FitchRatings

Banks
Universal Commercial Banks
Australia

Australia and New Zealand Banking Group Limited

Ratings

Foreign Currency

Long-Term IDR	A+
Short-Term IDR	F1
Viability Rating	a+
Government Support Rating	a

Sovereign Risk (Australia)

Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
Country Ceiling	AAA

Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

Bank Rating Criteria (November 2021)

Related Research

Global Economic Outlook (March 2022)

2022 Outlook: Asia-Pacific Developed Market Banks (December 2021)

Analysts

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Key Ratings Drivers

Ratings Reflect Standalone Strength: Australia and New Zealand Banking Group Limited's (ANZ) Issuer Default Ratings (IDRs) and senior debt ratings are driven by its Viability Rating (VR), which is in line with the implied VR. The VR is underpinned by its strong business profile and sound financial profile. The Stable Outlook reflects our view that ANZ has sufficient headroom in its financial metrics to maintain the current rating.

Solid Economic Growth: We expect economic growth to be solid in Australia and New Zealand, ANZ's two main markets, in 2022 and 2023, which underpins the stable outlook on our 'aa-' operating environment factor score. The score is at the lower end of the 'aa(cat)' as it considers households' high leverage, which makes them susceptible to sharp interest-rate hikes.

Strong Market Positions: ANZ is Australia's fourth-largest bank, accounting for 13% of system assets at end-January 2022. It also operates the largest bank in New Zealand, ANZ Bank New Zealand Limited (A+/Stable/a), which has around 30% of total system assets. The 'aa-' business-profile score is above the implied 'a(cat)' score.

Improved Non-Financial Risk Management: We revised the outlook on the risk-profile factor score to positive from stable to reflect better management of non-financial risk. We may raise the score if historical non-financial risk issues are substantially dealt with, which may be reflected in the removal of the AUD500 million operational risk charge. We regard ANZ's underwriting and risk controls as sound and consistent with that of domestic peers.

Robust Asset Quality; Modest Deterioration: The removal of pandemic-related stimulus and support, and rising interest rates in Australia and New Zealand are likely to lead to a modest weakening in the ratio of stage 3 loans/gross loans over the next two years. We expect the core metric to remain robust and below 1%, driving our revision of the factor score to 'aa-' from 'a+'.

Earnings Improvement to be Maintained: We believe most of the earnings rebound in the financial year to September 2021 (FY21) will be sustained over the next two years. We expect loan growth to slow for the system, but ANZ's growth is likely to improve as it has lagged peers' since 2020. Rising interest rates may boost the net interest margin, but we expect competition to remain intense. High levels of investment are also likely to continue in the medium term.

Capitalisation Robust, Broadly Steady: The fall in ANZ's common equity Tier 1 (CET1) ratio since FYE21 was partly driven by the partial completion of a share buyback. We believe the CET1 ratio will be commensurate with the 'a+' capitalisation and leverage score over the next two years even with completion of the rest of the share buyback in FY22. Capitalisation appears sufficient to meet the regulator's final Basel III rules given the large buffer over regulatory minimums.

Limited Funding and Liquidity Pressure: We expect modest weakening in ANZ's gross loan/customer deposit ratio (FYE21: 107%) as loan growth picks up, but the core metric is likely to remain the strongest in the peer group. The ratio improved significantly in the last two years due to strong deposit inflows and loan growth that lagged that of peers. Liquidity metrics are well over regulatory minimums, but we expect these to return to pre-pandemic levels in time.

Rating Sensitivities

Factors that could, individually or collectively, lead to negative rating action/downgrade

IDRS, VR AND SENIOR DEBT

ANZ's Long-Term IDR, VR and long-term senior debt ratings could be downgraded if a combination of the following occurs:

- The four-year average of stage 3 loans/gross loans is likely to be sustained around or above 2% (FYE21: 1.2%);
- The four-year average of operating profit/risk-weighted assets falls below 1.5% for a sustained period (FYE21: 1.8%);
- ANZ's CET1 ratio falls to around 10.5%, or the equivalent under the Australian Prudential Regulation Authority's (APRA) final Basel III framework, without a credible plan to raise it back above 11.0% (1QFYE22: 12.4%);

Any downgrade of ANZ's Long-Term IDR would be limited to one notch unless the GSR of 'a' is also downgraded.

A downgrade of ANZ's Short-Term IDR and short-term senior debt ratings appears unlikely, as it would require the Long-Term IDR to be downgraded by at least two notches to 'A-' and the funding and liquidity score to be lowered by at least one notch to 'a-'.

GSR

- A weakening in the authorities' propensity to provide support may result in Fitch lowering ANZ's GSR. However, this appears unlikely.
- A change in the ability of authorities to provide support is likely to be reflected in a downgrade of Australia's sovereign rating (AAA/Stable). However, this may not automatically result in a downgrade of the GSR if we believe the strength of the propensity to provide support offsets the lower ability to provide the support. Any change in the GSR would not directly affect ANZ's Long-Term IDR, which is driven by its VR.

Factors that could, individually or collectively, lead to positive rating action/upgrade

IDRS, VR AND SENIOR DEBT

ANZ's IDRs, VR and senior debt ratings may be upgraded if a combination of the following occurs:

- The four-year average of operating profit/risk-weighted assets is likely to improve to above 3% on a sustained basis;
- ANZ commits to maintaining capitalisation at levels consistent with more highly rated peers, possibly reflected in the CET1 ratio above 12.5%, or the equivalent under APRA's final Basel III framework;

ANZ's Short-term IDR may also be upgraded without an upgrade in the Long-term IDR if our funding and liquidity score is raised by two notches to 'aa-'. This appears unlikely as it would require ANZ's loan/customer deposit ratio to fall well below 100%.

GSR

The GSR may be upgraded if Australian authorities provide additional, explicit statements of support for domestic systemically important banks, including ANZ, or otherwise provide greater certainty that support would be provided if needed.

Other Debt and Issuer Ratings

Rating level	Rating	Outlook
Junior subordinated: long term	BBB	Not applicable
Senior unsecured: long term	A+	Not applicable
Senior unsecured: short term	F1	Not applicable
Subordinated: long term	A-	Not applicable

Source: Fitch Ratings

ANZ's subordinated Tier 2 debt is rated two notches below its anchor rating - the VR - for loss severity, with non-performance risk adequately captured by the VR. The point of non-viability for these instruments is at the discretion of the regulator. None of the reasons for alternative notching from the anchor rating as described in the criteria is present.

ANZ's Tier 1 hybrid capital instruments are rated four notches below the VR - two notches for non-performance risk to reflect the risk of discretionary coupon skipping and two notches for loss severity. Conversion of these instruments occurs at the point of non-viability, which is at the regulator's discretion, or if the CET1 ratio falls below 5.125%. None of the reasons for an alternative notching outlined in the criteria is present.

Factors that could, individually or collectively, lead to negative rating action/downgrade

The Tier 2 and additional Tier 1 (AT1) debt ratings would be downgraded if ANZ's VR is downgraded.

Factors that could, individually or collectively, lead to positive rating action/upgrade

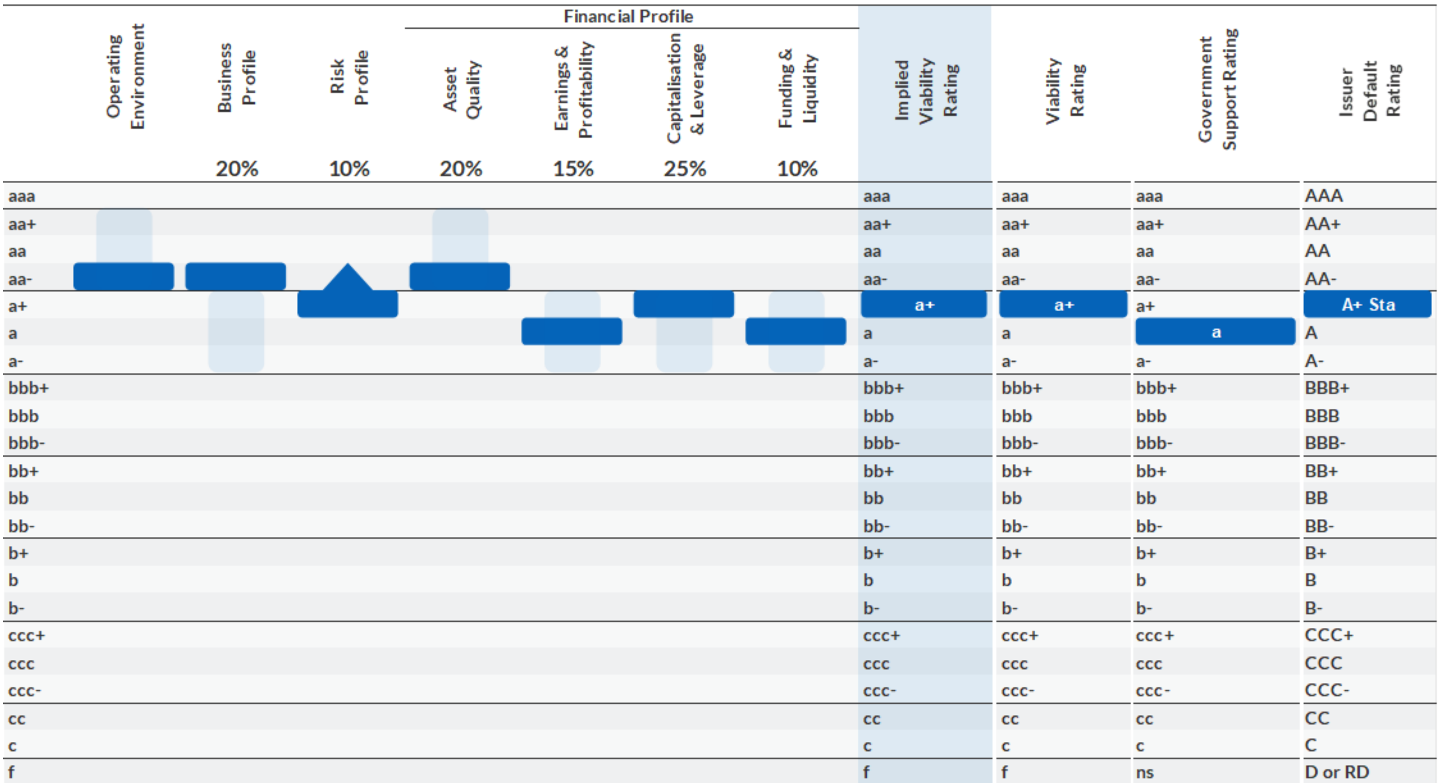
An upgrade of ANZ's VR would result in an upgrade of the Tier 2 and AT1 debt ratings.

Significant Changes

Issuer Level

ANZ announced it would start AUD1.5 billion of share buybacks in 2021 (0.5% of RWA at FYE21), of which AUD700 million was completed by FYE21. The remainder is to be completed in March 2022. ANZ has maintained CET1 ratios well above its target range and the buyback is broadly in line with our expectations following greater clarity around the impact of the Covid-19 pandemic and finalisation of the Basel III rules by APRA. We believe further capital management is possible, but it is likely to be smaller given the reduction in the CET1 buffers and our expectation of increased loan and risk-weighted asset growth.

Rating Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Key Rating Drivers Adjustments

The business-profile score of 'aa-' has been assigned above the 'a' category implied score because of the following adjustment reason: market position (positive).

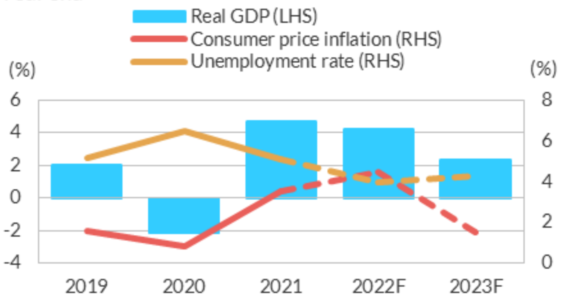
Company Summary and Key Qualitative Factors

Operating Environment

Fitch expects solid economic growth to continue in Australia and New Zealand, ANZ's two main markets, in 2022, following a transition away from a zero-tolerance approach to the Covid-19 pandemic. A surge in Covid-19 cases in early 2022 has not resulted in additional widespread restrictions and we still expect GDP to expand by 4.2% in Australia and 3.5% in New Zealand in 2022. We do not expect the conflict in the Ukraine to have a direct effect on the economies of Australia and New Zealand, instead the economies will be most affected by higher inflation.

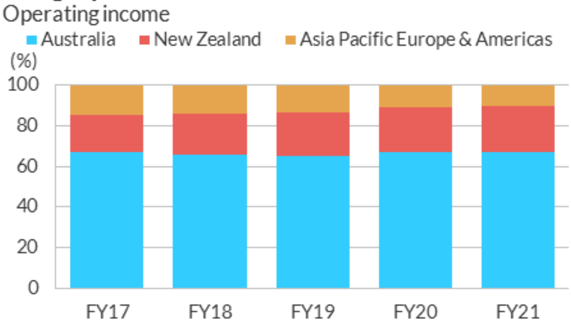
House price growth accelerated in 2021, which could pose risks in the medium term if fuelled by credit growth that results in a significant rise in household leverage. APRA started tightening macroprudential measures in October 2021 to address this risk and we expect further tightening if growth in riskier lending were to occur. Australia's high household leverage results in Fitch placing our operating environment score at the lower end of the 'aa' category. Household debt/disposable income was 185% at end-September 2021, below the previous peak of 187% at end-June 2019 but higher than the 180% at end-2020.

Australian Economy
Year end



Source: Fitch Ratings

Geographical Diversification
Operating income



Source: Fitch Ratings, ANZ

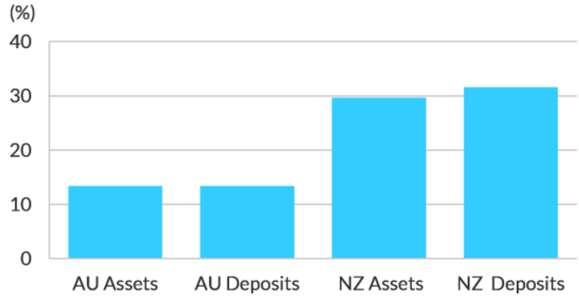
Business Profile

ANZ's business profile benefits form its strong market position, which provides it with significant economies of scale and pricing power relative to smaller peers. The bank's operations are geared towards traditional banking activities and it has a low reliance on volatile businesses. Its core segments are residential mortgages and commercial loans.

During the pandemic in the last two years, ANZ's total loan and asset market shares in Australia weakened by around 1pp as competitors met a surge in residential mortgage demand while ANZ faced operational and processing constraints. The bank has taken measures to rectify this, but we believe it could take some time to reclaim the lost market share given the intense competition. The loss in market share is unlikely to result in a revision of the business-profile score as we do not expect market share to weaken significantly from here.

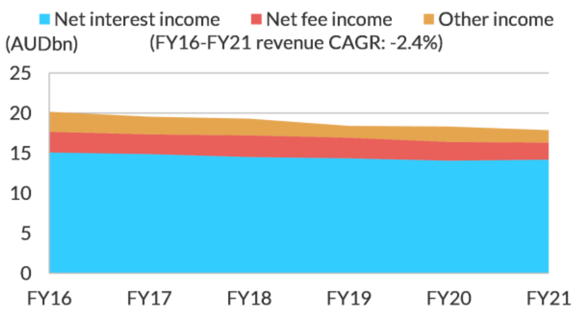
ANZ's strategy does not appear to have been affected by the pandemic and remains relatively unchanged. Key objectives remain digitising the bank and improving operating efficiency, which are evident in the continued high investments in technology. The bank has historically had good execution of its objectives, but has lagged major bank peers in growth over the last two years. ANZ's performance so far in FY22 shows signs of improvement and growth is likely to outpace that in prior years.

Market Share
End-2021



Source: Fitch Ratings, APRA, Reserve Bank of New Zealand

Revenue Breakdown



CAGR: compound annual growth rate
Source: Fitch Ratings, ANZ

Risk Profile

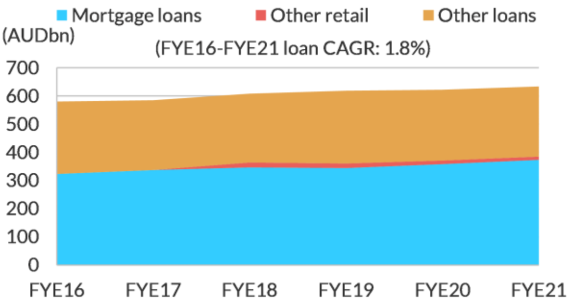
Credit risk remains ANZ's largest risk, accounting for 81% of risk-weighted assets (RWAs) at end-1Q22. The credit risk arises largely from the loan book (65% of total assets at FYE21), with mortgages being the largest segment (59% of gross loans), which is unlikely to change. We regard ANZ's mortgage portfolio as low risk as its exposure to riskier lending, such as investor lending, remained flat while interest-only lending reduced in FY21.

ANZ has a larger exposure to corporate and institutional lending than some Australian major bank peers, which increases its risk profile, but adds diversification, and we believe its exposures are well-managed and underwriting of these exposures is consistent with that of peers. Commercial property and agriculture are the largest exposure segments outside of retail, and combined account for 10% of exposure at default. ANZ has a larger institutional exposure to Asia than peers, but the portfolio is skewed towards short-term and investment grade lending.

While non-financial risk management has improved considerably since 2018, we believe conduct and, increasingly, cyber risks are high in the current environment. We have retained the risk-profile score at 'a+', one notch below both the business-profile and asset-quality scores.

ANZ's loan growth through the pandemic lagged peers' due to operational constraints and this remained the case in the year to date in FY22. We believe ANZ's growth is likely to trend closer towards that of the system over the next two years as operational improvements are implemented and do not view capital as a constraint to growth.

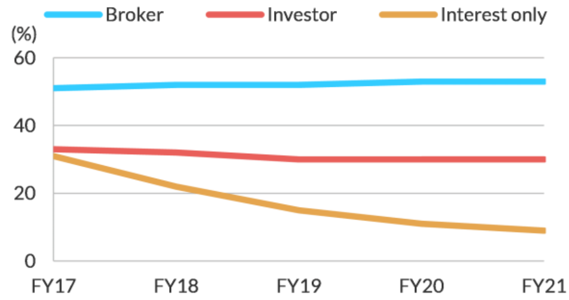
Loan Book



CAGR: compound annual growth rate
Source: Fitch Ratings, ANZ

Australian Mortgage Portfolio

% of mortgages



Source: Fitch Ratings, ANZ

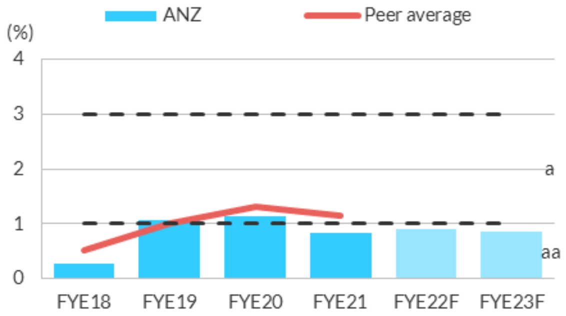
Financial Key Rating Drivers

Asset Quality

We expect ANZ's asset-quality metrics to weaken through to 2023, but we believe the risk of significant losses remains low due to low unemployment, strong house-price growth over last few years and declining exposures to riskier mortgage types. The revision of the asset-quality score to 'aa-' from 'a+' reflects the strong quality of ANZ's assets in the last two years despite the pandemic and our expectation that the core metric will remain around 0.9% until FY23.

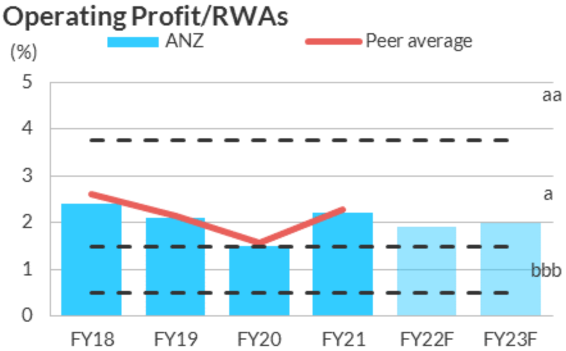
The number of borrowers requiring loan deferrals during the extended lockdown in 2021 was significantly lower than the prior year and arrears performance is in line with our expectations. We expect loan-loss allowance coverage of impaired loans, which stood at 76% at FYE21 to decline in FY22 due to a modest rise in impaired balances and the gradual release of pandemic-related provisions. Even so, the coverage ratios should remain sufficient given the high level of collateral over the loan book.

Impaired Loans/Gross Loans



Source: Fitch Ratings, banks

Operating Profit/RWAs



Source: Fitch Ratings, banks

Earnings and Profitability

We expect ANZ's core metric, operating profit/RWAs, to remain at around 2% over FY22-FY23 (FYE21: 2.2%), which is consistent with the assigned factor score of 'a'. Some weakening in the net interest margin over FY22 is likely, although it will not be as large as some peers' due to growth rates that are slower than peers' and the bank's higher exposure to New Zealand, where rates have already begun to rise. Capacity and improvements in Australian mortgage processing should see growth trend closer towards that of peers and the system.

Cost efficiency and business investment in technology and digitalisation continue to be focuses for ANZ. We believe the cost/income ratio will improve to around 47% by FYE23 and continue to trend lower in the long term. FY22 impairment charges are likely to increase from FY21 levels but remain low overall, assisted by further releases of pandemic-related overlays. Customer remediation costs appear to have peaked and we do not expect these to be a large drag on performance as in some previous years.

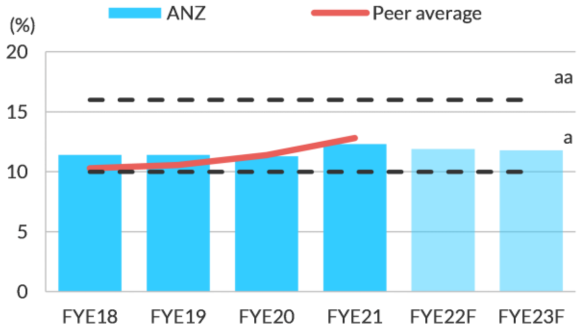
Capital and Leverage

APRA's implementation of the final Basel III rules, scheduled from the start of 2023, may result in a modest easing of some of the conservative RWA calculations in Australia, but we do not expect a significant increase in ANZ's CET1 ratio. Domestic systemically important banks, such as ANZ, will be required to meet a minimum CET1 ratio of 10.25%, including buffers, when the framework is implemented, and we expect management to target a ratio of 11.0%-11.5%, which remains consistent with the 'a+' capitalisation and leverage score.

ANZ’s regulatory risk-weighted capital ratios appear modest in an international context and are affected by APRA's conservative approach to capital calculation and risk-weighting. This makes direct comparisons with global peers difficult. Un-risk-weighted metrics, such as the Basel leverage ratio and tangible common equity/tangible assets, compare more favourably with those of global peers.

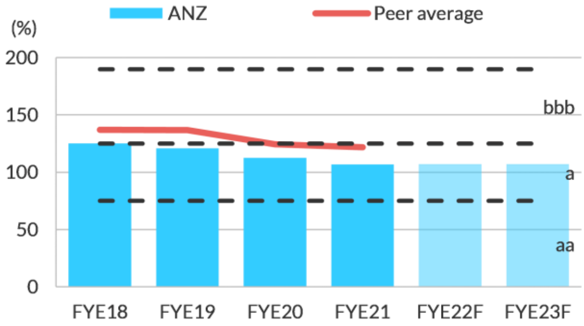
The loss-absorbing capacity requirement for Australia's domestic systemically important banks, including ANZ, appear to be manageable. It is being met through Tier 2 issuance, with senior bail-in instruments not included in the framework. ANZ has been increasing its Tier 2 issuance and is well-positioned to meet the 3% of RWAs requirement by 2024. The banks have until 2026 to meet the final 4.5% requirement.

CET1/RWAs



Source: Fitch Ratings, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, banks

Funding and Liquidity

ANZ is likely to see loan growth, which has been below 2% over the last three years, move closer to peers' over the next two years. In addition, deposit growth for the system is likely to slow as bank liquidity-support measures are unwound. This means we expect modest weakening in ANZ's loans/customer deposits ratio over the next two years, but it is likely to remain significantly below pre-pandemic levels and the strongest among the Australian major banks.

Longer-term we still see Australian banks, including ANZ, remaining reliant on wholesale funding from offshore markets. We expect issuance in these markets to return to pre-pandemic levels in the next two years. ANZ manages its wholesale funding profile well by maturity, product and investor, and we believe refinancing of funds from the Reserve Bank of Australia's (RBA) term funding facility is manageable, given ANZ had relatively low utilisation compared to Australian major bank peers.

Liquidity is also well managed and we do not expect the removal of the committed liquidity facility (CLF) by the end of 2022 to pressure ANZ's liquidity metrics, which should remain well above regulatory minimums, even after the removal. The CLF, which allows banks to place assets with the RBA to source emergency funding, was established to offset the lack of government and semi-government debt in Australia. The pool of these instruments has grown through the pandemic, meaning APRA deemed the CLF was no longer required to meet Basel liquidity requirements.

Financials

Financial Statements

	30 Sep 2021		30 Sep 2020	30 Sep 2019	30 Sep 2018
	Year End	Year End	Year End	Year End	Year End
	USDm	AUDm	AUDm	AUDm	AUDm
	Audited - Unqualified	Audited - Unqualified	Audited - Unqualified	Audited - Unqualified	Audited - Unqualified
Summary Income Statement					
Net interest and dividend income	10,204	14,161.0	14,049.0	14,339.0	14,514.0
Net fees and commissions	1,544	2,143.0	2,325.0	2,577.0	2,710.0
Other operating income	985	1,367.0	2,085.0	1,732.0	2,252.0
Total operating income	12,734	17,671.0	18,459.0	18,648.0	19,476.0
Operating costs	6,522	9,051.0	9,306.0	9,071.0	9,401.0
Pre-impairment operating profit	6,212	8,620.0	9,153.0	9,577.0	10,075.0
Loan and other impairment charges	-409	-567.0	2,738.0	794.0	688.0
Operating profit	6,620	9,187.0	6,415.0	8,783.0	9,387.0
Other non-operating items (net)	-193	-268.0	-997.0	-206.0	-187.0
Tax	1,986	2,756.0	1,840.0	2,609.0	2,784.0
Net income	4,441	6,163.0	3,578.0	5,968.0	6,416.0
Other comprehensive income	-219	-304.0	-111.0	1,359.0	316.0
Fitch comprehensive income	4,222	5,859.0	3,467.0	7,327.0	6,732.0
Summary Balance Sheet					
Assets					
Gross loans	456,690	633,764.0	622,074.0	618,767.0	608,380.0
- of which impaired	3,821	5,303.0	7,018.0	6,677.0	1,676.0
Loan loss allowances	2,915	4,045.0	4,981.0	3,509.0	2,917.0
Net loans	453,776	629,719.0	617,093.0	615,258.0	605,463.0
Interbank	5,426	7,530.0	7,541.0	3,739.0	23,473.0
Derivatives	27,913	38,736.0	135,331.0	120,667.0	68,423.0
Other securities and earning assets	93,524	129,786.0	146,468.0	129,835.0	114,559.0
Total earning assets	580,639	805,771.0	906,433.0	869,499.0	811,918.0
Cash and due from banks	109,482	151,931.0	108,724.0	97,506.0	75,407.0
Other assets	15,244	21,155.0	27,129.0	14,132.0	55,857.0
Total assets	705,365	978,857.0	1,042,286.0	981,137.0	943,182.0
Liabilities					
Customer deposits	427,735	593,582.0	552,363.0	511,693.0	486,420.0
Interbank and other short-term funding	107,711	149,474.0	139,274.0	122,101.0	138,272.0
Other long-term funding	55,011	76,341.0	99,029.0	121,520.0	113,262.0
Trading liabilities and derivatives	25,967	36,035.0	134,711.0	120,951.0	69,676.0
Total funding and derivatives	616,424	855,432.0	925,377.0	876,265.0	807,630.0
Other liabilities	25,247	35,036.0	34,973.0	35,907.0	68,230.0
Preference shares and hybrid capital	17,808	24,713.0	20,639.0	8,171.0	7,917.0
Total equity	45,885	63,676.0	61,297.0	60,794.0	59,405.0
Total liabilities and equity	705,365	978,857.0	1,042,286.0	981,137.0	943,182.0
Exchange rate		USD1 = AUD1.387732	USD1 = AUD1.406866	USD1 = AUD1.4817	USD1 = AUD1.384657

Source: Fitch Ratings, Fitch Solutions, ANZ

Key Ratios

	30 Sep 21	30 Sep 20	30 Sep 19	30 Sep 18
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	2.2	1.5	2.1	2.4
Net interest income/average earning assets	1.7	1.5	1.7	1.8
Non-interest expense/gross revenue	50.7	50.8	49.3	48.7
Net income/average equity	9.9	5.9	9.9	10.8
Asset quality				
Impaired loans ratio	0.8	1.1	1.1	0.3
Growth in gross loans	1.9	0.5	1.7	4.2
Loan loss allowances/impaired loans	76.3	71.0	52.6	174.1
Loan impairment charges/average gross loans	-0.1	0.4	0.1	0.1
Capitalisation				
Common equity Tier 1 ratio	12.3	11.3	11.4	11.4
Fully loaded common equity Tier 1 ratio	n.a.	n.a.	n.a.	n.a.
Fitch Core Capital ratio	n.a.	11.9	12.1	12.6
Tangible common equity/tangible assets	5.9	5.3	5.6	5.7
Basel leverage ratio	5.5	5.4	5.6	5.5
Net impaired loans/common equity Tier 1	2.5	4.2	6.7	-2.8
Net impaired loans/Fitch Core Capital	n.a.	4.0	6.3	-2.5
Funding and liquidity				
Gross loans/customer deposits	106.8	112.6	120.9	125.1
Liquidity coverage ratio	135.8	139.4	142.6	138.0
Customer deposits/total non-equity funding	70.3	68.1	67.0	65.2
Net stable funding ratio	124.2	123.8	116.4	114.6

Source: Fitch Ratings, Fitch Solutions, ANZ

Support Assessment

Commercial Banks: Government Support Rating KRDs

Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	A+ to A-
Actual jurisdiction D-SIB GSR	a
Government Support Rating	**a**
Government ability to support D-SIBs	
Sovereign Rating	AAA/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Positive
Government propensity to support D-SIBs	
Resolution legislation	Neutral
Support stance	Neutral
Government propensity to support bank	
Systemic importance	Neutral
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

Environmental, Social and Governance Considerations

Overall ESG

5
4
3
2
1

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.

Environmental (E)

General Issues	Score	Impact	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	Business Profile (incl. Management & governance); Risk Profile; Asset Quality

E Scale: 5, 4, 3, 2, 1

Social (S)

General Issues	Score	Impact	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	Business Profile (incl. Management & governance); Risk Profile
Customer Welfare - Fair Messaging, Privacy & Data Security	3		Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile
Labor Relations & Practices	2		Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)
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	Business Profile (incl. Management & governance); Financial Profile

S Scale: 5, 4, 3, 2, 1

Governance (G)

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

G Scale: 5, 4, 3, 2, 1

ANZ has an ESG Relevance Score of '3' for Exposure to Social Impacts, above the bank sector default score of '2', due to the ongoing scrutiny of the conduct and practices of Australia's largest banks by consumers and authorities in the wake of the Royal Commission into misconduct in the sector held in 2018. This scrutiny has only a minimal impact on ANZ's business profile and ratings.

Unless otherwise disclosed in this section, the highest level of environmental, social and governance (ESG) credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

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