

29 October 2020

Russell Wright | T+02 8288 6900 | E:russell@barclaypearce.com.au

Australia and New Zealand Banking Group Ltd (ANZ)

Banks

Buy

ANZ A\$18.71**TARGET PRICE A\$21.55**

ANZ is an Australian multinational company that provides banking and financial services to individual and business customers. ANZ offers a range of personal banking and business financial solutions include internet banking, bank accounts, credit cards and home loans.

Company Data

Number of shares	2836.2M
Market Capitalisation	\$ 54341.2M
Free float (%)	100.0
12-month high/low	\$27.93/\$14.1
Average Daily Turnover (\$m)	140.5
% S&P/ASX200	3.23%
DDM Ranking	128
% All Ordinaries	N/A
GICS Industry Group	Banks

Source: FactSet, Barclay Pearce Capital

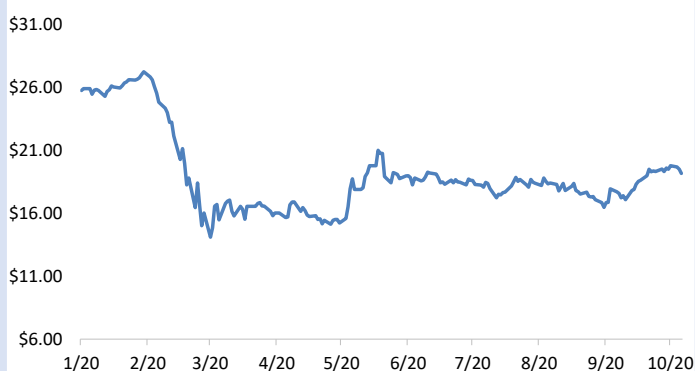
Earnings Summary (AUD)

Year end June	2020A	2021F	2022F	2023F
Revenue (\$M)	15,500.00	17,978.4	18,108.9	18,521.9
Reported NPAT (\$M)	3,577.0	4,443.2	5,426.4	5,996.1
Adjusted NPAT (\$M)	3,758.0	4,100.0	5,330.9	6,435.7
Adjusted EPS (c - FD)	132.7	151.9	183.9	229.7
Adjusted EPS growth (%)	0.4	12.5	21.1	24.9
Adjusted P/E (x)	14.9	12.6	10.4	8.3
Dividend (c/sh)	60.0	78.8	115.9	144.1
Gross yield (%)	4.5	6.0	8.8	10.9
Net yield (%)	3.1	4.2	6.1	7.6

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet and Capital IQ.

Share price performance



Source: FactSet, Barclay Pearce Capital

FY20 Full Year Result and News Release

On 29 October 2020 Australia and New Zealand Banking Group Ltd (ASX:ANZ) releases its 2020 Full Year Result with the following highlights:

- An unaudited¹ Statutory Profit after tax for the Full Year ended 30 September 2020 of \$3.58 billion, down 40% on the pcpr;
- Cash Profit for its continuing operations was \$3.76 billion, down 42% on the pcpr:
 - This decrease was primarily driven by Full Year credit impairment charges of \$2.74 billion, which increased from prior year due to the impact of COVID-19 and a first half impairment of Asian associates of \$815 million, also related to the pandemic;

Dividend & Capital:

- ANZ's capital position remains strong and has improved further in the fourth quarter with a Level 2 Common Equity Tier 1 capital ratio of 11.3% (11.4% on a pro-forma basis);
- This capital strength and ANZ's underlying profitability has enabled us to announce a proposed fully-franked 2020 final dividend of 35 cents per share which will be paid to shareholders on Wednesday, 16 December 2020.

Covid-19 Support:

- ANZ launched support packages for retail and commercial customers in Australia and New Zealand that included the option of an up to six-month loan repayment deferral.

Outlook:

Australia Home Loans:

- ANZ has more than 1 million home loan accounts in Australia with around ~95,000 having received a deferral on their loan repayments;
- The PREVENT Trial finishes this December and will read out in Q3 FY'21;
- Where ANZ can see their transactional account data, ~80% have stable or improved income;

Australia Commercial:

- ANZ has more than 236,000 commercial lending accounts in Australia with around 23,000 having received a deferral on their business loan repayments;

New Zealand:

- ANZ has more than 529,000 home loan accounts in New Zealand with around 24,000 having received a deferral on their loan repayments, and;

Institutional:

- Supported Institutional customers with increased core lending of \$16 billion in the March half.
- As global liquidity conditions improved, ANZ saw many of these same customers pay down, with core lending falling \$17 billion in the second half.

Earnings changes

ANZ's cash profit of \$3,758M, which is down 40% on the pcpr, compares to market expectations of \$3,833M. Hence, we expect negative earnings revisions of 1.0% - 2.0% for future periods.

We are initiating on ANZ with a 12-month price target of \$21.55 and a BUY recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its clients. Mr Wright is General Manager of Research and has over thirty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2020 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Buy	41.7%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.2%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	16.6%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	41.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)