FitchRatings

Banks
Universal Commercial Banks
New Zealand

ANZ Bank New Zealand Limited

Update

Key Rating Drivers

Support Prospects: ANZ Bank New Zealand Limited's (ANZNZ) Shareholder Support Rating (SSR) and Long-Term Issuer Default Ratings (IDR) reflect Fitch Ratings' assessment of a very high likelihood of support from the bank's Australia-based owner, Australia and New Zealand Banking Group Limited (ANZ, AA-/Stable/a+), if required. The anchor rating for ANZNZ's SSR is ANZ's Viability Rating (VR) as it is unclear whether qualifying junior debt buffers being built by ANZ will be pre-placed or effectively available to support ANZNZ's senior creditors.

Integral Subsidiary: ANZNZ's SSR reflects its position as a key and integral part of ANZ, offering products and services in the group's core market, New Zealand. A sale would be very hard to conceive and would noticeably alter the overall shape of ANZ, while any default of ANZNZ would constitute a huge reputational risk for ANZ, damaging its franchise. Fitch expects the Australian and New Zealand banking regulators to allow support to flow as required.

Reduced Household Sector Risk: The operating environment score for New Zealand banks of 'a+'/stable reflects a sustained reduction in risks from the household sector over the last decade, due in part to a strengthened regulatory environment. However, household debt remains high relative to many other jurisdictions, and we maintain the score below the implied 'aa' category score to reflect this.

Market Position Underpins VR: ANZNZ's VR, which is in line with its implied VR, is supported by its large domestic market position. This allows for a simple business model, which underpins the financial profile. The 'a+' business profile score is above the implied 'bbb' category score to capture the strong market position. ANZNZ is New Zealand's largest bank, with a market share of more than 25% across loans and deposits.

Peak Stage 3 Loan Ratio in 2025: We expect ANZNZ's stage 3 loan/gross loan ratio to peak in 2025, as the full effect of rapid interest-rate hikes in 2021-2023 and increased unemployment put pressure on some borrowers' repayment capability.

Stable Profitability: We expect ANZNZ's operating profit/ risk-weighted assets (RWA) ratio to be relatively stable in the financial year ending 30 September 2025 (FY25), with a modest reduction in the net interest margin, driven by an easing rate cycle, offset by modest loan growth and cost control. Cost efficiency should remain strong, with the cost/income ratio likely to remain at 35%-40%.

Capitalisation to Improve: We expect the common equity Tier 1 (CET1) ratio to continue to rise towards 14% from the 12.6% reported at FYE24, as the bank builds towards final implementation of the new capital framework in mid-2028. The framework is more conservative than global rules, and we take this into consideration when assigning the factor score at 'a', above the implied 'bbb' category.

Broadly Stable Funding: We expect ANZNZ's deposit growth to broadly match loan growth over the next two years, resulting in a stable loans/customer deposits ratio. The loan/customer deposit ratio was 112% at FYE24. Liquidity is well managed, with the bank reporting regulatory liquidity ratios well in excess of minimum requirements.

Ratings

Foreign Currency	
Long-Term IDR	A+
Short-Term IDR	F1
Local Currency	
Long-Term IDR	A+
Short-Term IDR	F1
Viability Rating	a
Shareholder Support Rating	a+
Sovereign Risk	
Long-Term Foreign-Currency IDR	AA+
Long-Term Local-Currency IDR	AA+
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

Bank Rating Criteria (March 2025)

Related Research

Fitch Affirms Australia and New Zealand Banking Group at 'AA-'; Outlook Stable (March 2025)

DM100 Banks Tracker (December 2024)

Asia-Pacific Developed Market Banks Outlook 2025 (November 2024)

ANZ Bank New Zealand Limited (October 2024)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

Long-Term IDRs and SSR

Any downgrade of ANZ's VR is likely to result in a downgrade of the SSR and Long-Term IDRs assigned to ANZNZ; see Fitch Affirms Australia and New Zealand Banking Group at 'AA-'; Outlook Stable, published on 26 March 2025, for the key drivers and sensitivities of ANZ's VR.

The Long-Term IDRs and the SSR may also be downgraded should we change our view on ANZNZ's importance to ANZ. This could be reflected in a partial or full sale of ANZNZ or a decision to significantly scale back operations within New Zealand. Weakening co-operation between authorities in Australia and New Zealand may indicate a reduced ability for ANZ to provide support in a timely fashion, and put pressure on the ratings. However, neither of these scenarios is likely in our view.

VR

The VR could be downgraded if deterioration in the economic environment results in a combination of:

- The four-year average of the stage 3 loan/gross loan ratio increasing significantly above 1.5% (FY21-FY24: 0.7%) for a sustained period;
- The four-year average of the operating profit/RWA ratio falling consistently and significantly below 2.0% (FY21-FY24: 2.8%);
- The CET1 capital ratio declining below 10.5% without a credible plan to return to above this level (FYE24: 12.6%).

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

IDRs and SSR

An upgrade or revision of the Outlook on ANZ's IDRs would be likely to be reflected in ANZNZ's SSR and IDRs or the Outlook, as long as there is no change to ANZ's propensity to support ANZNZ and the action on ANZ's IDRs is driven by either its VR or GSR.

VR

An upgrade of the operating environment score for New Zealand banks to 'a+' – possibly to reflect reduced risks on household leverage within the system – would most likely be a prerequisite for an upgrade of ANZNZ's VR. An upgrade of the VR would also require that ANZNZ maintain its strong business profile in combination with a sustained improvement in its asset quality, capital and funding metrics.

Other Debt and Issuer Ratings

Rating Level	Rating	Outlook
Senior unsecured: long term	A+	n.a.
Senior unsecured: short term	F1	n.a.

Source: Fitch Ratings

ANZNZ's senior unsecured debt is rated in line with its IDRs, as per Fitch's *Bank Rating Criteria*.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

Short-Term IDRs

ANZNZ’s Short-Term IDRs may be downgraded if the Long-Term IDRs are downgraded to ‘A-’ or below.

Senior Unsecured

ANZNZ's senior unsecured debt ratings would be downgraded if its IDRs are downgraded.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

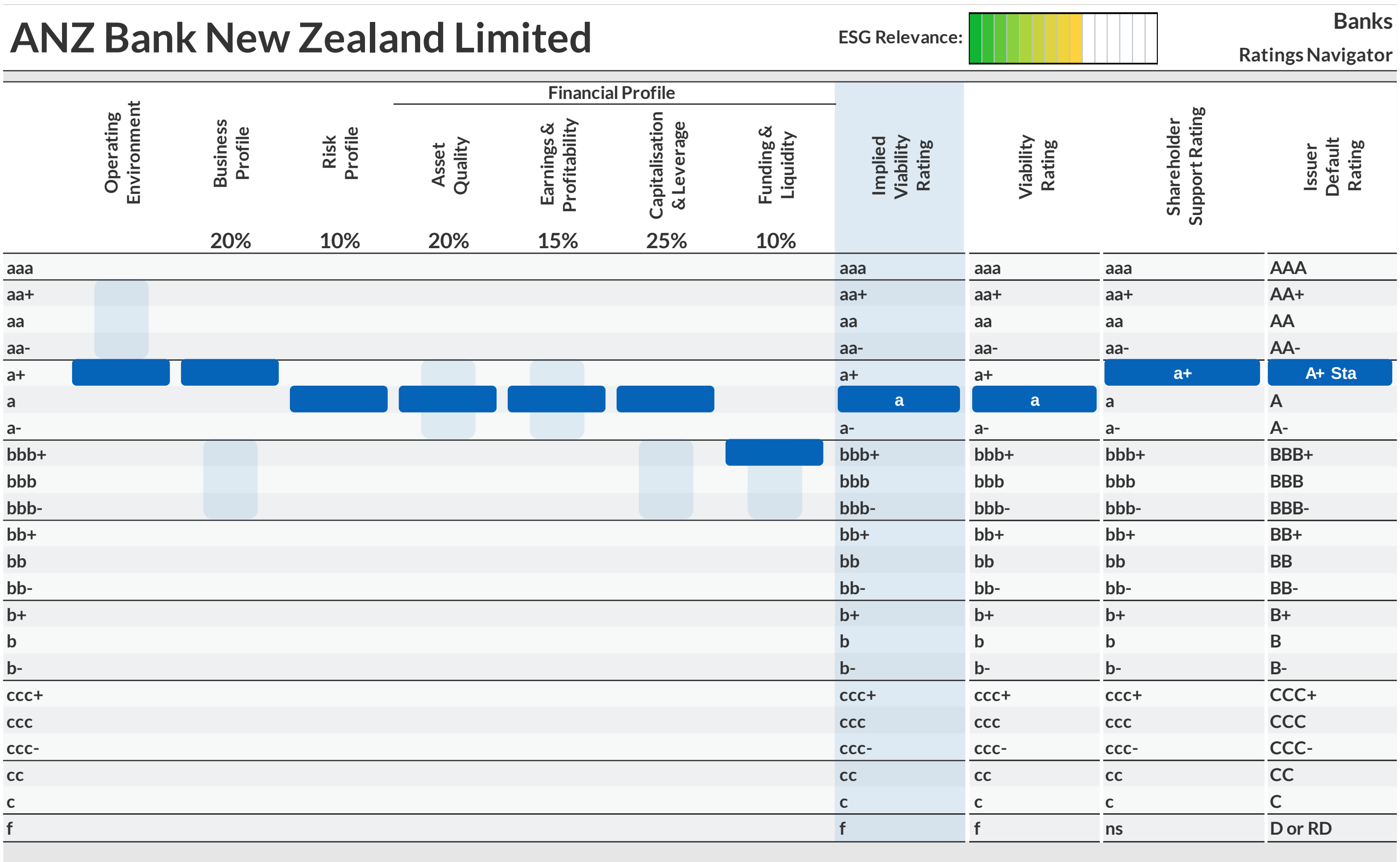
Short-Term IDR

ANZNZ’s Short-Term IDRs would be upgraded if the Long-Term IDRs are upgraded to ‘AA-’ or the parent’s Funding and Liquidity score is raised to ‘aa-’.

Senior Unsecured

ANZNZ's senior unsecured debt ratings would be upgraded if its IDRs are upgraded.

Ratings 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 - Adjustments to Key Rating Drivers

The operating environment score of 'a' has been assigned below the 'aa' category implied score for the following adjustment reason: level and growth of credit (negative).

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

The capitalisation and leverage score of 'a' has been assigned above the 'bbb' category implied score for the following adjustment reason: leverage and risk-weight calculation (positive).

Financials

Financial Statements

	30 Sep 21 12 months (NZDm)	30 Sep 22 12 months (NZDm)	30 Sep 23 12 months (NZDm)	30 Sep 24 12 months (NZDm)
Summary income statement				
Net interest and dividend income	3,424	3,776	4,293	4,402
Net fees and commissions	555	539	504	494
Other operating income	210	536	81	-17
Total operating income	4,189	4,851	4,878	4,879
Operating costs	1,621	1,653	1,663	1,760
Pre-impairment operating profit	2,568	3,198	3,215	3,119
Loan and other impairment charges	-114	39	183	44
Operating profit	2,682	3,159	3,032	3,075
Other non-operating items (net)	-	12	34	3
Tax	743	882	849	870
Net income	1,939	2,289	2,217	2,208
Other comprehensive income	-8	-15	-136	119
Total comprehensive income	1,931	2,274	2,081	2,327
Summary balance sheet				
Assets				
Gross loans	141,341	147,713	150,051	152,391
– Of which impaired	773	734	1,177	1,623
Loan loss allowances	585	646	730	725
Net loans	140,756	147,067	149,321	151,666
Interbank	237	785	401	574
Derivatives	9,304	15,481	8,753	10,181
Other securities and earning assets	22,658	21,505	18,348	21,674
Total earning assets	172,955	184,838	176,823	184,095
Cash and due from banks	7,234	11,327	12,426	9,872
Other assets	4,580	4,969	5,040	5,209
Total assets	184,769	201,134	194,289	199,176
Liabilities				
Customer deposits	125,129	130,330	132,529	136,163
Interbank and other short-term funding	11,452	16,207	13,521	12,374
Other long-term funding	19,061	19,082	18,209	16,685
Trading liabilities and derivatives	7,727	13,785	8,326	11,179
Total funding and derivatives	163,369	179,404	172,585	176,401
Other liabilities	2,067	2,005	2,345	3,027
Preference shares and hybrid capital	2,741	2,791	1,788	2,630
Total equity	16,592	16,934	17,571	17,118
Total liabilities and equity	184,769	201,134	194,289	199,176
Exchange rate	USD1= NZD1.4548	USD1= NZD1.7443	USD1= NZD1.6762	USD1= NZD1.5717

Source: Fitch Ratings, Fitch Solutions, ANZNZ

Key Ratios

	30 Sep 21	30 Sep 22	30 Sep 23	30 Sep 24
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	2.8	2.9	2.7	3.0
Net interest income/average earning assets	2.0	2.1	2.4	2.5
Non-interest expense/gross revenue	38.7	34.1	34.1	36.1
Net income/average equity	11.9	13.7	12.9	12.7
Asset quality				
Impaired loans/gross loans	0.6	0.5	0.8	1.1
Growth of gross loans	6.0	4.5	1.6	1.6
Loan loss allowances/impaired loans	75.7	88.0	62.0	44.7
Loan impairment charges/average gross loans	-0.1	0.0	0.1	0.0
Capitalisation				
Common equity tier 1 capital ratio	13.4	12.4	12.5	12.6
Fully loaded common equity tier 1 capital ratio	-	-	-	-
Fitch core capital ratio	-	-	-	-
Tangible common equity/tangible assets	7.2	6.8	7.4	7.0
Basel leverage ratio	-	-	-	-
Net impaired loans/common equity tier 1	1.5	0.7	3.2	6.8
Net impaired loans/fitch core capital	-	-	-	-
Funding and liquidity				
Gross loans/customer deposits	113.0	113.3	113.2	111.9
Gross loans/customer deposits + covered bonds	109.3	109.9	110.4	110.2
Liquidity coverage ratio	-	-	-	-
Customer deposits/total non-equity funding	79.0	77.4	79.8	81.1
Net stable funding ratio	-	-	-	-

Source: Fitch Ratings, Fitch Solutions, ANZNZ

Support Assessment

Shareholder Support	
Parent IDR	A+
Total Adjustments (notches)	0
Shareholder Support Rating:	**a+**
Shareholder ability to support	
Shareholder Rating	A+/ Stable
Shareholder regulation	Equalised
Relative size	1 Notch
Country risks	Equalised
Shareholder propensity to support	
Role in group	Equalised
Reputational risk	Equalised
Integration	Equalised
Support record	1 Notch
Subsidiary performance and prospects	Equalised
Legal commitments	2+ Notches

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

ANZNZ's IDRs, senior debt ratings and SSR reflect Fitch's assessment that there remains a very high probability of support from the Australian parent, ANZ, if required.

The IDRs are driven by the SSR, which is aligned with the Long-Term IDR of the parent, to reflect Fitch's assessment that ANZNZ remains a key and integral part of ANZ. New Zealand has been identified as a core market for ANZ, and ANZNZ is the only New Zealand-incorporated bank within the group. Another factor that supports alignment with the parent ratings is our view that an ANZNZ default would constitute huge reputational risk to ANZ and damage the group's franchise. In addition, we would expect cooperation between the Australian and New Zealand banking regulators on the stability of their financial systems to allow the required support to flow to the subsidiary.

Our Outlooks on ANZNZ's Long-Term IDRs reflect the Stable Outlook on ANZ's Long-Term IDR.

Subsidiaries and Affiliates

ANZNZ issues foreign-currency wholesale funding through its wholly owned subsidiary, ANZ New Zealand (Int'l) Limited (ANZIL). ANZIL is used for funding purposes only and is not rated by Fitch; Fitch only rates the debt that it issues. The debt ratings are aligned with ANZNZ's IDRs, as ANZNZ guarantees ANZIL's senior unsecured debt instruments and the guarantee ranks pari passu with ANZNZ's senior unsecured debt.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

The ratings of the guaranteed instruments issued by ANZIL would be downgraded if ANZNZ's IDRs are downgraded.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

The ratings of the guaranteed instruments issued by ANZIL would be upgraded if ANZNZ’s IDRs are upgraded.

Environmental, Social and Governance Considerations

FitchRatings

ANZ Bank New Zealand Limited

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

ANZ Bank New Zealand Limited has 5 ESG potential rating drivers

- ANZ Bank New Zealand Limited has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
	5	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
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	1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.h 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 ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
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	5
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	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	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	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
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	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

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.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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