News Release

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ANZ NZ welcomes RBNZ capital review

ANZ Bank New Zealand (ANZ NZ) today welcomed the final decisions following the capital review conducted by the Reserve Bank of New Zealand (RBNZ).

In 2019 the RBNZ decided to implement capital requirements that were significantly higher for New Zealand banks. An extra $20 billion needed to be put aside before 2028 in case of a 1-in-200-year event.

The RBNZ review has recommended going with its “option 2”, which changes the mix of the different types of capital banks are required to hold and the timing of implementation, but is a higher effective total capital requirement than the 2019 review.

ANZ NZ CEO Antonia Watson said the changes announced today would result in less upward pressure on interest rates.

“Option 2 has a different mix of capital for New Zealand banks in the future, and while the timeline isn’t confirmed it appears it will be pushed out,” Ms Watson said.

“But it also needs to be acknowledged that this option, while using a different mix and some cheaper forms of capital over a longer time frame, still requires ANZ NZ to have more than we are required to hold today.

“Our 2019 analysis showed that when fully implemented in 2028 – and in dollar terms we are only about halfway there - the old capital settings would have resulted in an extra cost on providing loans of more than 40 basis points on average.

“The RBNZ says its new capital settings will mean this extra cost on providing lending will be 7 to 19 basis points less. We estimated in our recent submission that it would only be 6 basis points less. Regardless, that’s still an uplift and it comes at a cost to banks and, therefore, consumers.”

The RBNZ has also proposed changes to some Risk Weighted Assets (RWAs) - the interest rate weightings applied to different types of loans based on sector risk.

“While these changes bring some RWA settings closer to those in Australia, we believe the RBNZ should have gone further in aligning capital settings with those across the Tasman, which remain more balanced, cost-effective and closer to global standards.”

She said in the wake of the Covid-19 pandemic and its economic impacts, many countries were revising their capital requirements on banks to promote growth and it was good New Zealand was joining them.

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