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News Release

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APRA confirms reduction in limits on ADIs' related entities exposures

The Australian Prudential Regulation Authority (APRA) today confirmed it will implement its previously announced proposal[1] to reduce limits for Australian ADIs' exposures to related entities, reducing limits from 50% of Level 1 Total capital to 25% of Level 1 Tier 1 capital.

ANZ's only exposure to a related entity large enough to be impacted by this change is ANZ Bank New Zealand Limited (ANZ NZ).

APRA's announcement today means, all else being equal, ANZ could have limited capacity to inject capital into ANZ NZ. As a result, ANZ NZ may be required to retain a higher proportion of its earnings to meet any potential increased capital requirements and any future capital required in New Zealand may also need to be held at a Group level.

However, the final impact on the Group remains dependent on a number of factors, including the outcome of APRA's and the Reserve Bank of New Zealand's (RBNZ) consultations on required capital as well as the size and composition of ANZ's balance sheet at the time of implementation. ANZ also has a strong capital position and notes its ongoing capital generation capacity as well as the RBNZ's proposed transition period in relation to meeting its capital needs.

While the changes announced today are effective January 2021, ANZ notes APRA's statement that they are open to providing entity-specific transitional arrangements or flexibility on a case by case basis. ANZ expects this flexibility could include the timeframe available and the circumstances under which an exemption may be available such as periods of funding market disruption.

To assist analysts and investors there are two slides available on the ANZ website in the shareholder centre at shareholder.anz.com

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[1] APRA's Discussion Paper entitled "Revisions to the related entities framework for ADIs" issued in July 2018 together with a draft Prudential Standard APS222 (Associations with related entities).