

News Release

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ANZ update on RBNZ capital requirements

ANZ has provided an update on the impacts of today's release of the Reserve Bank of New Zealand's (RBNZ) final capital requirements¹.

The net impact on ANZ is an increase in Common Equity Tier 1 (CET1) capital of ~A\$3.0 billion by July 2027 (based on ANZ's 30th September 2019 balance sheet), which includes a ~A\$1 billion management buffer.

The impact is net of ~NZ\$1.5 billion of profits that ANZ NZ has retained in 2019 in anticipation of meeting higher requirements (i.e. a total CET1 impact of ~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 Bank New Zealand (ANZ NZ) 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 NZ will be able to refinance existing internal AT1 securities to external counterparties.

ANZ Chief Executive Officer Shayne Elliott said: "Today's announcement provides the certainty required to prepare our business for the future.

"While the increased capital requirements remain significant, the consultation was thorough and the concerns of industry were given a fair hearing. We remain aligned with the RBNZ's objective to ensure a sound and efficient financial system in New Zealand.

"We have been planning for these changes since the original consultation. Given the extended transition period and our strong capital position, we are confident we can meet the higher requirements without the need to raise additional capital," Mr Elliott said.

ANZ's CET1 capital ratio as at 30 September 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%.

Additional information on ANZ's capital position is available at shareholder.anz.com

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Approved for distribution by ANZ's Continuous Disclosure Committee

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

² ANZ commented on the consultation paper in an ASX Announcement dated 14 December 2018 and responded to the consultation paper on 17 May 2019.

³ Based on APRA's APS111 proposals dated 15 October 2019