



## **Media advisory**

15 November 2017

### **Statement from Westpac New Zealand**

The Reserve Bank of New Zealand (RBNZ) has informed Westpac New Zealand Limited (WNZL) of its decision following a review of WNZL's compliance with aspects of its advanced internal ratings-based (IRB) accreditation. The decision applies only to WNZL and not to Westpac Banking Corporation (including its New Zealand branch).

The RBNZ has raised the bank's minimum regulatory capital ratios, until issues identified in the review are remediated. In the case of the common equity capital ratio the minimum has been raised from 4.5% to 6.5%.

WNZL's current regulatory capital ratios are sufficient to accommodate these increases with the total capital ratio at 30 September 2017 of 16.1% compared to the requirement to maintain the ratio above 15.1% until the issues are remediated.

The review focussed on the manner in which WNZL operated its credit risk rating system and the extent to which it sought required approvals from the RBNZ to changes in its credit risk models. WNZL is disappointed not to have met the RBNZ's requirements in this area.

The RBNZ has acknowledged that WNZL's capital has remained well above required regulatory levels.

WNZL has publicly disclosed its non-compliance with aspects of the RBNZ's IRB framework in its Disclosure Statements since September 2016.

WNZL acknowledges the high standards required of an IRB accredited bank and has already taken several steps to address the issues raised in the review. WNZL looks forward to working with the RBNZ over the next phase of remediation work.

The new minimum regulatory capital ratios from 31 December 2017 will be 6.5% for Common equity Tier 1 capital, 8% for Tier 1 capital, and 10% for Total regulatory capital. As at 30 September 2017, WNZL's respective minimum capital ratios were 4.5%, 6% and 8%. WNZL has also undertaken to maintain its total regulatory capital ratio above 15.1% during the period of remediation.

As at 30 September 2017, WNZL's regulatory capital ratios were 11.1% for Common equity Tier 1 capital, 14.0% for Tier 1 capital, and 16.1% for Total regulatory capital.

**[ENDS]**

Relevant Disclosure Statements  
[September 2016](#)

December 2016  
March 2017  
June 2017