

ANZ Bank

Business Description

ANZ Banking Group Ltd (ANZ) is a major Australian-based bank with retail and business banking in Australia, NZ and the Asia Pacific. Australian operations comprise most of ANZ's business, offering commercial & retail banking & funds management. ANZ is the largest bank in New Zealand with the National Bank of New Zealand. Expansion into Asia has secured ANZ a presence in 14 countries.

Strategy Analysis

ANZ's 'super-regional' strategy launched by new CEO Mike Smith in 2007 envisages an increasing proportion of earnings from Asia, the Pacific, Europe and America (APEA) at the expense of traditional markets Australia and New Zealand. ANZ aims to grow in APEA by i) capturing banking business associated with trade and investment flows between the various countries and ii) cross-selling fee-based services to institutional banking clients. The proportion of earnings sourced from APEA is steadily increasing from 12% in FY07. The initial target of 20% by FY12 has been upgraded to between 25-30% by FY17. With this strategy, unique among Australian banks, ANZ aims to differentiate itself from peers and provide superior earnings growth. The plan for offshore is intended to make up for a subdued outlook for banking growth in Australia and New Zealand. To maintain earnings growth in Australia despite contracting business credit and a bruising price war in home lending ANZ aims to increase cross-sell of wealth management (WM). This follows the acquisition of ING's 51% interest in the ING-branded WM joint venture in 2009. The bank also expects to grow faster in commercial lending than retail. ANZ Banking Group reported NPAT up 19% to \$5.36bn for the year ended 30 September 2011. Underlying profit increased 12% with income up 7% despite a 31% decline in second half Institutional Global Markets income. Profit before provisions excluding Global Markets increased 8%. Revenues from ordinary activities were \$16.93bn, up 8% from last year. Loans and advances increased 8% and customer deposits grew 16%. Diluted EPS was 198.8 cents compared to 174.6 cents last year. Net operating cash flow was \$18.80bn compared to \$3.05bn last year. The final dividend declared was 76 cents, taking the full year dividend to 140 cents compared with 126 cents last year.

27 January 2012

Recommendation

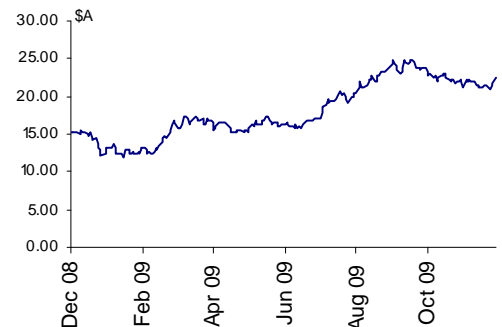
Recommendation: Outperform
Relative to: All Ind (ex Fins)

Investment Fundamentals

ASX code: ANZ
Stock price: \$21.50
Market cap: \$57,601m

	Y/E 30/09/2012	2012e	2013e	2014e	2015e
Reported e	\$m	6028.4	6160.3	6421.9	6793.9
Adjusted e	\$m	6026.4	6158.3	6419.9	6791.9
EPS adjusted	¢	216.8	218.6	225.1	235.6
EPS growth	%	2.5	0.8	3.0	4.6
PE	x	9.9	9.8	9.6	9.1
PE relative	x	0.8	1.0	1.0	1.0
DPS	¢	144.0	148.0	152.0	158.0
Yield	%	6.7	6.9	7.1	7.3
Franking	%	100.0	100.0	100.0	100.0

Share Price



Source: ASX and Company accounts

Segment Performance

Results by Industry	Revenue (%)	Return on Sales (%)	Return on Assets (%)	Annual Shareholders' Return	
				1 year	3 year
Retail	36.9	0.0	0.0	-2.0%	24.0%
Institutional	29.0	0.0	0.0	-0.1%	8.0%
Commercial	21.7	0.0	0.0		
Wealth	7.7	0.0	0.0		
Other	4.7	0.0	0.0		
Total	100.0	0.0	0.0		
Results by Geography				Dividend Reinvestment Plan	Yes
Australia	70.3	0.0	0.0	Shareholder Discounts	No
New Zealand	15.4	0.0	0.0		
Asia Pacific, Europe & America	14.3	0.0	0.0		
Total	100.0				

Company contact details:

Australia & New Zealand Banking Group Ltd
Level 9, ANZ Centre, 833 Collins St, Docklands
Melbourne VIC 3008
Tel: +61 3 9273 5555
www.anz.com

If you have any queries regarding this Research information or with any aspect of your legal super account please call legal super on 1800 060 312 (freecall) or email mail@legalsuper.com.au

Disclosure: In accordance with Section 849 of the Corporations Law, Macquarie Equities Limited states that Macquarie and its affiliates collectively and beneficially own or control 1% or more of any class of Australia and New Zealand Banking Group Limited's equity securities. Macquarie Bank Limited makes a market in the securities in respect of Australia and New Zealand Banking Group. The Macquarie Group acted as Joint Lead Manager for a convertible preference share offer by Australian and New Zealand Banking Group to raise approx A\$750m as announced on 23 August 2011. Within the last 12 months, Macquarie Group has received compensation for investment advisory services from Australia and New Zealand Banking Group Limited.

Disclaimer: This report is prepared for general circulation and does not have regard to the particular circumstances or needs of any specific person who may read it. The information contained herein is believed to be reliable, but its completeness and accuracy is not guaranteed. Opinions expressed may change without notice. No part of this report is to be construed as a solicitation to buy or sell any security. We do not accept any liability, whether direct or indirect arising from the use of information contained in this report. International investors are reminded of the risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Any transaction by US persons in any security discussed in this report must be carried out through Macquarie Equities (USA) Inc which has distributed this report in the US. This report is issued in the UK by Macquarie Equities Limited, which is a member of the Securities and Futures Authority. The investments and investment services the subject of this report are not available to private customers in the UK. The material in this publication is copyright and may not be reproduced without consent of the copyright owner.