

## News Release

For Release: 2 April 2020

### **RBNZ announcement on actions to support the banking system**

ANZ today noted the announcement by the Reserve Bank of New Zealand (RBNZ) that locally incorporated banks in New Zealand should not redeem capital notes and cannot pay dividends on their ordinary shares at this time to further support the stability of the New Zealand banking financial system during this period of economic uncertainty.

A copy of the RBNZ's announcement entitled "Longer-term funding to support business lending" is attached.

ANZ Bank New Zealand Limited (ANZ NZ) has announced that the RBNZ's decision will prevent it from redeeming its NZ\$500 million Capital Notes on 25 May 2020, although it is able to continue to make interest payments on those Capital Notes.

The terms of the Capital Notes also provide for their conversion into a variable number of ANZ ordinary shares in May 2020 or May 2022 (conversion is subject to certain conditions set out in the terms). Conversion would result in an equivalent increase in ANZ's Common Equity Tier 1 capital (~12 basis points at Level 2). Further information regarding the Capital Notes will be made available by ANZ NZ to holders of the Capital Notes in the near future.

For media enquiries contact:

Stephen Ries  
+61 409 655 551

For shareholder enquiries contact:

Jill Campbell  
+61 3 8654 7749

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## Longer-term funding to support business lending

The Reserve Bank is introducing a Term Lending Facility (TLF), a new longer-term funding scheme for the banking system, in support of the Government's Business Finance Guarantee Scheme to help promote lending to businesses.

The TLF is similar to the [recently announced](#), Term Auction Facility (TAF), and both provide liquidity to the banking system. The TLF aims to complement the Government's Business Finance Guarantee Scheme, [announced last week](#), by ensuring access to funding for banks at low interest rates for up to 3 years duration, which is longer than the Bank's other liquidity facilities.

"We are working in-step with the Government and the country's banks to provide the economic support that is crucially needed during this uncertain time," Reserve Bank Governor Adrian Orr says.

"New Zealand's financial system remains sound, with strong capital and liquidity buffers. We are confident that the financial system is well placed to respond to the impacts of coronavirus."

"The facility is designed to support bank lending under the Business Finance Guarantee Scheme," Assistant Governor and General Manager of Economics, Financial Markets and Banking Christian Hawkesby says.

"We are currently engaging with banks on the operational details of the scheme, with the intention of launching our first TLF operation in May."

As previously announced, the Reserve Bank's Monetary Policy Committee has worked to mitigate the severe economic effects of COVID-19 by reducing the Official Cash Rate and implementing a Large Scale Asset Purchase programme. In addition, the Reserve Bank has deferred the start of increased capital requirements and is delaying planned regulatory initiatives, to allow banks to focus on lending to their clients during the disruption of COVID-19.

"To further support the stability of the financial system during this period of economic uncertainty, we have agreed with the banks that during this period there will be no payment of dividends on ordinary shares, and that they should not redeem non-CET1 capital instruments," Deputy Governor and General Manager for Financial Stability Geoff Bascand says.

The restrictions take effect from today under revised Conditions of Registration issued to all locally-incorporated banks. They will remain in place until further notice, with the aim of relaxing them when the economic outlook has sufficiently recovered.

“This initiative further supports the stability of the financial system by maintaining higher levels of capital during the period of falling economic activity resulting from the COVID-19 pandemic,” Mr Bascand says.

**More information:**

- [Mahi Tahi: How the Reserve Bank, Government and industry are working together to ensure cash-flow and confidence](#)
- [Responding to COVID-19](#)
- [Mortgage holiday and business finance support schemes to cushion COVID impacts](#)
- [Corporate facility another step to support market functioning](#)
- [Financial system sound, and Reserve Bank providing additional support](#)

**Editors' notes:**

- The Term Lending Facility (TLF) will offer loans for a term of three years to ensure a stable source of funding that aligns with the Government's Business Finance Guarantee Scheme lending profile.
- The TLF will be priced at a margin over the OCR, with similar collateral eligibility and haircuts to our existing OMO and TAF operations.
- The Reserve Bank's Term Lending Facility programme will link access to funds to banks' lending under the Business Finance Guarantee Scheme..

**Media contact:**

Brendan Manning  
Senior Adviser External Stakeholders  
DDI: [+64 9 366 2643](tel:+6493662643) | MOB: [021 923 217](tel:021923217)  
Email: [Brendan.Manning@rbnz.govt.nz](mailto:Brendan.Manning@rbnz.govt.nz)