

Banks Ratings Navigator		
Navigator date:	July 2019	
Last rating action:	17 Jul 2019	
Sector Details:		
Bank sector:	Universal Commercial	
Region:	DM Asia	
Country:	Australia	
Country IDR:	AAA Stable	
Last action:	17 Apr 19 Affirmed	
Country ceiling:	AAA	
Macro prudential indicator:	1	
Bank systemic indicator:	aa	
Bank Rating History		
Viability Rating (VR)		
17 Jul 19	aa-	Affirmed
14 Feb 19	aa-	Affirmed
22 Feb 18	aa-	Affirmed
Issuer Default Rating (IDR)		
17 Jul 19	AA- Negative	Affirmed
14 Feb 19	AA- Stable	Affirmed
22 Feb 18	AA- Stable	Affirmed
Support Rating Floor (SRF)		
17 Jul 19	A	Affirmed
14 Feb 19	A	Affirmed
22 Feb 18	A	Affirmed
Bar Chart Legend:		
Vertical bars = VR range of Rating Factor		
Bar Colors = Influence on final VR		
	Higher Influence	
	Moderate Influence	
	Lower Influence	
Bar Arrows = Rating Factor Outlook		
	Positive	
Peer Ratings bars = Count of banks		
54	DM Asia Universal Commercial	
6	Australia Universal Commercial	
Relevant Criteria & References		
Bank Rating Criteria (Oct 2018)		
Macro-Prudential Risk Monitor (Apr 2019)		
Short-Term Ratings Criteria (May 2019)		
Analysts		
Jack Do (+61 2 8256 0355)		
Tim Roche (+61 2 8256 0310)		

	Peer Ratings	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Financial Profile			Viability Rating	Support Rating Floor	Issuer Default Rating
							Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity			
aaa										aaa	AAA	AAA
aa+										aa+	AA+	AA+
aa										aa	AA	AA
aa-										aa-	AA-	AA- Negative
a+										a+	A+	A+
a										a	A	A
a-										a-	A-	A-
bbb+										bbb+	BBB+	BBB+
bbb										bbb	BBB	BBB
bbb-										bbb-	BBB-	BBB-
bb+										bb+	BB+	BB+
bb										bb	BB	BB
bb-										bb-	BB-	BB-
b+										b+	B+	B+
b										b	B	B
b-										b-	B-	B-
ccc+										ccc+	CCC+	CCC+
ccc										ccc	CCC	CCC
ccc-										ccc-	CCC-	CCC-
cc										cc	CC	CC
c										c	C	C
f										f	NF	D or RD

Support Rating Floor			
	Value		
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)	A+ to A-		
Actual country D-SIB SRF	A		
Support Rating Floor:			
Support Factors	Positive	Neutral	Negative
Sovereign ability to support system			
Size of banking system relative to economy			
Size of potential problem			
Structure of banking system			
Liability structure of banking system			
Sovereign financial flexibility (for rating level)			
Sovereign propensity to support system			
Resolution legislation with senior debt bail-in			
Track record of banking sector support			
Government statements of support			
Sovereign propensity to support bank			
Systemic importance			
Liability structure of bank			
Ownership			
Specifics of bank failure			
Policy banks			
Policy role			
Funding guarantees and legal status			
Government ownership			

Drivers & Sensitivities	
Negative Outlook	The revision of the Outlook to Negative reflects the risk that ANZ's focus on remediating issues and changing culture to be in line with regulatory expectations means its ongoing operation may not receive sufficient management time, which could weaken earnings relative to peers.
Non-Financial Risk Remediation Focus	The Outlook may be revised to Stable if the governance of operational and compliance risks can be strengthened in line with regulatory expectations without a substantial negative impact on the ongoing businesses and earnings.
Franchise Supports Fundamentals	ANZ is likely to maintain its strong domestic franchise and pricing power over the next two to three years, which supports its financial profile. Increased scrutiny from regulators and competition from fintech companies could reduce this strength in the longer term.
Macroeconomic Risks Elevated	Australian household debt is high relative to that of international peers, making households susceptible to sharp rises in interest rates or higher unemployment. The risk of shocks also remains prominent in light of the geopolitical environment and its effect on global growth.
High Stability and Loan Losses	Underwriting standards appear sound and are generally in line with those of domestic peers, largely due to regulatory intervention in the residential mortgage market. Asset quality may be more volatile relative to some domestic peers due to ANZ's greater corporate exposure.
Profitability Commensurate with Low Risk	Fitch expects earning pressure to continue due to more modest loan growth, continued pressure on net-interest margins, rising funding costs, a probable rise in impairment charges and further remediation and compliance costs.
Solid Buffers Over Regulatory Requirements	ANZ maintains solid buffers over regulatory capital minimums. Its common equity Tier 1 ratio was the highest of Australian major banks as of September 2018. Buffers are likely to trend toward domestic-peer levels as asset sales are completed and capital returned to shareholders.
Funding Still a Weakness	Funding remains a weakness relative to similarly rated international peers, but liquidity is managed well. Deterioration in ANZ's funding and liquidity profile could leave it more susceptible to prolonged funding-market dislocation, which could also pressure its ratings.

Credit-Relevant ESG Derivation

Australia and New Zealand Banking Group Limited has 1 ESG key rating driver, 1 ESG rating driver and 4 ESG potential rating drivers

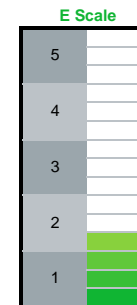
Overall ESG Scale

- ➔ Australia and New Zealand Banking Group Limited has exposure to board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions which, on an individual basis, has a significant impact on the rating.
- ➔ Australia and New Zealand Banking Group Limited has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) which, in combination with other factors, impacts the rating.
- ➔ Australia and New Zealand Banking Group Limited has exposure to shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices but this has very low impact on the rating.
- ➔ Australia and New Zealand Banking Group Limited has exposure to operational implementation of strategy but this has very low impact on the rating.
- ➔ Australia and New Zealand Banking Group Limited has exposure to organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership but this has very low impact on the rating.
- ➔ Australia and New Zealand Banking Group Limited has exposure to quality and frequency of financial reporting and auditing processes but this has very low impact on the rating.

key driver	1	issues	5	
driver	1	issues	4	
potential driver	4	issues	3	
not a rating driver	3	issues	2	
	5	issues	1	

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	n.a.	n.a.
Energy Management	1	n.a.	n.a.
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Company Profile; Management & Strategy; Risk Appetite; Asset Quality



How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The left-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

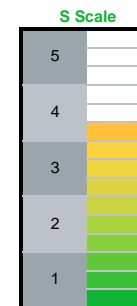
The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the [number of] general ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector and sub-sector ratings criteria and the General Issues and the Sector-Specific Issues have been informed with SASB's Materiality Map.

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

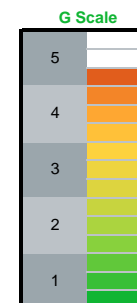
Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities; SME and community development programs; financial literacy programs	Company Profile; Management & Strategy; Risk Appetite
Customer Welfare - Fair Messaging, Privacy & Data Security	4	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Company Profile; Management & Strategy; Risk Appetite
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	3	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Company Profile; Financial Profile



Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Operational implementation of strategy	Management & Strategy
Governance Structure	5	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy



CREDIT-RELEVANT ESG SCALE	
How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

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