

ANZ Bank New Zealand Perpetual Preference Shares Rated 'BBB'

February 29, 2024

MELBOURNE (S&P Global Ratings) March 1, 2024--S&P Global Ratings today assigned its 'BBB' long-term credit rating to the perpetual preference shares (PPS) that ANZ Bank New Zealand Ltd. (ANZ NZ) proposes to issue. The shares will qualify as additional Tier 1 (AT1) capital for the New Zealand-based bank.

We rate the PPS five notches below our long-term issuer credit rating on ANZ NZ (AA-/Stable/A-1+). This reflects:

- One notch for the subordinated status of the capital instrument.
- Two notches for the risk of partial or untimely payment; and
- Two notches for our expectation that the Australian government is unlikely to support the PPS.

We do not deduct an additional notch, unlike our typical treatment when rating AT1 instruments issued in Basel III jurisdictions. This is because the AT1 instruments that New Zealand banks issue do not have mandatory contingent capital features such as conversion to common equity or the writedown of principal under distress. This differs from what we see in Basel III jurisdictions.

We expect ANZ NZ's parent, Australia and New Zealand Banking Group Ltd. (ANZ; AA-/Stable/A-1+), to support the PPS based on its stand-alone credit strength, if needed. We consider ANZ NZ to be a core subsidiary of the ANZ group.

The PPS have intermediate equity content in our assessment of ANZ NZ's capitalization. This reflects our view that the instrument can absorb losses or conserve cash if needed by deferring coupons, without causing a default or windup.

In addition, the PPS will likely remain a part of ANZ NZ's capital structure for a long time. We also believe if the bank redeems the shares, it will replace them with an instrument of equivalent or stronger capital strength.

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Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021

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- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- 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
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

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