



MACQUARIE
ACN 002 574 923

Macquarie Private Wealth



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 strategy over the past five years has focused on building up the Australian and New Zealand operations with particular attention to Personal Banking operations that embrace the consumer sector. Significant investment has been made in the branch network and distribution systems complimented with increased staff numbers. More recently there has been a controlled expansion into Asian markets with relatively small investments in China, Indonesia, Cambodia, Laos, Malaysia and Guam. Over the next five years the target is for Asian operations to contribute 20% of group earnings and match those of New Zealand. ANZ Banking Group reported NPAT down 11% to \$2.94bn for the year ended 30 September 2009. Underlying profit for the year was \$3.77bn, up 10% on the prior year. The underlying profit reflects the net impact on statutory profit of \$829m from one-off items, hedging timing differences and non-continuing businesses. Australia region profit up 13%, strong contributions from Retail (up 13%) and Institutional (up just over 100%). The Asia Pacific, Europe & America (APEA) region profit up 81%, strong contributions from Asia Partnerships and Institutional. New Zealand region profit decreased 34%, good contribution from Institutional, challenging economic conditions impacted margins in Retail and Commercial and drove higher provisions. Institutional division profit up 82%, income up 37% driven largely by Global Markets business. Revenue from ordinary activities were \$13.61bn, up 12% from last year. Diluted EPS was 129.6 cents compared to 162.2 cents last year. The net operating cash outflow was \$3.68bn compared to an outflow of \$210m in the pcp. The final dividend declared was 56 cents, taking the full year dividend to 102 cents compared with 136 cents last year.

28 July 2010

Recommendation

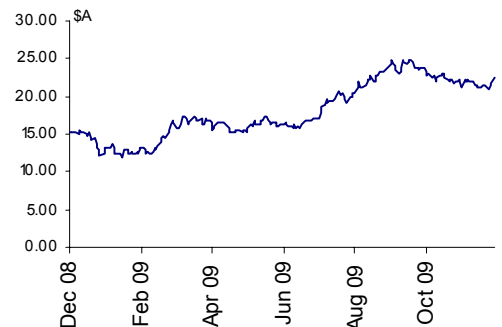
Recommendation: Neutral
Relative to: All Ind (ex Fins)

Investment Fundamentals

ASX code: ANZ
Stock price: \$23.23
Market cap: \$58,682m

Y/E	30/09/2010	2010e	2011e	2012e	2013e
Reported e	\$m	3992.9	5049.5	6082.1	6845.2
Adjusted e	\$m	4481.7	5283.5	6239.5	7002.7
EPS adjusted	¢	173.8	200.2	232.2	256.1
EPS growth	%	16.9	15.2	16.0	10.3
PE	x	13.4	11.6	10.0	9.1
PE relative	x	0.9	1.0	1.0	1.0
DPS	¢	112.0	135.0	158.0	174.0
Yield	%	4.8	5.8	6.8	7.5
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	31.0%
New Zealand Businesses	100.0	0.0	0.0	3 year	-0.6%
Asia Pacific, Europe & America	100.0	0.0	0.0	5 year	7.0%
Australia	100.0	0.0	0.0	10 year	12.0%
Group Centre	100.0	0.0	0.0	Dividend Reinvestment Plan	Yes
Institutional	100.0	0.0	0.0	Shareholder Discounts	No
Total	500.0	0.0	0.0		
Results by Geography					
Australia	68.5	0.9	14.8		
New Zealand	22.2	0.5	7.6		
Asia Pacific, Europe & America	9.4	1.7	29.8		
Total	100.1				

Company contact details:

ANZ Banking Group Ltd
Level 9, ANZ Centre Melbourne, 833 Collins St,
Docklands
Melbourne VIC 3008
Tel: (03) 9273 5555
www.anz.com

If you have any queries regarding this Research information or with any aspect of your legalsuper account please call legalsuper 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 The Macquarie Group acted as Joint Lead Manager in respect of Australia and New Zealand Banking Group Limited's Convertible Preference Share Offer as announced on 10 November 2009. The Macquarie Group acted as Joint Lead Manager in respect of Australia and New Zealand Banking Group Ltd's (ANZ:ASX) convertible preference share offer as announced 27 August 2008. Within the last 12 months, Macquarie Group has received compensation for investment advisory services from Australia and New Zealand Banking Group Limited.

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