

News Release

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ANZ update on APRA mortgage risk weight target

In an ASX announcement on 8 August 2016, ANZ advised that it expected the average risk weight for its Australian residential mortgage lending book would increase following changes by the Australian Prudential Regulation Authority (APRA) to capital requirements for Australian mortgages and a review by APRA of ANZ's mortgage capital model.

APRA has now completed its review of ANZ's mortgage capital model and approved the new model for Australian residential mortgages to be adopted from June 2017.

Adoption of the new model is expected to decrease ANZ's Level 2 Common Equity Tier-1 ratio by 26 basis points based on ANZ's balance sheet at 31 March 2017, representing an average risk weight applied to the Australian mortgage portfolio of a little over 28.5%.

This impact is consistent with ANZ's 2017 capital management plan and no additional capital management actions are required as a result.

As indicated at ANZ's First Half 2017 financial results, the Group expects APRA to make further changes to sector capital requirements through a clarification to the "unquestionably strong" capital framework.

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