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# Australia and New Zealand Banking Group Ltd.

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# Australia and New Zealand Banking Group Ltd.

| SACP | a | + | Support | +2 | + | Additional Factors | 0 |
|---|---|---|---|---|---|---|---|

| Anchor | bbb+ | |
|---|---|---|
| Business Position | Strong | +1 |
| Capital and Earnings | Strong | +1 |
| Risk Position | Adequate | 0 |
| Funding | Average | 0 |
| Liquidity | Adequate | |

| ALAC Support | 0 |
|---|---|
| GRE Support | 0 |
| Group Support | 0 |
| Sovereign Support | +2 |

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

## Credit Highlights

### Overview

| Key strengths | Key risks |
|---|---|
| Strong market position in the Australian and New Zealand retail and commercial banking sectors. | Dependence on domestic and offshore wholesale borrowing. |
| Conservative risk appetite, backed by a sound risk-management framework. | Exposed to risks from rising house prices, high private sector debt, and an uncertain global economic outlook |
| Highly likely to receive timely financial support from the Australian government, if needed. | |

***We expect Australia and New Zealand Banking Group Ltd.'s (ANZ) strong market position and focus on low-risk retail and commercial banking activities in its two core geographies will continue to support its earnings profile.*** The economies of both countries are recovering strongly after the economic impact of the COVID-19 pandemic. ANZ's strong capitalization will remain a strength to its credit profile. We forecast ANZ's credit losses to revert to pre-COVID-19 levels in the next one to two years.

In our view ANZ's dependence on domestic and offshore wholesale funding remains a weakness; notwithstanding improvements over the past 10 years across the Australian banking system.

The ratings on ANZ also benefit from our expectation that the Australian government is highly likely to provide timely financial support to ANZ, if needed.

## Outlook: Stable

The outlook on ANZ is stable. We forecast ANZ's credit losses in the next two years to return to their pre-COVID levels. Consequently, we expect earnings to remain sound despite low interest rates.

### Upside scenario

We see very limited upside to our issuer credit ratings on ANZ in the next two years.

Alternative scenario: We see a one-in-three possibility that Australian banks will face reduced industry risks in the next two years. We believe that the Australian banking system's funding profile has improved in the past 10 years on the back of growing customer deposits and falling offshore borrowings. We consider that the stronger systemwide funding metrics could be sustained despite a likely modest weakening in the next three years as the COVID-19 driven rise in customer deposits in 2020 unwinds and the Reserve Bank of Australia's (RBA) term funding matures.

If we form a view that industry risks facing Australian banks have reduced sustainably, all else equal, we expect to:

- Revise ANZ's stand-alone credit profile (SACP) by one notch to 'a+' from 'a'.
- Maintain our 'AA-' long-term issuer credit rating on ANZ, reducing the uplift in our issuer credit rating on ANZ 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 rating on each of the Tier-1 and Tier-2 regulatory capital instruments issued by the ANZ group, in line with the revision in the bank's SACP.

### Downside scenario

The ratings on ANZ have substantial headroom because we have a stable outlook on Australia, and we expect the bank's risk-adjusted capital (RAC) ratio to remain strong and comfortably above 10% in the next two years. As such, we see limited downside in the next two years. Nevertheless, low interest rates, and limited supply of housing stock and higher migration levels could result in a resurgence in house prices and household debt, which would exacerbate economic risks faced by banks in Australia and could exert some downside pressure. Our ratings on ANZ would also be at risk if we were to lower our ratings on Australia.

# Key Metrics

**Australia and New Zealand Banking Group Ltd.--Key Ratios And Forecasts**

| | --Fiscal year ended Sept. 30 -- | | | | |
|---|---|---|---|---|---|
| **(%)** | **2019a** | **2020a** | **2021f** | **2022f** | **2023f** |
| Growth in operating revenue | (9.2) | (1.0) | (4.6) | 1.3 | 3.5 |
| Growth in customer loans | 1.7 | 0.5 | 1.0 | 5.7 | 5.0 |
| Growth in total assets | 4.1 | 6.2 | (5.3) | 4.2 | 3.8 |
| Net interest income/average earning assets (NIM) | 1.8 | 1.8 | 1.7 | 1.7 | 1.7 |
| Cost to income ratio | 48.2 | 50.0 | 50.3 | 48.6 | 46.1 |
| Return on equity | 9.9 | 5.9 | 8.8 | 8.9 | 9.6 |
| Return on assets | 0.6 | 0.4 | 0.5 | 0.6 | 0.6 |
| New loan loss provisions/average customer loans | 0.1 | 0.4 | 0.1 | 0.2 | 0.2 |

| Australia and New Zealand Banking Group Ltd.--Key Ratios And Forecasts (cont.) | | | | | |
|---|---|---|---|---|---|
| | --Fiscal year ended Sept. 30 -- | | | | |
| **(%)** | **2019a** | **2020a** | **2021f** | **2022f** | **2023f** |
| Gross nonperforming assets/customer loans | 0.9 | 1.0 | 0.9 | 0.9 | 0.8 |
| Net charge-offs/average customer loans | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 |
| Risk-adjusted capital ratio | 9.5 | 11.0 | 11.1-11.7 | 10.7-11.3 | 10.4-10.9 |

All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast.

## Anchor: Resilient Economy, Conservative Regulations, And Risk Appetite Mitigate COVID-19 Challenges

The starting point for our ratings on ANZ--similar to all other banks operating predominantly in Australia--reflects our assessment of Australia's macroeconomic conditions. This is because about 60% of ANZ's credit exposure is in its Australian home market and 20% in New Zealand, with the balance in Asia-Pacific, Europe, and the Americas. We expect the geographic composition of its banking operations to remain largely unchanged in the next two years.

***Australia benefits from being a wealthy, open, and resilient economy that has performed relatively well during and following negative economic cycles and external shocks.*** Australia has to date successfully contained the spread of COVID-19 after a second wave in Victoria, the country's second most populous state, in 2020. The national economy is now recovering strongly. This follows the first recession in the country in almost 30 years, triggered by the COVID-19 outbreak and containment measures. Property price growth has resumed on the back of economic recovery and improved consumer and business sentiment. We believe economic growth, improving employment conditions, and low interest rates will continue to drive property price appreciation in the next two years. That said, we expect the regulators to take timely action to mitigate risks to financial system stability from a house price resurgence and high household debt. We forecast credit losses in the next two years to revert to pre-COVID levels.

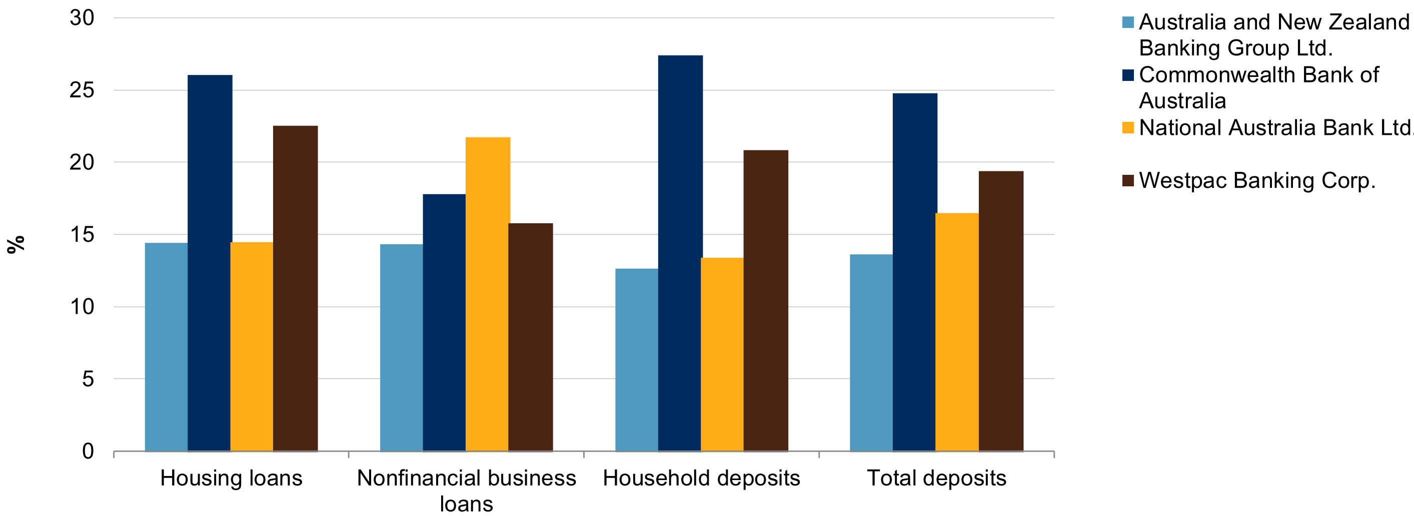
***We consider Australia's prudential regulatory standards to be conservative.*** We also believe the country's banking industry structure supports stability; a small number of strong retail and commercial banks dominate the sector. Low interest rates will curtail bank earnings in the next two years. Still, bank earnings should remain sufficient to absorb higher credit losses. Strong growth in customer deposits and substantial monetary support from the RBA since the COVID-19 outbreak have alleviated funding and liquidity risks for the Australian banks. In the past 10 years, an increase in deposits by domestic customers helped Australian banks to progressively reduce reliance on offshore borrowings. Nevertheless, the Australian banking system's material dependence on external borrowings exposes banks to a disruption in access to funding as well as a rise in borrowing costs.

## Business Position: Strong Market Share, Strong Franchise, And Good Management Support Earnings Stability

***We believe that ANZ's strong position in its core business of retail and commercial banking in Australia and New Zealand should continue to support the bank's credit profile.*** More than 60% of ANZ's credit exposures will remain focused in Australia, where the bank has a strong market share of about 14% of residential mortgages (ranked fourth) and 14% of customer deposits (ranked fourth) as of April 2021. We believe that ANZ should also retain its strong market position in New Zealand, where it is by far the largest bank in the country, with a market share of about 29% of net loans and advances--almost 50% larger than the next biggest bank.

**Chart 1**

**The Four Major Banks Dominate The Australian Banking System**
Market shares based on domestic loan and deposit positions as of April 30, 2021




Source: APRA Monthly ADI Statistics.

***We see ANZ's divestment of its noncore banking activities--which in our view were somewhat peripheral to ANZ's core strengths--as a marginal credit positive for the ANZ group.*** Even though the divestment of ANZ's noncore banking activities will affect the diversification of the group's overall revenue, we do not believe it will negatively affect its business franchise given the overall materiality of the divestments and the refocus in strategy on Australian and New Zealand banking activities.

***We believe that technology could disrupt the competitive landscape in Australia, similar to most other banking markets globally.*** In particular, we believe the COVID-19 pandemic will continue to accelerate the adoption of financial technology in Australia (See "Tech Disruption In Retail Banking: Australia's Big Banks Hold Their Ground As Tech Takes Center Stage," published June 2, 2020). We believe the major Australian banks' dominant market positions, and significant technology investment programs, make them well placed to defend against competition from new tech-enabled market entrants. We expect ANZ, and the other major Australian banks, will leverage technology developments, through both in-house tech investment and collaboration with technology companies, to improve their efficiency and expand their product offerings. We believe that ANZ is targeting to accelerate its investment in information technology because of a change in customer behavior. These customer changes encompass a move from branch to digital and cash to card.

## Capital And Earnings: Risk-Adjusted Capitalization To Remain Strong

***We forecast that ANZ will maintain a RAC ratio in the 10.4%-10.9% range over the next two years.*** We forecast ANZ's loan growth will be about 1% in fiscal 2021 before rising to about 5.7% in the subsequent year, interest margins will continue to be under pressure while credit losses will revert to pre-COVID levels. In the next two years, we expect earnings to recover but remain slightly weaker than the historical average due Australia's historically low interest rates. Nevertheless, we assess the bank will retain significant headroom in its earnings to absorb a substantial increase in credit losses beyond our forecasts.

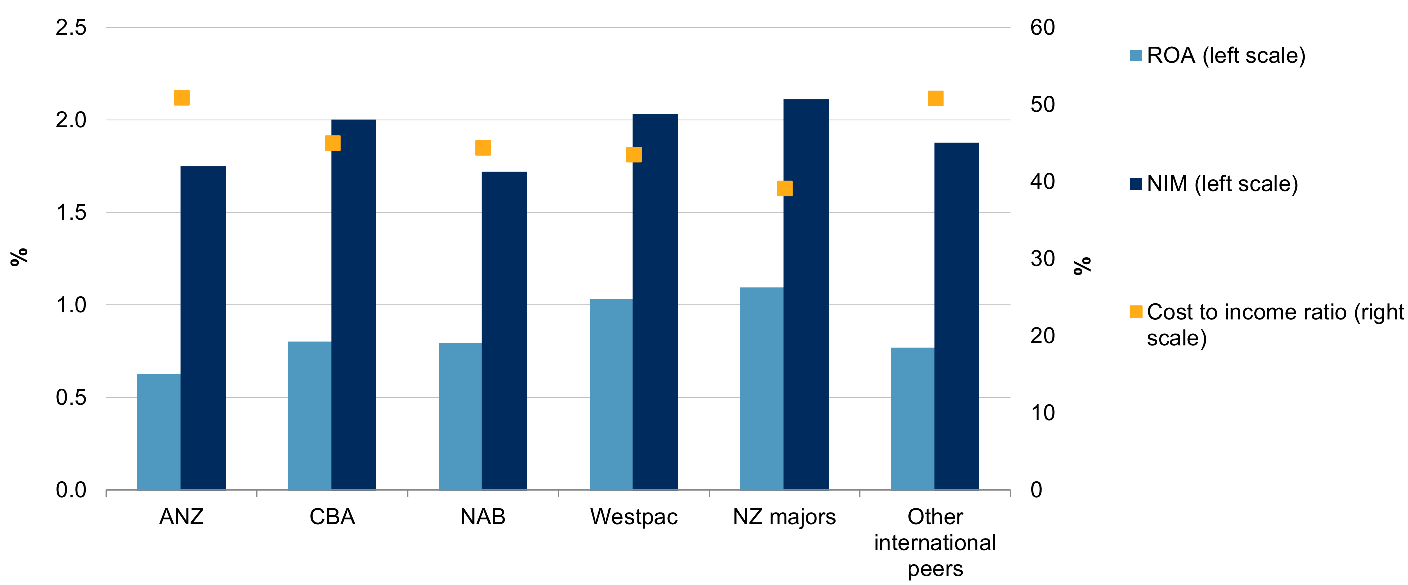
***We believe that as economic conditions improve in the next two to three years, ANZ will return material excess capital relative to its internal capital needs and prudential capital requirements.*** ANZ's common equity Tier 1 (CET1) ratio was 12.4% as of March 30, 2021, which is well in excess of The Australian Prudential Regulation Authority's minimum regulatory capital requirement of 8%, including the domestic systemically important banks (D-SIB) buffer of 1.0% and capital conservation buffer of 2.5%, and above the CET1 target of 10.5% for "unquestionably strong."

***In our view ANZ remains well placed to meet the final capital requirements that the Reserve Bank of New Zealand (RBNZ) announced on Dec. 5, 2019, for its New Zealand subsidiary, ANZ Bank New Zealand Ltd.*** A supporting factor is the seven-year transition period, which the RBNZ has delayed by one year due to the COVID-19 outbreak and containment measures, now starting July 1, 2021. We believe ANZ has significant flexibility to strengthen its regulatory capital ratio further, if needed, through a combination of reduced dividend payout, increased dividend reinvestment, or new capital injection.

**Chart 2**

**Profitability Of Australian Major Banks Is Comparable To Global Peers**

ROA measured as Core earnings to average adjusted assets, NIM measured as net interest income to average earning assets




NIM--Net interest margin. ROA--Return on assets. Source: S&P Global Ratings.

## Risk Position: Credit Losses Likely To Return To Pre-COVID-19 Levels

***In line with our forecast for the Australian banking system, we expect that ANZ's credit losses will ease to pre-COVID-19 levels.*** We believe that the recovering economy, falling unemployment and improved consumer and business sentiment will offset the risks posed by the fiscal support and repayment moratoriums coming to an end.

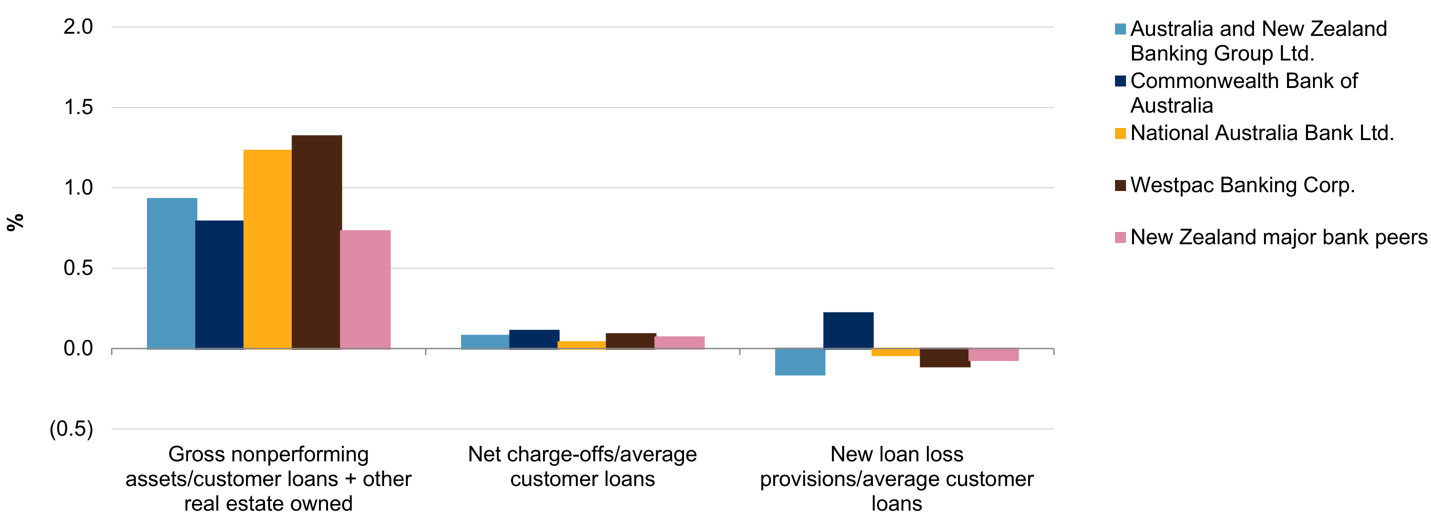
***ANZ will maintain a conservative risk appetite despite the improvement in economic conditions.*** Even though current growth in residential mortgage loans are above system we believe that ANZ's growth appetite is moderate and broadly in line with system trends.

We believe that ANZ's lending and underwriting standards are conservative, as evidenced by low loan-loss provisions and nonperforming assets, which are at levels broadly comparable with its Australian major bank peers. In recent years, ANZ's credit losses have been significantly below our expectations through the cycle, though Australian banks benefited from a long run of benign economic conditions.

***In our view, the ongoing simplification of ANZ's business portfolio with greater focus on retail and commercial banking within Australia and New Zealand has reduced the bank's exposure to relatively risky geographies and businesses.*** Within Asia, ANZ is now focusing mainly on institutional banking.

**Chart 3**

**Strong Asset Quality Relative To International Peers**




Source: S&P Global Ratings.



## Funding And Liquidity: Monetary Support From The Central Bank Eases Risks

***We believe the substantial monetary support package from the RBA has allayed funding and liquidity risks posed by the financial market dislocation following the COVID-19 outbreak.*** As of March 31, 2021, ANZ had drawn A$12.4 billion under the RBA's term funding facility. ANZ's remaining term funding facility includes $8 billion of supplementary allowance as at April 1, 2021 and compares with A$16 billion in wholesale debt maturing in the second half of 2021.

***In our view, ANZ adequately manages its funding and liquidity risks, notwithstanding the structural funding weaknesses inherent to the Australian banking system.*** We believe that the Australian banking system's funding profile has been improving in the past 10 years on the back of growing customer deposits and falling offshore borrowings. We consider that the stronger systemwide funding metrics could be sustained despite a likely modest weakening in the next three years as the COVID-19 driven rise in customer deposits in 2020 unwinds and the RBA's term-funding facility matures. ANZ's funding metrics are broadly in line with those of the other Australian major banks, and banks in Sweden and Norway--countries with banking industry profiles similar to Australia.

***Along with the other Australian major banks, ANZ's share of funding received from core customer deposits has improved, leading to an overall reduction in ANZ's funding gap.*** ANZ's wholesale funding is diversified by investors, geography, and maturities, which should help the bank to maintain access to funding if there is a disruption in one of these sources.

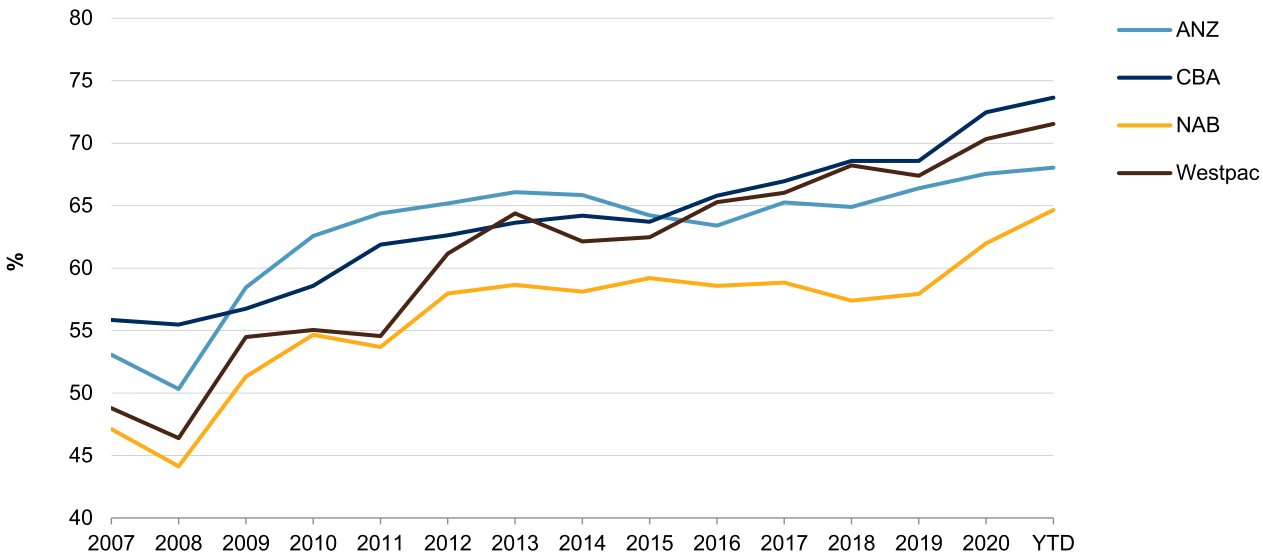
***In our view, the Australian major banks' strong funding franchises domestically and internationally support their funding stability.*** Indeed, we expect that if the Australian banking sector experienced a systemic funding problem a likely "flight to quality" would partly mitigate its impact on the Australian major banks. Our funding metrics include ANZ's loan-to-deposit ratio (93%), stable funding ratio (104%), and short-term wholesale funding to total funding base (21%), all as of March 31, 2021. As of March 31, 2021, the group's net stable funding ratio was 121%, compared with a regulatory minimum of 100%.

***ANZ's liquidity is adequate in our opinion, and we believe that the bank should be able to survive at least a six-month period of funding disruption.*** From a quantitative perspective, ANZ and the other Australian major banks have weaker liquidity ratios relative to other international peers. This reflects in part the limited availability of government debt in Australia. As of March 31, 2021, ANZ's ratio of broad liquid assets to short-term wholesale funding was 1.35x, up from 1.06x a year-and-a-half earlier, as liquid assets increased while short-term wholesale funding fell, both impacted by COVID-19. In our opinion, access to the committed liquidity facility (CLF) from the RBA should boost ANZ's on-balance liquidity, if needed. The RBA has set the CLF limit for ANZ at about A$11 billion for calendar 2021. ANZ's average liquidity coverage ratio for the quarter ended March 31, 2021, was 131%, which is well in excess of the regulatory minimum of 100%.

***In our opinion, ANZ manages its liquidity well by conducting specific stress tests on a routine basis.*** The tests look to identify the timeframe over which high-quality liquid assets could survive under various stress liability run-off scenarios.

**Chart 4**

**The Australian Major Banks' Use Of Core Deposits Has Increased Over The Years**
Core deposits to funding base




YTD--Year to date. Source: S&P Global Ratings.



## Support: Expected Timely Financial Support From The Australian Government Enhances Creditworthiness

Our issuer credit rating on ANZ is two notches above the bank's SACP, reflecting our view that the bank is highly likely to receive timely financial support from the Australian government, if needed. This reflects our view that:

- ANZ is of high systemic importance to the Australian economy and financial system. ANZ has a substantial 14% of household deposits and 14% of residential mortgages. In our view, the bank plays a material role in sourcing offshore funding that supports economic activity in the country. In addition, ANZ is strongly interconnected with the three other major banks in Australia.
- The Australian government remains highly supportive of the private sector banks in the country.

## Environmental, Social, And Governance (ESG)

***We see ESG factors for ANZ to be broadly in line with those for industry and domestic peers.*** In our view, ANZ has a comprehensive, well-developed risk management and governance framework across the group's activities. We expect ANZ's strong business franchise and financial strength to help it absorb potential financial penalties and customer remediation costs associated with governance shortfalls that have emerged in the practices and operations of major

Australian banks in the past three years.

***We believe policymakers have increasingly called for greater penalties for such lapses, at least partly on the basis that these profitable banks must meet community expectations.*** Many Australian banks faced criticisms for issues such as overcharging customers, nonadherence to responsible lending standards, or failure to timely report suspicious transactions to the financial crimes regulator.

***We consider that recent measures could help the bank rebuild trust within the community.*** ANZ, along with other Australian banks, have offered moratoriums on home and business loan repayments to borrowers that face hardship from COVID-19 and its containment measures. Significant costs to remedy past lapses have affected earnings of ANZ and the other major Australian banks. Continued governance failures could make ANZ and its domestic peers less attractive to the equity and debt investors that are more sensitive to the ESG factors, in our view.

***We see environmental factors as less relevant (than social and governance factors) to the creditworthiness of ANZ.*** The mining sector accounts for only about 1% of the total domestic lending by the Australian banking sector. Still, we believe ANZ is indirectly exposed to the environmental factors because it operates in an economy where the commodities sector is significant. Evolution of domestic and global environment standards and legislation, and changing customer preferences leading to a transition toward less carbon intensive forms of energy, could weaken the broader economy and consequently the bank's lending portfolio.

## Hybrids

We believe that Australia's legal and regulatory framework could allow authorities to instigate restructuring of a failing bank to the detriment of nondeferrable subordinated debt. Therefore, we notch our ratings on ANZ and its core banking subsidiaries' hybrid and nondeferrable subordinated debt instruments off ANZ's group SACP of 'a'. This is because we expect that any financial support for any of the major Australian banks, if needed, is unlikely to extend to these instruments.

The issue ratings on ANZ's Basel II nondeferrable subordinated debt are 'A-', or one notch below ANZ's group SACP, reflecting subordination to the senior debt in liquidation. The issue ratings on ANZ's Basel III nondeferrable subordinated debt are 'BBB+', or two notches below ANZ's group SACP; the additional notch is because such instruments contain a contingency clause that requires mandatory conversion into common equity or a write-down of principal on the activation of a nonviability trigger.

The issue ratings on ANZ's Basel III-compliant hybrid capital instruments are 'BBB-', or four notches below the group SACP, reflecting one notch for subordination in liquidation, two notches for the risk of partial or untimely payment, and one notch for a contingency clause that requires the mandatory conversion of such instruments into common equity on the activation of a nonviability trigger.

# Key Statistics

**Table 1**

**Australia and New Zealand Banking Group Ltd.--Key Figures**

| | --Year ended Sept. 30-- | | | | |
|---|---|---|---|---|---|
| **(Mil. A$)** | **2021*** | **2020** | **2019** | **2018** | **2017** |
| Adjusted assets | 1,014,315.0 | 1,037,978.0 | 975,357.0 | 897,640.0 | 852,392.0 |
| Customer loans (gross) | 618,609.0 | 622,074.0 | 618,767.0 | 608,380.0 | 584,091.0 |
| Adjusted common equity | 51,523.9 | 50,738.1 | 47,460.0 | 46,239.7 | 41,437.0 |
| Operating revenues | 8,605.0 | 18,459.0 | 18,648.0 | 20,544.0 | 21,097.0 |
| Noninterest expenses | 4,377.0 | 9,222.0 | 8,994.0 | 10,245.0 | 10,177.0 |
| Core earnings | 3,179.5 | 4,291.9 | 6,164.9 | 6,702.6 | 6,716.0 |

*Data as of March 31.

**Table 2**

**Australia and New Zealand Banking Group Ltd.--Business Position**

| | --Year-ended Sept. 30-- | | | | |
|---|---|---|---|---|---|
| **(%)** | **2021*** | **2020** | **2019** | **2018** | **2017** |
| Total revenues from business line (currency in millions) | 8,618.0 | 18,459.0 | 18,785.0 | 21,116.0 | 21,273.0 |
| Commercial & retail banking/total revenues from business line | 97.9 | 98.1 | 96.0 | 84.7 | 85.5 |
| Insurance activities/total revenues from business line | 0.6 | 0.4 | 0.7 | 1.5 | 1.5 |
| Asset management/total revenues from business line | 1.6 | 1.5 | 1.4 | 1.2 | 1.5 |
| Other revenues/total revenues from business line | (0.2) | (0.0) | 2.0 | 12.6 | 11.5 |
| Return on average common equity | 9.5 | 5.9 | 9.9 | 10.8 | 11.0 |

*Data as of March 31.

**Table 3**

**Australia and New Zealand Banking Group Ltd.--Capital And Earnings**

| | --Year ended Sept. 30-- | | | | |
|---|---|---|---|---|---|
| **(%)** | **2021*** | **2020** | **2019** | **2018** | **2017** |
| Tier 1 capital ratio | 14.3 | 13.2 | 13.2 | 13.4 | 12.6 |
| S&P Global Ratings' RAC ratio before diversification | N/A | 11.0 | 9.5 | 9.4 | 8.9 |
| S&P Global Ratings' RAC ratio after diversification | N/A | 12.0 | 10.4 | 10.4 | 10.0 |
| Adjusted common equity/total adjusted capital | 86.5 | 86.2 | 85.3 | 85.1 | 82.9 |
| Net interest income/operating revenues | 81.2 | 76.1 | 76.9 | 70.6 | 70.5 |
| Fee income/operating revenues | 12.2 | 12.6 | 13.8 | 18.2 | 19.2 |
| Market-sensitive income/operating revenues | 8.5 | 9.8 | 6.9 | 8.1 | 6.8 |
| Cost to income ratio | 50.9 | 50.0 | 48.2 | 49.9 | 48.2 |
| Preprovision operating income/average assets | 0.8 | 0.9 | 1.0 | 1.1 | 1.2 |
| Core earnings/average managed assets | 0.6 | 0.4 | 0.6 | 0.7 | 0.7 |

*Data as of March 31. N/A--Not applicable. RAC--Risk adjusted capital.

**Table 4**

**Australia and New Zealand Banking Group Ltd.--Risk-Adjusted Capital Framework Data**

| (Mil. A$) | Exposure* | Basel III RWA | Average Basel III RW(%) | S&P Global Ratings RWA | Average S&P Global Ratings RW (%) |
|---|---|---|---|---|---|
| **Credit risk** | | | | | |
| Government & central banks | 220,058.0 | 7,765.0 | 3.5 | 5,137.7 | 2.3 |
| Of which regional governments and local authorities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Institutions and CCPs | 84,654.0 | 12,898.0 | 15.2 | 13,547.3 | 16.0 |
| Corporate | 372,568.0 | 188,601.0 | 50.6 | 279,054.6 | 74.9 |
| Retail | 435,424.0 | 136,727.0 | 31.4 | 158,621.3 | 36.4 |
| Of which mortgage | 389,307.0 | 110,563.0 | 28.4 | 118,469.9 | 30.4 |
| Securitization§ | 13,221.0 | 2,125.0 | 16.1 | 2,644.2 | 20.0 |
| Other assets† | 10,967.0 | 4,375.0 | 39.9 | 18,117.0 | 165.2 |
| Total credit risk | 1,136,892.0 | 352,491.0 | 31.0 | 477,122.1 | 42.0 |
| **Credit valuation adjustment** | | | | | |
| Total credit valuation adjustment | -- | 7,546.0 | -- | 9,809.8 | -- |
| **Market Risk** | | | | | |
| Equity in the banking book | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Trading book market risk | -- | 8,241.3 | -- | 10,250.5 | -- |
| Total market risk | -- | 8,241.3 | -- | 10,250.5 | -- |
| **Operational risk** | | | | | |
| Total operational risk | -- | 47,563.0 | -- | 36,750.3 | -- |
| | **Exposure** | **Basel III RWA** | **Average Basel II RW (%)** | **S&P Global Ratings RWA** | **% of S&P Global Ratings RWA** |
| **Diversification adjustments** | | | | | |
| RWA before diversification | -- | 429,388.3 | -- | 533,932.6 | 100.0 |
| Total diversification/ concentration adjustments | -- | -- | -- | (44,414.1) | (8.3) |
| RWA after diversification | -- | 429,388.3 | -- | 489,518.5 | 91.7 |
| | | **Tier 1 capital** | **Tier 1 ratio (%)** | **Total adjusted capital** | **S&P Global Ratings RAC ratio (%)** |
| **Capital ratio** | | | | | |
| Capital ratio before adjustments | | 56,481.0 | 13.2 | 58,861.1 | 11.0 |
| Capital ratio after adjustments‡ | | 56,481.0 | 13.2 | 58,861.1 | 12.0 |

*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of Sept. 30 2020, S&P Global Ratings.

**Table 5**

**Australia and New Zealand Banking Group Ltd.--Risk Position**

| | --Year ended Sept. 30-- | | | | |
|---|---|---|---|---|---|
| (%) | 2021* | 2020 | 2019 | 2018 | 2017 |
| Growth in customer loans | (1.1) | 0.5 | 1.7 | 4.2 | 0.7 |

**Table 5**

**Australia and New Zealand Banking Group Ltd.--Risk Position (cont.)**

| | --Year ended Sept. 30-- | | | | |
|---|---|---|---|---|---|
| **(%)** | **2021*** | **2020** | **2019** | **2018** | **2017** |
| Total diversification adjustment/S&P Global Ratings' RWA before diversification | N/A | (8.3) | (9.1) | (9.6) | (10.8) |
| Total managed assets/adjusted common equity (x) | 19.8 | 20.5 | 20.7 | 20.4 | 21.7 |
| New loan loss provisions/average customer loans | (0.2) | 0.4 | 0.1 | 0.1 | 0.2 |
| Net charge-offs/average customer loans | 0.1 | 0.1 | 0.1 | 0.2 | 0.3 |
| Gross nonperforming assets/customer loans + other real estate owned | 0.9 | 1.0 | 0.9 | 0.8 | 0.9 |
| Loan loss reserves/gross nonperforming assets | 73.7 | 79.0 | 60.8 | 68.7 | 71.2 |

*Data as of March 31. N/A--Not applicable. RWA--Risk weighted assets.

**Table 6**

**Australia and New Zealand Banking Group Ltd.--Funding And Liquidity**

| | --Year ended Sept. 30-- | | | | |
|---|---|---|---|---|---|
| **(%)** | **2021*** | **2020** | **2019** | **2018** | **2017** |
| Core deposits/funding base | 68.0 | 67.5 | 66.4 | 64.9 | 65.3 |
| Customer loans (net)/customer deposits | 109.4 | 111.7 | 120.2 | 124.8 | 125.6 |
| Long-term funding ratio | 80.9 | 79.9 | 81.0 | 81.6 | 81.0 |
| Stable funding ratio | 104.1 | 101.5 | 96.7 | 94.0 | 92.4 |
| Short-term wholesale funding/funding base | 20.6 | 21.8 | 20.6 | 20.0 | 20.6 |
| Broad liquid assets/short-term wholesale funding (x) | 1.3 | 1.2 | 1.1 | 0.9 | 0.9 |
| Net broad liquid assets/short-term customer deposits | 10.8 | 8.1 | 1.9 | (2.2) | (4.2) |
| Short-term wholesale funding/total wholesale funding | 62.6 | 65.0 | 59.3 | 55.2 | 57.2 |

*Data as of March 31.

## Related Criteria

- 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
- Criteria | Financial Institutions | Banks: Assessing Bank Branch Creditworthiness, Oct. 14, 2013
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Financial Institutions | Banks: Commercial Paper I: Banks, March 23, 2004



## Anchor Matrix

| Industry Risk | Economic Risk | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | **3** | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 1 | a | a | a- | bbb+ | bbb+ | bbb | - | - | - | - |
| 2 | a | a- | a- | bbb+ | bbb | bbb | bbb- | - | - | - |
| **3** | a- | a- | **bbb+** | bbb+ | bbb | bbb- | bbb- | bb+ | - | - |
| 4 | bbb+ | bbb+ | bbb+ | bbb | bbb | bbb- | bb+ | bb | bb | - |
| 5 | bbb+ | bbb | bbb | bbb | bbb- | bbb- | bb+ | bb | bb- | b+ |
| 6 | bbb | bbb | bbb- | bbb- | bbb- | bb+ | bb | bb | bb- | b+ |
| 7 | - | bbb- | bbb- | bb+ | bb+ | bb | bb | bb- | b+ | b+ |
| 8 | - | - | bb+ | bb | bb | bb | bb- | bb- | b+ | b |
| 9 | - | - | - | bb | bb- | bb- | b+ | b+ | b+ | b |
| 10 | - | - | - | - | b+ | b+ | b+ | b | b | b- |

## Ratings Detail (As Of July 6, 2021)*

| | |
|---|---|
| **Australia and New Zealand Banking Group Ltd.** | |
| Issuer Credit Rating | AA-/Stable/A-1+ |
| Certificate Of Deposit | |
| *Foreign Currency* | AA-/A-1+ |
| Commercial Paper | |
| *Foreign Currency* | A-1+ |
| Junior Subordinated | BBB- |
| Senior Unsecured | A-1+ |
| Senior Unsecured | AA- |
| Subordinated | A- |
| 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+ |
| 07-Jul-2016 | AA-/Negative/A-1+ |
| **Sovereign Rating** | |
| Australia | AAA/Stable/A-1+ |

| Ratings Detail (As Of July 6, 2021)*(cont.) | |
|---|---|
| **Related Entities** | |
| **ANZ Bank New Zealand Ltd.** | |
| Issuer Credit Rating | AA-/Stable/A-1+ |
| Certificate Of Deposit | |
| *Local Currency* | AA-/A-1+ |
| Preferred Stock | BBB- |
| Senior Unsecured | A-1+ |
| Senior Unsecured | AA- |
| **ANZ New Zealand (Int'l) Ltd. (London Branch)** | |
| Senior Unsecured | AA- |
| **Australia and New Zealand Bank (China) Co. Ltd.** | |
| Issuer Credit Rating | A+/Stable/A-1 |
| **Australia and New Zealand Banking Group Ltd. (London Branch)** | |
| Junior Subordinated | BBB- |
| Senior Unsecured | AA- |
| **Australia and New Zealand Banking Group Ltd.(New York Branch)** | |
| Senior Unsecured | AA- |

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.