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Bank Note\$

APRA expects that every bank will do its duty

Stock	Price	Target	Rating
ANZ	\$18.07	\$19.50	Buy
CBA	\$72.21	\$78.00	Buy
NAB	\$17.90	\$19.90	Buy
WBC	\$17.46	\$18.30	Hold
BEN	\$6.96	\$7.00	Hold
BOQ	\$6.14	\$6.00	Hold

Updated capital management guidance

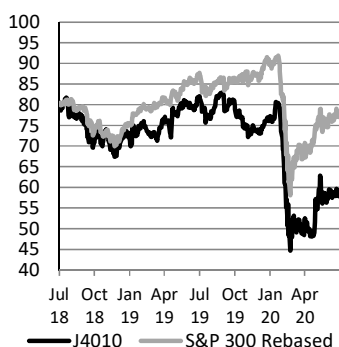
APRA has today updated its capital management guidance for ADIs and insurers and in particular has eased restrictions around paying dividends. That is, the ADIs and insurers do not need to continue to defer capital distributions now provided these are moderate and sustainable and that supporting households and businesses remains the top priority. The regulator's view is that uncertainty in the economic outlook has reduced somewhat since April and this is after it had also reviewed their financial projections and stress testing results. While ADIs and insurers should remain cautious when planning capital distributions including dividend payments, APRA has indicated for the rest of calendar year 2020 that they should: (1) seek to retain at least half of their earnings when making such decisions (in addition to using DRP and other initiatives to offset consequent capital diminution – this guidance is unchanged) that essentially implies a payout ratio of below 50% in this calendar year; (2) conduct regular stress testing to inform decision-making and demonstrate ongoing lending capacity – no surprises here; and (3) make use of capital buffers to absorb stress impacts (bearing in mind the ADIs need to also manage loans on repayment deferrals) and maintain lending to households and businesses – again no surprises here.

Today's announcement is great news for all the loyal bank shareholders. The system remains in a strong position and it is good to know of APRA's desire for ADIs and insurers to continue supporting households and businesses in a prudent fashion. As for the latter, we think the regulator also means supporting households by ensuring sensible dividend flows are made available to them in times of economic uncertainty and low interest rates. In a separate letter to ADIs, APRA does not expect them to meet the unquestionably strong capital benchmarks in the period ahead and any capital rebuild should be orderly – which is exactly what is needed to iron out volatility in this space. APRA's guidance is similar for insurers, where caution should apply to capital distributions and that payout ratios (in addition to using DRP and other initiatives to offset consequent capital diminution) should be moderated in 2020. Our revised 2H20 dividend expectations are thus: (1) ANZ 60¢ (previously 50¢); (2) CBA 20¢ (previously 100¢); (3) NAB 12¢ (previously 30¢); (4) WBC 45¢ (previously 80¢); (5) BEN nil (previously 14¢); and (6) BOQ 25¢ (previously 10¢).

ASX200 Banks (J4010) Price Performance

	(1m)	(3m)	(12m)
Index (x100)	56.37	49.21	81.79
Absolute (%)	2.60	17.54	-29.28
Rel market (%)	-0.54	2.32	-17.42

Absolute Price



SOURCE: IRESS

Table 1 – Investment summary

	Mkt Cap (Sbn)	Price / Book (x)		PE (x)		Yield		ROE		EPS growth		Price target	Last price	Rating
		2020e	2021e	2020e	2021e	2020e	2021e	2020e	2021e	2020e	2021e			
MAJORS														
ANZ	51.2	0.8	0.8	14.5	11.4	3.3%	5.0%	5.8%	7.1%	-45%	27%	\$19.50	\$18.07	Buy
CBA	127.8	1.8	1.7	16.4	16.8	3.0%	3.9%	11.1%	10.2%	-8%	-3%	\$78.00	\$72.21	Buy
NAB	58.9	0.9	0.9	21.0	13.4	2.3%	4.4%	4.6%	7.1%	-53%	57%	\$19.90	\$17.90	Buy
WBC	63.1	0.9	0.9	18.1	13.3	2.6%	4.9%	5.1%	6.7%	-51%	36%	\$18.30	\$17.46	Hold
REGIONALS														
BEN	3.7	0.6	0.6	10.8	11.8	4.5%	4.3%	5.8%	5.3%	-24%	-8%	\$7.00	\$6.96	Hold
BOQ	2.8	0.7	0.6	11.6	14.1	4.1%	4.4%	5.7%	4.7%	-33%	-18%	\$6.00	\$6.14	Hold

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

APRA expects that every bank will do its duty



Updated capital management guidance

APRA notified ADIs and insurers back in April of the expectation “to limit discretionary capital distributions in the months ahead, to ensure that they instead use buffers and maintain capacity to continue to lend and underwrite insurance”. The directive mentioned either deferring dividend decisions until the outlook becomes clearer, or to materially reduce dividends after carrying out robust stress tests (in terms of the latter, any such dividend payment should be offset through DRP and other capital management initiatives).

APRA has today updated its capital management guidance for ADIs and insurers and in particular **has eased restrictions around paying dividends**. This is after getting a stronger sense of COVID-19 impacts on the economy and financial institutions. In other words, the **ADIs and insurers do not need to continue to defer capital distributions now** provided these are moderate and sustainable and that supporting households and businesses remains the top priority.

The **regulator’s view is that uncertainty in the economic outlook has reduced somewhat since April** and it has also had the opportunity to review their financial projections and stress testing results. While ADIs and insurers should remain cautious when planning capital distributions including dividend payments, APRA has indicated for the rest of calendar year 2020 that they should:

1. **Seek to retain at least half of their earnings** when making such decisions (in addition to using DRP and other initiatives to offset consequent capital diminution – this guidance is unchanged) that **essentially implies a payout ratio of below 50% in this calendar year**;
2. Conduct regular stress testing to inform decision-making and demonstrate ongoing lending capacity – no surprises here; and
3. Make use of capital buffers to absorb stress impacts (bearing in mind the ADIs need to also manage loans on repayment deferrals) and maintain lending to households and businesses – again no surprises here.

Today’s announcement is great news for all the loyal bank shareholders. The system remains in a strong position and it is good to know of APRA’s desire for ADIs and insurers to continue supporting households and businesses in a prudent fashion. As for the latter, we think the regulator also means supporting households by ensuring sensible dividend flows are made available to them in times of economic uncertainty and low interest rates.

In a separate letter to ADIs and as announced in March 2020, APRA does not expect them to meet the unquestionably strong capital benchmarks in the period ahead (although the ADIs are free to use management buffers to absorb stress impacts and maintain lending support to the system) and any capital rebuild should be orderly – which is exactly what is needed to iron out volatility in this space.

APRA’s guidance is similar for insurers, where caution should apply to capital distributions and that payout ratios (in addition to using DRP and other initiatives to offset consequent capital diminution) should be moderated in 2020.

Profit and dividend adjustments

ANZ (\$19.50 price target, Buy): Cash profit forecasts are unchanged but we have trimmed medium term dividend payout ratios to the bottom end of the bank's 60-65% target range. While we believe the deferred 1H20 dividend will not now be paid, lowering the FY20 final dividend to 60¢ per share is viewed as a reasonable reduction (based on a 80% second half payout ratio and a 48% payout ratio in FY20) that would satisfy APRA's <50% requirement for this calendar year.

In any case, ANZ remains the most conservative of the majors in having a lower target payout (vs. 70-80% for the others under normal circumstances) and it thus retains the greatest capital management flexibility in our view. Our expected FY20 final dividend and 2H20 BDD charge appear reasonable compared to the respective figures at the time of the GFC.

ANZ's \$19.50 price target and Buy rating are unchanged.

Table 2 – ANZ forecast changes

ANZ Bank Y/e September 30 (\$m)	FY20e			FY21e			FY22e			FY23e		
	Current	Previous	Change	Current	Previous	Change	Current	Previous	Change	Current	Previous	Change
Profit & Loss												
Net interest income	14,362	14,362	0%	14,115	14,115	0%	14,046	14,046	0%	14,365	14,365	0%
Other operating income	3,488	3,488	0%	4,208	4,208	0%	4,234	4,234	0%	4,274	4,274	0%
Operating income	17,850	17,850	0%	18,323	18,323	0%	18,280	18,280	0%	18,639	18,639	0%
Operating expenses	-9,082	-9,082	0%	-8,916	-8,916	0%	-8,883	-8,883	0%	-9,010	-9,010	0%
Credit impairment charge	-3,456	-3,456	0%	-3,036	-3,036	0%	-1,790	-1,790	0%	-1,448	-1,448	0%
Profit before income tax	5,313	5,313	0%	6,370	6,370	0%	7,607	7,607	0%	8,181	8,181	0%
Income tax expense	-1,775	-1,775	0%	-1,885	-1,885	0%	-2,267	-2,267	0%	-2,442	-2,442	0%
Non-controlling interests	-92	-92	n/m	-2	-2	n/m	-2	-2	n/m	-2	-2	n/m
Cash profit	3,446	3,446	0%	4,483	4,483	0%	5,338	5,338	0%	5,737	5,737	0%
Cash profit (continuing)	3,536	3,536	0%	4,483	4,483	0%	5,338	5,338	0%	5,737	5,737	0%
DPS (cps)	60	50	20%	90	100	-10%	115	120	-4%	125	130	-4%
Payout ratio (target 60-65%)	48%	40%	8%	57%	63%	-6%	61%	64%	-3%	62%	64%	-2%
Cash EPS (continuing) (cps)	125	125	0.0%	158	158	0.0%	188	188	0.0%	202	202	0.0%
Cash ROE (continuing)	5.8%	5.8%	0.0%	7.1%	7.1%	0.0%	8.2%	8.2%	0.0%	8.5%	8.5%	0.0%
NIM	1.62%	1.62%	0.00%	1.53%	1.53%	0.00%	1.50%	1.50%	0.00%	1.50%	1.50%	0.00%
Cost ratio (continuing)	51%	51%	0%	49%	49%	0%	49%	49%	0%	48%	48%	0%
Impairment expense as % of GLA	0.53%	0.53%	0.00%	0.45%	0.45%	0.00%	0.26%	0.26%	0.00%	0.21%	0.21%	0.00%
Effective tax rate	33%	33%	0%	30%	30%	0%	30%	30%	0%	30%	30%	0%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

CBA (\$78.00 price target, Buy): Our cash earnings are unchanged since our FY20 result preview note of 16 July. Despite having paid a 200¢ per share interim dividend earlier in the year and thanks to having the strongest capital position of the major banks (in part due to some announced and sizeable asset sales), we had previously expected a 100¢ final dividend in FY20.

Given today's APRA announcement, we have had to lower CBA's final FY20 dividend to just 20¢. This would in turn lower its 2H20 payout ratio to 11% and the FY20 payout ratio to just under 50%, in which case the latter would then satisfy APRA's <50% requirement. The 20¢ expected final dividend is materially below payments made at the time of the GFC (i.e. 1H09-1H10) while the medium term payout ratio of 65-69% remains just below the normalised 70-80% target range (so perhaps think of this as a timing issue with higher dividends down the track to make up for lower short term payments).

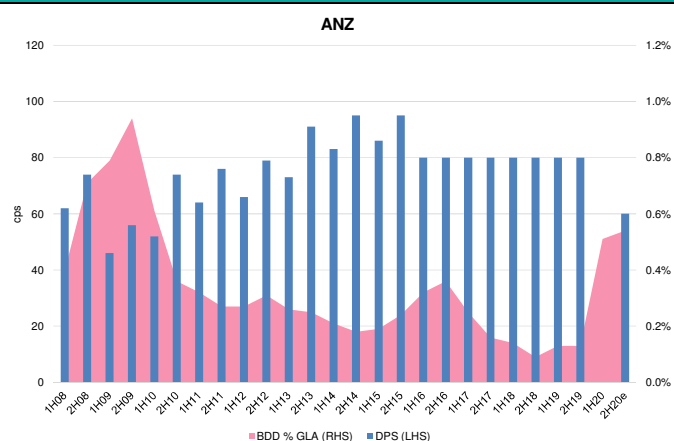
CBA's \$78.00 price target and Buy rating are unchanged. Note that for the former, there is a net offset from a 25bp lower required dividend valuation yield.

Table 3 – CBA forecast changes

Commonwealth Bank Y/e June 30 (\$m)	FY20e			FY21e			FY22e			FY23e		
	Current	Previous	Change	Current	Previous	Change	Current	Previous	Change	Current	Previous	Change
Profit & Loss (continuing)												
Net interest income	18,665	18,665	0%	18,517	18,517	0%	18,776	18,776	0%	19,086	19,086	0%
Other income	6,350	6,350	0%	6,536	6,536	0%	6,677	6,677	0%	6,825	6,825	0%
Total operating income	25,015	25,015	0%	25,054	25,054	0%	25,453	25,453	0%	25,911	25,911	0%
Operating expenses	-11,095	-11,095	0%	-11,169	-11,169	0%	-11,245	-11,245	0%	-11,466	-11,466	0%
Loan impairment expense	-2,876	-2,876	0%	-3,119	-3,119	0%	-1,831	-1,831	0%	-1,741	-1,741	0%
Net profit before income tax	11,044	11,044	0%	10,766	10,766	0%	12,377	12,377	0%	12,704	12,704	0%
Corporate tax expense	-3,243	-3,243	0%	-3,163	-3,163	0%	-3,643	-3,643	0%	-3,739	-3,739	0%
Investment experience	6	6	0%	7	7	0%	7	7	0%	8	8	0%
NPAT (cash basis)	7,808	7,808	0%	7,610	7,610	0%	8,741	8,741	0%	8,974	8,974	0%
DPS (cps)	220	300	-27%	280	300	-7%	330	350	-6%	344	370	-7%
EPS (cash basis) (cps)	441	441	0%	430	430	0%	494	494	0%	507	507	0%
Payout ratio	50%	68%	-18%	65%	70%	-5%	67%	71%	-4%	68%	73%	-5%
ROE	11.1%	11.1%	0.0%	10.2%	10.4%	-0.2%	10.9%	11.2%	-0.3%	10.6%	10.9%	-0.3%
NIM	2.09%	2.09%	0.00%	2.01%	2.01%	0.00%	2.01%	2.01%	0.00%	2.00%	2.00%	0.00%
Cost ratio	44%	44%	0%	45%	45%	0%	44%	44%	0%	44%	44%	0%
Impairment expense as % of GLA	0.37%	0.37%	0.00%	0.40%	0.40%	0.00%	0.23%	0.23%	0.00%	0.21%	0.21%	0.00%
Effective tax rate	29%	29%	0%	29%	29%	0%	29%	29%	0%	29%	29%	0%

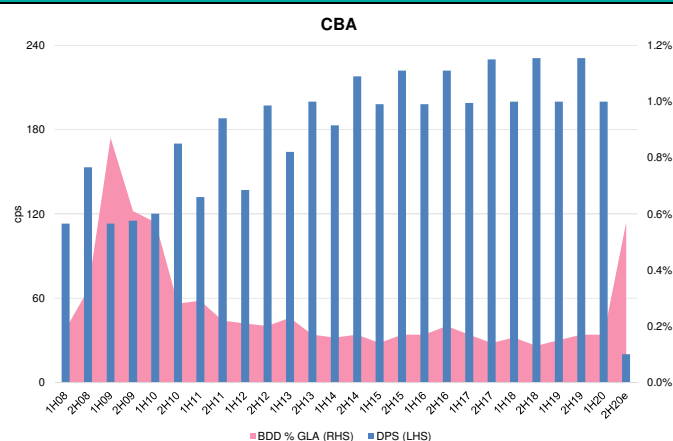
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 1 – ANZ



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 2 – CBA



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

NAB (\$19.90 price target, Buy): Given recent sector COVID-19 updates, we have increased expected credit impairment charges by 23% in FY20 (i.e. by 9bp to 41bp) and FY21 (i.e. by 9bp to 41bp), by 8% in FY22 (i.e. by 3bp to 31bp) and by 4% in FY23 (i.e. by 1bp to 25bp). The cash earnings impacts ex-notable items are thus: FY20 -8%; FY21 -8%; FY22 -2%; and FY23 -1%.

In line with lower cash earnings, we have trimmed medium term payout ratios to the low 60's (with absolute figures down by 7-10% post FY20). To recap, NAB paid a 30¢ per share interim dividend (-64% vs. 1H19) and we now expect the FY20 final dividend to be 12¢ (-86% vs. 2H19). The latter (33% second half payout ratio and a 49% full year payout ratio) should again satisfy APRA's <50% calendar year 2020 requirement. Our expected FY20 final dividend and 2H20 BDD charge appear reasonable relative to comparable figures at the time of the GFC.

NAB's \$19.90 price target and Buy rating are unchanged (note that for the former, the reduced final dividend has an offset coming from a 25bp lower required dividend valuation yield).

Table 4 – NAB forecast changes

National Australia Bank Y/e September 30 (\$m)	FY20e			FY21e			FY22e			FY23e		
	Current	Previous	Change	Current	Previous	Change	Current	Previous	Change	Current	Previous	Change
Profit & Loss												
Net interest income	13,526	13,526	0%	13,034	13,034	0%	12,928	12,928	0%	13,061	13,061	0%
Other income	3,212	3,212	0%	3,485	3,485	0%	3,915	3,915	0%	4,020	4,020	0%
Net operating income	16,738	16,738	0%	16,519	16,519	0%	16,842	16,842	0%	17,081	17,081	0%
Operating expenses	-10,594	-10,594	0%	-7,807	-7,807	0%	-7,593	-7,593	0%	-7,528	-7,528	0%
Credit impairment charge	-2,473	-1,896	-23%	-2,450	-1,896	-23%	-1,878	-1,724	-8%	-1,530	-1,476	-4%
Cash earnings b4 tax/distributions	3,671	4,248	-14%	6,262	6,816	-8%	7,372	7,526	-2%	8,023	8,077	-1%
Income tax expense	-1,042	-1,216	17%	-1,781	-1,947	9%	-2,094	-2,141	2%	-2,284	-2,300	1%
Distributions	-44	-44	n/m	-44	-44	n/m	-44	-44	n/m	-44	-44	n/m
Cash earnings	2,585	2,989	-14%	4,437	4,825	-8%	5,234	5,341	-2%	5,694	5,732	-1%
Statutory earnings	2,442	2,846	-14%	4,397	4,785	-8%	5,194	5,301	-2%	5,654	5,692	-1%
Cash earnings ex-notable items	4,687	5,091	-8%	4,647	5,035	-8%	5,374	5,481	-2%	5,834	5,872	-1%
DPS (c)	42	60	-30%	80	89	-10%	95	101	-6%	103	111	-7%
EPS (cash basis) (c)	85	99	-14%	134	145	-8%	156	159	-2%	168	168	0%
- ex-notable items (c)	155	168	-8%	140	152	-8%	160	163	-2%	172	173	0%
Cash payout ratio	49%	60%	-12%	59%	61%	-2%	60%	63%	-3%	61%	66%	-5%
- ex-notable items	27%	35%	-9%	57%	58%	-2%	59%	62%	-3%	60%	64%	-4%
ROE	4.6%	5.3%	-0.7%	7.1%	7.7%	-0.6%	8.0%	8.2%	-0.1%	8.3%	8.4%	-0.1%
NIM	1.75%	1.75%	0.00%	1.68%	1.68%	0.00%	1.65%	1.65%	0.00%	1.64%	1.64%	0.00%
CIR	63%	63%	0%	47%	47%	0%	45%	45%	0%	44%	44%	0%
- ex-notable items	48%	48%	0%	47%	47%	0%	45%	45%	0%	44%	44%	0%
Underlying cost base	8,033	8,033	0%	7,807	7,807	0%	7,593	7,593	0%	7,528	7,528	0%
Impairment expense as % of GLA	0.41%	0.32%	-0.10%	0.41%	0.32%	-0.09%	0.31%	0.29%	-0.03%	0.25%	0.24%	-0.01%
Effective tax rate	28%	29%	0%	28%	29%	0%	28%	28%	0%	28%	28%	0%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

WBC (\$18.30 price target, Hold): Given recent sector COVID-19 updates, we have increased expected credit impairment charges by 8% in FY20 (i.e. by 4bp to 52bp), by 34% in FY21 (i.e. by 15bp to 44bp), by 24% in FY22 (i.e. by 7bp to 29bp) and by 10% in FY23 (i.e. by 2bp to 22bp). The cash earnings impacts ex-notable items are thus: FY20 -4%; FY21 -12%; FY22 -5%; and FY23 -2%.

In line with lower cash earnings, we have trimmed medium term payout ratios to the bottom end of the 70-75% target range under normal conditions. Given APRA's revised capital management guidance, WBC will likely not pay its deferred FY20 interim dividend now – although a smaller FY20 final dividend of 45¢ per share (-44% vs. 2H19) should keep the punters happy. The decline in the payout ratio to 47% in FY20 should satisfy APRA's <50% requirement in calendar year 2020. Our expected FY20 final dividend and 2H20 BDD charge appear reasonable compared to the respective figures at the time of the GFC.

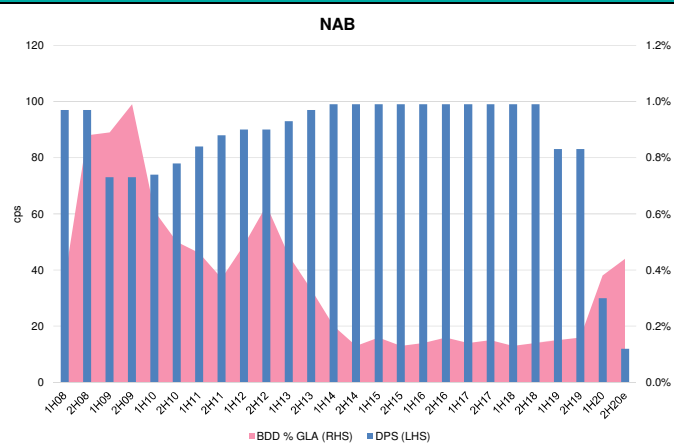
WBC's \$18.30 price target and Hold rating are unchanged (note that for the former, the reduced final dividend has an offset coming from a 25bp lower required dividend valuation yield).

Table 5 – WBC forecast changes

Westpac Group Y/e September 30 (\$m)	FY20e			FY21e			FY22e			FY23e		
	Current	Previous	Change	Current	Previous	Change	Current	Previous	Change	Current	Previous	Change
Profit & Loss												
Net interest income	16,999	16,999	0%	16,133	16,133	0%	15,555	15,555	0%	15,382	15,382	0%
Other income	3,276	3,276	0%	3,326	3,326	0%	3,306	3,306	0%	3,360	3,360	0%
Net operating income	20,274	20,274	0%	19,460	19,460	0%	18,861	18,861	0%	18,742	18,742	0%
Operating expenses	-11,181	-11,181	0%	-9,667	-9,667	0%	-9,296	-9,296	0%	-9,139	-9,139	0%
Impairment charges	-3,634	-3,349	-8%	-3,046	-2,011	-34%	-1,909	-1,447	-24%	-1,510	-1,364	-10%
Operating profit before income tax	5,460	5,745	-5%	6,747	7,782	-13%	7,656	8,118	-6%	8,093	8,238	-2%
Income tax expense	-1,995	-2,080	4%	-2,006	-2,316	15%	-2,279	-2,417	6%	-2,410	-2,454	2%
Net profit to non-controlling interests	-2	-2	n/m	-2	-2	n/m	-2	-2	n/m	-2	-2	n/m
Cash earnings	3,463	3,663	-5%	4,739	5,464	-13%	5,375	5,699	-6%	5,681	5,783	-2%
Cash earnings ex-notable items	5,004	5,203	-4%	5,180	5,904	-12%	5,816	6,139	-5%	6,036	6,138	-2%
DPS (cps)	45	80	-44%	85	100	-15%	105	110	-5%	113	112	1%
EPS (cash basis) (cps)	96	102	-5%	131	151	-13%	148	156	-5%	155	158	-1%
Cash payout ratio (target 70-75%)	47%	79%	-32%	65%	66%	-1%	71%	70%	1%	73%	71%	2%
- Ex-notable items	32%	55%	-23%	59%	61%	-2%	66%	65%	0%	69%	67%	2%
ROE	5.1%	5.3%	-0.3%	6.7%	7.7%	-1.0%	7.3%	7.8%	-0.4%	7.5%	7.7%	-0.1%
NIM	2.08%	2.08%	0.00%	2.00%	2.00%	0.00%	1.96%	1.96%	0.00%	1.95%	1.95%	0.00%
Cost ratio	55%	55%	0%	50%	50%	0%	49%	49%	0%	49%	49%	0%
Impairment expense as % of GLA	0.52%	0.48%	-0.04%	0.44%	0.29%	-0.15%	0.29%	0.22%	-0.07%	0.22%	0.20%	-0.02%
Effective tax rate	37%	36%	0%	30%	30%	0%	30%	30%	0%	30%	30%	0%

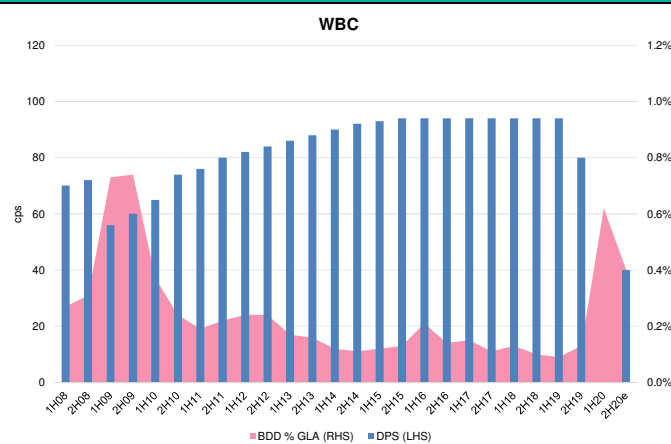
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 3 – NAB



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 4 – WBC



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

BEN (price target \$7.00, Hold): Our cash earnings (that included materially higher BDD charges) were recently revised in our FY20 result preview note of 14 July and are thus unchanged at this time. Given APRA's <50% payout guidance for calendar year 2020, BEN will now be stretched to pay any FY20 final dividend and we have removed this from our forecast. Looking ahead, we see the medium term payout ratio climbing to just below the 60-80% target range under normal conditions.

BEN's \$7.00 price target and Hold rating are unchanged (note that for the former, the reduced final dividend has an offset coming from a 25bp lower required dividend valuation yield).

Table 6 – BEN forecast changes

Bendigo and Adelaide Y/e June 30 (\$m)	FY20e			FY21e			FY22e			FY23e		
	Current	Previous	Change	Current	Previous	Change	Current	Previous	Change	Current	Previous	Change
Profit & Loss												
Net interest income	1,336	1,336	0%	1,275	1,275	0%	1,281	1,281	0%	1,315	1,315	0%
Other income	269	269	0%	255	255	0%	249	249	0%	239	239	0%
Total operating income	1,605	1,605	0%	1,530	1,530	0%	1,529	1,529	0%	1,554	1,554	0%
Operating expenses	-976	-976	0%	-988	-988	0%	-1,008	-1,008	0%	-1,026	-1,026	0%
Credit expenses	-174	-174	0%	-98	-98	0%	-50	-50	0%	-51	-51	0%
Net profit before income tax	455	455	0%	444	444	0%	472	472	0%	477	477	0%
Corporate tax expense	-139	-139	0%	-133	-133	0%	-142	-142	0%	-143	-143	0%
Adjustments	7	7	n/m	2	2	n/m	1	1	n/m	0	0	n/m
NPAT (cash)	322	322	0%	313	313	0%	331	331	0%	334	334	0%
DPS (cps)	31	45	-31%	30	40	-25%	33	43	-23%	36	46	-22%
EPS (cash basis) (cps)	64	64	0%	59	59	0%	62	62	1%	62	62	1%
ROE	5.8%	5.8%	0.0%	5.3%	5.3%	0.0%	5.4%	5.5%	-0.1%	5.3%	5.4%	-0.1%
NIM	1.95%	1.95%	0.00%	1.86%	1.86%	0.00%	1.82%	1.82%	0.00%	1.82%	1.82%	0.00%
Cost ratio	61%	61%	0%	65%	65%	0%	66%	66%	0%	66%	66%	0%
Impairment expense as % of GLA	0.29%	0.29%	0.00%	0.16%	0.16%	0.00%	0.08%	0.08%	0.00%	0.08%	0.08%	0.00%
Payout ratio (normalised cash basis)	48%	70%	-22%	51%	68%	-17%	53%	70%	-16%	58%	74%	-17%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

BOQ (price target \$6.00, Hold): Our cash earnings were recently revised in our 3Q20 Pillar 3 note of 24 July for further COVID-19 impacts and are thus unchanged at present. As in ANZ's case, we do not expect BOQ to follow through with its deferred FY20 interim dividend. However, we forecast a slightly lower 25¢ FY20 final dividend that would represent a modest 20% reduction from 2H19 – sufficient to satisfy APRA's requirement in the current calendar year given a resulting payout ratio in FY20 of 49%. This final dividend would be comparable to payments made at the time of the GFC that also had significantly higher BDD charges. BOQ's medium term payout ratio remains just below the lower end of its normalised 70-80% target range.

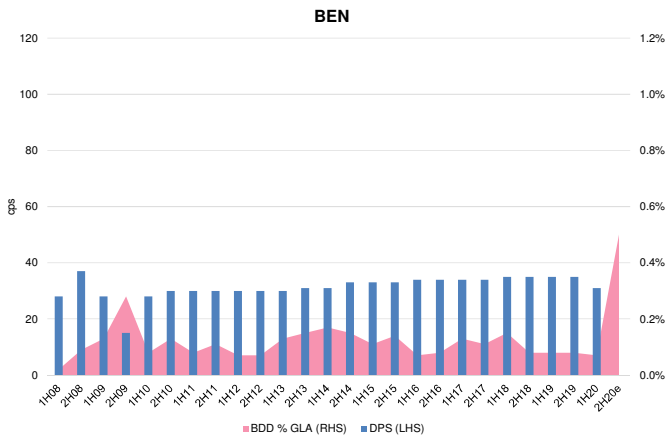
BOQ's \$6.00 price target and Hold rating are unchanged (note that for the former, the reduced final dividend has an offset coming from a 25bp lower required dividend valuation yield).

Table 7 – BOQ forecast changes

Bank of Queensland Y/e August 31 (\$m)	FY20e			FY21e			FY22e			FY23e		
	Current	Previous	Change	Current	Previous	Change	Current	Previous	Change	Current	Previous	Change
Profit & Loss												
Net interest income	954	954	0%	914	914	0%	926	926	0%	953	953	0%
Other income	109	109	0%	105	105	0%	108	108	0%	111	111	0%
Total operating income	1,064	1,064	0%	1,020	1,020	0%	1,033	1,033	0%	1,063	1,063	0%
Operating expenses	-574	-574	0%	-578	-578	0%	-583	-583	0%	-589	-589	0%
Impairment expenses	-152	-152	0%	-157	-157	0%	-137	-137	0%	-121	-121	0%
Net profit before income tax	338	338	0%	285	285	0%	313	313	0%	353	353	0%
Corporate tax expense	-104	-104	0%	-86	-86	0%	-94	-94	0%	-106	-106	0%
Minority interests	0	0	n/m	0	0	n/m	0	0	n/m	0	0	n/m
Cash earnings after tax	234	234	0%	200	200	0%	219	219	0%	247	247	0%
Statutory NPAT	116	116	0%	188	188	0%	207	207	0%	235	235	0%
DPS (cps)	25	10	150%	27	30	-10%	32	34	-6%	36	38	-5%
EPS (cash basis) (cps)	53	53	0%	44	44	0%	47	47	0%	53	53	0%
ROE	5.7%	5.7%	0.0%	4.7%	4.7%	0.0%	5.0%	5.0%	0.0%	5.5%	5.5%	0.0%
NIM	1.89%	1.89%	0.00%	1.84%	1.84%	0.00%	1.81%	1.81%	0.00%	1.81%	1.81%	0.00%
Cost ratio	54%	54%	0%	57%	57%	0%	56%	56%	0%	55%	55%	0%
Impairment expense as % of GLA	0.35%	0.35%	0.00%	0.35%	0.35%	0.00%	0.30%	0.30%	0.00%	0.26%	0.26%	0.00%

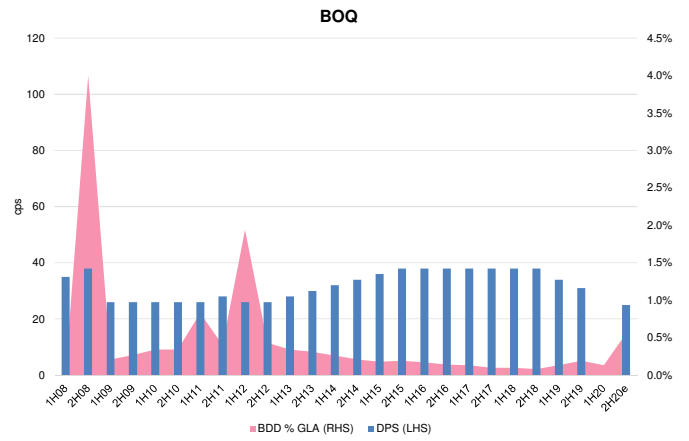
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 5 – BEN



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 6 – BOQ



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Cheat Sheet

Table 8 – Bank Cheat Sheet 1 (S&P 100 only)

	ANZ	CBA	NAB	WBC	SUN	BEN	BOQ	MQG
1 E&D (\$bn) (APRA Table 7d)								
Home	381	611	389	554	45	46	30	60
Other retail	51	38	14	34	0	4	15	8
Agriculture, forestry & fishing	37	22	48	23	4	6	0	0
Oil & gas	9	9	7	3	0	0	0	1
Mining	73	10	3	6	0	0	0	2
Mining services	2	1	1	2	0	0	0	0
Other commercial	524	410	439	468	17	8	6	78
Total	1,075	1,101	901	1,089	67	64	51	149
2020e growth (BP)	5%	3%	0%	-2%	-3%	-3%	-5%	-
2021e growth (BP)	2%	2%	0%	-3%	-3%	2%	2%	-
<u>Domestic market share (APRA)</u>								
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%
<u>Mortgage lending by State</u>								
NSW / ACT	33%	36%	40%	41%	29%	25%	28%	-
VIC	33%	28%	32%	27%	11%	39%	15%	-
QLD	15%	19%	15%	16%	50%	15%	43%	-
WA	13%	11%	8%	9%	7%	9%	9%	-
SA / other	6%	6%	5%	7%	3%	12%	5%	-
Total	100%	100%	100%	100%	100%	100%	100%	-
2 Group funding (ex-SHE)								
Customer deposits as % of funding - Term	27%	22%	21%	23%	24%	35%	30%	-
Customer deposits as % of funding - Other	37%	47%	40%	45%	41%	40%	35%	-
Other as % of funding	36%	31%	39%	32%	35%	25%	35%	-
Total	100%	100%	100%	100%	100%	100%	100%	-
Customer deposits as % of GLA	87%	78%	73%	75%	68%	79%	69%	-
NIM (including large notable items)	1.69%	2.11%	1.78%	2.13%	1.92%	1.99%	1.89%	-
NSFR	118%	117%	116%	117%	119%	115%	112%	109%
Wholesale funding <12 month maturity	12%	13%	19%	13%	12%	19%	12%	-
2021e w/sale funding requirement (\$bn)	27	21	33	36	3	1	1	-
Liquidity Coverage Ratio (average)	139%	133%	136%	140%	130%	134%	135%	158%
Domestic market share - deposits (APRA)	13%	24%	16%	20%	2%	2%	2%	3%
3 Asset quality								
Bad debt charge as % of GLA	0.53%	0.80%	0.38%	0.62%	0.23%	0.20%	0.13%	-
Provisions as % of GLA	0.85%	0.72%	0.85%	0.80%	0.60%	0.56%	0.69%	-
90 days past due as % of GLA	0.55%	0.36%	0.64%	0.75%	0.96%	1.08%	0.62%	-
Commercial property exposure	4.3%	6.5%	6.7%	6.3%	4.5%	6.5%	6.8%	-
Texas Ratio	9.3%	8.6%	9.3%	9.7%	14.6%	13.0%	10.8%	-
<u>Institutional loans by risk grade (estimate)</u>								
AAA to BBB- (investment grade)	74%	66%	75%	64%	-	-	-	-
Other	26%	34%	25%	36%	-	-	-	-
Total	100%	100%	100%	100%	-	-	-	-
4 E&D by industry (\$bn)								
Agriculture, F&F & mining	54	42	59	33	4	6	-	-
Construction & property related	79	77	86	92	3	4	-	-
Entertainment, leisure & tourism	17	7	10	10	1	0	-	-
Financial	257	75	136	130	2	1	-	-
Manufacturing	55	14	21	31	0	0	-	-
Retail	409	649	391	596	45	50	-	-
Services	14	12	25	35	0	1	-	-
Sovereign	75	91	58	82	3	0	-	-
Trade	48	20	32	35	0	1	-	-
Transport & storage	23	20	28	21	0	0	-	-
Other	43	94	55	24	8	1	-	-
Total	1,075	1,101	901	1,089	67	64	51	149
Agriculture, F&F & mining	5%	4%	7%	3%	6%	9%	-	-
Construction & property related	7%	7%	10%	8%	4%	7%	-	-
Entertainment, leisure & tourism	2%	1%	1%	1%	1%	1%	-	-
Financial	24%	7%	15%	12%	3%	1%	-	-
Manufacturing	5%	1%	2%	3%	0%	0%	-	-
Retail	38%	59%	43%	55%	68%	78%	-	-
Services	1%	1%	3%	3%	1%	1%	-	-
Sovereign	7%	8%	6%	8%	4%	0%	-	-
Trade	5%	2%	4%	3%	0%	1%	-	-
Transport & storage	2%	2%	3%	2%	0%	0%	-	-
Other	4%	9%	6%	2%	12%	2%	-	-
Total	100%	100%	100%	100%	100%	100%	100%	100%
5 E&D by portfolio (\$bn)								
Retail	409	649	391	596	45	50	45	68
Corporate	274	187	118	212	6	0	0	49
Business / SME	60	99	198	88	11	13	0	23
Financial	257	75	136	110	2	1	2	8
Sovereign	75	91	58	82	3	0	3	2
Total	1,075	1,101	901	1,089	67	64	51	149
Retail	38%	59%	43%	55%	68%	78%	88%	46%
Corporate	25%	17%	13%	20%	9%	0%	0%	33%
Business / SME	6%	9%	22%	8%	17%	21%	0%	15%
Financial	24%	7%	15%	10%	3%	1%	4%	5%
Sovereign	7%	8%	6%	8%	4%	0%	7%	1%
Total	100%	100%	100%	100%	100%	100%	100%	100%
6 NPAT by segment								
Retail banking	53%	51%	29%	65%	22%	68%	36%	-
Wholesale banking	38%	44%	70%	35%	22%	32%	66%	-
Wealth	0%	3%	1%	0%	3%	0%	0%	-
Offshore (ex-New Zealand) & other	9%	3%	0%	0%	54%	0%	-2%	-
Total	100%	100%	100%	100%	100%	100%	100%	-
7 NPAT by geography								
Australia	76%	87%	84%	89%	74%	100%	100%	-
New Zealand	24%	11%	16%	11%	26%	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%	44%	62%	60%	60%	59%	54%	60%
8 Capital management (last reported)								
APRA leverage ratio (>4%) (Tier 1 / E&D)	5.0%	5.5%	5.2%	5.7%	5.4%	6.9%	7.0%	5.3%
APRA CET1 (>10.5% MTB, >8.5% others)	10.8%	10.7%	10.4%	10.4%	9.0%	9.0%	9.9%	11.4%
Tier 1	12.5%	13.0%	12.0%	12.9%	10.8%	11.7%	11.5%	13.3%
International CET1	15.5%	16.2%	14.4%	15.8%	-	-	-	14.2%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Table 9 – Bank Cheat Sheet 2 (S&P 100 only)

	ANZ	CBA	NAB	WBC	SUN	BEN	BOQ	MQG
9 Pricing								
Shareprice	\$18.07	\$72.21	\$17.90	\$17.46	\$9.05	\$6.96	\$6.14	\$124.38
Price target	\$19.50	\$78.00	\$19.90	\$18.30	\$10.50	\$7.00	\$6.00	\$135.00
Target PB								
- FY20e	0.9	1.9	1.0	0.9	1.1	0.6	0.6	2.2
- FY21e	0.9	1.8	1.0	0.9	1.1	0.6	0.6	2.1
Target PE								
- FY20e	15.6	17.7	23.3	19.0	24.1	10.9	11.3	17.1
- FY21e	12.4	18.1	14.9	14.0	16.8	11.9	13.8	19.7
Target yield								
- FY20e	3.1%	2.8%	2.1%	2.5%	3.4%	4.4%	4.2%	3.2%
- FY21e	4.6%	3.6%	4.0%	4.6%	3.8%	4.3%	4.5%	2.8%
Expected return	12.9%	11.9%	15.6%	9.7%	20.4%	4.9%	2.1%	11.6%
BP recommendation	Buy	Buy	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)	51	128	59	63	12	4	3	45
TSR								
1 week	-1%	-2%	0%	-2%	-4%	0%	-2%	-1%
1 month	-1%	6%	0%	-1%	-5%	2%	0%	8%
3 months	10%	19%	13%	13%	-2%	17%	30%	27%
1 year	-31%	-7%	-32%	-36%	-30%	-33%	-30%	0%
BP estimates								
PB FY19 (x)	0.8	1.8	1.1	1.0	0.9	0.7	0.7	2.4
PB FY20e (x)	0.8	1.8	0.9	0.9	0.9	0.6	0.7	2.1
PB FY21e (x)	0.8	1.7	0.9	0.9	0.9	0.6	0.6	2.0
PB FY22e (x)	0.8	1.6	0.8	0.8	0.9	0.6	0.6	1.8
ROE FY19	11%	12%	10%	11%	8%	7%	8%	18%
ROE FY20e	6%	11%	5%	5%	4%	6%	6%	15%
ROE FY21e	7%	10%	7%	7%	6%	5%	5%	11%
ROE FY22e	8%	11%	8%	7%	7%	5%	5%	12%
NIM FY19	1.75%	2.10%	1.79%	2.13%	1.90%	1.96%	1.93%	-
NIM FY20e	1.62%	2.09%	1.75%	2.08%	1.94%	1.95%	1.89%	-
NIM FY21e	1.53%	2.01%	1.68%	2.00%	1.92%	1.86%	1.84%	-
NIM FY22e	1.50%	2.01%	1.65%	1.96%	1.88%	1.82%	1.81%	-
PE FY19 (x)	7.9	15.0	9.8	8.8	10.5	8.2	7.7	14.1
PE FY20e (x)	14.5	16.4	21.0	18.1	20.8	10.8	11.6	15.7
PE FY21e (x)	11.4	16.8	13.4	13.3	14.5	11.8	14.1	18.2
PE FY22e (x)	9.6	14.6	11.5	11.8	11.9	11.2	13.0	15.7
EPS FY19 (c)	228	481	182	198	86	85	80	883
EPS FY20e (c)	125	441	85	96	43	64	53	791
EPS FY21e (c)	158	430	134	131	62	59	44	684
EPS FY22e (c)	188	494	156	148	76	62	47	795
EPS growth FY19	2%	-6%	-13%	-16%	1%	-8%	-16%	17%
EPS growth FY20e	-45%	-8%	-53%	-51%	-50%	-24%	-33%	-10%
EPS growth FY21e	27%	-3%	57%	36%	44%	-8%	-18%	-14%
EPS growth FY22e	19%	15%	17%	13%	22%	5%	8%	16%
DPS FY19 (c)	160	431	166	174	78	70	65	575
DPS FY20e (c)	60	220	42	45	36	31	25	430
DPS FY21e (c)	90	280	80	85	40	30	27	375
DPS FY22e (c)	115	330	95	105	51	33	32	480
Yield FY19	8.9%	6.0%	9.2%	10.0%	8.6%	10.1%	10.6%	4.6%
Yield FY20e	3.3%	3.0%	2.3%	2.6%	4.0%	4.5%	4.1%	3.5%
Yield FY21e	5.0%	3.9%	4.4%	4.9%	4.4%	4.3%	4.4%	3.0%
Yield FY22e	6.4%	4.6%	5.3%	6.0%	5.6%	4.7%	5.2%	3.9%
Payout FY19	70%	90%	91%	88%	90%	82%	82%	65%
Payout FY20e	48%	50%	49%	47%	83%	48%	47%	54%
Payout FY21e	57%	65%	59%	65%	64%	51%	62%	55%
Payout FY22e	61%	67%	60%	71%	67%	53%	68%	60%
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%	0.12%	0.09%	-
BDD as % of GLA FY20e	0.53%	0.37%	0.41%	0.52%	0.25%	0.11%	0.16%	-
BDD as % of GLA FY21e	0.45%	0.40%	0.41%	0.44%	0.17%	0.08%	0.35%	-
BDD as % of GLA FY22e	0.26%	0.23%	0.31%	0.23%	0.06%	0.29%	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%	0.7%	0.9%	-
Provisions as % of RWA FY20e	1.4%	1.4%	1.5%	1.8%	1.1%	0.8%	1.0%	-
Provisions as % of RWA FY21e	1.7%	1.5%	1.8%	2.1%	0.7%	1.0%	1.3%	-
Provisions as % of RWA FY22e	1.8%	1.3%	1.7%	2.0%	0.7%	1.3%	1.1%	-
10 Strategy	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
11 Value proposition	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 10 – ANZ

ANZ Bank						Share Price (A\$)						18.07
As at	29-Jul-20					Market Cap (A\$M)						51,250
PROFIT AND LOSS						VALUATION DATA						
Y/e September 30 (\$m)	2018	2019	2020e	2021e	2022e	Y/e September 30	2018	2019	2020e	2021e	2022e	
Net interest income	14,514	14,339	14,362	14,115	14,046	Cash profit (continuing) (\$m)	6,487	6,470	3,536	4,483	5,338	
Other banking income	4,736	4,672	3,488	4,208	4,234	Statutory EPS (c)	222	210	127	153	193	
Total banking income	19,250	19,011	17,850	18,323	18,280	- Growth	1%	-5%	-39%	21%	26%	
Funds management income	0	0	0	0	0	Cash EPS (continuing) (c)	223	228	125	158	188	
Insurance income	117	18	0	0	0	- Growth	-4%	2%	-45%	27%	19%	
Operating income	19,367	19,029	17,850	18,323	18,280	P / E ratio (times)	8.1	7.9	14.5	11.4	9.6	
Operating expenses	-9,401	-9,071	-9,082	-8,916	-8,883	P / Book ratio (times)	0.9	0.8	0.8	0.8	0.8	
Credit impairment charge	-688	-795	-3,456	-3,036	-1,790	P / NTA ratio (times)	0.9	0.9	0.9	0.9	0.8	
Profit before income tax	9,278	9,163	5,313	6,370	7,607	Net DPS (c)	160	160	60	90	115	
Income tax expense	-2,775	-2,678	-1,775	-1,885	-2,267	Yield	8.9%	8.9%	3.3%	5.0%	6.4%	
Non-controlling interests	-16	-15	-2	-2	-2	Franking	100%	85%	35%	70%	70%	
Investment experience	0	0	0	0	0	Payout (cash basis, target 60-65%)	72%	70%	48%	57%	61%	
Cash profit (continuing)	6,487	6,470	3,536	4,483	5,338	CAPITAL ADEQUACY						
Discontinued operations	-682	-309	-90	0	0	Y/e September 30	2018	2019	2020e	2021e	2022e	
Cash profit	5,805	6,161	3,446	4,483	5,338	Risk weighted assets (\$m)	390,820	416,961	450,724	465,849	482,393	
Hedging, one off gains, etc.	595	-208	157	-130	130	Average risk weight	46%	46%	45%	45%	45%	
Statutory profit	6,400	5,953	3,603	4,353	5,468	Tier 1 ratio	13.4%	13.2%	12.9%	12.8%	12.9%	
CASHFLOW						CET1 capital ratio	11.4%	11.4%	11.2%	11.1%	11.3%	
Y/e September 30 (\$m)	2018	2019	2020e	2021e	2022e	Total capital ratio	15.2%	15.3%	15.9%	15.6%	15.6%	
Cash profit	5,805	6,161	3,446	4,483	5,338	Equity ratio	6.3%	6.2%	5.5%	5.5%	5.5%	
Increase in loans	-24,644	-9,640	-34,103	-11,241	-14,290	DIVISIONAL						
Increase in other assets	-6,796	-31,308	-74,852	-20,900	-22,173	Y/e September 30 (\$m)	2018	2019	2020e	2021e	2022e	
Capital expenditure	132	-91	-1,335	-99	-101	Australia						
Investing cashflow	-31,308	-41,039	-110,290	-32,239	-36,564	Net interest income	8,449	8,092	7,788	7,404	7,504	
Increase in deposits & borrowings	27,298	28,986	64,722	18,467	21,836	Other income	1,510	1,347	1,129	988	1,007	
Increase in other liabilities	18,228	7,580	104,497	12,398	12,167	Total banking income	9,959	9,439	8,917	8,392	8,511	
Ordinary equity raised	0	0	0	0	0	Operating expenses	-4,075	-4,074	-4,097	-4,007	-3,973	
Other	-3,435	-4,703	-903	-3,108	-2,777	Impairment expenses	-698	-712	-1,248	-852	-896	
Financing cashflow	42,091	31,863	168,317	27,756	31,226	Net profit before tax	5,186	4,653	3,572	3,532	3,642	
Net change in cash	16,588	-3,015	61,472	0	0	Corporate tax expense	-1,560	-1,458	-1,072	-1,060	-1,093	
Cash at end of period	84,636	81,621	143,093	143,093	143,093	Cash profit (continuing)	3,626	3,195	2,500	2,473	2,549	
BALANCE SHEET						Loans	341,310	331,871	324,030	328,089	332,180	
Y/e September 30 (\$m)	2018	2019	2020e	2021e	2022e	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	Asia Retail & Pacific						
Divisional gross loans	609,112	621,873	653,506	666,444	681,292	Net interest income	131	128	133	78	39	
Provisions	-3,443	-4,190	-6,396	-8,093	-8,651	Other income	100	104	75	40	20	
Other gross loans / inter div.	-732	-3,106	1,570	1,073	1,570	Total banking income	231	232	208	118	59	
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	Net profit before tax	100	83	85	62	31	
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	Cash profit (continuing)	72	59	60	44	22	
Total assets	943,182	981,137	1,152,995	1,185,235	1,221,799	Loans	2,114	2,120	1,060	530	265	
Divisional deposits & IBL	584,694	613,680	678,402	696,869	718,705	Deposits	3,467	3,546	1,773	887	443	
Other borrowings	289,822	295,556	396,878	409,276	421,443	Institutional						
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	
Total liabilities	883,777	920,343	1,089,563	1,120,427	1,154,430	Other income	2,066	2,192	2,318	2,372	2,428	
Ordinary share capital	27,205	26,490	26,440	26,440	26,440	Total banking income	5,059	5,272	5,731	5,818	5,775	
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	-1,945	-2,008	-683	
Retained profits	31,737	32,664	34,131	35,506	38,067	Net profit before tax	2,155	2,607	1,225	1,187	2,409	
Minority interests	140	11	11	11	11	Corporate tax expense	-675	-779	-363	-368	-747	
Total shareholders' equity	59,405	60,794	63,433	64,808	67,369	Cash profit (continuing)	1,480	1,828	862	819	1,662	
Total sh. equity & liabs.	943,182	981,137	1,152,995	1,185,235	1,221,799	Loans	150,133	164,526	196,632	200,565	204,576	
WANOS - statutory (m)	2,888	2,834	2,833	2,836	2,836	Other IEA	276,607	346,094	455,118	464,221	473,505	
WANOS - underlying (m)	2,904	2,842	2,836	2,839	2,839	IBL	273,183	290,671	350,266	360,773	371,597	
PROFITABILITY RATIOS						Wealth Australia						
Y/e September 30	2018	2019	2020e	2021e	2022e	Net interest income	2					
Return on assets (cash, continuing)	0.7%	0.7%	0.3%	0.4%	0.4%	Other operating income	60					
Return on equity (cash, continuing)	11.0%	10.9%	5.8%	7.1%	8.2%	Net funds management income	0					
Leverage ratio	5.6%	5.7%	5.1%	5.1%	5.1%	Net insurance & other income	0					
Net interest margin (continuing)	1.87%	1.75%	1.62%	1.53%	1.50%	Total operating income	62					
Cost / income ratio (continuing)	49%	48%	51%	49%	49%	Operating expenses	-180					
Cost / average assets (continuing)	1.00%	0.92%	0.79%	0.75%	0.73%	Impairment expenses	0					
Growth in operating income	-2%	-2%	-6%	3%	0%	Net profit before tax	-118					
Growth in operating expenses	5%	-4%	0%	-2%	0%	Corporate tax expense	35					
Jaws (continuing)	-7%	2%	-6%	4%	0%	Cash profit (continuing)	-83					
Effective tax rate	30%	29%	33%	30%	30%	FUM	0					
ASSET QUALITY						New Zealand						
Y/e September 30	2018	2019	2020e	2021e	2022e	Net interest income	2,651	2,736	2,853	2,938	3,056	
Impairment expense / GLA	0.11%	0.13%	0.53%	0.45%	0.26%	Other income	671	580	493	508	528	
Impairment expense / RWA	0.18%	0.19%	0.77%	0.65%	0.37%	Total operating income	3,322	3,316	3,346	3,446	3,585	
Total provisions (\$m)	3,443	4,190	6,396	8,093	8,651	Operating expenses	-1,205	-1,286	-1,377	-1,382	-1,399	
Total provisions / GLA	0.57%	0.67%	0.98%	1.21%	1.27%	Impairment expenses	-6	-87	-252	-175	-210	
Indiv ass prov / gross imp assets	43%	40%	45%	40%	30%	Net profit before tax	2,111	1,943	1,717	1,889	1,975	
IBL / IEA	104%	103%	108%	108%	108%	Corporate tax expense	-590	-544	-481	-529	-553	
Total provisions + GRCL / RWA	0.88%	1.00%	1.42%	1.74%	1.79%	Minority interests	0	0	0	0	0	
						Investment experience	0	0	0	0	0	
						Cash profit (continuing)	1,521	1,399	1,236	1,360	1,422	
						Loans	112,112	119,166	125,388	129,168	135,620	
						Deposits	82,630	87,456	92,023	94,796	99,532	
						Other IBL	22,682	24,002	24,284	24,054	24,284	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Table 11 – BEN

Bendigo and Adelaide						Share Price (A\$)					6.96
As at						Market Cap (A\$M)					3,689
29-Jul-20											
PROFIT AND LOSS						VALUATION DATA					
Y/e June 30 (\$m)	2018	2019	2020e	2021e	2022e	Y/e June 30	2018	2019	2020e	2021e	2022e
Net interest income	1,306	1,308	1,336	1,275	1,281	NPAT (cash) (\$m)	445	416	322	313	331
Fees and commissions	168	164	154	144	140	EPS (statutory underlying) (cps)	85	83	63	59	62
Total banking income	1,474	1,472	1,490	1,420	1,421	- Growth	6%	-2%	-24%	-7%	6%
Wealth solutions commissions	72	74	57	57	57	EPS (cash) (cps)	92	85	64	59	62
Insurance commissions	0	0	0	0	0	- Growth	4%	-8%	-24%	-8%	5%
Share of associates' profit	0	0	0	0	0	P / E ratio (times)	7.6	8.2	10.8	11.8	11.2
Other revenue	42	54	57	53	51	P / Book ratio (times)	0.7	0.7	0.6	0.6	0.6
Total operating income	1,588	1,600	1,605	1,530	1,529	P / NTA ratio (times)	0.9	0.9	0.9	0.8	0.8
Fees and commissions	-35	-31	-21	-21	-21	Net DPS (cps)	70	70	31	30	33
SAW	-497	-519	-544	-561	-577	Yield	10.1%	10.1%	4.5%	4.3%	4.7%
Amortisation expense	-36	-38	-26	-17	-16	Franking	100%	100%	100%	100%	100%
G&A expenses	-340	-371	-385	-389	-393	Payout (cash basis) (60-80%)	76%	82%	48%	51%	53%
Underwriting expenses	0	0	0	0	0	CAPITAL ADEQUACY					
Impairment expenses	0	0	0	0	0	Y/e June 30	2018	2019	2020e	2021e	2022e
Credit expenses	-71	-50	-174	-98	-50	Risk weighted assets (\$m)	38,256	37,483	37,863	38,843	39,861
Net profit before income tax	608	591	455	444	472	Average risk weight	56%	54%	55%	55%	55%
Corporate tax expense	-197	-186	-139	-133	-142	Tier 1 ratio	11.0%	11.3%	12.3%	12.4%	12.6%
Minority interests	0	0	0	0	0	CET1 capital ratio	8.6%	8.9%	10.0%	10.1%	10.3%
NPAT (statutory underlying)	411	405	316	311	330	Total capital ratio	12.9%	13.1%	14.1%	14.2%	14.3%
Adjustments						Equity ratio	7.9%	7.8%	8.1%	8.2%	8.3%
- Dividends on pref shares	0	0	0	0	0	PROFITABILITY RATIOS					
- Dividends on CPS2	0	0	0	0	0	Y/e June 30	2018	2019	2020e	2021e	2022e
- Amortisation expense & other	34	10	7	2	1	Return on assets	0.6%	0.6%	0.4%	0.4%	0.4%
NPAT (cash)	445	416	322	313	331	Return on equity	8.2%	7.5%	5.8%	5.3%	5.4%
CASHFLOW						Leverage ratio	6.0%	6.0%	6.6%	6.7%	6.7%
Y/e June 30 (\$m)	2018	2019	2020e	2021e	2022e	Net interest margin	1.98%	1.96%	1.95%	1.86%	1.82%
NPAT (statutory basis)	411	405	316	311	330	Cost / income ratio	57%	60%	61%	65%	66%
Increase in loans	-840	-199	1,761	-1,195	-1,269	Cost / average assets	1.27%	1.33%	1.33%	1.34%	1.33%
Increase in other assets	935	-803	-335	-563	-608	Growth in operating income	6%	0%	0%	-5%	0%
Capital expenditure	8	7	-213	-8	-9	Growth in operating expenses	2%	5%	2%	1%	2%
Investing cashflow	103	-995	1,213	-1,766	-1,886	Jaws (underlying)	4%	-5%	-2%	-6%	-2%
Increase in deposits & borrowings	235	1,037	3,596	1,925	1,983	Effective tax rate	32%	31%	31%	30%	30%
Increase in other liabilities	-406	-83	-3,898	-397	-299	ASSET QUALITY					
Ordinary equity raised	0	0	300	0	0	Y/e June 30	2018	2019	2020e	2021e	2022e
Other	-202	-430	-280	-74	-128	Impairment expense / GLA	0.11%	0.08%	0.29%	0.16%	0.08%
Financing cashflow	-373	524	-281	1,455	1,556	Impairment expense / RWA	0.18%	0.13%	0.46%	0.25%	0.13%
Net change in cash	141	-65	1,247	0	0	Total provisions + GRCL (\$m)	308	363	493	510	478
Cash at end of period	1,137	1,072	2,319	2,319	2,319	Total provisions + GRCL / RWA	0.80%	0.97%	1.30%	1.31%	1.20%
BALANCE SHEET						Total provisions + GRCL / loans	0.50%	0.58%	0.82%	0.83%	0.76%
Y/e June 30 (\$m)	2018	2019	2020e	2021e	2022e	Indiv ass prov / gross imp assets	36%	41%	42%	42%	42%
Cash and liquid assets	1,137	1,072	2,319	2,319	2,319	IBL / IEA	96%	97%	98%	98%	97%
Divisional gross loans	61,794	62,110	60,472	61,682	62,915	INTERIMS					
Provisions	-168	-286	-408	-423	-388	2H18	1H19	2H19	1H20	2H20	
Other gross loans / inter div.	168	286	278	278	278	Net interest income	648	659	650	676	660
Other IEA	5,694	6,258	6,893	7,456	8,064	Fees and commissions	83	85	79	79	75
Intangibles	1,650	1,686	1,585	1,567	1,551	Total banking income	731	743	729	756	735
PP&E	70	63	277	285	294	Wealth solutions commissions	37	37	36	29	28
Insurance assets	0	0	0	0	0	Insurance commissions	0	0	0	0	0
Other assets	1,095	1,216	922	922	922	Share of associates' profit	0	0	0	0	0
Total assets	71,440	72,405	72,338	74,086	75,956	Other revenue	17	23	32	30	28
Divisional deposits	59,530	60,567	64,162	66,087	68,070	Total operating income	785	803	796	815	790
Other borrowings	5,522	5,588	1,645	1,249	950	Fees and commissions	-18	-17	-14	-10	-10
Other liabilities	768	619	664	664	664	SAW	-252	-256	-263	-274	-271
Total liabilities	65,820	66,773	66,472	68,000	69,683	Amortisation expense	-16	-18	-20	-18	-8
Ordinary share capital	4,523	4,571	4,914	4,929	4,952	G&A expenses	-171	-175	-196	-187	-198
Other equity instruments	0	0	0	0	0	Underwriting expenses	0	0	0	0	0
Reserves	-19	-4	3	3	3	Impairment expenses	0	0	0	0	0
GRCL	140	77	85	88	90	Credit expenses	-24	-26	-25	-23	-151
Retained profits	976	987	864	1,067	1,228	Net profit before income tax	303	312	279	303	152
Minority interests	0	0	0	0	0	Corporate tax expense	-97	-98	-88	-93	-46
Total shareholders' equity	5,620	5,632	5,867	6,087	6,273	Minority interests	0	0	0	0	0
Total sh. equity & liabs.	71,440	72,405	72,338	74,086	75,956	NPAT (statutory underlying)	206	214	192	209	106
WANOS - statutory (m)	483	489	502	530	533	Adjustments	0	0	0	0	0
WANOS - cash (m)	483	489	502	530	533	- Dividends on pref shares	0	0	0	0	0
NPAT (cash, diluted)	470	440	347	337	356	- Dividends on CPS2	0	0	0	0	0
WANOS - diluted (m)	558	558	558	558	558	- Amortisation expense & other	14	6	4	6	1
EPS (cash, diluted) (cps)	84	79	62	60	64	NPAT (cash)	220	220	196	215	107

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Table 12 – BOQ

Bank of Queensland						Share Price (A\$)					6.14
As at						Market Cap (A\$M)					2,790
29-Jul-20											
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
Total banking income	1,110	1,089	1,064	1,020	1,033	- 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%
Total operating income	1,110	1,089	1,064	1,020	1,033	P / E ratio (times)	6.5	7.7	11.6	14.1	13.0
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	1.0	0.8	0.8	0.8
Net profit before income tax	542	465	338	285	313	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%
Cash earnings after tax	372	320	234	200	219	Payout (cash basis, target 70-80%)	81%	82%	49%	62%	68%
Adjustments	0	0	0	0	0	CAPITAL ADEQUACY					
- 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	Tier 1 ratio	11.0%	10.7%	11.4%	11.3%	11.3%
- Gain on VISA IPO	0	0	0	0	0	CET1 capital ratio	9.3%	9.0%	9.8%	9.8%	9.8%
- Other	-28	-15	-50	-12	-12	Total capital ratio	12.8%	12.4%	13.1%	12.9%	12.9%
Statutory NPAT	336	298	116	188	207	Equity ratio	7.3%	6.9%	8.1%	8.0%	8.0%
Add: RePS dividends & other	0	0	0	0	0	PROFITABILITY RATIOS					
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	Return on equity	9.9%	8.3%	5.7%	4.7%	5.0%
Cash earnings after tax (diluted)	395	341	253	220	239	ROTE	12.9%	10.8%	7.3%	5.8%	6.2%
CASHFLOW						Leverage ratio	6.3%	6.0%	7.0%	7.0%	6.9%
Y/e August 31 (\$m)	2018	2019	2020e	2021e	2022e	Net interest margin	1.98%	1.93%	1.89%	1.84%	1.81%
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%
Investing cashflow	-1,021	-2,506	3,124	-1,431	-1,501	Jaws	-2%	-6%	-7%	-5%	0%
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	ASSET QUALITY					
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%
Financing cashflow	947	2,248	-3,498	1,231	1,282	Impairment expense / RWA	0.14%	0.24%	0.48%	0.48%	0.41%
Net change in cash	298	62	-140	0	0	Total provisions + GRCL (\$m)	260	295	403	370	327
Cash at end of period	1,212	1,274	1,134	1,134	1,134	Total provisions + GRCL / RWA	0.88%	0.97%	1.27%	1.14%	0.98%
BALANCE SHEET						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	INTERIMS					
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	Total banking income	560	541	548	541	523
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	Total operating income	560	541	548	541	523
Other assets	286	266	274	274	274	Operating expenses	-265	-268	-282	-292	-282
Total assets	52,980	55,597	52,303	53,698	55,149	Impairment expenses	-19	-30	-44	-30	-122
Divisional deposits	38,017	38,337	38,509	39,664	40,854	Net profit before income tax	276	243	222	219	119
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
Total liabilities	49,124	51,738	48,069	49,400	50,754	Cash earnings after tax	190	167	153	151	83
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
Total shareholders' equity	3,856	3,859	4,234	4,299	4,395	- Gain on VISA IPO	0	0	0	0	0
Total sh. equity & liabs.	52,980	55,597	52,303	53,698	55,149	- Other	-25	-7	-8	-41	-9
WANOS - statutory (m)	393	402	441	458	464	Statutory NPAT	162	156	142	93	23
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
						Cash earnings after tax (diluted)	202	177	164	160	93
						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 13 – CBA

As at	29-Jul-20					Share Price (A\$)					72.21
						Market Cap (A\$M)					127,829
PROFIT AND LOSS						VALUATION DATA					
Y/e June 30 (\$m)	2018	2019	2020e	2021e	2022e	Y/e June 30	2018	2019	2020e	2021e	2022e
Net interest income	18,342	18,120	18,665	18,517	18,776	NPAT (cash basis) (\$m)	9,412	8,706	7,825	7,610	8,741
Other banking income	5,215	5,068	5,280	5,407	5,510	NPAT (cash basis, continuing) (\$m)	8,915	8,492	7,808	7,610	8,741
Total banking income	23,557	23,188	23,945	23,924	24,286	EPS (statutory basis) (cps)	534	486	537	517	581
Funds management income	1,119	1,072	979	1,010	1,048	- Growth	-7%	-9%	11%	-4%	12%
Insurance income	238	147	91	120	120	EPS (cash basis) (cps)	539	493	442	430	494
Total operating income	24,914	24,407	25,015	25,054	25,453	- Growth	-6%	-8%	-10%	-3%	15%
Operating expenses	-10,995	-11,269	-11,095	-11,169	-11,245	EPS (cash basis, continuing) (cps)	510	481	441	430	494
Loan impairment expense	-1,079	-1,201	-2,876	-3,119	-1,831	- Growth	-9%	-6%	-8%	-3%	15%
Net profit before income tax	12,840	11,937	11,044	10,766	12,377	P / E ratio (times)	13.4	14.6	16.3	16.8	14.6
Corporate tax expense	-3,920	-3,437	-3,243	-3,163	-3,643	P / Book ratio (times)	1.9	1.8	1.8	1.7	1.6
Minority interests	-13	-12	0	0	0	P / NTA ratio (times)	2.2	2.1	2.0	1.8	1.7
Discontinued operations	497	214	17	0	0	Net DPS (cps)	431	431	220	280	330
Investment experience	8	4	6	7	7	Yield	6.0%	6.0%	3.0%	3.9%	4.6%
NPAT (cash basis)	9,412	8,706	7,825	7,610	8,741	Franking	100%	100%	100%	100%	100%
Adjustments	-83	-135	1,687	1,540	1,540	Payout (cash basis, target 70-80%)	80%	87%	50%	65%	67%
NPAT (statutory basis)	9,329	8,571	9,512	9,150	10,281						
CASHFLOW						CAPITAL ADEQUACY					
Y/e June 30 (\$m)	2018	2019	2020e	2021e	2022e	Y/e June 30	2018	2019	2020e	2021e	2022e
NPAT (cash basis)	9,412	8,706	7,825	7,610	8,741	Risk weighted assets (\$m)	458,612	452,762	485,101	493,938	505,598
Increase in loans	-16,228	-8,198	-20,155	-12,470	-19,224	Average risk weight	49%	48%	51%	51%	51%
Increase in other assets	5,717	-1,487	12,998	-3,893	-4,325	Tier 1 ratio	12.3%	12.7%	13.3%	14.0%	14.5%
Capital expenditure	1,297	193	-2,900	-160	-165	CET1 capital ratio	10.1%	10.7%	11.1%	11.8%	12.4%
Investing cashflow	-9,214	-9,492	-10,057	-16,523	-23,713	Total capital ratio	15.0%	15.5%	16.4%	16.9%	17.4%
Increase in deposits & borrowings	-13,090	32,083	37,346	19,391	21,579	Equity ratio	7.0%	7.1%	7.1%	7.6%	7.9%
Increase in other liabilities	7,737	-32,535	-21,121	-9,186	-2,748						
Ordinary equity raised	0	0	0	0	0	DIVISIONAL					
Other	-4,278	-5,792	-6,274	-1,292	-3,859	Y/e June 30 (\$m)	2018	2019	2020e	2021e	2022e
Financing cashflow	-9,631	-6,244	9,950	8,913	14,972	Retail Banking Services (underlying)					
Net change in cash	-9,433	-7,030	7,718	0	0	Net interest income	9,649	8,754	9,417	9,242	9,343
Cash at end of period	36,417	29,387	37,105	37,105	37,105	Other income	1,821	1,546	1,412	1,443	1,477
						Total banking income	11,470	10,300	10,829	10,684	10,820
						Operating expenses	-4,102	-4,040	-4,129	-4,085	-4,183
						Loan impairment expense	-652	-672	-663	-827	-864
						Net profit before tax	6,716	5,588	6,037	5,772	5,772
						Corporate tax expense	-2,013	-1,681	-1,812	-1,732	-1,732
						Cash net profit after tax	4,703	3,907	4,224	4,040	4,041
						Home loans	364,840	369,236	383,721	389,874	397,671
						Consumer & other loans	25,703	15,213	14,979	15,279	15,584
						Deposits	239,627	218,803	228,508	235,363	242,424
						Deposits non bearing interest	23,909	23,940	28,770	29,633	30,522
						B&B / IB&M					
						Net interest income	6,549	7,068	7,070	7,025	7,123
						Other income	2,662	2,591	2,750	2,812	2,883
						Total banking income	9,211	9,659	9,820	9,837	10,006
						Operating expenses	-3,297	-3,618	-3,595	-3,693	-3,648
						Loan impairment expense	-327	-401	-893	-993	-844
						Net profit before tax	5,587	5,640	5,332	5,151	5,514
						Corporate tax expense	-1,572	-1,592	-1,563	-1,510	-1,617
						Cash net profit after tax	4,015	4,048	3,768	3,640	3,897
						Loans	277,417	287,227	289,359	293,625	299,498
						Other IEA	27,821	30,335	38,076	38,837	39,614
						IBL	246,407	273,854	289,035	297,706	306,637
						Deposits non bearing interest	20,601	42,180	45,337	46,698	48,098
						Wealth Management					
						Funds management income	841	862	839	854	879
						Insurance income	0	0	0	0	0
						Total operating income	841	862	839	854	879
						Volume expenses	0	0	0	0	0
						Operating expenses	-490	-649	-650	-650	-650
						Net profit before tax	351	213	189	204	229
						Corporate tax expense	-104	-67	-56	-61	-69
						Investment experience	8	18	18	19	19
						Cash net profit after tax	255	164	151	161	180
						FUA	147,999	155,468	160,132	164,936	169,884
						New Zealand					
						Net interest income	1,760	1,909	1,948	2,021	2,080
						Other income	415	442	440	474	472
						Total banking income	2,175	2,351	2,388	2,495	2,552
						Funds management income	112	130	143	156	168
						Insurance income	0	0	0	0	0
						Total operating income	2,287	2,481	2,532	2,651	2,720
						Operating expenses	-860	-912	-959	-940	-964
						Loan impairment expense	-74	-102	-59	-99	-123
						Net profit before tax	1,353	1,467	1,514	1,612	1,633
						Corporate tax expense	-378	-408	-423	-451	-457
						Minority interests	0	0	0	0	0
						Investment experience	0	0	0	0	0
						Cash net profit after tax	975	1,059	1,091	1,161	1,176
						Loans	76,355	82,003	87,633	90,274	94,784
						Other IEA	9,052	8,120	8,594	8,768	9,117
						Deposits	51,332	54,961	58,169	59,346	61,711
						Other IBL	21,434	21,656	22,920	23,384	24,316
						Effective tax rate	31%	29%	29%	29%	29%
ASSET QUALITY											
Y/e June 30	2018	2019	2020e	2021e	2022e						
Loan impairment expense / GLA	0.14%	0.16%	0.37%	0.40%	0.23%						
Loan impairment expense / RWA	0.24%	0.27%	0.59%	0.63%	0.36%						
Total provisions (\$m)	3,633	4,799	6,657	7,547	6,809						
Total provisions / RWA	0.79%	1.06%	1.37%	1.53%	1.35%						
Indiv ass prov / gross imp assets	27%	25%	30%	30%	30%						
IBL / IEA	99%	109%	107%	106%	105%						
Total provisions + GRCL / GLA	0.49%	0.64%	0.86%	0.96%	0.84%						

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Table 14 – NAB

National Australia Bank						Share Price (A\$)					17.90
As at						Market Cap (A\$M)					58,889
29-Jul-20											
PROFIT AND LOSS						VALUATION DATA					
Y/e September 30 (\$m)	2018	2019	2020e	2021e	2022e	Y/e September 30	2018	2019	2020e	2021e	2022e
Net interest income	13,467	13,614	13,526	13,034	12,928	Cash earnings (\$m)	5,702	5,097	2,585	4,437	5,234
Other banking income	3,516	2,754	2,461	2,736	3,143	EPS (statutory basis) (cps)	201	169	79	131	154
Total banking income	16,983	16,368	15,988	15,770	16,071	- Growth	3%	-16%	-53%	66%	17%
Funds management income	994	853	750	749	771	EPS (cash basis) (cps)	210	182	85	134	156
Insurance income	0	0	0	0	0	- Growth	-16%	-13%	-53%	57%	17%
Net operating income	17,977	17,221	16,738	16,519	16,842	P / E ratio (times)	8.5	9.8	21.0	13.4	11.5
Operating expenses	-8,992	-9,013	-10,594	-7,807	-7,593	P / Book ratio (times)	1.1	1.1	0.9	0.9	0.8
Credit impairment charge	-779	-919	-2,473	-2,450	-1,878	P / NTA ratio (times)	1.3	1.2	1.0	1.0	0.9
Cash earnings b4 tax/distributions	8,206	7,289	3,671	6,262	7,372	Net DPS (cps)	198	166	42	80	95
Income tax expense	-2,404	-2,109	-1,042	-1,781	-2,094	Yield	11.0%	9.2%	2.3%	4.4%	5.3%
Outside equity interests	0	0	0	0	0	Franking	100%	100%	100%	100%	100%
Investment experience	0	0	0	0	0	Payout (cash basis)	94%	91%	49%	59%	60%
Distributions	-100	-83	-44	-44	-44	CAPITAL ADEQUACY					
Cash earnings	5,702	5,097	2,585	4,437	5,234	Y/e September 30	2018	2019	2020e	2021e	2022e
Adjustments	-148	-299	-143	-40	-40	Risk weighted assets (\$m)	389,684	415,771	429,899	440,591	452,658
Statutory earnings	5,554	4,798	2,442	4,397	5,194	Average risk weight	52%	53%	50%	50%	50%
CASHFLOW						Tier 1 ratio	12.4%	12.4%	13.2%	13.6%	13.9%
Y/e September 30 (\$m)	2018	2019	2020e	2021e	2022e	CET1 capital ratio	10.2%	10.4%	11.6%	12.0%	12.4%
NPAT (cash basis)	5,702	5,097	2,585	4,437	5,234	Total capital ratio	14.1%	14.7%	15.9%	16.2%	16.4%
Increase in loans	-23,414	-19,578	3,901	803	-1,966	Equity ratio	6.5%	6.6%	6.9%	7.1%	7.2%
Increase in other assets	11,661	-16,060	-74,321	-20,797	-22,494	DIVISIONAL					
Capital expenditure	116	82	-1,208	-70	-72	Y/e September 30 (\$m)	2018	2019	2020e	2021e	2022e
Investing cashflow	-11,637	-35,556	-71,628	-20,064	-24,533	Business/Private/Consumer Banking					
Increase in deposits & borrowings	9,687	10,836	7,261	12,018	13,373	Net interest income	9,503	9,552	9,478	9,057	8,851
Increase in other liabilities	7,103	26,886	58,644	4,866	8,145	Other operating income	1,615	1,580	1,445	1,390	1,368
Ordinary equity raised	173	147	5,144	147	147	Net operating income	11,118	11,132	10,922	10,447	10,218
Other	-4,666	-2,141	876	-1,405	-2,366	Operating expenses	-4,627	-4,687	-4,618	-4,453	-4,356
Financing cashflow	12,297	35,728	71,925	15,627	19,299	Credit impairment charge	-478	-650	-847	-1,617	-1,408
Net change in cash	6,362	5,269	2,881	0	0	Cash earnings b4 tax/distributions	6,013	5,795	5,457	4,377	4,454
Cash at end of period	50,188	55,457	58,338	58,338	58,338	Income tax expense	-1,813	-1,745	-1,634	-1,313	-1,336
BALANCE SHEET						Cash earnings	4,200	4,050	3,824	3,064	3,118
Y/e September 30 (\$m)	2018	2019	2020e	2021e	2022e	Home loans	302,950	303,904	295,158	295,006	294,730
Cash and liquid assets	50,188	55,457	58,338	58,338	58,338	Other loans	115,367	118,288	112,991	109,195	105,203
Divisional gross loans	585,330	600,881	598,636	600,105	602,639	Deposits	253,127	260,459	264,083	274,272	284,835
Provisions	-3,729	-4,142	-6,540	-7,970	-7,698	Corporate and Institutional Banking					
Other gross loans / inter div.	173	4,613	5,355	4,514	3,673	Net interest income	1,882	1,827	1,816	1,657	1,716
Other IEA	164,733	180,962	254,870	275,667	298,161	Other operating income	1,451	1,539	1,009	1,114	1,443
Intangibles	5,787	5,576	4,696	4,696	4,696	Net operating income	3,333	3,366	2,825	2,772	3,159
PP&E	1,199	1,117	2,325	2,396	2,468	Operating expenses	-1,297	-1,281	-1,264	-1,254	-1,241
Insurance assets	0	0	0	0	0	Credit impairment charge	43	-70	-34	-111	-144
Other assets	2,829	2,660	3,073	3,073	3,073	Cash earnings b4 tax/distributions	2,079	2,015	1,527	1,407	1,774
Total assets	806,510	847,124	920,753	940,818	965,351	Income tax expense	-538	-507	-372	-352	-444
Divisional deposits	306,669	317,505	324,766	336,785	350,158	Cash earnings	1,541	1,508	1,156	1,055	1,331
Other borrowings	436,557	460,699	514,244	519,110	527,255	Loans	91,383	97,804	106,083	110,627	115,310
Other liabilities	10,572	13,316	18,415	18,415	18,415	Other IEA	144,617	160,996	162,036	167,093	172,288
Total liabilities	753,798	791,520	857,425	874,310	895,828	Wealth Management					
Ordinary share capital	33,062	36,762	43,948	44,437	45,165	Wealth management income	994	853	750	749	771
Other equity instruments	2,920	1,945	1,945	1,945	1,945	Insurance income	0	0	0	0	0
Reserves	46	306	870	870	870	Net operating income	994	853	750	749	771
Retained profits	16,673	16,583	16,564	19,255	21,542	Wealth management expense	0	0	0	0	0
Minority interests	11	8	1	1	1	Other expenses	-649	-629	-634	-634	-634
Total shareholders' equity	52,712	55,604	63,328	66,508	69,523	Cash earnings b4 tax/distributions	345	224	116	115	137
Total sh. equity & liabs.	806,510	847,124	920,753	940,818	965,351	Income tax expense	-95	-61	-34	-34	-41
WANOS - statutory (m)	2,709	2,797	3,027	3,316	3,350	Investment experience	0	0	0	0	0
WANOS - cash (m)	2,709	2,797	3,027	3,316	3,350	Cash earnings	250	163	83	80	96
PROFITABILITY RATIOS						FUMA	119,145	120,060	123,662	127,372	131,193
Y/e September 30	2018	2019	2020e	2021e	2022e	NZ Banking					
Return on assets	0.7%	0.6%	0.3%	0.5%	0.5%	Net interest income	1,698	1,828	1,889	1,839	1,881
Return on equity	11.7%	9.9%	4.6%	7.1%	8.0%	Other operating income	520	571	535	532	533
Leverage ratio	6.0%	6.1%	6.2%	6.4%	6.5%	Net operating income	2,218	2,399	2,424	2,371	2,414
Net interest margin	1.85%	1.79%	1.75%	1.68%	1.65%	Operating expenses	-869	-911	-876	-867	-862
Cost / income ratio	50%	52%	63%	47%	45%	Credit impairment charge	-70	-103	-100	-122	-125
Cost / average assets	1.12%	1.08%	1.15%	0.83%	0.78%	Cash earnings b4 tax/distributions	1,279	1,385	1,447	1,383	1,427
Growth in net operating income	0%	-4%	-3%	-1%	2%	Income tax expense	-357	-388	-407	-387	-399
Growth in operating expenses	n/m	n/m	18%	-26%	-3%	Outside equity interests	0	0	0	0	0
Jaws	n/m	n/m	-20%	25%	5%	Investment experience	0	0	0	0	0
Effective tax rate	29%	29%	28%	28%	28%	Cash earnings	922	997	1,041	996	1,027
ASSET QUALITY						Loans	75,630	80,885	84,404	85,276	87,396
Y/e September 30	2018	2019	2020e	2021e	2022e	Deposits	53,542	57,046	60,684	62,513	65,323
Credit impairment charge / GLA	0.13%	0.15%	0.41%	0.41%	0.31%	EX-LARGE NOTABLE ITEMS					
Credit impairment charge / RWA	0.20%	0.22%	0.58%	0.56%	0.41%	Y/e September 30 (\$m)	2018	2019	2020e	2021e	2022e
Total provisions (\$m)	3,729	4,142	6,540	7,970	7,698	Cash earnings	5,702	5,097	2,585	4,437	5,234
Total provisions / RWA	0.96%	1.00%	1.52%	1.81%	1.70%	Add back:					
IAP / GIA	44%	40%	25%	25%	25%	- Customer remediation income loss	181	846	310	210	140
IBL / IEA	100%	99%	98%	98%	98%	- Customer remed'n costs, ASIC, etc.	80	602	1,793	0	0
Total provisions / GLA	0.64%	0.69%	1.09%	1.33%	1.28%	- Restructuring costs	530	0	0	0	0
						Cash earnings ex-large notable items	6,493	6,545	4,687	4,647	5,374
						Cash EPS ex-large notable items	240	234	155	140	160
						- Growth	-4%	-2%	-34%	-9%	14%
						Operating expenses (underlying)	8,124	8,153	8,033	7,807	7,593
						Payout (cash basis)	82%	71%	27%	57%	59%
						Return on equity (underlying)	13.4%	12.7%	8.3%	7.4%	8.2%
						CIR (underlying)	45%	47%	48%	47%	45%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Table 15 – WBC

Westpac Bank						Share Price (A\$)					17.46
As at						Market Cap (A\$M)					63,060
29-Jul-20											
PROFIT AND LOSS						VALUATION DATA					
Y/e September 30 (\$m)	2018	2019	2020e	2021e	2022e	Y/e September 30	2018	2019	2020e	2021e	2022e
Net interest income	17,187	16,953	16,999	16,133	15,555	Cash earnings (\$m)	8,065	6,849	3,463	4,739	5,375
Other banking income	4,978	3,702	3,276	3,326	3,306	EPS (statutory basis) (c)	238	197	102	130	147
Total banking income	22,165	20,655	20,274	19,460	18,861	- Growth	0%	-17%	-48%	27%	13%
Funds management income	0	0	0	0	0	EPS (cash basis) (c)	236	198	96	131	148
Insurance income	0	0	0	0	0	- Growth	-1%	-16%	-51%	36%	13%
Net operating income	22,165	20,655	20,274	19,460	18,861	P / E ratio (times)	7.4	8.8	18.1	13.3	11.8
Operating expenses	-9,698	-10,031	-11,181	-9,667	-9,296	P / Book ratio (times)	1.0	1.0	0.9	0.9	0.8
Impairment charges	-812	-794	-3,634	-3,046	-1,909	P / NTA ratio (times)	1.2	1.2	1.1	1.0	1.0
Operating profit before income tax	11,655	9,830	5,460	6,747	7,656	Net DPS (c)	188	174	45	85	105
Income tax expense	-3,586	-2,975	-1,995	-2,006	-2,279	Yield	10.8%	10.0%	2.6%	4.9%	6.0%
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%	47%	65%	71%
Cash earnings	8,065	6,849	3,463	4,739	5,375	CAPITAL ADEQUACY					
Adjustments	30	-65	211	-36	-36	Y/e September 30	2018	2019	2020e	2021e	2022e
Statutory earnings	8,095	6,784	3,674	4,703	5,339	Risk weighted assets (\$m)	425,384	428,794	435,835	431,227	426,288
CASHFLOW						Average risk weight	50%	49%	48%	48%	48%
Y/e September 30 (\$m)	2018	2019	2020e	2021e	2022e	Tier 1 ratio	12.8%	12.8%	13.8%	14.3%	15.0%
NPAT (cash basis)	8,065	6,849	3,463	4,739	5,375	CET1 capital ratio	10.6%	10.7%	11.6%	12.2%	12.8%
Increase in divisional loans	-45,545	-5,683	16,366	17,925	17,690	Total capital ratio	14.7%	15.6%	17.2%	17.8%	18.5%
Increase in other assets	26,172	-28,064	-32,735	-7,438	-7,738	Equity ratio	7.3%	7.2%	7.4%	7.7%	8.0%
Capital expenditure	158	174	-35	-36	-37	DIVISIONAL					
Investing cashflow	-19,215	-33,573	-16,403	10,452	9,915	Y/e September 30 (\$m)	2018	2019	2020e	2021e	2022e
Increase in deposits & borrowings	62,271	6,572	12,853	15,226	16,639	Consumer & Business Banks					
Increase in other liabilities	-37,785	19,528	24,672	-27,614	-28,785	Net interest income	13,134	13,034	12,689	11,683	11,285
Ordinary equity raised	0	0	2,751	0	0	Other income	2,951	2,605	1,966	1,905	1,885
Other	-4,945	-6,105	-1,581	-2,802	-3,143	Net operating income	16,085	15,639	14,655	13,588	13,169
Financing cashflow	19,541	19,995	38,696	-15,191	-15,290	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
Cash at end of period	26,788	20,059	45,815	45,815	45,815	Operating profit before income tax	8,853	8,164	5,519	4,660	5,582
BALANCE SHEET						Income tax expense	-2,674	-2,445	-1,664	-1,398	-1,675
Y/e September 30 (\$m)	2018	2019	2020e	2021e	2022e	Cash earnings	6,179	5,719	3,855	3,262	3,907
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	710,169	693,189	675,227	Other loans	116,000	115,200	105,588	95,589	85,149
Provisions	-2,814	-3,913	-8,007	-8,953	-8,680	Deposits	350,000	357,100	352,873	363,459	374,363
Other gross loans	-3,155	-4,063	-5,574	-5,574	-5,574	Westpac Institutional Bank					
Other IEA	118,656	146,643	184,104	191,542	199,280	Net interest income	1,442	1,443	1,502	1,664	1,581
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	Net operating income	3,007	2,735	2,693	2,849	2,759
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
Total assets	879,592	906,626	948,775	938,324	928,409	Operating profit before income tax	1,574	1,405	815	1,191	1,301
Divisional deposits	511,571	518,143	530,996	546,222	562,861	Income tax expense	-481	-391	-272	-357	-390
Other borrowings	292,271	309,985	337,007	309,393	280,608	Cash earnings	1,093	1,014	543	834	910
Other liabilities	11,177	12,991	10,641	10,641	10,641	Loans	77,700	75,600	76,706	72,185	67,453
Total liabilities	815,019	841,119	878,645	866,256	854,110	IBL	104,900	101,300	110,951	114,279	117,708
Ordinary share capital	35,561	36,955	39,917	40,224	40,570	Westpac New Zealand					
Other equity instruments	0	0	0	0	0	Net interest income	1,799	1,860	1,851	1,786	1,789
Reserves	1,077	1,311	1,688	1,688	1,688	Other income	373	423	333	337	344
Retained profits	27,883	27,188	28,469	30,099	31,986	Net operating income	2,172	2,283	2,184	2,123	2,133
Minority interests	52	53	56	56	56	Operating expenses	-855	-939	-1,028	-1,010	-1,031
Total shareholders' equity	64,573	65,507	70,130	72,067	74,299	Impairment charges	-22	10	-290	-190	-201
Total sh. equity & liabs.	879,592	906,626	948,775	938,324	928,409	Operating profit before income tax	1,295	1,354	866	923	901
WANOS - statutory (m)	3,406	3,450	3,593	3,616	3,634	Income tax expense	-361	-369	-243	-259	-252
WANOS - cash (m)	3,414	3,456	3,598	3,621	3,639	Net profit to non-controlling interests	0	0	0	0	0
PROFITABILITY RATIOS						Investment experience	0	0	0	0	0
Y/e September 30	2018	2019	2020e	2021e	2022e	Cash earnings	934	985	624	665	649
Return on assets	0.9%	0.8%	0.4%	0.5%	0.6%	Loans	74,045	78,428	86,411	86,447	87,683
Return on equity	13.0%	10.7%	5.1%	6.7%	7.3%	Deposits	56,671	59,743	67,172	68,483	70,790
Leverage ratio	6.3%	6.2%	6.4%	6.7%	7.0%	Notable items					
Net interest margin	2.22%	2.13%	2.08%	2.00%	1.96%	Net interest income	-105	-344	-206	-100	-100
Cost / income ratio	44%	49%	55%	50%	49%	Net fee income	-157	-283	-247	-100	-100
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%	-2%	-4%	-3%	Net operating income	-268	-1,164	-437	-200	-200
Growth in operating expenses	7%	3%	11%	-14%	-4%	Operating expenses	-112	-461	-1,354	-427	-427
Jaws	-4%	-10%	-13%	10%	1%	Operating profit before tax	-380	-1,625	-1,791	-627	-627
ASSET QUALITY						Income tax expense	99	495	250	186	187
Y/e September 30	2018	2019	2020e	2021e	2022e	Cash earnings	-281	-1,130	-1,541	-441	-441
Impairment expense / GLA	0.11%	0.11%	0.52%	0.44%	0.29%	Group cash earnings ex-notable items	8,346	7,979	5,004	5,180	5,816
Impairment expense / RWA	0.19%	0.19%	0.83%	0.71%	0.45%	EPS ex-notable items (cash basis)	244	231	139	143	160
Total provisions (\$m)	2,814	3,913	8,007	8,953	8,680	- Growth	2%	-6%	-40%	3%	12%
Total provisions / GLA	0.39%	0.54%	1.14%	1.30%	1.30%	Return on equity ex-notable items	13.5%	12.5%	7.3%	7.3%	7.9%
IAP / GIA	30%	23%	35%	40%	40%	Payout ratio ex-notable items	77%	75%	32%	59%	66%
IBL / IEA	97%	96%	99%	98%	98%						
Total provisions / RWA	0.66%	0.91%	1.84%	2.08%	2.04%						

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 ANZ, CBA, CBAPH, CBAPI, MQG, MQGPC, MQGPD, NAB and WBC.

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