ANZ FY26: Costs drive upside, will revenue follow?

Summary Financial	1H26	2H26	Δ1H26	FY25	FY26	ΔFY25
Net Interest Income	8,888	9,006	1.3%	17,961	17,894	(0.4%)
Net Interest Margin (bp Δ)	*1.53%*	*1.53%*	-	*1.55%*	*1.53%*	(2)
Other Operating Income	2,316	2,269	(2.0%)	3,938	4,585	16.4%
Operating Costs	5,534	5,540	0.1%	12,880	11,074	(14.0%)
Cost/Income Ratio	*49.4%*	*49.1%*	(30)	*58.8%*	*49.3%*	(950)
Pre-Provn Profit	**5,670**	**5,735**	**1.1%**	**9,019**	**11,405**	**26.5%**
Impairment Expense	**274**	**308**	**12.4%**	**441**	**582**	**32.0%**
~Collective Charge	126	96		114	222	
~Individual Charge	148	212		327	360	
Cash Earnings	**3,780**	**3,811**	0.8%	**5,787**	**7,591**	31.2%
Statutory Earnings	3,650	3,620	(0.8%)	5,891	7,270	23.4%
Cash Earnings pre-notables	3,780	3,811	0.8%	6,896	7,591	10.1%
Dividend (AUD c)	83	83		166	166	
Payout Ratio (Ord)	66.2%	65.7%		85.4%	65.9%	
ROE	10.6%	10.7%		8.1%	10.6%	

Summary Financial	1H26	2H26	Δ1H26	FY25	FY26	ΔFY25
Gross Loans	825,674	865,395	4.8%	833,330	865,395	3.8%
~Home Loans	506,987	514,897	1.6%	503,898	514,897	2.2%
~Other Loans	318,687	350,498	10.0%	329,432	350,498	6.4%
Customer Deposits	770,724	814,576	5.7%	748,057	814,576	8.9%
Borrowings	160,480	163,777	2.1%	169,274	163,777	(3.2%)
Asset Quality						
Collective provision	4,453	4,530	1.7%	4,379	4,530	3.4%
Individual provision	395	373	(5.6%)	399	373	(6.5%)
Non-Performing Exposures	8,287	8,288	0.0%	8,442	8,288	(1.8%)
90 days, not impaired	5,037	5,922	17.6%	5,315	5,922	11.4%
Non-Perf Exp / TCE (bp Δ)	0.55%	0.57%	2	0.57%	0.57%	-
Total Provn / RWA (bp Δ)	1.32%	1.30%	(2)	1.29%	1.30%	1
Coll Provn/CRWA (bp Δ)	1.22%	1.20%	(1)	1.18%	1.22%	3
BDD / Gross Loans (bp Δ)	0.07%	0.07%	0	0.05%	0.07%	2
Balance Sheet						
RWA	464,026	485,893	4.7%	458,547	485,893	6.0%
CRWA	366,357	377,260	3.0%	369,583	377,260	2.1%
CET1	57,472	58,238	1.3%	55,184	58,238	5.5%
CET1 Ratio (bp Δ)	12.4%	12.0%	(40)	12.0%	12.0%	(5)
Tier 1 Ratio (bp Δ)	14.0%	13.2%	(77)	13.6%	13.2%	(45)
Leverage Ratio (bp Δ)	4.5%	4.3%	(22)	4.4%	4.3%	(7)
LCR (bp Δ)	132%	132%	41	132%	132%	16

Source: Company & Westpac Strategy

Key Themes

ANZ reported FY26 cash earnings of AUD7.59bn, 31% up on a pcp that was impacted by a number of significant items, however cash earnings remained 10% higher on an underlying basis. The result reflected the group's key short term targets under the ANZ 2030 programme which are focussed on simplification, investment in the customer front end and integration of Suncorp. As a result, lower costs were the key contributor to the uplift in earnings, a return to balance sheet growth during 2H26 has provided momentum into FY27, asset quality and competition will continue to be a watch as conditions tighten in the short term, and capital remains somewhat transitional as CET1 dips back below 12%. **Of note:**

Costs out realised: The 7% fall in underlying costs was well ahead of initial guidance of a 3% decline and saw the group's CTI ratio fall over 400bp to be below 50% (49.3%), on savings of over AUD900M. ANZ now expect FY27 costs to be flat on proforma FY26 levels as gains are embedded.

Not pushing on rope: ANZ saw loan growth in housing and business lending accelerate in 2H26, and the final quarter in particular, as volume moved back toward system, however ANZ expects mortgage system growth to slow from here (as does the market), and said it will remain disciplined on price versus volume.

Capital in flux: ANZ's CET1 ratio of 11.99% was 40bp lower for the half, however it indicated that there are short term impacts at play and that internal capital generation has already lifted (despite the evidence of 2H26) with a focus on capital efficiency and greater clarity in NZ, providing further positives. Time will tell, but a return to the 60-65% payout range (almost) was welcome.

Term funding to dip: ANZ expect term funding of AUD25-30bn in FY27, well below the AUD34bn refi requirement and ~AUD40bn average funding of recent years. Within this mix, they expect ~AUD5bn through ANZNZ and AUD5-6bn of parent Tier 2. FY26 was notable for a sharp lift in RMBS/covered supply (~AUD9.6bn equiv between) something ANZ has not exactly been known for, and with changes to liquidity rules also in play, funding mix, and senior funding in particular, is a watch.

ANZNZ to add to short dated Tier 2: ANZ said that it is planning AUD1.0-1.5bn of RBNZ complaint transitional Tier 2. ANZNZ has a USD500M Aug-27 T2 call and a NZD550M Jul-28 AT1 call prior to the availability of ALAC from ~Dec-28 and we may therefore see more than just one deal. At this stage we do not believe this supply will result in calls of AT1 prior to the availability of parent ALAC.

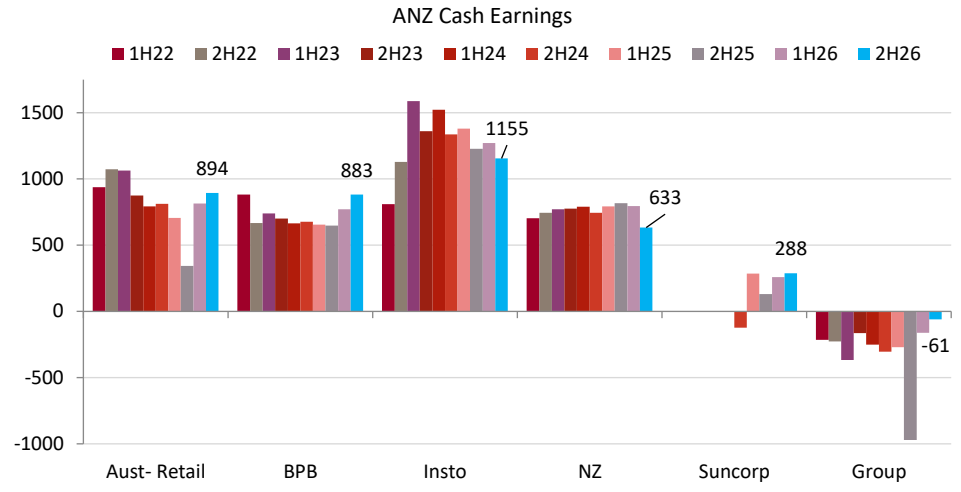
Brendon Cooper | Head of Credit Strategy; Martin Jacques | Head of Securitisation & Covered Bond Strategy;

Earnings Snapshot: Looking for the cost to growth transition

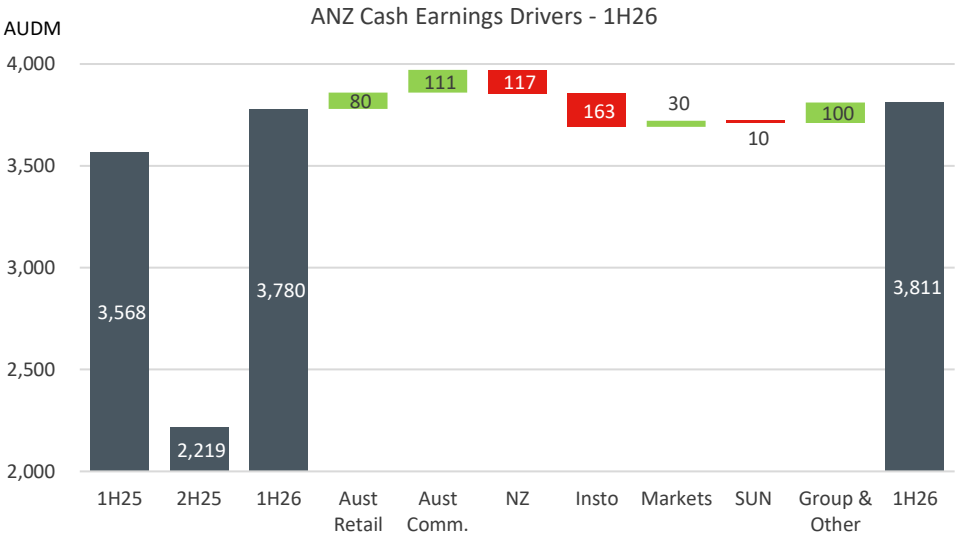
ANZ reported FY26 cash earnings of AUD7.59bn, 31% up on a pcp that was impacted by a number of significant items, however cash earnings remained 10% higher on an underlying basis. The result reflected the group's key short term targets under the ANZ 2030 programme which are focussed on simplification, investment in the customer front end and integration of Suncorp. As a result, lower costs were the key contributor to the uplift in earnings, a return to balance sheet growth during 2H26 has provided momentum into FY27, asset quality and competition will continue to be a watch as conditions tighten in the short term, and capital remains somewhat transitional as CET1 dips back below 12%.

Revenue: The income line was somewhat mixed as was expected in year one of the 2030 strategy. NII of AUD17.89bn was marginally below both the pcp and expectations, reflecting the timing of ANZ's return to lending growth across both home and business lending. ANZ saw loan growth of 6% for FY26, accelerating in the second half (+4% 2H26). Average loans for FY26 were flat on FY25 and 2H26 average loan growth was only 2%, well below the 5% total loan growth realised during the half, reflecting the late move higher in lending balances, particularly in business loans. Margins remained flat at the headline level with NIM of 153bp broadly in line with market expectations of 154bp, and ANZ expect underlying margins (ex-markets) to remain flat in 1H27, providing a base for NII after the late lift in lending volumes in FY26.

Looking forward, **Australian home lending** returned to around system growth by the end of 2H26 supported by improved service levels and participation in the government's first home buyer's guarantee scheme, however ANZ expects mortgage system growth to slow from here, and while it continues to invest in the business (service / time to serve) it will remain disciplined on price versus volume. The **BPB** saw lending growth of 6% as it returned to system in 2H26 with volumes weighted towards larger customers in the middle market segment and it will retain a growth focus as the group continues to invest in business bankers (50% increase by 2030). **Insto** saw a strong acceleration in 2H26 with lending increasing 12% on a constant-currency basis. Much of the increase occurred in the final quarter and ANZ expect the more favourable Insto lending conditions to continue into FY27, however said lending was not the objective, which remains transactional relationships. In **NZ**, ANZ said it retained its market share in business and agri lending while looking to balance volume and margin in a highly competitive home lending market. **Other operating income** will be a focus moving forward as ANZ looks for a greater contribution from non-interest income. The Fy26 result saw growth led by fee income while markets revenue was marginally down on the pcp, however ANZ pointed to growth on a constant currency basis. Markets income declined 3% for the year (+1% constant



Source: Company Reports & Westpac Strategy



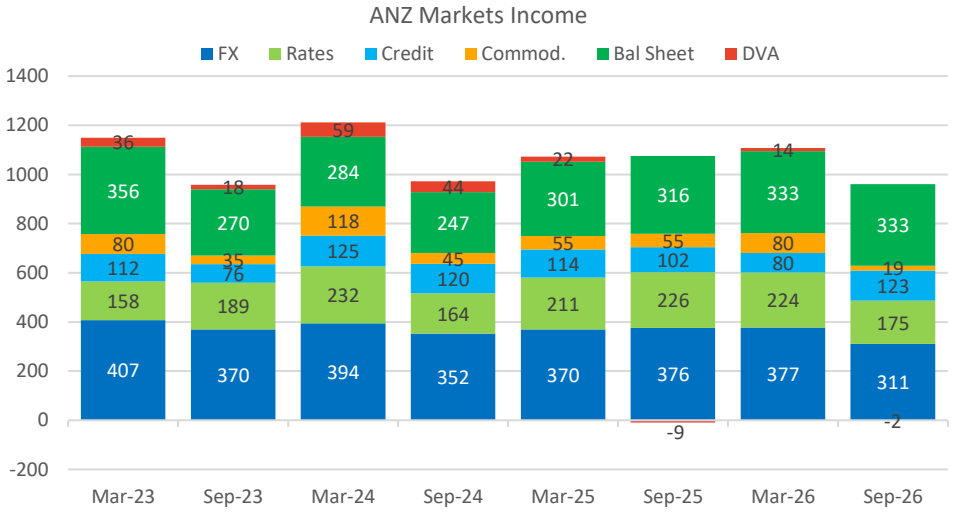
Source: Company Reports & Westpac Strategy

Earnings Snapshot: Looking for the cost to growth transition

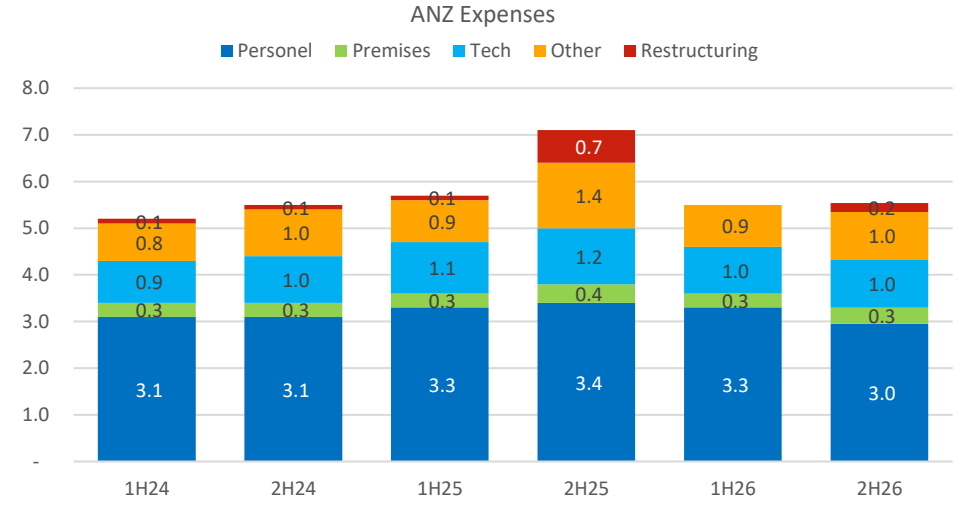
currency), however the 2H was lower, declining 10% to AUD959M as the September quarter saw customer activity react to global uncertainty which saw lower revenue across rates and fx, while commodities was impacted by weaker precious metals demand which was partially offset by credit.

Costs: ANZ reported a ROTE of 11.6%, up from 8.8% in FY25 (10.5% underlying in FY25) with costs the key driver of upside. It recorded a 14% decline in headline costs for the year, or a 7% decline on an underlying basis to AUD11.07bn (well ahead of initial guidance of a 3% decline). This extended the momentum we saw in the group's 1H result as CEO, Matos, continues to focus on removing duplication/simplification (ie, costs), which saw the group's CTI ratio decline over 400bp to be below 50% (49.3%). The result saw ANZ generate over AUD900M of cost savings (against an original target of AUD800M) and over AUD1bn of sustainable cost reduction. Looking forward, ANZ now expect FY27 costs to be flat on the proforma FY26 level of AUD11.26bn (proforma includes FY costs for ANZ Worldline).

Impairment costs: ANZ reported impairment costs of AUD582M, 32% up on the pcp with 2H26 costs of AUD308M also above the AUD274M recorded in 1H26. Despite the increase compared to pcp, impairment costs remain low by historical standards at just 7bp of book (up from 5bp in pcp). The 2H26 result included a CP charge of AUD96M which largely reflected volume impacts and a marginal move in risk, offset by a flat outcome in terms of economic outlook which had already seen a AUD180M uplift in 1H26 as the Middle East conflict came into play. IPs for the half were AUD212M, a marginal lift from prior periods, with provisions weighted to the retail business rather than wholesale and management reiterated that the 5bp annualised loss rate remained well below the long term average of 11bp.



Source: Company Reports & Westpac Strategy



Source: Company Reports & Westpac Strategy

ANZ Strategy Update – On target

2030 Strategy Updates:

ANZ have continued to focus on improvements in productivity, reduced duplication, accelerated Suncorp integration and a new customer front end to drive improved leverage (lower CTI) across FY26/27, while adding bankers across the business and retail divisions (including a focus on proprietary channels), focussing on improved deposit gathering and targeting mass affluent and migrant customer segments.

From a financial perspective, ANZ had targeted gross cost savings of AUD800M in FY26 (not run rate, but achieved savings) from the areas discussed below including role reduction, duplications, simplification, etc, however ~900M has been acheived. Likewise, the target for a 3% reduction in FY26 operating costs has seen ~7% realised. In outer years, the AUD500M integration benefits from Suncorp will emerge (up from original guidance of AUD260M), however integrations costs will also increase to AUD745M (up ~10%). Investment will remain elevated, however ANZ expect to remain within their investment envelope of ~AUD1.5bn pa, consistent with recent performance. This will contribute to ANZ achieving a CTI ratio of mid-40s by FY28 with the 49.6% recorded in FY26 a step in the right direction.

From a capital perspective, ANZ are content with their current settings (CET1 11.99% with some tailwinds at play). The mid-longer term capital targets include an increase in ROTE to 12% by FY28 and 13% by FY30, and the 11.6% printed at 1H26 is clearly moving in the right direction.

In terms of specifics, ANZ reiterated its short term targets:

Faster integration of Suncorp: ANZ have retained the plan to complete the migration of Suncorp Bank customers to ANZ by Jun-27 and will target full run rate synergies of ~AUD500M by FY29, the bulk of which will be realised post the transfer to ANZ in 2027. ANZ believes integration is 60% complete and on target to be 85% complete by Mar-27.

Accelerate the delivery of the single customer front-end: Target all 8M retail and small business customers to the single customer front end by Sep-27 (includes existing ANZ, Suncorp and ANZ Plus customers). The removal of legacy middleware platforms will be undertaken post 2027. ANZ are 45% completed and expect to be at 80% by Mar-27.

Reduce duplication and simplify: Part of the productivity drive will include reducing duplication. ANZ had previously announced a reduction of 3,500 roles by Sep-26 (now complete). The ~AUD800M cost saving target reached AUD902M by FY26.

Enhance non-financial risk management: Well publicised issues within Australia Retail and Insto are being addressed. ANZ expect remediation activities and commitments to APRA to take 3 years to complete.

Margins: Finding a base

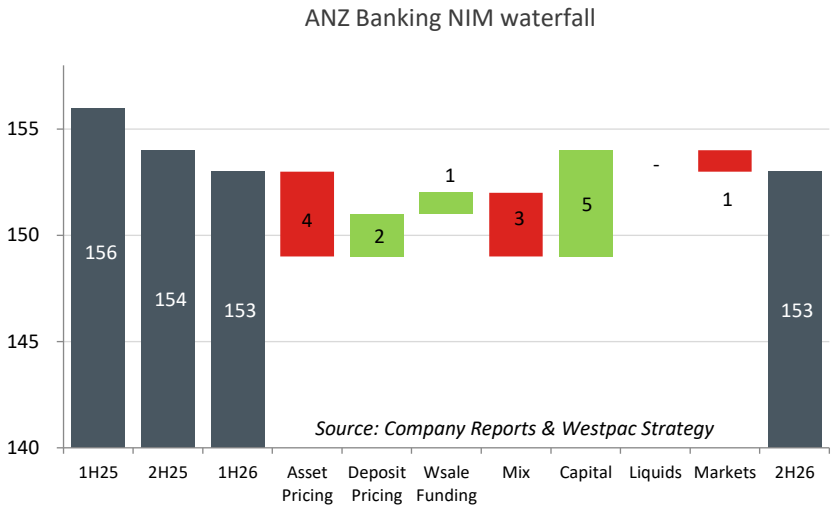
ANZ target NIM within the banking business and revenue in the markets operation, and therefore the Insto (ex markets) measure in the chart, below, is the focus for that business. ANZ's headline NIM remained flat in 2H26 at 153bp, and has now plateaued at 153/154bp over the last 3 halves, while underlying NIM (ex-markets) has increased as 2bp per half over the same period. Across the business units, ANZ has altered its divisional reporting in this result which has resulted in NIM at both the Aust Retail and BPB re-setting at a higher level (per chart below) and we will remove historicals from the chart post this reporting period.

Margin drivers: The key drivers for the last half included:

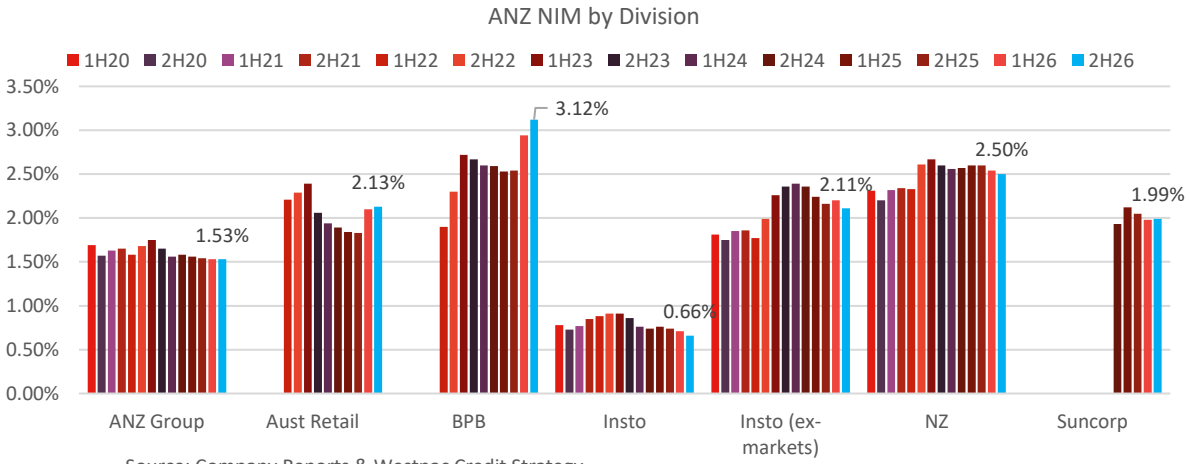
Asset pricing (-4bp): Asset pricing was a 4bp drag over the half as competition continues to pressure margins. The downside included 2bp at Australian housing, 1bp for NZ housing and a further bp for wholesale lending. ANZ said that there was no further notable decline during 4Q, however stressed that it will balance volume against returns rather than chase system growth at uneconomic mortgage spreads.

Deposit & wholesale funding (+3bp), Asset & Funding mix (-3bp): ANZ recorded a 2bp gain from deposit pricing (and an additional bp from wholesale), however (as with peers) noted that customers are shifting into higher-yielding term deposits, which contributed to the-3bp asset/funding mix drag. Term-deposit growth remains the prime growth vehicle for deposits.

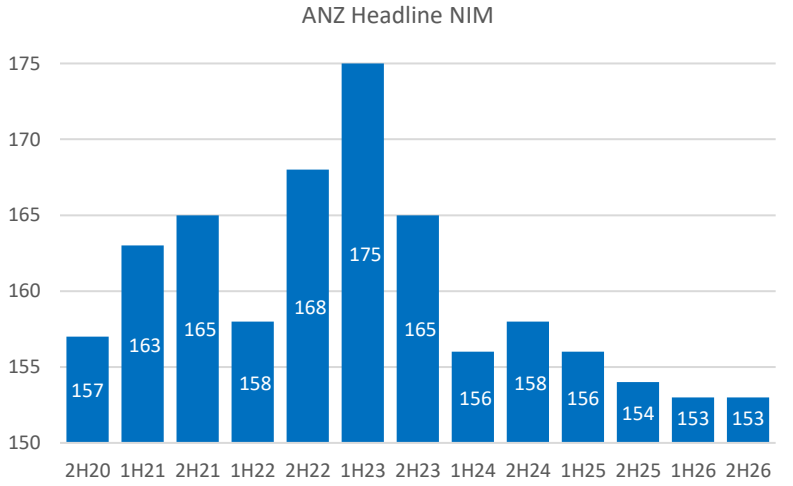
Capital & replicating portfolio (+5bp): This was the largest positive contributor at +5bp in 2H26. Importantly, management now expects another +4bp NIM benefit over the next 12 months, above prior expectations of +2bp.



Source: Company Reports & Westpac Credit Strategy



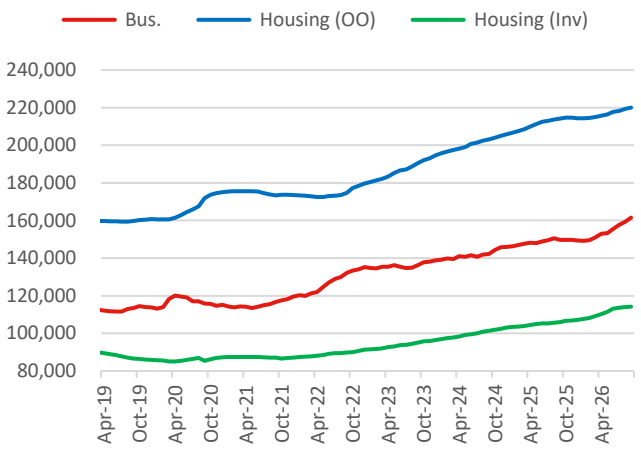
Source: Company Reports & Westpac Credit Strategy



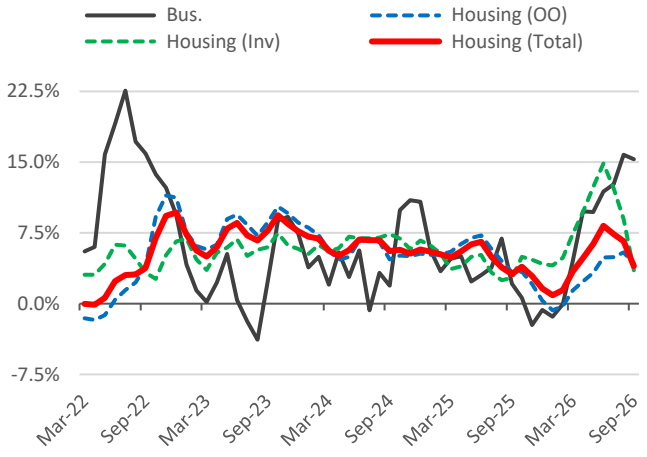
Source: Company Reports & Westpac Credit Strategy

ANZ: APRA data – Sept 26

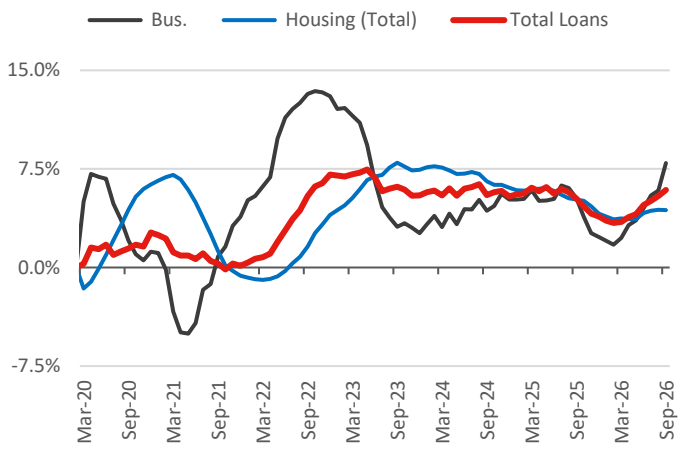
ANZ Lending



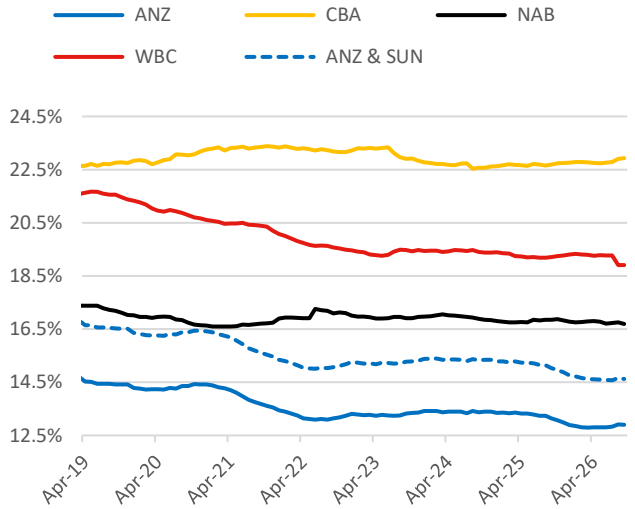
ANZ Lending Growth (3mth ann.)



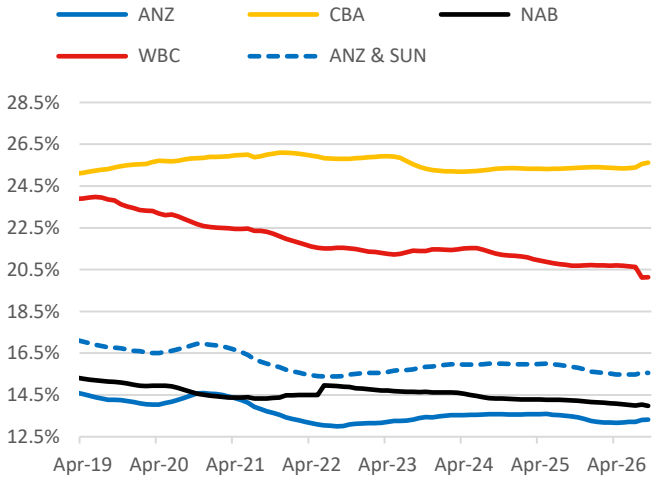
ANZ Lending Growth (annual)



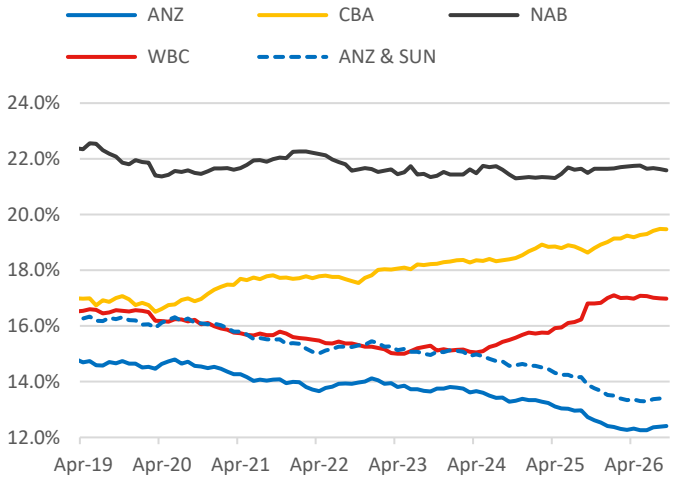
Loan Market Share



Home Loan Market Share



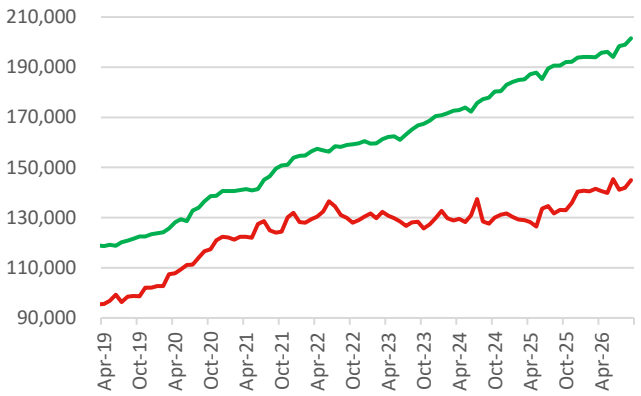
Business Loan Market Share



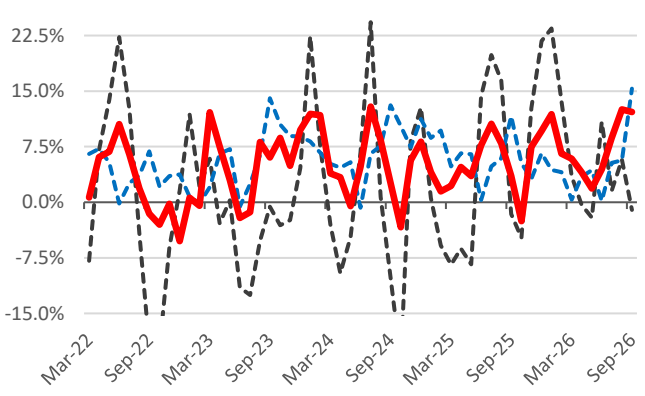
Source: APRA & Westpac Strategy

ANZ: APRA data – Sept 26

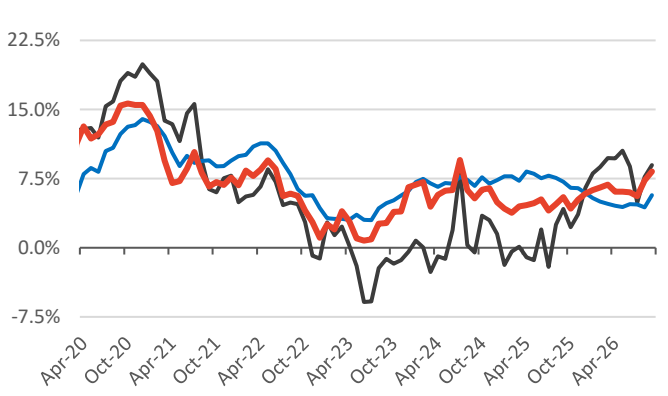
ANZ Deposits



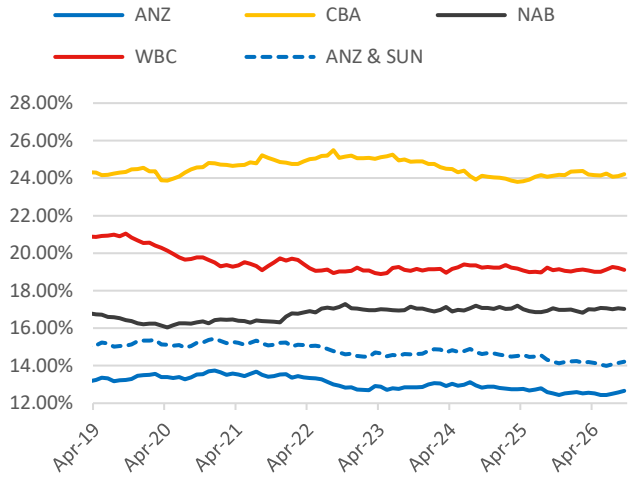
ANZ Deposit Growth (3mth ann.)



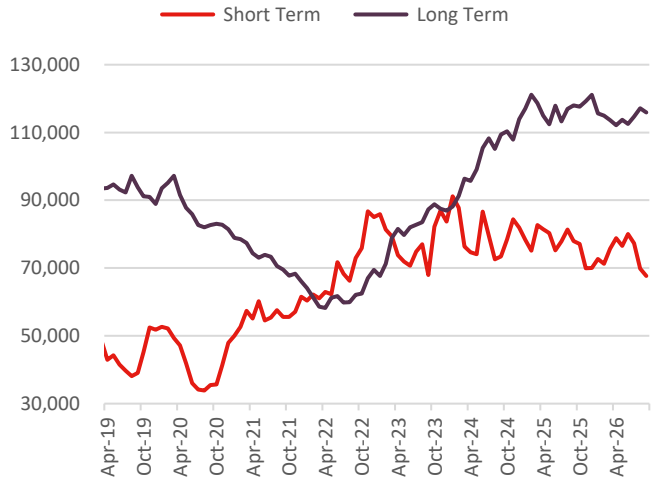
ANZ Deposit Growth (annual)



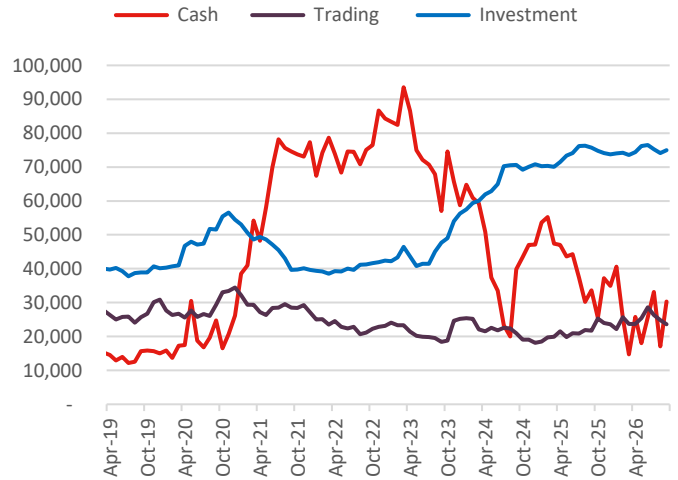
Deposit Market Share (Majors)



ANZ Wholesale Funding



ANZ Liquidity Mix



Source: APRA & Westpac Strategy

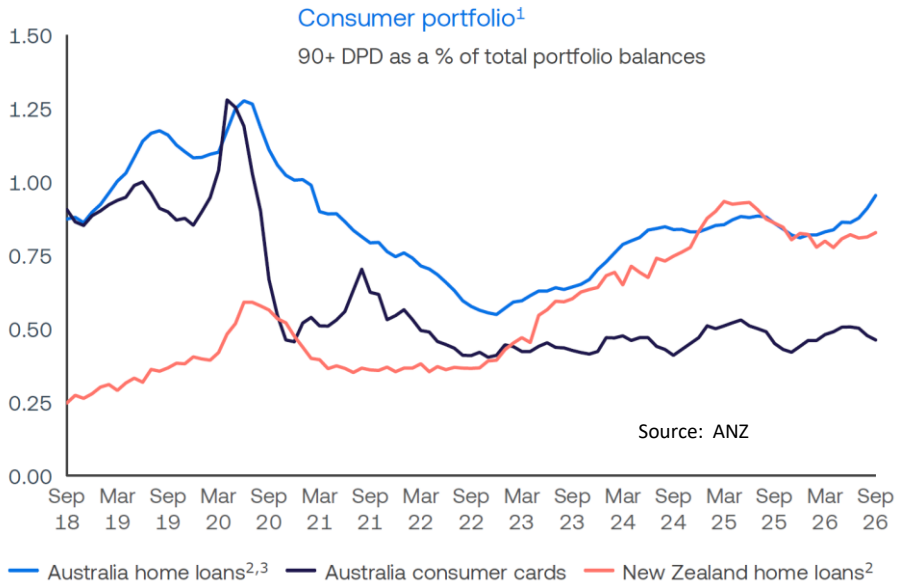
Asset Quality: No pressure yet, but arrears ticking hgiher

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Economic Assumptions: ANZ's base economic assumptions for 2026 are already looking a little dated as 30-Sept falls into the rearview mirror. It includes GDP growth in Australia of 1.9% in 2026, easing to 1.3% in 2027, with unemployment at 4.4% and 4.7% (annual average measures) across the same period, while residential property prices will decline 4.3% in 2026 and a further 3.4% in 2027 (perhaps lagging the move currently being seen). The peak impacts for the downside scenario include GDP down 1.4%, unemployment to 7.3% and resi property prices down 27.3%, while the severe downside scenario has GDP down 3.3%, unemployment to 11.0% and resi property prices down 41.2%. Total CP currently in place (AUD4.45bn) remain well above the base case (AUD2.43bn), and while the downside scenario has now lifted to AUD5.13bn, CP now represents ~87% of the downside scenario leaving the group well positioned.

ECL Reporting	ANZ					
	Mar-25	Sep-25	Mar-26	Sep-26	Δ Mar-25	Δ Sep-25
Loans	3,761	3,874	3,897	3,980	2.1%	2.7%
Commitments	883	904	951	923	(2.9%)	2.1%
Total Provisions	**4,644**	**4,778**	**4,848**	**4,903**	1.1%	2.6%
of which						
Stage 1	1,226	1,333	1,406	1,526	8.5%	14.5%
Stage 2	1,690	1,558	1,509	1,402	(7.1%)	(10.0%)
Stage 3 - Collective	499	621	624	686	9.9%	10.5%
Stage 3 - Specific	346	362	358	366	2.2%	1.1%
ECL Scenarios						
100% Base Case	1,989	1,997	2,000	2,428	21.4%	21.6%
100% Downside	3,696	4,458	4,388	5,130	16.9%	15.1%
Ratios					(bp)	(bp)
Imp. Cost to GLA	0.04%	0.07%	0.07%	0.07%	0	0
Total Provn to GLA	0.46%	0.46%	0.47%	0.46%	(1)	(0)
CP/CRWA	1.14%	1.19%	1.23%	1.20%	(2)	1
Total Provn / CRWA	1.23%	1.29%	1.32%	1.30%	(2)	1

Source: Company Reports & Westpac Strategy

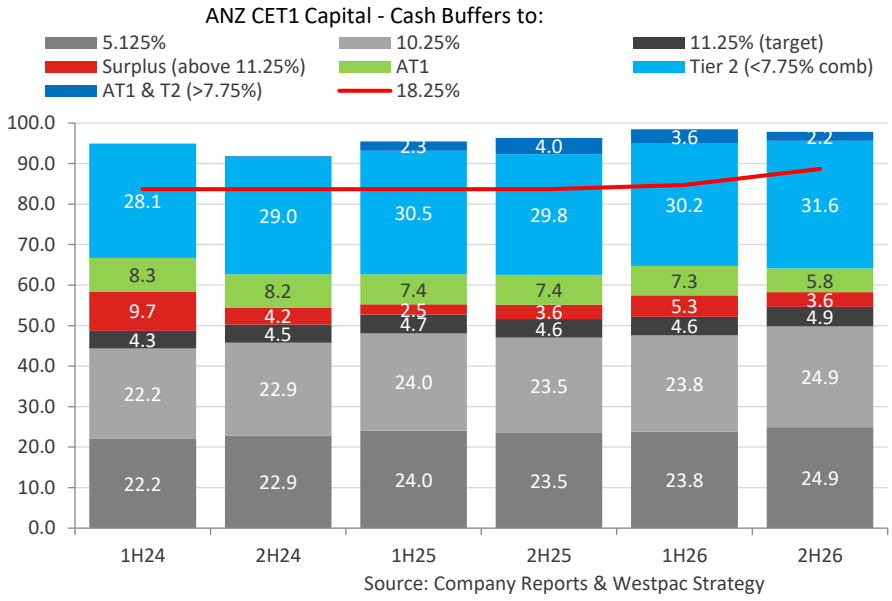


Capital & Dividend: CET1 in place, is it sustainable?

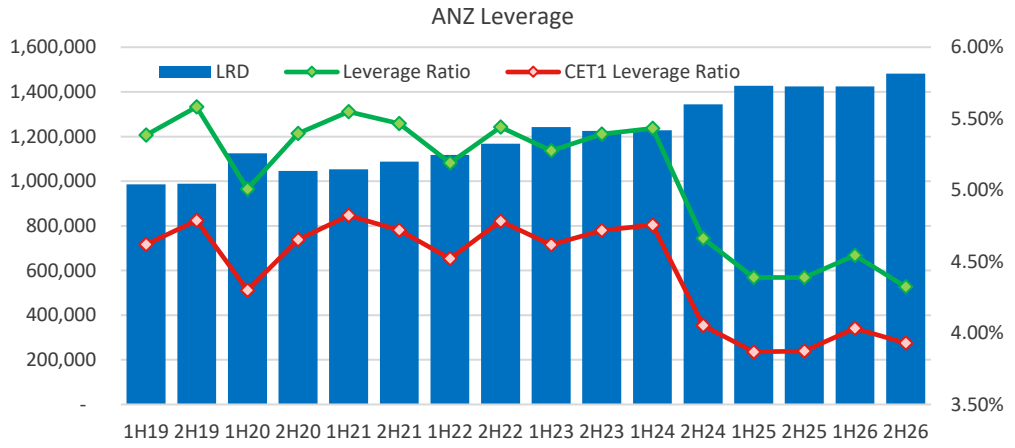
Capital & dividend: ANZ reported a CET1 ratio of 11.99%, which was only marginally below the 12.03% reported at FY25, but a full 40bp lower than its 1H26 print. At its FY25 results, ANZ had taken action to shore up its capital to allow for the implementation of its 2030 strategy and cater for a number of unknowns including the new RBNZ capital settings. This included cancelling its share buyback, announcing the final dividend would be flat on the prior period at 83cps and committing to a 1.5% discount on its DRP for the next 2 distributions. By 1H26 ANZ deemed it was in a sufficient capital position to walk away from the DRP discount at that time, and it will once again neutralise the 2H26 distribution on market as it considers the current CET1 ratio of 11.99% to be adequate.

As can be seen in the chart, right, internal capital generation (earnings less dividend) has lifted to 27bp for the half, however underlying RWA was a 24bp drag (largely through CRWA growth) and other RWA (predominantly IRRBB) was a drag of 42bp (or 35bp once the removal of the capital floor is included). ANZ did point to methodology changes and pre-hedging on the replicating portfolio as capital charges that will partially unwind this half, and it therefore believes CET1 remains appropriately positioned given the improved returns, the group's focus on capital efficiency, and greater clarity in NZ (including standardised adjustments and floor from 1-Oct). In terms of efficiency, ANZ mentioned its Kingfisher transactions this year that have provided a 5bp CET1 benefit and said it is considering further initiatives to support capital optimisation.

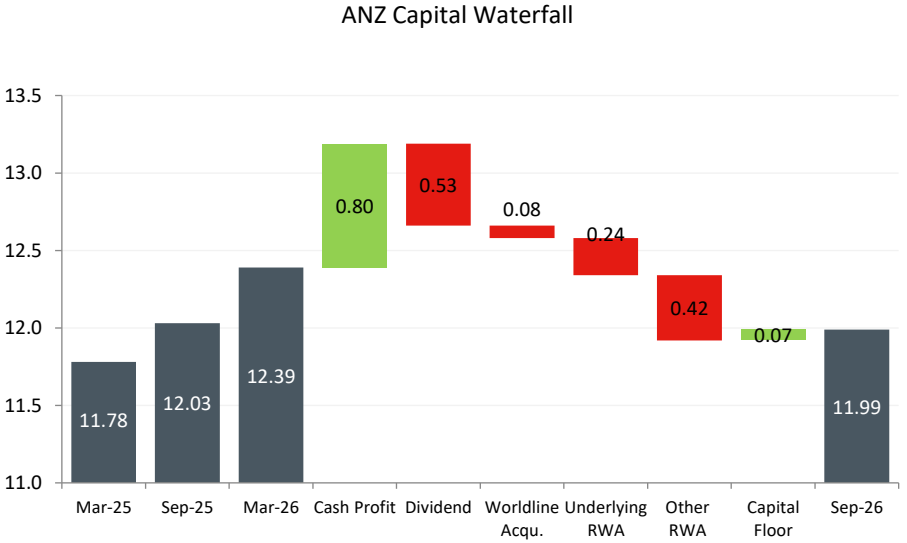
ANZ announced another flat dividend of 83cps, however the increase in earnings has resulted in the distribution representing a payout ratio of 66%, down from the more elevated outcomes in recent periods and back toward ANZ's preferred range of 60-65%.



Source: Company Reports & Westpac Strategy



Source: Company Reports & Westpac Strategy



Source: Company Reports & Westpac Strategy

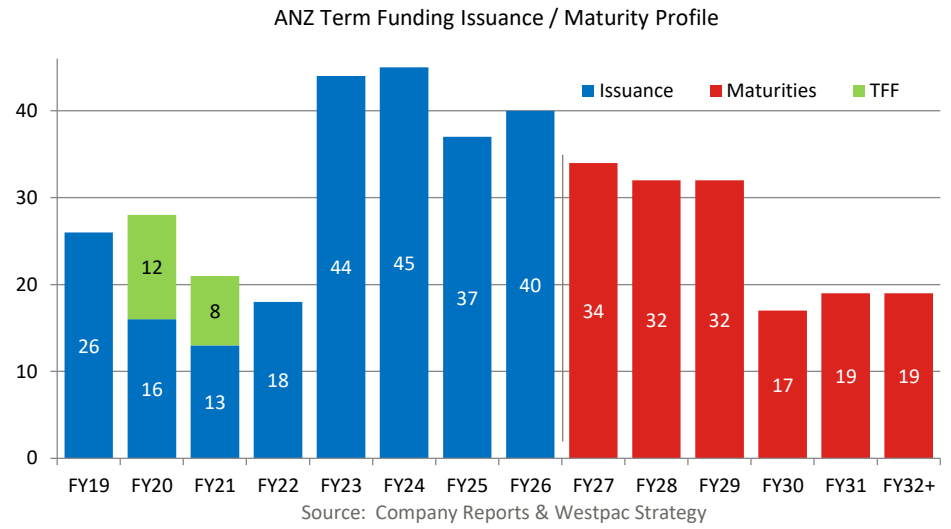
Funding & Liquidity – A lighter funding year

Wholesale: Funding has been elevated by ANZ's standards in the last few years (refer chart, right). ANZ said it had completed AUD40.4bn of term funding in FY26 (including AUD6bn of Tier 2), with AUD25bn being raised in 2H26 which it said included AUD3.5bn of FY27 pre-funding. The AUD40.4bn of term funding under ANZ's measure excludes shorter dated deals (12-18mths) and our numbers suggest just over AUD48bn had been completed once those deals were included (which will also increase short term maturities). ANZ reported its portfolio at 50% AUD/NZD funding as at Sept which is in line with AUD supply of ~50% in FY26. Looking forward, ANZ expects a funding task for FY27 of AUD25-30bn, well below the AUD34bn refi requirements, with issuance to include ~AUD5bn from ANZNZ and AUD5-6bn of parent Tier 2.

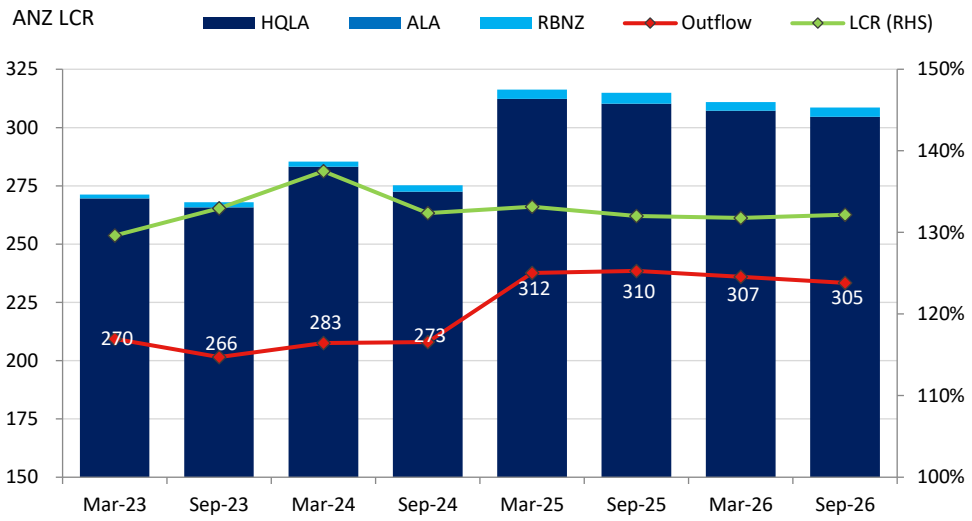
The funding mix will be worth watching after ANZ surprised with 2 Kingfisher deals in 2026 for a combined AUD4bn and also completed 2 covered deals (USD2.25bn short 5yr, GBP1.25bn short 4yr), with the total supply combining for ~AUD9.6bn (equiv) between them (refer pages 16/17 for full details on covered / RMBS). With changes to liquidity rules and HQLA on the way, covered (and potentially other instruments) are a watch. Finally, with the Suncorp brand no longer accepting new loans, funding from Norfina (SUNCBK) may have concluded. SUNCBK was in the market relatively recently with a AUD1.75bn 5yr transaction in June, and has AUD4.75bn maturing (all senior) by the end of 2027, however with ANZ signalling a funding requirement of just AUD25-30bn in FY27, including increasing use of RMBS and covered issuance, have we seen the last of SUNCBK?

Deposits: ANZ reported customer deposits (ex-markets) increased by AUD8%, or AUD37bn (AUD51bn constant currency). The group continues to focus on improving the quality of its deposit base, with saving and transaction deposits dominating growth and providing mix benefits. ANZ continue to highlight the performance of the Insto business, with operational deposits increasing 10%, Australia retail deposit growth improved, lifting to around system toward the end of FY26 (as per APRA stats), and NZ also saw growth around system as it retained market share leadership in that market. Deposit mix continues to evolve, however, with TD growth evident across all segments in 2H26 as yields move higher.

Liquidity: ANZ reported an LCR of 132% which has been relatively flat over the last 12 months, as have components.



Source: Company Reports & Westpac Strategy



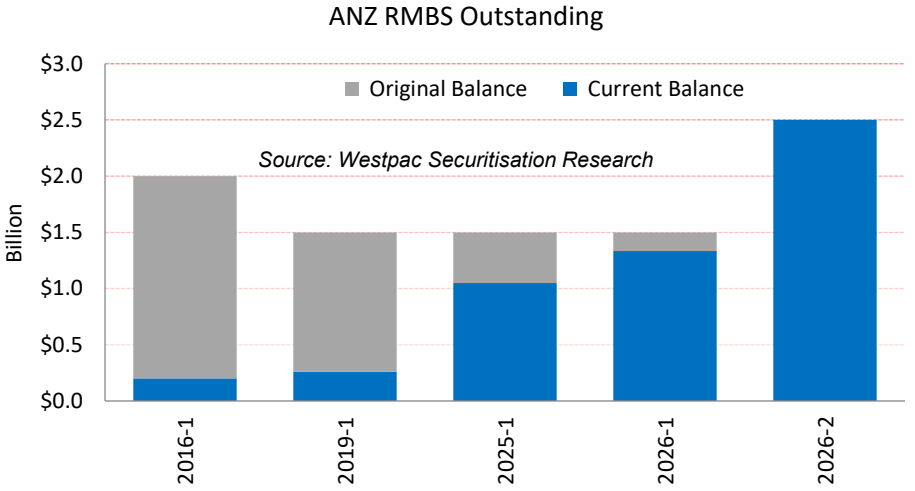
Source: Company Reports & Westpac Strategy

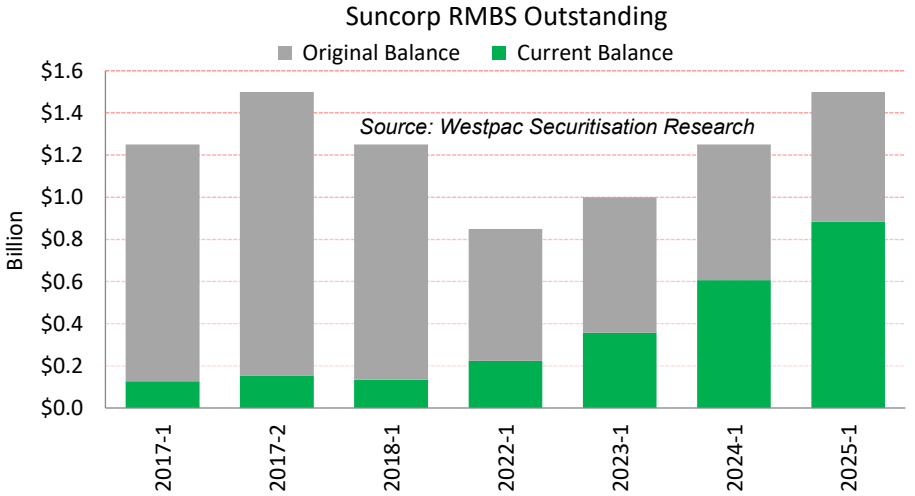
ANZ (& SUN): Securitisation

ANZ Securitisation: ANZ currently has 5 public RMBS outstanding – with a current balance of AUD5.3bn, down from an original issue size of AUD9.0bn. ANZ has visited the Australian securitisation market twice this year with transactions in May and September totalling AUD4.0bn. This frequency is certainly out of character given that only three other Kingfisher transactions had been placed over the last 20 years. ANZ's most recent issue, the AUD2.5bn, 2026-2 transaction that priced in September surprisingly did not move from their initial guidance levels and priced at the originally marketed +92bps. This price point was ~6-7bps wide of the indicative secondary major bank curve, and ~22bps back from indicative 5 year senior unsecured. Given that the deal reportedly had sizeable co-manager demand in the A1-A notes and AUD400M protected in the A1-B notes, it was initially anticipated that the spread tightening from IOIs would be limited. The decision to significantly upsize while holding pricing unchanged surprised the market and impacted relative value comparisons.

Both the deals completed over 2026 were full structure capital relief securitisations.

Suncorp Securitisation: SUN currently has seven public RMBS transactions outstanding with a current balance of just under AUD2.5bn. SUN's last public deal was the AUD1.5bn Apollo 2025-1 in February 2024.

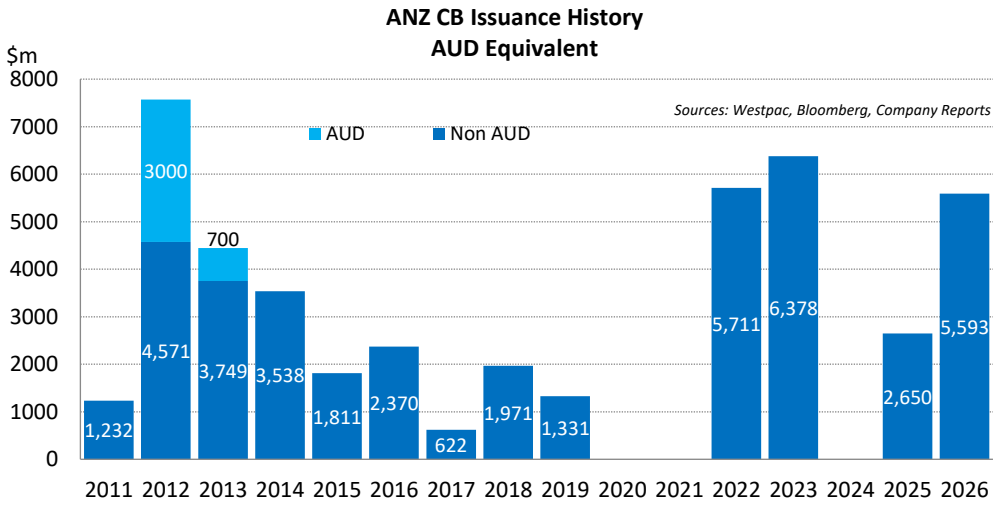


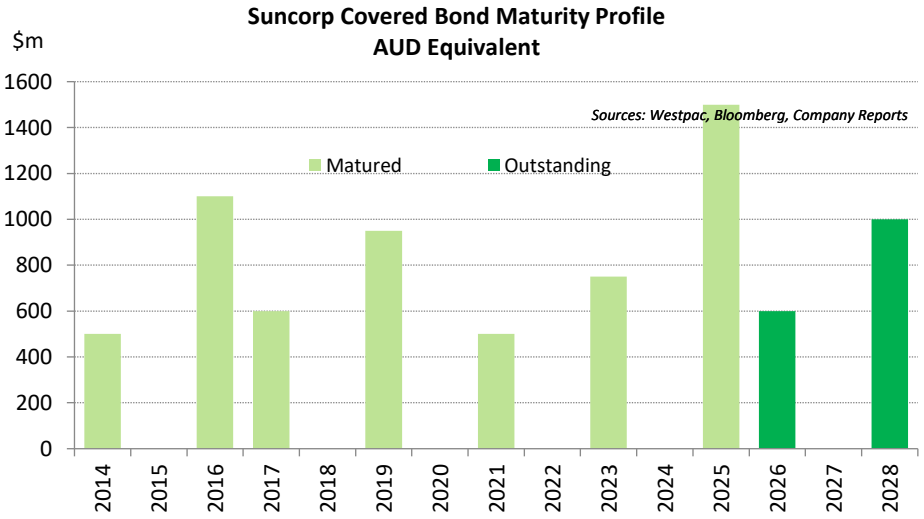


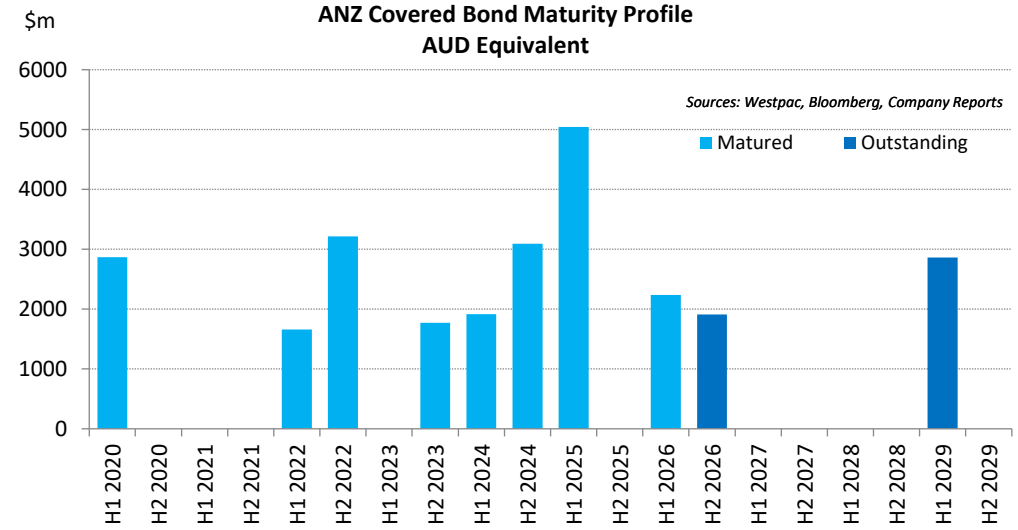
ANZ (& SUN): Covered Bonds

ANZ Covered Bonds: ANZ currently has AUD11.5bn equivalent of covered bonds outstanding. The last issue from ANZ was a GBP1.25bn soft bullet covered bond with a four-year maturity that was placed in July 2026. From a redemption perspective EUR130M matured in April 2026 and USD1.35bn matured in June 2026. Looking ahead, the next major maturity is GBP1.0bn in December 2026. Based on ANZ's domestic balance sheet, overcollateralisation required and the 8% prudential issuance cap, the covered bonds on issue represents around 21% of total issuance capacity.

SUN Covered Bond Programme: SUN currently has AUD1.0bn equivalent of covered bonds outstanding. Suncorp was last active in the covered bond market in July 2023. The remaining maturities of these outstanding bonds in in July 2028. Based on SUN's domestic balance sheet, overcollateralisation required and the 8% prudential issuance cap, the covered bonds on issue represents around 14% of total issuance capacity.







Tier 2: Well set into Jan-27

Major Bank Tier 2: The short-term requirement is for the banks to hold ALAC of 7.75% from 1 January 2027 (buffers uncertain) . Beyond that the key driver of net supply will be balance sheet growth (RWA) and NZ ALAC requirements. The table below now includes Tier 2 requirements through to the end of 2028. We have not included NZ requirements yet as we're still not sure when that funding will commence (post Dec-28). In the meantime, short dated NZ Tier 2 (per ASB's recent deal) will provide the top up as required. Notable takeaways:

- 2027 is a relatively light Tier 2 refi year for ANZ (~AUD3bn) before its lifts closer to a AUD5bn run rate from 2029.
- AT1 is not excessive with ANZ having already seen more roll-off than peers. It has nothing in 2027 and AUD1.5bn in 2028.
- **Tier 2 requirement:** Based on ANZ's RWA print today (AUD485bn) the group has a Tier 2 ratio of 7.2% and a further 1.2% of AT1, which will provide for an AT1/T2 ratio of 8.4%, well ahead of its 7.75% Tier 2 requirement from Jan-27.
- **Recent Supply:** ANZ was active in the August/Sept window completing AUD1bn of 15nc10yr, and AUD750M 20yr and a EUR750M 10nc5yr, adding to the EUR12nc7yr completed in May (~AUD4.15bn total for the half).
- **Looking forward:** ANZ said it has ~AUD5-6bn of T2 to complete in FY27 which is ahead of its maturities, but likely sets it up for FY28. ANZ notably has no AUD calls in the 2031 bucket (testing the 5yr at this point), however it does have a Feb-32 call (5.25yr from now). Its USD Dec-32 is a bullet and is amortising (so provides low Tier 2 capital, but refi potential). 10yr Bullet / Call structures are open in 2037 (2027 issuance).
- **NZ Tier 2:** NZ funding is also in the plans. ANZ said that it is planning AUD1.0-1.5bn of RBNZ complaint transitional Tier 2. To date we have only seen one issue of this nature, ASB's Nov-29 3yr bullet. On the following page we provide our background on the ASB deal.
- ANZNZ has a USD500M Aug-27 T2 call and a NZD550M Jul-28 AT1 call prior to the availability of ALAC from Dec-28, with required capital (ALAC) and RWA increasing in the interim (ANZNZ will have a shortfall of total capital of ~NZD1.27bn by Dec-28 based on scheduled calls and today's RWA and CET1). We may see more than one deal.
- ANZ reiterated that fact that it believes outstanding AT1s have been subject to a regulatory event (AT1 transition/removal), however at this stage we do not believe calls will occur prior to the availability of parent ALAC.

Major Bank ALAC requirements

APRA & T2	ANZ Sep-26	NAB Sep-26	CBA Jun-26	WBC Sep-26	Majors Total	MBL Sep-26	
RWA (current)	485,893	459,095	522,407	462,136	1,929,531	166,304	
Reported AT1	5,829	7,116	7,907	8,494	29,346	2,376	
Reported Tier 2	35,047	31,377	38,159	33,181	137,764	14,256	
AT1 Ratio	1.2%	1.6%	1.5%	1.8%	1.5%	1.4%	
T2 Ratio	7.2%	6.8%	7.3%	7.2%	7.1%	8.6%	
T1 + T2 ratio	8.4%	8.4%	8.8%	9.0%	8.7%	10.0%	
Tier 2 @ 7.75% of RWA	**37,657**	**35,580**	**40,487**	**35,816**	**149,539**	**12,889**	
Tier 2 call/maturity 2026	-	1,490	-	2,143	3,634	-	
AT1 call 2026	-	-	1,180	-	1,180	641	
Issuance post reporting	-	*(1,250)*	*(3,756)*	*(1,201)*	*(6,207)*	-	
Tier 2 call/maturity 2027	3,183	1,748	3,630	738	9,299	850	
AT1 call 2027	-	2,386	1,650	3,541	7,577	1,091	
Tier 2 call/maturity 2028	2,748	1,367	1,356	1,800	7,271	-	
AT1 call 2028	1,500	-	1,777	1,509	4,786	655	
Total Tier 2 by Dec-27 (@7.75%)	**(37)**	**1,462**	**(2,876)**	**(638)**	**(2,089)**	**(1,162)**	**Total Tier 2 needed for 7.75% to end of 2028 (includes AT1 transtition to Tier 2)**
Total Tier 2 by Dec-28 (@7.75%)	**4,212**	**2,828**	**257**	**2,671**	**9,968**	**(507)**	
Annual Tier 2 to Dec-28 (@7.75%)	**1,959**	**1,315**	**119**	**1,242**	**4,636**	**(236)**	
Assuming 4% annual RWA growth to Dec-28							
RWA (4% growth pa)	528,643	499,487	568,369	502,796	2,099,295	180,936	**Tier 2 requirement @ 4% RWA growth pa**
Tier 2 @ 7.75% of RWA	40,970	38,710	44,049	38,967	162,695	14,023	
Total Tier 2 by Dec-28 (@7.75%)	**7,525**	**5,959**	**3,819**	**5,822**	**23,124**	**627**	
Tier 2 @ 8.25%	43,613	41,208	46,890	41,481	173,192	14,927	**Assumes 4% RWA growth, 8.25% T2 target (50bp buffer)**
Total Tier 2 by Dec-28 (@8.25%)	**10,168**	**8,456**	**6,661**	**8,336**	**33,621**	**1,532**	
Annual Tier 2 to Dec-28 (@8.25%)	**4,729**	**3,933**	**3,098**	**3,877**	**15,638**	**713**	

Source: Company Reports & Westpac Strategy

Brendon Cooper | Head of Credit Strategy; Martin Jacques | Head of Securitisation & Covered Bond Strategy;

NZ Short dated Tier 2: Transition play – ASB was first, ANZNZ to follow

ASB Bank completed a 3yr USD600M bullet USD 144A/Reg S fixed-rate Tier 2 transaction which priced at T+83 (BBSW+95, BKBM+85).

- **Why it matters?** Short dated Tier 2 will form the base for interim capital requirements as the RBNZ transitions to its new rules in late 2028/2029. We expect issuance from each of the large NZ banks.
- **Background on the transaction:** As part of the RBNZ transition to the new capital framework (ie, removal of AT1, move to internal ALAC from the parent) the RBNZ will allow short dated Tier 2 to be issued externally through the pre-transition period (Oct-26 to Dec-28). The NZ banks can therefore issue Tier 2 that circumvents the normal rules that require a minimum 5yr period to call/maturity and will not require reg amortisation for these short-dated instruments.

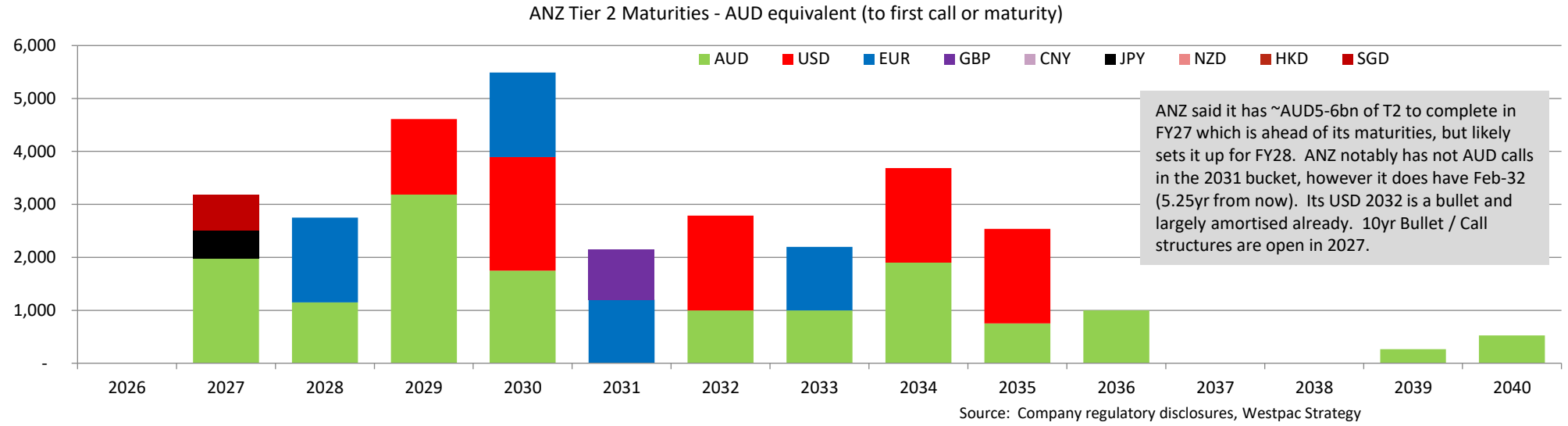
ASB Bank:

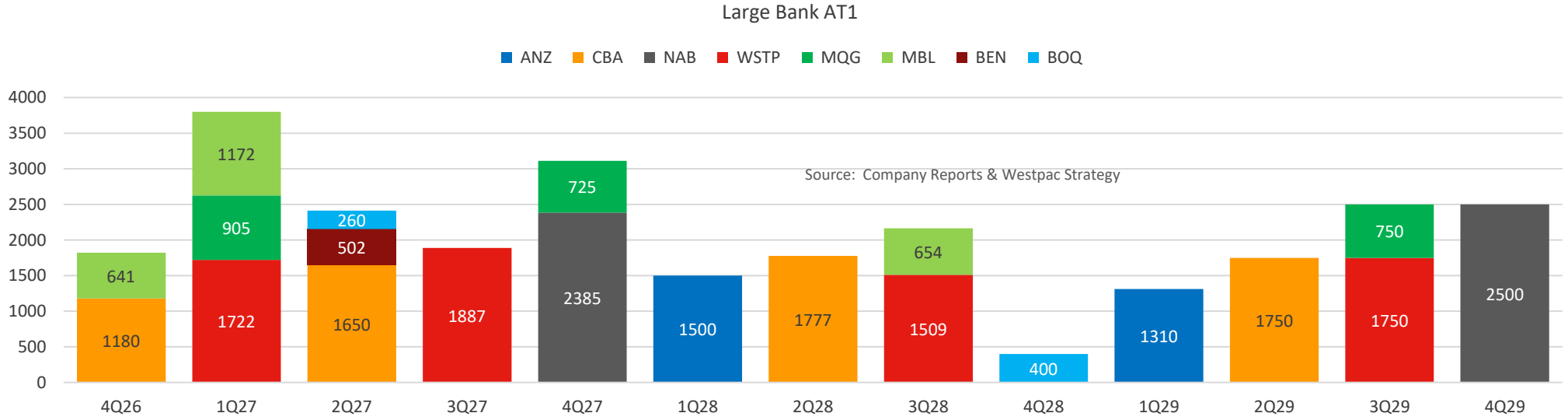
- ASB currently has no AT1 outstanding within their capital stack, and their only Tier 2 outstanding was the USD600M Jun-27 call. Post the call of the Jun-27 Tier 2 instrument (which now appears a lock) ASB Bank would have become a pure CET1 play until internal ALAC becomes available (currently expected from late 2028), so the 3yr bullet structure will work as a Tier 2 bridge from the Jun-27 call through to 2029.
- This instrument is short dated (3yr), non bail-in (and non-writedown/conversion and non-PONV, but subordinated), Tier 2 compliant until maturity, and a bullet structure.
- ASB said it is likely to follow this transaction with an additional deal in 2027 that will round out its transitional requirements, however also noted that while this deal is USD (effectively refi), currency can vary.
- In terms of the tenor of future deals, ASB said that at this point the RBNZ has not clarified the regulatory treatment of the short-dated instruments post Dec-29 and their assumption is therefore that they will no longer qualify post this date, effectively capping tenors.
- They were also clear that incentives are in place for transition to internal (parent) ALAC and they will move quickly to this source of capital once internal ALAC is available (expected from late 2028).

Beyond the ASB transaction:

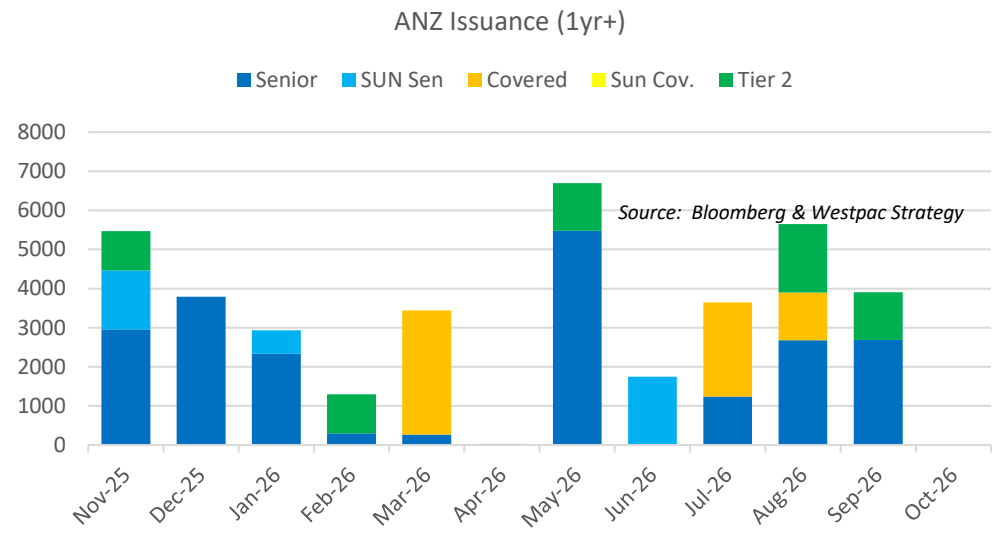
- We expect all banks to be involved given the short-term trade-off between holding excess CET1 capital, or a Tier 2 instrument that is priced at a relatively low multiple to senior and will be refinanced with internal ALAC (ie, capital bridge).
- AT1 calls? An issue that will re-emerge is what this means for outstanding AT1 of the NZ banks. ASB do not have AT1 in their capital stack so the issue is moot for them, however the remaining NZ banks have flagged reg events for their AT1 outstandings. We had considered short term call risk to be minimal given the lack of alternative capital for the NZ banks in the short term, with risk to rise in outer years as internal ALAC became available. The availability of short dated Tier 2 may increase call risk, however we believe the banks will initially need to take care of their regulatory minimums (which are not insignificant) before thinking about capital management.

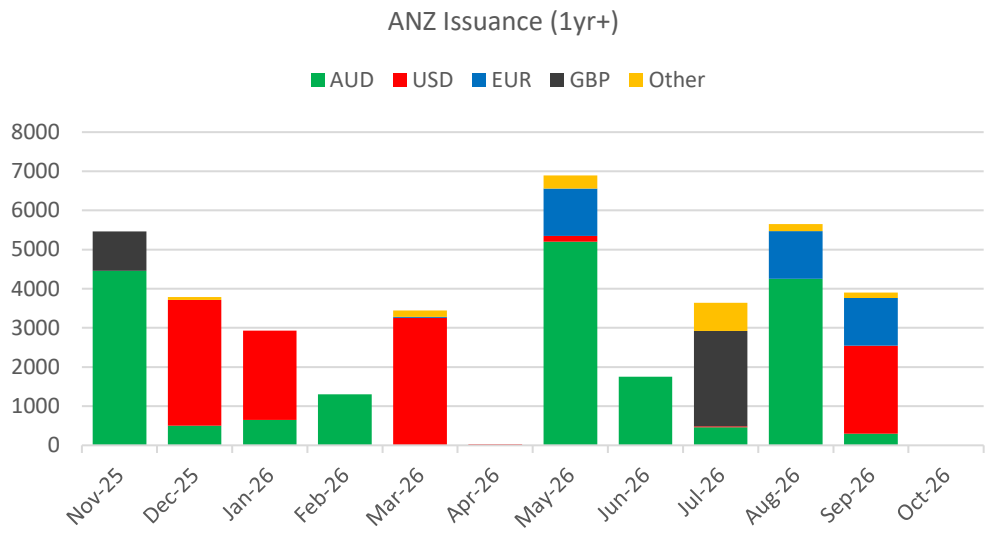
AT1& Tier 2 maturities: Short term refi contained

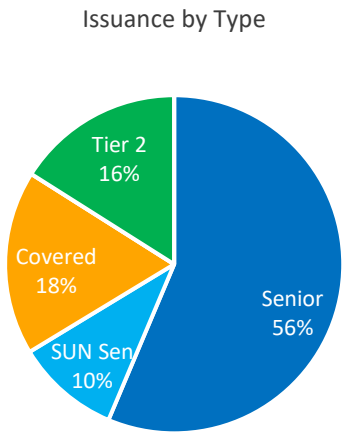


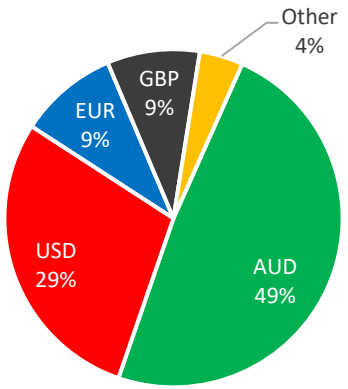


Funding & Liquidity – Issuance YTD







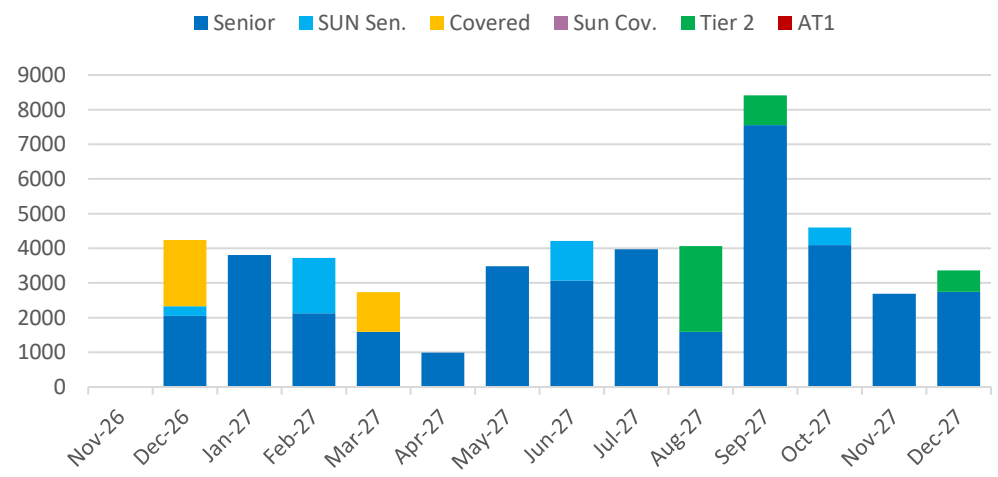


Source: Company Reports & Westpac Strategy

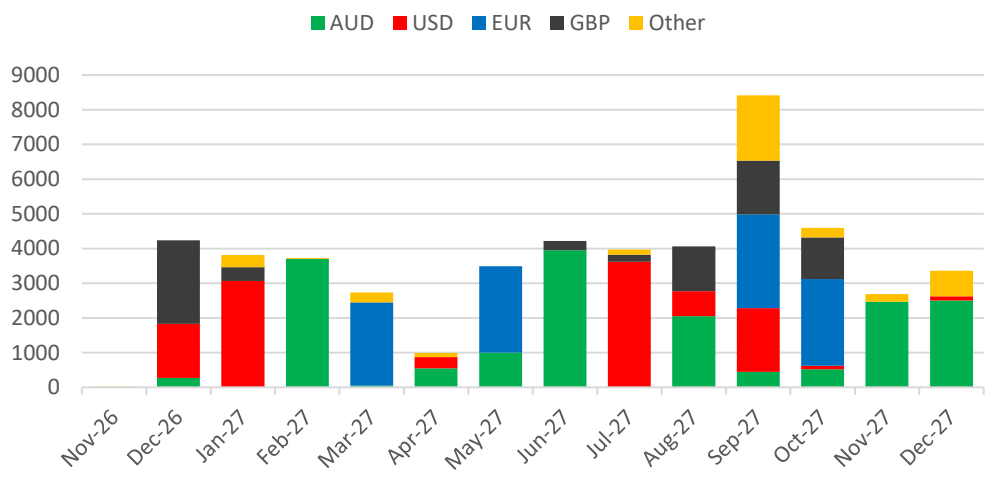
Source: Company Reports & Westpac Strategy

Funding & Liquidity – Short term maturities

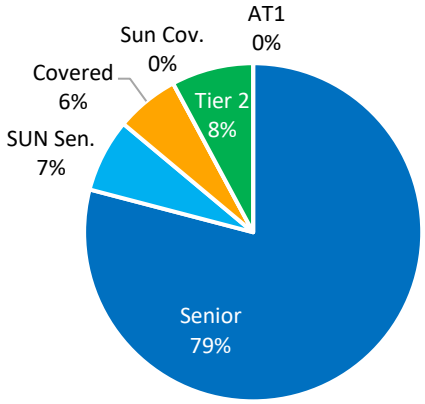
ANZ Maturities (1yr+) to end 2027 (incl. SUNCBK)



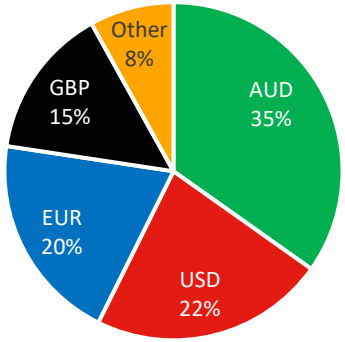
ANZ Maturities (1yr+) to end 2027 by Currency (incl. SUNCBK)



Maturity by Type



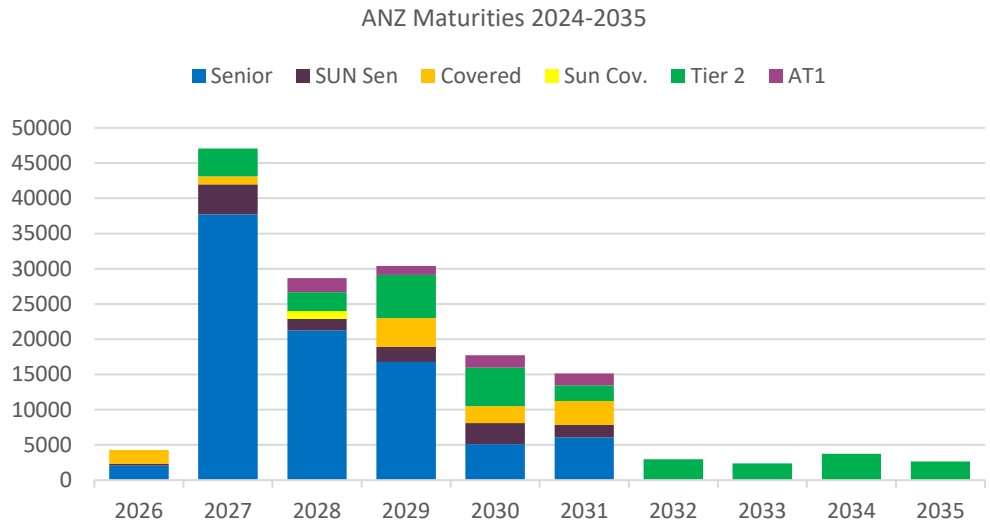
Maturity by Currency (incl. SUNCBK)

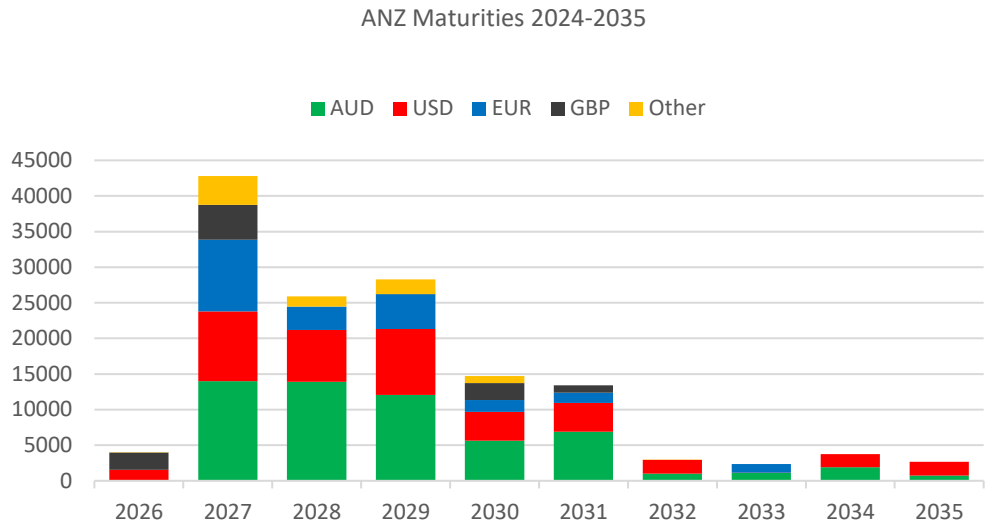


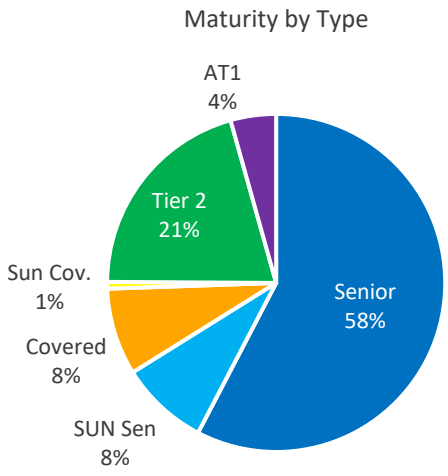
Source: Company Reports & Westpac Strategy

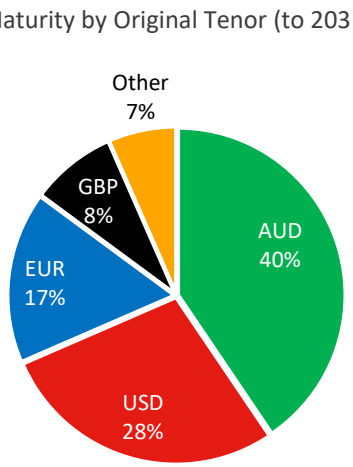
Source: Company Reports & Westpac Strategy

Funding & Liquidity – Long term maturities









Source: Company Reports & Westpac Strategy

Source: Company Reports & Westpac Strategy

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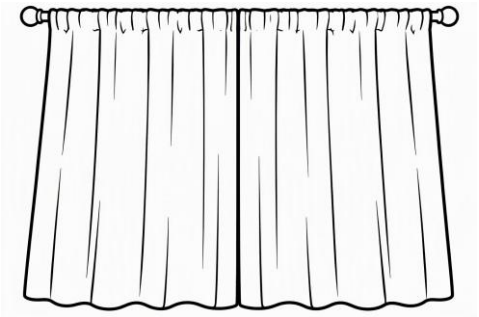
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