

U.S. Investor Website Update

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APRA releases response to submissions on its proposed loss-absorbing capacity requirements and S&P announces revised outlooks for major Australian banks

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 November 8, 2018, APRA provided a response to submissions on July 9, 2019.

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 A\$396bn as at March 31, 2019, this represents an incremental increase in the Total Capital requirement of approximately A\$12bn, with an equivalent decrease in other senior funding. 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.”

Subsequently, on July 9 2019, S&P Global Ratings (“S&P”) advised that, following APRA’s announcement that it is proceeding with its plan to strengthen Australian banks’ loss absorbing capacity, S&P has revised its outlooks on the four major Australian banks, including ANZBGL, to stable from negative.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.