

# Australia & New Zealand Bank (ANZ AU)

## FUNDAMENTAL VIEW <sup>1</sup>

As of 22 Dec 2023

- ANZ (Aa3/AA-/A+) has the leading corporate banking franchise in Australia and New Zealand, and is the largest bank in New Zealand. It has a relatively small share of the Australian domestic retail market (and so it is acquiring Suncorp). Its Asia-focused regional business suffered from weak returns post-GFC but, after restructuring, has achieved better results.
- Its core institutional business continues to do well, capital levels are comfortable, as are asset quality metrics with good collective provisioning.

## RISKS & CATALYSTS

As of 22 Dec 2023

- The limited impact of COVID-19 on the Australian economy has seen ANZ able to reverse provisions with little sign of credit risk deterioration. It is well positioned for a housing market downturn with collective provisions of ~70 bp.
- ANZ has a relatively small share of the Australian domestic retail market, but it aims to increase market share through the acquisition of Suncorp Bank (final authority approval/rejection will come through in early 2024).
- ANZ's large presence in New Zealand makes it more exposed to that economy, but there has been no negative impact so far, nor is one anticipated.

## CREDIT QUALITY SCORE (CQS)<sup>2</sup>

As of 22 Jan 2024

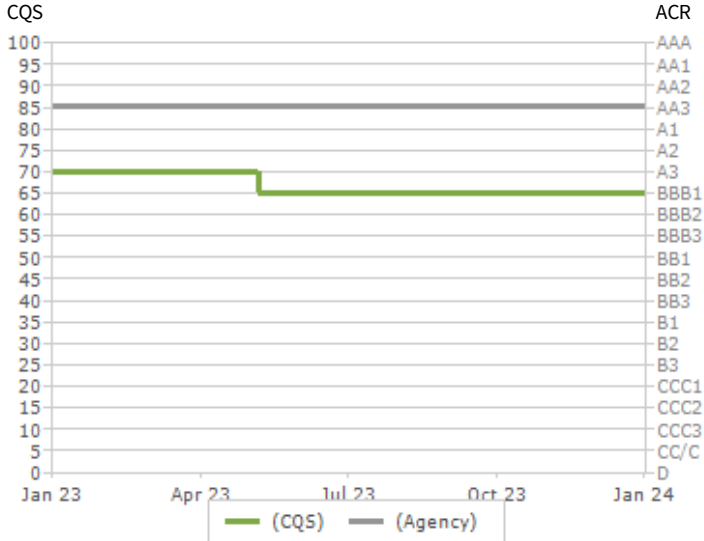
### CURRENT CQS

65

### CQS OUTLOOK<sup>3</sup>

NEGATIVE STABLE POSITIVE

### HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR)<sup>4</sup> VS CQS



## KEY METRICS

As of 26 Dec 2023

AUD MN	Y19	Y20	Y21	Y22	Y23
Return on Equity	10.8%	6.2%	9.9%	10.1%	10.9%
Total Revenues Margin	2.0%	1.8%	1.7%	1.8%	1.9%
Cost/Income	47.7%	52.9%	51.9%	51.6%	48.5%
CET1 Ratio (APRA)	11.4%	11.3%	12.3%	12.3%	13.3%
CET1 Ratio (International)	16.4%	16.7%	18.3%	19.2%	19.2%
APRA Leverage Ratio	5.6%	5.4%	5.5%	5.4%	5.4%
Liquidity Coverage Ratio	143%	139%	136%	129%	132%
Gross Impaired Loans/Gross Loans	0.3%	0.4%	0.3%	0.2%	0.2%

## BUSINESS DESCRIPTION

As of 22 Dec 2023

- ANZ is a Melbourne-based bank with a history dating back to the early 19th century. Historically, its strength has been in corporate banking. It is the largest bank in New Zealand and was previously active in Asia but cut back, pulling out of India in the 1990s. It subsequently built up minority stakes in Indonesia (Panin, 39%), Malaysia (AMMB 24%) and China (Bank of Tianjin 12%), all of which it is trying to sell. After the crisis it acquired banking operations from RBS in several Asian countries including Hong Kong, Singapore, Taiwan, Philippines and Indonesia, much of which it subsequently sold to DBS.
- Its broader strategy is to shift capital allocations away from institutional towards retail and commercial in Australia where its market share is relatively small. To grow its mortgage marketshare, it announced the acquisition of Suncorp's banking business in Jul-22; final approval for the deal is expected in early 2024.

## GLOSSARY

- The Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.
  - The Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.
  - The Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.
  - The Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.
- Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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