

# BNZ BUSINESS BASIS PREMIUM

At BNZ, we add a premium to the base rate for Committed Cash Advance Facilities (CCAFs) that reference the Bank Bill Benchmark Rate (BKBM). The premium is added to drawings of one month or two months. This is to make sure the rate we charge customers incorporates the full cost of funding these drawings.

Several factors have caused the difference between the one month and two months' BKBM and the three months' BKBM to widen significantly in recent years. As BNZ funds all CCAF drawings at a rate taken from three month BKBM, a rate adjustment is required to shorter-dated drawings.

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## What is the Business Basis Premium?

The Business Basis Premium represents the point-in-time adjustment made to the one and two month BKBM to align shorter-dated drawings to the cost of funding which uses the three month BKBM.

## How does the adjusted BKBM compare to the three month BKBM?

In a stable rate environment, where the Official Cash Rate (OCR) is not expected to change over a three month horizon, there should be little difference between the adjusted one and two month BKBM and three month BKBM.

However, when an OCR increase is expected, the three month BKBM will likely be higher than the one month and two month adjusted BKBM rate. On the other hand, when an OCR decrease is expected, the three month BKBM will likely be lower.

## How often does the Business Basis Premium change?

The Business Basis Premium is reviewed monthly on the fourth day of each month, or the following business day where the fourth falls on a non-business day.

## Is the Business Basis Premium applied to all facilities?

No. The Business Basis Premium only applies if included in the facility documentation.

## Where can I find the Business Basis Premium?

The one month and two month rates are published in the Rates and Fees section on our website: [bnz.co.nz/ccaf](https://bnz.co.nz/ccaf)