

News Release

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APRA releases response to submissions on its proposed loss-absorbing capacity requirements

Further to the release by the Australian Prudential Regulation Authority (APRA) of a discussion paper titled "Increasing the loss-absorbing capacity of ADIs to support orderly resolution" on 8 November 2018, APRA has today provided a response to submissions.

APRA has announced that it will require domestic systemically important banks (D-SIBs), including ANZ, to increase their Total Capital by 3% of risk-weighted assets (RWA) by January 2024. The initial proposal contained in APRA's discussion paper was 4% to 5% of RWA.

Based on ANZ's RWA of \$396bn as at 31 March 2019, this represents an incremental increase in the Total Capital requirement of approximately \$12bn, with an equivalent decrease in other senior funding¹. APRA continues to anticipate that D-SIBs would satisfy the requirement predominantly with Tier 2 capital.

APRA noted that its "overall targeted calibration of an additional four to five percentage points of loss-absorbing capacity remains unchanged. Over the next four years, feasible alternative methods for raising the additional one to two percentage points will be considered in consultation with industry and other interested stakeholders."

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¹ This is updated from ANZ's announcement dated 8 November 2018 following release of APRA's initial discussion paper of the same date