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ANZ Banking Group (ANZ)

Back in business

Recommendation
Buy (unchanged)
Price
$28.00
Target (12 months)
$30.00 (previously $24.50)

GICS Sector

Banks

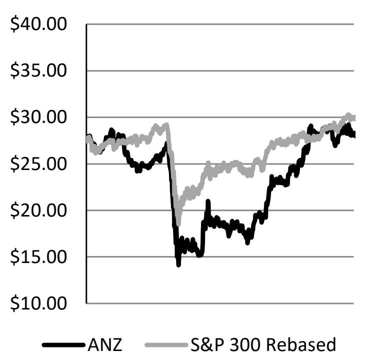
Expected Return	
Capital growth	**7.1%**
Dividend yield	**5.0%**
Total expected return	**12.1%**

Company Data & Ratios	
Enterprise value	**n/m**
Market cap	**$79,712m**
Issued capital	**2,847m**
Free float	**100%**
Avg. daily val. (52wk)	**$162.8m**
12 month price range	**$16.40 - $29.64**

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	27.86	28.14	19.08
Absolute (%)	1.44	0.43	48.11
Rel market (%)	-2.52	-7.65	24.72

Absolute Price



SOURCE: IRESS

Strong 3Q21 anticipated

ANZ should expect these to be the same on 18 August 2021: 1) statutory NPAT ~$1.3bn; 2) cash profit (continuing) ~$1.3bn; and 3) cash profit (continuing and ex-large notable items) ~$1.3bn. This is based on almost unchanged banking income (lower net interest income and higher other banking income), further improvement in operating expenses (costs excluding large and notable items again well-managed with the bulk in productivity/modernisation savings), slight credit impairment charge (as opposed to a benefit in 1H21 due to normalisation) and effective tax rate of 30%.

Capital return

ANZ announced a capital management update this week signalling its intention to buy back $1.5bn shares on market. There was also the promise of further capital to be returned given its position, but only if all balanced and prudent outcomes are satisfied. As it is, ANZ will return a modest amount targeting around 35bp (Level 2 and Level 1 CET1 ratios as at 31 March 2021 are 12.4% and 12.2% respectively) that would still place the bank comfortably ahead of the capital requirement of 10.5%. This theoretically means the bank can also pay at least another $2.5bn by 2022. This would also bring the CET1 ratio to around 11.4-11.5%, suggesting the bank can still enjoy a buffer of around 1.0% over APRA's minimum capital requirement.

Price target increased to $30.00, Buy rating unchanged

We look at ANZ's outcomes in two sections. The first lies is changes to projections leading up to but not including the $1.5bn capital return, while the second includes the capital return of $1.5bn in FY21 and $2.5bn in FY22. Assuming no difference in earnings capacity, the only real changes lie in: 1) cash EPS (continuing) (FY21 0cps; FY22 5cps; FY23 12cps; and FY24 12cps); and 2) cash ROE (continuing) (FY21 0.0%; FY22 +0.3%; FY23 +0.5%; and FY24 +0.5%). The price target is increased by 22% to $30.00 (previously $24.50), mainly from the effects of the first section, while ANZ's Buy rating is maintained.

Earnings Forecast

Year end 30 September	2020	2021e	2022e	2023e
Statutory profit (A$m)	3,577	5,615	5,908	6,255
Cash profit (continuing) (A$m)	3,758	5,662	5,908	6,255
Cash EPS (continuing) (A¢)	133	199	212	232
Cash EPS (continuing) growth (%)	-42%	50%	6%	9%
PER (x)	21.1	14.1	13.2	12.1
P/Book (x)	1.3	1.3	1.3	1.3
P/NTA (x)	1.4	1.4	1.4	1.3
Dividend (A¢)	60	140	146	154
Yield (%)	2.1%	5.0%	5.2%	5.5%
ROE (%)	6.2%	9.1%	9.5%	10.0%
NIM (%)	1.62%	1.64%	1.62%	1.61%
Franking (%)	100.0%	100.0%	100.0%	100.0%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Back in business

Strong 3Q21 anticipated

We expect ANZ to report the following on 18 August 2021 (pre capital return):

1 Statutory NPAT ~$1.3bn;
2 Cash profit (continuing) ~$1.3bn;
3 Cash profit (continuing and ex-large notable items) ~$1.3bn;
4 Profit before credit impairment & tax ~$1.9bn;
5 Credit impairment charge ~$0.2bn; and
6 CET1 ratio 12.4%.

This is based on almost unchanged banking income (lower net interest income, i.e. stable NIM despite ongoing rate pressures more than offset by lower interest earning assets primarily in institutional banking – thus the lower overall income, and higher other banking income with a pick-up in trading), improvement in operating expenses (costs excluding large and notable items again well-managed with the bulk in productivity savings), slight credit impairment charge (as opposed to a benefit in 1H21 due to normalisation) and effective tax rate of close to 30%.

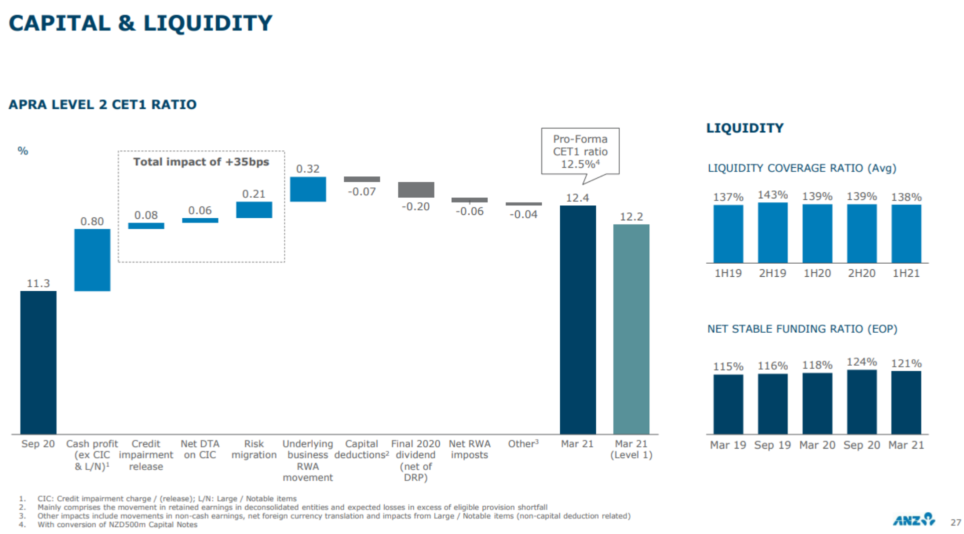
Capital return

ANZ announced a capital management update this week signalling its intention to buy back $1.5bn shares on market (given the bank's financial strength to "support our customers while also returning surplus capital to shareholders").

There was also the promise of further capital to be returned given its capital position, but only if all balanced and prudent outcomes are satisfied. ANZ will return a "modest" amount of capital in the meantime, targeting around 35bp (Level 2 and Level 1 CET1 ratios as at 31 March 2021 are 12.4% and 12.2% respectively) that would still place the bank comfortably and well ahead of the capital requirement of 10.5%.

This theoretically means the bank can pay at least another $2.5bn by FY22. This would bring its CET1 ratio to around 11.4-11.5%, suggesting the bank can still enjoy a buffer of around 1.0% over APRA's minimum capital requirement.

Figure 1 – CET1 ratio



SOURCE: COMPANY DATA

Price target increased to $30.00, Buy rating unchanged

We look at ANZ's outcomes in two sections. The first lies is changes to projections leading up to but not including the $1.5bn capital return, while the second includes the capital return of $1.5bn in FY21 and $2.5bn in FY22.

Assuming no difference in earnings capacity, the only real changes lie in cash EPS (continuing) (FY21 0cps; FY22 5cps; FY23 12cps; and FY24 12cps) and cash ROE (continuing) (FY21 0.0%; FY22 +0.3%; FY23 +0.5%; and FY24 +0.5%).

The price target is increased by 22% to $30.00 (previously $24.50) mainly from changes in operating expenses (falling by 8-10%) and the credit impairment charge (+838% in FY21, but falling down by 3% in FY24 and beyond).

ANZ's Buy rating is maintained as a result.

Table 1 – Composite valuation

Composite Valuation	Value ($m)	Per share	Weighting	Composite value per share
DCF	80,437	$28.25	25%	$7.06
Dividend yield (sustainable)	106,283	$37.33	25%	$9.33
ROE (sustainable)	73,408	$25.79	25%	$6.45
Sum-of-Parts	74,915	$26.31	25%	$6.58
Total				**$29.42**
Plus surplus capital *		**$0.27**		**$29.69**

* Less estimated NZ new capital requirement

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Table 2 – SOP valuation

Sum-of-Parts (As Is)	FY22e NPAT	Pros. PE (times)	Value ($m)	Per share
Australia	3,110	12.0	37,317	$13.11
Pacific	36	10.0	358	$0.13
Institutional	1,593	13.0	20,711	$7.28
Wealth Australia	0	-	0	$0.00
New Zealand	1,377	12.0	16,529	$5.81
Other	-209	-	0	$0.00
Total	**5,908**	**12.7**	**74,915**	**$26.31**

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Table 3 – Estimate changes

ANZ Bank	FY21e			FY22e			FY23e			FY24e		
Y/e September 30 ($m)	Current	Previous	Change	Current	Previous	Change	Current	Previous	Change	Current	Previous	Change
Profit & Loss												
Net interest income	13,707	13,163	4%	13,755	13,515	2%	13,991	13,791	1%	14,279	14,144	1%
Other operating income	3,044	4,392	-31%	3,680	4,502	-18%	4,185	4,600	-9%	4,286	4,703	-9%
Operating income	**16,751**	**17,555**	**-5%**	**17,435**	**18,017**	**-3%**	**18,176**	**18,391**	**-1%**	**18,565**	**18,847**	**-1%**
Operating expenses	-8,847	-8,872	0%	-8,217	-8,935	9%	-8,248	-9,028	9%	-8,401	-9,199	10%
Credit impairment charge	310	-2,284	-838%	-843	-1,603	90%	-1,057	-1,136	7%	-1,133	-1,167	3%
Profit before income tax	**8,215**	**6,399**	**28%**	**8,374**	**7,480**	**12%**	**8,872**	**8,227**	**8%**	**9,031**	**8,481**	**6%**
Income tax expense	-2,553	-1,897	-26%	-2,467	-2,215	-10%	-2,617	-2,434	-7%	-2,665	-2,508	-6%
Non-controlling interests	-8	0	n/m	0	0	n/m	0	0	n/m	0	0	n/m
Cash profit	**5,654**	**4,502**	**26%**	**5,908**	**5,265**	**12%**	**6,255**	**5,793**	**8%**	**6,366**	**5,973**	**7%**
Cash profit (continuing)	**5,662**	**4,502**	**26%**	**5,908**	**5,265**	**12%**	**6,255**	**5,793**	**8%**	**6,366**	**5,973**	**7%**
DPS (cps)	**140**	**87**	**61%**	**146**	**121**	**21%**	**154**	**133**	**16%**	**158**	**137**	**15%**
Payout ratio (target 60-65%)	70%	55%	15%	69%	65%	4%	66%	65%	1%	67%	65%	2%
Cash EPS (continuing) (cps)	199	158	25.7%	212	185	14.2%	232	204	13.7%	236	210	12.2%
Cash ROE (continuing)	9.1%	7.2%	1.9%	9.5%	8.2%	1.3%	10.0%	8.8%	1.2%	9.9%	8.9%	1.0%
NIM	1.64%	1.51%	0.12%	1.62%	1.50%	0.12%	1.61%	1.49%	0.11%	1.61%	1.50%	0.11%
CIR (continuing)	53%	51%	-2%	47%	50%	2%	45%	49%	4%	45%	49%	4%
Impairment expense as % of GLA	-0.05%	0.35%	0.40%	0.13%	0.24%	0.11%	0.16%	0.17%	0.01%	0.17%	0.17%	0.00%
Effective tax rate	31%	30%	-1%	29%	30%	0%	30%	30%	0%	30%	30%	0%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

ANZ Banking Group

Company description

ANZ operates primarily in Australia, New Zealand and selected markets in the Asia Pacific region via its Institutional Bank. The Group services 6m customers and provides the following products and services: retail banking; business banking and institutional banking.

Investment strategy

ANZ's focus is now on the more profitable and higher ROE Australian and New Zealand retail, business and private banking space, although we believe there is still value in selected offshore locations focusing on institutional banking particularly in trade finance servicing corporates doing business offshore and high net worth customers.

Valuation

The price target is closely aligned with the bank's composite valuation, weighted in the table below.

Table 4 – Composite valuation

Composite Valuation	Value ($m)	Per share	Weighting	Composite value per share
DCF	80,437	$28.25	25%	$7.06
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Table 5 – SOP valuation

Sum-of-Parts (As Is)	FY22e NPAT	Pros. PE (times)	Value ($m)	Per share
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Other	-209	-	0	$0.00
Total	**5,908**	**12.7**	**74,915**	**$26.31**

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

SWOT analysis

Strengths

1. Domestic retail and SME banking franchise, including service and sales, and corporate banking; and
2. Management execution.

Weaknesses

1. Underweight home lending Australia (although being addressed); and
2. Overweight New Zealand.

Opportunities

1. Further cost management; and
2. Divesting non-core businesses (under way).

Threats

1. Macroeconomic factors such as higher regulatory requirements in Australia and New Zealand, higher regional unemployment and slowing domestic credit growth;
2. Rising wholesale funding costs;
3. COVID-19 implications on Institutional/Corporate business in Asia;

4. Sovereign risk – exposed to sometimes unstable governments; and
5. Increased competition specifically from CBA, WBC and NAB on the domestic front in retail and wholesale banking and wealth management.

Sensitivities

Table 6 – Sensitivities

Y/e September 30	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e
Sensitivities									
Group NIM +10bp									
- Cash profit upside (continuing)	10.4%	10.0%	9.7%	9.8%	9.7%	9.6%	9.5%	9.4%	9.4%
- Price target upside	$3.11	$3.01	$2.92	$2.93	$2.90	$2.88	$2.85	$2.83	$2.81
Group Loans +1%									
- Cash profit upside (continuing)	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
- Price target upside	$0.18	$0.18	$0.18	$0.18	$0.18	$0.18	$0.18	$0.17	$0.17
Aust. loans (ex Wealth/IB) +1%									
- Cash profit upside (continuing)	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
- Price target upside	$0.17	$0.16	$0.16	$0.16	$0.16	$0.16	$0.16	$0.16	$0.16
APEA loans +1%									
- Cash profit upside (continuing)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
- Price target upside	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NZ loans +1%									
- Cash profit upside (continuing)	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
- Price target upside	$0.08	$0.07	$0.07	$0.07	$0.07	$0.07	$0.07	$0.07	$0.07
Other income +1%									
- Cash profit upside (continuing)	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
- Price target upside	$0.11	$0.13	$0.14	$0.14	$0.14	$0.14	$0.14	$0.14	$0.14
BDD +1%									
- Cash profit upside (continuing)	0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
- Price target upside	$0.01	-$0.03	-$0.04	-$0.04	-$0.04	-$0.04	-$0.04	-$0.04	-$0.04
Costs +1%									
- Cash profit upside (continuing)	-1.1%	-1.0%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%
- Price target upside	-$0.33	-$0.29	-$0.28	-$0.28	-$0.27	-$0.27	-$0.27	-$0.26	-$0.26

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Table 7 – Financial summary

ANZ Bank		**Share Price (A$)**	**28.00**
As at	23-Jul-21	**Market Cap (A$M)**	**79,712**

PROFIT AND LOSS

Y/e September 30 ($m)	**2019**	**2020**	**2021e**	**2022e**	**2023e**
Net interest income	14,339	14,049	13,707	13,755	13,991
Other banking income	4,672	3,703	3,044	3,680	4,185
Total banking income	**19,011**	**17,752**	**16,751**	**17,435**	**18,176**
Funds management income	0	0	0	0	0
Insurance income	18	0	0	0	0
Operating income	**19,029**	**17,752**	**16,751**	**17,435**	**18,176**
Operating expenses	-9,071	-9,383	-8,847	-8,217	-8,248
Credit impairment charge	-795	-2,738	310	-843	-1,057
Profit before income tax	**9,163**	**5,631**	**8,215**	**8,374**	**8,872**
Income tax expense	-2,678	-1,872	-2,553	-2,467	-2,617
Non-controlling interests	-15	-1	0	0	0
Investment experience	0	0	0	0	0
Cash profit (continuing)	**6,470**	**3,758**	**5,662**	**5,908**	**6,255**
Discontinued operations	-309	-98	-8	0	0
Cash profit	**6,161**	**3,660**	**5,654**	**5,908**	**6,255**
Hedging, one off gains, etc.	-208	-83	-39	0	0
Statutory profit	**5,953**	**3,577**	**5,615**	**5,908**	**6,255**

CASHFLOW

Y/e September 30 ($m)	**2019**	**2020**	**2021e**	**2022e**	**2023e**
Cash profit	6,161	3,660	5,654	5,908	6,255
Increase in loans	-9,640	-1,598	-9,658	-14,565	-13,891
Increase in other assets	-31,308	-32,642	29,278	-16,665	-17,680
Capital expenditure	-91	-1,089	179	-86	-88
Investing cashflow	**-41,039**	**-35,329**	**19,799**	**-31,316**	**-31,660**
Increase in deposits & borrowings	28,986	35,692	23,326	22,010	21,805
Increase in other liabilities	7,580	24,954	-27,401	9,889	7,648
Ordinary equity raised	0	0	0	0	0
Other	-4,703	-2,675	-4,840	-6,490	-4,048
Financing cashflow	**31,863**	**57,971**	**-8,916**	**25,408**	**25,405**
Net change in cash	-3,015	26,302	16,537	0	0
Cash at end of period	**81,621**	**107,923**	**124,460**	**124,460**	**124,460**

BALANCE SHEET

Y/e September 30 ($m)	**2019**	**2020**	**2021e**	**2022e**	**2023e**
Cash and liquid assets	81,621	107,923	124,460	124,460	124,460
Divisional gross loans	621,873	621,670	633,400	647,275	661,300
Provisions	-4,190	-5,899	-4,995	-4,305	-4,440
Other gross loans / inter div.	-3,106	404	-2,572	-2,572	-2,572
Other IEA	267,169	302,285	273,653	290,319	307,999
Intangibles	4,861	4,379	4,024	4,024	4,024
PP&E	1,924	3,013	2,834	2,920	3,008
Insurance assets	0	0	0	0	0
Other assets	10,985	8,511	7,865	7,865	7,865
Total assets	**981,137**	**1,042,286**	**1,038,669**	**1,069,985**	**1,101,645**
Divisional deposits & IBL	613,680	649,372	672,698	694,708	716,512
Other borrowings	295,556	318,885	292,364	302,253	309,901
Other liabilities	11,107	12,732	11,851	11,851	11,851
Total liabilities	**920,343**	**980,989**	**976,913**	**1,008,812**	**1,038,265**
Ordinary share capital	26,490	26,531	25,115	22,615	22,615
Other equity instruments	0	0	0	0	0
Reserves	1,629	1,501	741	741	741
Retained profits	32,664	33,255	35,890	37,807	40,014
Minority interests	11	10	10	10	10
Total shareholders' equity	**60,794**	**61,297**	**61,756**	**61,173**	**63,380**
Total sh. equity & liabs.	**981,137**	**1,042,286**	**1,038,669**	**1,069,985**	**1,101,645**
WANOS - statutory (m)	**2,834**	**2,830**	**2,842**	**2,790**	**2,699**
WANOS - underlying (m)	**2,842**	**2,833**	**2,844**	**2,792**	**2,701**

PROFITABILITY RATIOS

Y/e September 30	**2019**	**2020**	**2021e**	**2022e**	**2023e**
Return on assets (cash, continuing)	0.7%	0.3%	0.5%	0.6%	0.6%
Return on equity (cash, continuing)	**10.9%**	**6.2%**	**9.1%**	**9.5%**	**10.0%**
Leverage ratio	5.7%	5.4%	5.6%	5.3%	5.4%
Net interest margin (continuing)	**1.75%**	**1.62%**	**1.64%**	**1.62%**	**1.61%**
Cost / income ratio (continuing)	48%	53%	53%	47%	45%
Cost / average assets (continuing)	0.92%	0.86%	0.86%	0.77%	0.75%
Growth in operating income	-2%	-7%	-6%	4%	4%
Growth in operating expenses	-4%	3%	-6%	-7%	0%
Jaws (continuing)	**2%**	**-10%**	**0%**	**11%**	**4%**
Effective tax rate	29%	33%	31%	29%	30%

ASSET QUALITY

Y/e September 30	**2019**	**2020**	**2021e**	**2022e**	**2023e**
Impairment expense / GLA	**0.13%**	**0.44%**	**-0.05%**	**0.13%**	**0.16%**
Impairment expense / RWA	0.19%	0.64%	-0.07%	0.20%	0.24%
Total provisions ($m)	**4,190**	**5,899**	**4,995**	**4,305**	**4,440**
Total provisions / GLA	**0.67%**	**0.95%**	**0.79%**	**0.67%**	**0.67%**
Indiv ass prov / gross imp assets	40%	36%	36%	40%	40%
IBL / IEA	103%	105%	107%	107%	107%
Total provisions + GRCL / RWA	1.00%	1.37%	1.20%	1.00%	1.00%

VALUATION DATA

Y/e September 30	**2019**	**2020**	**2021e**	**2022e**	**2023e**
Cash profit (continuing) ($m)	6,470	3,758	5,662	5,908	6,255
Statutory EPS (c)	210	126	198	212	232
- Growth	-5%	-40%	56%	7%	9%
Cash EPS (continuing) (c)	228	133	199	212	232
- Growth	2%	-42%	50%	6%	9%
P / E ratio (times)	12.3	21.1	14.1	13.2	12.1
P / Book ratio (times)	1.3	1.3	1.3	1.3	1.3
P / NTA ratio (times)	1.4	1.4	1.4	1.4	1.3
Net DPS (c)	160	60	140	146	154
Yield	5.7%	2.1%	5.0%	5.2%	5.5%
Franking	85%	100%	100%	100%	100%
Payout (cash basis, target 60-65%)	70%	45%	70%	69%	66%

CAPITAL ADEQUACY

Y/e September 30	**2019**	**2020**	**2021e**	**2022e**	**2023e**
Risk weighted assets ($m)	416,961	429,384	417,393	431,361	445,861
Average risk weight	46%	46%	46%	46%	46%
Tier 1 ratio	**13.2%**	**13.2%**	**13.8%**	**13.2%**	**13.3%**
CET1 capital ratio	**11.4%**	**11.3%**	**11.9%**	**11.4%**	**11.5%**
Total capital ratio	15.3%	16.4%	17.7%	17.0%	17.0%
Equity ratio	6.2%	5.9%	5.9%	5.7%	5.8%

DIVISIONAL

Y/e September 30 ($m)	**2019**	**2020**	**2021e**	**2022e**	**2023e**
Australia					
Net interest income	8,092	7,916	7,902	8,054	8,129
Other income	1,347	1,161	757	1,232	1,577
Total banking income	**9,439**	**9,077**	**8,659**	**9,286**	**9,706**
Operating expenses	-4,074	-4,091	-4,072	-4,207	-4,290
Impairment expenses	-712	-1,647	202	-636	-741
Net profit before tax	**4,653**	**3,339**	**4,790**	**4,442**	**4,675**
Corporate tax expense	-1,458	-1,002	-1,515	-1,333	-1,403
Cash profit (continuing)	**3,195**	**2,337**	**3,275**	**3,110**	**3,273**
Loans	331,871	339,381	357,126	364,268	371,554
Deposits	208,005	234,594	249,427	256,909	264,617
Pacific					
Net interest income	128	109	110	107	91
Other income	104	84	63	54	46
Total banking income	**232**	**193**	**174**	**161**	**137**
Operating expenses	-150	-205	-136	-115	-97
Impairment expenses	1	-52	-6	-5	-4
Net profit before tax	**83**	**-64**	**32**	**41**	**36**
Corporate tax expense	-24	2	-4	-5	-4
Cash profit (continuing)	**59**	**-62**	**28**	**36**	**31**
Loans	2,120	1,866	1,586	1,348	1,146
Deposits	3,546	3,534	3,110	2,643	2,247
Institutional					
Net interest income	3,080	3,182	2,816	2,704	2,794
Other income	2,192	2,649	2,044	2,093	2,143
Total banking income	**5,272**	**5,831**	**4,860**	**4,797**	**4,937**
Operating expenses	-2,667	-2,558	-2,568	-2,420	-2,478
Impairment expenses	2	-694	55	-101	-103
Net profit before tax	**2,607**	**2,579**	**2,347**	**2,276**	**2,356**
Corporate tax expense	-779	-725	-676	-683	-707
Cash profit (continuing)	**1,828**	**1,854**	**1,671**	**1,593**	**1,649**
Loans	164,526	157,634	148,299	151,265	154,290
Other IEA	346,094	391,862	346,990	353,930	361,008
IBL	290,671	296,715	299,067	308,039	317,280
Wealth Australia					
Net interest income					
Other operating income					
Net funds management income					
Net insurance & other income					
Total operating income					
Operating expenses					
Impairment expenses					
Net profit before tax					
Corporate tax expense					
Cash profit (continuing)					
FUM					
New Zealand					
Net interest income	2,736	2,731	2,777	2,788	2,875
Other income	580	473	480	501	520
Total operating income	**3,316**	**3,204**	**3,257**	**3,289**	**3,395**
Operating expenses	-1,286	-1,435	-1,256	-1,275	-1,283
Impairment expenses	-87	-345	58	-101	-209
Net profit before tax	**1,943**	**1,424**	**2,059**	**1,913**	**1,903**
Corporate tax expense	-544	-407	-573	-536	-533
Minority interests	0	0	0	0	0
Investment experience	0	0	0	0	0
Cash profit (continuing)	**1,399**	**1,017**	**1,486**	**1,377**	**1,370**
Loans	119,166	116,890	121,394	126,088	129,871
Deposits	87,456	92,832	99,217	105,055	110,307
Other IBL	24,002	21,697	21,877	22,061	22,061

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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