



APRA finalises revisions to the capital framework

Tuesday, 30 November 2021 SYDNEY: Commonwealth Bank of Australia (CBA) notes the final revisions to the bank capital framework released by the Australian Prudential Regulation Authority (APRA) on 29 November 2021, to embed 'unquestionably strong' levels of capital and to implement the Basel III reforms in Australia.

APRA's revisions to the capital framework, which will be effective from 1 January 2023, include:

- A minimum Common Equity Tier 1 (CET1) Capital Ratio of 10.25%, which includes a capital conservation buffer of 3.75% for Internal Ratings-based Authorised Deposit-taking Institutions (ADIs) such as CBA, and a baseline countercyclical capital buffer (CCyB) set at 1% which may be released in times of systemic stress;
- Enhancing risk sensitivity in the residential mortgage and commercial property portfolio, through greater allowance of an ADI's own models to measure credit risk capital, and higher capital requirements for high-risk segments such as interest only and investor mortgages;
- Implementing a 72.5% output floor to limit the gap in capital requirements between standardised and Internal Ratings-based ADIs; and
- Further aligning the risk-weighted assets (RWA) of New Zealand banking subsidiaries at the consolidated group level, applying a similar framework to the Reserve Bank of New Zealand.

In combination, these revisions will result in changes to the calculation and presentation of capital ratios. APRA has stated that the new framework does not require banks to raise additional capital.

APRA's certification process of CBA's new internal capital models, required under the new framework, is currently underway. CBA will provide an update on the final impact and on our long term capital management approach under the new capital framework at our full year results presentation for the financial year ending 30 June 2022, following APRA approval of new internal capital models.

APRA's announcement can be accessed through its website at www.apra.gov.au.

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

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