023
	\$000	\$000
Short-term benefits	3,308	2,762
Termination benefits	111	79
Total senior management compensation	3,419	2,841

The remuneration of the senior leadership team is determined by the Board having regard to the performance of the individuals and market trends.

iii. Key management personnel deposits and loans with the Banking Group

	Opening balance	Movement during year	Closing balance	Interest received/(paid)
	\$000	\$000	\$000	\$000
2024				
Loans and advances	1,112	1,892	3,004	132
Deposits	(1,396)	740	(656)	(22)
2023				
Loans and advances	1,407	(295)	1,112	40
Deposits	(2,038)	642	(1,396)	(40)

The above transactions (including interest rates and collateral) are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions. The loans and advances outstanding are secured except for balances held on credit cards, and will be settled in cash. No expense has been recognised for bad or doubtful debts in respect of the amounts owed by related parties during the year ended 31 March 2024 (2023: Nil).

27. Financial Risk Management

The Banking Group is committed to the management of risk to ensure sustainability and achievement of strategic objectives. It therefore takes on appropriate levels of risk. The primary financial risks are retail credit, treasury counterparty, interest rate, liquidity, capital, insurance, operational, and to a limited extent foreign exchange risk.

The Board is responsible for approving the Banking Group's Enterprise Risk Management Framework (ERMF) that sets out the Banking Group's systems for risk management, compliance and assurance. The Board approves written delegated authorities that clearly define the delegations to Management and those authorities retained by the Board. Credit and Treasury delegated authorities are contained within their respective policy documents. The Board approves these delegated authorities and reviews them annually.

Management provide updates on key risks to every Board meeting. Detailed reporting on key risks is provided to every Risk Committee meeting. In addition, the following Management Committees review and manage key risks:

- The Senior Leadership Team meets regularly to consider new and emerging risks, reviews actions required to manage and mitigate key risks, and to monitor progress. A formal risk forum is held quarterly to ensure a structured approach to risk management.
- The Assets and Liabilities Committee ("ALCO") meets weekly to consider, monitor and review exposure to interest rate risk, liquidity risk, and treasury counterparty risk.

The Banking Group operates a continuous cycle of review in relation to its risk management framework and its key risks to ensure that they remain relevant and residual risk ratings are appropriate for achieving the Banking Group's strategic objectives. Within the Banking Group's Policy Framework, the Enterprise Risk Management Framework (ERMF) is reviewed at least every three years (with the next formal review no later than December 2025). Policies for key risks have scheduled review timeframes within the Policy Framework. In addition, the Banking Group obtains advice from external third parties in relation to specific areas of its ERM, for example when specific knowledge or expertise is not available internally.

Retail credit risk and treasury counterparty risk

Credit risk is the potential risk of loss arising from the non-performance of a counterparty to a financial instrument or facility. The Banking Group's credit risk is related to retail lending and wholesale (treasury) investments and derivatives.

Co-op Bank is selective in targeting credit risk exposure to retail lending. Before approving a loan, Co-op Bank generally undertakes an independent credit check, seeks an asset valuation where appropriate and assesses the Customer's capacity to make repayments, their financial position and their credit history. Collateral is obtained, where appropriate, by Co-op Bank to cover credit risk exposures and such collateral includes real property, deposits, motor vehicles and other assets. As at 31 March 2024 approximately 96% of Co-op Bank's loans and advances

were secured by a first mortgage over real property as a minimum (2023: 95%). Following any loan approval, Co-op Bank regularly monitors loan performance, takes prompt action to address arrears/default situations and takes fair but firm action to realise securities and minimise losses in the event of default.

Wholesale investment and derivative credit risk exposure is managed through a conservative "approved counterparty" policy and maximum credit limits, which have been approved for each counterparty on the basis of:

- Portfolio tier limits by credit rating;
- Individual tier limits by credit rating;
- Product category limits; and
- Term to maturity limits.

All retail credit risks are within New Zealand and all credit risk is denominated in New Zealand dollars.

Derivatives

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. The Banking Group may enter into derivative transactions including swaps, forward rate agreements, futures, options and combinations of these instruments for the purpose of managing the Banking Group's exposure to interest rate risk and currency risk.

Wholesale interest rate and foreign exchange market risk

Wholesale interest rate and foreign exchange market risk is the risk that movements in the level or volatility of market interest rates and prices will affect the Banking Group's income or the value of its financial instruments.

Operational risk

Operational risk is the risk arising from day to day operational activities which may result in direct or indirect loss. These losses may result from inadequate information systems, technology failures, breaches in internal controls, fraud or unforeseen events. Where appropriate, risks are mitigated by insurance.

Foreign currency risk

Foreign currency risk is the risk that the Banking Group would be adversely impacted by unfavourable movements in foreign currency rates. The Banking Group has foreign currency risk via its Australian Dollar denominated subordinated notes. This risk is managed through the use of a cross-currency interest rate swap.

The Banking Group does not normally have operational exposure to foreign currency risk, other than certain payments for fixed assets and operating expenditure, which may be hedged by entering into forward exchange contracts. Forward exchange contracts must be acquired for exposures that are certain and above a minimum dollar value.

27. Financial Risk Management *continued*

Capital risk

Capital risk is the risk of loss arising from the failure to maintain regulatory capital limits. The risk is managed through appropriate policy settings and monitoring.

Interest rate risk

Interest rate risk can take two forms:

- Adverse wholesale rate movements; and
- Reductions in borrowing or lending margins.

The primary objective of the Banking Group's interest rate risk policies is to limit underlying net interest income volatility. The risk from adverse wholesale rate movements is managed on a portfolio basis, with the exposures quantified using a weighted duration approach. To protect net interest income, the Banking Group will regularly review and where necessary acquire interest rate swap derivatives to hedge the exposures within conservatively set control limits.

The exposure to net interest income from a reduction in borrowing or lending margins is managed when setting retail rates by taking into consideration wholesale rates, liquidity premiums, as well as appropriate lending credit margins.

Sensitivity analysis

	Interest rates increase by 100 basis points		Interest rates decrease by 100 basis points	
	2024 \$000	2023 \$000	2024 \$000	2023 \$000
Cash flow positive/(negative) impact on net interest income	1,908	1,387	(1,527)	(1,111)
Fair value positive/(negative) impact on equity	3,701	6,260	(9,211)	(5,923)

The table above summarises the sensitivity of financial assets and financial liabilities to a change in interest rates using a parallel shift in rates across the yield curve. Financial modelling is used to determine the impact on the value of changes in each risk scenario, taking into account both cash flow and fair value sensitivity. Differences between the impact on equity and the impact on net interest income are a result of fair value movements on fair value through OCI investments as these movements are taken directly to equity.

Liquidity risk

Liquidity risk is the risk that the Banking Group will encounter difficulty in meeting commitments associated with its financial liabilities. The primary objectives of the Banking Group's liquidity policies are to ensure all financial obligations are met when due and provide adequate protection under a critical liquidity stress scenario. The Banking Group is subject to the RBNZ liquidity requirements as set out in the RBNZ "Liquidity Policy" (BS13) and "Liquidity Policy Annex: Liquid Assets" (BS13A). Consistent with the requirements of the RBNZ Liquidity Policies, liquidity risk is managed by the Banking Group on a cash flow mismatch and a core funding basis to ensure that the Banking Group exceeds the RBNZ specified minimum standards for those metrics. The Banking Group's liquidity management responsibilities include:

- Day-to-day liquidity requirements. RBNZ liquidity ratios are calculated and monitored daily to ensure that the Banking Group:
 - is compliant with conditions 11 and 12 of the Conditions of Registration, the RBNZ Liquidity Policies.
 - maintains a prudent level of cash and highly liquid assets ("primary liquid assets"), marketable assets of limited credit risk ("secondary liquid assets") and un-utilised wholesale funding lines to meet anticipated wholesale and retail outflows.

27. Financial Risk Management continued

- Securing an appropriately matched profile of future cash flows from maturing assets and liabilities. Implementing the Banking Group's funding plan which includes the development of sustainable wholesale funding capacity.
- Stress testing the Banking Group's funding and liquidity position, based on a material withdrawal of retail deposits.
- Ensuring the Banking Group is compliant with all limits set by the RBNZ (refer Note 36 (h) for further information).

Insurance risk

Insurance risk is the risk of failure of product design, product pricing, underwriting or claims management processes resulting in the cost of insurance claims being higher than the planned cost. Key insurance risk metrics are measured against targets and reported to the Co-op Life Board on a quarterly basis. In compliance with contractual and policy requirements, a strategy is in place to ensure that the risks underwritten should not adversely affect Co-op Life's ability to pay benefits and claims when they fall due. To limit its exposure, Co-op Life has its own reinsurance programme in place where it cedes business to external

entities, either by surplus or quota share reinsurance arrangements. Continuous monitoring of the procedures in place is undertaken to minimise the chance of an adverse compliance or operational risk event occurring.

Procedures exist for verification, assessment and payment of claims. Strict claims management procedures ensure the timely and correct payment of claims in accordance with policy and/or treaty conditions.

Concentration of insurance risk is managed by setting the underwriting acceptance criteria for Life Plus life and trauma cover so that they are progressively more extensive with higher covers and older ages and limiting the maximum cover offered by some key products. Policies are sold only to individuals where there is a reasonable diversification of geographic and work-place risk, rather than to employer-based or affinity-based schemes.

The reinsurance provider has a credit rating of AA- from Standard and Poor's. The maximum exposure to credit risk from reinsurance contracts held was \$0.78 million (2023: \$0.78 million)

Sensitivity analysis

A sensitivity analysis has been carried out based on the position at 31 March 2024, varying the discount rate used to calculate the liability for incurred claims by +1.0% and -1.0%. The liability for remaining coverage is unaffected by this change, due to this business being valued on the PAA method which does not require discounting. The reinsurance contract asset is also unaffected by this change. The effect of the change in rates is shown below:

	Discount rate increase by 100 basis points		Discount rate decrease by 100 basis points	
	Restated		Restated	
	2024 \$000	2023 \$000	2024 \$000	2023 \$000
Liability for incurred claims	(1)	(1)	1	1

28. Concentrations of Credit Risk

	31/03/2024 \$000	Restated 31/03/2023 \$000
Cash on hand and at NZ registered banks	23,578	39,453
Receivables	19,777	17,562
Fair value through OCI investments	260,491	294,742
Derivatives	32,798	56,569
Loans and advances	3,110,186	2,889,354
Total on balance sheet credit exposures	3,446,830	3,297,680
Off balance sheet exposures – undrawn commitments	141,257	124,303
Total credit exposures	3,588,087	3,421,983
Concentration of credit exposures by sector		
	31/03/2024 \$000	31/03/2023 \$000
Cash on hand	758	785
Local government	10,123	45,287
Central government	64,372	-
NZ registered banks	40,380	71,382
Listed multilateral development banks and other international organisations	162,831	150,398
Other corporate investments	5,605	66,343
Residential mortgage lending including off balance sheet exposures	3,086,400	2,851,666
Consumer lending including off balance sheet exposures	165,043	161,991
Other	52,575	74,131
Total credit exposures	3,588,087	3,421,983
Concentration of credit exposures by geographical location		
	31/03/2024 \$000	31/03/2023 \$000
North Island	2,274,066	2,246,110
South Island	1,151,190	1,025,475
Overseas	162,831	150,398
Total credit exposures	3,588,087	3,421,983

The credit exposures shown in the table above are based on actual credit exposures, net of allowances for impairment loss.

Off balance sheet exposures – undrawn commitments represents the unutilised balances of customer credit facilities (revolving credit mortgages, overdrafts, credit card, and creditline accounts) and approved but undrawn lending. Other corporate investments include investments in instruments issued by financial institutions. As at 31 March 2024, 89% of the Banking Group's mortgage portfolio were owner occupied residential properties (2023: 90%).

Overseas credit exposures include investments in NZ registered banks – subordinated debt, and international organisations. These investments are New Zealand dollar denominated but the counterparty is domiciled overseas.

Of the drawn balances on credit facilities with undrawn commitments, there were none that are classified as individually impaired, or balances under administration as at 31 March 2024 (2023: Nil).

29. Concentration of Credit Exposures

Concentration of credit exposures to individual counterparties

Concentrations of credit exposures to individual counterparties and groups of closely related counterparties shown below are based on actual credit exposures, net of allowances for impairment loss. This excludes credit exposures to connected persons; the central government of any country with a long-term credit rating of

A- or A3 or above, or its equivalent; and any supranational or quasi-sovereign agency with a long-term credit rating of A- or A3 or above, or its equivalent.

Peak end of day credit exposure is calculated by determining the maximum end of day aggregate amount of credit exposure over the year for individual counterparties, and then dividing that amount by equity as at the reporting date.

	As at 31/03/2024	Peak end of day over year to 31/03/2024	As at 31/03/2023	Peak end of day over year to 31/03/2023
Exposures to banks				
Total number of exposures to banks that are greater than 10% of CET1 capital with a long-term credit rating of A- or A3 or above, or its equivalent				
• 10% to less than 15% of CET1 capital	1	–	–	–
• 15% to less than 20% of CET1 capital	–	–	1	–
• 30% to less than 35% of CET1 capital	–	1	–	1
• 35% to less than 40% of CET1 capital	–	1	–	1
with a long-term credit rating of at least BBB- or Baa3, or its equivalent, and at most BBB+ or Baa1, or its equivalent	–	–	–	–
Exposures to non-banks				
Total number of exposures to non-banks that are greater than 10% of CET1 capital with a long-term credit rating of A- or A3 or above, or its equivalent				
• 10% to less than 15% of CET1 capital	–	3	1	2
with a long-term credit rating of at least BBB- or Baa3, or its equivalent, and at most BBB+ or Baa1, or its equivalent	–	–	–	–

The above tables have been compiled using credit exposures and do not include any guarantee arrangements.

Credit exposures to connected persons

The connected persons of Co-op Bank are the Directors. There are no non-bank connected persons. Credit exposure concentrations are actual credit exposures calculated on a gross basis (net of individual credit impairment allowances and excluding advances of a capital nature) in accordance with Co-op Bank's conditions of registration and connected exposures

policy. Peak end of day credit exposures have been calculated using the Banking Group's tier 1 capital at the end of the reporting period.

The rating-contingent limit is 15%, which is the same as the overall rating-contingent sub-limit. There have been no changes to this limit during the last year. There are no credit impairment allowances against these credit exposures.

	31/03/2024		31/03/2023	
	End of period exposure	Peak end of day exposure	End of period exposure	Peak end of day exposure
Value of credit exposure (\$000)	10	10	10	10
% of total tier 1 capital	0.01%	0.01%	0.01%	0.01%

30. Concentrations of Funding

	31/03/2024	31/03/2023
	\$000	\$000
Deposits	3,022,293	2,834,211
Registered banks	(128)	(214)
Central banks	124,540	159,778
Subordinated notes	36,336	35,460
Total funding	3,183,041	3,029,235

The funding is presented at amortised cost. All deposits are unsecured unsubordinated bank deposits issued by Co-op Bank.

The subordinated notes are unsecured subordinated obligations.

At 31 March 2024, the balance for registered banks represents the unamortised cost of raising the secured borrowings referred to in Note 18.

The securitised receivables that have been sold to the Warehouse Trust have been secured by the Trustee of the Warehouse Trust for the benefit of Westpac, ANZ and BNZ who are the providers of the secured borrowings. The relevant security interest is

held by a special purpose security trustee rather than providers in their own right, but Westpac, ANZ and BNZ are the beneficiaries of that security interest.

The securitised receivables that have been sold to the Co-op RMBS Trust have been secured by the Trust's Trustee for the benefit of the bondholders. The Class A bondholders rank in priority of entitlement to payment ahead of the Class B bondholders. The relevant security interest is held by a special purpose trustee rather than the bondholders in their own right, but the bondholders are the beneficiaries of that security interest

Geographical distribution of funding

	31/03/2024	31/03/2023
	\$000	\$000
North Island	2,372,091	2,273,709
South Island	746,658	694,362
Overseas	64,292	61,164
Total funding	3,183,041	3,029,235

31. Interest Rate Repricing Profile

The following tables include financial assets, financial liabilities and insurance contracts at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The net derivative notional principals are the principal values of interest rate swaps at contractual repricing dates, less principal values at maturity date.

As at 31 March 2024	Up to 3 months \$000	3-6 months \$000	6-12 months \$000	1-2 years \$000	Over 2 years \$000	Non- interest bearing \$000	Total \$000
Assets							
Cash and cash equivalents	22,820	–	–	–	–	758	23,578
Receivables	–	–	–	–	–	19,777	19,777
Fair value through OCI investments	58,571	27,560	1,074	34,297	138,989	–	260,491
Derivatives	–	–	–	–	–	32,798	32,798
Reinsurance contract assets	110	159	–	–	–	388	657
Loans and advances	620,581	498,073	763,604	862,484	374,373	(8,929)	3,110,186
Total financial assets	702,082	525,792	764,678	896,781	513,362	44,792	3,447,487
Liabilities							
Payables and other liabilities	–	–	–	–	–	13,945	13,945
Lease Liabilities	–	–	–	70	27,305	–	27,375
Derivatives	–	–	–	–	–	3,910	3,910
Deposits	1,840,186	444,474	441,871	48,035	30,792	216,935	3,022,293
Insurance contract liabilities	1,055	458	–	–	–	1,228	2,741
Secured borrowings	124,541	–	–	–	–	(129)	124,412
Subordinated notes	36,503	–	–	–	–	(167)	36,336
Total financial liabilities	2,002,285	444,932	441,871	48,105	58,107	235,722	3,231,012
Net derivative notional principals	794,440	86,000	(52,500)	(540,800)	(287,140)	–	–
Total interest rate sensitivity gap	(505,763)	166,860	270,307	307,876	168,115	(190,930)	216,475

31. Interest Rate Repricing Profile *continued*

Restated As at 31 March 2023	Up to 3 months \$000	3-6 months \$000	6-12 months \$000	1-2 years \$000	Over 2 years \$000	Non- interest bearing \$000	Total \$000
Assets							
Cash and cash equivalents	38,668	–	–	–	–	785	39,453
Receivables	–	–	–	–	–	16,928	16,928
Fair value through OCI investments	110,675	1,943	1,568	24,130	156,426	–	294,742
Derivatives	–	–	–	–	–	56,569	56,569
Reinsurance contract assets	187	222	–	–	–	588	997
Loans and advances	558,254	384,163	656,496	879,084	420,274	(8,917)	2,889,354
Total financial assets	707,784	386,328	658,064	903,214	576,700	65,953	3,298,043
Liabilities							
Payables and other liabilities	–	–	–	–	–	15,951	15,951
Lease Liabilities	–	6	390	124	28,708	–	29,228
Derivatives	–	–	–	–	–	3,273	3,273
Deposits	1,580,793	386,733	473,224	119,634	37,043	236,784	2,834,211
Insurance contract liabilities	1,121	700	–	–	–	1,224	3,045
Secured borrowings	159,778	–	–	–	–	(214)	159,564
Subordinated notes	35,692	–	–	–	–	(232)	35,460
Total financial liabilities	1,777,384	387,439	473,614	119,758	65,751	256,786	3,080,732
Net derivative notional principals	700,090	144,800	8,800	(532,700)	(320,990)	–	–
Total interest rate sensitivity gap	(369,510)	143,689	193,250	250,756	189,959	(190,833)	217,311

32. Liquidity Risk

The following financial assets are held for the purpose of managing liquidity risk. Total liquidity includes committed but undrawn funding lines. As at 31 March 2024, the Banking Group had total committed funding lines with other registered banks of \$315 million (2023: \$285 million). Of these facilities \$115 million was drawn down at 31 March 2024 (2023: \$155 million). The Banking Group also has the Co-op RMBS

Trust that issues securities which can be used as collateral for borrowing from the RBNZ under its liquidity management arrangements. Whilst not intended to be used for standard daily liquidity requirements, this facility is available as contingent funding and accordingly the total liquidity shown below includes this facility.

	31/03/2024	Restated 31/03/2023
	\$000	\$000
Cash and cash equivalents	23,578	39,453
Fair value through OCI investments	260,491	294,742
Undrawn wholesale funding	200,000	130,000
Eligible Co-op RMBS Trust collateral	217,773	204,635
Total liquidity	701,842	668,830

33. Fair Value of Financial Instruments

Comparison of fair values and carrying values

The following tables summarise the carrying amounts and fair values of those financial assets and financial liabilities that are not presented at fair value in the balance sheet.

	31/03/2024		31/03/2023	
	Carrying value \$000	Fair value \$000	Carrying value \$000	Fair value \$000
Financial assets				
Loans and advances	3,110,186	3,085,302	2,889,354	2,845,516
Total	3,110,186	3,085,302	2,889,354	2,845,516
Financial liabilities				
Deposits	3,022,293	3,022,294	2,834,211	2,829,699
Secured borrowings	124,412	124,412	159,564	159,564
Subordinated notes	36,336	36,871	34,460	35,083
Total	3,183,041	3,183,577	3,029,235	3,024,346



Fair value measurement

Fair value is the price that would be received from the sale of an asset or paid to transfer a liability in a transaction between active market participants or in its absence, the most advantageous market to which the Banking Group has access to at the reporting date. The fair value of a financial liability reflects its non-performance risk.

When available, fair value is measured using the quoted price in an active market. A market is active if transactions

take place with sufficient frequency and volume to provide pricing information on an on-going basis. If there is no quoted price in an active market, then the Banking Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

33. Fair Value of Financial Instruments *continued*

Specific valuation techniques used to value financial instruments

Valuation techniques used where there is no observable market price vary according to nature of the financial asset and liability. The fair value approach taken is as follows:

- Cash and cash equivalents are short term in nature and the related fair value is therefore deemed equivalent to the carrying value;
- Derivative financial assets and financial liabilities are fair valued using techniques incorporating market yields and discounted cash flow models;
- Loans and advances are carried at amortised cost. The fair value approach involves using discounted cash flow techniques based on the interest rate repricing of the loans and advances. Discount rates used are based on the current market interest rates for loans and advances to customers with similar credit and maturity profiles;
- Investment securities are valued using techniques that incorporate observable market inputs for financial instruments with similar credit risk, maturity and yield characteristics; and
- Other assets, deposits and other liabilities are valued according to their specific nature. For other assets and liabilities, the related fair value is deemed equivalent to the carrying value. For non-interest bearing debt, call and variable rate deposits, the related fair value is similarly deemed equivalent to the carrying value due to the short term nature of the liability. For other term deposits, fair value is estimated using cash flow techniques whereby contractual future cash flows of the instrument are discounted using wholesale market interest rates, or market borrowing rates for debt with similar maturities or with a yield curve appropriate for the remaining term to maturity.



Valuation hierarchy for financial instruments held at fair value

The following fair value hierarchy, as set out in NZ IFRS 13: Fair Value Measurement, has been used to categorise the inputs to valuation techniques used to measure the financial assets and financial liabilities which are carried at fair value:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

All of the Banking Group's financial instruments that are recognised and measured at fair value on a recurring basis sit within Level 2.

There were no transfers between Levels of the fair value hierarchy during the reporting period.

34. Contractual Maturity Analysis

The following tables analyse financial liabilities and insurance contract liabilities into relevant maturity groupings based on the period at the reporting date to the contractual maturity date. The figures reported include interest and principal cash flows expected to maturity, as well as the commitment to make amounts available in instalments. The total amount is different from the amount on the balance sheet as the cash flows shown below are undiscounted cash flows that include interest.

The contractual maturity analysis is not used by the Banking Group to manage liquidity as these maturity groupings are not considered to be indicative of actual future cash flows. In addition deposits include substantial customer deposits and cheque accounts which are at call and deposits which are renewed at maturity and therefore do not have a cash flow impact. Historical experience has shown that the re-investment of such deposit accounts is a stable source of long-term funding for the Banking Group.

As set out in Note 27, the Banking Group manages liquidity risk on a cash flow mismatch and core funding basis through the maintenance of a portfolio of liquid assets and committed funding lines rather than on a contractual maturity basis.

As at 31 March 2024	On demand \$000	Within 6 months \$000	6-12 months \$000	1-2 years \$000	Over 2 years \$000	No maturity \$000	Total \$000
Liabilities							
Payables and other liabilities	–	12,120	1,825	–	–	–	13,945
Lease liabilities	–	1,525	1,528	3,026	32,750	–	38,829
Derivatives	–	5,925	4,920	3,419	443	–	14,707
Deposits	1,215,036	1,320,223	453,634	51,871	36,530	–	3,077,294
Insurance contract liabilities	–	2,741	–	–	–	–	2,741
Secured borrowings	–	52,701	41,772	36,167	–	–	130,640
Subordinated notes	–	2,150	1,645	3,291	36,539	–	43,625
Total financial liabilities	1,215,036	1,397,385	505,324	97,774	106,262	–	3,321,781
Undrawn commitments	125,192	17,942	–	–	–	–	143,134

As at 31 March 2023	On demand \$000	Within 6 months \$000	6-12 months \$000	1-2 years \$000	Over 2 years \$000	No maturity \$000	Total \$000
Liabilities							
Payables and other liabilities	–	14,220	1,731	–	–	–	15,951
Lease liabilities	–	1,624	1,576	3,165	35,555	–	41,920
Derivatives	–	5,766	3,445	5,855	1,790	–	16,856
Deposits	1,214,899	1,002,656	479,638	124,500	40,558	–	2,862,251
Insurance contract liabilities	–	3,045	–	–	–	–	3,045
Secured borrowings	–	9,467	42,524	83,785	36,031	–	171,807
Subordinated notes	–	1,961	1,520	3,040	39,436	–	45,957
Total financial liabilities	1,214,899	1,038,739	530,434	220,345	153,370	–	3,157,787
Undrawn commitments	117,272	7,031	–	–	–	–	124,303

35. Subsequent Events

There were no events subsequent to the reporting date which would materially affect the financial statements.

36. Capital Adequacy

The Banking Group's objectives in relation to the management of capital adequacy are to comply at all times with the regulatory capital requirements set out by the RBNZ, to maintain a strong capital base to cover the inherent risks of the business and maintain a targeted credit rating, and to support future business development and growth.

The Banking Group is subject to regulation by the RBNZ with the RBNZ setting minimum regulatory capital requirements within the Banking Groups conditions of registration section 1 – 1C. The Banking Group complied with the RBNZ minimum capital requirements, which are as follows:

- Total capital ratio of the Banking Group is not less than 8%;
- Tier 1 capital ratio of the Banking Group is not less than 6%;
- Common equity tier 1 capital ratio of the Banking Group is not less than 4.5%; and
- Total capital of the Banking Group is not less than \$30 million.

For regulatory purposes, total capital is defined as the sum of the following categories:

- Tier 1 capital which comprises:
 - i. Common equity tier 1 capital; and
 - ii. Additional tier 1 capital; and
- Tier 2 capital

Certain deductions are made to arrive at tier 1 and tier 2 capital as outlined in the RBNZ Banking Prudential Requirements BPR110: Capital Definitions document.

Certain deductions are made to arrive at tier 1 and tier 2 capital as outlined in the RBNZ Banking Prudential Requirements BPR110: Capital Definitions document.

Common equity tier 1 capital includes retained earnings and accumulated other comprehensive income less deductions for intangible assets, cash flow hedge reserve and any deferred tax asset. The Banking Group does not have any items included in Additional Tier 1 capital. Tier 2 capital consists of term subordinated debt.

Regulatory capital adequacy ratios are calculated by expressing capital as a percentage of risk weighted exposures. Risk weighted exposures are derived by assigning risk weight percentages to categories of exposures. These exposures are measured or estimated from selected balance sheet assets and off balance sheet exposures and market contracts in accordance with RBNZ Banking Prudential Requirements. It should be noted that the regulatory risk weightings may not necessarily be consistent with the loss experience of the Banking Group.

In addition to the material risks that are explicitly captured in the calculation of the Banking Group's Tier 1 and Total capital ratios, the Banking Group has identified other areas of material risks which require an internal capital allocation. The other material risks identified by the Banking Group include access to capital, business position and earnings risk. As at 31 March 2024, the Banking Group has made an internal capital allocation of \$93.0 million

(2023: \$94 million) to cover these identified risks. This internal capital allocation is in addition to the minimum capital required by the RBNZ.

The Board has ultimate responsibility for capital management, approves capital policy, and establishes minimum internal capital levels and limits. Management has responsibility for monitoring capital adequacy, identifying trends in capital adequacy, and for implementing action plans.

The internally set capital ratio targets for the Banking Group are higher than the regulatory minimum requirements.

The capital adequacy calculations set out below summarise the composition of regulatory capital and capital adequacy ratios. For the purposes of calculating solo capital adequacy, the securitisation special purpose vehicles (the Warehouse Trust and the Co-op RMBS Trust) are treated as part of Co-op Bank.

36. Capital Adequacy *continued*

a. Regulatory capital ratios

Unaudited	Minimum requirement	Banking Group		The Co-operative Bank	
		31/03/2024	31/03/2023	31/03/2024	31/03/2023
Common equity tier 1 capital ratio	4.5%	15.5%	14.3%	14.8%	13.6%
Tier 1 capital ratio	6.0%	15.5%	14.3%	14.8%	13.6%
Total capital ratio	8.0%	17.8%	16.6%	17.1%	15.9%
Buffer ratio	2.5%	8.3%	8.6%	–	–

b. Capital

Unaudited	31/03/2024 \$000	31/03/2023 \$000
Common equity tier 1 capital		
Retained earnings (net of appropriations)	243,959	231,921
<i>Accumulated other comprehensive income:</i>		
Profit after income tax	12,731	11,661
Fair value through OCI investments reserve	(6,337)	(8,149)
Cash flow hedging reserve	11,646	27,553
	261,999	262,986
Less deductions		
Intangible assets	(10,128)	(10,764)
Cash flow hedging reserve	(11,646)	(27,553)
Deferred tax asset	(25)	(365)
Total common equity tier 1 capital	240,200	224,304
Additional tier 1 capital	–	–
Total tier 1 capital	240,200	224,304
Tier 2 capital		
Term subordinated debt	35,999	35,251
Total tier 2 capital	35,999	35,251
Total capital	276,199	259,555

As at 31 March 2024 the capital structure of the Banking Group comprised the following:

Retained earnings

Retained earnings comprise the accumulated comprehensive income that has been retained in the Banking Group.

Fair value through OCI investments reserve

The fair value through OCI investments reserve comprises the changes in fair value through OCI investments, net of income tax. These changes are recognised in profit or loss as other income when the asset is either derecognised or impaired.

Cash flow hedging reserve

The CFHR comprises the fair value gains and losses associated with the effective portion of designated cash flow hedging instruments.

Term subordinated debt

The term subordinated debt shown as tier 2 capital consists of unsecured, subordinated, loss absorbing tier 2 regulatory capital debt securities ("subordinated notes"). The subordinated notes are not subject to phase-out from eligibility as capital. For full details of the subordinated notes on issue refer to Note 20.

36. Capital Adequacy *continued*

c. Credit risk

Unaudited 31 March 2024	Total exposure after credit risk mitigation \$000	Risk weight %	Risk weighted exposure \$000	Minimum Pillar 1 capital requirement \$000
On balance sheet credit exposures				
Cash	758	0%	–	–
International organisations	157,978	0%	–	–
International organisations	4,853	20%	971	78
Public sector entities	64,372	0%	–	–
Public sector entities	10,123	20%	2,025	162
Banks	37,090	20%	7,418	593
Banks	3,290	50%	1,645	132
Corporate	–	20%	–	–
Corporate	5,605	50%	2,803	224
<i>Residential mortgages</i>				
<= 80% LVR	2,089,977	35%	731,492	58,519
>80% – 90% LVR	94,517	50%	47,259	3,781
>90% – 100% LVR	3,726	75%	2,795	224
>100% LVR	–	100%	–	–
<i>Property investment residential mortgages</i>				
<= 80% LVR	405,012	40%	162,003	12,960
>80% – 90% LVR	4,969	70%	3,478	278
>90% – 100% LVR	1,894	90%	1,705	136
>100% LVR	–	100%	–	–
<i>First home loans</i>				
<= 90% LVR	286,604	20%	57,320	4,586
>90% – 100% LVR	102,631	20%	20,526	1,642
Past due residential mortgages	6,753	100%	6,753	540
Other assets	169,733	100%	169,733	13,579
Other past due assets	173	100%	173	14
Non risk weighted assets	42,952	0%	–	–
Total on balance sheet	3,493,010		1,218,099	97,488

36. Capital Adequacy *continued*

c. Credit risk *continued*

	Total exposure \$000	Credit conversion factor %	Credit equivalent amount \$000	Average risk weight %	Risk weighted exposure \$000	Minimum Pillar 1 capital requirement \$000
Unaudited 31 March 2024						
<i>Off balance sheet credit exposures</i>						
Undrawn other commitments	141,257	50%	70,629	58%	41,277	3,302
<i>Market contracts</i>						
Interest rate swaps	2,619,868	n/a	65,596	20%	13,454	1,077
Total off balance sheet	2,761,125		136,225		54,731	4,379
Total credit risk	6,254,135		136,225		1,272,830	101,827

Undrawn other commitments represents the unutilised balances of customer's credit facilities (revolving credit mortgages, overdrafts and credit cards), and approved but not drawn loans. The original maturity of these commitments is more than 1 year. The Banking Group does not have any credit risk mitigation in place as at reporting date.

36. Capital Adequacy *continued*

c. Credit risk *continued*

Unaudited 31 March 2023	Total exposure after credit risk mitigation \$000	Risk weight %	Risk weighted exposure \$000	Minimum Pillar 1 capital requirement \$000
On balance sheet credit exposures				
Cash	785	0%	–	–
International organisations	145,198	0%	–	–
International organisations	5,200	20%	1,040	83
Public sector entities	45,287	20%	9,057	725
Banks	69,600	20%	13,920	1,114
Banks	1,782	50%	891	71
Corporate	11,889	20%	2,378	190
Corporate	54,455	50%	27,228	2,178
<i>Residential mortgages</i>				
<= 80% LVR	1,996,459	35%	698,761	55,901
>80% – 90% LVR	84,388	50%	42,194	3,376
>90% – 100% LVR	2,702	75%	2,027	162
>100% LVR	–	100%	–	–
<i>Property investment residential mortgages</i>				
<= 80% LVR	365,374	40%	146,149	11,692
>80% – 90% LVR	3,427	70%	2,399	192
>90% – 100% LVR	1,673	90%	1,506	120
>100% LVR	1,050	100%	1,050	84
<i>First home loans</i>				
<= 90% LVR	210,884	35%	73,809	5,905
>90% – 100% LVR	103,693	50%	51,847	4,148
Past due residential mortgages	9,480	100%	9,480	758
Other assets	162,004	100%	162,004	12,960
Other past due assets	248	100%	248	20
Non risk weighted assets	67,698	0%	–	–
Total on balance sheet	3,343,276		1,244,988	99,679

36. Capital Adequacy *continued*

c. Credit risk *continued*

	Total exposure \$000	Credit conversion factor %	Credit equivalent amount \$000	Average risk weight %	Risk weighted exposure \$000	Minimum Pillar 1 capital requirement \$000
Unaudited 31 March 2023						
<i>Off balance sheet credit exposures</i>						
Undrawn other commitments	124,303	50%	62,152	62%	38,578	3,086
<i>Market contracts</i>						
Interest rate swaps	2,717,245	n/a	73,579	20%	15,684	1,254
Total off balance sheet	2,839,908		135,723		54,260	4,340
Total credit risk	6,183,184		135,723		1,300,248	104,019

Undrawn other commitments represents the unutilised balances of customer's credit facilities (revolving credit mortgages, overdrafts and credit cards), and approved but not drawn loans. The original maturity of these commitments is more than 1 year.

36. Capital Adequacy *continued*

d. Banking Group's operational and market risk

	Implied risk weighted exposure 31/03/2024	Capital requirement 31/03/2024	Implied risk weighted exposure 31/03/2023	Capital requirement 31/03/2023
Unaudited	\$000	\$000	\$000	\$000
Operational risk	213,075	17,046	205,469	16,438
Market risk – interest rate risk	64,034	5,123	61,382	4,911

The Banking Group did not have any equity exposures as at 31 March 2024 (31 March 2023: Nil).

e. Group's market risk end of period and peak end of day capital charges (interest rate risk)

	End of period 31/03/2024	Peak end of day 31/03/2024	End of period 31/03/2023	Peak end of day 31/03/2023
Unaudited	\$000	\$000	\$000	\$000
Implied risk weighted exposure	64,034	71,366	61,382	61,382
Aggregate capital charge	5,123	5,709	4,911	4,911
Aggregate capital charge expressed as a percentage of the Banking Group's equity	1.85%	2.07%	1.89%	1.89%

The end of period aggregate capital charge and peak end of day aggregate capital charge as a percentage of the Banking Group's equity at the end of the reporting period are derived in accordance with the RBNZ Banking Prudential Requirements BPR140: Market Risk document. The peak end of day aggregate capital charge is derived by determining the maximum end of month capital charge

over the reporting period. Based on the portfolio of the Banking Group's risk exposures, it is considered by management that the difference between end of month aggregate capital charge and end of day aggregate capital charge is insignificant. Peak exposures are calculated using the Banking Group's equity at the end of the reporting period.

f. Banking Group total capital requirements

		Total exposure after credit risk mitigation 31/03/2024	Risk weighted exposure or implied risk weighted exposure 31/03/2024	Capital requirement 31/03/2024
Unaudited	Note	\$000	\$000	\$000
Total credit risk	36(c)	6,254,135	1,272,830	101,827
Operational risk	36(d)	n/a	213,075	17,046
Market risk	36(d)(e)	n/a	64,034	5,123
Total risk weighted		6,254,135	1,549,939	123,996
		31/03/2023	31/03/2023	31/03/2023
		\$000	\$000	\$000
Total credit risk	36(c)	6,183,184	1,300,248	104,019
Operational risk	36(d)	n/a	205,469	16,438
Market risk	36(d)(e)	n/a	61,382	4,911
Total risk weighted		6,183,184	1,567,099	125,368

36. Capital Adequacy *continued*

g. Banking Group's residential mortgages by loan to value ratio

	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
	31/03/2024	31/03/2024	31/03/2023	31/03/2023
Unaudited	\$000	\$000	\$000	\$000
Loan to value ratio				
0%–80%	2,531,673	88,880	2,393,240	72,537
> 80%–90%	356,161	1,435	276,250	–
> 90%	108,251	–	109,640	–
Total	2,996,085	90,315	2,779,130	72,537

	Note	31/03/2024 \$000	31/03/2023 \$000
Gross residential mortgage loans	11	3,000,754	2,782,954
Provision for impairment relating to residential mortgages	12(c)	(4,669)	(3,824)
Residential mortgage loans net of provision for impairment	36(c)(g)	2,996,085	2,779,130
Off balance sheet exposures – undrawn commitments	36(g)	90,315	72,537
Total on and off balance sheet residential mortgage loans	28	3,086,400	2,851,667

h. Banking Group's regulatory liquidity ratios – two most recent quarters

Unaudited	Three months ended 31/03/2024	Three months ended 31/03/2023
Average one-week mismatch ratio	14.0%	12.3%
Average one-month mismatch ratio	16.4%	14.9%
Average core funding ratio	99.5%	100.8%

Independent Auditor's Report

To the Shareholders of the Co-operative Bank Limited

Report on the audit of the consolidated disclosure statement

Opinion

In our opinion, the accompanying consolidated financial statements (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) of The Co-operative Bank Limited (the 'bank') and its subsidiaries (the 'banking group') on pages 41-93:

- i. give a true and fair view of the banking group's financial position as at 31 March 2024 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Generally Accepted Accounting Practice, which in this instance means New Zealand Equivalents to International Financial Reporting Standards ('NZIFRS') and International Financial Reporting Standards.

In our opinion, the supplementary information (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) that is required to be disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the 'Order') and is included within notes 12, 19, 27, 28, 29, 31, 32 and 34 of the disclosure statement:

- i. presents fairly the matters to which it relates;
- ii. is disclosed in accordance with those schedules; and
- iii. has been prepared, in all material respects, in accordance with any conditions of registration relating to the disclosure requirements, imposed under section 74(4)(c) of the Banking (Prudential Supervision) Act 1989 and any conditions of registration.

We have audited the accompanying consolidated financial statements and supplementary information (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) which comprise:

- the consolidated statement of financial position as at 31 March 2024;
- the consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended;
- notes, including material accounting policy information and other explanatory information; and
- the information that is required to be disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order.

Basis for opinion

We conducted our Audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the banking group in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISA (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) section of our report.

Our firm has also provided other services to the banking group in relation to review of the banking group's half-year disclosure statement, limited assurance engagement of the Capital Adequacy and Regulatory Liquidity disclosures, agreed upon procedures and trustee reporting for the two Trust subsidiaries and reasonable assurance for the Co-operative Life Limited's solvency return. Subject to certain restrictions, partners and employees of our firm may also deal with the banking group on normal terms within the ordinary course of trading activities of the business of the banking group. These matters have not impaired our independence as auditor of the banking group. The firm has no other relationship with, or interest in, the banking group.

Independent Auditor's Report *continued*

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Provision for credit impairment (31 March 2024: \$9.6 million, 31 March 2023: \$9.5 million)	
<i>Refer to Note 12 to the disclosure statement.</i> The expected credit loss provision is a key audit matter owing to the financial significance of the loans and advances and the high degree of judgement and complexity involved in estimating the provision for credit impairment. The banking group's provision for credit impairment comprises a collective provision and to a lesser extent an individual provision. For the collective provision an Expected Credit Loss (ECL) model is used. Judgement is required to incorporate a forward-looking economic view in the estimation of the ECL. An overlay adjustment to the ECL model result is made to address known ECL model limitations. The disruption to the macro-economic environment has continued as the New Zealand economy adjusts to the interest rate rises and inflationary pressure. The result is the judgements and complexity involved in estimating the provision remain heightened and there is continuing uncertainty in the banking group's assessment of ECL.	Our audit procedures included: • Testing of key controls relating to the bank's lending, credit review and loan monitoring processes, including testing the approval of new lending facilities, arrears, monitoring of loans in arrears and model approval process. Provision estimated for the loan portfolio as a whole (collective provision) • Assessing the bank's methodology used in the expected credit loss (ECL) to calculate the provision against the requirements of NZ IFRS 9: Financial Instruments ("NZ IFRS 9"); • Involving specialists to review the banking group's ECL model which uses loan Probability of Default (PDs) and loan Loss Given Default (LGDs), forward-looking macro-economic information and the banking group's definition of a Significant Increase in Credit Risk (SICR); • Assessing the requirement for and challenge the key assumptions in the banking group's overlay adjustment included in the ECL and the completeness of overlay adjustments. • Performed benchmark analysis for peer banks; • Assessing the bank's disclosures in the financial statements and specifically the disclosure of the impact on the bank's determination of its ECL at balance date; and • Assessing the bank's significant accounting policies and disclosures in the financial statements against the requirements of the accounting standards

Independent Auditor's Report *continued*

The key audit matter	How the matter was addressed in our audit
Application of hedge accounting <i>Refer to Note 15 to the disclosure statement.</i> The banking group enters into derivatives (interest rate swaps) to manage its interest rate risk. Cash flow hedge accounting is applied to swaps taken out to hedge floating rate loans and funding. In the prior year the rapidly changing interest rate environment has meant that the New Zealand retail interest rates have not moved in step with benchmark interest rates and term deposit rates have been below the benchmark interest rates. This divergence creates heightened risk of hedges not demonstrating an effective hedge relationship in order to qualify for hedge accounting and a greater level of ineffectiveness being recognised on those hedges that do continue to meet the requirements for hedge accounting. As a result, the banking group could experience significant volatility in the Income Statement from changes in the fair value of the derivatives. Due to the complexity of hedge accounting (including capacity testing) which increased in the current interest rate environment, we consider this to be a key audit matter.	Our audit procedures included: • Reviewing the banking group's accounting policies related to financial instruments. • Agreeing the terms of the derivatives to the confirmation provided by the derivative counterparty. • Using our hedge accounting and valuation specialists we: – independently recalculated the fair value of all derivatives recorded by the banking group. – tested management's assumptions in relation to hedge capacity to determine if there is a sufficient level of floating rate loans and funding in order for the derivatives to be designated in hedge relationships. • assessed the methodology and approach applied by management in determining hedge effectiveness and tested, on a sample basis, management's effectiveness calculations.
Operation of IT systems and controls The banking group is heavily dependent on IT systems for the processing and recording of a large volume of transactions each day, as well as other core banking activity. Given this, we seek to place reliance on IT systems, automated controls, and system generated reports. The ability to rely on IT is dependent on the bank's General IT environment being designed, implemented, and operating effectively. This includes controls relevant to system changes and development, IT operations, developer and user access controls.	Our audit procedures, for the bank, included, amongst others: • Gaining an understanding of business processes, key controls, and IT systems relevant to our planned audit approach; • Testing the design and operating effectiveness of the General IT control environment, including core banking IT systems, in-scope automated controls, and in-scope reports; and • Evaluating General IT controls relevant to IT system changes, IT operations, developer and user access controls.

Other information

The Directors, on behalf of the banking group, are responsible for the other information included in the bank's consolidated disclosure statement and Annual Report. Other information includes the report to the shareholders, governance and information to be included in the disclosure statement in accordance with Schedule 2 of the Order. Our opinion on the consolidated disclosure statement does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated disclosure statement our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated disclosure statement or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report *continued*

Responsibilities of Directors for the consolidated financial statements and supplementary information (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements)

The Directors, on behalf of the bank, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with Clause 24 of the Order, NZIFRS and International Financial Reporting Standards;
- the preparation and fair presentation of supplementary information (excluding the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements), in accordance with Schedules 2, 4, 7, 13, 14, 15 and 17 of the Order;
- implementing necessary internal control to enable the preparation of consolidated financial statements that are fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and supplementary information (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements)

Our objective is:

- to obtain reasonable assurance about whether the consolidated disclosure statement, including the financial statements prepared in accordance with Clause 24 of the Order, and supplementary information (excluding the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements), in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

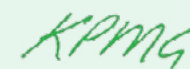
Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the [External Reporting Board \(XRB\) website](#). This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Peter Taylor.

For and on behalf of



KPMG
Wellington
24 May 2024

Independent Limited Assurance Report

To the Shareholders of the Co-operative Bank Limited

Conclusion on the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements

Based on our limited assurance conclusion, which is not a reasonable assurance engagement or audit, nothing has come to our attention that would lead us to believe that the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements, disclosed in note 36 to the disclosure statement, is not, in all material respects disclosed in accordance with Schedule 9 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the 'Order').

We have reviewed the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements, as disclosed in note 36 of the disclosure statement for the year ended 31 March 2024. The supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements comprises the information that is required to be disclosed in accordance with Schedule 9 of the Order.

Standards we followed

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements other than audits or reviews of historical financial information* and Standard on Assurance Engagements SAE 3100 (Revised) *Assurance Engagements on Compliance*. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In accordance with those standards:

- used our professional judgement to plan and perform the engagement to obtain limited assurance that the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements is free from material misstatement and non-compliance, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on the effectiveness of these controls; and
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

How to interpret limited assurance and material misstatement and non-compliance

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of discussion and enquiries of management and others within the entity, as appropriate, and observation and walk-throughs, and evaluates the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of material misstatement and non-compliance with Schedule 9 of the Order is likely to arise.

The procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Misstatements, including omissions, within the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements and non-compliance are considered material if, individually or in the aggregate, they could reasonably be expected to influence the relevant decisions of the intended users taken on the basis of the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error or non-compliance with compliance requirements may occur and not be detected.

A limited assurance engagement for the year ended 31 March 2024 does not provide assurance on whether compliance with the with Schedule 9 of the Order will continue in the future.

Restriction of distribution and use

Our report is made solely for the bank's shareholders. Our assurance work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the assurance report and for no other purpose.

To the fullest extent permitted by law, none of KPMG, any entities directly or indirectly controlled by KPMG, or any of their respective members or employees accept or assume any responsibility and deny all liability to any party other than the shareholders for our work, for this independent limited assurance report, and/or for the conclusions we have reached.

Independent Limited Assurance Report continued

Director's responsibility for the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements

The Directors are responsible for the preparation of supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements that is required to be disclosed in accordance with Schedule 9 of the Order, which the Directors have determined to meet the needs of the recipients. This responsibility includes such internal control as the Directors determine is necessary to enable the preparation of the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements that is free from material misstatement and non-compliance whether due to fraud or error.

Our responsibility

Our responsibility is to express a conclusion to The Co-operative Bank Limited on whether anything has come to our attention that the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements has not, in all material respects, been prepared in accordance with Schedule 9 of the Order for the year ended 31 March 2024.

Our independence and quality control

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our firm has also provided other services to the banking group in relation to review of the half-year disclosure statement, agreed upon procedures and trustee reporting for the subsidiary Trusts and reasonable assurance for the Co-operative Life Limited's solvency return. Subject to certain restrictions, partners and employees of our firm may also deal with the banking group on normal terms within the ordinary course of trading activities of the business of the banking group. These matters have not impaired our independence as assurance providers of the banking group for this engagement. The firm has no other relationship with, or interest in, the banking group.



KPMG
Wellington
24 May 2024

Additional Disclosure Statement Disclosures

Priority of creditors' claims

As at 31 March 2024, all deposits made by customers of Co-op Bank rank equally with other unsecured and unsubordinated creditors (other than holders of subordinated notes) and behind creditors given priority by law. On liquidation of Co-op Bank, the priority of claims of holders of subordinated notes would rank after all other creditors of Co-op Bank.

As at 31 March 2024, the Securitisation Trusts have granted a prior charge over their assets to secure funding provided to the Securitisation Trusts (see Note 18). The priority of claims of creditors of Co-op Bank is not affected by the prior charge granted by each Securitisation Trust. Each Securitisation Trust's assets and funding are recognised as part of Co-op Bank's assets and liabilities for accounting purposes only and do not form part of the assets and liabilities of Co-op Bank that would be available for distribution to its creditors.

Guarantee arrangements

There are no guarantees applicable to the Banking Group as at 31 March 2024.

Directors

At the Annual General Meeting on 2 August 2023, existing Directors Brett Sutton and Helen van Orton retired by rotation and were re-elected as Directors.

On 1 February 2024, Keiran Horne was appointed Director of Co-op Bank and member of the Audit Committee.

All Directors of Co-op Bank reside in New Zealand and are independent non-executive Directors. All communications to the Directors can be sent to Co-op Bank, P.O. Box 54, Wellington 6140. The Directors' names, occupations, qualifications and interests as at 31 March 2024 are listed opposite:

Sarah Haydon BSc, FCA, FInstD <i>Company Director</i>	• The Boardroom Practice Limited (Associate) • R&E Seelye Charitable Trust (Trustee) • Sarah Haydon Trust Company Limited (Director and Shareholder)
Clayton Wakefield BSc (Computer Science), GradDip Mgmt, CMIInstD <i>Company Director</i>	• Co-operative Life Limited (Director) • Wakefield and Walsh Limited (Director and Shareholder) • Wakefield Walsh Family Trust (Trustee) • Wakefield Family Trust (Trustee) • Auckland Branch Institute of Directors (Committee Member / Chartered Fellow) • Te Araroa Auckland Tamaki Makaurau Trust (Chair / Trustee)
Brett Sutton BCA <i>Company Director</i>	• Stevenson Group Limited (Director and Chairman) • Stevenson Holdings Limited (Director) • Stevenson Agriculture Limited (Director) • Drury South Limited (Director) • Cloudview Holdings Limited (Director) • Woolyarns Holdings Limited (Director and Chair) • Woolyarns Limited (Director) • Medical Mortgages Limited (Director) • Medasoty Securities Limited (Director and Shareholder) • Mint Asset Management Limited (Director and Chairman) • Medical Assurance Society New Zealand Limited (Director, Chair and Shareholder) • Medical Insurance Society Limited (Director) • Medical Life Assurance Society Limited (Director) • Medical Funds Management Limited (Director) • Medical Pensions Limited (Director) • Medical Insurance Limited (Director) • H J Asmuss & Co Limited (Director) • Amplifi Group Limited (Director and Chair) • The Reddy Group Family Office (Chair Investment Committee) • Ricketts Family Board (Advisory Director) • Datacom Group Limited (Director)

Additional Disclosure Statement Disclosures *continued*

Nicky Ashton <i>Company Executive</i>	Accenture New Zealand (Managing Director)
Helen van Orton BSc (Hons), DipM, MInstD <i>Company Director</i>	- Co-operative Life Limited (Director) - HVO Investments Limited (Director and Shareholder) - The Human Resources Institute of New Zealand (Director and Chair) - Centrix Group Limited (Director) - Belle of the Ball (Co-founder and Director) - Directorly (CEO)
David Smol M-Phil Economics (Cambridge UK), BA Economics (Warwick UK), MInstD <i>Company Director</i>	- Contact Energy Limited (Director) - Waka Kotahi (NZTA) (Board member) - Victoria Link Limited (Wellington UniVentures) (Chair) - Rimu Rd Consulting (Director and Shareholder) - Department of Internal Affairs – External Advisory Committee (Chair) - Ministry of Social Development – Risk and Audit Committee (Chair) - Ministry of Housing and Urban Development – Strategic Advisory Committee (Director) - The Institute of Geological and Nuclear Sciences Limited (Chair)
Keiran Horne BCom, Management <i>Company Director</i>	- Enable Network Services Limited and subsidiaries (Director) - University of Canterbury (Council Member) - Quayside Holdings Limited and subsidiaries (Director) - ScreenSouth Limited (Chair) - Hamilton City Council – Strategic Risk and Assurance Committee (Independent Chair) - Horne Wildbore (Trustee and Beneficiary) - AJ & MJ Horne Family Trust (Trustee)

Interested transactions

There have been no transactions between any Director (or any immediate relative or close business associate of any Director) and Co-op Bank, or any member of the Banking Group during the current reporting period, which:

- Have been entered into on terms other than those which would, in the ordinary course of business of Co-op Bank or any member of the Banking Group, be given to any other person of like circumstances or means; or
- Could otherwise be reasonably likely to influence materially the exercise of the Director's duties.

Audit Committee

Co-op Bank has a separate Board Committee covering assurance related matters known as the Audit Committee. Members of the Audit Committee as at the date of this Disclosure Statement are as follows:

- Brett Sutton (Chair) – Independent Non-Executive Director;
- Sarah Haydon – Independent Non-Executive Director;
- David Smol – Independent Non-Executive Director; and
- Keiran Horne – Independent Non-Executive Director.

Conflicts of Interest policy

The policy of the Board for avoiding or dealing with conflicts of interest which may arise from personal, professional or business interests of the Directors, is that a Director, after becoming aware of the fact that they have an interest in a transaction or proposed transaction with Co-op Bank, shall disclose to the Board and cause to be entered in the interests register:

- The nature and monetary value of the Director's interest in a transaction (if its monetary value is able to be quantified); or
- The nature and extent of the Director's interest in a transaction (if its monetary value is not able to be quantified).

Independent Auditor

KPMG
44 Bowen Street
Wellington

Additional Disclosure Statement Disclosures *continued*

Conditions of Registration

The Conditions of Registration imposed on the Bank by the Reserve Bank of New Zealand ("Reserve Bank") pursuant to section 74 of the Reserve Bank of New Zealand Act 1989, and which apply to the Bank on and after 1 October 2023 are as follows:

1. That—
 - a. the Total capital ratio of the banking group is not less than 8%;
 - b. the Tier 1 capital ratio of the banking group is not less than 6%;
 - c. the Common Equity Tier 1 capital ratio of the banking group is not less than 4.5%;
 - d. the Total capital of the banking group is not less than \$30 million.

For the purposes of this condition of registration,—

"Total capital ratio", "Tier 1 capital ratio", and "Common Equity Tier 1 capital ratio" have the same meaning as in Subpart B2 of BPR100: Capital Adequacy;

"Total capital" has the same meaning as in BPR110: Capital Definitions.

- 1A. That —
 - a. the bank has an internal capital adequacy assessment process ("ICAAP") that accords with the requirements set out in Part D of BPR100: Capital Adequacy;
 - b. under its ICAAP the bank identifies and measures its "other material risks" defined in Part D of BPR100: Capital Adequacy; and

- c. the bank determines an internal capital allocation for each identified and measured "other material risk".

- 1B. That, if the Prudential Capital Buffer (PCB) ratio of the banking group is 2.5% or less, the bank must—

- a. according to the following table, limit the aggregate distributions of the bank's earnings, other than discretionary payments payable to holders of Additional Tier 1 capital instruments, to the percentage limit on distributions that corresponds to the banking group's PCB ratio; and

Banking group's PCB ratio	Percentage limit on distributions of the bank's earnings	Capital Buffer Response Framework stage
0% – 0.50%	0%	Stage 3
> 0.50% – 1.00%	30%	Stage 2
> 1.00% – 2.00%	60%	Stage 1
> 2.00% – 2.5%	100%	None

- b. comply with the Capital Buffer Response Framework requirements as set out in Part D of BPR120: Capital Adequacy Process Requirements

For the purposes of this condition of registration,—

"prudential capital buffer ratio", "distributions", and "earnings" have the same meaning as in Subpart B2 of BPR100: Capital Adequacy;

an Additional Tier 1 capital instrument is an instrument that meets the

requirements of B2.2(2)(a), (c) or (d) of BPR110: Capital Definitions.

- 1BA. That the bank must not make any distribution on a transitional AT1 capital instrument on or after the date on which on any conversion or write-off provision in the terms and conditions of the instrument is triggered due to either a loss absorption trigger event or a non-viability trigger event.

For the purposes of this condition of registration, "transitional AT1 capital instrument" has the meaning given in section A2.3 of BPR110: Capital Definitions and "loss absorption trigger event" and "non-viability trigger event" have the meanings given in sub-section C2.2(3) of BPR120: Capital Adequacy Requirements.

- 1C. That:
 - a. the bank must not include the amount of an Additional Tier 1 capital instrument or Tier 2 capital instrument issued on or after 1 July 2021 in the calculation of its capital ratios unless it has completed the notification requirements in Part B of BPR120: Capital Adequacy Process Requirements in respect of the instrument; and
 - b. the bank meets the requirements of Part C of BPR120: Capital Adequacy Process Requirements in respect of regulatory capital instruments.

For the purposes of this condition of registration,—

an Additional Tier 1 capital instrument is an instrument that meets the

requirements of subsection B2.2(2)(a) or (c) of BPR110: Capital Definitions;

a Tier 2 capital instrument is an instrument that meets the requirements of subsection B3.2(2)(a) or (c) of BPR110: Capital Definitions.

2. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities.

In this condition of registration, the meaning of "material" is based on generally accepted accounting practice.

3. That the banking group's insurance business is not greater than 1% of its total consolidated assets.

For the purposes of this condition of registration, the banking group's insurance business is the sum of the following amounts for entities in the banking group:

- a. if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and
- b. if the entity conducts insurance business and its business does not predominantly consist of insurance business and the entity is not a subsidiary of another entity in the banking group whose business

Additional Disclosure Statement Disclosures *continued*

predominantly consists of insurance business, the amount of the insurance business to sum is the total liabilities relating to the entity's insurance business plus the equity retained by the entity to meet the solvency or financial soundness needs of its insurance business.

In determining the total amount of the banking group's insurance business—

- a. all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and
- b. if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

For the purposes of this condition of registration,—

“insurance business” means the undertaking or assumption of liability as an insurer under a contract of insurance;

“insurer” and “contract of insurance” have the same meaning as provided in sections 6 and 7 of the Insurance (Prudential Supervision) Act 2010.

4. From 1 October 2023 the bank must comply with all the requirements set out in the following document: BS8 Connected Exposures 1 October 2023, except as noted below.
 - i. The requirements in para A.3(1) to A.3(12) do not take effect until 1 April 2024.

- ii. From 1 October 2023 to 31 March 2024 the bank must apply the definition of connected person set out in 4(e) to 4(g) of the BS8 Connected Exposures document dated 1 October 2021.

- 4A. That the aggregate credit exposures of the banking group to all connected persons must not exceed the rating-contingent limit outlined in the following matrix at the end of each working day at all times.

Credit rating of the Bank*	Connected exposure limit (% of the Banking Group's Tier 1 capital)
AA/Aa2 and above	75
AA-/Aa3	70
A+/A1	60
A/A2	40
A-/A3	30
BBB+/Baa1 and below	15

* This table uses the rating scales of Standard & Poor's, Fitch Ratings and Moody's Investors Service. (Fitch Ratings' scale is identical to Standard & Poor's)

- 4B. That full year disclosure statements are prepared on the basis that clause 6(2)(b), Schedule 14 of the Order does not apply. For the purposes of this condition of registration, “Order” means the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014, and “disclosure statement” means a disclosure statement to be prepared under the Order.

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

6. That the bank complies with the following corporate governance requirements:

- a. the board of the bank must have at least five directors;
- b. the majority of the board members must be non-executive directors;
- c. at least half of the board members must be independent directors;
- d. an alternate director,—
 - i. for a non-executive director must be non-executive; and
 - ii. for an independent director must be independent;
- e. at least half of the independent directors of the bank must be ordinarily resident in New Zealand;
- f. the chairperson of the board of the bank must be independent; and
- g. the bank's constitution must not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the bank).

For the purposes of this condition of registration, “non-executive” and “independent” have the same meaning as in the Reserve Bank of

New Zealand document entitled “Corporate Governance” (BS14) dated July 2014.

7. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, is made in respect of the bank unless:

- a. the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
- b. the Reserve Bank has advised that it has no objection to that appointment.

8. That a person must not be appointed as chairperson of the board of the bank unless:

- a. the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
- b. the Reserve Bank has advised that it has no objection to that appointment.

9. That the bank has a board audit committee, or other separate board committee covering audit matters, that meets the following requirements:

- a. the mandate of the committee must include: ensuring the integrity of the bank's financial controls, reporting systems and internal audit standards;
- b. the committee must have at least three members;
- c. every member of the committee must be a non-executive director of the bank;

Additional Disclosure Statement Disclosures *continued*

- d. the majority of the members of the committee must be independent; and
- e. the chairperson of the committee must be independent and must not be the chairperson of the bank.

For the purposes of this condition of registration, “non-executive” and “independent” have the same meaning as in the Reserve Bank of New Zealand document entitled “Corporate Governance” (BS14) dated July 2014.

- 10. That a substantial proportion of the bank’s business is conducted in and from New Zealand.
- 11. That the banking group complies with the following quantitative requirements for liquidity-risk management:
 - a. the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;
 - b. the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day; and
 - c. the one-year core funding ratio of the banking group is not less than 75 per cent at the end of each business day.

For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled “Liquidity Policy” (BS13) dated July 2022 and “Liquidity Policy Annex: Liquid Assets” (BS13A) dated July 2022.

- 12. That the bank has an internal framework for liquidity risk management that is adequate in the bank’s view for managing the bank’s liquidity risk at a prudent level, and that, in particular:
 - a. is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;
 - b. identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;
 - c. identifies the principal methods that the bank will use for measuring, monitoring and controlling liquidity risk; and
 - d. considers the material sources of stress that the bank might face, and prepares the bank to manage stress through a contingency funding plan.

- 13. That no more than 10% of total assets may be beneficially owned by a SPV.
For the purposes of this condition,—
“total assets” means all assets of the banking group plus any assets held by any SPV that are not included in the banking group’s assets:
“SPV” means a person—
 - a. to whom any member of the banking group has sold, assigned, or otherwise transferred any asset;
 - b. who has granted, or may grant, a security interest in its assets for the benefit of any holder of any covered bond; and
 - c. who carries on no other business except for that necessary or incidental

to guarantee the obligations of any member of the banking group under a covered bond:

“covered bond” means a debt security issued by any member of the banking group, for which repayment to holders is guaranteed by a SPV, and investors retain an unsecured claim on the issuer.

- 14. That —
 - a. no member of the banking group may give effect to a qualifying acquisition or business combination that meets the notification threshold, and does not meet the non-objection threshold, unless:
 - i. the bank has notified the Reserve Bank in writing of the intended acquisition or business combination and at least 10 working days have passed; and
 - ii. at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document “Significant Acquisitions Policy” (BS15) dated December 2011; and
 - b. no member of the banking group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold unless:
 - i. the bank has notified the Reserve Bank in writing of the intended acquisition or business combination;

- ii. at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document “Significant Acquisitions Policy” (BS15) dated December 2011; and

- iii. the Reserve Bank has given the bank a notice of non-objection to the significant acquisition or business combination.

For the purposes of this condition of registration, “qualifying acquisition or business combination”, “notification threshold” and “non-objection threshold” have the same meaning as in the Reserve Bank of New Zealand Banking Supervision Handbook document “Significant Acquisitions Policy” (BS15) dated December 2011.

- 15. That the bank is pre-positioned for Open Bank Resolution and in accordance with a direction from the Reserve Bank, the bank can—
 - a. close promptly at any time of the day and on any day of the week and that effective upon the appointment of the statutory manager—
 - i. all liabilities are frozen in full; and
 - ii. no further access by customers and counterparties to their accounts (deposits, liabilities or other obligations) is possible;

Additional Disclosure Statement Disclosures *continued*

- b. apply a *de minimis* to relevant customer liability accounts;
- c. apply a partial freeze to the customer liability account balances;
- d. reopen by no later than 9am the next business day following the appointment of a statutory manager and provide customers access to their unfrozen funds;
- e. maintain a full freeze on liabilities not pre-positioned for open bank resolution; and
- f. (reinstate customers' access to some or all of their residual frozen funds.

For the purposes of this condition of registration, "*de minimis*", "partial freeze", "customer liability account", and "frozen and unfrozen funds" have the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated June 2022.

16. That the bank has an Implementation Plan that—
 - a. is up-to-date; and
 - b. demonstrates that the bank's prepositioning for Open Bank Resolution meets the requirements set out in the Reserve Bank document: "Open Bank Resolution Pre-positioning Requirements Policy" (BS17) dated June 2022.

For the purposes of this condition of registration, "Implementation Plan" has the same meaning as in the Reserve Bank of

New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated June 2022.

17. That the bank has a compendium of liabilities that—
 - a. at the product-class level lists all liabilities, indicating which are—
 - i. pre-positioned for Open Bank Resolution; and
 - ii. not pre-positioned for Open Bank Resolution;
 - b. is agreed to by the Reserve Bank; and
 - c. if the Reserve Bank's agreement is conditional, meets the Reserve Bank's conditions.

For the purposes of this condition of registration, "compendium of liabilities", and "pre-positioned and non pre-positioned liabilities" have the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated June 2022.

18. That on an annual basis the bank tests all the component parts of its Open Bank Resolution solution that demonstrates the bank's prepositioning for Open Bank Resolution as specified in the bank's Implementation Plan.

For the purposes of this condition of registration, "Implementation Plan" has the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning

Requirements Policy" (BS17) dated June 2022.

19. That, for a loan-to-valuation measurement period ending on or after 30 November 2023, the total of the bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 65%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.
20. That, for a loan-to-valuation measurement period ending on or after 30 November 2023, the total of the bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 15% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.
21. That the bank must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the registered bank's agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.

In these conditions of registration,—

"banking group" means The Co-operative Bank Limited (as reporting entity) and all other entities included in the group as defined in section 6(1) of the Financial Markets Conduct Act 2013 for the purposes of Part 7 of that Act.

"generally accepted accounting practice" has the same meaning as in section 8 of the Financial Reporting Act 2013.

In these conditions of registration, the version dates of the Reserve Bank of New Zealand Banking Prudential Requirement (BPR) documents that are referred to in the capital adequacy conditions 1 to 1C, or are referred to in turn by those documents or by Banking Supervision Handbook (BS) documents, are—

- BPR100: Capital adequacy
1 October 2021
- BPR110: Capital definitions
1 October 2023
- BPR120: Capital adequacy process requirements
1 October 2023
- BPR130: Credit risk RWAs overview
1 October 2023
- BPR131: Standardised credit risk RWAs
1 October 2023
- BPR132: Credit risk mitigation
1 October 2023
- BPR133: IRB credit risk RWAs
1 October 2023
- BPR134: IRB minimum system requirements
1 July 2021
- BPR140: Market risk exposure
1 October 2021

Additional Disclosure Statement Disclosures *continued*

BPR150: Standardised operational risk
1 July 2021

BPR151: AMA operational risk
1 July 2021

BPR160: Insurance, securitisation, and
loan transfers 1 July 2021

BPR001: Glossary 1 October 2023

In conditions of registration 19 to 21,—
“loan-to-valuation ratio”, “non
property-investment residential
mortgage loan”, “property-investment
residential mortgage loan”, “qualifying
new mortgage lending amount
in respect of property-investment
residential mortgage loans”,
“qualifying new mortgage lending
amount in respect of non property-
investment residential mortgage
loans”, and “residential mortgage
loan” have the same meaning as in
the Reserve Bank of New Zealand
document entitled “Framework for
Restrictions on High-LVR Residential
Mortgage Lending” (BS19) dated
October 2021:

“loan-to-valuation measurement
period” means a period of six calendar
months ending on the last day of the
sixth calendar month.

Changes in Conditions of Registration since 30 September 2023

Effective 1 October 2023, the Bank’s
conditions of registrations were amended to:

- change condition 4 following the
update of the BS8 Connected Exposures
policy with conditions 4A and 4B being
introduced.
- Change the version dates for the Banking
Prudential Requirement documents.

Pending proceedings or arbitration

There are no pending proceedings that
may have a material adverse effect on
Co-op Bank or any other member of the
Banking Group.

Credit rating

As at 31 March 2024 and up to the date
of signing this Disclosure Statement,
Co-op Bank was rated BBB (outlook
positive) by Fitch Ratings (“Fitch”).
The BBB issuer rating is applicable to
Co-op Bank’s long-term senior unsecured
obligations. Co-op Bank’s subordinated
debt is rated BB+.

The credit rating outlook was revised to
positive in July 2021. There have been no
other changes to the credit rating in the
two years prior to signing date.

The following is a summary of the
descriptions of the major ratings categories
of each rating agency for the rating of long-
term senior unsecured obligations. Credit
ratings from Fitch and S&P may be modified
by the addition of a plus or minus sign to
show relative status within the major rating
categories opposite.

Fitch Ratings	Standard & Poor’s	Moody’s Investors Service	Description of Grade
AAA	AAA	Aaa	Ability to repay principal and interest is extremely strong. This is the highest investment category.
AA	AA	Aa	Very strong ability to repay principal and interest in a timely manner.
A	A	A	Strong ability to repay principal and interest although somewhat susceptible to adverse changes in economic, business or financial conditions.
BBB	BBB	Baa	Adequate ability to repay principal and interest. More vulnerable to adverse changes.
BB	BB	Ba	Significant uncertainties exist which could affect the payment of principal and interest on a timely basis.
B	B	B	Greater vulnerability and therefore greater likelihood of default.
CCC	CCC	Caa	Likelihood of default considered high. Timely repayment of principal and interest is dependent on favourable financial conditions.
CC – C	CC – C	Ca – C	Highest risk of default.
RD to D	D	–	Obligations currently in default.

Additional Disclosure Statement Disclosures *continued*

Insurance business, securitisation, and marketing and distribution of insurance products

Insurance business

The Banking Group markets and distributes life insurance products through its wholly owned subsidiary company, Co-op Life. On 25 March 2013, Co-op Life obtained its Licence to carry on insurance business in New Zealand under the Insurance

(Prudential Supervision) Act 2010 from the Reserve Bank of New Zealand. Co-op Life's assets are managed and accounted for separate to Co-op Bank's assets.

The total assets of Co-op Life calculated under condition number 3 of the Conditions of Registration as at 31 March 2024 were \$15.9 million (2023: \$15.6 million) which is 0.46% of the total assets of the Banking Group (2023: 0.47%).

More details of Co-op Life's insurance business are stated in Note 19 of the financial statements.

As at 31 March 2024 and up until the date of the signing this Disclosure Statement, Co-op Life had a financial strength rating of B++ (outlook stable) and an issuer credit rating of bbb+ (outlook stable) issued by A.M. Best Company Inc ("A.M. Best"). The ratings were re-affirmed on 8 September 2023.

Following is a summary of the descriptions of A.M. Best's Financial Strength Rating:

Rating	Descriptor	Definition
A++, A+	Superior	Superior ability to meet on-going insurance obligations.
A, A-	Excellent	Excellent ability to meet on-going insurance obligations.
B++, B	Good	Good ability to meet on-going insurance obligations.
B, B-	Fair	Fair ability to meet on-going insurance obligations. Financial strength is vulnerable to adverse changes in underwriting economic conditions.
C++, C+	Marginal	Marginal ability to meet on-going insurance obligations. Financial strength is vulnerable to adverse changes in underwriting economic conditions.
C, C-	Weak	Weak ability to meet on-going insurance obligations. Financial strength is very vulnerable to adverse changes in underwriting economic conditions.
D	Poor	Poor ability to meet on-going insurance obligations. Financial strength is extremely vulnerable to adverse changes in underwriting economic conditions.
E	Under Regulatory Supervision	Companies (and possible subsidiaries/affiliates) placed under a significant form of regulatory supervision, control or restraint.
F	In Liquidation	In liquidation by court of law or by a forced liquidation.
S	Suspended	Sudden and significant events affect balance sheet strength or operating performance and rating implications cannot be evaluated due to lack of timely or relevant information.

Following is a summary of the descriptions of A.M. Best's Issuer Credit Rating:

Rating	Descriptor	Definition
aaa	Exceptional	Exceptional ability to meet on-going senior financial obligations.
aa	Superior	Superior ability to meet on-going senior financial obligations.
a	Excellent	Excellent ability to meet on-going senior financial obligations.
bbb	Good	Good ability to meet on-going senior financial obligations.
bb	Fair	Fair ability to meet on-going senior financial obligations. Financial strength is vulnerable to adverse changes in underwriting economic conditions.
b	Marginal	Marginal ability to meet on-going senior financial obligations. Financial strength is vulnerable to adverse changes in underwriting economic conditions.
ccc, cc	Weak	Weak ability to meet on-going senior financial obligations. Financial strength is very vulnerable to adverse changes in underwriting economic conditions.
c	Poor	Poor ability to meet on-going senior financial obligations. Financial strength is extremely vulnerable to adverse changes in underwriting economic conditions.
rs	Regulatory Supervision/	Companies (and possible subsidiaries/affiliates) placed under a significant form of regulatory supervision, control or restraint or in liquidation by court of law or by a forced liquidation

Additional Disclosure Statement Disclosures *continued*

Securitisation

As at 31 March 2024, the Banking Group had securitised assets amounting to \$658.2 million (2023: \$686.7 million). These assets were sold to the Warehouse Trust and the Co-op RMBS Trust (collectively referred to as "the Trusts"). The Trusts are special purpose vehicles established for the purpose of purchasing qualifying residential mortgages from Co-op Bank and are funded through wholesale funding lines. Co-op Bank provides subordinated funding lines to the Warehouse Trust and has acquired both the Class A and Class B bonds from the three series of bonds issued by the Co-op RMBS Trust. The securitised assets remain on Co-op Bank's balance sheet, because Co-op Bank retains a continuing involvement in the transferred assets (funding, liquidity and credit risk remains with Co-op Bank).

AMAL New Zealand Limited is the Trust Manager and Co-op Bank is the servicer of the Trusts. Co-op Bank received an excess servicing fee of \$20.1 million from the Trusts for services provided during the year ended 31 March 2024 (2023: \$23.0 million).

The income and final beneficiary of the Warehouse Trust is the Wellington Free Ambulance. For the Co-op RMBS Trust 2017-1 bond series it is the Graeme Dingle Foundation, The Good Registry Trust for the 2019-1 series and the KidsCan Charitable Trust for the 2021-1 Series. AMAL New Zealand Limited has appointed Co-op Bank to perform certain parts of the Trust Manager's role as its attorney.

The Trusts do not meet the definition of an "SPV" as per condition 13 of the Conditions of Registration.

The Banking Group's arrangements in conducting the securitisation activities

The Banking Group has in place policies and procedures to ensure that the securitisation activities identified above are conducted in an appropriate manner. The Banking Group considers that these policies and procedures will ensure that any difficulties arising from these activities will not adversely impact the Banking Group. The policies and procedures include formal and regular review of operations and policies by management and internal auditors, as well as appropriate hedging arrangements. Further information on the Banking Group's risk management policies and practices are disclosed in the Financial Risk Management section of the Financial Statements (see Note 27).

Other material matters

Co-op Bank's Directors are of the opinion that there are no other matters relating to the business or affairs of Co-op Bank or the Banking Group that are not contained elsewhere in this Disclosure Statement and which would, if disclosed, materially affect the decision of a person to subscribe for debt securities of which Co-op Bank or any member of the Banking Group is the issuer. ∞

Directors' Statement

Each Director of The Co-operative Bank states that he or she believes, after due enquiry, that:

As at the date on which this Disclosure Statement is signed:

- a. The Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended); and
- b. The Disclosure Statement is not false or misleading.

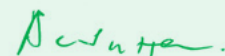
For the year ended 31 March 2024:

- a. The Registered Bank has complied with all conditions of registration that applied during that period;
- b. Credit exposures to connected persons (if any) were not contrary to the interests of the Banking Group; and
- c. Except as disclosed in note 25 credit commitments and contingent liabilities, the Registered Bank had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied. ∞

This Disclosure Statement is dated 24 May 2024 and has been signed by all of the Directors:



Sarah Haydon



Brett Sutton



Clayton Wakefield



Nicky Ashton



Helen van Orton



David Smol



Keiran Horne

Additional Disclosure Statement Disclosures *continued*

1. Co-operative status

On 16 May 2024, the Directors of Co-op Bank resolved that Co-op Bank was a co-operative company within the meaning of the Co-operative Companies Act 1996 throughout the financial year ended 31 March 2024 on the grounds that throughout that period:

- Co-op Bank provided financial and investment services to its shareholders as its principal activity, which is a co-operative activity as defined in the Co-operative Companies Act 1996;
- The constitution of Co-op Bank states that its principal activity is to provide financial and investment services to its shareholders; and
- All the voting rights of Co-op Bank were held by transacting shareholders as that term is defined in the Co-operative Companies Act 1996.

2. Employees' remuneration

Remuneration and other benefits in excess of \$100,000 per annum were paid to 153 employees in the following remuneration brackets:

Remuneration	Number of Employees 31 March 2024
\$100,000 to \$109,999	31
\$110,000 to \$119,999	15
\$120,000 to \$129,999	23
\$130,000 to \$139,999	13
\$140,000 to \$149,999	11
\$150,000 to \$159,999	13
\$160,000 to \$169,999	12
\$170,000 to \$179,999	5
\$180,000 to \$189,999	3
\$190,000 to \$199,999	2
\$200,000 to \$209,999	3
\$210,000 to \$219,999	7
\$220,000 to \$229,999	4
\$230,000 to \$239,999	2
\$260,000 to \$269,999	1
\$310,000 to \$319,999	1
\$330,000 to \$339,999	1
\$340,000 to \$349,999	1
\$380,000 to \$389,999	1
\$390,000 to \$399,999	1
\$420,000 to \$429,999	1
\$450,000 to \$459,999	1
\$710,000 to \$719,999	1

3. Donations

No donations were made by the Banking Group during the year ended 31 March 2024 (2023: \$10,000).

4. The Co-operative Bank subsidiaries

The names of each person holding office as a Director of Co-op Life during the financial year ended 31 March 2024 were:

- Alastair Hercus
- Clayton Wakefield
- Helen van Orton
- David Kibblewhite

The following fees were paid to the Directors of Co-op Life:

	31 March 2024	31 March 2023
	\$	\$
Alastair Hercus	46,500	45,000
Clayton Wakefield	12,400	12,000
Helen van Orton	12,400	12,000
David Kibblewhite	30,000	25,000
	101,300	94,000

All Directors of Co-op Life reside in New Zealand and are independent non-executive Directors. All communications to the Directors can be sent to Co-op Bank, P.O. Box 54, Wellington 6140.

The Banking Group has purchased Directors' and Officers' Liability insurance to indemnify all Directors of Co-operative Life Limited. Co-op Life also indemnifies its Directors under a Directors' Indemnity Deed Poll. No Director received any other benefit that was additional to their total remuneration.

Additional Disclosure Statement Disclosures continued

The occupation, qualifications and interests as at 31 March 2024 for Alastair Hercus and David Kibblewhite are listed below:

Alastair Hercus LLB BA <i>Lawyer</i>	• Buddle Findlay (Consultant) • Buddle Findlay Limited (Director) • Earthquake Commission (EQC) (Commissioner) • Risk and Advisory Committee of MBIE (Chair) • Mid-Town Agency Services Limited (Director) • Capital Agency Services Limited (Director) • Findguard Investments Limited (Director) • Budfin Nominees Limited (Director and Shareholder) • Kaynemaile Limited (Shareholder) • Nutcracker Limited (Shareholder) • Invercargill Airport Limited (Director) • MG Marketing Charitable Trust (Trustee) • Fonterra Shareholders' Fund (Director)
David Kibblewhite BBus <i>Company Executive</i>	• Farmers Mutual Group (Chief Financial, Investment and Risk Officer) • Straight-Up Imagination Limited (Director and Shareholder) • Massey University Business School Advisory Board (Member) • DRK Consulting Limited (Director and Shareholder)

The interests of Clayton Wakefield and Helen van Orton that are listed in the interest register of Co-op Life are the same as those interests noted in the Directors disclosure of this Disclosure Statement, with the exception that Co-operative Life Limited is substituted with The Co-operative Bank Limited.

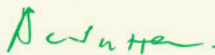
No subsidiary of Co-op Bank employed any person throughout the financial year ended 31 March 2024. ∞

Directors' Statement

This Annual Report is dated 24 May 2024 and is signed on behalf of the Board by:



Sarah Haydon,
Director



Brett Sutton,
Director



Annual Report & Disclosure Statement

For the year ending 31 March 2024