



# ASX announcement

## APRA consultation on the Measurement of Capital (APS 111)

**Tuesday, 15 October 2019 (Sydney):** Commonwealth Bank of Australia (CBA) today notes the release of the consultation paper by the Australian Prudential Regulation Authority (APRA) on the APRA Prudential Standard 111 *Capital Adequacy: Measurement of Capital (APS 111)*.

The consultation paper outlines, among others, APRA's proposal to change its existing approach on equity exposures to banking and insurance subsidiaries of Australian Authorised Deposit-taking Institutions (ADIs). APRA has proposed that each individual equity exposure will be risk-weighted at 250% up to 10% of the ADI's Level 1 Common Equity Tier 1 (CET1) capital, with any excess above that threshold to be deducted from CET1 capital.

As at 30 June 2019, CBA's Level 1 CET1 ratio was 11.2%, which was 50bps higher than the Level 2 CET1 ratio of 10.7%.

If implemented, the proposals will not impact CBA's Level 2 CET1 ratio. On a pro-forma basis, based on CBA's current equity investments, and assuming the RBNZ capital proposals require CBA to inject approximately NZ\$3bn of additional capital into ASB Bank Limited, the proposals would reduce CBA's Level 1 CET1 ratio by approximately 30bps.

Sufficient capacity exists under APRA's related party limits under APS 222 to accommodate CBA's exposures to its related entities, including the potential RBNZ capital requirement.

The final impact will depend on the outcome of the APRA consultation and the final RBNZ capital rules.

APRA is seeking submissions on the proposals by 31 January 2020 and CBA will participate in the consultation process.

APRA's announcement is available at [www.apra.gov.au](http://www.apra.gov.au).

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