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Update: Australia and New Zealand Banking Group Ltd.

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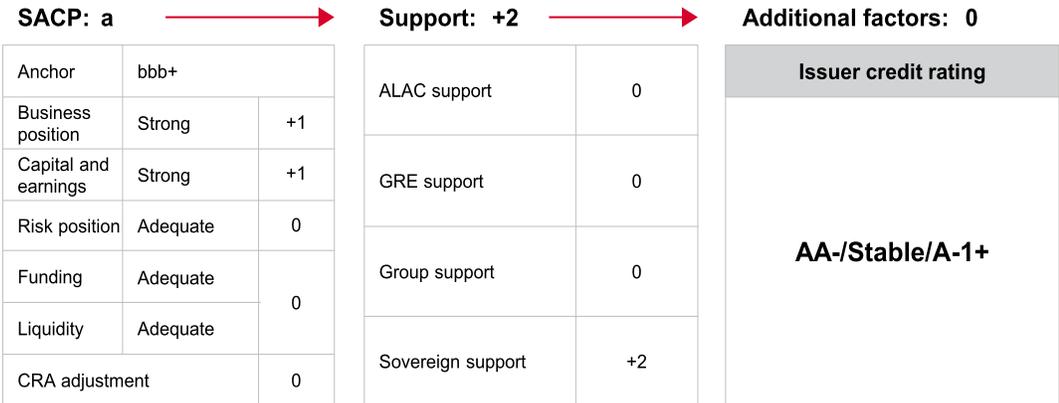
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Update: Australia and New Zealand Banking Group Ltd.

Ratings Score Snapshot

Issuer Credit Rating
AA-/Stable/A-1+



ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview	
Key strengths	Key risks
Strong market position in commercial and retail banking in Australia and New Zealand.	Material dependence on domestic and offshore wholesale borrowings.
Strong capitalization.	Exposed to risks from high household debt and house prices.
Highly likely to receive timely financial support from the Australian government.	

Australia and New Zealand Banking Group Ltd.'s (ANZ) strong market position and focus on low-risk lending in Australia and New Zealand will continue to support its earnings. The bank focuses on retail and commercial banking in Australia and New Zealand. Despite elevated consumer prices and interest rates, we see a sound outlook for the economies of both countries.

ANZ's capitalization will remain a strength to its credit profile. We project the risk-adjusted capital (RAC) ratio for the bank will remain strong at 11.0%-11.5% over the next 24 months. This represents a fall from 12.1% as of Sept. 30, 2023, largely due to the expected completion of ANZ's acquisition of Suncorp-Metway Ltd. (SML).

Credit losses should remain low and close to pre-pandemic levels over the next two years. We believe low unemployment levels, modest economic growth, and a change in spending patterns in Australia and New Zealand will shield most borrowers against the elevated interest burden and prices.

In our view, the dependence of ANZ and other Australian major banks on domestic and offshore wholesale funding remains a credit weakness. This is notwithstanding improvements over the past 10 years across the Australian banking system.

We assess the likelihood of government support to be high. ANZ's creditworthiness benefits from the high likelihood that the Australian government will provide timely financial support to the bank, if needed.

Outlook

The rating outlook on ANZ is stable. We see limited downside to economic risks facing Australian banks over the next two years. We expect modest growth in house prices over the period. Resumption of immigration-driven population growth along with limited new housing supply should continue to support house prices.

We forecast ANZ's credit losses will remain low, at about 15 basis points (bps) of customer loans. Consequently, the bank should maintain sound earnings. We expect our RAC ratio for ANZ to fall to 11.0%-11.5% over the next two years. The completion of its proposed acquisition of SML is the primary reason for the decline.

Downside scenario

The ratings on ANZ have substantial headroom on the downside. Downgrade scenarios are highly unlikely, but include a:

- two-notch deterioration in our assessment of the bank's stand-alone credit profile (SACP); or
- one-notch downgrade of Australia (AAA/Stable/A-1+), which would reduce the uplift in our ratings on ANZ above its SACP. The uplift reflects likely government support for the bank, if needed.

Upside scenario

We see an upside to our ratings on the hybrids issued by ANZ and to the SACPs of all Australian banks. This reflects a one-in-three likelihood that these banks will face reduced risks over the next two years.

An upgrade could occur if we see a reduction in the industry's risk appetite or a lower possibility of significant regulatory lapses—for example, due to the simplification of business models of the larger Australian banks. Industry risks could also diminish if we believe the financial sector's net external liabilities are likely to remain well below 20% of domestic customer loans.

In any of the above scenarios, we expect to:

- Revise our assessment of ANZ's SACP up by one notch to 'a+' from 'a'.
- Maintain our 'AA-' long-term issuer credit rating on ANZ, reducing the uplift in our rating above the bank's SACP to one notch from two notches. This uplift reflects our assessment of the likelihood of extraordinary support from the Australian sovereign.
- Raise by one notch our ratings on the ANZ group entities' additional Tier-1 and Tier-2 regulatory capital instruments.

Key Metrics

Australia and New Zealand Banking Group Ltd.--Key ratios and forecasts

	--Fiscal year ended Sep. 30--				
(%)	2022a	2023a	2024f	2025f	2026f
Growth in operating revenue	9.0	6.3	6.4-7.8	6.3-7.7	2.2-2.7
Growth in customer loans	6.7	5.2	13.5-16.5	4.5-5.5	5.0-6.1
Growth in total assets	10.9	1.9	13.5-16.5	4.5-5.5	4.9-6.0
Net interest income/average earning assets (NIM)	1.8	1.9	1.8-1.9	1.7-1.9	1.7-1.9
Cost to income ratio	49.2	48.5	47.2-49.6	46.8-49.2	46.1-48.5
Return on average common equity	11.0	10.7	9.6-10.6	10.0-11.0	10.0-11.0
Return on assets	0.7	0.7	0.5-0.7	0.5-0.6	0.5-0.6
New loan loss provisions/average customer loans	(0.0)	0.0	0.2-0.2	0.1-0.2	0.1-0.2
Gross nonperforming assets/customer loans	0.6	0.6	0.6-0.7	0.6-0.6	0.6-0.6
Net charge-offs/average customer loans	0.0	0.0	0.2-0.2	0.2-0.2	0.2-0.2
Risk-adjusted capital ratio	11.5	12.1	11.2-11.8	11.0-11.6	10.9-11.5

All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast. NIM--Net interest margin.

Key Statistics

Table 1

Australia and New Zealand Banking Group Ltd.--Key figures

	--Year-ended Sep. 30--				
(Bil. A\$)	2023	2022	2021	2020	2019
Adjusted assets	1,102.1	1,081.9	974.8	1,037.9	975.4
Customer loans (gross)	711.2	676.0	633.8	622.1	618.8
Adjusted common equity	60.4	58.0	52.9	50.7	47.5
Operating revenues	20.5	19.2	17.7	18.5	18.6
Noninterest expenses	9.9	9.5	8.9	9.2	9.0
Core earnings	7.3	7.1	6.4	4.3	6.2

Table 2

Australia and New Zealand Banking Group Ltd.--Business position

	--Year-ended Sep. 30--				
(%)	2023	2022	2021	2020	2019
Total revenues from business line (currency in billions)	20.5	19.6	17.7	18.5	18.8
Commercial and retail banking/total revenues from business line	98.9	92.3	97.3	98.1	96.0
Brokerage/total revenues from business line	0.0	0.0	0.0	0.0	0.0
Insurance activities/total revenues from business line	0.4	0.7	0.6	0.4	0.7
Asset management/total revenues from business line	1.2	1.3	1.6	1.5	1.4
Other revenues/total revenues from business line	(0.6)	5.7	0.4	(0.0)	2.0
Return on average common equity	10.7	11.0	9.9	5.9	9.9

Table 3

Australia and New Zealand Banking Group Ltd.--Capital and earnings					
	--Year-ended Sep. 30--				
(%)	2023	2022	2021	2020	2019
Tier 1 capital ratio	15.2	14.0	14.3	13.2	13.2
S&P Global Ratings' RAC ratio before diversification	N/A	N/A	11.5	11.0	9.5
S&P Global Ratings' RAC ratio after diversification	N/A	N/A	12.5	12.0	10.4
Adjusted common equity/total adjusted capital	88.0	88.0	86.2	86.2	85.3
Net interest income/operating revenues	81.0	77.3	80.2	76.1	76.9
Fee income/operating revenues	9.5	10.2	12.1	12.6	13.8
Market-sensitive income/operating revenues	7.5	10.4	7.8	9.8	6.9
Cost to income ratio	48.5	49.2	50.5	50.0	48.2
Preprovision operating income/average assets	1.0	1.0	0.9	0.9	1.0
Core earnings/average managed assets	0.7	0.7	0.6	0.4	0.6

N/A--Not applicable. RAC--Risk-adjusted capital.

Table 4

Australia and New Zealand Banking Group Ltd.--S&P Global risk-adjusted capital framework					
(Bil. A\$)	Exposure*	Basel III RWA	Average Basel III RW (%)	S&P Global RWA	Average S&P Global RW (%)
Credit risk					
Government & central banks	253.8	10.4	4.1	14.1	6
Of which regional governments and local authorities	0	0	0	0	0
Institutions and CCPs	120.7	37.0	31	35.9	30
Corporate	292.5	140.7	48	260.8	89
Retail	489.6	154.6	32	173.2	35
Of which mortgage	447.7	131.1	29	136.8	31
Securitization§	15.2	2.4	16	3.0	20
Other assets†	13.9	4.0	29	22.9	165
Total credit risk	1,185.7	349.1	29.4	509.9	43
Credit valuation adjustment					
Total credit valuation adjustment	--	4.2	--	5.5	--
Market Risk					
Equity in the banking book	0.0	0.0	0.0	0.0	0.0
Trading book market risk	--	10.3	--	12.8	--
Total market risk	--	10.3	--	12.8	--
Operational risk					
Total operational risk	--	42.3	--	38.2	--
(Bil. A\$)		Basel III RWA	Average Basel II RW (%)	S&P Global RWA	% of S&P Global RWA
Diversification adjustments					
RWA before diversification	--	437.5	--	566.3	100.0
Total Diversification/ Concentration Adjustments	--	--	--	(56.6)	(10.0)

Table 4

Australia and New Zealand Banking Group Ltd.--S&P Global risk-adjusted capital framework (cont.)					
RWA after diversification	--	437.5	--	509.7	90.0
(Bil. A\$)	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	Standard & Poor's Global Ratings' RAC ratio (%)	
Capital ratio	Standard & Poor's RWA	Standard & Poor's RWA	Standard & Poor's RWA	Standard & Poor's RWA	
Capital ratio before adjustments	66.0	15.1	68.6	12.1	
Capital ratio after adjustments (6)	66.0	15.2	68.6	13.5	

Table 5

Australia and New Zealand Banking Group Ltd.--Risk position					
	--Year-ended Sep. 30--				
(%)	2023	2022	2021	2020	2019
Growth in customer loans	5.2	6.7	1.9	0.5	1.7
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	N/A	(7.6)	(8.3)	(9.1)
Total managed assets/adjusted common equity (x)	18.3	18.7	18.5	20.6	20.7
New loan loss provisions/average customer loans	0.0	(0.0)	(0.1)	0.4	0.1
Net charge-offs/average customer loans	0.0	0.0	0.1	0.1	0.1
Gross nonperforming assets/customer loans + other real estate owned	0.6	0.6	0.8	1.0	0.9
Loan loss reserves/gross nonperforming assets	81.3	93.1	80.4	79.0	60.8

RWA--Risk-weighted assets. N/A--Not applicable.

Table 6

Australia and New Zealand Banking Group Ltd.--Funding and liquidity					
	--Year-ended Sep. 30--				
(%)	2023	2022	2021	2020	2019
Core deposits/funding base	68.6	69.2	69.6	67.5	66.4
Customer loans (net)/customer deposits	109.3	108.4	106.1	111.7	120.2
Long-term funding ratio	79.5	77.7	79.4	79.8	81.0
Stable funding ratio	102.7	99.7	104.0	101.5	96.7
Short-term wholesale funding/funding base	22.1	24.1	22.2	21.8	20.6
Regulatory net stable funding ratio	116.0	119.0	N/A	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	1.3	1.2	1.3	1.2	1.1
Broad liquid assets/total assets	24.3	23.2	25.1	21.3	17.1
Broad liquid assets/customer deposits	41.5	40.6	41.3	40.1	32.8
Net broad liquid assets/short-term customer deposits	9.4	6.0	9.8	8.1	1.9
Regulatory liquidity coverage ratio (LCR) (x)	130.0	129.0	N/A	N/A	N/A
Short-term wholesale funding/total wholesale funding	68.5	75.9	70.7	65.0	59.3

N/A--Not applicable.

Australia and New Zealand Banking Group Ltd.--Rating component scores

Issuer credit rating	AA-/Stable/A-1+
SACP	a
Anchor	bbb+
Economic risk	3
Industry risk	3
Business position	Strong
Capital and earnings	Strong
Risk position	Adequate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	+2
ALAC support	0
GRE support	0
Group support	0
Sovereign support	+2
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Banking Industry Country Risk Assessment: Australia, June 2, 2023

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Ratings Detail (As Of March 5, 2024)***Australia and New Zealand Banking Group Ltd.**

Issuer Credit Rating	AA-/Stable/A-1+
Certificate Of Deposit	
<i>Foreign Currency</i>	AA-/A-1+
Commercial Paper	
<i>Foreign Currency</i>	A-1+
Junior Subordinated	BBB-
Senior Unsecured	A-1+
Senior Unsecured	AA-
Subordinated	BBB+

Issuer Credit Ratings History

07-Jun-2021	AA-/Stable/A-1+
07-Apr-2020	AA-/Negative/A-1+
09-Jul-2019	AA-/Stable/A-1+

Sovereign Rating

Australia	AAA/Stable/A-1+
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Related Entities**ANZ Bank New Zealand Ltd.**

Issuer Credit Rating	AA-/Stable/A-1+
Certificate Of Deposit	
<i>Local Currency</i>	AA-/A-1+
Preference Stock	BBB
Senior Unsecured	A-1+
Senior Unsecured	AA-
Subordinated	A-

Australia and New Zealand Bank (China) Co. Ltd.

Issuer Credit Rating	A+/Stable/A-1
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Australia and New Zealand Banking Group Ltd. (London Branch)

Junior Subordinated	BBB-
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Australia and New Zealand Banking Group Ltd.(New York Branch)

Senior Unsecured	AA-
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