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2 October 2025

Reserve Bank of New Zealand

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2025 Review of Key Capital Settings

Thank you for the opportunity to submit The Co-operative Bank Limited's (**Co-op Bank, we, our**) views on the Reserve Bank of New Zealand's (**Reserve Bank's**) review of key capital settings (the **Consultation Paper**).

About Co-op Bank

Co-op Bank is a registered bank structured as a co-operative company under the Co-operative Companies Act 1996. While we have the characteristics of a company structure, we are customer-owned and operate as a co-operative.

Introduction

We appreciate the opportunity for consultation and support the proposed changes, which we believe will foster greater competition within the banking sector.

Our substantive feedback on the Consultation Paper has been incorporated into the joint submission provided on behalf of Co-op Bank, Heartland Bank Limited, Kiwibank Limited, SBS Bank, and TSB Bank Limited. In this individual submission, we highlight that the proposed changes will help smaller banks compete more effectively, strengthening competition in New Zealand's banking sector.

Positive Impact on Competition

As a small bank, we face many of the same overhead costs as the larger banks which creates diseconomies of scale. The existing capital settings and the existing rising capital requirements, combined with our limited sources of capital, with retained earnings as our predominant source of Tier 1 common equity, has meant that capital is a key constraint for growth. With less flexibility to raise new capital than large banks, we have needed to take a conservative approach to our capital ratios. Capital constraints limit our ability to grow, making it challenging to achieve the economies of scale necessary to compete more effectively.

The proposed capital changes will enable a more sustainable growth trajectory for Co-op Bank. By helping to mitigate the disadvantages of scale, these changes will enhance our ability to compete with the larger banks and deliver greater choice and value to New Zealand consumers.


Conclusion

We support the direction of the capital settings review. Our initial assessment is that the impacts will be positive and still retain appropriate buffers commensurate with risk in line with our internal capital assessment. There are granular components that could be modified further, which are covered in the New Zealand banks' submission. As a retail bank we note the feedback to make additional granular changes to align credit risk weighting outcomes for residential mortgage lending to ensure a level playing field with large banks. We also do not support increasing the risk weighting for unsecured personal lending to 150% as currently proposed, as it could have unintended consequences.

Thank you again for the opportunity to submit on the Consultation Paper. We look forward to reviewing the finalised capital settings when these have been agreed.

Yours sincerely

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Mark Wilshire
Chief Executive Officer
The Co-operative Bank Limited