



U.S. Investor Website Update

December 16, 2019

ANZ update on RBNZ capital requirements

On December 5, 2019, Australia and New Zealand Banking Group Limited (“**ANZBGL**”, and together with its subsidiaries, the “**Group**”) provided an update on the impacts of the Reserve Bank of New Zealand’s (“**RBNZ**”) final capital requirements¹ released on December 5, 2019.

The net impact on the Group is an increase in Common Equity Tier 1 (“**CET1**”) capital of approximately A\$3.0 billion by July 2027 (based on the Group’s September 30, 2019 balance sheet), which includes an approximately A\$1 billion management buffer.

The impact is net of approximately NZ\$1.5 billion of profits that ANZ Bank New Zealand Limited (“**ANZ New Zealand**”) has retained in 2019 in anticipation of meeting higher requirements (i.e. a total CET1 impact of approximately A\$4.5 billion which is lower than what was previously anticipated²).

The key changes to the RBNZ final capital requirements relative to the consultation paper:

- No change in total Tier 1 capital required for ANZ New Zealand of 16%, however the transition period is longer at seven years, and there is a reduced impact on CET1 capital for the Group³.
- A greater proportion of the increase is in Additional Tier 1 (“**AT1**”) capital (2.5% compared to the initial proposal of 1.5%), decreasing the amount of CET1 capital required.
- Redeemable preference shares allowable as AT1 capital. It is anticipated that ANZ New Zealand will be able to refinance existing internal AT1 securities to external counterparties.

ANZ’s CET1 capital ratio as at September 30, 2019 was 11.4%, which was around A\$3.5 billion above the Australian Prudential Regulation Authority’s (“**APRA**”) stated unquestionably strong level of 10.5%.

¹ RBNZ released its consultation paper titled “Capital Review Paper 4: How much capital is enough?” on December 14, 2018.

² ANZBGL commented on the consultation paper on December 14, 2018 (refer U.S. Investor Website Update dated December 21, 2018) and responded to the consultation paper on May 17, 2019.

³ Based on APRA’s Prudential Standard APS 111 (Capital Adequacy: Measurement of Capital) proposals dated October 15, 2019.