



Reserve Bank
of New Zealand
Te Pūtea Matua

Financial Stability Report

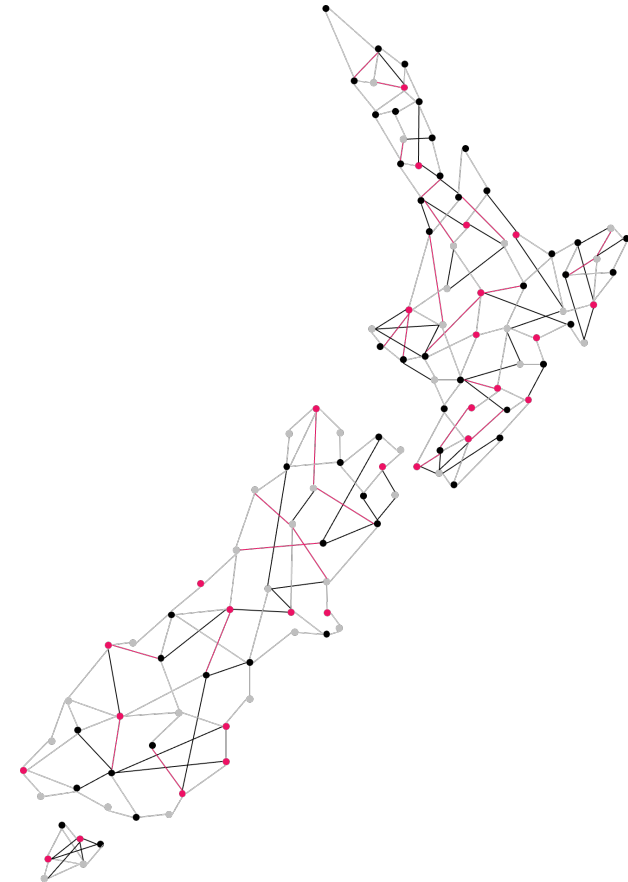
Summary slide deck

November 2025



Disclaimer

- This presentation is not financial advice.
- Full details contained in the Financial Stability Report on our website – www.rbnz.govt.nz



Overview



1. Key economic developments

- Financial stability risks remain elevated amid global uncertainty and weak domestic economic performance.
- Soft demand, reduced profitability, and rising financial stress are contributing to more liquidations and increasing risks in business lending.

2. Financial system resilience

- Non-performing loans have remained stable, and banks expect them to decline as early arrears fall and debt-servicing pressures ease.
- Banks have continued to increase their capital ratios.
- Deposit growth is outpacing credit demand, lifting core funding ratios and reducing the likelihood of having to raise funds under stressed market conditions.

Overview



3. Insurance and reinsurance

- Increases in claims cost inflation has meant that the health insurance sector has recorded operating losses, reducing solvency margins and driving significant premium increases.
- Reinsurance acts to transfers risks to global markets. The cost and availability of reinsurance are influenced by global and local conditions.

4. Regulatory developments

- We consulted on key capital settings for deposit takers and final decisions are due by the end of 2025
- Since the DCS was implemented on 1 July, deposits have flowed into NBDT finance companies, and the term deposit rate gap with banks has narrowed.



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Key economic developments

Financial stability risks remain higher than in recent years due to global uncertainty. US equity valuations and concentration risks in AI appear high.



Figure 1.1
International equity price indices
(index=100 in January 2020)

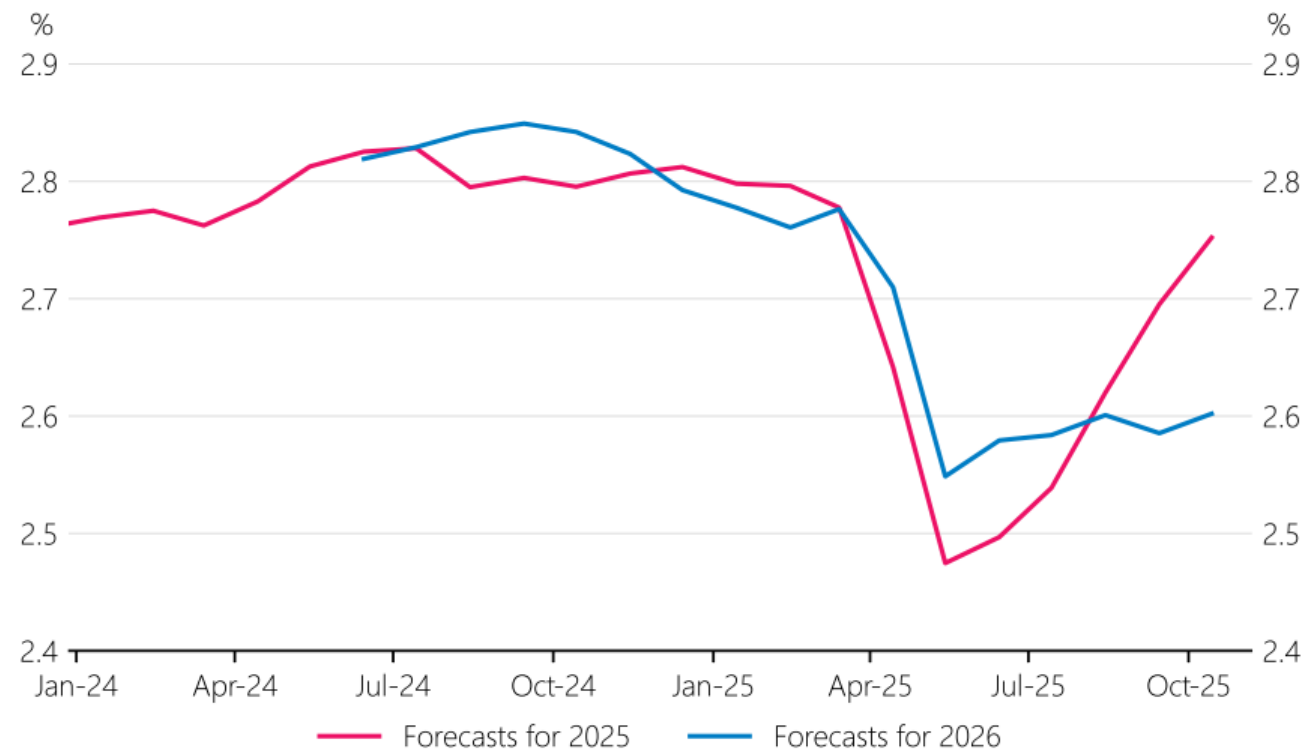


Source: Bloomberg.

Global economic fragmentation and policy uncertainty present risks to trading partner growth. Forecast growth for 2026 is subdued.



Figure 1.2
Evolution of trading-partner growth consensus forecasts



Source: Bloomberg, RBNZ calculations

Note: This figure shows the evolution of Bloomberg consensus forecasts for annual GDP growth in New Zealand's trading partners in the 2025 and 2026 calendar years.

Monetary policy easing continues to transmit through the economy, lower mortgage rates are supporting a gradual recovery in household credit demand.



Figure 1.5
Bank mortgage rates



Source: [interest.co.nz](https://www.interest.co.nz), RBNZ *Income Statement survey*.

Note: The effective mortgage rate is the average rate across the stock of mortgage lending.

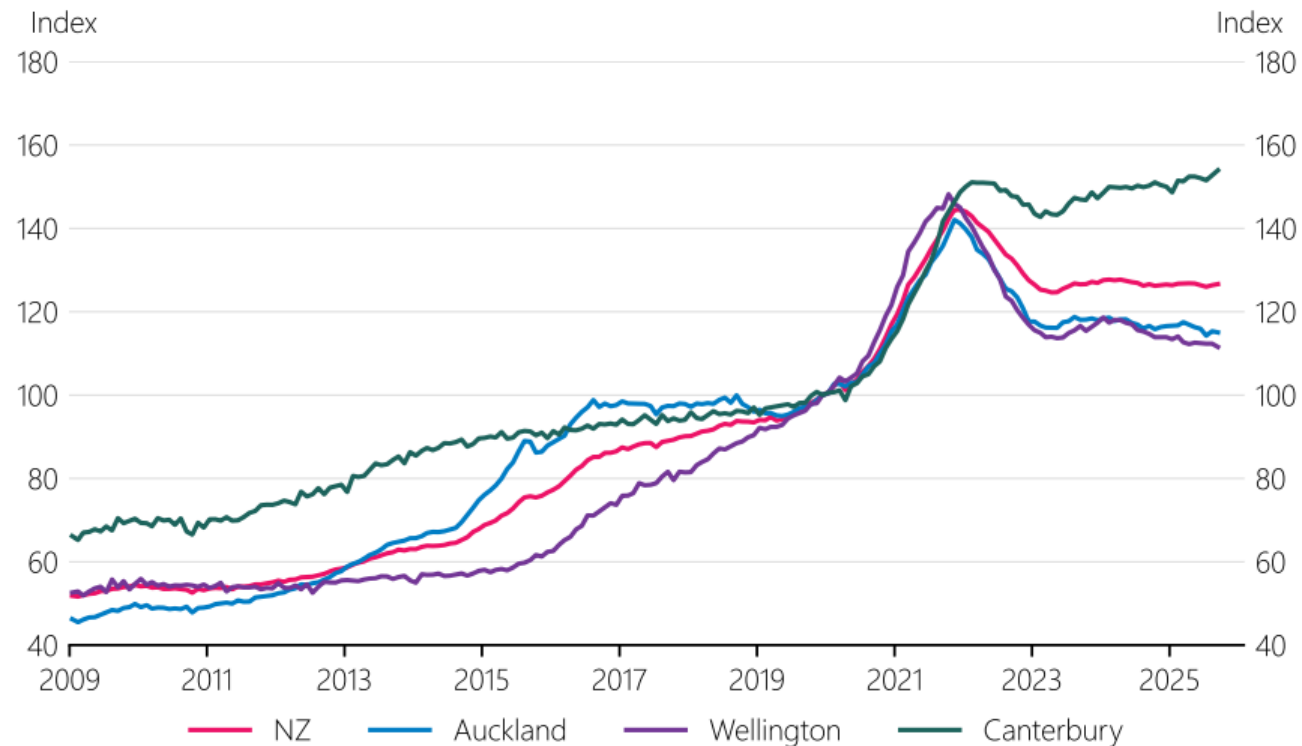
Housing market activity has picked up, although house prices remain broadly unchanged. We are easing long run LVR settings from 1 December, following the introduction of DTI restrictions.



Figure 1.7

Regional house price indices

(index=100 in December 2019)



Source: REINZ, RBNZ estimates.

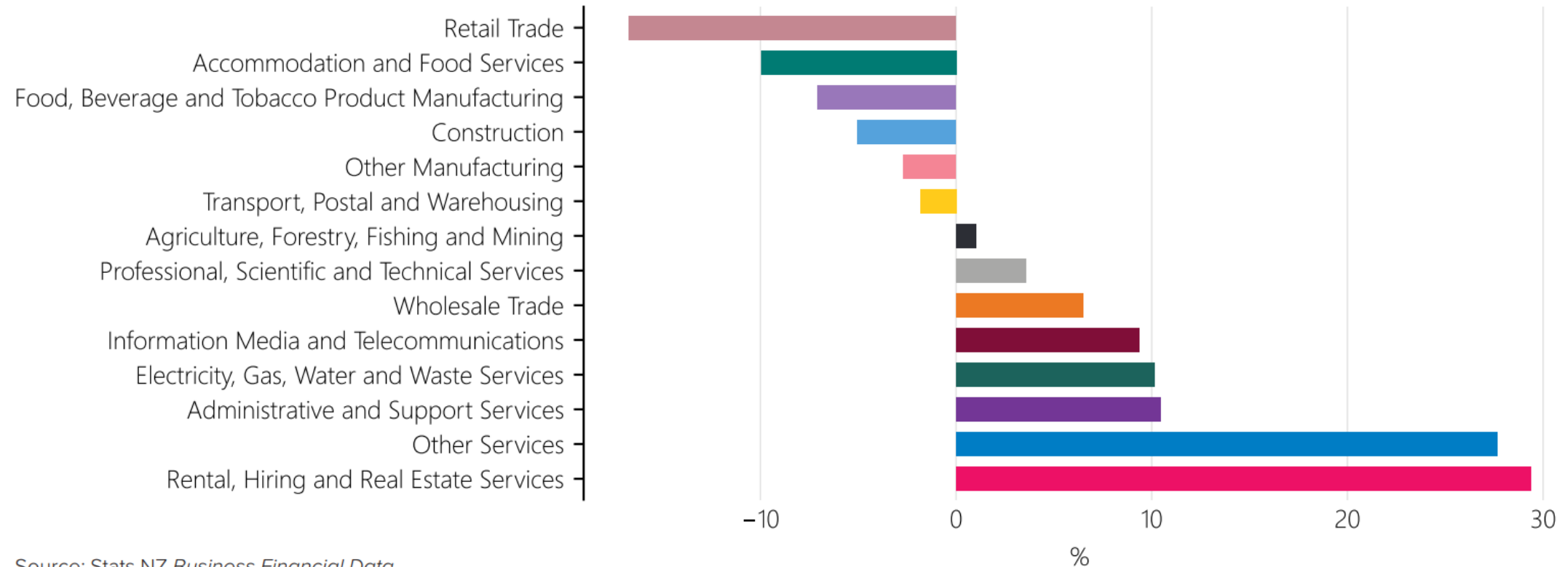
Soft demand and reduced profitability are contributing to financial stress in many sectors, especially those reliant on discretionary consumer spending.



Figure 2.2

Change in operating profit by industry

(over the two years to June 2025)



Source: Stats NZ *Business Financial Data*.

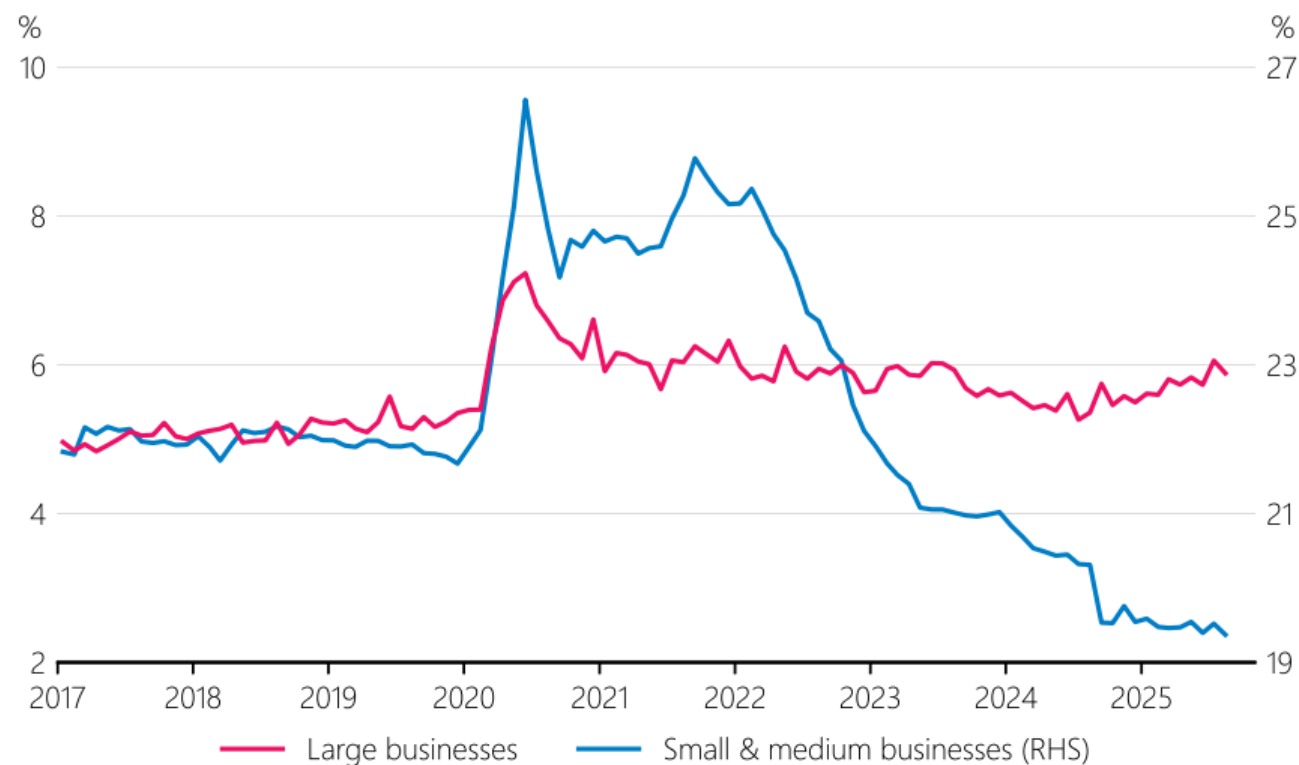
Business deposits continue to decline for smaller firms, indicating a steady reduction in cash buffers to manage stress.



Figure 1.4

Business deposits by firm size

(share of nominal GDP)



Source: Stats NZ, RBNZ Bank Balance Sheet survey, RBNZ calculations.



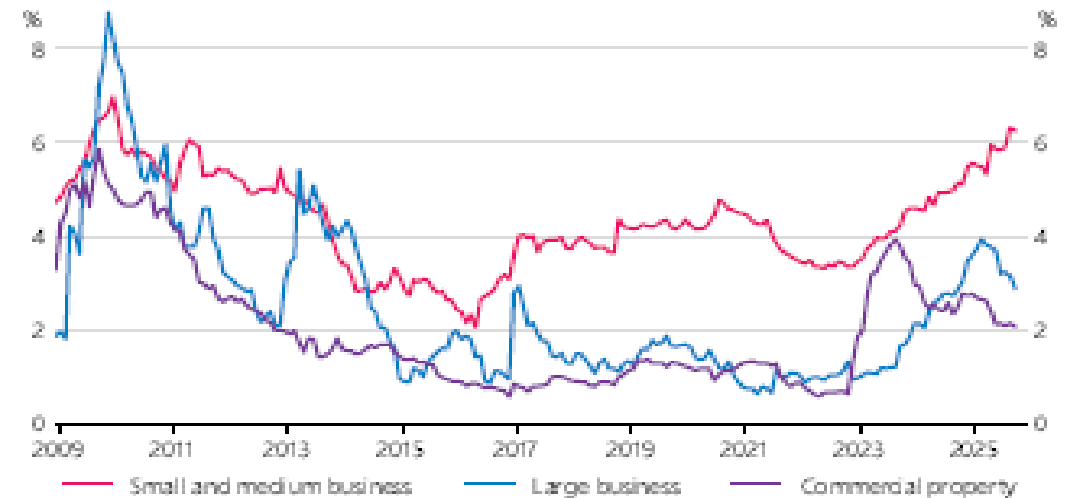
Company liquidations and stressed business lending are increasing as financial pressures accumulate for firms.

Figure 2.5
Company liquidations and receiverships



Source: Companies Office.

Figure 2.6
Potentially stressed lending
(share of total lending by sector, seasonally adjusted)



Source: RBNZ Bank Balance Sheet survey.



Financial system resilience



Banks expect non-performing loans to decline as debt-servicing costs ease and economic conditions improve.

Figure 1.6
Housing arrears and non-performing loan ratios
(share of lending by value)



Source: RBNZ Bank Balance Sheet survey.

Figure 2.8
Non-performing business loans and bank projections
(share of lending by value in each sector)



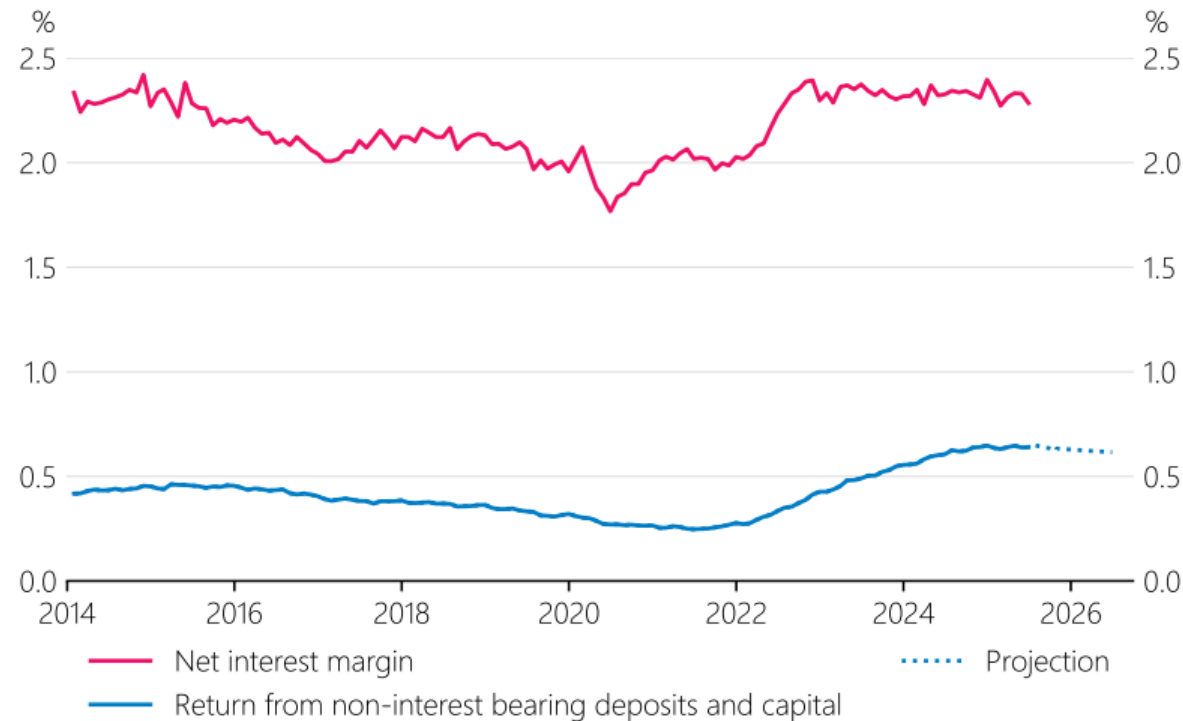
Source: RBNZ Bank Balance Sheet survey, private reporting.

Bank profitability has been broadly stable over the past 6 months, supported by the stabilisation of asset quality and elevated margins.



Figure 4.2

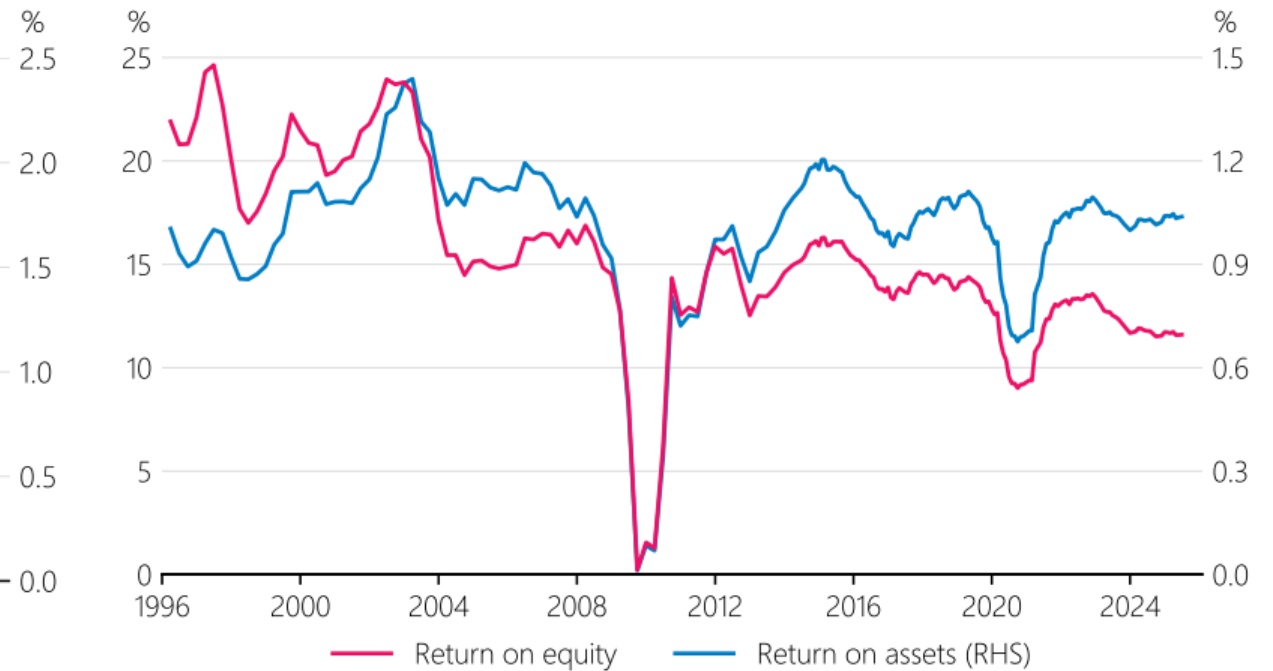
Bank net interest margins



Source: RBNZ *Income Statement survey*.

Figure 4.4

Bank profitability ratios

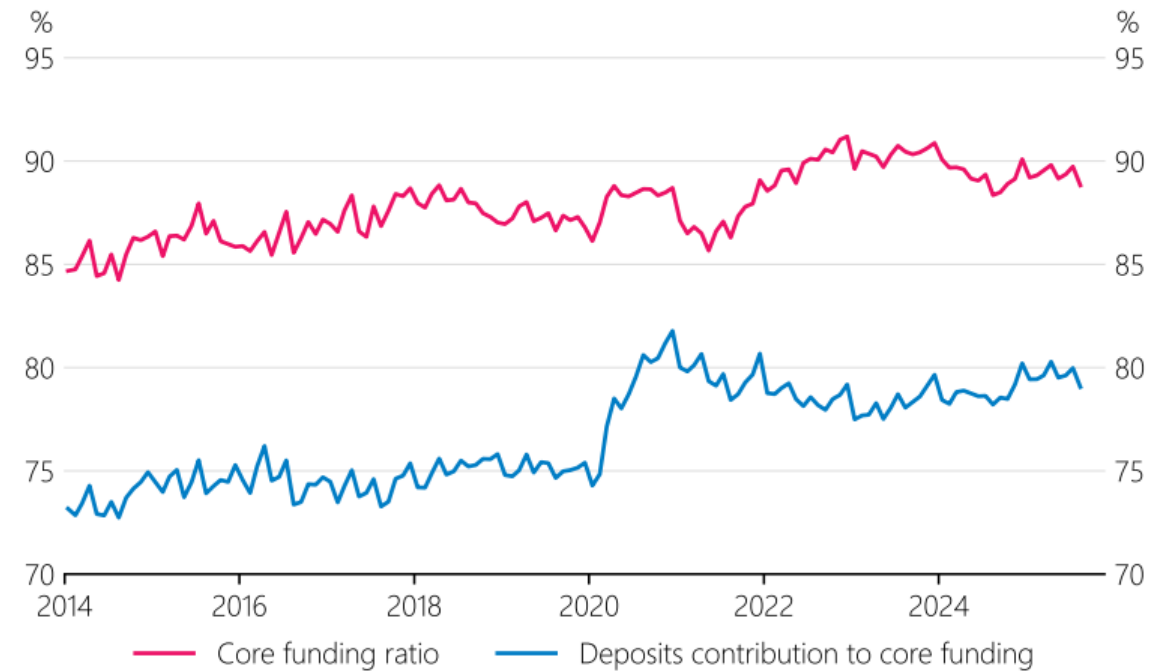


Source: RBNZ *Income Statement survey*.

Deposit growth is outpacing credit demand, lifting core funding ratios and reducing the likelihood of having to raise funds under stressed market conditions.



Figure 4.8
Bank core funding ratio



Source: RBNZ *Liquidity survey*.

Banks' capital ratios are continuing to rise as CET1 grows faster than risk-weighted assets, helping build resilience to potential shocks. 

Figure 1.8

Bank capital ratios

(share of risk-weighted assets)

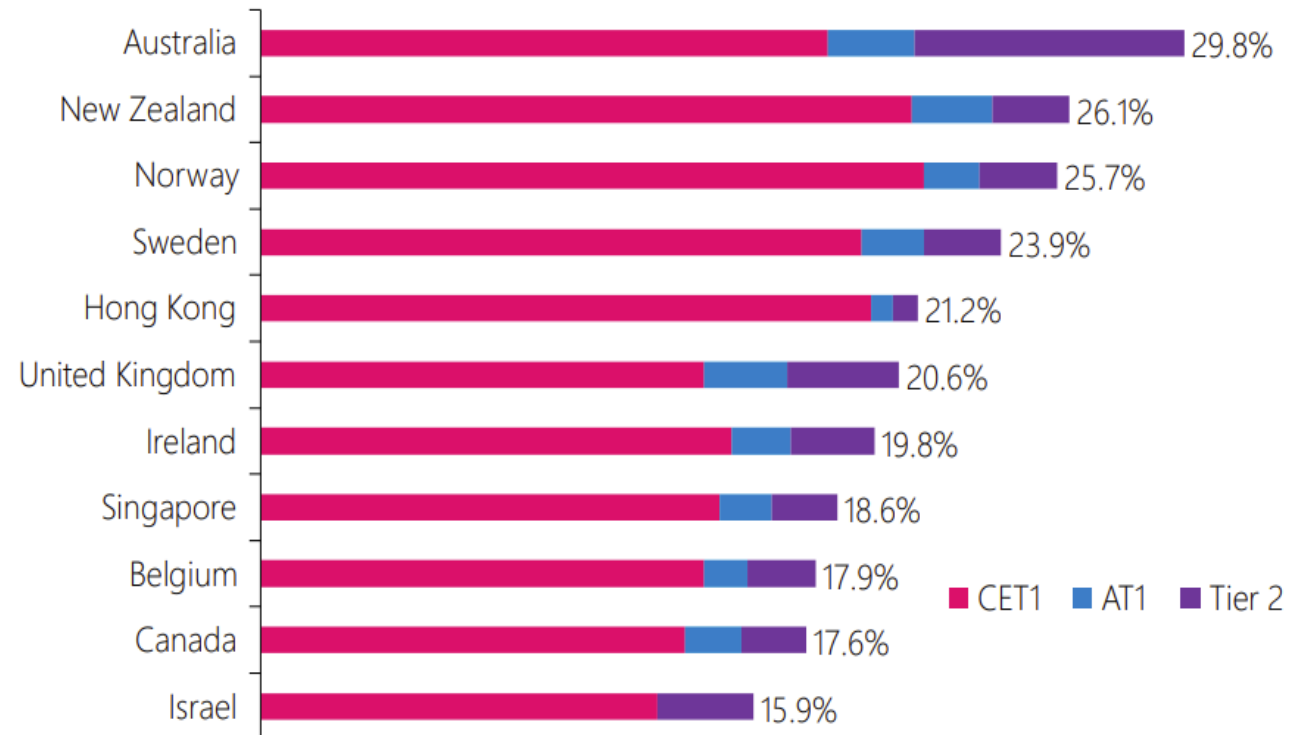


Source: RBNZ Capital Adequacy survey.

Capital ratios for New Zealand's five largest banks are relatively high on an internationally comparable basis, although most of the comparator countries have additional loss-absorbing instruments over and above the capital stack.



Figure 12: Adjusted current major bank TCRs in New Zealand and comparator countries



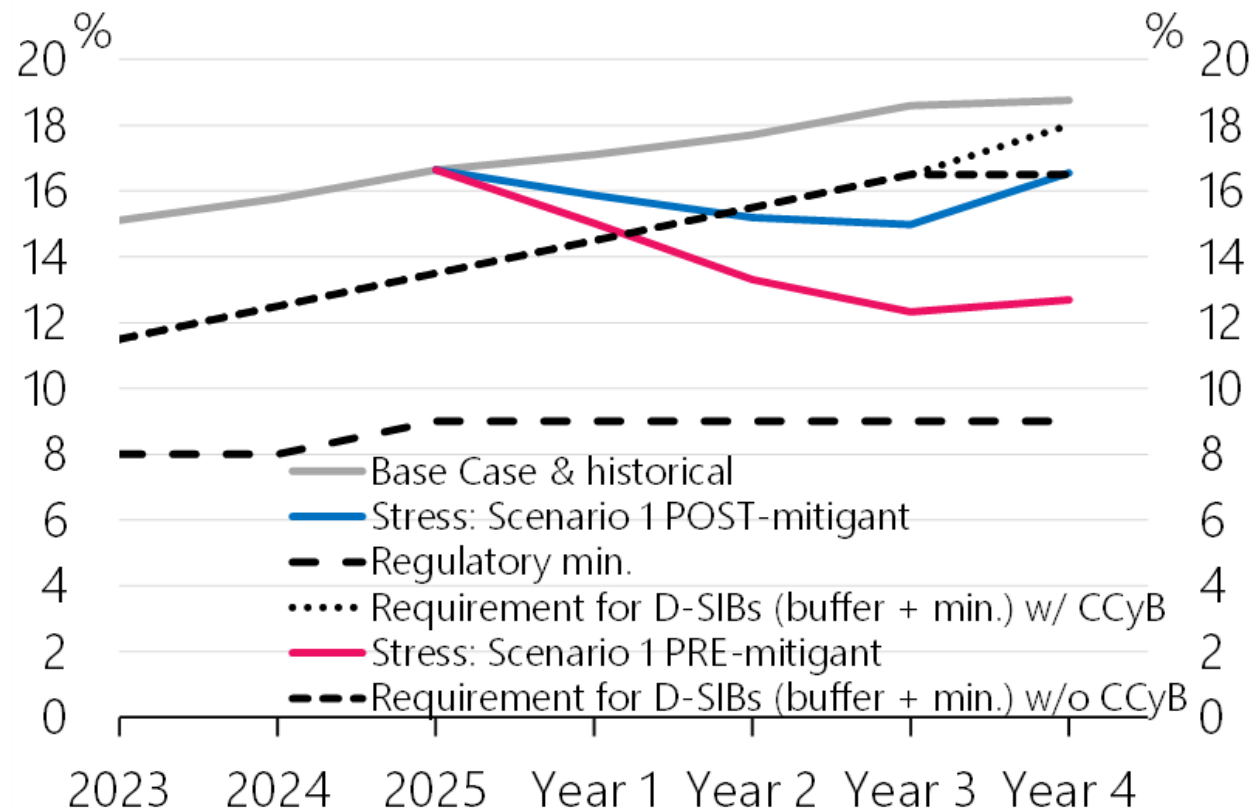
Source: Oliver Wyman report *Comparing New Zealand Bank Capital Ratios to International Peers*.

Source: https://consultations.rbnz.govt.nz/prudential-policy/review-of-key-capital-settings/user_uploads/consultation-paper-review-of-key-capital-settings.pdf

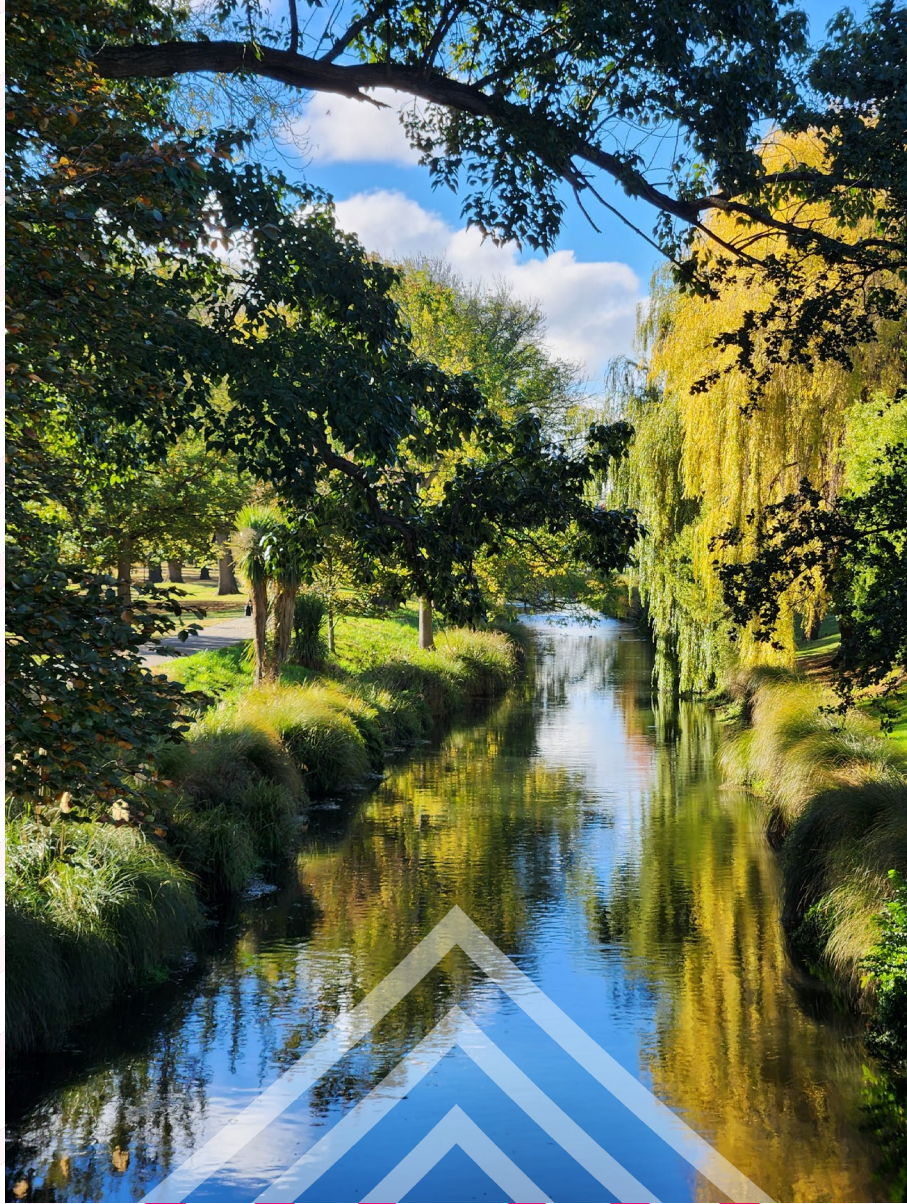
Our solvency stress test found that banks are well placed to withstand a severe scenario induced by geopolitical stress. However, restoring capital buffers would require significant mitigating actions.



Figure 10: Aggregate TCR after mitigants



Source: <https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/bulletins/2025/assessing-banks-resilience-to-geopolitical-risks-results-from-the-2025-solvency-stress-test-nov-2025.pdf>



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Insurance and reinsurance

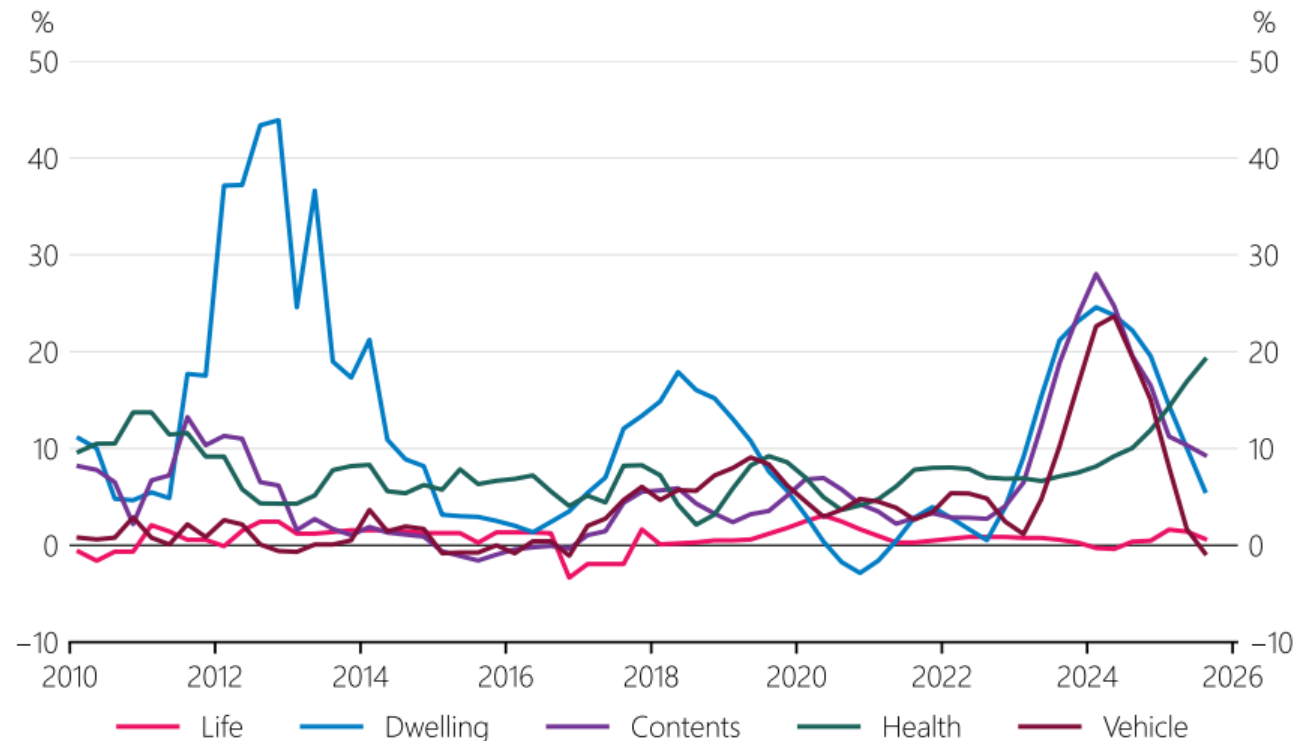
Pressures on general insurance premiums have moderated. In contrast, growth in health insurance premiums is accelerating as a result of increasing claims costs.



Figure 1.9

Insurance premium inflation by type of insurance

(annual percent change)



Source: Stats NZ.

Reinsurance acts to transfers risks to global markets. The cost and availability of reinsurance are influenced by both global and local conditions.



Figure 2.14

Global and Asia-Pacific catastrophe reinsurance costs

(index =100 in 2004)



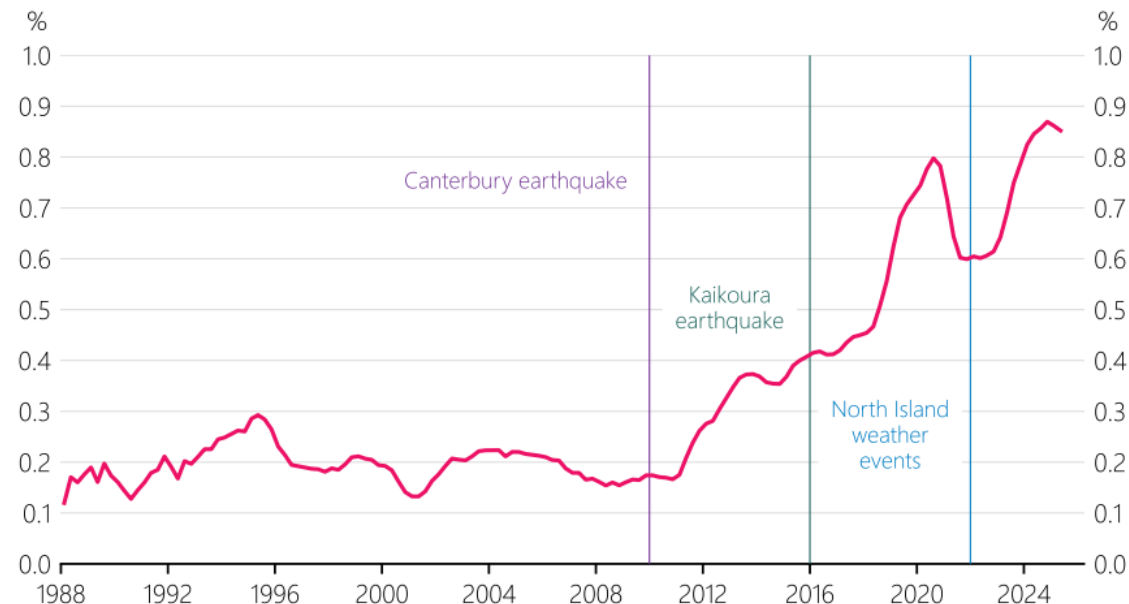
Source: Guy Carpenter.

Note: These “Rate-on-Line” indices are measures of the premiums paid for reinsurance per \$1,000 of coverage.

Figure 2.16

Reinsurance expenses

(as a share of GDP)



Source: Stats NZ, RBNZ estimates.

Note: Reinsurance expenses are proxied by the value of “Insurance and pension services imports” in the Balance of Payments. Reinsurance makes up a large part of this series.



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Regulatory developments

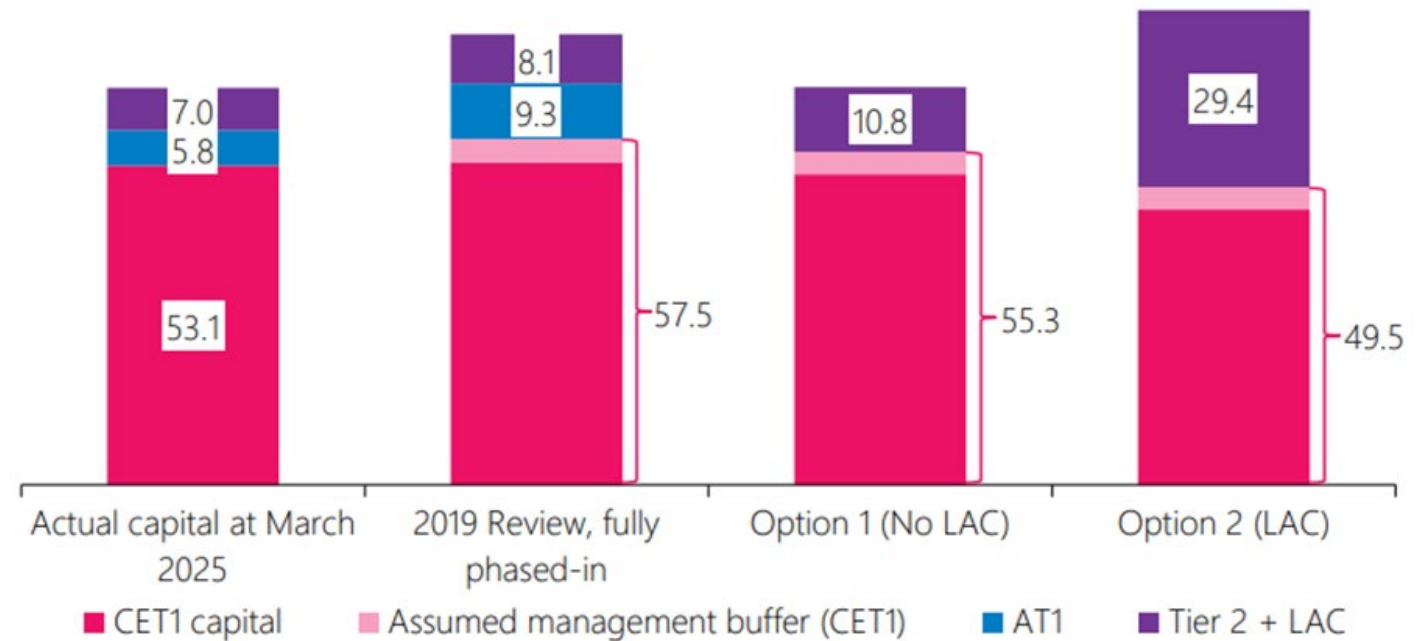


We consulted on key capital settings for deposit takers. Final decisions are due by the end of 2025.

Policy Options:

- Option 1: Retains a strong focus on high-quality Tier 1 capital, but with a smaller prudential buffer than the 2019 framework.
- Option 2: Reduces the prudential buffer and introduces additional gone-concern loss-absorbing capacity for Group 1 deposit takers.

Figure 2: Summary impact on system level of bank capital (all locally incorporated deposit takers) (\$bn)



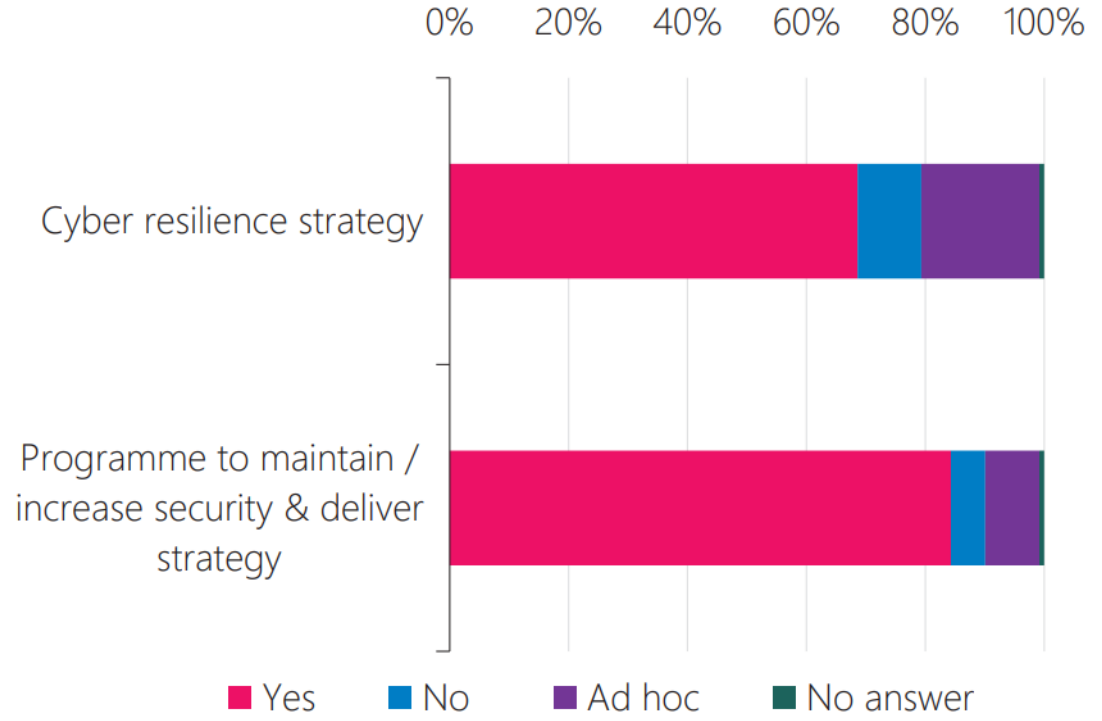
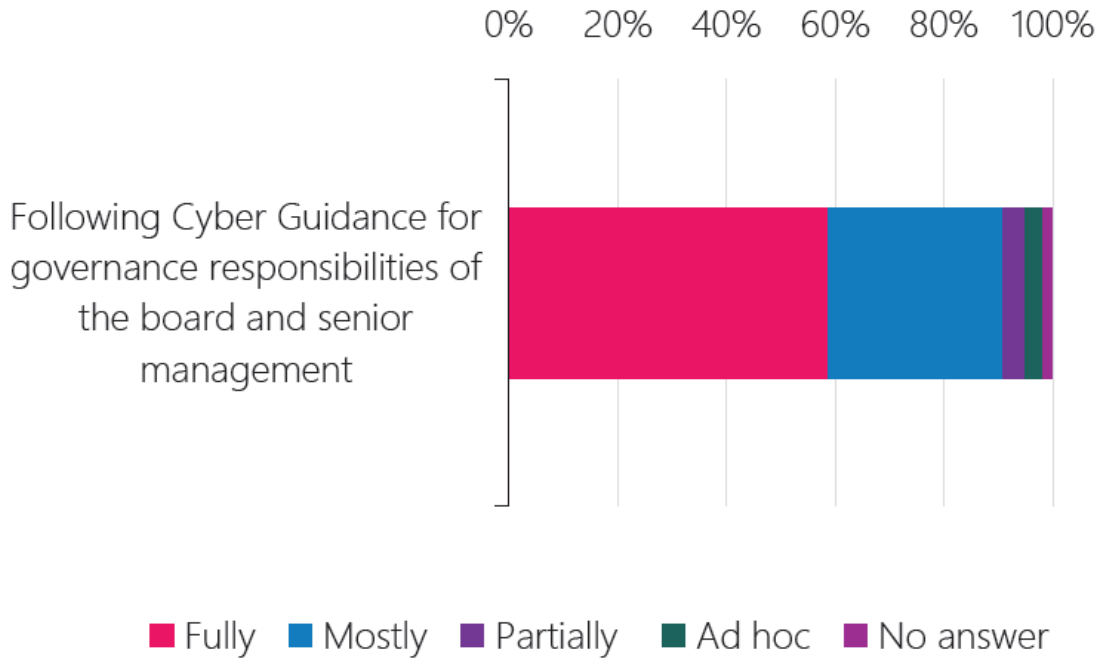
Source: https://consultations.rbnz.govt.nz/prudential-policy/review-of-key-capital-settings/user_uploads/executive-summary.pdf

The 2024 *Cyber Capability survey* indicated that the industry is generally well positioned and largely in compliance with Reserve Bank guidance on cyber resilience.



Figure 2.18 (a)-(b)

Governance practices



Source: RBNZ 2024 *Cyber Capability survey*.

We are consulting on exposure drafts of the DTA standards. This is to test whether the policies, consulted on previously, are being implemented correctly and to collect feedback.



Figure 3.3

Tranches and consultation timelines of the DTA standards

Tranche 1

Oct 2025 to Jan 2026

- Capital
- Liquidity
- Lending
- Incorporation (Outside New Zealand)

Tranche 2

February to May 2026

- Disclosure
- Governance
- Risk Management
- Restricted Activities
- Reporting

Tranche 3

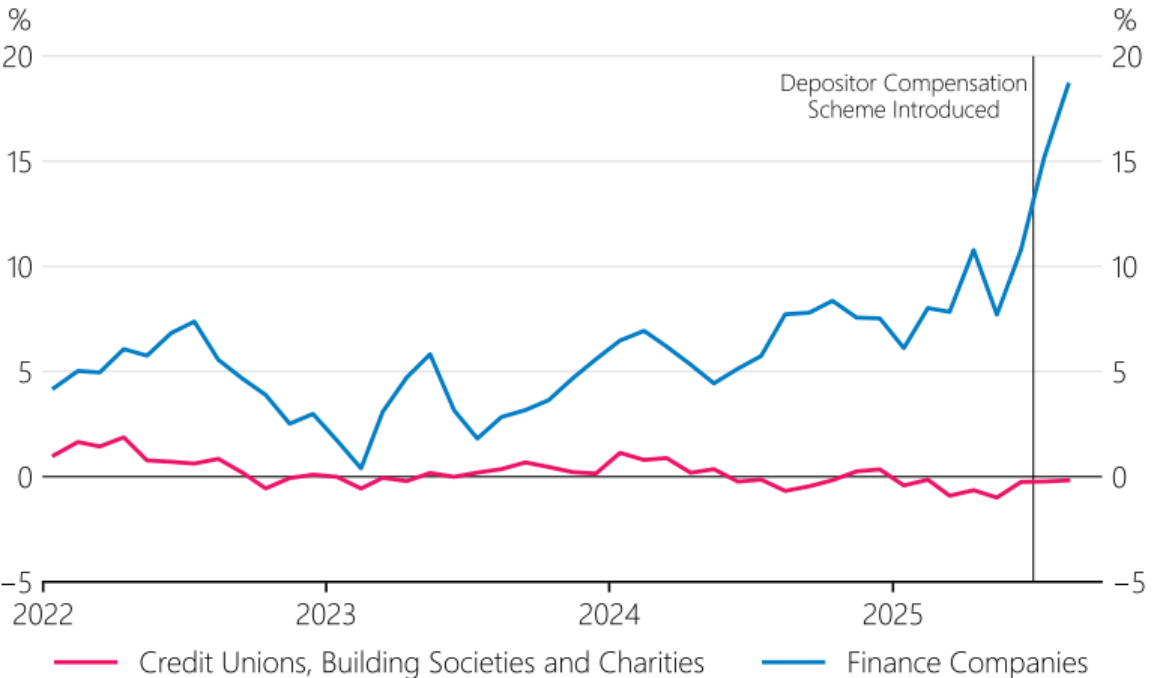
June to September 2026

- Capital
- Operational Resilience
- Outsourcing
- Open Bank Resolution
- Related Party Exposures

Since the Depositor Compensation Scheme was implemented, deposits have flowed into NBDTs, particularly finance companies. At the same time, the spread between the term deposit rate offered by banks and NBDTs has narrowed.



Figure 4.13
3-month growth in deposit funding by NBDT sector



Source: RBNZ Non-bank Deposit Takers survey.
Note: Data are seasonally adjusted.