



# ASX announcement

## RBNZ announces final capital requirements for NZ banks

**5 December 2019 (SYDNEY):** Commonwealth Bank of Australia (CBA) today notes the release by the Reserve Bank of New Zealand (RBNZ) on the final capital requirements applicable to banks in New Zealand.

RBNZ has confirmed that, the risk-weighted assets (RWA) of internal ratings based banks such as ASB Bank Limited (ASB), will increase to approximately 90% of that required under a standardised approach. In addition, for those banks deemed systemically important (including ASB), the Tier 1 capital requirement will increase to 16% of RWA, 13.5% of which must be in the form of Common Equity Tier 1 (CET1) capital. Tier 2 capital will remain in the framework, and can comprise 2% of the minimum Total capital ratio of 18%. Existing Additional Tier 1 and Tier 2 contingent instruments issued by New Zealand banks will no longer be eligible under RBNZ's new capital criteria and will be phased out over the transition period.

RBNZ has announced a 7-year transition period for banks to meet the new requirements, starting from 1 July 2020. CBA is well-positioned to meet the new capital requirements over the implementation period.

As at 30 September 2019, CBA's Level 1 CET1 ratio was 11.0%, based on CET1 capital of \$47.4bn and RWA of \$432.2bn. As previously disclosed, on a pro-forma basis and assuming current balance sheet size and composition:

- › ASB will require an additional ~NZ\$3bn in Tier 1 capital (of which ~NZ\$2.5bn must be in CET1 capital) by 1 July 2027; and
- › under APRA's proposed revisions to APS111, an equity injection of this additional capital into ASB over the transition period would eventually result in a reduction in CBA's Level 1 CET1 ratio of approximately 30bps.

CBA's Level 2 CET1 ratio as at 30 September 2019 was 10.6% and will not be affected by these requirements.

CBA is well placed to meet the changes, noting that a significant increase in capital ultimately increases the cost of providing loans to customers. We will consider ways to minimise the financial impact from the requirements while supporting our customers and growth in the New Zealand economy.

RBNZ's announcement is available at [www.rbnz.govt.nz](http://www.rbnz.govt.nz).

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The release of this announcement was authorised by the Continuous Disclosure Committee.