

Media Release

20 September 2011

New Zealand banks stack up well

New Zealand banks are well positioned in the face of current international financial tensions.

“Our banks’ strength lies in the fact that they are well capitalised and regulated,” said New Zealand Bankers’ Association chief executive Sarah Mehrstens.

New Zealand banks all meet the international standards, and the Reserve Bank of New Zealand requirements which are based on these international agreements. The capital adequacy ratio mandated by the Reserve Bank is 4% for tier one and 8% for total qualifying capital. On average, New Zealand’s major banks’ capital holdings exceed the required tier one and total qualifying capital ratios by 5.96% and 4.80% respectively.

Capital adequacy rules form an important part of the regime which regulates banks. Good regulation is needed because of the importance of the banks to the economy.

“Our banking system is robust and well regulated, and served us well during the global financial crisis. Our banks did not get caught up in the debacle that many of the international banks are now facing. We need to stay focused on striking the right balance between lending and growth on the one hand, and safety on the other,” said Mehrstens.

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