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## Bank Note\$

### Shaken, not stirred

Stock	Price	Target	Rating
ANZ	\$17.68	\$20.00	Buy
CBA	\$66.17	\$73.50	Hold
NAB	\$17.40	\$19.90	Buy
WBC	\$16.97	\$18.30	Hold
ABA	\$4.83	\$5.50	Buy
BEN	\$6.30	\$7.00	Hold
BOQ	\$6.12	\$6.00	Hold
MYS	\$3.65	\$4.20	Buy
MQG	\$120.20	\$135.00	Buy
SUN	\$9.01	\$10.20	Buy

### August 2020 reporting: Icy and bittersweet with a twist

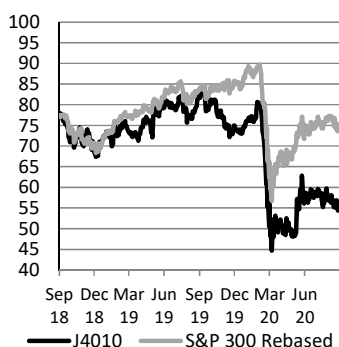
COVID-19 bitterness aside, the majors' underlying performance was sweetened with higher other income (higher trading and markets income due to strong flows, volatility and reversal of MTM losses, and better general insurance outcomes from lower claims in CBA and WBC) and broadly stable to lower operating expenses (ongoing cost discipline and lower notable items net of elevated regulatory and compliance spend, although CBA had to pay additional remediation costs in its aligned advice businesses, the bank still managed positive "Jaws" in 2H20). With the exception of BEN that underperformed in most KPIs, the other regionals (ABA, MYS and SUN Bank) experienced higher operating income (due to higher NIM and volume growth) and lower operating expenses – that provided a pleasant twist in challenging times that also strongly emphasised discipline in managing for profitable growth.

ANZ has decided to pay its deferred FY20 interim dividend (25¢ fully franked, equivalent to 46% statutory payout in 1H20) given its strong 11.3% pro-forma CET1 ratio. Likewise, CBA's strong 12.2% pro-forma CET1 ratio probably enabled it to declare a FY20 final dividend of 98¢ (just under 50% statutory payout). Not only was organic capital generation strong in ANZ and CBA but these banks also benefited from non-core asset disposals (NAB is in this camp now given a post-MLC sale 11.9% pro-forma CET1 ratio). ABA and SUN paid a FY20 final dividend (respectively 11¢ or 50% 2H20 payout and 10¢ or 46% 2H20 payout, both target payout ratios maintained and with SUN still intending to return surplus capital to shareholders – \$823m based on CET1) while BEN (FY20 final dividend deferred given uncertainties), MYS (FY20 final dividend cancelled given uncertainties and the need for extra capital to support its restructured balance sheet, target payout ratio lowered from 70-90% to 60-80% in the meantime) and WBC (deferred FY20 interim dividend cancelled given uncertainties and the desire to retain a strong balance sheet) were the exceptions.

#### ASX200 Banks (J4010) Price Performance

	(1m)	(3m)	(12m)
Index (x100)	59.71	62.16	81.02
Absolute (%)	-8.07	-11.69	-32.24
Rel market (%)	-4.56	-7.78	-21.32

#### Absolute Price



SOURCE: IRESS

### Forecast and price target changes

**ANZ:** We have slightly fine-tuned FY21 and FY22 cash profit forecasts (-6% and -3% respectively) for higher credit impairment charges while our FY22+ forecasts are unchanged. Consequently, ANZ's price target and Buy rating are also unchanged.

**CBA:** FY21 and FY22 cash earnings are trimmed by 4% and 3% respectively after raising expected loan impairment expenses while subsequent years' cash earnings are unchanged. The net impact is a ~6% lower price target of \$73.50 that also includes lower surplus capital (i.e. 25% vs 100% previously). The Hold rating is unchanged.

**MYS:** Our forecasts reflect better NIM outcomes in FY21/FY22/FY23 and cash NPAT is increased by 12%/6%/3% respectively. The price target is increased by ~3% to \$4.20 and the Buy rating is unchanged based on value (i.e. TSR >15%).

### A shot of MQG and a splash of ANZ and SUN

MQG remains the top pick in our coverage universe. ANZ is our preferred major bank while SUN is our preferred regional/diversified play.

# Shaken, not stirred



## August 2020 reporting: Icy and bittersweet with a twist

The August 2020 reporting season includes FY20 results (ABA, BEN, CBA, MYS and SUN), 3Q20 trading updates (ANZ, NAB and WBC) and a 1Q21 trading update for MQG. The timing of these disclosures largely highlights a catching up in COVID-19 credit impairment charges (flowing from loan deferrals among other things) for the first group while the second and third groups (having significantly increased pandemic overlays in the three months to 31 March) unsurprisingly experienced better outcomes in the three months to 30 June when compared with the respective quarterly averages in 1H20:

1. ABA (5bp 1H20, 18bp 2H20), BEN (7bp 1H20, 45bp 2H20), CBA (17bp 1H20, 48bp 2H20), MYS (2bp 1H20, 16bp 2H20) and SUN Bank (0bp 1H20, 59bp 2H20);
2. ANZ (51bp 1H20, 31bp 3Q20), NAB (38bp 1H20, 38bp 3Q20) and WBC (62bp 1H20, 46bp 3Q20); and
3. MQG (28bp 2H20, we estimate up to 20bp in 1Q21).

We note CBA had a higher impairment in 2H20 (\$1.87bn vs. \$0.65bn in 1H20) although this was skewed towards 3Q20 (\$1.60bn vs. \$0.27bn in 4Q20), so the characteristic is entirely consistent with those of ANZ, NAB and WBC (and we also expect a higher 3Q20 charge in the other banks). Net of these charges, total provision outcomes as at the end of 30 June are as follows with ANZ and NAB being the most conservative among the majors (likely skewed by a higher proportion of business loans) and SUN Bank being the most conservative among the regionals, when measured against GLA:

1. Provisions as a percentage of CRWA (ABA 65bp, ANZ 151bp, BEN 125bp, CBA 170bp, MYS 24bp, NAB 195bp, SUN Bank 142bp and WBC 170bp); and
2. Provisions as a percentage of GLA (ABA 30bp, ANZ 87bp, BEN 66bp, CBA 82bp, MYS 18bp, NAB 103bp, SUN Bank 72bp and WBC 76bp).

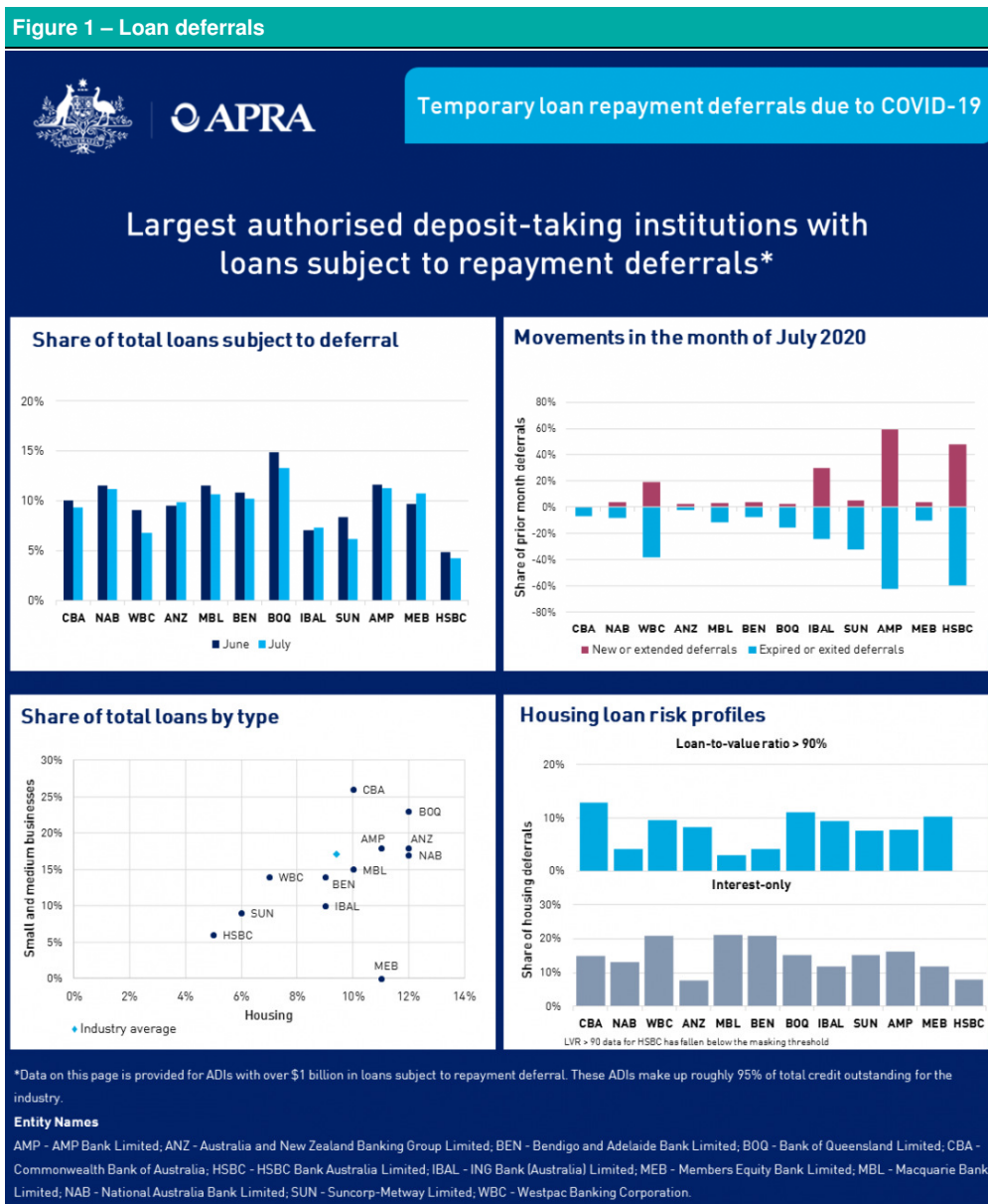
The following table provides the latest summary of home and business loan deferrals (July 2020, APRA and individual banks) and our observations for the majors are:

1. Home loan accounts 6-9% for the majors (median around 8%), 5-10% for the regionals (median around 7%) and 8% for MQG;
2. Home loan balances 7-12% for the majors (median around 11%), 6-12% for the regionals (median around 9%) and 10% for MQG;
3. If home loans deferrals (balances) are considered a risk factor, then ANZ and NAB would be at the riskier end of the spectrum while WBC would be at the lower risk end;
4. If investor home loans are considered a risk factor, then NAB would be at the riskier end of the spectrum while ANZ and possibly CBA would be at the lower risk end;
5. If interest only home loans are considered a risk factor, then WBC would be at the riskier end of the spectrum while ANZ would be at the lower risk end;
6. If exposures to hospitality, accommodation and property/construction are considered a risk factor, then NAB would be at the riskier end of the spectrum (no surprises here as NAB is a business bank) while CBA would be at the lower risk end; and
7. If home and business loan exposure to VIC is considered a risk factor, then ANZ and NAB would be at the riskier end of the spectrum (no surprises here) while CBA would be at the lower risk end.

Table 1 – Credit quality and loan deferrals

(Last reported)	ANZ	CBA	NAB	WBC	SUN	BEN	BOQ	MQG
<b>1 Total domestic lending</b>								
Domestic market share (APRA)								
Home - owner occupied	15%	26%	14%	20%	3%	3%	1%	2%
Home - investor	13%	25%	17%	28%	2%	2%	2%	3%
Credit card	18%	26%	13%	23%	0%	1%	0%	1%
Other consumer	16%	19%	19%	28%	3%	3%	1%	2%
Business	15%	17%	21%	16%	1%	2%	1%	1%
<b>2 Home lending (Australia)</b>								
Spot balance (\$bn)	264	485	302	446	47	47	31	-
Accounts (m)	1.0	1.8	1.0	1.6	0.2	0.2	0.1	-
Spot balance per account (\$'000)	272	269	309	276	306	243	290	-
Owner occupied / Investment / LOC	68 / 30 / 2	68 / 30 / 2	62 / 32 / 6	59 / 38 / 3	72 / 28 / 0	64 / 36 / 0	60 / 40 / 0	-
Portfolio								
- Proprietary	48%	54%	63%	56%	32%	54%	82%	-
- Broker	52%	46%	37%	45%	68%	46%	18%	-
Portfolio (\$bn)								
- Proprietary	127	262	190	247	15	25	26	-
- Broker	137	223	112	198	32	22	6	-
Lo Doc loans								
- as % of mortgages	3%	0%	0%	1%	-	1%	-	-
- as % of EaD	1%	0%	0%	0%	-	1%	-	-
FHB as % of portfolio	8%	-7%	-7%	9%	-	<-5%	<-5%	-
Average LVR (dynamic, excluding offset)	56%	53%	45%	57%	63%	57%	66%	-
Average loss rate	0.03%	0.02%	0.02%	0.03%	0.02%	0.01%	0.02%	-
Portfolio > 90% LVR (estimate)	<5%	-8%	5%	4%	5%	5%	8%	-
Customers ahead of repayments	76%	80%	67%	70%	-	-	-	-
Variable / Fixed	84 / 16	77 / 23	81 / 19	77 / 23	-	74 / 26	78 / 22	-
Interest only	12%	16%	17%	23%	19%	-	25%	-
Geographic spread								
- NSW / ACT	33%	36%	40%	41%	29%	26%	28%	-
- VIC	33%	28%	32%	27%	10%	38%	15%	-
- QLD	15%	19%	15%	16%	49%	15%	43%	-
- WA	13%	11%	8%	9%	7%	9%	9%	-
- SA / other	6%	6%	5%	7%	5%	-	5%	-
90+ day delinquencies								
- NSW	1.0%	0.3%	1.0%	0.6%	-	-	-	-
- VIC	0.9%	0.3%	1.0%	0.6%	-	-	-	-
- QLD	1.2%	0.9%	1.4%	0.9%	-	-	-	-
- WA	2.4%	1.3%	2.3%	1.9%	-	-	-	-
- Total	1.2%	0.5%	1.2%	0.9%	1.0%	0.4%	-	-
<b>3 Wholesale lending</b>								
Wholesale EaD (\$bn)								
Agriculture, forestry & fishing	36.6	22.0	47.5	22.5	4.3	6.3	0.0	0.0
Oil & gas	8.5	6.0	7.4	3.3	0.0	0.0	0.0	0.8
Mining	22.5	4.0	3.0	5.6	0.3	0.0	0.0	2.4
Mining services	1.6	0.5	1.1	1.5	0.0	0.0	0.0	0.0
Other commercial	524.0	371.9	259.7	442.1	18.0	8.7	5.9	72.4
Total	593.1	404.4	318.7	475.1	22.6	15.0	5.9	75.6
As a % of total EaD								
Agriculture, forestry & fishing	3.6%	2.0%	5.4%	2.1%	6.4%	9.7%	0.0%	0.0%
Oil & gas	0.8%	0.6%	0.8%	0.3%	0.0%	0.0%	0.0%	0.6%
Mining	2.2%	0.4%	0.3%	0.5%	0.4%	0.0%	0.0%	1.6%
Mining services	0.2%	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%
Other commercial	51.1%	34.6%	29.4%	41.8%	26.7%	13.3%	11.5%	47.9%
Total	57.8%	37.6%	36.1%	44.9%	33.6%	23.0%	11.5%	50.0%
Commercial property EaD (\$bn)								
Offices	13.5	16.9	17.0	14.9	-	-	-	-
Retail	13.0	19.1	17.6	16.2	-	-	-	-
Industrial	7.0	7.3	10.3	7.4	-	-	-	-
Residential	10.7	8.8	6.7	16.2	-	-	-	-
Tourism & other	2.3	21.3	9.1	12.8	-	-	-	-
Total	46.5	73.4	60.8	67.6	3.7	4.0	-	-
As a % of total EaD								
Offices	1.3%	1.6%	1.9%	1.4%	-	-	-	-
Retail	1.3%	1.8%	2.0%	1.5%	-	-	-	-
Industrial	0.7%	0.7%	1.2%	0.7%	-	-	-	-
Residential	1.0%	0.8%	0.8%	1.5%	-	-	-	-
Tourism & other	0.2%	2.0%	1.0%	1.2%	-	-	-	-
Total	4.5%	6.8%	6.9%	6.4%	-	-	-	-
<b>4 Loan deferrals</b>								
Home lending								
Accounts ('000)	74	117	62	77	8	12	8	10
- %	9%	8%	8%	6%	5%	7%	10%	8%
Balance (\$bn)	30	46	31	30	2	4	3	5
- %	12%	10%	12%	7%	6%	9%	12%	10%
Owner Occupier	68%	67%	60%	64%	67%	69%	62%	62%
Investor	32%	33%	40%	36%	33%	31%	38%	38%
Principal & Interest	92%	85%	87%	79%	85%	79%	85%	79%
Interest only	8%	15%	13%	21%	15%	21%	15%	21%
DLVR >90%	8%	13%	4%	10%	9%	4%	11%	3%
Average DLVR	68%	-	57%	66%	-	-	-	-
NSW/ACT	27%	33%	40%	40%	34%	22%	21%	-
VIC	32%	26%	32%	30%	13%	40%	15%	-
QLD	18%	18%	16%	14%	41%	18%	50%	-
Other	23%	23%	12%	16%	12%	20%	14%	-
Business lending								
Accounts ('000)	40	57	35	63	1	5	7	5
- %	13%	16%	8%	13%	7%	8%	22%	12%
Balance (\$bn)	9	14	15	10	1	2	2	1
- %	18%	26%	17%	14%	9%	14%	23%	15%
Hospitality & Accommodation	18%	12%	25%	5%	37%	12%	4%	-
Property Investment & Construction & Services	29%	22%	47%	33%	36%	48%	17%	-
Services	9%	6%	-	7%	15%	3%	24%	-
Retail	14%	10%	-	7%	3%	5%	3%	-
Other	30%	50%	28%	48%	9%	31%	52%	-
NSW/ACT	30%	33%	34%	33%	27%	12%	25%	-
VIC	36%	25%	29%	26%	12%	52%	18%	-
QLD	16%	17%	21%	23%	54%	18%	41%	-
Other	18%	25%	16%	18%	7%	18%	16%	-
JobKeeper	50%	30%	47%	-	-	-	-	-

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES



SOURCE: APRA

Ranking the majors in terms of quality of deferred loans is like comparing apples and oranges given different product emphasis, inherent grey area in differentiating home and business loan security, CBA being more lenient in deferring loans, etc. But when it comes to other characteristics such as Owner Occupier, P&I and geographic and at-risk sector exposures, CBA appears to have a slight edge over WBC while ANZ appears to have a slight edge over NAB. Given conservative credit policies and after cleaning up its non-core bank years ago, SUN Bank has the best credit profile in the sector in our view.

Given binary outcomes and assuming the most recent Australian retail and business banking deferral data in the following table, we estimate notional NIE foregone and credit impairment charges as a percentage of underlying income. The assumptions include an impairment charge of 50bp on home loans (vs. the ~41bp peak in 1992-93) and 260bp on business loans (vs. the ~259bp peak in 1992-93). In this respect, WBC would have a slight edge over CBA (mainly due to lower deferrals within WBC) while ANZ would have an edge over NAB. SUN Bank would again lead the regionals, edged out only by ING Direct that has no business loans, while the outcomes would be worse for BEN, BOQ and ME Bank.

Table 2 – Retail and Business bank comps plus COVID-19 sensitivities

Retail & Business Banking (Latest reported 12m, local currency)	Retail	B&PB	ANZ Group	RBS	B&PB	BWA	CBA Group	CB	B&PB	NAB Group	CB	BB	WBC Group	BEN	BOQ	SUN	ING Direct	ME Bank	Regional bank average ex-ING Direct & ME Bank	Major bank average
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
1 Revenue (\$bn)	6.4	3.0	9.3	11.2	7.2	-	18.4	4.6	6.6	11.2	9.2	6.4	15.6	1.6	1.1	1.2	1.1	0.5	-	-
2 Operating expenses (\$bn)	3.0	1.2	4.2	4.5	2.6	-	7.1	2.4	2.3	4.7	3.9	2.9	6.9	1.0	0.6	0.7	0.4	0.3	-	-
3 Underlying income (\$bn)	3.4	1.7	5.1	6.7	4.6	-	11.3	2.2	4.3	6.5	5.2	3.5	8.7	0.6	0.5	0.5	0.7	0.2	-	-
4 Footings (\$bn)																				
5 - Home loans	264	0	264	389	98	-	486	216	86	302	379	67	446	47	31	46	52	27	-	-
6 - Business loans	0	55	55	0	93	-	93	0	109	109	0	93	93	15	16	11	11	0	-	-
7 - Other loans	9	2	11	12	4	-	16	6	3	9	12	9	20	3	0	0	0	0	-	-
8 - Deposits	123	90	213	262	177	-	439	126	141	267	211	147	358	64	38	40	59	29	-	-
9 Branches (domestic) (#)	577	-	577	1,134	-	-	1,134	719	-	719	931	-	931	707	165	140	0	0	-	-
10 Customers (E) (m)	5.9	0.5	6.4	13.8	1.0	-	14.8	-	-	6.5	9.6	1.0	10.6	1.7	0.9	0.9	1.8	0.5	-	-
11 FTE (E) (#)	11,287	2,774	14,061	14,013	4,589	-	18,602	-	-	13,853	10,555	5,066	15,621	4,776	3,000	1,700	1,766	1,280	-	-
12 Productivity/efficiency ratios																				
13 NIM	2.30%	3.00%	2.65%	2.63%	3.10%	-	2.79%	2.02%	2.90%	2.45%	2.34%	3.01%	2.55%	1.96%	1.89%	1.94%	1.50%	1.59%	1.93%	2.61%
14 NE / footings	1.40%	1.72%	1.48%	1.42%	1.52%	-	1.45%	1.18%	1.65%	1.41%	1.38%	1.58%	1.45%	1.04%	1.14%	1.22%	0.85%	0.77%	1.13%	1.45%
15 Other income / footings	0.21%	0.30%	0.24%	0.28%	0.42%	-	0.33%	0.15%	0.30%	0.22%	0.15%	0.45%	0.25%	0.21%	0.14%	0.04%	0.06%	0.04%	0.13%	0.26%
16 Revenue / footings	1.61%	2.02%	1.72%	1.69%	1.94%	-	1.76%	1.33%	1.94%	1.63%	1.52%	2.03%	1.70%	1.25%	1.28%	1.26%	0.91%	0.82%	1.26%	1.71%
17 Revenue / branch (\$m)	11.0	-	16.2	9.9	-	-	16.3	6.4	-	15.6	9.8	-	16.7	2.3	6.6	8.8	-	-	5.9	16.2
18 Revenue / FTE (\$'000)	565	1,069	664	801	1,573	-	991	-	-	808	869	1,264	997	338	363	724	629	355	475	865
19 Operating expense / footings	0.75%	0.84%	0.78%	0.68%	0.70%	-	0.69%	0.70%	0.68%	0.69%	0.65%	0.93%	0.75%	0.79%	0.67%	0.72%	0.37%	0.50%	0.73%	0.73%
20 Operating expense / branch (\$m)	5.2	-	7.3	4.0	-	-	6.3	3.4	-	6.6	4.2	-	7.4	1.4	3.5	5.0	-	-	3.3	6.9
21 Operating expense / FTE (\$'000)	265	446	301	323	568	-	384	-	-	342	372	578	439	214	191	415	253	217	273	366
22 Underlying income / footings	0.85%	1.18%	0.94%	1.01%	1.24%	-	1.09%	0.63%	1.26%	0.94%	0.87%	1.10%	0.95%	0.46%	0.60%	0.54%	0.54%	0.32%	0.53%	0.98%
23 Underlying income / branch (\$m)	5.9	-	8.9	5.9	-	-	10.0	3.0	-	9.0	5.6	-	9.4	0.8	3.1	3.8	-	-	2.6	9.3
24 Underlying income / FTE (\$'000)	300	623	364	477	1,005	-	608	-	-	467	497	686	558	124	172	309	376	138	202	499
25 Cost ratio	47%	42%	45%	40%	36%	-	39%	53%	35%	42%	43%	46%	44%	63%	53%	57%	40%	61%	58%	43%
26 BDD charge / GLA	0.22%	0.99%	0.35%	0.26%	0.42%	-	0.31%	0.10%	0.13%	0.11%	0.20%	0.59%	0.32%	0.26%	0.13%	0.29%	0.05%	0.03%	0.23%	0.27%
27 Loans / branch (\$m)	473	-	572	353	-	-	526	308	-	584	419	-	600	92	285	414	-	-	264	570
28 Loans / customers (\$'000)	46	115	52	29	195	-	40	-	-	65	41	165	53	38	52	64	34	51	51	52
29 Deposits / branch (\$m)	214	-	369	231	-	-	387	176	-	371	226	-	384	91	231	285	-	-	202	378
30 Deposits / customers (\$'000)	21	181	33	19	177	-	30	-	-	41	22	144	34	38	42	44	32	54	41	34
31 Loan / deposit ratio (x)	2.2	0.6	1.5	1.5	1.1	-	1.4	1.8	1.4	1.6	1.9	1.1	1.6	1.0	1.2	1.5	1.1	0.9	1.2	1.5
32 Footings / FTE (\$m)	35	53	39	47	81	-	56	-	-	50	57	62	59	27	28	58	69	43	38	51
33 Customers / branch	10,173	-	11,032	12,169	-	-	13,051	-	-	9,040	10,311	-	11,408	2,405	5,515	6,436	-	-	4,785	11,133
34 Customers / FTE	520	179	453	985	218	-	796	-	-	469	910	202	680	356	303	530	1,042	416	396	599
35 FTE / branch (#)	20	-	24	12	-	-	16	-	-	19	11	-	17	7	18	12	-	-	12	19
36 New mortgages through broker channel	49%	-	49%	47%	-	-	47%	43%	-	45%	47%	-	47%	46%	29%	68%	66%	<10%	48%	47%
37 Mortgage - DLVR	56%	-	56%	53%	-	-	53%	48%	-	45%	57%	-	57%	57%	66%	63%	-	-	62%	53%
38 Mortgage - % ahead of repayments	76%	-	76%	80%	-	-	80%	66%	-	67%	70%	-	70%	69%	-	-	-	-	-	73%
39 Mortgage - interest only	12%	-	12%	16%	-	-	16%	20%	-	17%	23%	-	23%	23%	25%	19%	-	-	-	17%
40 COVID-19 sensitivities (some timing difference here)																				
41 Footings (\$bn)																				
42 - Home loans	255	-	255	356	98	-	454	177	86	263	341	67	408	46	28	43	51	20	-	-
43 - Business loans	-	49	49	-	52	-	52	-	85	85	-	70	70	13	8	8	3	-	-	-
44 Deferrals																				
45 - Home loans	12%	-	12%	10%	10%	-	10%	12%	12%	12%	7%	7%	7%	9%	12%	6%	9%	11%	9%	10%
46 - Business loans	-	18%	18%	-	26%	-	26%	-	17%	17%	-	14%	14%	14%	23%	9%	10%	-	16%	19%
47 Deferrals (\$bn)																				
48 - Home loans	30	-	30	36	10	-	46	21	10	31	25	5	30	4	3	2	4	2	-	-
49 - Business loans	-	9	9	-	14	-	14	-	15	15	-	10	10	2	2	1	0	-	-	-
50 Impairment assumption																				
51 - Home loans	0.50%	-	0.50%	0.50%	0.50%	-	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	-	-
52 - Business loans	-	2.60%	2.60%	-	2.60%	-	2.60%	-	2.60%	2.60%	-	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	-	-
53 NE foregone (\$m)	3	7	10	5	12	-	17	2	12	14	3	8	11	2	1	1	1	0	-	-
54 - as a % of underlying income	0.1%	0.4%	0.2%	0.1%	0.3%	-	0.2%	0.1%	0.3%	0.2%	0.1%	0.2%	0.1%	0.3%	0.3%	0.1%	0.1%	0.1%	0.2%	0.2%
55 National credit impairment charge (\$m)	150	231	381	180	405	-	585	103	431	534	126	286	412	70	73	31	30	11	-	-
56 - as a % of underlying income	4.4%	13.3%	7.4%	2.7%	8.8%	-	5.2%	4.7%	10.1%	8.3%	2.4%	8.2%	4.7%	11.8%	14.1%	5.9%	4.5%	6.2%	10.6%	6.4%
57 Total underlying income impact	4.5%	13.7%	7.6%	2.8%	9.0%	-	5.3%	4.8%	10.4%	8.5%	2.5%	8.5%	4.9%	12.1%	14.3%	6.0%	4.6%	6.3%	10.8%	6.6%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

COVID-19 icy bitterness aside, the majors' underlying performance benefited from higher other income (higher trading and markets income due to strong flows, volatility and reversal of MTM losses, and better general insurance outcomes from lower claims in CBA and WBC) and broadly stable to lower operating expenses (ongoing cost discipline and lower notable items net of elevated regulatory and compliance spend – although CBA had to pay additional remediation costs in its aligned advice businesses, the bank still managed positive “Jaws” in 2H20). With the exception of BEN that underperformed in most KPIs, the other regionals (ABA, MYS and SUN Bank) experienced higher operating income (due to higher NIM and volume growth) and lower operating expenses – a bit of a pleasant twist in challenging times that strongly emphasised discipline in managing for profitable growth.

The NIM outcome was mixed: Higher for ABA (1.99% 2H20, +4bp since 1H20), MYS (1.88% 2H20, +6bp since 1H20) and SUN Bank (1.96% 2H20, +4bp since 1H20); unchanged for NAB (~1.78% 3Q20, broadly stable since 1H20); and lower for ANZ (1.59% 3Q20, -10bp since 1H20), BEN (1.93% 2H20, -6bp since 1H20), CBA (2.04% 2H20, -7bp since 1H20) and WBC (2.05% 3Q20, -8bp since 1H20). NIM decreases in most majors were blamed on lower interest rates, liquidity/capital drag and competition, although these were partially offset by lower wholesale funding costs. On the other hand, the majority of the regionals (and being those that are more reliant on wholesale funding) had a greater benefit from lower wholesale funding costs (and with some also being able to switch from more expensive funding lines) and lower cost deposit inflows in search of safety (i.e. flight to quality into Government guaranteed deposits).

While the capital build-up continues with CET1 and leverage ratios well above APRA requirements for all the majors and regionals, some banks continue to play it safe in terms of dividend expectations.

Table 3 – Bank comps

Scorecard	ANZ 1H20	CBA FY20	NAB 1H20	WBC 1H20	BEN FY20	BOQ 1H20	SUN Bank FY20	ABA FY20	ME Bank 1H20	MYS FY20	Sector average	Major bank average	Regional bank average
<b>1 Capital adequacy (last reported)</b>													
2 CET1 (International)	>15.5%	17.4%	>14.4%	~15.8%	-	-	-	-	-	-	17.4%	17.4%	-
3 CET1 (MTB >10.5%, regionals >8.5%)	11.1%	11.6%	11.6%	10.8%	9.3%	9.9%	9.3%	11.1%	9.6%	11.1%	10.5%	11.3%	10.1%
4 CET1 (pro-forma)	11.3%	12.2%	11.9%	10.8%	9.3%	9.9%	9.3%	11.1%	9.6%	11.1%	10.7%	11.6%	10.1%
5 Leverage ratio (>4.0%)	5.3%	5.9%	5.8%	5.9%	6.8%	7.0%	5.5%	5.0%	4.8%	4.5%	5.6%	5.7%	5.6%
<b>6 Asset quality (last reported)</b>													
7 Bad debt charge / GLA	0.53%	0.33%	0.38%	0.62%	0.26%	0.13%	0.29%	0.12%	0.03%	0.09%	0.28%	0.47%	0.15%
8 Provisions / GLA	0.87%	0.82%	1.03%	0.76%	0.66%	0.69%	0.72%	0.30%	0.16%	0.13%	0.61%	0.87%	0.44%
9 Impaired assets / GLA	0.42%	0.46%	0.30%	0.36%	0.37%	0.42%	0.29%	0.30%	0.24%	0.10%	0.33%	0.38%	0.29%
10 90 DPD / GLA	0.65%	0.35%	0.76%	0.74%	0.60%	0.62%	1.02%	0.31%	0.65%	0.35%	0.60%	0.62%	0.59%
11 Texas Ratio (GIA & 90 DPD / SHE & prov)	9.3%	8.8%	9.3%	9.7%	10.1%	10.8%	16.1%	7.8%	15.0%	5.4%	10.2%	9.3%	10.9%
<b>12 Earnings sustainability</b>													
13 Net revenue growth (pcp) (underlying)	-12%	1%	-4%	-2%	1%	0%	3%	11%	8%	7%	1%	-4%	5%
14 Expense growth (pcp) (underlying)	5%	1%	2%	4%	7%	9%	1%	7%	8%	4%	5%	3%	6%
15 Jaws (pcp)	-17%	0%	-6%	-6%	-6%	-9%	2%	4%	0%	3%	-3%	-7%	-1%
16 Cost / average assets	0.90%	1.09%	1.24%	1.31%	1.43%	1.05%	1.07%	1.33%	0.90%	1.36%	1.17%	1.14%	1.19%
17 Cost-to-income ratio	54%	46%	62%	60%	59%	54%	57%	62%	61%	63%	58%	55%	59%
18 Loan growth (pcp)	8%	2%	2%	1%	5%	3%	-2%	4%	6%	5%	3%	3%	3%
19 Customer deposit growth (pcp)	15%	11%	6%	6%	6%	4%	3%	8%	5%	8%	7%	10%	6%
20 FUM growth	-	-	-	-	-7%	-	-	-	-	-9%	-8%	-	-8%
21 FUA growth	-	-	-	8%	-	-	-8%	-	-	-	0%	8%	-8%
22 NIM	1.69%	2.07%	1.78%	2.13%	1.96%	1.89%	1.94%	1.97%	1.59%	1.86%	1.89%	1.92%	1.87%
23 - 6m movement	-0.03%	-0.07%	0.00%	0.00%	-0.06%	-0.03%	0.04%	0.04%	0.00%	0.06%	-0.01%	-0.03%	0.01%
24 - 12m movement	-0.11%	-0.02%	-0.01%	0.01%	0.00%	-0.05%	0.04%	0.10%	0.00%	0.06%	0.00%	-0.03%	0.03%
25 Cash ROA	0.3%	0.7%	0.3%	0.2%	0.4%	0.5%	0.4%	0.5%	0.4%	0.5%	0.4%	0.4%	0.4%
26 Cash ROE	4.7%	10.3%	5.3%	2.9%	5.4%	7.5%	5.7%	7.7%	8.5%	9.2%	6.7%	5.8%	7.3%
<b>27 Group liquidity / funding</b>													
28 Liquidity Coverage Ratio	138%	155%	132%	146%	144%	135%	138%	-	130%	-	140%	143%	137%
29 Customer funding / total funding	64%	74%	61%	68%	75%	65%	66%	75%	74%	69%	69%	67%	71%
30 Loan to deposit & borrowings ratio	114%	121%	137%	133%	128%	146%	145%	106%	94%	93%	122%	127%	119%
31 Equity ratio	5.3%	7.1%	6.3%	7.0%	7.6%	7.6%	6.5%	6.4%	5.1%	5.5%	6.4%	6.4%	6.5%
32 Net Stable Funding Ratio	120%	120%	120%	116%	118%	112%	123%	-	-	-	118%	119%	118%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

ANZ has decided to pay its deferred FY20 interim dividend on 30 September. At 25¢ fully franked, this is equivalent to 46% statutory payout in 1H20 and suggests that, all else being equal, the bank is likely headed for a statutory payout ratio of <50% in 2H20 and in FY20. This is based on the strength of its CET1 ratio (11.3% pro-forma) arising from strong earnings growth and underlying Institutional CRWA reduction. Likewise, CBA's strong pro-forma CET1 ratio of 12.2% probably enabled it to declare a FY20 final dividend of 98¢ (just under 50% statutory payout). Not only was organic capital generation strong in ANZ and CBA but these banks also benefited from non-core asset disposals (and NAB is also in this camp given the recent sale of MLC Wealth that would result in a pro-forma CET1 ratio of 11.9%).

ABA and SUN also paid a FY20 final dividend (respectively 11¢ or 50% 2H20 payout and 10¢ or 46% 2H20 payout, both target payout ratios maintained and with SUN still intending to return surplus capital to shareholders – CET1 surplus to requirements currently \$823m) while BEN (FY20 final dividend deferred due to ongoing COVID-19 and economic uncertainties), MYS (FY20 final dividend cancelled due to ongoing economic uncertainties and the need to find extra capital for its restructured balance sheet, and with the target payout ratio lowered from 70-90% to 60-80% in the meantime) and WBC (deferred FY20 interim dividend cancelled due to ongoing uncertainty in the operating environment and the desire to retain a strong balance sheet) were the exceptions.

The following table indicates balance sheets have largely improved since the early 1990s, underpinned by manageable credit growth (i.e. in order to grow profitably), better loan book composition, more sustainable leverage, greater retail deposit funding, better overall funding quality including liquidity and materially higher capital levels. Finally, NIM has fallen in line with lower interest rates while recent ROE has been impacted by COVID-19 provisions and higher capital requirements.

Table 4 – Then and now

Pre-1991/1992 recession	ANZ	CBA	NAB	WBC	Average	Comments
NIM	3.95%	4.52%	4.70%	3.80%	4.24%	Following from deregulation and removal of interest rate controls on banks
ROE	17%	17%	10%	13%	14%	
CIR	73%	68%	58%	73%	68%	
Credit growth	15%	11%	10%	10%	12%	Improved access largely from removal of lending controls
Balance sheet leverage (x)	21.1	19.9	15.1	17.1	18.3	
Loan-to-deposit ratio (x)	1.1	1.1	1.0	1.0	1.1	Normal range, all loans fully funded
Tier 1	5.3%	6.3%	na	5.4%	5.7%	Lower Tier 1 due to banks' share of lending growing ahead of system
Payout	54%	nm	68%	68%	63%	A result of double-digit credit growth
BDD / GLA (T+1, T+2)	3.15%	1.47%	1.57%	4.22%	2.60%	Largely commercial property and VIC downturn plus multiple exposures through owned finance companies; high unemployment and interest rates; after-effects of deregulation
Provisions / RWA	1.1%	0.6%	na	1.1%	0.9%	CBA's excluding imposed M&A of SBV is 0.3%;
FTE	48,182	37,427	40,997	45,395	43,000	
Pre-GFC (2007)	ANZ	CBA	NAB	WBC	Average	Comments
NIM	2.19%	2.19%	2.29%	2.19%	2.22%	Peak NIM prior to GFC
ROE	20%	22%	17%	24%	21%	~20%+ range possible given higher leverage
CIR	45%	48%	51%	45%	47%	
Credit growth	13%	6%	14%	16%	12%	Higher overall growth profile due to tail end of boom
Balance sheet leverage (x)	17.8	17.4	23.0	21.0	19.8	Stretched given higher LDR
Loan-to-deposit ratio (x)	1.4	1.5	1.5	1.4	1.4	Lower reliance on deposit funding
Tier 1	6.7%	7.1%	6.7%	6.5%	6.8%	Lower Tier 1 due to banks' share of lending growing ahead of system
Payout	65%	73%	74%	69%	70%	Too high given weaker capital position as the banks head into the GFC
BDD / GLA (T+1, T+2)	0.89%	0.64%	0.86%	0.70%	0.77%	Peak BDD due to commercial property, Bad Boys and risky investments, e.g. CDOs
Provisions / RWA	1.3%	0.9%	0.9%	1.2%	1.1%	Played catch up to the GFC from a lower base
FTE	34,353	37,873	38,822	28,018	34,767	
COVID-19 (last reported)	ANZ	CBA	NAB	WBC	Average	Comments
NIM	1.69%	2.07%	1.78%	2.13%	1.92%	Highlights the steadier spreads in retail-oriented banks such as CBA and WBC
ROE	5%	10%	5%	3%	6%	Impacted by COVID-19 and other impairments
CIR	54%	46%	62%	60%	55%	CBA and ANZ still ahead of the pack
Credit growth	8%	3%	2%	1%	3%	Distorted by asset divestments, tightened credit processes
Balance sheet leverage (x)	18.7	14.1	15.9	14.3	15.8	Further improvements since 2014, more so in CBA and WBC
Loan-to-deposit ratio (x)	1.1	1.2	1.4	1.3	1.3	Broadly unchanged, majors still reliant on wholesale funding that is a structural issue
CET1 (APRA, pro-forma)	11.3%	12.2%	11.9%	10.8%	11.6%	CBA and NAB ahead of the pack, but latter is before likely AUSTRAC and ASIC penalties
Payout	50%	71%	60%	0%	45%	Reflects APRA's capital management guidance given COVID-19 economic uncertainty
BDD / GLA	0.51%	0.33%	0.38%	0.62%	0.46%	Impacted by COVID-19 and other impairments
Provisions / RWA	0.8%	1.4%	1.2%	0.8%	1.1%	Impacted by COVID-19 and other impairments
FTE	37,834	41,778	35,245	34,199	37,264	Reflects higher compliance and support staff

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

In the scheme of things, we believe some banks are still better prepared than others in dealing with the unfolding COVID-19 crisis. This assertion is supported by our views that:

1. ANZ is most exposed to the entertainment, leisure and tourism industries;
2. NAB and WBC are most exposed to the construction/property-related and services industries; and
3. CBA is least exposed to the entertainment/leisure/tourism, services and trade industries, thus adding to its overall resilience in credit risk management.

Table 5 – Exposure at Default

	ANZ	CBA	NAB	WBC	SUN	BEN	BOQ	MQG
<b>1 EaD (\$bn) (APRA Table 7d)</b>								
Home	383	620	390	551	45	47	30	66
Other retail	50	51	175	32	0	3	15	9
Agriculture, forestry & fishing	37	22	48	23	4	6	0	0
Oil & gas	9	6	7	3	0	0	0	1
Mining	23	4	3	6	0	0	0	2
Mining services	2	1	1	2	0	0	0	0
Other commercial	524	372	260	442	18	9	6	72
<b>Total</b>	<b>1,026</b>	<b>1,075</b>	<b>884</b>	<b>1,058</b>	<b>67</b>	<b>65</b>	<b>51</b>	<b>151</b>
<b>2 EaD by industry (\$bn)</b>								
Agriculture, F&F & mining	54	32	59	33	4	6	-	-
Construction & property related	79	79	86	92	4	4	-	-
Entertainment, leisure & tourism	17	10	10	10	1	0	-	-
Financial	257	62	136	130	2	2	-	-
Manufacturing	55	14	21	31	0	0	-	-
Retail	409	671	391	596	45	50	-	-
Services	14	11	25	35	0	0	-	-
Sovereign	75	109	58	82	5	0	-	-
Trade	48	19	32	35	0	1	-	-
Transport & storage	23	22	28	21	0	0	-	-
Other	-6	46	38	-7	7	1	-	-
<b>Total</b>	<b>1,026</b>	<b>1,075</b>	<b>884</b>	<b>1,058</b>	<b>67</b>	<b>65</b>	<b>51</b>	<b>151</b>
Agriculture, F&F & mining	5%	3%	7%	3%	6%	10%	-	-
Construction & property related	8%	7%	10%	9%	6%	6%	-	-
Entertainment, leisure & tourism	2%	1%	1%	1%	1%	1%	-	-
Financial	25%	6%	15%	12%	3%	3%	-	-
Manufacturing	5%	1%	2%	3%	0%	0%	-	-
Retail	40%	62%	44%	56%	66%	77%	-	-
Services	1%	1%	3%	3%	1%	1%	-	-
Sovereign	7%	10%	7%	8%	7%	0%	-	-
Trade	5%	2%	4%	3%	0%	1%	-	-
Transport & storage	2%	2%	3%	2%	0%	0%	-	-
Other	-1%	4%	4%	-1%	10%	2%	-	-
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>3 EaD by portfolio (\$bn)</b>								
Retail	409	671	391	596	45	50	45	76
Corporate	225	189	101	212	5	0	0	53
Business / SME	60	44	198	88	11	13	0	11
Financial	257	62	136	80	2	2	2	7
Sovereign	75	109	58	82	5	0	3	5
<b>Total</b>	<b>1,026</b>	<b>1,075</b>	<b>884</b>	<b>1,058</b>	<b>67</b>	<b>65</b>	<b>51</b>	<b>151</b>
Retail	40%	62%	44%	56%	66%	77%	88%	50%
Corporate	22%	18%	11%	20%	7%	0%	0%	35%
Business / SME	6%	4%	22%	8%	17%	20%	0%	7%
Financial	25%	6%	15%	8%	3%	3%	4%	4%
Sovereign	7%	10%	7%	8%	7%	0%	7%	3%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

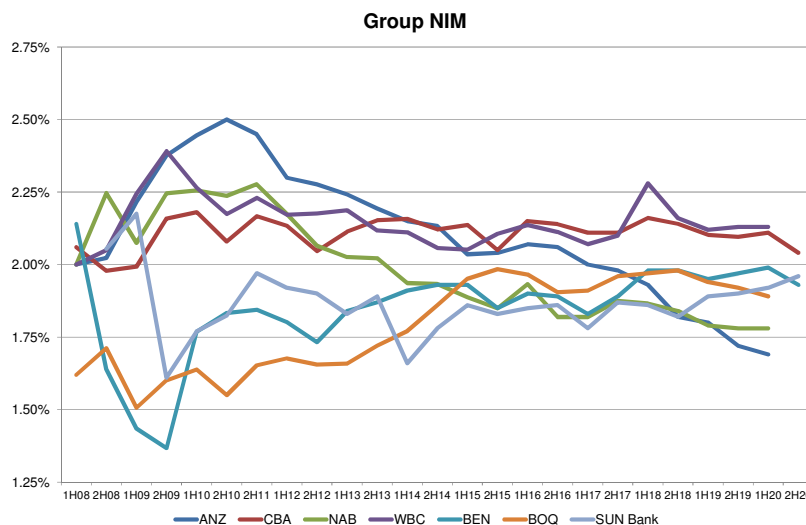
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES



# June 2020 reporting period in charts

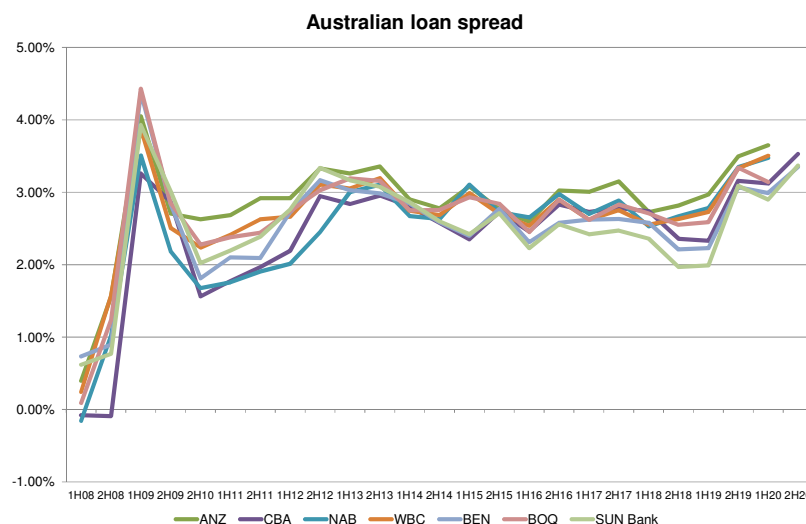
**2H20 performance impacted by COVID-19 but SUN was a surprise NIM and underlying outperformer; challenging conditions remain ahead of deferred loan rollover in September**

**Figure 2 – With SUN’s exception, 2H20 Group NIM was off due to liquidity and capital drag**



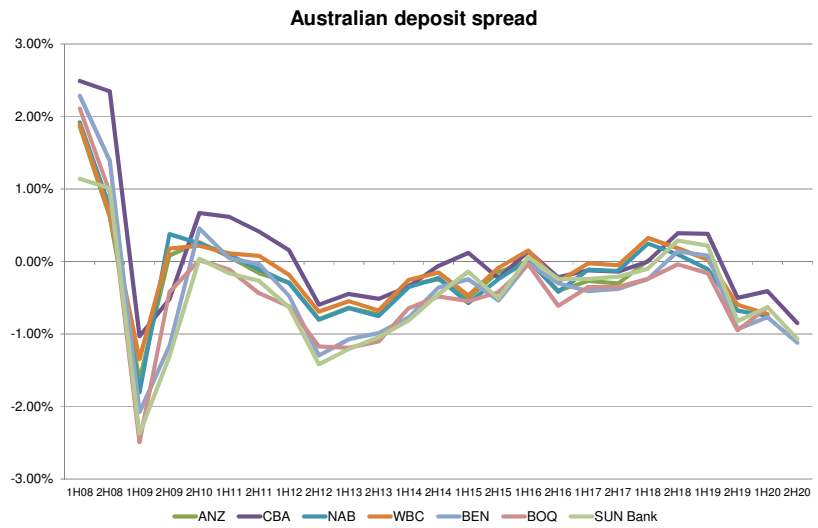
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Figure 3 – Home loan spreads benefited from prior period repricing...**



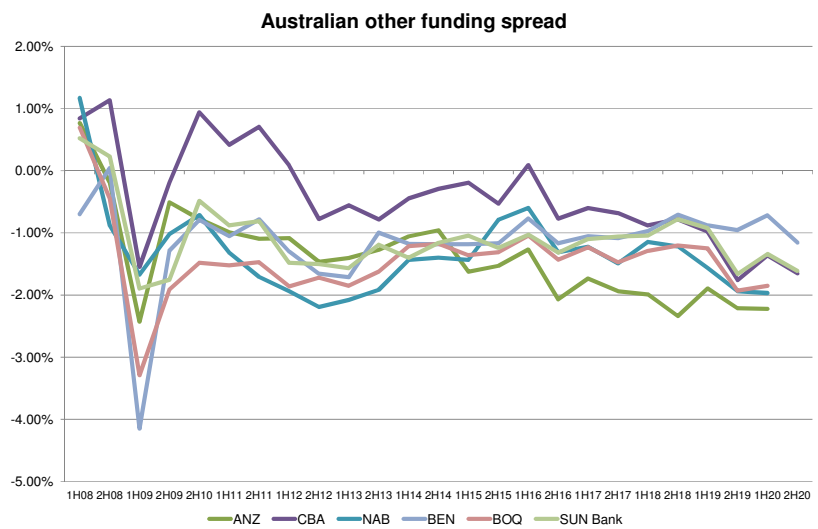
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Figure 4 – ...but was not enough to offset lower retail deposit spreads...**



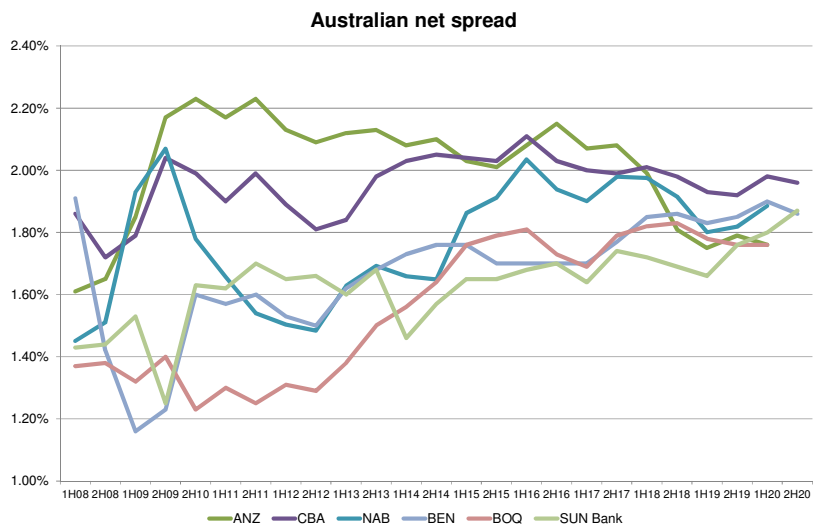
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Figure 5 – ...and lower wholesale fund spreads – although the impact was smaller for SUN...**



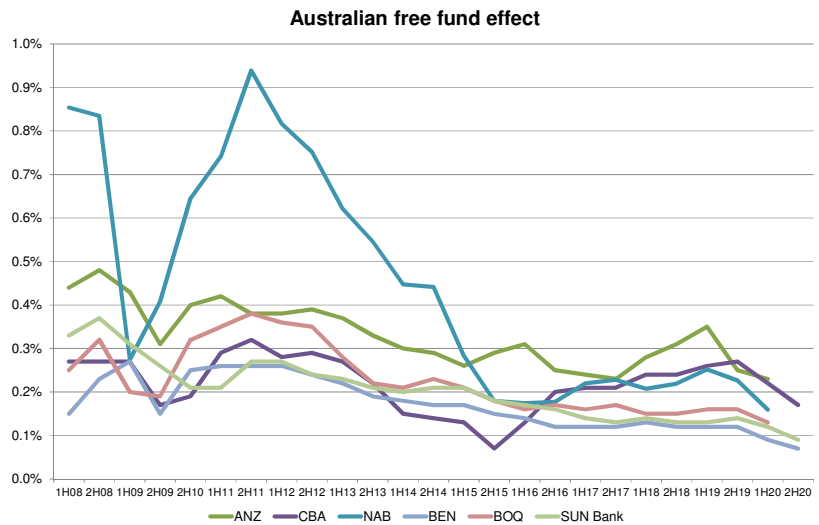
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Figure 6 – ...resulting in slightly lower overall spreads for CBA and BEN but not for SUN**



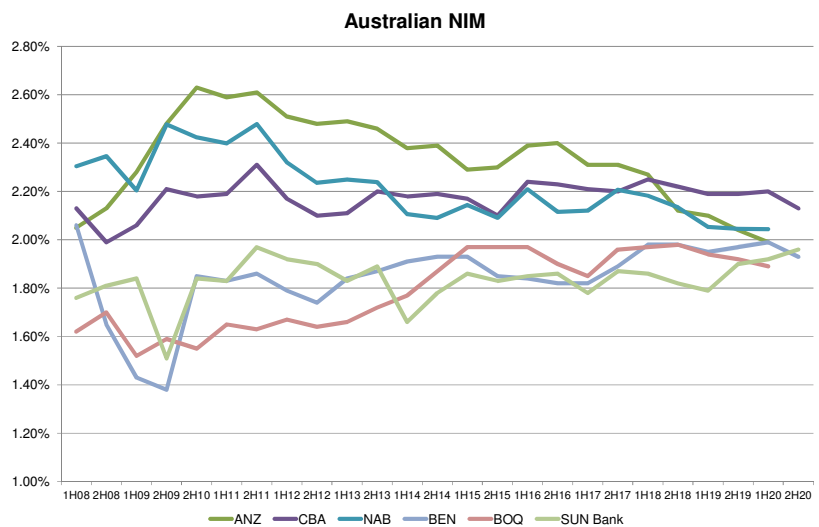
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Figure 7 – The free fund effect worsened in a low rate setting, as expected...**



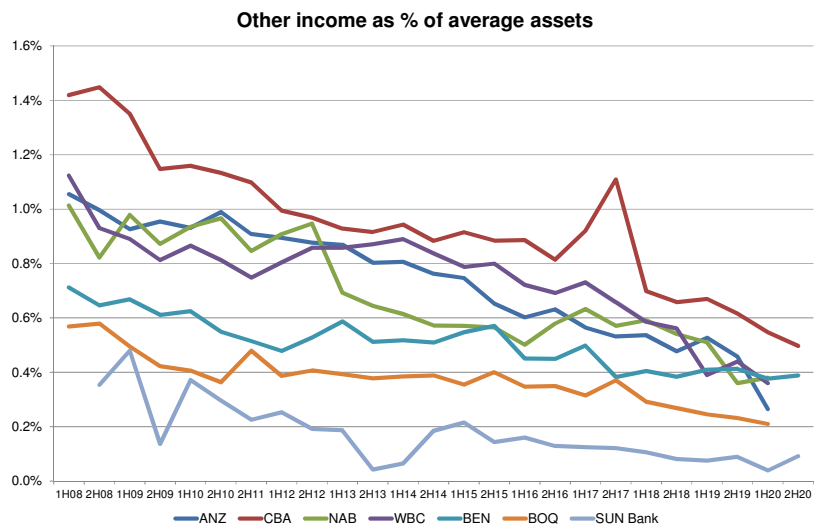
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Figure 8 – ...leading to lower overall NIM except for SUN**



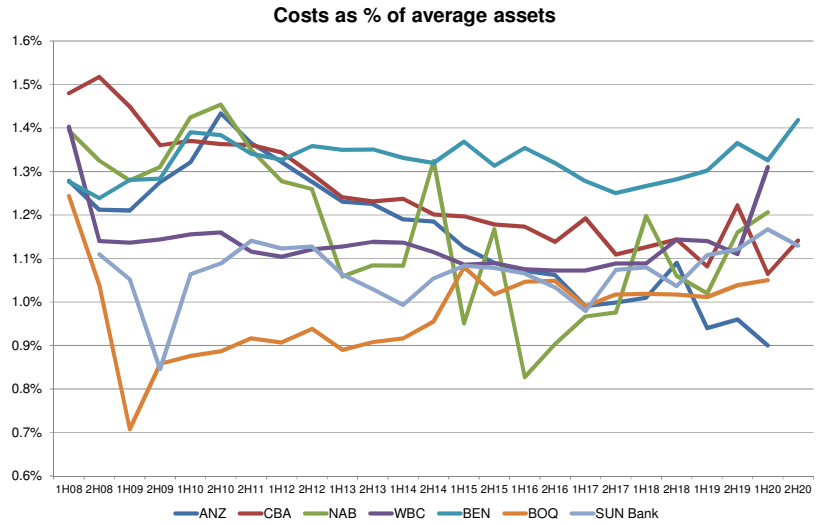
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Figure 9 – Other income finally stabilising, linked to growth in core footings**



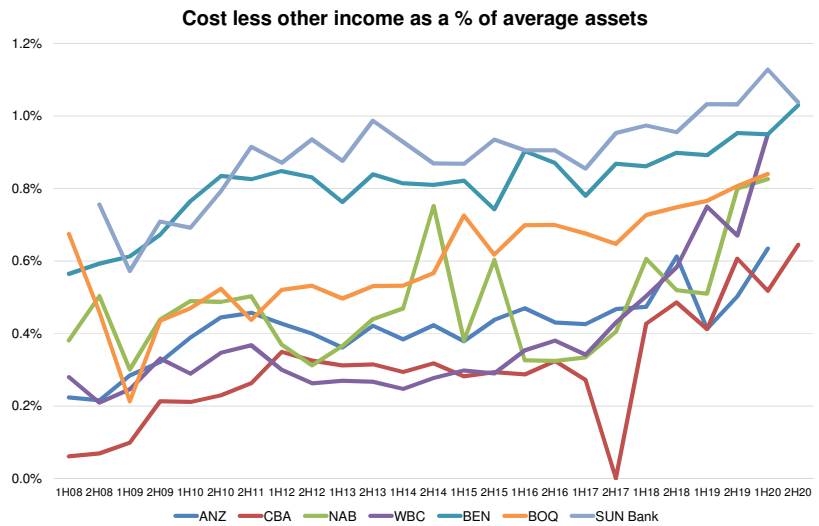
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Figure 10 – Costs impacted by IT, regulatory and compliance spend...**



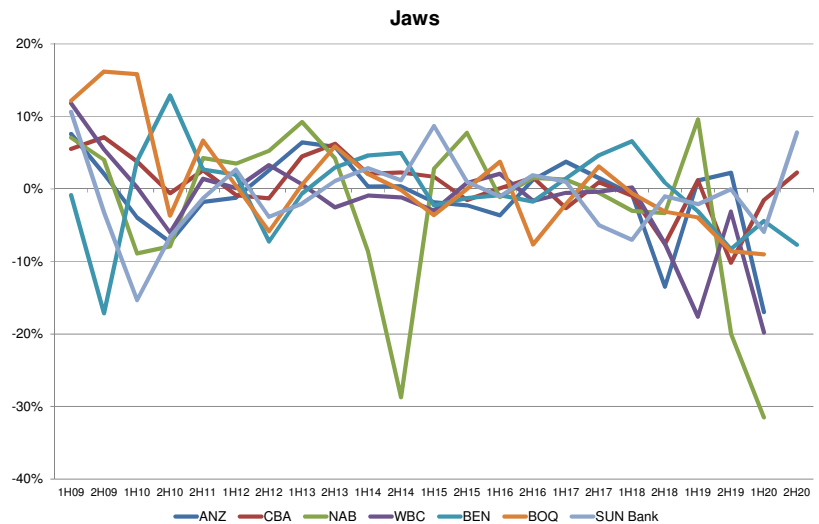
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Figure 11 – ...although SUN appears to have turned the corner...**



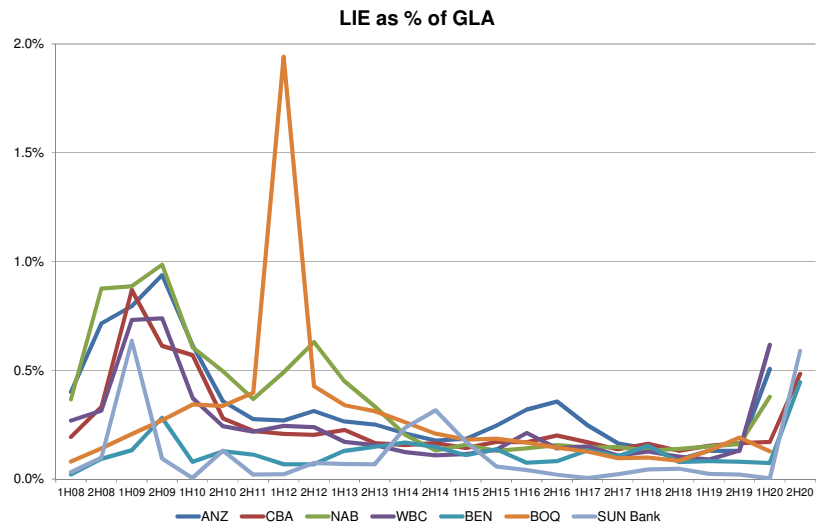
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Figure 12 – ...leading to positive “Jaws”**



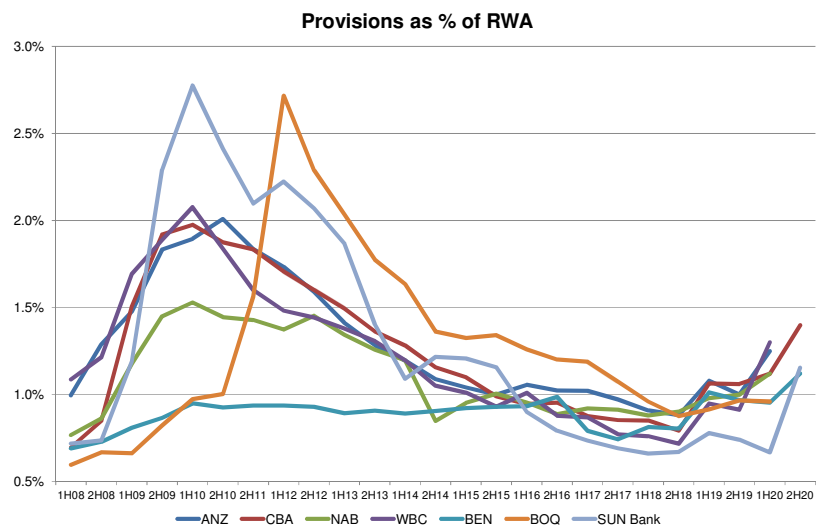
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Figure 13 – No surprises with LIE uptick mainly due to COVID-19 impacts...**



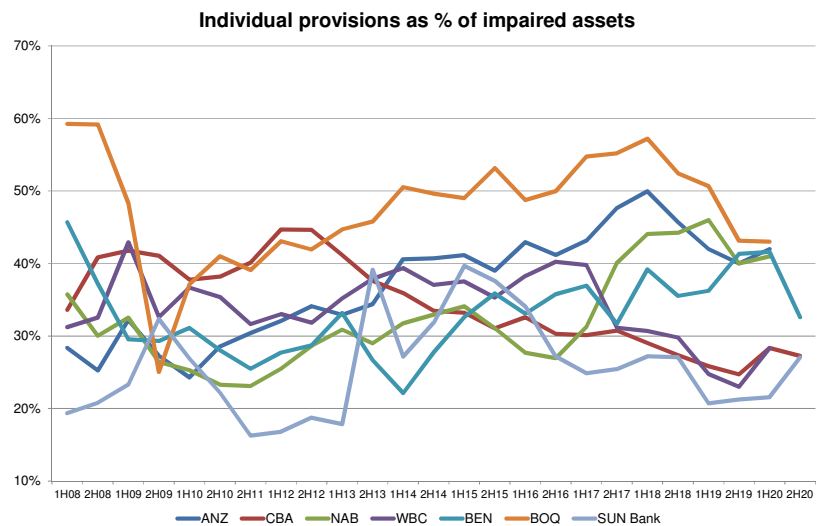
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Figure 14 – ...with a corresponding increase in provisions (mainly collective overlays)...**



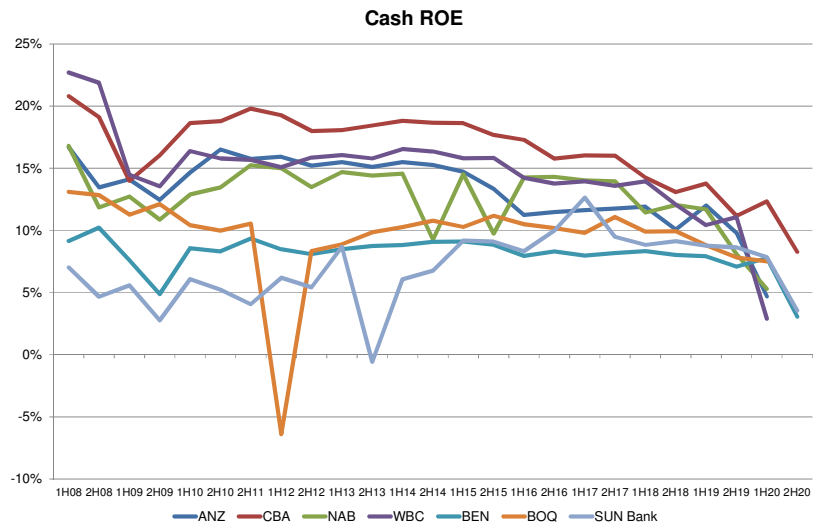
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Figure 15 – ...while individual provisions remain well under control**



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 16 – ROE unsurprisingly impacted by COVID-19



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

# June 2020 reporting wrap

## ABA – Price target \$5.50, Buy

ABA's FY20 result components include \$18.5m statutory NPAT (BP \$17.7m) or \$20.1m ex-COVID, 44¢ statutory EPS (BP 42¢) or 48¢ ex-COVID, 10.75¢ fully franked final dividend (BP 10.5¢), 1.97% NIM (BP 1.92%) and \$3.8m/12bp impairment expenses (BP \$3.3m/10bp GLA). This was a good result from ABA, coming ahead of consensus and having achieved all FY20 financial targets including 1.5x system lending growth, 10bp higher NIM, further CIR reduction and RONTA excluding COVID-19 impacts of exceeding 10%. We also estimate ROE of 7.7% that is higher than those of the larger regional banks. Excluding COVID-19 impacts and thanks to a resilient QLD economy (and with limited VIC exposure of only 8% of the loan book), statutory NPAT was 17% pcp higher at \$20.1m.

CET1 ratio of 11.1% was unchanged since the end of 1H20 and would have been higher if the prior period DRP was not suspended. Despite 89bp loan book growth greater than system and higher collective provision overlays for COVID-19, ABA's organic capital generation remained strong in 2H20 and largely enabled the bank to pay a very respectable FY20 final dividend of 10.75¢ (ex-date September 4, payment date 18 September). This represents a 2H20 payout ratio of 49.3%, in line with APRA's capital management guidance of <50% statutory NPAT. ABA's track record of generating profitable growth is unbroken and its FY21 outlook (being one of the few banks that continues to provide guidance) remains positive with targets of stable NIM (BP forecast 1.99%), 60% CIR (BP forecast 61%) and 10% RONTA (BP forecast 9.5%). ABA has also maintained its 70-80% target payout ratio in the medium term.

Our forecasts, price target and Buy rating are unchanged.

## ANZ – Price target \$20.00, Buy

The key items in ANZ's unaudited 3Q20 trading update include \$1.3bn statutory profit after tax (BP \$1.0bn), \$1.5bn cash profit (continuing) (BP \$1.1bn), 1.59% NIM (BP 1.56%), \$0.5bn/31bp total provision charge (BP \$0.9bn/55bp) and 11.1% CET1 ratio (BP 11.2%). The bottom line was better than expected with stronger outcomes in the form of higher revenue (markets income up 60% due to strong flows and volatility), lower costs (-1% from cost discipline) and lower impairments that more than offset lower transaction volumes and lower NIM of 1.59% (vs. 1.69% in 1H20, although the outcome was still better than our forecast). The key drivers of lower NIM were largely due to low interest rates, liquidity drag and competition, and we expect this to come off by 2bp in 4Q20 and then by another 4bp in 1H21.

ANZ will pay its deferred FY20 interim dividend on 30 September, being 25¢ fully franked and the DRP will apply without a discount. This is the equivalent of 46% statutory payout in 1H20 and suggests that, all else being equal, the bank is likely headed for a statutory payout ratio of <50% in 2H20 and in FY20. The rationale behind this largely rests upon the strength of the bank's CET1 capital (+37bp to 11.1% largely due to strong earnings growth and underlying Institutional CRWA reduction). Given positive "Jaws" in 3Q20 and strong capital base including \$15bn pro-forma CET1 buffer, ANZ is in a very good shape in our view.

We have slightly fine-tuned FY21 and FY22 cash profit forecasts for higher credit impairment charges (-6% and -3% respectively) while our FY22+ forecasts are unchanged. Consequently, ANZ's price target and Buy rating are also unchanged.

## **BEN – Price target \$7.00, Hold**

BEN's FY20 key result components are: (1) statutory underlying NPAT (i.e. excluding specific items) \$193m (BP \$316m, consensus \$245m), -49% pcp; (2) cash NPAT \$302m (BP \$322m, consensus \$313m), -27% pcp; (3) cash EPS 60¢ (BP 64¢, consensus 61¢), -30% pcp; (4) final ordinary dividend deferred (BP nil, consensus 3¢); (5) cash ROE 5.4% (BP 5.8%, consensus 5.4%); (6) NIM 1.96% (BP 1.95%); (7) credit expense \$169m/26bp GLA (BP \$174m/29bp); and (8) CET1 ratio 9.3% (BP 9.8%).

Cash NPAT was 27% pcp lower at \$302m despite 3% pcp higher net interest income, with the key drags being sub-system business lending growth, 8% pcp lower non-interest income (impacted by COVID-19, commissions and management fees impacted by the sale of Bendigo Financial Planning), 7% pcp higher costs (higher staff costs related to residential and agribusiness initiatives, AASB 16 impact and higher IT consulting costs) and a material increase in credit expenses mainly for a further COVID-19 overlay. Having generated a statutory profit of \$47m in 2H20 (9¢ statutory EPS), BEN could have paid a token final dividend of 4¢ under APRA's dividend payout rules. While the decision to defer this dividend reflects ongoing COVID-19/economic uncertainties, we believe the prudent move also reflects BEN's desire to conserve capital given its lower than sector average CET1 ratio of 9.25% (although bear in mind this is still within its 9.0-9.5% target range).

Our forecasts, price target and Hold rating are unchanged.

## **CBA – Price target \$73.50, Hold**

CBA's FY20 result components include \$9.63bn statutory NPAT (BP \$9.45bn), \$7.30bn cash NPAT (continuing) (BP ~\$7.65bn), 413¢ cash EPS (continuing) (BP 433¢), 98¢ final dividend (BP 20¢) fully franked, 2.07% NIM (continuing) (BP 2.10%), \$2.52bn/33bp GLA loan impairment expense (BP ~\$2.88bn/37bp) and 11.6% CET1 ratio (BP 11.1%). While cash NPAT (continuing) was ~11% pcp lower mainly due to COVID-19 impacts, we see this as a very solid result despite all the sector headwinds. Looking past the noise, there were more positives (strong core volume growth, overall net interest income, cost management, asset quality, capital, funding and liquidity) than negatives (NIM and non-interest income pressures) in CBA's FY20 result.

Unlike the tale of two halves evident in 1H20, this result was more of a tale of two quarters with lower underlying costs and LIE that more than offset a softer top line in the final quarter. The bank's interpretation of APRA's recent capital management guidance is that it should retain at least 50% of statutory earnings in 2H20. This has resulted in a generous 98¢ final dividend (49.95% statutory payout ratio) that is great news for investors. CBA has continued with its DRP although no discount will apply.

We have trimmed FY21 and FY22 cash earnings by 4% and 3% respectively after raising expected loan impairment expenses while subsequent years' cash earnings are unchanged. The net impact is a ~6% lower price target of \$73.50 that also includes lower surplus capital (i.e. 25% vs. 100% previously). The Hold rating is unchanged.

## **MQG – Price target \$135.00, Buy**

MQG provided a 1H21 trading update today. The overall view is that market conditions are likely to remain challenging as a result of "significant and unprecedented uncertainty" caused by COVID-19 and its impact on global economic recovery. It therefore comes as no surprise that short-term forecasting will remain difficult and MQG is again unable to provide meaningful earnings guidance in FY21 (as in May and July). MQG, however, anticipates its 1H21 result will be \$947-955m, down ~35% on 1H20 (vs. \$1,457m in 1H20) and down ~25% on 2H20 (vs. \$1,274m in 2H20). This compares with our \$801m forecast,



while any short-term outlook will be influenced by the duration and severity of COVID-19, the pace of global economic recovery and global levels of government support for economies (in addition to the usual factors such as completion rate of transactions, geographic composition of income, FX impact, potential regulatory changes and tax uncertainties, market conditions and the impact of geopolitical events).

In its July update, Operating Groups were impacted by mixed trading conditions although 1Q21 net profit contribution was only slightly down on 1Q20 – thanks to stronger contributions from annuity-style businesses [Macquarie Asset Management's (MAM) bottom line was higher due to the sale of its rail operating lease business that helped offset lower Banking and Financial Services (BFS) performance arising from COVID-19 provision top-ups] and stronger performance in some Commodities and Global Markets (CGM) components (that partially offset lower investment-related income in Macquarie Capital (MacCap). In the absence of significant asset sales and ongoing COVID-19 impacts, a much lower net profit contribution in 2Q21 is only to be expected.

Our forecasts, price target and Buy rating are unchanged.

### **MYS – Price target \$4.20, Buy**

MYS's FY20 result components are as follows: (1) statutory NPAT \$30m (BP \$28m), -4% pcp; (2) statutory EPS 33¢ (BP 31¢), -4% pcp; (3) cash NPAT \$34m (BP \$32m), unchanged; (4) cash EPS 37¢ (BP 35¢), -2% pcp; (5) no final dividend (BP 8.75¢); (6) statutory ROE 9.2% (BP 8.5%), -52bp pcp; (7) NIM 1.86% (BP 1.79%); (8) CIR 63% (BP 65%); (9) impairment expenses \$4.9m/9bp GLA (BP \$4.8m/9bp GLA); and (10) CET1 ratio 11.1% (BP 12.6%). There's not a lot to complain about MYS's FY20 result at first glance with more of the key components either being broadly in line with our expectations or coming ahead, and with more positives than negatives.

So in nutshell, performance was strong despite all the COVID-19 noise (although these forward looking assessments were well guided to previously). The only item that caused concern was the level of CET1 capital that was much lower than anticipated. Given this and in order to maintain its strong capital position "during the current economic uncertainty", MYS has resolved not to pay a final dividend. This together with the decision to lower its dividend payout ratio from 70-90% to 60-80% were the key drivers behind today's share price decline in our view. On the other hand, we believe this is only temporary as the words "...for the time being..." were also used. The dividend was not cancelled because of poor underlying performance and we believe at the end of the day that management has opted for a conservative stance on capital.

Our forecasts reflect better NIM outcomes in FY21/FY22/FY23 and cash NPAT is increased by 12%/6%/3% respectively. The price target is increased by ~3% to \$4.20 and the Buy rating is unchanged based on a 12-month total expected return that exceeds 15%.

### **NAB – Price target \$19.90, Buy**

NAB's 3Q20 trading update include these items (% comparisons relative to 1H20 quarterly average unless denoted in pcp terms): (1) unaudited statutory earnings \$1.50bn (-12% pcp); (2) unaudited cash earnings \$1.55bn (-7% pcp); (3) "Jaws" positive; (4) Group NIM broadly stable; (5) credit impairment charge \$570m/38bp GLA; and (6) CET1 ratio 11.6%. Unaudited 3Q20 cash earnings ex-large notable items were 7% pcp lower at \$1.55bn but were 24-25% higher compared with the quarterly average in 1H20 due to 10% higher net operating income (~\$4.87bn), 2% higher operating expenses (~\$2.09bn) and 2% lower credit impairment charge (\$570m/38bp GLA).

Interest rates are likely to be low in the next 12-18 months and NIM is expected to fall by ~5bp to ~1.73% in 2H20. Partly due to COVID-19, the target of achieving broadly flat operating expenses in FY20 and FY21 is also considered increasingly challenging now (we forecast underlying operating expenses to be elevated at >\$8.20bn in FY20 and FY21 before resuming a downward trajectory). The lower credit impairment charge was due to the non-repeat of the COVID-19 collective provision top-up taken in 1H20. MLC Wealth has now been sold to IFL for \$1.4bn (\$1.2bn cash proceeds and \$200m subordinated note funding, net of ~\$220m surplus cash from within as a pre-completion dividend) and will increase NAB's pro-forma CET1 ratio by ~30bp to 11.9%. The transaction will lead to a post-tax loss on sale of ~\$400m which includes post-tax separation and transaction costs of ~\$200m.

Our cash NPAT forecasts, price target and Buy rating are unchanged.

### **SUN – Price target \$10.20, Buy**

SUN's FY20 result included: (1) cash earnings \$749m (BP \$551m, consensus \$700m); (2) cash EPS 59¢ (BP 43¢, consensus 55¢); and (3) final ordinary dividend 10¢ (BP 10¢, consensus 11¢), fully franked implying 33% payout ratio in 2H20 and 61% for the full year (vs. target of 60-80%). Cash earnings was 33% pcp lower at \$749m in a challenging year, impacted by a range of adverse weather events in 1H20 (\$109m above the \$410m allowance, that wholly reversed in 2H20 due to reinsurance recoveries) and COVID-19 events that lifted bank provisions and reduced general insurance investment income in addition to a range of one-off items (remediation and restructuring charges) in 2H20. It was thus a tale of two halves for SUN with better general and life insurance contributions (COVID-19 had no material net impact) more than offsetting a subdued banking outcome.

Result highlights include natural hazard costs in line with allowance, positive unit growth in Australian consumer insurance, premium rate momentum in Australian commercial insurance and tight cost management. Another result highlight was the strong balance sheet including funding and liquidity lines for the bank. Given a stronger 2H20 and excess CET1 capital of \$823m, SUN has elected to pay a fully franked final ordinary dividend of 10¢ per share on 21 October (ex-date 26 August, record date 27 August). This is the equivalent of 33% payout ratio in 2H20 and 61% payout ratio for the full year, the latter at the lower end of its 60-80% target range. Given SUN's capital firepower, this target range was reaffirmed and SUN remains committed to capital that is surplus to requirements.

Our forecasts, price target and Buy rating are unchanged.

### **WBC – Price target \$18.30, Hold**

WBC's unaudited 3Q20 trading update included these items: (1) statutory earnings \$1,115m (BP \$1,242m); (2) cash earnings \$1,318m (BP \$1,235m); (3) cash earnings ex-notable items up 19% to ~\$1,355m (BP \$1,363m); (4) immaterial notable item impact; (5) impairment charge \$826m/46bp GLA; (6) NIM 2.05%; (7) CET1 ratio 10.8%; and (8) cancellation of the deferred FY20 interim dividend. 3Q20 cash earnings were higher than the quarterly average in 1H20 mainly due to lower impairment and notable charges – as expected given higher prior period charges for remediation and COVID-19 overlay.

On the other hand, CET1 ratio of 10.8% was static since March with organic capital generation offset by higher Credit RWA including an additional \$7.0bn overlay for corporate, business and specialised lending. While this was prudent, the flat-lining in CET1 capital (and now at a level below those of its peers) likely put an end to the notion of paying its deferred FY20 interim dividend. The bank will reassess the final dividend at its FY20 result on 2 November. Looking ahead, WBC will review carrying values in its capitalised software and goodwill and its Life Insurance business. Other potential

headwinds to cash earnings also include COVID-19 related economic developments in VIC and an ongoing assessment of litigation and remediation provisions. These are additional risks that may prevent WBC from paying its FY20 final dividend (especially the review of carrying values that could put a material dent into statutory earnings).

Our forecasts, price target and Hold rating are unchanged.

# Cheat Sheet

Table 6 – Bank Cheat Sheet 1 (S&amp;P 100 only)

	ANZ	CBA	NAB	WBC	SUN	BEN	BOQ	MQG
<b>1 E&amp;D (\$bn) (APRA Table 7d)</b>								
Home	383	620	390	551	45	47	30	66
Other retail	50	51	175	32	0	3	15	9
Agriculture, forestry & fishing	37	22	48	23	4	6	0	0
Oil & gas	9	6	7	3	0	0	0	1
Mining	23	4	3	6	0	0	0	2
Mining services	2	1	1	2	0	0	0	0
Other commercial	524	372	260	442	18	9	6	72
Total	1,026	1,075	884	1,058	67	65	51	151
2020e growth (BP)	6%	3%	-1%	-2%	-2%	5%	-5%	-
2021e growth (BP)	2%	2%	0%	-2%	-3%	2%	2%	-
<b>Domestic market share (APRA)</b>								
Home - owner occupied	15%	26%	14%	20%	3%	3%	1%	2%
Home - investor	13%	25%	17%	28%	2%	2%	2%	3%
Credit card	18%	26%	13%	23%	0%	1%	0%	1%
Other consumer	16%	19%	19%	28%	3%	3%	1%	2%
Wholesale lending (non-financials)	15%	17%	21%	16%	1%	2%	1%	1%
<b>Mortgage lending by State</b>								
NSW / ACT	33%	36%	40%	41%	29%	26%	28%	-
VIC	33%	28%	32%	27%	10%	38%	15%	-
QLD	15%	19%	15%	16%	49%	15%	43%	-
WA	13%	11%	8%	9%	7%	9%	9%	-
SA / other	6%	6%	5%	7%	5%	12%	5%	-
Total	100%	100%	100%	100%	100%	100%	100%	-
<b>2 Group funding (ex-SHE)</b>								
Customer deposits as % of funding - Term	27%	19%	21%	23%	19%	44%	30%	-
Customer deposits as % of funding - Other	37%	55%	40%	45%	47%	32%	35%	-
Other as % of funding	36%	26%	39%	32%	34%	25%	35%	-
Total	100%	100%	100%	100%	100%	100%	100%	-
Customer deposits as % of GLA	87%	82%	73%	75%	69%	78%	69%	-
NIM	1.69%	2.07%	1.78%	2.13%	1.94%	1.96%	1.89%	-
NSFR	120%	120%	120%	116%	123%	118%	112%	118%
Wholesale funding <12 month maturity	12%	11%	19%	13%	11%	12%	12%	-
2021e w/sale funding requirement (\$bn)	27	21	33	36	3	1	1	-
LCR (average)	138%	155%	132%	146%	138%	144%	135%	189%
Domestic market share - deposits (APRA)	13%	24%	16%	20%	2%	2%	2%	3%
<b>3 Asset quality</b>								
Bad debt charge as % of GLA	0.53%	0.33%	0.38%	0.62%	0.29%	0.26%	0.13%	-
Provisions as % of GLA	0.87%	0.82%	1.03%	0.76%	0.72%	0.66%	0.69%	-
90 DPD as % of GLA	0.65%	0.43%	0.76%	0.74%	1.02%	0.60%	0.62%	-
Commercial property exposure	5%	7%	7%	6%	6%	6%	7%	-
Texas Ratio	9%	9%	9%	10%	16%	10%	11%	-
<b>Institutional loans by risk grade (estimate)</b>								
AAA to BBB- (investment grade)	74%	67%	75%	64%	-	-	-	-
Other	26%	33%	25%	36%	-	-	-	-
Total	100%	100%	100%	100%	-	-	-	-
<b>4 E&amp;D by industry (\$bn)</b>								
Agriculture, F&F & mining	54	32	59	33	4	6	-	-
Construction & property related	79	79	86	92	4	4	-	-
Entertainment, leisure & tourism	17	10	10	10	1	0	-	-
Financial	257	62	136	130	2	2	-	-
Manufacturing	55	14	21	31	0	0	-	-
Retail	409	671	391	596	45	50	-	-
Services	14	11	25	35	0	0	-	-
Sovereign	75	109	58	82	5	0	-	-
Trade	48	19	32	35	0	1	-	-
Transport & storage	23	22	28	21	0	0	-	-
Other	-6	46	38	-7	7	1	-	-
Total	1,026	1,075	884	1,058	67	65	51	151
Agriculture, F&F & mining	5%	3%	7%	3%	6%	10%	-	-
Construction & property related	8%	7%	10%	9%	6%	6%	-	-
Entertainment, leisure & tourism	2%	1%	1%	1%	1%	1%	-	-
Financial	25%	6%	15%	12%	3%	3%	-	-
Manufacturing	5%	1%	2%	3%	0%	0%	-	-
Retail	40%	62%	44%	56%	66%	77%	-	-
Services	1%	1%	3%	3%	1%	1%	-	-
Sovereign	7%	10%	7%	8%	7%	0%	-	-
Trade	5%	2%	4%	3%	0%	1%	-	-
Transport & storage	2%	2%	3%	2%	0%	0%	-	-
Other	-1%	4%	4%	-1%	10%	2%	-	-
Total	100%	100%	100%	100%	100%	100%	100%	100%
<b>5 E&amp;D by portfolio (\$bn)</b>								
Retail	409	671	391	596	45	50	45	76
Corporate	225	189	101	212	5	0	0	53
Business / SME	60	44	198	88	11	13	0	11
Financial	257	62	136	80	2	2	2	7
Sovereign	75	109	58	82	5	0	3	5
Total	1,026	1,075	884	1,058	67	65	51	151
Retail	40%	62%	44%	56%	66%	77%	88%	50%
Corporate	22%	18%	11%	20%	7%	0%	0%	35%
Business / SME	6%	4%	22%	8%	17%	20%	0%	7%
Financial	25%	6%	15%	8%	3%	3%	4%	4%
Sovereign	7%	10%	7%	8%	7%	0%	7%	3%
Total	100%	100%	100%	100%	100%	100%	100%	100%
<b>6 NPAT by segment</b>								
Retail banking	53%	55%	29%	65%	17%	66%	36%	-
Wholesale banking	38%	43%	70%	35%	17%	34%	66%	-
Wealth	0%	0%	1%	0%	4%	0%	0%	-
Offshore & other	9%	2%	0%	0%	63%	0%	2%	-
Total	100%	100%	100%	100%	100%	100%	100%	-
<b>7 NPAT by geography</b>								
Australia	76%	89%	84%	89%	67%	100%	100%	-
New Zealand	24%	10%	16%	11%	33%	0%	0%	-
Other	1%	2%	0%	0%	0%	0%	0%	-
Total	100%	100%	100%	100%	100%	100%	100%	-
Bank Group CIR (including large notable)	54%	46%	62%	60%	57%	59%	54%	60%
<b>8 Capital management (last reported)</b>								
APRA leverage ratio (>4%) (Tier 1 / E&D)	5.3%	5.9%	5.8%	5.9%	5.5%	6.8%	7.0%	6.0%
APRA CET1 (>10.5% MTB, >8.5% others)	11.1%	11.6%	11.6%	10.8%	9.3%	9.3%	11.6%	13.2%
Tier 1	12.9%	13.9%	13.2%	12.9%	11.1%	11.6%	11.5%	15.2%
International CET1	>15.5%	17.4%	>14.4%	>15.8%	-	-	-	16.3%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Table 7 – Bank Cheat Sheet 2 (S&amp;P 100 only)

	ANZ	CBA	NAB	WBC	SUN	BEN	BOQ	MQG
<b>9 Pricing</b>								
Shareprice	\$17.68	\$66.17	\$17.40	\$16.97	\$9.01	\$6.30	\$6.12	\$120.20
Price target	\$20.00	\$73.50	\$19.90	\$18.30	\$10.20	\$7.00	\$6.00	\$135.00
Target PB								
- FY20e	0.9	1.8	1.0	0.9	1.0	0.6	0.6	2.2
- FY21e	0.9	1.7	1.0	0.9	1.0	0.6	0.6	2.1
Target PE								
- FY20e	15.0	17.8	21.9	18.4	17.3	11.7	11.3	17.1
- FY21e	12.9	18.9	14.9	13.2	16.2	12.6	13.8	23.5
Target yield								
- FY20e	3.3%	4.1%	2.5%	1.9%	3.5%	4.4%	4.2%	3.2%
- FY21e	4.5%	3.3%	4.0%	4.1%	3.9%	4.4%	4.5%	2.5%
Expected return	18.2%	14.7%	18.9%	12.3%	17.6%	16.0%	2.5%	16.0%
BP recommendation	Buy	Hold	Buy	Hold	Buy	Hold	Hold	Buy
S&P long term Issuer Credit Rating (ICR)	AA-	AA-	AA-	AA-	A+	BBB+	BBB+	BBB (Bank A)
Moody's long term Issuer Credit Rating (ICR)	Aa3	Aa3	Aa3	Aa3	A1	A3	A3	A3 (Bank A2)
Market capitalisation (\$bn)	50	117	57	61	12	3	3	43
<b>TSR</b>								
1 week	-4%	-3%	-3%	-4%	-3%	-3%	-2%	-6%
1 month	-4%	-6%	-5%	-6%	3%	-10%	0%	-5%
3 months	-3%	1%	-4%	-2%	1%	-10%	0%	6%
1 year	-33%	-16%	-36%	-40%	-33%	-42%	-35%	-4%
<b>BP estimates</b>								
PB FY19 (x)	0.8	1.7	1.0	0.9	0.9	0.6	0.7	2.4
PB FY20e (x)	0.8	1.6	0.9	0.9	0.9	0.6	0.7	2.0
PB FY21e (x)	0.8	1.5	0.9	0.8	0.9	0.6	0.6	1.9
PB FY22e (x)	0.7	1.5	0.8	0.8	0.9	0.5	0.6	1.8
ROE FY19	11%	12%	10%	11%	8%	7%	8%	18%
ROE FY20e	6%	10%	5%	5%	6%	5%	6%	15%
ROE FY21e	7%	9%	7%	7%	6%	5%	5%	10%
ROE FY22e	8%	10%	8%	8%	7%	5%	5%	12%
NIM FY19	1.75%	2.09%	1.79%	2.13%	1.84%	1.96%	1.93%	-
NIM FY20e	1.63%	2.07%	1.75%	2.08%	1.90%	1.96%	1.89%	-
NIM FY21e	1.54%	2.00%	1.73%	1.99%	1.94%	1.89%	1.84%	-
NIM FY22e	1.51%	2.00%	1.70%	1.94%	1.92%	1.82%	1.81%	-
PE FY19 (x)	7.8	14.2	9.5	8.6	10.4	7.4	7.7	13.6
PE FY20e (x)	13.2	16.0	19.1	17.1	15.3	10.6	11.5	15.2
PE FY21e (x)	11.4	17.0	13.0	12.2	14.3	11.3	14.0	21.0
PE FY22e (x)	9.5	14.6	11.1	10.7	11.8	10.4	12.9	16.1
EPS FY19 (c)	228	466	182	198	86	85	80	883
EPS FY20e (c)	133	412	91	99	59	60	53	791
EPS FY21e (c)	155	388	133	139	63	56	44	573
EPS FY22e (c)	187	452	157	159	76	61	47	745
EPS growth FY19	2%	-9%	-13%	-16%	1%	-8%	-16%	17%
EPS growth FY20e	-41%	-11%	-50%	-50%	-32%	-30%	-33%	-10%
EPS growth FY21e	16%	-6%	47%	40%	-7%	-7%	-18%	-28%
EPS growth FY22e	21%	16%	18%	15%	21%	9%	8%	30%
DPS FY19 (c)	160	431	166	174	78	70	65	575
DPS FY20e (c)	65	298	50	35	36	31	25	430
DPS FY21e (c)	90	243	80	75	40	31	27	335
DPS FY22e (c)	115	310	100	96	54	37	32	440
Yield FY19	9.0%	6.5%	9.5%	10.3%	8.7%	11.1%	10.6%	4.8%
Yield FY20e	3.7%	4.5%	2.8%	2.1%	4.0%	4.9%	4.1%	3.6%
Yield FY21e	5.1%	3.7%	4.6%	4.4%	4.4%	4.9%	4.4%	2.8%
Yield FY22e	6.5%	4.7%	5.7%	5.7%	6.0%	5.9%	5.2%	3.7%
Payout FY19	70%	93%	91%	88%	90%	82%	82%	65%
Payout FY20e	49%	72%	54%	35%	61%	52%	47%	54%
Payout FY21e	58%	63%	60%	54%	64%	56%	62%	58%
Payout FY22e	62%	69%	63%	60%	71%	61%	68%	59%
BDD as % of GLA FY15	0.19%	0.15%	0.14%	0.12%	0.11%	0.12%	0.18%	-
BDD as % of GLA FY16	0.33%	0.18%	0.15%	0.17%	0.03%	0.08%	0.16%	-
BDD as % of GLA FY17	0.21%	0.15%	0.14%	0.13%	0.01%	0.12%	0.11%	-
BDD as % of GLA FY18	0.11%	0.15%	0.13%	0.10%	0.05%	0.11%	0.09%	-
BDD as % of GLA FY19	0.13%	0.16%	0.15%	0.11%	0.02%	0.08%	0.09%	-
BDD as % of GLA FY20e	0.47%	0.33%	0.40%	0.56%	0.30%	0.26%	0.16%	-
BDD as % of GLA FY21e	0.49%	0.42%	0.42%	0.49%	0.17%	0.28%	0.35%	-
BDD as % of GLA FY22e	0.29%	0.26%	0.30%	0.28%	0.06%	0.16%	0.35%	-
Provisions as % of RWA FY15	1.0%	1.0%	1.0%	0.9%	1.2%	0.9%	1.3%	-
Provisions as % of RWA FY16	1.0%	1.0%	0.9%	0.9%	0.8%	1.0%	1.2%	-
Provisions as % of RWA FY17	1.0%	0.9%	0.9%	0.8%	0.7%	0.7%	1.1%	-
Provisions as % of RWA FY18	0.9%	0.8%	0.9%	0.7%	0.7%	0.8%	0.9%	-
Provisions as % of RWA FY19	1.0%	1.1%	1.0%	0.9%	0.7%	1.0%	0.9%	-
Provisions as % of RWA FY20e	1.4%	1.4%	1.5%	1.8%	1.2%	1.1%	1.0%	-
Provisions as % of RWA FY21e	1.7%	1.6%	1.7%	2.1%	0.7%	1.1%	1.3%	-
Provisions as % of RWA FY22e	1.8%	1.5%	1.6%	2.1%	0.7%	1.1%	1.1%	-
<b>10 Strategy</b>								
	Focus on retail and business banking in Australia and New Zealand, and selected institutional markets here and overseas	Focus on retail and business banking in Australia and New Zealand, and selected institutional markets here and overseas	Focus on retail and business (especially agribusiness) banking in Australia and New Zealand	Focus on retail and business banking in Australia and New Zealand, and selected institutional markets here and overseas	More of a GI now with smaller banking component; lately pursuing front end opportunities	Strong retail funding base to provide platform for growth in SME segment	Strong retail funding base to support growth in WA and VIC; well capitalised and provisioned	Moving towards annuity-style earnings; leveraged to global growth through asset management and infrastructure
<b>11 Value proposition</b>								
	Maximising NIM and ROE through focus markets and cost management, and having the best capital management flexibility in its peer group	Wealth demerger, focus on higher ROE core retail and business banking	Bridge ROE gap with peers; focus on business, SME and retail banking	Significant improvements in core retail banking efficiency and productivity	Surplus capital, BIP cost savings and potential to divest bank	Value add is to buy SUN's Core Bank or regional QLD players such as ABA or MYS	Focused on higher margin leasing and specialty finance businesses; credit systems top notch	Best growth outlook based on infrastructure leverage; return of surplus capital

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

# Financial summaries

Table 8 – ABA

Auswide Bank						Share Price (A\$)					4.83	
As at						15-Sep-20					Market Cap (A\$M)	205
<b>PROFIT AND LOSS</b>						<b>VALUATION DATA</b>						
Y/e June 30 (\$m)	2019	2020	2021e	2022e	2023e	Y/e June 30	2019	2020	2021e	2022e	2023e	
Net interest revenue	63.2	70.5	72.5	73.1	73.6	NPAT (underlying basis) (\$m)	17.2	18.5	19.1	19.9	20.7	
Fees and commissions	9.0	9.2	9.3	9.5	9.8	EPS (statutory basis) (c)	41	44	45	46	48	
<b>Total banking income</b>	<b>72.1</b>	<b>79.7</b>	<b>81.9</b>	<b>82.6</b>	<b>83.4</b>	- Growth	-5%	7%	2%	3%	3%	
Premium revenue (MRM)	0.0	0.0	0.0	0.0	0.0	EPS (underlying basis) (c)	41	44	45	46	48	
Share of profit of FTSP	0.0	0.0	0.0	0.0	0.0	- Growth	0%	7%	2%	3%	3%	
Other revenue	0.5	0.8	0.5	0.5	0.5	P / E ratio (times)	11.8	11.0	10.8	10.4	10.1	
Sign up payment	0.0	0.0	0.0	0.0	0.0	P / Book ratio (times)	0.9	0.8	0.8	0.8	0.7	
<b>Total operating income</b>	<b>72.6</b>	<b>80.5</b>	<b>82.4</b>	<b>83.1</b>	<b>83.9</b>	P / NTA ratio (times)	1.1	1.1	1.0	0.9	0.9	
Fees and commissions	-10.0	-11.5	-10.8	-11.1	-11.3	Net DPS (c)	34	28	23	26	29	
SAW	-20.6	-21.6	-22.0	-22.5	-22.9	Yield	7.1%	5.7%	4.7%	5.3%	5.9%	
Depreciation expense	-1.9	-3.3	-3.3	-3.3	-3.3	Franking	100%	100%	100%	100%	100%	
Amortisation expense (assume acquisition costs of \$2,038,922)	-0.7	-0.7	-1.4	-1.4	-1.4	Payout (underlying basis; target 70-80%)	84%	63%	50%	55%	60%	
G&A expenses	-13.7	-13.0	-12.3	-12.5	-12.7	<b>CAPITAL ADEQUACY</b>						
Underwriting expenses	0.0	0.0	0.1	0.1	0.1	Y/e June 30	2019	2020	2021e	2022e	2023e	
Other	0.0	0.0	0.0	0.0	0.0	Risk weighted assets (\$m)	1,498.4	1,631.8	1,668.2	1,706.1	1,745.5	
Impairment expenses	-1.1	-3.8	-5.3	-4.0	-2.7	Average risk weight	43%	45%	45%	45%	45%	
<b>Net profit before income tax</b>	<b>24.6</b>	<b>26.5</b>	<b>27.2</b>	<b>28.4</b>	<b>29.6</b>	<b>Tier 1 ratio</b>	<b>11.8%</b>	<b>11.1%</b>	<b>11.5%</b>	<b>11.9%</b>	<b>12.2%</b>	
Corporate tax expense	-7.4	-8.0	-8.2	-8.5	-8.9	<b>CET1 capital ratio</b>	<b>11.8%</b>	<b>11.1%</b>	<b>11.5%</b>	<b>11.9%</b>	<b>12.2%</b>	
Other	0.0	0.0	0.0	0.0	0.0	Total capital ratio	13.8%	13.0%	13.3%	13.7%	14.0%	
<b>NPAT (statutory basis)</b>	<b>17.2</b>	<b>18.5</b>	<b>19.1</b>	<b>19.9</b>	<b>20.7</b>	Equity ratio	6.6%	6.4%	6.6%	6.7%	6.8%	
Adjustments						<b>PROFITABILITY RATIOS</b>						
- Sign up payment	0.0	0.0	0.0	0.0	0.0	Y/e June 30	2019	2020	2021e	2022e	2023e	
- Impairment expenses/one-offs	0.0	0.0	0.0	0.0	0.0	Return on assets (underlying)	0.5%	0.5%	0.5%	0.5%	0.5%	
- One-offs	0.0	0.0	0.0	0.0	0.0	<b>Return on NTA (underlying)</b>	<b>9.2%</b>	<b>9.6%</b>	<b>9.5%</b>	<b>9.4%</b>	<b>9.3%</b>	
<b>NPAT (underlying basis)</b>	<b>17.2</b>	<b>18.5</b>	<b>19.1</b>	<b>19.9</b>	<b>20.7</b>	Leverage ratio	5.0%	4.8%	5.0%	5.2%	5.3%	
<b>CASHFLOW</b>						<b>Net interest margin</b>	<b>1.87%</b>	<b>1.97%</b>	<b>1.99%</b>	<b>1.96%</b>	<b>1.93%</b>	
Y/e June 30 (\$m)	2019	2020	2021e	2022e	2023e	Cost / income ratio	65%	62%	61%	61%	62%	
NPAT (statutory basis)	17.2	18.5	19.1	19.9	20.7	Cost / average assets	1.33%	1.33%	1.30%	1.29%	1.28%	
Increase in loans	-221.0	-132.4	-49.4	-49.6	-50.3	Growth in operating income	3%	11%	2%	1%	1%	
Increase in other assets	-15.5	-45.1	-32.2	-34.8	-37.7	Growth in operating expenses	5%	7%	-1%	2%	2%	
Capital expenditure	1.2	-7.0	0.0	0.0	0.0	<b>Jaws</b>	<b>-2%</b>	<b>4%</b>	<b>3%</b>	<b>-1%</b>	<b>-1%</b>	
<b>Investing cashflow</b>	<b>-235.3</b>	<b>-184.5</b>	<b>-81.6</b>	<b>-84.4</b>	<b>-88.0</b>	Effective tax rate	30%	30%	30%	30%	30%	
Increase in deposits & borrowings	355.8	215.9	90.6	93.3	96.1	<b>ASSET QUALITY</b>						
Increase in other liabilities	-104.4	-33.4	-20.9	-20.5	-19.4	Y/e June 30	2019	2020	2021e	2022e	2023e	
Ordinary equity raised	0.0	0.0	0.0	0.0	0.0	Impairment expense / GLA	0.04%	0.12%	0.16%	0.12%	0.08%	
Other	-15.3	-14.4	-7.1	-8.3	-9.4	Impairment expense / RWA	0.08%	0.24%	0.32%	0.24%	0.16%	
<b>Financing cashflow</b>	<b>236.1</b>	<b>168.1</b>	<b>62.5</b>	<b>64.5</b>	<b>67.3</b>	<b>Total provisions + GRCL (\$m)</b>	<b>6.9</b>	<b>9.5</b>	<b>9.1</b>	<b>9.3</b>	<b>9.5</b>	
Net change in cash	18.0	2.1	0.0	0.0	0.0	Total provisions + GRCL / RWA	0.46%	0.58%	0.55%	0.55%	0.55%	
<b>Cash at end of period</b>	<b>104.4</b>	<b>106.5</b>	<b>106.5</b>	<b>106.5</b>	<b>106.5</b>	Total provisions + GRCL / loans	0.22%	0.29%	0.27%	0.28%	0.28%	
<b>BALANCE SHEET</b>						Indiv ass prov / gross imp assets	0%	0%	0%	0%	0%	
Y/e June 30 (\$m)	2019	2020	2021e	2022e	2023e	IBL / IEA	97%	98%	97%	97%	97%	
Cash and liquid assets	104.4	106.5	106.5	106.5	106.5	<b>INTERIMS</b>						
Divisional gross loans	3,131.0	3,266.0	3,315.0	3,364.7	3,415.2	1H19	2H19	1H20	2H20	1H21e		
Provisions	-4.5	-7.1	-6.7	-6.8	-7.0	Net interest revenue	31.1	32.1	34.5	36.0	36.1	
Other gross loans / inter div.	-40.4	-53.1	-53.1	-53.1	-53.1	Fees and commissions	5.0	4.0	5.0	4.2	4.6	
Other IEA	338.1	394.6	426.8	461.6	499.2	<b>Total banking income</b>	<b>36.1</b>	<b>36.0</b>	<b>39.5</b>	<b>40.2</b>	<b>40.7</b>	
Intangibles	48.1	47.6	47.6	47.6	47.6	Premium revenue (MRM)	0.0	0.0	0.0	0.0	0.0	
PP&E	14.4	21.4	21.4	21.4	21.4	Share of profit of FTSP	0.0	0.0	0.0	0.0	0.0	
Insurance assets	0.0	0.0	0.0	0.0	0.0	Other revenue	0.3	0.3	0.4	0.4	0.3	
Other assets	12.3	13.7	13.7	13.7	13.7	Sign up payment	0.0	0.0	0.0	0.0	0.0	
<b>Total assets</b>	<b>3,603.4</b>	<b>3,789.5</b>	<b>3,871.1</b>	<b>3,955.5</b>	<b>4,043.5</b>	<b>Total operating income</b>	<b>36.4</b>	<b>36.3</b>	<b>39.9</b>	<b>40.6</b>	<b>41.0</b>	
Divisional deposits	2,802.6	3,018.5	3,109.1	3,202.3	3,298.4	Fees and commissions	-4.5	-5.5	-5.0	-6.5	-5.4	
Other borrowings	518.4	498.5	477.6	457.1	437.7	SAW	-9.2	-11.4	-9.6	-12.0	-9.8	
Other liabilities	43.9	30.4	30.4	30.4	30.4	Depreciation expense	-1.1	-0.8	-2.5	-0.8	-2.5	
<b>Total liabilities</b>	<b>3,364.9</b>	<b>3,547.4</b>	<b>3,617.1</b>	<b>3,689.8</b>	<b>3,766.5</b>	Amortisation expense (assume acquisition costs of \$2,038,922)	-0.7	0.0	0.0	-0.7	-0.7	
Ordinary share capital	191.9	193.3	195.0	197.0	199.3	G&A expenses	-7.5	-6.2	-8.2	-4.8	-7.8	
Other equity instruments	0.0	0.0	0.0	0.0	0.0	Underwriting expenses	-0.6	0.6	0.0	0.0	0.0	
Reserves	12.8	12.0	12.0	12.0	12.0	Other	0.0	0.0	0.0	0.0	0.0	
GRCL	2.4	2.4	2.4	2.5	2.6	Impairment expenses	-0.4	-0.8	-0.8	-3.0	-2.6	
Retained profits	31.4	34.3	44.5	54.1	63.0	<b>Net profit before income tax</b>	<b>12.4</b>	<b>12.3</b>	<b>13.6</b>	<b>12.9</b>	<b>12.1</b>	
Minority interests	0.0	0.0	0.0	0.0	0.0	Corporate tax expense	-3.7	-3.8	-4.0	-4.0	-3.6	
<b>Total shareholders' equity</b>	<b>238.5</b>	<b>242.0</b>	<b>254.0</b>	<b>265.7</b>	<b>277.0</b>	Other	0.0	0.0	0.0	0.0	0.0	
<b>Total sh. equity &amp; liabs.</b>	<b>3,603.4</b>	<b>3,789.5</b>	<b>3,871.1</b>	<b>3,955.5</b>	<b>4,043.5</b>	<b>NPAT (statutory basis)</b>	<b>8.7</b>	<b>8.5</b>	<b>9.6</b>	<b>8.9</b>	<b>8.5</b>	
WANOS - statutory (m)	42.2	42.2	42.5	42.9	43.3	Adjustments	0.0	0.0	0.0	0.0	0.0	
WANOS - normalised (m)	42.2	42.2	42.5	42.9	43.3	- Sign up payment	0.0	0.0	0.0	0.0	0.0	
ROE	7.3%	7.7%	7.7%	7.7%	7.6%	- Impairment expenses/one-offs	0.0	0.0	0.0	0.0	0.0	
						- One-offs	0.0	0.0	0.0	0.0	0.0	
						<b>NPAT (underlying basis)</b>	<b>8.7</b>	<b>8.5</b>	<b>9.6</b>	<b>8.9</b>	<b>8.5</b>	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES



Table 9 – ANZ

ANZ Bank						Share Price (A\$)						17.68
As at	15-Sep-20					Market Cap (A\$M)						50,144
<b>PROFIT AND LOSS</b>												
<b>Y/e September 30 (\$m)</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>	<b>Y/e September 30</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>	
Net interest income	14,514	14,339	14,401	14,258	14,261	Cash profit (continuing) (\$m)	6,487	6,470	3,785	4,388	5,302	
Other banking income	4,736	4,672	3,518	4,270	4,303	Statutory EPS (c)	222	210	136	150	182	
<b>Total banking income</b>	<b>19,250</b>	<b>19,011</b>	<b>17,920</b>	<b>18,528</b>	<b>18,564</b>	- Growth	1%	-5%	-35%	10%	21%	
Funds management income	0	0	0	0	0	Cash EPS (continuing) (c)	223	228	133	155	187	
Insurance income	117	18	0	0	0	- Growth	-4%	2%	-41%	16%	21%	
<b>Operating income</b>	<b>19,367</b>	<b>19,029</b>	<b>17,920</b>	<b>18,528</b>	<b>18,564</b>	P / E ratio (times)	7.9	7.8	13.2	11.4	9.5	
Operating expenses	-9,401	-9,071	-9,124	-9,009	-8,997	P / Book ratio (times)	0.8	0.8	0.8	0.8	0.7	
Credit impairment charge	-688	-795	-3,121	-3,280	-2,009	P / NTA ratio (times)	0.9	0.9	0.9	0.8	0.8	
<b>Profit before income tax</b>	<b>9,278</b>	<b>9,163</b>	<b>5,674</b>	<b>6,239</b>	<b>7,558</b>	Net DPS (c)	160	160	65	90	115	
Income tax expense	-2,775	-2,678	-1,887	-1,849	-2,253	Yield	9.0%	9.0%	3.7%	5.1%	6.5%	
Non-controlling interests	-16	-15	-2	-2	-2	Franking	100%	85%	85%	70%	70%	
Investment experience	0	0	0	0	0	Payout (cash basis, target 60-65%)	72%	70%	49%	58%	62%	
<b>Cash profit (continuing)</b>	<b>6,487</b>	<b>6,470</b>	<b>3,785</b>	<b>4,388</b>	<b>5,302</b>	<b>CAPITAL ADEQUACY</b>						
Discontinued operations	-682	-309	-90	0	0	<b>Y/e September 30</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>	
<b>Cash profit</b>	<b>5,805</b>	<b>6,161</b>	<b>3,695</b>	<b>4,388</b>	<b>5,302</b>	Risk weighted assets (\$m)	390,820	416,961	442,120	458,203	475,149	
Hedging, one off gains, etc.	595	-208	157	-130	-130	Average risk weight	46%	46%	44%	44%	44%	
<b>Statutory profit</b>	<b>6,400</b>	<b>5,953</b>	<b>3,852</b>	<b>4,258</b>	<b>5,172</b>	<b>Tier 1 ratio</b>	<b>13.4%</b>	<b>13.2%</b>	<b>13.1%</b>	<b>13.0%</b>	<b>13.0%</b>	
<b>CASHFLOW</b>						<b>CET1 capital ratio</b>	<b>11.4%</b>	<b>11.4%</b>	<b>11.3%</b>	<b>11.3%</b>	<b>11.4%</b>	
<b>Y/e September 30 (\$m)</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>	Total capital ratio	15.2%	15.3%	16.1%	15.9%	15.8%	
Cash profit	5,805	6,161	3,695	4,388	5,302	Equity ratio	6.3%	6.2%	5.4%	5.4%	5.4%	
Increase in loans	-24,644	-9,640	-39,473	-14,047	-15,920	<b>DIVISIONAL</b>						
Increase in other assets	-6,796	-31,308	-74,852	-20,900	-22,173	<b>Y/e September 30 (\$m)</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>	
Capital expenditure	132	-91	-1,335	-99	-101	<b>Australia</b>						
<b>Investing cashflow</b>	<b>-31,308</b>	<b>-41,039</b>	<b>-115,660</b>	<b>-35,045</b>	<b>-38,194</b>	Net interest income	8,449	8,092	7,847	7,610	7,775	
Increase in deposits & borrowings	27,298	28,986	63,095	18,702	20,903	Other income	1,510	1,347	1,136	1,004	1,028	
Increase in other liabilities	18,228	7,580	111,954	14,496	15,026	<b>Total banking income</b>	<b>9,959</b>	<b>9,439</b>	<b>8,983</b>	<b>8,615</b>	<b>8,803</b>	
Ordinary equity raised	0	0	0	0	0	Operating expenses	-4,075	-4,074	-4,124	-4,074	-4,057	
Other	-3,435	-4,703	-1,612	-2,541	-3,037	Impairment expenses	-698	-712	-1,240	-1,233	-1,119	
<b>Financing cashflow</b>	<b>42,091</b>	<b>31,863</b>	<b>173,437</b>	<b>30,657</b>	<b>32,892</b>	<b>Net profit before tax</b>	<b>5,186</b>	<b>4,653</b>	<b>3,619</b>	<b>3,308</b>	<b>3,627</b>	
Net change in cash	16,588	-3,015	61,472	0	0	Corporate tax expense	-1,560	-1,458	-1,086	-992	-1,088	
<b>Cash at end of period</b>	<b>84,636</b>	<b>81,621</b>	<b>143,093</b>	<b>143,093</b>	<b>143,093</b>	<b>Cash profit (continuing)</b>	<b>3,626</b>	<b>3,195</b>	<b>2,533</b>	<b>2,316</b>	<b>2,539</b>	
<b>BALANCE SHEET</b>						Loans	341,310	331,871	331,154	337,777	344,533	
<b>Y/e September 30 (\$m)</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>	Deposits	202,732	208,005	210,057	216,359	222,850	
Cash and liquid assets	84,636	81,621	143,093	143,093	143,093	<b>Asia Retail &amp; Pacific</b>						
Divisional gross loans	609,112	621,873	658,534	674,508	691,187	Net interest income	131	128	133	78	39	
Provisions	-3,443	-4,190	-6,054	-7,981	-8,741	Other income	100	104	75	40	20	
Other gross loans / inter div.	-732	-3,106	1,570	1,570	1,570	<b>Total banking income</b>	<b>231</b>	<b>232</b>	<b>208</b>	<b>118</b>	<b>59</b>	
Other IEA	239,921	267,169	343,191	364,091	386,264	Operating expenses	-128	-150	-112	-55	-27	
Intangibles	4,930	4,861	4,957	4,957	4,957	Impairment expenses	-3	1	-11	0	0	
PP&E	1,833	1,924	3,259	3,358	3,459	<b>Net profit before tax</b>	<b>100</b>	<b>83</b>	<b>85</b>	<b>62</b>	<b>31</b>	
Insurance assets	0	0	0	0	0	Corporate tax expense	-28	-24	-25	-19	-9	
Other assets	6,925	10,985	9,815	9,815	9,815	<b>Cash profit (continuing)</b>	<b>72</b>	<b>59</b>	<b>60</b>	<b>44</b>	<b>22</b>	
<b>Total assets</b>	<b>943,182</b>	<b>981,137</b>	<b>1,158,365</b>	<b>1,193,411</b>	<b>1,231,605</b>	Loans	2,114	2,120	1,060	530	265	
Divisional deposits & IBL	584,694	613,680	676,776	695,478	716,380	Deposits	3,467	3,546	1,773	887	443	
Other borrowings	289,822	295,556	404,335	418,830	433,857	<b>Institutional</b>						
Other liabilities	9,261	11,107	14,282	14,282	14,282	Net interest income	2,993	3,080	3,414	3,445	3,347	
<b>Total liabilities</b>	<b>883,777</b>	<b>920,343</b>	<b>1,095,392</b>	<b>1,128,590</b>	<b>1,164,519</b>	Other income	2,066	2,192	2,344	2,427	2,484	
Ordinary share capital	27,205	26,490	26,440	26,440	26,440	<b>Total banking income</b>	<b>5,059</b>	<b>5,272</b>	<b>5,758</b>	<b>5,872</b>	<b>5,831</b>	
Other equity instruments	0	0	0	0	0	Operating expenses	-2,948	-2,667	-2,562	-2,622	-2,684	
Reserves	323	1,629	2,851	2,851	2,851	Impairment expenses	44	2	-1,619	-1,875	-683	
Retained profits	31,737	32,664	33,671	35,519	37,784	<b>Net profit before tax</b>	<b>2,155</b>	<b>2,607</b>	<b>1,577</b>	<b>1,375</b>	<b>2,465</b>	
Minority interests	140	11	11	11	11	Corporate tax expense	-675	-779	-472	-426	-764	
<b>Total shareholders' equity</b>	<b>59,405</b>	<b>60,794</b>	<b>62,973</b>	<b>64,821</b>	<b>67,086</b>	<b>Cash profit (continuing)</b>	<b>1,480</b>	<b>1,828</b>	<b>1,105</b>	<b>949</b>	<b>1,701</b>	
<b>Total sh. equity &amp; liabs.</b>	<b>943,182</b>	<b>981,137</b>	<b>1,158,365</b>	<b>1,193,411</b>	<b>1,231,605</b>	Loans	150,133	164,526	196,632	200,565	204,576	
<b>WANOS - statutory (m)</b>	<b>2,888</b>	<b>2,834</b>	<b>2,833</b>	<b>2,836</b>	<b>2,836</b>	Other IEA	276,607	346,094	455,118	464,221	473,505	
<b>WANOS - underlying (m)</b>	<b>2,904</b>	<b>2,842</b>	<b>2,836</b>	<b>2,839</b>	<b>2,839</b>	IBL	273,183	290,671	350,266	360,773	371,597	
<b>PROFITABILITY RATIOS</b>												
<b>Y/e September 30</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>	<b>Wealth Australia</b>						
Return on assets (cash, continuing)	0.7%	0.7%	0.3%	0.4%	0.4%	Net interest income	2					
<b>Return on equity (cash, continuing)</b>	<b>11.0%</b>	<b>10.9%</b>	<b>6.3%</b>	<b>7.0%</b>	<b>8.2%</b>	Other operating income	60					
Leverage ratio	5.6%	5.7%	5.0%	5.0%	5.1%	Net funds management income	0					
<b>Net interest margin (continuing)</b>	<b>1.87%</b>	<b>1.75%</b>	<b>1.63%</b>	<b>1.54%</b>	<b>1.51%</b>	Net insurance & other income	0					
Cost / income ratio (continuing)	49%	48%	51%	49%	48%	<b>Total operating income</b>	<b>62</b>					
Cost / average assets (continuing)	1.00%	0.92%	0.79%	0.76%	0.73%	Operating expenses	-180					
Growth in operating income	-2%	-2%	-6%	3%	0%	Impairment expenses	0					
Growth in operating expenses	5%	-4%	1%	-1%	0%	<b>Net profit before tax</b>	<b>-118</b>					
<b>Jaws (continuing)</b>	<b>-7%</b>	<b>2%</b>	<b>-6%</b>	<b>5%</b>	<b>0%</b>	Corporate tax expense	35					
Effective tax rate	30%	29%	33%	30%	30%	<b>Cash profit (continuing)</b>	<b>-83</b>					
						FUM	0					
						<b>New Zealand</b>						
<b>ASSET QUALITY</b>	<b>Y/e September 30</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>	Net interest income	2,651	2,736	2,833	2,874	3,000
<b>Impairment expense / GLA</b>	<b>0.11%</b>	<b>0.13%</b>	<b>0.47%</b>	<b>0.49%</b>	<b>0.29%</b>	Other income	671	580	489	499	521	
Impairment expense / RWA	0.18%	0.19%	0.71%	0.72%	0.42%	<b>Total operating income</b>	<b>3,322</b>	<b>3,316</b>	<b>3,322</b>	<b>3,373</b>	<b>3,521</b>	
<b>Total provisions (\$m)</b>	<b>3,443</b>	<b>4,190</b>	<b>6,054</b>	<b>7,981</b>	<b>8,741</b>	Operating expenses	-1,205	-1,286	-1,367	-1,357	-1,379	
<b>Total provisions / GLA</b>	<b>0.57%</b>	<b>0.67%</b>	<b>0.92%</b>	<b>1.18%</b>	<b>1.26%</b>	Impairment expenses	-6	-87	-251	-172	-207	
Indiv ass prov / gross imp assets	43%	40%	45%	40%	30%	<b>Net profit before tax</b>	<b>2,111</b>	<b>1,943</b>	<b>1,704</b>	<b>1,843</b>	<b>1,934</b>	
IBL / IEA	104%	103%	108%	108%	107%	Corporate tax expense	-590	-544	-477	-516	-542	
Total provisions + GRCL / RWA	0.88%	1.00%	1.37%	1.74%	1.84%	Minority interests	0	0	0	0	0	
						Investment experience	0	0	0	0	0	
						<b>Cash profit (continuing)</b>	<b>1,521</b>	<b>1,399</b>	<b>1,226</b>	<b>1,327</b>	<b>1,393</b>	
						Loans	112,112	119,166	123,634	127,655	133,073	
						Deposits	82,630	87,456	90,735	93,686	97,662	
						Other IBL	22,682	24,002	23,945	23,772	23,828	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Table 10 – BEN

Bendigo and Adelaide						Share Price (A\$)					6.30
As at						Market Cap (A\$M)					3,339
15-Sep-20											
<b>PROFIT AND LOSS</b>						<b>VALUATION DATA</b>					
<b>Y/e June 30 (\$m)</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>	<b>Y/e June 30</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
Net interest income	1,301	1,338	1,383	1,362	1,383	NPAT (cash) (\$m)	416	302	295	324	333
Fees and commissions	164	156	147	143	138	EPS (statutory underlying) (cps)	77	38	55	60	62
<b>Total banking income</b>	<b>1,465</b>	<b>1,493</b>	<b>1,530</b>	<b>1,505</b>	<b>1,521</b>	- Growth	-9%	-51%	45%	9%	2%
Wealth solutions commissions	74	57	57	57	57	EPS (cash) (cps)	85	60	56	61	62
Insurance commissions	0	0	0	0	0	- Growth	-8%	-30%	-7%	9%	2%
Share of associates' profit	0	0	0	0	0	P / E ratio (times)	7.4	10.6	11.3	10.4	10.2
Other revenue	83	88	46	44	46	P / Book ratio (times)	0.6	0.6	0.6	0.5	0.5
<b>Total operating income</b>	<b>1,621</b>	<b>1,638</b>	<b>1,632</b>	<b>1,606</b>	<b>1,623</b>	P / NTA ratio (times)	0.8	0.8	0.7	0.7	0.7
Fees and commissions	-31	-20	-20	-21	-21	Net DPS (cps)	70	31	31	37	41
SAW	-519	-567	-578	-590	-602	Yield	11.1%	4.9%	4.9%	5.9%	6.5%
Amortisation expense	-38	-34	-22	-16	-16	Franking	100%	100%	100%	100%	100%
G&A expenses	-367	-400	-404	-408	-412	Payout (cash basis) (60-80%)	82%	52%	56%	61%	66%
Underwriting expenses	0	0	0	0	0	<b>CAPITAL ADEQUACY</b>					
Impairment expenses	0	0	0	0	0	<b>Y/e June 30</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
Credit expenses	-50	-169	-186	-108	-97	Risk weighted assets (\$m)	37,483	38,215	39,181	40,184	41,226
<b>Net profit before income tax</b>	<b>616</b>	<b>448</b>	<b>422</b>	<b>463</b>	<b>476</b>	Average risk weight	54%	52%	52%	52%	52%
Corporate tax expense	-200	-147	-127	-139	-143	<b>Tier 1 ratio</b>	<b>11.3%</b>	<b>11.6%</b>	<b>11.7%</b>	<b>11.7%</b>	<b>11.8%</b>
Minority interests	0	0	0	0	0	<b>CET1 capital ratio</b>	<b>8.9%</b>	<b>9.2%</b>	<b>9.4%</b>	<b>9.5%</b>	<b>9.6%</b>
<b>NPAT (cash)</b>	<b>416</b>	<b>302</b>	<b>295</b>	<b>324</b>	<b>333</b>	Total capital ratio	13.1%	13.6%	13.6%	13.7%	13.7%
Adjustments						Equity ratio	7.8%	7.6%	7.7%	7.8%	7.7%
- Dividends on pref shares	0	0	0	0	0	<b>PROFITABILITY RATIOS</b>					
- Dividends on CPS2	0	0	0	0	0	<b>Y/e June 30</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
- Amortisation expense & other	-39	-109	-1	-1	-1	Return on assets	0.6%	0.4%	0.4%	0.4%	0.4%
<b>NPAT (statutory)</b>	<b>377</b>	<b>193</b>	<b>294</b>	<b>323</b>	<b>333</b>	<b>Return on equity</b>	<b>7.5%</b>	<b>5.4%</b>	<b>5.1%</b>	<b>5.4%</b>	<b>5.4%</b>
<b>CASHFLOW</b>						Leverage ratio	6.0%	6.0%	6.0%	6.0%	6.0%
<b>Y/e June 30 (\$m)</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>	<b>Net interest margin</b>	<b>1.96%</b>	<b>1.96%</b>	<b>1.89%</b>	<b>1.82%</b>	<b>1.80%</b>
NPAT (statutory basis)	377	193	294	323	333	Cost / income ratio	59%	62%	63%	64%	65%
Increase in loans	-229	-3,125	-1,288	-1,352	-1,386	Cost / average assets	1.33%	1.36%	1.32%	1.30%	1.29%
Increase in other assets	-803	-263	-546	-591	-639	Growth in operating income	-1%	1%	2%	-2%	1%
Capital expenditure	7	-189	-8	-8	-8	Growth in operating expenses	5%	7%	0%	1%	2%
<b>Investing cashflow</b>	<b>-1,025</b>	<b>-3,577</b>	<b>-1,842</b>	<b>-1,951</b>	<b>-2,033</b>	<b>Jaws (underlying)</b>	<b>-6%</b>	<b>-6%</b>	<b>2%</b>	<b>-3%</b>	<b>-1%</b>
Increase in deposits & borrowings	1,067	3,586	1,925	1,983	2,043	Effective tax rate	33%	33%	30%	30%	30%
Increase in other liabilities	-83	-179	-330	-210	-177	<b>ASSET QUALITY</b>					
Ordinary equity raised	0	338	0	0	0	<b>Y/e June 30</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
Other	-401	-243	-48	-145	-166	Impairment expense / GLA	0.08%	0.26%	0.28%	0.16%	0.14%
<b>Financing cashflow</b>	<b>583</b>	<b>3,502</b>	<b>1,548</b>	<b>1,628</b>	<b>1,700</b>	Impairment expense / RWA	0.13%	0.44%	0.47%	0.27%	0.23%
Net change in cash	-65	118	0	0	0	<b>Total provisions + GRCL (\$m)</b>	<b>363</b>	<b>428</b>	<b>449</b>	<b>431</b>	<b>407</b>
<b>Cash at end of period</b>	<b>1,072</b>	<b>1,190</b>	<b>1,190</b>	<b>1,190</b>	<b>1,190</b>	Total provisions + GRCL / RWA	0.97%	1.12%	1.15%	1.07%	0.99%
<b>BALANCE SHEET</b>						Total provisions + GRCL / loans	0.58%	0.66%	0.67%	0.63%	0.59%
<b>Y/e June 30 (\$m)</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>	Indiv ass prov / gross imp assets	41%	33%	33%	33%	33%
Cash and liquid assets	1,072	1,190	1,190	1,190	1,190	IBL / IEA	97%	97%	97%	96%	96%
Divisional gross loans	62,141	65,322	66,628	67,961	69,320	<b>INTERIMS</b>					
Provisions	-286	-342	-360	-340	-314	<b>1H19</b>	<b>2H19</b>	<b>1H20</b>	<b>2H20</b>	<b>1H21e</b>	
Other gross loans / inter div.	-33	0	0	0	0	Net interest income	659	642	672	666	696
Other IEA	6,258	6,693	7,239	7,830	8,469	Fees and commissions	85	79	79	76	73
Intangibles	1,686	1,565	1,542	1,526	1,511	<b>Total banking income</b>	<b>743</b>	<b>721</b>	<b>751</b>	<b>742</b>	<b>769</b>
PP&E	63	252	260	268	276	Wealth solutions commissions	37	36	29	27	29
Insurance assets	0	0	0	0	0	Insurance commissions	0	0	0	0	0
Other assets	1,534	1,329	1,329	1,329	1,329	Share of associates' profit	0	0	0	0	0
<b>Total assets</b>	<b>72,435</b>	<b>76,009</b>	<b>77,828</b>	<b>79,763</b>	<b>81,780</b>	Other revenue	23	60	46	43	23
Divisional deposits	60,597	64,183	66,108	68,091	70,134	<b>Total operating income</b>	<b>803</b>	<b>818</b>	<b>826</b>	<b>812</b>	<b>821</b>
Other borrowings	5,588	5,167	4,837	4,627	4,450	Fees and commissions	-17	-14	-10	-10	-10
Other liabilities	619	861	861	861	861	SAW	-256	-263	-274	-294	-279
<b>Total liabilities</b>	<b>66,804</b>	<b>70,211</b>	<b>71,806</b>	<b>73,579</b>	<b>75,445</b>	Amortisation expense	-18	-20	-18	-16	-14
Ordinary share capital	4,571	4,905	4,916	4,941	4,969	G&A expenses	-175	-192	-186	-214	-188
Other equity instruments	0	0	0	0	0	Underwriting expenses	0	0	0	0	0
Reserves	-4	1	1	1	1	Impairment expenses	0	0	0	0	0
GRCL	77	87	89	91	93	Credit expenses	-26	-25	-23	-145	-106
Retained profits	987	806	1,017	1,152	1,273	<b>Net profit before income tax</b>	<b>312</b>	<b>304</b>	<b>316</b>	<b>133</b>	<b>225</b>
Minority interests	0	0	0	0	0	Corporate tax expense	-98	-102	-100	-47	-68
<b>Total shareholders' equity</b>	<b>5,632</b>	<b>5,798</b>	<b>6,022</b>	<b>6,184</b>	<b>6,336</b>	Minority interests	0	0	0	0	0
<b>Total sh. equity &amp; liabs.</b>	<b>72,435</b>	<b>76,009</b>	<b>77,828</b>	<b>79,763</b>	<b>81,780</b>	<b>NPAT (cash)</b>	<b>214</b>	<b>202</b>	<b>216</b>	<b>86</b>	<b>158</b>
WANOS - statutory (m)	489	506	531	534	539	Adjustments	0	0	0	0	0
WANOS - cash (m)	489	506	531	534	539	- Dividends on pref shares	0	0	0	0	0
						- Dividends on CPS2	0	0	0	0	0
						- Amortisation expense & other	6	-45	-70	-39	-1
						<b>NPAT (statutory)</b>	<b>220</b>	<b>157</b>	<b>146</b>	<b>47</b>	<b>157</b>
NPAT (cash, diluted)	401	217	319	347	357						
WANOS - diluted (m)	558	558	558	558	558						
EPS (cash, diluted) (cps)	72	39	57	62	64						

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Table 11 – BOQ

Bank of Queensland						Share Price (A\$)					6.12
As at						15-Sep-20					2,781
PROFIT AND LOSS						VALUATION DATA					
Y/e August 31 (\$m)	2018	2019	2020e	2021e	2022e	Y/e August 31	2018	2019	2020e	2021e	2022e
Net interest income	965	961	954	914	926	NPAT (cash basis) (\$m)	372	320	234	200	219
Other banking income	145	128	109	105	108	EPS (statutory basis) (cps)	85	74	26	41	45
<b>Total banking income</b>	<b>1,110</b>	<b>1,089</b>	<b>1,064</b>	<b>1,020</b>	<b>1,033</b>	- Growth	-6%	-13%	-65%	56%	9%
Funds management income	0	0	0	0	0	EPS (cash basis) (cps)	95	80	53	44	47
Other income	0	0	0	0	0	- Growth	-3%	-16%	-33%	-18%	8%
<b>Total operating income</b>	<b>1,110</b>	<b>1,089</b>	<b>1,064</b>	<b>1,020</b>	<b>1,033</b>	P / E ratio (times)	6.5	7.7	11.5	14.0	12.9
Operating expenses	-527	-550	-574	-578	-583	P / Book ratio (times)	0.7	0.7	0.7	0.6	0.6
Impairment expenses	-41	-74	-152	-157	-137	P / NTA ratio (times)	0.9	0.9	0.8	0.8	0.8
<b>Net profit before income tax</b>	<b>542</b>	<b>465</b>	<b>338</b>	<b>285</b>	<b>313</b>	Net DPS (cps)	76	65	25	27	32
Corporate tax expense	-170	-145	-104	-86	-94	Yield	12.4%	10.6%	4.1%	4.4%	5.2%
Minority interests	0	0	0	0	0	Franking	100%	100%	100%	100%	100%
<b>Cash earnings after tax</b>	<b>372</b>	<b>320</b>	<b>234</b>	<b>200</b>	<b>219</b>	Payout (cash basis, target 70-80%)	81%	82%	49%	62%	68%
Adjustments	0	0	0	0	0	<b>CAPITAL ADEQUACY</b>					
- Amort'n of acquisition FVA	-7	-6	-4	0	0	Y/e August 31	2018	2019	2020e	2021e	2022e
- H/O restructuring & other costs	0	-1	-64	0	0	Risk weighted assets (\$m)	29,669	30,533	31,634	32,508	33,419
- NSW OMB restructuring costs	0	0	0	0	0	Average risk weight	58%	57%	63%	63%	63%
- Integration/DD costs	-1	0	0	0	0	<b>Tier 1 ratio</b>	<b>11.0%</b>	<b>10.7%</b>	<b>11.4%</b>	<b>11.3%</b>	<b>11.3%</b>
- Gain on VISA IPO	0	0	0	0	0	<b>CET1 capital ratio</b>	<b>9.3%</b>	<b>9.0%</b>	<b>9.8%</b>	<b>9.8%</b>	<b>9.8%</b>
- Other	-28	-15	-50	-12	-12	Total capital ratio	12.8%	12.4%	13.1%	12.9%	12.9%
<b>Statutory NPAT</b>	<b>336</b>	<b>298</b>	<b>116</b>	<b>188</b>	<b>207</b>	Equity ratio	7.3%	6.9%	8.1%	8.0%	8.0%
Add: RePS dividends & other	0	0	0	0	0	<b>PROFITABILITY RATIOS</b>					
Add: convertible note dividends	0	0	0	0	0	Y/e August 31	2018	2019	2020e	2021e	2022e
Add: PEPS dividends	0	0	0	0	0	Return on assets	0.7%	0.6%	0.4%	0.4%	0.4%
Add: Distributions & other	59	43	137	32	32	<b>Return on equity</b>	<b>9.9%</b>	<b>8.3%</b>	<b>5.7%</b>	<b>4.7%</b>	<b>5.0%</b>
<b>Cash earnings after tax (diluted)</b>	<b>395</b>	<b>341</b>	<b>253</b>	<b>220</b>	<b>239</b>	<b>ROTE</b>	<b>12.9%</b>	<b>10.8%</b>	<b>7.3%</b>	<b>5.8%</b>	<b>6.2%</b>
<b>CASHFLOW</b>						Leverage ratio	6.3%	6.0%	7.0%	7.0%	6.9%
Y/e August 31 (\$m)	2018	2019	2020e	2021e	2022e	<b>Net interest margin</b>	<b>1.98%</b>	<b>1.93%</b>	<b>1.89%</b>	<b>1.84%</b>	<b>1.81%</b>
NPAT (statutory basis)	372	320	234	200	219	Cost / income ratio	47%	51%	54%	57%	56%
Increase in loans	-1,488	-905	2,551	-909	-936	Cost / average assets	1.01%	1.01%	1.07%	1.08%	1.06%
Increase in other assets	464	-1,606	689	-522	-565	Growth in operating income	1%	-2%	-2%	-4%	1%
Capital expenditure	3	5	-116	0	0	Growth in operating expenses	3%	4%	4%	1%	1%
<b>Investing cashflow</b>	<b>-1,021</b>	<b>-2,506</b>	<b>3,124</b>	<b>-1,431</b>	<b>-1,501</b>	<b>Jaws</b>	<b>-2%</b>	<b>-6%</b>	<b>-7%</b>	<b>-5%</b>	<b>0%</b>
Increase in deposits & borrowings	848	320	172	1,155	1,190	Effective tax rate	31%	31%	31%	30%	30%
Increase in other liabilities	406	2,294	-3,841	175	165	<b>ASSET QUALITY</b>					
Ordinary equity raised	11	0	336	0	0	Y/e August 31	2018	2019	2020e	2021e	2022e
Other	-318	-366	-165	-99	-73	Impairment expense / GLA	0.09%	0.16%	0.35%	0.35%	0.30%
<b>Financing cashflow</b>	<b>947</b>	<b>2,248</b>	<b>-3,498</b>	<b>1,231</b>	<b>1,282</b>	Impairment expense / RWA	0.14%	0.24%	0.48%	0.48%	0.41%
Net change in cash	298	62	-140	0	0	<b>Total provisions + GRCL (\$m)</b>	<b>260</b>	<b>295</b>	<b>403</b>	<b>370</b>	<b>327</b>
<b>Cash at end of period</b>	<b>1,212</b>	<b>1,274</b>	<b>1,134</b>	<b>1,134</b>	<b>1,134</b>	Total provisions + GRCL / RWA	0.88%	0.97%	1.27%	1.14%	0.98%
<b>BALANCE SHEET</b>						Indiv ass prov / gross imp assets	52%	43%	43%	43%	43%
Y/e August 31 (\$m)	2018	2019	2020e	2021e	2022e	IBL / IEA	96%	97%	95%	95%	95%
Cash and liquid assets	1,212	1,274	1,134	1,134	1,134	<b>INTERIMS</b>					
Divisional gross loans	45,279	46,216	43,771	44,646	45,539	2H18	1H19	2H19	1H20	2H20e	
Provisions	-201	-233	-339	-306	-263	Net interest income	490	476	485	483	471
Other gross loans / inter div.	0	0	0	0	0	Other banking income	70	65	63	58	51
Other IEA	5,472	7,098	6,401	6,924	7,488	<b>Total banking income</b>	<b>560</b>	<b>541</b>	<b>548</b>	<b>541</b>	<b>523</b>
Intangibles	875	924	894	858	808	Funds management income	0	0	0	0	0
PP&E	57	52	168	168	168	Insurance income	0	0	0	0	0
Insurance assets	0	0	0	0	0	<b>Total operating income</b>	<b>560</b>	<b>541</b>	<b>548</b>	<b>541</b>	<b>523</b>
Other assets	286	266	274	274	274	Operating expenses	-265	-268	-282	-292	-282
<b>Total assets</b>	<b>52,980</b>	<b>55,597</b>	<b>52,303</b>	<b>53,698</b>	<b>55,149</b>	Impairment expenses	-19	-30	-44	-30	-122
Divisional deposits	38,017	38,337	38,509	39,664	40,854	<b>Net profit before income tax</b>	<b>276</b>	<b>243</b>	<b>222</b>	<b>219</b>	<b>119</b>
Other borrowings	10,686	12,958	8,998	9,173	9,338	Corporate tax expense	-86	-76	-69	-68	-36
Other liabilities	421	443	562	562	562	Minority interests	0	0	0	0	0
<b>Total liabilities</b>	<b>49,124</b>	<b>51,738</b>	<b>48,069</b>	<b>49,400</b>	<b>50,754</b>	<b>Cash earnings after tax</b>	<b>190</b>	<b>167</b>	<b>153</b>	<b>151</b>	<b>83</b>
Ordinary share capital	3,418	3,497	3,868	3,909	3,946	Adjustments	0	0	0	0	0
Other equity instruments	0	0	0	0	0	- Amort'n of acquisition FVA	-2	-4	-2	-2	-2
Reserves	38	213	178	178	178	- H/O restructuring & other costs	0	0	-1	-15	-49
Retained profits	400	149	188	212	271	- NSW OMB restructuring costs	0	0	0	0	0
Minority interests	0	0	0	0	0	- Integration/DD costs	-1	0	0	0	0
<b>Total shareholders' equity</b>	<b>3,856</b>	<b>3,859</b>	<b>4,234</b>	<b>4,299</b>	<b>4,395</b>	- Gain on VISA IPO	0	0	0	0	0
<b>Total sh. equity &amp; liabs.</b>	<b>52,980</b>	<b>55,597</b>	<b>52,303</b>	<b>53,698</b>	<b>55,149</b>	- Other	-25	-7	-8	-41	-9
WANOS - statutory (m)	393	402	441	458	464	<b>Statutory NPAT</b>	<b>162</b>	<b>156</b>	<b>142</b>	<b>93</b>	<b>23</b>
WANOS - dil. normalised (m)	442	459	510	527	533	Add: RePS dividends & other	0	0	0	0	0
						Add: convertible note dividends	0	0	0	0	0
						Add: PEPS dividends	0	0	0	0	0
						Add: Distributions & other	40	21	22	67	70
						<b>Cash earnings after tax (diluted)</b>	<b>202</b>	<b>177</b>	<b>164</b>	<b>160</b>	<b>93</b>
						EPS (cash basis) (cps)	48	42	38	35	18
						Return on equity	9.9%	8.8%	7.8%	7.5%	3.9%
						Net interest margin	1.98%	1.94%	1.92%	1.89%	1.88%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Table 12 – CBA

Commonwealth Bank						Share Price (A\$)					66.17
As at						Market Cap (A\$M)					117,137
15-Sep-20											
<b>PROFIT AND LOSS</b>											
<b>Y/e June 30 (\$m)</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>	<b>Y/e June 30</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
Net interest income	18,224	18,610	18,692	19,039	19,405	NPAT (cash basis) (\$m)	8,706	7,449	6,885	8,043	8,674
Other banking income	4,951	4,837	4,691	4,804	4,913	<b>NPAT (cash basis, continuing) (\$m)</b>	<b>8,221</b>	<b>7,296</b>	<b>6,885</b>	<b>8,043</b>	<b>8,674</b>
<b>Total banking income</b>	<b>23,175</b>	<b>23,447</b>	<b>23,383</b>	<b>23,843</b>	<b>24,318</b>	EPS (statutory basis) (cps)	486	545	391	454	488
Funds management income	255	172	150	158	163	- Growth	-9%	12%	-28%	16%	7%
Insurance income	147	139	216	216	216	EPS (cash basis) (cps)	493	421	388	452	485
<b>Total operating income</b>	<b>23,577</b>	<b>23,758</b>	<b>23,749</b>	<b>24,217</b>	<b>24,696</b>	- Growth	-8%	-15%	-8%	16%	7%
Operating expenses	-10,824	-10,895	-10,620	-10,638	-10,632	<b>EPS (cash basis, continuing) (cps)</b>	<b>466</b>	<b>412</b>	<b>388</b>	<b>452</b>	<b>485</b>
Loan impairment expense	-1,201	-2,518	-3,340	-2,137	-1,724	- Growth	-9%	-11%	-6%	16%	7%
<b>Net profit before income tax</b>	<b>11,552</b>	<b>10,345</b>	<b>9,789</b>	<b>11,441</b>	<b>12,340</b>	P / E ratio (times)	13.4	15.7	17.0	14.6	13.6
Corporate tax expense	-3,321	-3,052	-2,910	-3,404	-3,672	P / Book ratio (times)	1.7	1.6	1.5	1.5	1.4
Minority interests	-12	0	0	0	0	P / NTA ratio (times)	1.9	1.8	1.7	1.6	1.5
Net profit after tax from discontinued operations	485	153	0	0	0	Net DPS (cps)	431	298	243	310	330
Investment experience	2	3	6	6	6	Yield	6.5%	4.5%	3.7%	4.7%	5.0%
<b>NPAT (cash basis)</b>	<b>8,706</b>	<b>7,449</b>	<b>6,885</b>	<b>8,043</b>	<b>8,674</b>	Franking	100%	100%	100%	100%	100%
Adjustments	-135	2,185	40	40	40	<b>Payout (cash basis, target 70-80%)</b>	<b>87%</b>	<b>71%</b>	<b>63%</b>	<b>69%</b>	<b>68%</b>
<b>NPAT (statutory basis)</b>	<b>8,571</b>	<b>9,634</b>	<b>6,925</b>	<b>8,083</b>	<b>8,714</b>	<b>CAPITAL ADEQUACY</b>					
<b>CASHFLOW</b>											
<b>Y/e June 30 (\$m)</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>	<b>Y/e June 30</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
NPAT (cash basis)	8,706	7,449	6,885	8,043	8,674	Risk weighted assets (\$m)	452,762	454,948	467,457	481,861	496,223
Increase in loans	-8,259	-17,572	-14,349	-19,202	-18,133	Average risk weight	48%	47%	47%	47%	47%
Increase in other assets	-1,426	-3,010	-11,059	-11,747	-12,452	<b>Tier 1 ratio</b>	<b>12.7%</b>	<b>13.9%</b>	<b>14.2%</b>	<b>14.4%</b>	<b>14.7%</b>
Capital expenditure	193	-3,219	-169	-174	-180	<b>CET1 capital ratio</b>	<b>10.7%</b>	<b>11.6%</b>	<b>11.9%</b>	<b>12.2%</b>	<b>12.5%</b>
<b>Investing cashflow</b>	<b>-9,492</b>	<b>-23,801</b>	<b>-25,577</b>	<b>-31,123</b>	<b>-30,765</b>	Total capital ratio	15.5%	17.5%	17.7%	17.8%	18.0%
Increase in deposits & borrowings	32,083	66,840	22,528	22,307	21,802	Equity ratio	7.1%	7.1%	7.3%	7.4%	7.5%
Increase in other liabilities	-32,535	-31,646	-671	5,452	5,392	<b>DIVISIONAL</b>					
Ordinary equity raised	0	0	0	0	0	<b>Y/e June 30 (\$m)</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
Other	-5,792	-4,064	-3,165	-4,680	-5,103	<b>Retail Banking Services (underlying)</b>					
<b>Financing cashflow</b>	<b>-6,244</b>	<b>31,130</b>	<b>18,692</b>	<b>23,080</b>	<b>22,092</b>	Net interest income	8,754	9,389	9,307	9,446	9,597
Net change in cash	-7,030	14,778	0	0	0	Other income	1,632	1,421	1,489	1,525	1,561
<b>Cash at end of period</b>	<b>29,387</b>	<b>44,165</b>	<b>44,165</b>	<b>44,165</b>	<b>44,165</b>	<b>Total banking income</b>	<b>10,386</b>	<b>10,810</b>	<b>10,796</b>	<b>10,971</b>	<b>11,158</b>
<b>BALANCE SHEET</b>											
<b>Y/e June 30 (\$m)</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>	Operating expenses	-4,139	-4,191	-4,140	-4,101	-4,059
Cash and liquid assets	29,387	44,165	44,165	44,165	44,165	Loan impairment expense	-672	-1,010	-1,523	-1,139	-845
Divisional gross loans	753,740	772,876	788,300	807,067	825,035	<b>Net profit before tax</b>	<b>5,575</b>	<b>5,609</b>	<b>5,133</b>	<b>5,731</b>	<b>6,254</b>
Provisions	-4,799	-6,363	-7,439	-7,004	-6,838	Corporate tax expense	-1,668	-1,679	-1,540	-1,719	-1,876
Divisional IEA	45,309	59,003	60,582	62,075	63,436	<b>Cash net profit after tax</b>	<b>3,907</b>	<b>3,930</b>	<b>3,593</b>	<b>4,011</b>	<b>4,378</b>
Other IEA & other loans	114,228	116,182	125,663	135,917	147,008	Home loans	369,236	388,565	394,815	402,711	410,765
Intangibles	7,965	6,944	6,944	6,944	6,944	Consumer & other loans	15,274	12,929	13,188	13,451	13,720
PP&E	2,383	5,602	5,771	5,946	6,125	Deposits	218,803	228,620	235,479	242,543	249,819
Insurance assets	0	0	0	0	0	Deposits non bearing interest	23,940	33,444	34,447	35,481	36,545
Other assets	28,289	15,650	15,650	15,650	15,650	<b>B&amp;PB / IB&amp;M</b>					
<b>Total assets</b>	<b>976,502</b>	<b>1,014,060</b>	<b>1,039,637</b>	<b>1,070,760</b>	<b>1,101,525</b>	Net interest income	7,188	7,057	7,141	7,276	7,421
Divisional deposits & borrowings	635,394	702,234	724,762	747,069	768,871	Other income	2,471	2,462	2,350	2,410	2,470
Other borrowings	258,097	222,392	221,721	227,173	232,566	<b>Total banking income</b>	<b>9,659</b>	<b>9,519</b>	<b>9,491</b>	<b>9,685</b>	<b>9,891</b>
Other liabilities	13,362	17,421	17,421	17,421	17,421	Operating expenses	-3,618	-3,628	-3,674	-3,693	-3,712
<b>Total liabilities</b>	<b>906,853</b>	<b>942,047</b>	<b>963,904</b>	<b>991,663</b>	<b>1,018,858</b>	Loan impairment expense	-401	-1,161	-1,024	-836	-710
Ordinary share capital	38,020	38,131	38,487	39,011	39,583	<b>Net profit before tax</b>	<b>5,640</b>	<b>4,730</b>	<b>4,794</b>	<b>5,156</b>	<b>5,470</b>
Other equity instruments	0	0	0	0	0	Corporate tax expense	-1,592	-1,421	-1,438	-1,547	-1,641
Reserves	3,092	2,666	2,666	2,666	2,666	<b>Cash net profit after tax</b>	<b>4,048</b>	<b>3,309</b>	<b>3,355</b>	<b>3,609</b>	<b>3,829</b>
Retained profits	28,482	31,211	34,575	37,414	40,414	Loans	287,227	289,424	293,691	299,565	305,556
Minority interests	55	5	5	5	5	Other IEA	37,189	48,147	49,110	50,092	51,094
<b>Total shareholders' equity</b>	<b>69,649</b>	<b>72,013</b>	<b>75,733</b>	<b>79,097</b>	<b>82,667</b>	IBL	273,854	304,129	313,253	322,650	332,330
<b>Total sh. equity &amp; liabs.</b>	<b>976,502</b>	<b>1,014,060</b>	<b>1,039,637</b>	<b>1,070,760</b>	<b>1,101,525</b>	Deposits non bearing interest	42,180	58,846	60,611	62,430	64,303
<b>WANOS - statutory (m)</b>	<b>1,765</b>	<b>1,769</b>	<b>1,773</b>	<b>1,779</b>	<b>1,787</b>	<b>Wealth Management</b>					
<b>WANOS - cash (m)</b>	<b>1,766</b>	<b>1,769</b>	<b>1,773</b>	<b>1,779</b>	<b>1,787</b>	Funds management income	0	0	0	0	0
<b>PROFITABILITY RATIOS</b>											
<b>Y/e June 30</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>	Insurance income	0	0	0	0	0
Return on assets (continuing)	0.8%	0.7%	0.7%	0.8%	0.8%	<b>Total operating income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Return on equity (continuing)</b>	<b>12.1%</b>	<b>10.3%</b>	<b>9.3%</b>	<b>10.4%</b>	<b>10.7%</b>	Volume expenses	0	0	0	0	0
Leverage ratio	5.9%	6.3%	6.4%	6.5%	6.7%	Operating expenses	0	0	0	0	0
<b>Net interest margin (continuing)</b>	<b>2.09%</b>	<b>2.07%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>Net profit before tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Cost / income ratio	46%	46%	45%	44%	43%	Corporate tax expense	0	0	0	0	0
Cost / average assets	1.11%	1.09%	1.03%	1.00%	0.97%	Investment experience	0	0	0	0	0
Growth in operating income	-5%	1%	0%	2%	2%	<b>Cash net profit after tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Growth in operating expenses	-2%	1%	-3%	0%	0%	FUA	155,468	160,132	164,936	169,884	174,981
<b>Jaws</b>	<b>-4%</b>	<b>0%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>New Zealand</b>					
<b>ASSET QUALITY</b>											
<b>Y/e June 30</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>	Net interest income	1,909	1,927	1,993	2,065	2,135
Loan impairment expense / GLA	0.16%	0.33%	0.42%	0.26%	0.21%	Other income	442	375	399	418	429
Loan impairment expense / RWA	0.27%	0.55%	0.71%	0.44%	0.35%	<b>Total banking income</b>	<b>2,351</b>	<b>2,302</b>	<b>2,392</b>	<b>2,483</b>	<b>2,564</b>
<b>Total provisions (\$m)</b>	<b>4,799</b>	<b>6,363</b>	<b>7,439</b>	<b>7,004</b>	<b>6,838</b>	Funds management income	130	136	134	142	147
Total provisions / RWA	1.06%	1.40%	1.59%	1.45%	1.38%	Insurance income	0	0	0	0	0
Indiv ass prov / gross imp assets	25%	27%	30%	30%	30%	<b>Total operating income</b>	<b>2,481</b>	<b>2,438</b>	<b>2,526</b>	<b>2,624</b>	<b>2,711</b>
IBL / IEA	98%	98%	98%	98%	97%	Operating expenses	-912	-1,021	-1,007	-1,044	-1,062
<b>Total provisions + GRCL / GLA</b>	<b>0.64%</b>	<b>0.82%</b>	<b>0.94%</b>	<b>0.87%</b>	<b>0.83%</b>	Loan impairment expense	-102	-292	-193	-163	-168
<b>Effective tax rate</b>											
<b>Payout (statutory)</b>											
							29%	30%	30%	30%	30%
							89%	55%	62%	68%	68%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Table 13 – MQG

Macquarie Group						Share Price (A\$)					120.20
As at						Market Cap (A\$M)					43,453
15-Sep-20											
<b>PROFIT AND LOSS</b>						<b>VALUATION DATA</b>					
<b>Y/e March 31 (\$m)</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>	<b>Y/e March 31</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
Net interest income	1,760	1,859	2,169	2,271	2,426	Profit attributable to ordinary equity holders of MQG (\$m)	2,982	2,731	2,045	2,628	3,052
Net trading income	2,791	2,861	2,574	2,860	2,910	EPS (cps)	883	791	573	745	870
Fee & commission income						- Growth	17%	-10%	-28%	30%	17%
- Base fees	1,778	2,021	1,961	2,022	2,123	EPS (diluted) (cps)	868	765	562	715	826
- Performance fees	765	821	709	731	768	- Growth	17%	-12%	-26%	27%	16%
- M&A, advisory & u/w fees	1,023	951	802	812	837	P / E ratio (times)	13.6	15.2	21.0	16.1	13.8
- Brokerage & commissions	1,222	1,271	1,278	1,316	1,355	P / Book ratio (times)	2.4	2.0	1.9	1.8	1.7
- Other fee and commission income	492	457	474	492	512	P / NTA ratio (times)	2.7	2.3	2.2	2.1	2.0
- Income from life business, etc.	0	0	0	0	0	Dividend per ordinary share (cps)	575	430	335	440	530
- Other revenue	3,422	2,892	2,496	2,524	2,571	Yield	4.8%	3.6%	2.8%	3.7%	4.4%
<b>Net operating income</b>	<b>13,253</b>	<b>13,133</b>	<b>12,462</b>	<b>13,029</b>	<b>13,501</b>	Franking	45%	40%	40%	40%	40%
Total operating expenses	-8,887	-8,871	-9,006	-9,066	-9,241	Payout (target 60-80%)	65%	54%	58%	59%	61%
Net credit & other impairment charges	-499	-808	-793	-545	-294						
<b>Operating profit before income tax</b>	<b>3,867</b>	<b>3,454</b>	<b>2,664</b>	<b>3,418</b>	<b>3,967</b>						
Income tax expense	-879	-728	-605	-776	-900						
Loss/(profit) attributable to non-controlling interests	-6	5	-14	-14	-14						
<b>Profit attributable to ordinary equity holders of MQG</b>	<b>2,982</b>	<b>2,731</b>	<b>2,045</b>	<b>2,628</b>	<b>3,052</b>						
Adjustment	67	102	98	98	98						
<b>Profit used in calculating diluted EPS (2012+)</b>	<b>3,049</b>	<b>2,833</b>	<b>2,143</b>	<b>2,726</b>	<b>3,150</b>						
<b>CASHFLOW</b>						<b>CAPITAL ADEQUACY</b>					
<b>Y/e March 31 (\$m)</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>	<b>Y/e March 31</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
NPAT (reported basis)	2,982	2,731	2,045	2,628	3,052	Risk weighted assets (\$m)	77,517	95,618	101,943	108,077	113,873
Increase in loans	15,448	-12,312	-7,341	-6,496	-5,297	Average risk weight	49%	46%	46%	46%	46%
Increase in other assets	-26,991	-35,861	-5,959	-6,445	-6,971	<b>Tier 1 ratio</b>	<b>13.5%</b>	<b>13.6%</b>	<b>13.7%</b>	<b>14.1%</b>	<b>14.6%</b>
Capital expenditure	6,725	-343	-152	-157	-162	<b>CET1 capital ratio (Bank)</b>	<b>11.4%</b>	<b>12.2%</b>	<b>12.4%</b>	<b>12.9%</b>	<b>13.4%</b>
<b>Investing cashflow</b>	<b>-4,818</b>	<b>-48,516</b>	<b>-13,452</b>	<b>-13,098</b>	<b>-12,430</b>	Equity ratio	9.3%	8.5%	8.5%	8.5%	8.6%
Increase in deposits & borrowings	7,700	10,500	7,029	6,384	5,412						
Increase in other liabilities	-1,452	44,125	5,406	5,451	5,685						
Ordinary equity raised	0	1,670	0	0	0						
Other	-3,836	-2,218	-1,028	-1,364	-1,719						
<b>Financing cashflow</b>	<b>2,412</b>	<b>54,077</b>	<b>11,407</b>	<b>10,470</b>	<b>9,378</b>						
Net change in cash	576	8,292	0	0	0						
<b>Cash at end of period</b>	<b>39,135</b>	<b>47,427</b>	<b>47,427</b>	<b>47,427</b>	<b>47,427</b>						
<b>BALANCE SHEET</b>						<b>DIVISIONAL</b>					
<b>Y/e March 31 (\$m)</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>	<b>Y/e March 31 (\$m)</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
Cash and liquid assets	39,135	47,427	47,427	47,427	47,427	<b>Macquarie Securities</b>					
Divisional gross loans	62,500	75,300	82,830	89,456	94,824	Net trading income					
Provisions	-618	-1,106	-1,295	-1,426	-1,496	Brokerage & commissions					
Other IEA	68,422	73,026	78,985	85,430	92,401	Other revenue					
Intangibles	2,031	3,268	3,268	3,268	3,268	<b>Total operating income</b>					
PP&E	4,701	5,044	5,196	5,354	5,515	Operating expenses					
Insurance assets	0	0	0	0	0	<b>Net profit contribution b/4 OEI</b>					
Other assets	21,586	52,843	52,843	52,843	52,843	Cost ratio					
<b>Total assets</b>	<b>197,757</b>	<b>255,802</b>	<b>269,254</b>	<b>282,352</b>	<b>294,782</b>	<b>Macquarie Capital</b>					
Divisional deposits	53,400	63,900	70,929	77,313	82,724	M&A, advisory & u/w fees	1,023	951	802	812	837
Other borrowings	103,986	148,667	154,073	159,524	165,208	Other revenue	1,994	1,222	979	992	1,063
Other liabilities	22,007	21,451	21,451	21,451	21,451	<b>Total operating income</b>	<b>3,017</b>	<b>2,173</b>	<b>1,781</b>	<b>1,804</b>	<b>1,900</b>
<b>Total liabilities</b>	<b>179,393</b>	<b>234,018</b>	<b>246,453</b>	<b>258,287</b>	<b>269,384</b>	Operating expenses	-1,073	-1,168	-1,083	-1,011	-1,005
Ordinary share capital	6,174	7,844	7,844	7,844	7,844	Impairment expenses	-183	-267	-425	-233	-100
Other equity instruments	7	7	7	7	7	<b>Net profit contribution b/4 OEI</b>	<b>1,761</b>	<b>738</b>	<b>274</b>	<b>560</b>	<b>794</b>
Reserves	1,773	2,773	2,773	2,773	2,773	Cost ratio	36%	54%	61%	56%	53%
Retained profits	9,807	10,439	11,456	12,720	14,054	<b>Macquarie Asset Management</b>					
Minority interests	603	721	721	721	721	Base fees	1,778	2,021	1,961	2,022	2,123
<b>Total shareholders' equity</b>	<b>18,364</b>	<b>21,784</b>	<b>22,801</b>	<b>24,065</b>	<b>25,399</b>	Performance fees	765	821	709	731	768
<b>Total sh. equity &amp; liabs.</b>	<b>197,757</b>	<b>255,802</b>	<b>269,254</b>	<b>282,352</b>	<b>294,782</b>	Other revenue	784	890	569	569	569
<b>WANOS - statutory (m)</b>	<b>324</b>	<b>333</b>	<b>340</b>	<b>340</b>	<b>340</b>	<b>Total operating income</b>	<b>3,327</b>	<b>3,732</b>	<b>3,240</b>	<b>3,322</b>	<b>3,460</b>
<b>WANOS - diluted (m)</b>	<b>351</b>	<b>371</b>	<b>381</b>	<b>381</b>	<b>381</b>	Operating expenses	-1,453	-1,554	-1,505	-1,515	-1,541
						Impairment expenses	0	0	0	0	0
						<b>Net profit contribution b/4 OEI</b>	<b>1,874</b>	<b>2,178</b>	<b>1,735</b>	<b>1,807</b>	<b>1,919</b>
						Cost ratio	44%	42%	46%	46%	45%
						<b>Commodities and Global Markets</b>					
						Net trading income	2,940	2,939	2,720	2,900	2,950
						Other revenue	1,659	1,764	1,785	1,839	1,894
						<b>Total operating income</b>	<b>4,599</b>	<b>4,703</b>	<b>4,505</b>	<b>4,739</b>	<b>4,844</b>
						Operating expenses	-2,689	-2,699	-2,775	-2,876	-2,906
						Impairment expenses	-165	-258	-54	-58	-59
						<b>Net profit contribution b/4 OEI</b>	<b>1,745</b>	<b>1,746</b>	<b>1,675</b>	<b>1,805</b>	<b>1,879</b>
						Cost ratio	58%	57%	62%	61%	60%
						<b>Corporate &amp; Asset Finance</b>					
						Net interest income					
						Net operating lease income					
						Other revenue					
						<b>Total operating income</b>					
						Operating expenses					
						Impairment expenses					
						<b>Net profit contribution b/4 OEI</b>					
						Cost ratio					
						<b>Banking &amp; Financial Services</b>					
						Net interest income	1,678	1,728	1,805	1,907	2,022
						Base fees	0	0	0	0	0
						Commission income	492	457	474	492	512
						Other revenue	0	0	0	0	0
						<b>Total operating income</b>	<b>2,170</b>	<b>2,185</b>	<b>2,279</b>	<b>2,400</b>	<b>2,534</b>
						Operating expenses	-1,347	-1,267	-1,284	-1,303	-1,355
						Impairment expenses	-67	-148	-314	-254	-135
						<b>Net profit contribution b/4 OEI</b>	<b>756</b>	<b>770</b>	<b>681</b>	<b>843</b>	<b>1,044</b>
						Cost ratio	62%	58%	56%	54%	53%
						<b>Compensation ratio</b>	<b>39%</b>	<b>41%</b>	<b>41%</b>	<b>39%</b>	<b>38%</b>
						<b>Net profit contribution b/4 OEI</b>					
						Annuity-style businesses	2,630	2,948	2,415	2,650	2,962
						Capital markets facing businesses	3,506	2,484	1,949	2,365	2,673
						<b>Combined net profit contribution</b>	<b>6,136</b>	<b>5,432</b>	<b>4,364</b>	<b>5,015</b>	<b>5,635</b>

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Table 14 – MYS

MyState Limited						Share Price (A\$)					3.65	
As at						15-Sep-20					Market Cap (A\$M)	336
<b>PROFIT AND LOSS</b>						<b>VALUATION DATA</b>						
Y/e June 30 (\$m)	2019	2020	2021e	2022e	2023e	Y/e June 30	2019	2020	2021e	2022e	2023e	
Net interest income	89.4	99.5	108.6	106.8	108.1	NPAT (cash - continuing) (\$m)	33.4	33.8	39.3	38.4	38.6	
Non-interest income (banking)	15.7	13.7	13.7	14.0	14.4	EPS (statutory - continuing) (cps)	32.8	32.9	38.8	37.6	37.5	
<b>Total banking income</b>	<b>105.1</b>	<b>113.2</b>	<b>122.2</b>	<b>120.9</b>	<b>122.5</b>	- Growth	-5%	0%	18%	-3%	0%	
Wealth management activities	15.3	15.6	15.0	16.2	16.7	EPS (cash - continuing) (cps)	36.8	37.0	42.8	41.5	41.4	
Profit from sale of other investments	0.0	0.0	0.0	0.0	0.0	- Growth	-3%	0%	16%	-3%	0%	
Income from other activities	0.0	0.0	0.0	0.0	0.0	P / E ratio (times)	9.9	9.9	8.5	8.8	8.8	
Other revenue	0.0	0.0	0.0	0.0	0.0	P / Book ratio (times)	1.0	1.0	0.9	0.9	0.9	
<b>Total operating income</b>	<b>120.4</b>	<b>128.9</b>	<b>137.3</b>	<b>137.0</b>	<b>139.1</b>	P / NTA ratio (times)	1.4	1.3	1.2	1.1	1.1	
Fees and commissions	0.0	0.0	0.0	0.0	0.0	Net DPS (cps)	28.8	14.3	23.0	23.4	23.6	
SAW	-35.7	-37.4	-38.5	-39.7	-40.9	Yield	7.9%	3.9%	6.3%	6.4%	6.5%	
Amortisation expense	-5.1	-5.4	-5.2	-5.2	-5.2	Franking	100%	100%	100%	100%	100%	
G&A expenses	-37.2	-38.2	-39.3	-40.5	-41.7	Payout (reported, target 60-80%)	88%	43%	59%	62%	63%	
Underwriting expenses	0.0	0.0	0.0	0.0	0.0	<b>CAPITAL ADEQUACY</b>						
Other expenses	0.0	0.0	0.0	0.0	0.0	Y/e June 30	2019	2020	2021e	2022e	2023e	
Impairment expenses	0.2	-4.9	-3.2	-1.9	-1.4	Risk weighted assets (\$m)	1,854	1,939	1,990	2,042	2,097	
<b>Net profit before income tax</b>	<b>42.6</b>	<b>43.0</b>	<b>51.0</b>	<b>49.7</b>	<b>50.0</b>	Average risk weight	33%	33%	33%	33%	33%	
Corporate tax expense	-12.8	-12.9	-15.3	-14.9	-15.0	<b>Tier 1 ratio</b>	<b>11.1%</b>	<b>11.1%</b>	<b>11.6%</b>	<b>12.1%</b>	<b>12.5%</b>	
Minority interests	0.0	0.0	0.0	0.0	0.0	<b>CET1 capital ratio</b>	<b>11.1%</b>	<b>11.1%</b>	<b>11.6%</b>	<b>12.1%</b>	<b>12.5%</b>	
<b>NPAT (statutory - continuing)</b>	<b>29.8</b>	<b>30.1</b>	<b>35.7</b>	<b>34.8</b>	<b>35.0</b>	Total capital ratio	12.9%	13.0%	13.5%	13.9%	14.3%	
Adjustments						Equity ratio	5.7%	5.5%	5.8%	5.9%	6.0%	
- Dividends on preference shares	0.0	0.0	0.0	0.0	0.0	<b>PROFITABILITY RATIOS</b>						
- Other distributions	0.0	0.0	0.0	0.0	0.0	Y/e June 30	2019	2020	2021e	2022e	2023e	
- Amortisation expense & other	3.6	3.7	3.6	3.6	3.6	Return on assets (statutory)	0.6%	0.5%	0.6%	0.5%	0.5%	
<b>NPAT (cash - continuing)</b>	<b>33.4</b>	<b>33.8</b>	<b>39.3</b>	<b>38.4</b>	<b>38.6</b>	<b>Return on equity (statutory)</b>	<b>9.3%</b>	<b>9.1%</b>	<b>10.2%</b>	<b>9.4%</b>	<b>9.1%</b>	
<b>CASHFLOW</b>						Leverage ratio	3.7%	3.6%	3.8%	3.9%	4.0%	
Y/e June 30 (\$m)	2019	2020	2021e	2022e	2023e	<b>Net interest margin</b>	<b>1.80%</b>	<b>1.85%</b>	<b>1.82%</b>	<b>1.75%</b>	<b>1.73%</b>	
NPAT (statutory basis)	30	30	36	35	35	Cost / income ratio	65%	63%	60%	62%	63%	
Increase in loans	-488	-231	-109	-108	-110	Cost / average assets	1.41%	1.36%	1.34%	1.34%	1.34%	
Increase in other assets	-50	-103	-47	-51	-55	Growth in operating income	0%	7%	7%	0%	2%	
Capital expenditure	1	-14	-1	-1	-1	Growth in operating expenses	3%	4%	3%	3%	3%	
<b>Investing cashflow</b>	<b>-537</b>	<b>-347</b>	<b>-157</b>	<b>-160</b>	<b>-166</b>	<b>Jaws</b>	<b>-3%</b>	<b>3%</b>	<b>4%</b>	<b>-3%</b>	<b>-1%</b>	
Increase in deposits & borrowings	369	206	126	130	134	Effective tax rate	30%	30%	30%	30%	30%	
Increase in other liabilities	168	170	3	14	16	<b>ASSET QUALITY</b>						
Ordinary equity raised	0	0	0	0	0	Y/e June 30	2019	2020	2021e	2022e	2023e	
Other	-18	-23	-8	-19	-19	Impairment expense / GLA	0.00%	0.09%	0.06%	0.03%	0.02%	
<b>Financing cashflow</b>	<b>519</b>	<b>353</b>	<b>121</b>	<b>125</b>	<b>131</b>	Impairment expense / RWA	-0.01%	0.25%	0.16%	0.09%	0.07%	
Net change in cash	12	37	0	0	0	<b>Total provisions + GRCL (\$m)</b>	<b>5</b>	<b>9</b>	<b>6</b>	<b>6</b>	<b>6</b>	
<b>Cash at end of period</b>	<b>80</b>	<b>117</b>	<b>117</b>	<b>117</b>	<b>117</b>	Total provisions + GRCL / RWA	0.28%	0.48%	0.32%	0.29%	0.29%	
<b>BALANCE SHEET</b>						Total provisions + GRCL / loans	0.10%	0.18%	0.12%	0.11%	0.11%	
Y/e June 30 (\$m)	2019	2020	2021e	2022e	2023e	Indiv ass prov / gross imp assets	48%	48%	48%	48%	48%	
Cash and liquid assets	80	117	117	117	117	IBL / IEA	97%	98%	97%	97%	97%	
Divisional gross loans	5,055	5,293	5,399	5,507	5,617	<b>INTERIMS</b>						
Provisions	-2	-9	-6	-6	-6	1H19	2H19	1H20	2H20	1H21e		
Other gross loans / inter div.	0	0	0	0	0	Net interest income	44.1	45.2	48.2	51.4	54.7	
Other IEA	478	577	624	675	730	Non-interest income (banking)	7.4	8.3	7.0	6.7	6.8	
Intangibles	85	84	84	84	84	<b>Total banking income</b>	<b>51.5</b>	<b>53.6</b>	<b>55.1</b>	<b>58.1</b>	<b>61.5</b>	
PP&E	6	19	20	21	21	Wealth management activities	7.8	7.5	8.2	7.4	7.7	
Insurance assets	0	0	0	0	0	Profit from sale of other investments	0.0	0.0	0.0	0.0	0.0	
Other assets	12	15	15	15	15	Income from other activities	0.0	0.0	0.0	0.0	0.0	
<b>Total assets</b>	<b>5,713</b>	<b>6,096</b>	<b>6,252</b>	<b>6,412</b>	<b>6,578</b>	Other revenue	0.0	0.0	0.0	0.0	0.0	
Divisional deposits	3,994	4,201	4,327	4,456	4,590	<b>Total operating income</b>	<b>59.4</b>	<b>61.1</b>	<b>63.3</b>	<b>65.5</b>	<b>69.2</b>	
Other borrowings	1,375	1,530	1,533	1,547	1,564	Fees and commissions	0.0	0.0	0.0	0.0	0.0	
Other liabilities	16	31	31	31	31	SAW	-18.0	-17.6	-19.1	-18.4	-19.6	
<b>Total liabilities</b>	<b>5,385</b>	<b>5,761</b>	<b>5,891</b>	<b>6,035</b>	<b>6,185</b>	Amortisation expense	-2.4	-2.7	-2.8	-2.6	-2.6	
Ordinary share capital	149	153	154	157	159	G&A expenses	-18.7	-18.5	-19.3	-18.9	-19.9	
Other equity instruments	0	0	0	0	0	Underwriting expenses	0.0	0.0	0.0	0.0	0.0	
Reserves	0	-1	0	0	0	Other expenses	0.0	0.0	0.0	0.0	0.0	
GRCL	3	0	0	0	0	Impairment expenses	0.4	-0.2	-0.6	-4.3	-1.6	
Retained profits	176	182	208	221	234	<b>Net profit before income tax</b>	<b>20.5</b>	<b>22.1</b>	<b>21.6</b>	<b>21.4</b>	<b>25.5</b>	
Minority interests	0	0	0	0	0	Corporate tax expense	-6.1	-6.7	-6.5	-6.4	-7.6	
<b>Total shareholders' equity</b>	<b>327</b>	<b>334</b>	<b>362</b>	<b>378</b>	<b>393</b>	Minority interests	0.0	0.0	0.0	0.0	0.0	
<b>Total sh. equity &amp; liabs.</b>	<b>5,713</b>	<b>6,096</b>	<b>6,252</b>	<b>6,412</b>	<b>6,578</b>	<b>NPAT (statutory - continuing)</b>	<b>14.3</b>	<b>15.4</b>	<b>15.1</b>	<b>14.9</b>	<b>17.8</b>	
WANOS - statutory (m)	91	91	92	93	93	Adjustments	0.0	0.0	0.0	0.0	0.0	
WANOS - cash (m)	91	91	92	93	93	- Dividends on preference shares	0.0	0.0	0.0	0.0	0.0	
NPAT (cash, diluted)	33	34	39	38	39	- Other distributions	0.0	0.0	0.0	0.0	0.0	
WANOS - diluted (m)	91	91	92	93	93	- Amortisation expense & other	1.7	1.9	1.9	1.8	1.8	
EPS (cash, diluted) (cps)	37	37	43	42	41	<b>NPAT (cash - continuing)</b>	<b>16.1</b>	<b>17.3</b>	<b>17.1</b>	<b>16.8</b>	<b>19.6</b>	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Table 15 – NAB

National Australia Bank						Share Price (A\$)					17.40
As at						Market Cap (A\$M)					57,248
15-Sep-20											
<b>PROFIT AND LOSS</b>											
<b>Y/e September 30 (\$m)</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>	<b>VALUATION DATA</b>					
Net interest income	13,467	13,614	13,566	13,403	13,328	<b>Y/e September 30</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
Other banking income	3,516	2,754	2,726	2,783	3,138	Cash earnings (\$m)	5,702	5,097	2,752	4,427	5,269
<b>Total banking income</b>	<b>16,983</b>	<b>16,368</b>	<b>16,291</b>	<b>16,186</b>	<b>16,466</b>	EPS (statutory basis) (cps)	201	169	72	131	155
Funds management income	994	853	750	749	771	- Growth	3%	-16%	-58%	83%	18%
Insurance income	0	0	0	0	0	EPS (cash basis) (cps)	210	182	91	133	157
<b>Net operating income</b>	<b>17,977</b>	<b>17,221</b>	<b>17,042</b>	<b>16,935</b>	<b>17,237</b>	- Growth	-16%	-13%	-50%	47%	18%
Operating expenses	-8,992	-9,013	-10,792	-8,209	-8,005	P / E ratio (times)	8.3	9.5	19.1	13.0	11.1
Credit impairment charge	-779	-919	-2,364	-2,504	-1,829	P / Book ratio (times)	1.1	1.0	0.9	0.9	0.8
<b>Cash earnings b4 tax/distributions</b>	<b>8,206</b>	<b>7,289</b>	<b>3,886</b>	<b>6,222</b>	<b>7,403</b>	P / NTA ratio (times)	1.2	1.1	1.0	0.9	0.9
Income tax expense	-2,404	-2,109	-1,089	-1,751	-2,090	Net DPS (cps)	198	166	50	80	100
Outside equity interests	0	0	0	0	0	Yield	11.4%	9.5%	2.8%	4.6%	5.7%
Investment experience	0	0	0	0	0	Franking	100%	100%	100%	100%	100%
Distributions	-100	-83	-44	-44	-44	Payout (cash basis)	94%	91%	54%	60%	63%
<b>Cash earnings</b>	<b>5,702</b>	<b>5,097</b>	<b>2,752</b>	<b>4,427</b>	<b>5,269</b>	<b>CAPITAL ADEQUACY</b>					
Adjustments	-148	-299	-543	-40	-40	<b>Y/e September 30</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
<b>Statutory earnings</b>	<b>5,554</b>	<b>4,798</b>	<b>2,209</b>	<b>4,387</b>	<b>5,229</b>	Risk weighted assets (\$m)	389,684	415,771	429,312	460,073	481,871
<b>CASHFLOW</b>						Average risk weight	52%	53%	50%	52%	53%
<b>Y/e September 30 (\$m)</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>	<b>Tier 1 ratio</b>	<b>12.4%</b>	<b>12.4%</b>	<b>13.5%</b>	<b>13.2%</b>	<b>13.3%</b>
NPAT (cash basis)	5,702	5,097	2,752	4,427	5,269	<b>CET1 capital ratio</b>	<b>10.2%</b>	<b>10.4%</b>	<b>11.9%</b>	<b>11.8%</b>	<b>11.8%</b>
Increase in loans	-23,414	-19,578	4,973	678	-2,186	Total capital ratio	14.1%	14.7%	16.2%	15.7%	15.6%
Increase in other assets	11,661	-16,060	-74,321	-20,797	-22,494	Equity ratio	6.5%	6.6%	6.9%	7.0%	7.2%
Capital expenditure	116	82	-1,208	-70	-72	<b>DIVISIONAL</b>					
<b>Investing cashflow</b>	<b>-11,637</b>	<b>-35,556</b>	<b>-70,556</b>	<b>-20,190</b>	<b>-24,752</b>	<b>Y/e September 30 (\$m)</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
Increase in deposits & borrowings	9,687	10,836	6,413	12,135	13,489	<b>Business/Private/Consumer Banking</b>					
Increase in other liabilities	7,103	26,886	58,653	5,098	8,284	Net interest income	9,503	9,552	9,449	9,155	8,983
Ordinary equity raised	173	147	5,144	147	147	Other operating income	1,615	1,580	1,445	1,390	1,368
Other	-4,666	-2,141	476	-1,618	-2,436	<b>Net operating income</b>	<b>11,118</b>	<b>11,132</b>	<b>10,894</b>	<b>10,545</b>	<b>10,350</b>
<b>Financing cashflow</b>	<b>12,297</b>	<b>35,728</b>	<b>70,685</b>	<b>15,763</b>	<b>19,463</b>	Operating expenses	-4,627	-4,687	-4,822	-4,870	-4,777
Net change in cash	6,362	5,269	2,881	0	0	Credit impairment charge	-478	-650	-739	-1,673	-1,361
<b>Cash at end of period</b>	<b>50,188</b>	<b>55,457</b>	<b>58,338</b>	<b>58,338</b>	<b>58,338</b>	<b>Cash earnings b4 tax/distributions</b>	<b>6,013</b>	<b>5,795</b>	<b>5,333</b>	<b>4,002</b>	<b>4,212</b>
<b>BALANCE SHEET</b>						Income tax expense	-1,813	-1,745	-1,596	-1,201	-1,264
<b>Y/e September 30 (\$m)</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>	<b>Cash earnings</b>	<b>4,200</b>	<b>4,050</b>	<b>3,736</b>	<b>2,801</b>	<b>2,948</b>
Cash and liquid assets	50,188	55,457	58,338	58,338	58,338	Home loans	302,950	303,904	295,158	295,006	294,730
Divisional gross loans	585,330	600,881	597,456	599,106	601,814	Other loans	115,367	118,288	112,991	109,195	105,203
Provisions	-3,729	-4,142	-6,431	-7,918	-7,600	Deposits	253,127	260,459	264,083	274,272	284,835
Other gross loans / inter div.	173	4,613	5,355	4,514	3,673	<b>Corporate and Institutional Banking</b>					
Other IEA	164,733	180,962	254,870	275,667	298,161	Net interest income	1,882	1,827	1,897	1,961	2,002
Intangibles	5,787	5,576	4,696	4,696	4,696	Other operating income	1,451	1,539	1,277	1,170	1,443
PP&E	1,199	1,117	2,325	2,396	2,468	<b>Net operating income</b>	<b>3,333</b>	<b>3,366</b>	<b>3,174</b>	<b>3,131</b>	<b>3,445</b>
Insurance assets	0	0	0	0	0	Operating expenses	-1,297	-1,281	-1,264	-1,254	-1,241
Other assets	2,829	2,660	3,073	3,073	3,073	Credit impairment charge	43	-70	-34	-111	-144
<b>Total assets</b>	<b>806,510</b>	<b>847,124</b>	<b>919,681</b>	<b>939,871</b>	<b>964,624</b>	<b>Cash earnings b4 tax/distributions</b>	<b>2,079</b>	<b>2,015</b>	<b>1,876</b>	<b>1,766</b>	<b>2,060</b>
Divisional deposits	306,669	317,505	323,918	336,053	349,542	Income tax expense	-538	-507	-459	-442	-515
Other borrowings	436,557	460,699	514,253	519,352	527,635	<b>Cash earnings</b>	<b>1,541</b>	<b>1,508</b>	<b>1,417</b>	<b>1,325</b>	<b>1,545</b>
Other liabilities	10,572	13,316	18,415	18,415	18,415	Loans	91,383	97,804	106,083	110,627	115,310
<b>Total liabilities</b>	<b>753,798</b>	<b>791,520</b>	<b>856,586</b>	<b>873,819</b>	<b>895,592</b>	Other IEA	144,617	160,996	162,036	167,093	172,288
Ordinary share capital	33,062	36,762	43,948	44,490	45,236	<b>Weight Management</b>					
Other equity instruments	2,920	1,945	1,945	1,945	1,945	Wealth management income	994	853	750	749	771
Reserves	46	306	870	870	870	Insurance income	0	0	0	0	0
Retained profits	16,673	16,583	16,331	18,746	20,980	<b>Net operating income</b>	<b>994</b>	<b>853</b>	<b>750</b>	<b>749</b>	<b>771</b>
Minority interests	11	8	1	1	1	Wealth management expense	0	0	0	0	0
<b>Total shareholders' equity</b>	<b>52,712</b>	<b>55,604</b>	<b>63,096</b>	<b>66,052</b>	<b>69,032</b>	Other expenses	-649	-629	-634	-634	-634
<b>Total sh. equity &amp; liabs.</b>	<b>806,510</b>	<b>847,124</b>	<b>919,681</b>	<b>939,871</b>	<b>964,624</b>	<b>Cash earnings b4 tax/distributions</b>	<b>345</b>	<b>224</b>	<b>116</b>	<b>115</b>	<b>137</b>
WANOS - statutory (m)	2,709	2,797	3,027	3,319	3,355	Income tax expense	-95	-61	-34	-34	-41
WANOS - cash (m)	2,709	2,797	3,027	3,319	3,355	Investment experience	0	0	0	0	0
<b>PROFITABILITY RATIOS</b>						<b>Cash earnings</b>	<b>250</b>	<b>163</b>	<b>83</b>	<b>80</b>	<b>96</b>
<b>Y/e September 30</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>	FUMA	119,145	120,060	123,662	127,372	131,193
Return on assets	0.7%	0.6%	0.3%	0.5%	0.5%	<b>NZ Banking</b>					
<b>Return on equity</b>	<b>11.7%</b>	<b>9.9%</b>	<b>4.9%</b>	<b>7.1%</b>	<b>8.1%</b>	Net interest income	1,698	1,828	1,876	1,807	1,863
Leverage ratio	6.0%	6.1%	6.3%	6.5%	6.7%	Other operating income	520	571	532	523	528
<b>Net interest margin</b>	<b>1.85%</b>	<b>1.79%</b>	<b>1.75%</b>	<b>1.73%</b>	<b>1.70%</b>	<b>Net operating income</b>	<b>2,218</b>	<b>2,399</b>	<b>2,407</b>	<b>2,330</b>	<b>2,391</b>
Cost / income ratio	50%	52%	63%	48%	46%	Operating expenses	-869	-911	-870	-851	-854
Cost / average assets	1.12%	1.08%	1.17%	0.87%	0.83%	Credit impairment charge	-70	-103	-99	-120	-124
Growth in net operating income	0%	-4%	-1%	-1%	2%	<b>Cash earnings b4 tax/distributions</b>	<b>1,279</b>	<b>1,385</b>	<b>1,438</b>	<b>1,359</b>	<b>1,413</b>
Growth in operating expenses	n/m	n/m	20%	-24%	-2%	Income tax expense	-357	-388	-404	-380	-396
<b>Jaws</b>	<b>n/m</b>	<b>n/m</b>	<b>-21%</b>	<b>23%</b>	<b>4%</b>	Outside equity interests	0	0	0	0	0
Effective tax rate	29%	29%	28%	28%	28%	Investment experience	0	0	0	0	0
<b>ASSET QUALITY</b>						<b>Cash earnings</b>	<b>922</b>	<b>997</b>	<b>1,034</b>	<b>978</b>	<b>1,017</b>
<b>Y/e September 30</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>	Loans	75,630	80,885	83,223	84,278	86,571
<b>Credit impairment charge / GLA</b>	<b>0.13%</b>	<b>0.15%</b>	<b>0.40%</b>	<b>0.42%</b>	<b>0.30%</b>	Deposits	53,542	57,046	59,835	61,781	64,707
Credit impairment charge / RWA	0.20%	0.22%	0.55%	0.54%	0.38%	<b>EX-LARGE NOTABLE ITEMS</b>					
<b>Total provisions (\$m)</b>	<b>3,729</b>	<b>4,142</b>	<b>6,431</b>	<b>7,918</b>	<b>7,600</b>	<b>Y/e September 30 (\$m)</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
Total provisions / RWA	0.96%	1.00%	1.50%	1.72%	1.58%	Cash earnings	5,702	5,097	2,752	4,427	5,269
IAP / GIA	44%	40%	25%	25%	25%	Add back:					
IBL / IEA	100%	99%	98%	98%	98%	- Customer remediation income loss	181	846	310	210	140
<b>Total provisions / GLA</b>	<b>0.64%</b>	<b>0.69%</b>	<b>1.08%</b>	<b>1.32%</b>	<b>1.26%</b>	- Customer remed'n costs, ASIC, etc.	80	602	1,793	0	0
<b>VALUATION DATA</b>						- Restructuring costs	530	0	0	0	0
<b>Y/e September 30</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>	<b>Cash earnings ex-large notable items</b>	<b>6,493</b>	<b>6,545</b>	<b>4,855</b>	<b>4,637</b>	<b>5,409</b>
<b>Cash EPS ex-large notable items</b>	<b>240</b>	<b>234</b>	<b>160</b>	<b>140</b>	<b>161</b>	<b>Cash EPS ex-large notable items</b>	<b>240</b>	<b>234</b>	<b>160</b>	<b>140</b>	<b>161</b>
- Growth	-4%	-2%	-31%	-13%	15%	Operating expenses (underlying)	8,124	8,153	8,232	8,209	8,005
<b>Operating expenses (underlying)</b>	<b>8,124</b>	<b>8,153</b>	<b>8,232</b>	<b>8,209</b>	<b>8,005</b>	Payout (cash basis)	82%	71%	31%	57%	62%
<b>Return on equity (underlying)</b>	<b>13.4%</b>	<b>12.7%</b>	<b>8.6%</b>	<b>7.5%</b>	<b>8.3%</b>	<b>CIR (underlying)</b>	<b>45%</b>	<b>47%</b>	<b>48%</b>	<b>48%</b>	<b>46%</b>

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Table 16 – SUN

Suncorp Group						Share Price (A\$)					
As at						Market Cap (A\$M)					
15-Sep-20						9.01					
11,530											
<b>PROFIT AND LOSS</b>						<b>VALUATION DATA</b>					
Y/e June 30 (\$m)	2019	2020	2021e	2022e	2023e	Y/e June 30	2019	2020	2021e	2022e	2023e
<b>Insurance (Australia)</b>						Cash earnings (\$m)	1,115	749	800	970	1,046
Gross written premium	8,245	8,329	8,391	8,475	8,603	EPS (statutory basis) (cps)	14	72	60	74	80
Net earned premium	7,292	7,265	7,094	7,165	7,273	- Growth	-83%	430%	-16%	22%	8%
Net incurred claims	-5,449	-5,443	-5,129	-5,181	-5,260	EPS (cash basis) (cps)	86	59	63	76	82
Operating expenses	-1,556	-1,572	-1,538	-1,538	-1,544	- Growth	1%	-32%	7%	21%	8%
Investment income - insurance funds	444	247	118	237	240	P / E ratio (times)	10.4	15.3	14.3	11.8	11.0
Insurance trading result	731	497	545	684	708	P / Book ratio (times)	0.9	0.9	0.9	0.9	0.8
Other income	92	49	10	39	75	P / NTA ratio (times)	1.5	1.5	1.5	1.4	1.3
Profit before tax	823	546	555	723	783	Net DPS (cps)	78	36	40	54	58
Income tax	-236	-162	-167	-217	-235	Yield	8.7%	4.0%	4.4%	6.0%	6.4%
<b>General insurance profit after tax</b>	<b>587</b>	<b>384</b>	<b>389</b>	<b>506</b>	<b>548</b>	Franking	100%	100%	100%	100%	100%
<b>Life bus. held for sale profit after tax</b>	<b>23</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	Payout (cash) (ord., target 60-80%)	81%	61%	64%	71%	70%
<b>Insurance (Australia) profit after tax</b>	<b>610</b>	<b>384</b>	<b>389</b>	<b>506</b>	<b>548</b>	Effective tax rate	30%	31%	30%	30%	30%
<b>Banking &amp; Wealth</b>						<b>CAPITAL ADEQUACY</b>					
Net interest income	1,163	1,191	1,092	1,076	1,097	Y/e June 30	2019	2020	2021e	2022e	2023e
Net non-interest income	50	40	55	57	58	Risk weighted assets (\$m)	33,266	33,107	32,032	32,673	33,326
Operating expenses	-682	-705	-653	-640	-627	Average risk weight	56%	57%	57%	57%	57%
Profit before impairment losses on GLA	531	526	494	492	529	<b>Tier 1 ratio</b>	<b>11.0%</b>	<b>11.1%</b>	<b>11.7%</b>	<b>11.9%</b>	<b>12.1%</b>
Impairment losses on GLA	-13	-172	-97	-34	-23	<b>CET1 capital ratio (Bank)</b>	<b>9.3%</b>	<b>9.3%</b>	<b>9.9%</b>	<b>10.1%</b>	<b>10.3%</b>
Bank profit before tax	518	354	397	458	505	Total capital ratio (Bank)	13.4%	13.7%	14.4%	14.5%	14.7%
Income tax	-155	-106	-119	-137	-152	Equity ratio	13.6%	13.4%	13.9%	14.1%	14.2%
<b>Banking profit after tax</b>	<b>363</b>	<b>248</b>	<b>278</b>	<b>321</b>	<b>354</b>	<b>General Insurance CET1 (x PCA)</b>	<b>1.39</b>	<b>1.25</b>	<b>1.51</b>	<b>1.55</b>	<b>1.59</b>
<b>Wealth profit after tax</b>	<b>2</b>	<b>-6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>PROFITABILITY RATIOS</b>					
<b>Banking &amp; Wealth profit after tax</b>	<b>365</b>	<b>242</b>	<b>278</b>	<b>321</b>	<b>354</b>	Y/e June 30	2019	2020	2021e	2022e	2023e
<b>New Zealand</b>						Return on assets	1.1%	0.8%	0.9%	1.0%	1.1%
Gross written premium	1,566	1,623	1,614	1,661	1,678	<b>Return on equity</b>	<b>8.4%</b>	<b>5.9%</b>	<b>6.2%</b>	<b>7.3%</b>	<b>7.7%</b>
Net earned premium	1,317	1,397	1,371	1,411	1,426	Leverage (times)	7.4	7.6	7.2	7.2	7.1
Net incurred claims	-655	-696	-745	-767	-775	<b>Net interest margin (Banking)</b>	<b>1.90%</b>	<b>1.94%</b>	<b>1.92%</b>	<b>1.88%</b>	<b>1.88%</b>
Operating expenses	-417	-443	-457	-470	-475	Cost / income ratio (Banking)	56%	57%	57%	57%	54%
Investment income - insurance funds	21	18	7	16	16	Cost / average assets (Banking)	1.11%	1.15%	1.15%	1.12%	1.07%
Insurance trading result	266	276	177	190	192	Growth in profit after tax from business lines	-4%	-29%	-4%	20%	8%
Other income	15	10	10	10	10	<b>ITR margin</b>	<b>11.6%</b>	<b>8.9%</b>	<b>8.5%</b>	<b>10.2%</b>	<b>10.3%</b>
Profit before tax	281	286	187	200	202	<b>COB</b>	<b>94%</b>	<b>94%</b>	<b>93%</b>	<b>93%</b>	<b>93%</b>
Income tax	-78	-79	-56	-60	-61	Loss ratio	71%	71%	69%	69%	69%
<b>General insurance profit after tax</b>	<b>203</b>	<b>207</b>	<b>131</b>	<b>140</b>	<b>141</b>	<b>GWP growth</b>	<b>2.6%</b>	<b>1.4%</b>	<b>0.5%</b>	<b>1.3%</b>	<b>1.4%</b>
<b>Life insurance profit after tax</b>	<b>41</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>ASSET QUALITY</b>					
<b>New Zealand profit after tax</b>	<b>244</b>	<b>245</b>	<b>169</b>	<b>178</b>	<b>179</b>	Y/e June 30	2019	2020	2021e	2022e	2023e
<b>Profit after tax from business lines</b>	<b>1,218</b>	<b>871</b>	<b>835</b>	<b>1,005</b>	<b>1,081</b>	Impairment expense / GLA	0.02%	0.30%	0.17%	0.06%	0.04%
Other profit (loss) before tax	-121	-146	-50	-50	-50	Impairment expense / RWA	0.04%	0.52%	0.30%	0.10%	0.07%
Income tax	18	24	15	15	15	<b>Total provisions (\$m)</b>	<b>246</b>	<b>382</b>	<b>225</b>	<b>228</b>	<b>231</b>
<b>Other profit (loss) after tax</b>	<b>-103</b>	<b>-122</b>	<b>-35</b>	<b>-35</b>	<b>-35</b>	Total provisions / RWA	0.74%	1.15%	0.70%	0.70%	0.69%
<b>Cash earnings</b>	<b>1,115</b>	<b>749</b>	<b>800</b>	<b>970</b>	<b>1,046</b>	Indiv ass prov / gross imp assets	21%	27%	27%	27%	27%
Amortisation & other (after tax)	-940	164	-32	-32	-32	<b>Total provisions + GRCL / RWA</b>	<b>0.74%</b>	<b>1.15%</b>	<b>0.70%</b>	<b>0.70%</b>	<b>0.69%</b>
<b>Net profit after tax</b>	<b>175</b>	<b>913</b>	<b>768</b>	<b>938</b>	<b>1,014</b>	<b>DIVISIONAL</b>					
<b>CASHFLOW</b>						Y/e June 30 (\$m)	2019	2020	2021e	2022e	2023e
Y/e June 30 (\$m)	2019	2020	2021e	2022e	2023e	<b>Banking</b>					
NPAT (cash basis)	1,115	749	800	970	1,046	Net interest income	1,163	1,191	1,092	1,076	1,097
Increase in loans	-565	1,447	1,726	-1,120	-1,142	Other income	50	40	55	57	58
Increase in other assets	3,319	-813	-491	-57	-66	<b>Total banking income</b>	<b>1,213</b>	<b>1,231</b>	<b>1,147</b>	<b>1,133</b>	<b>1,155</b>
Capital expenditure	3	-368	-17	-18	-18	Operating expenses	-682	-705	-653	-640	-627
<b>Investing cashflow</b>	<b>2,757</b>	<b>266</b>	<b>1,218</b>	<b>-1,194</b>	<b>-1,227</b>	Impairment expenses	-13	-172	-97	-34	-23
Increase in interest bearing liabilities	-1,533	-620	-1,450	636	674	<b>Contribution before tax</b>	<b>518</b>	<b>354</b>	<b>397</b>	<b>458</b>	<b>505</b>
Increase in insurance liabilities	-2,527	83	-175	202	235	Home loans	47,811	46,474	45,882	46,799	47,735
Ordinary equity raised	0	0	0	0	0	Other loans	11,482	11,531	10,240	10,445	10,653
Other	109	-518	-394	-613	-729	Interest bearing liabilities	61,412	60,748	62,570	64,448	66,381
<b>Financing cashflow</b>	<b>-3,951</b>	<b>-1,055</b>	<b>-2,019</b>	<b>224</b>	<b>180</b>	Risk weighted assets (RWA)	33,266	33,107	32,032	32,673	33,326
Net change in cash	-79	-40	0	0	0	- Average risk weight	56%	57%	57%	57%	57%
<b>Cash at end of period</b>	<b>1,086</b>	<b>1,046</b>	<b>1,046</b>	<b>1,046</b>	<b>1,046</b>	Collective provisions	111	255	99	101	103
<b>BALANCE SHEET</b>						- As % of RWA	0.33%	0.77%	0.31%	0.31%	0.31%
Y/e June 30 (\$m)	2019	2020	2021e	2022e	2023e	Gross impaired assets	146	170	164	168	171
Cash and liquid assets	1,086	1,046	1,046	1,046	1,046	- As % of gross loans	0.2%	0.3%	0.3%	0.3%	0.3%
Divisional gross loans	59,293	58,005	56,121	57,244	58,389	GRCL	104	81	81	81	81
Provisions	-142	-301	-144	-147	-150	Individually assessed provisions	31	46	45	45	46
Core Bank interest earning assets	6,273	7,532	7,532	7,532	7,532	- As % of gross impaired assets	21%	27%	27%	27%	27%
Non-core Bank interest earning assets	0	0	0	0	0	<b>Group operating expenses</b>					
Intangibles	5,460	5,275	5,253	5,233	5,213	Insurance					
PP&E	208	576	593	611	630	- General	1,556	1,572	1,538	1,538	1,544
Insurance assets	6,356	6,251	6,742	6,799	6,865	- Life	65	0	0	0	0
Other assets	17,701	17,360	17,360	17,360	17,360	Banking	682	705	653	640	627
<b>Total assets</b>	<b>96,235</b>	<b>95,744</b>	<b>94,504</b>	<b>95,678</b>	<b>96,885</b>	Wealth	68	68	68	68	68
Interest bearing liabilities	63,548	62,928	61,478	62,114	62,788	New Zealand					
Insurance liabilities	15,734	15,817	15,642	15,844	16,079	- General	417	443	457	470	475
Other liabilities	3,820	4,215	4,215	4,215	4,215	- Life	34	34	34	34	34
<b>Total liabilities</b>	<b>83,102</b>	<b>82,960</b>	<b>81,335</b>	<b>82,173</b>	<b>83,082</b>	BIP / Marketplace acceleration / other	0	55	0	0	0
Ordinary share capital	12,889	12,509	12,509	12,509	12,509	<b>Total</b>	<b>2,822</b>	<b>2,877</b>	<b>2,750</b>	<b>2,750</b>	<b>2,748</b>
Other equity instruments	0	0	0	0	0	<b>Group top line</b>					
Reserves	207	172	172	172	172	Insurance (Australia and New Zealand)	9,811	9,952	10,005	10,136	10,280
Retained profits	17	82	467	803	1,101	Banking	1,213	1,231	1,147	1,133	1,155
Minority interests	20	21	21	21	21	<b>Total</b>	<b>11,024</b>	<b>11,183</b>	<b>11,152</b>	<b>11,269</b>	<b>11,436</b>
<b>Total shareholders' equity</b>	<b>13,133</b>	<b>12,784</b>	<b>13,169</b>	<b>13,505</b>	<b>13,803</b>	<b>Group top line growth</b>	<b>2.1%</b>	<b>1.4%</b>	<b>-0.3%</b>	<b>1.0%</b>	<b>1.5%</b>
<b>Total shareholders' equity &amp; liabs.</b>	<b>96,235</b>	<b>95,744</b>	<b>94,504</b>	<b>95,678</b>	<b>96,885</b>						

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES



Table 17 – WBC

Westpac Bank						Share Price (A\$)					16.97
As at						Market Cap (A\$M)					61,290
15-Sep-20											
<b>PROFIT AND LOSS</b>											
<b>Y/e September 30 (\$m)</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>	<b>Y/e September 30</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
Net interest income	17,187	16,953	16,999	16,015	15,346	Cash earnings (\$m)	8,065	6,849	3,570	5,017	5,792
Other banking income	4,978	3,702	3,721	4,121	4,099	EPS (statutory basis) (c)	238	197	105	138	159
<b>Total banking income</b>	<b>22,165</b>	<b>20,655</b>	<b>20,719</b>	<b>20,136</b>	<b>19,445</b>	- Growth	0%	-17%	-46%	31%	15%
Funds management income	0	0	0	0	0	EPS (cash basis) (c)	236	198	99	139	159
Insurance income	0	0	0	0	0	- Growth	-1%	-16%	-50%	40%	15%
<b>Net operating income</b>	<b>22,165</b>	<b>20,655</b>	<b>20,719</b>	<b>20,136</b>	<b>19,445</b>	P / E ratio (times)	7.2	8.6	17.1	12.2	10.7
Operating expenses	-9,698	-10,031	-11,174	-9,649	-9,286	P / Book ratio (times)	0.9	0.9	0.9	0.8	0.8
Impairment charges	-812	-794	-3,932	-3,343	-1,907	P / NTA ratio (times)	1.2	1.1	1.1	1.0	1.0
<b>Operating profit before income tax</b>	<b>11,655</b>	<b>9,830</b>	<b>5,613</b>	<b>7,144</b>	<b>8,251</b>	Net DPS (c)	188	174	35	75	96
Income tax expense	-3,586	-2,975	-2,041	-2,125	-2,458	Yield	11.1%	10.3%	2.1%	4.4%	5.7%
Net profit to non-controlling interests	-4	-6	-2	-2	-2	Franking	100%	100%	100%	100%	100%
Preference dividends	0	0	0	0	0	Payout (cash basis, 70-75% target)	80%	88%	35%	54%	60%
<b>Cash earnings</b>	<b>8,065</b>	<b>6,849</b>	<b>3,570</b>	<b>5,017</b>	<b>5,792</b>	<b>CAPITAL ADEQUACY</b>					
Adjustments	30	-65	211	-36	-36	<b>Y/e September 30</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
<b>Statutory earnings</b>	<b>8,095</b>	<b>6,784</b>	<b>3,781</b>	<b>4,981</b>	<b>5,756</b>	Risk weighted assets (\$m)	425,384	428,794	453,568	449,015	443,960
<b>CASHFLOW</b>						Average risk weight	50%	49%	51%	51%	51%
<b>Y/e September 30 (\$m)</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>	<b>Tier 1 ratio</b>	<b>12.8%</b>	<b>12.8%</b>	<b>13.2%</b>	<b>14.0%</b>	<b>14.8%</b>
NPAT (cash basis)	8,065	6,849	3,570	5,017	5,792	<b>CET1 capital ratio</b>	<b>10.6%</b>	<b>10.7%</b>	<b>11.2%</b>	<b>11.9%</b>	<b>12.6%</b>
Increase in divisional loans	-45,545	-5,683	17,533	17,736	17,512	Total capital ratio	14.7%	15.6%	16.5%	17.3%	18.1%
Increase in other assets	26,172	-28,064	-32,735	-7,438	-7,738	Equity ratio	7.3%	7.2%	7.4%	7.8%	8.2%
Capital expenditure	158	174	-35	-36	-37	<b>DIVISIONAL</b>					
<b>Investing cashflow</b>	<b>-19,215</b>	<b>-33,573</b>	<b>-15,236</b>	<b>10,262</b>	<b>9,736</b>	<b>Y/e September 30 (\$m)</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
Increase in deposits & borrowings	62,271	6,572	11,947	15,358	16,767	<b>Consumer &amp; Business Banks</b>					
Increase in other liabilities	-37,785	19,528	24,305	-28,323	-29,384	Net interest income	13,134	13,034	12,618	11,550	11,154
Ordinary equity raised	0	0	2,751	0	0	Other income	2,951	2,605	2,313	2,605	2,581
Other	-4,945	-6,105	-1,581	-2,314	-2,912	<b>Net operating income</b>	<b>16,085</b>	<b>15,639</b>	<b>14,931</b>	<b>14,155</b>	<b>13,735</b>
<b>Financing cashflow</b>	<b>19,541</b>	<b>19,995</b>	<b>37,422</b>	<b>-15,279</b>	<b>-15,528</b>	Operating expenses	-6,425	-6,622	-6,849	-6,445	-6,083
Net change in cash	8,391	-6,729	25,756	0	0	Impairment charges	-807	-853	-2,287	-2,483	-1,505
<b>Cash at end of period</b>	<b>26,788</b>	<b>20,059</b>	<b>45,815</b>	<b>45,815</b>	<b>45,815</b>	<b>Operating profit before income tax</b>	<b>8,853</b>	<b>8,164</b>	<b>5,796</b>	<b>5,227</b>	<b>6,147</b>
<b>BALANCE SHEET</b>						Income tax expense	-2,674	-2,445	-1,747	-1,568	-1,844
<b>Y/e September 30 (\$m)</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>	<b>Cash earnings</b>	<b>6,179</b>	<b>5,719</b>	<b>4,049</b>	<b>3,659</b>	<b>4,303</b>
Cash and liquid assets	26,788	20,059	45,815	45,815	45,815	Home loans	445,100	449,300	433,456	430,015	426,263
Divisional gross loans	715,659	722,441	709,300	692,809	675,024	Other loans	116,000	115,200	105,588	95,589	85,149
Provisions	-2,814	-3,913	-8,305	-9,550	-9,276	Deposits	350,000	357,100	352,873	363,459	374,363
Other gross loans	-3,155	-4,063	-5,574	-5,574	-5,574	<b>Westpac Institutional Bank</b>					
Other IEA	118,656	146,643	184,104	191,542	199,280	Net interest income	1,442	1,443	1,486	1,610	1,520
Intangibles	11,763	11,953	11,943	11,943	11,943	Other income	1,565	1,292	1,191	1,185	1,178
PP&E	1,329	1,155	1,190	1,226	1,263	<b>Net operating income</b>	<b>3,007</b>	<b>2,735</b>	<b>2,677</b>	<b>2,795</b>	<b>2,697</b>
Insurance assets	0	0	0	0	0	Operating expenses	-1,449	-1,284	-1,292	-1,285	-1,255
Other assets	11,366	12,351	9,136	9,136	9,136	Impairment charges	16	-46	-587	-373	-203
<b>Total assets</b>	<b>879,592</b>	<b>906,626</b>	<b>947,608</b>	<b>937,346</b>	<b>927,610</b>	<b>Operating profit before income tax</b>	<b>1,574</b>	<b>1,405</b>	<b>798</b>	<b>1,137</b>	<b>1,239</b>
Divisional deposits	511,571	518,143	530,090	545,448	562,216	Income tax expense	-481	-391	-267	-341	-372
Other borrowings	292,271	309,985	336,640	308,316	278,933	<b>Cash earnings</b>	<b>1,093</b>	<b>1,014</b>	<b>531</b>	<b>796</b>	<b>867</b>
Other liabilities	11,177	12,991	10,641	10,641	10,641	Loans	77,700	75,600	76,706	72,185	67,453
<b>Total liabilities</b>	<b>815,019</b>	<b>841,119</b>	<b>877,371</b>	<b>864,406</b>	<b>851,789</b>	IBL	104,900	101,300	110,951	114,279	117,708
Ordinary share capital	35,561	36,955	39,917	40,170	40,490	<b>Westpac New Zealand</b>					
Other equity instruments	0	0	0	0	0	Net interest income	1,799	1,860	1,839	1,755	1,772
Reserves	1,077	1,311	1,688	1,688	1,688	Other income	373	423	330	331	341
Retained profits	27,883	27,188	28,576	31,027	33,587	<b>Net operating income</b>	<b>2,172</b>	<b>2,283</b>	<b>2,169</b>	<b>2,086</b>	<b>2,112</b>
Minority interests	52	53	56	56	56	Operating expenses	-855	-939	-1,020	-992	-1,021
<b>Total shareholders' equity</b>	<b>64,573</b>	<b>65,507</b>	<b>70,237</b>	<b>72,941</b>	<b>75,821</b>	Impairment charges	-22	10	-289	-187	-199
<b>Total sh. equity &amp; liabs.</b>	<b>879,592</b>	<b>906,626</b>	<b>947,608</b>	<b>937,346</b>	<b>927,610</b>	<b>Operating profit before income tax</b>	<b>1,295</b>	<b>1,354</b>	<b>860</b>	<b>907</b>	<b>892</b>
<b>WANOS - statutory (m)</b>	<b>3,406</b>	<b>3,450</b>	<b>3,593</b>	<b>3,615</b>	<b>3,631</b>	Income tax expense	-361	-369	-241	-254	-250
<b>WANOS - cash (m)</b>	<b>3,414</b>	<b>3,456</b>	<b>3,598</b>	<b>3,620</b>	<b>3,636</b>	Net profit to non-controlling interests	0	0	0	0	0
<b>PROFITABILITY RATIOS</b>						Investment experience	0	0	0	0	0
<b>Y/e September 30</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>	<b>Cash earnings</b>	<b>934</b>	<b>985</b>	<b>619</b>	<b>653</b>	<b>642</b>
Return on assets	0.9%	0.8%	0.4%	0.5%	0.6%	Loans	74,045	78,428	85,245	85,470	86,884
<b>Return on equity</b>	<b>13.0%</b>	<b>10.7%</b>	<b>5.2%</b>	<b>7.0%</b>	<b>7.8%</b>	Deposits	56,671	59,743	66,266	67,709	70,145
Leverage ratio	6.3%	6.2%	6.4%	6.8%	7.2%	<b>Notable items</b>					
<b>Net interest margin</b>	<b>2.22%</b>	<b>2.13%</b>	<b>2.08%</b>	<b>1.99%</b>	<b>1.94%</b>	Net interest income	-105	-344	-106	0	0
Cost / income ratio	44%	49%	54%	48%	48%	Net fee income	-157	-283	-147	0	0
Cost / average assets	1.12%	1.12%	1.18%	1.02%	0.99%	Net wealth mgt & insurance income	-6	-537	16	0	0
Growth in operating income	3%	-7%	0%	-3%	-3%	<b>Net operating income</b>	<b>-268</b>	<b>-1,164</b>	<b>-237</b>	<b>0</b>	<b>0</b>
Growth in operating expenses	7%	3%	11%	-14%	-4%	Operating expenses	-112	-461	-1,354	-427	-427
<b>Jaws</b>	<b>-4%</b>	<b>-10%</b>	<b>-11%</b>	<b>11%</b>	<b>0%</b>	<b>Operating profit before tax</b>	<b>-380</b>	<b>-1,625</b>	<b>-1,591</b>	<b>-427</b>	<b>-427</b>
<b>ASSET QUALITY</b>						Income tax expense	99	495	191	127	127
<b>Y/e September 30</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>	<b>Cash earnings</b>	<b>-281</b>	<b>-1,130</b>	<b>-1,400</b>	<b>-300</b>	<b>-300</b>
Impairment expense / GLA	0.11%	0.11%	0.56%	0.49%	0.28%	<b>Group cash earnings ex-notable items</b>	<b>8,346</b>	<b>7,979</b>	<b>4,970</b>	<b>5,317</b>	<b>6,092</b>
Impairment expense / RWA	0.19%	0.19%	0.87%	0.74%	0.43%	<b>EPS ex-notable items (cash basis)</b>	<b>244</b>	<b>231</b>	<b>138</b>	<b>147</b>	<b>168</b>
<b>Total provisions (\$m)</b>	<b>2,814</b>	<b>3,913</b>	<b>8,305</b>	<b>9,550</b>	<b>9,276</b>	- Growth	2%	-6%	-40%	6%	14%
<b>Total provisions / GLA</b>	<b>0.39%</b>	<b>0.54%</b>	<b>1.18%</b>	<b>1.39%</b>	<b>1.39%</b>	<b>Return on equity ex-notable items</b>	<b>13.5%</b>	<b>12.5%</b>	<b>7.3%</b>	<b>7.4%</b>	<b>8.2%</b>
IAP / GIA	30%	23%	35%	40%	40%	<b>Payout ratio ex-notable items</b>	<b>77%</b>	<b>75%</b>	<b>25%</b>	<b>51%</b>	<b>57%</b>
IBL / IEA	97%	96%	99%	98%	98%						
Total provisions / RWA	0.66%	0.91%	1.83%	2.13%	2.09%						

SOURCE: COMPANY DATA AND 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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TS Lim, authoring analyst, holds long positions in ABA, ANZ, BOQ, CBA, CBAPH, CBAP1, MQG, MQGPC, MQGPD, NAB and WBC.

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