



## NZX Release

5 December 2019

### RBNZ announces final capital requirements for New Zealand banks

ASB Bank Limited (**ASB**) today notes the release by the Reserve Bank of New Zealand (**RBNZ**) on the final capital requirements applicable to banks in New Zealand.

RBNZ has confirmed that, the risk-weighted assets (**RWA**) of internal ratings based banks such as ASB, will increase to approximately 90% of that required under a standardised approach. In addition, for those banks deemed systemically important (including ASB), the Tier 1 capital requirement will increase to 16% of RWA, 13.5% of which must be in the form of Common Equity Tier 1 (**CET1**) capital. RBNZ has announced that Tier 2 capital will remain in the framework, and can comprise 2% of the minimum Total Capital ratio of 18%.

The RBNZ has confirmed that redeemable perpetual preference shares that are issued by banks will be eligible to qualify as Additional Tier 1. Existing Additional Tier 1 and Tier 2 contingent instruments issued by New Zealand banks will no longer be eligible under RBNZ's new capital criteria and phased out over the transition period. RBNZ has announced a 7-year transition period for banks to meet the new requirements, starting from 1 July 2020.

Based on ASB's current balance sheet size and composition, we will require an additional ~NZ\$3bn in Tier 1 capital (of which ~NZ\$2.5bn must be in CET1 capital) by 1 July 2027.

Our ultimate parent company, Commonwealth Bank of Australia (CBA) has indicated through an ASX announcement, that it is well-positioned to manage the new capital requirements.

CBA's announcement is available on [www.asx.com.au](http://www.asx.com.au).

Further information on the RBNZ's final capital requirements are available at [www.rbnz.govt.nz](http://www.rbnz.govt.nz).

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**ENDS**

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