

# COVID-19 Sector Implications

## Banking

**Please note that this sector summary should be read in conjunction with the [Overview](#), and that the information below considers the impact to date of COVID-19, then looks to the future under two different recovery scenarios. Additional information about the scenarios can also be found in the Overview document.**

- **The first scenario assumes recovery by the end of 2020**
- **The second scenario assumes a longer-term recovery**

### Impact to date

While the current landscape is evolving rapidly and can be unsettling, financial services organisations have a consistent message of reassurance for New Zealanders.

All the major banks and insurance companies along with the regulators are echoing the Government's message that we are all in this together.

In these confused and uncertain times, New Zealand banks are taking a people-centered approach; focusing on ensuring staff and customers are kept safe and well, products and services are evolving to meet customer needs, and working collaboratively with regulators to ensure the industry is well supported.

Banks are an essential service and therefore will continue to operate while New Zealand is at alert level 4. In order to keep staff and customers safe and well, banks have already been invoking various business continuity measures, and will continue to do so, including:

- staff working from home where possible and sticking to one location where it isn't due to technology or compliance reasons
- cancelling all travel
- separating essential teams to reduce risk
- using social distancing protocols for those in offices and branches
- increased focus on hygiene
- cancelling events and large meetings
- utilising video-conferencing facilities for meetings.

There is a concern that phishing and scams could be on the increase and customers have been warned to be vigilant.

Products and services are being rapidly adjusted to reflect the changing environment. The banks are all showing increased flexibility with regard to personal or business cashflow including:

- reduced or deferred principal loan payments
- extending term of business loans
- increased/temporary overdrafts.

Major banks were quick to respond to the [recent OCR cut from the Reserve Bank](#) resulting in historically low mortgage interest rates.

All of the banks emphasised their accessibility and approachability, the key message was to get in touch with them about concerns or questions.

Collaboration between the industry regulators like Reserve Bank and Financial Markets Authority, bank lobby group New Zealand Bankers Association, the Government and the banks has resulted in changes in planned regulatory programmes. RBNZ has provided banks with [extensions of between six and twelve months to comply with various regulatory and policy requirements](#) and delayed the implementation of the capital changes for a year.

The Government is continuing to evolve what financial assistance might look like for those New Zealanders affected by COVID-19. The \$9.3b business support package includes wage subsidies for all businesses, registered charities and the self-employed. The Government, the Reserve Bank and the major retail banks have together agreed a [\\$6.25b Business Finance Guarantee Scheme for small and medium-sized businesses as well as a six-month principal and interest payment holiday](#) for mortgage holders and SME customers whose incomes have been affected by the economic disruption from COVID-19.

## Recovery by end of 2020 Impact

[The Reserve Bank has confirmed that New Zealand's financial system is sound](#), with strong capital and liquidity buffers, but faces significant uncertainties from the impacts of COVID-19. It continues to work with the Government on additional measures to support the provision of credit and market functioning including a [Quantitative Easing programme which will inject \\$30b into the New Zealand economy over the next twelve months](#). While times are clearly uncertain, the co-operative approach being taken between the Reserve Bank, the FMA, our financial institutions and the business community, is to be commended and gives us the best chance we can of navigating this uncertainty. A recovery by late 2020 should mean the banking system will still be in good shape. While bad debts and credit impairments will have increased, the sound position of our financial system and the New Zealand Government's finances should see the industry as having weathered the storm in a reasonable condition.

## Longer term recovery impacts

Longer term recovery will place a greater strain on the banking sector. Loan default rates will rise and Government assistance to keep the sector afloat would probably be required, as was observed in New Zealand and around the world during the GFC. While again the banking sector will weather such a storm, its impact on the sector would be significant.

**We have additional information, insights and practical advice on the business implications of COVID-19 available for you here:**

- [Business implications](#)
- [Cyber safety](#)
- [IT resilience](#)
- [Financial reporting](#)
- [Business Continuity and Crisis Management](#)

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