

## News Release

For Release: 8 November 2018

### **ANZ notes release of APRA's loss absorbing capacity discussion paper**

ANZ today noted the release of the Australian Prudential Regulation Authority's (APRA) discussion paper titled "Increasing the loss-absorbing capacity of ADIs to support orderly resolution".

The paper is in response to recommendation three of the Final Report of the 2014 Financial System Inquiry (FSI)<sup>1</sup>.

The paper proposes an increase in Total Capital requirements of between 4% and 5% of risk-weighted assets (RWA) for domestic systemically important banks (D-SIBs), such as ANZ. Based on ANZ's RWA of \$391bn as at 30 September 2018, this represents an incremental increase in the Total Capital requirement of approximately \$16 billion to \$20 billion, with an equivalent decrease in other senior funding.

APRA anticipates that D-SIBs would satisfy the requirement predominantly with additional Tier 2 capital. D-SIBs will need to satisfy the new requirement by 2023<sup>2</sup>.

ANZ intends to consult with APRA and provide a response.

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<sup>1</sup> Pp 67-75 Final Report of the FSI which recommended that the Government "implement a framework for minimum loss absorbing capacity in line with emerging international practice, sufficient to facilitate the orderly resolution of Australian authorised deposit taking institutions (ADIs) and minimise taxpayer support".

<sup>2</sup> D-SIBs have an implementation period of four years from the release of the final Total Capital requirements (expected in 2019)