BELL POTTER

Analyst TS Lim 612 8224 2810

Authorisation Chris Savage 612 8224 2835

Recommendation Buy (unchanged)

Price \$4.83 Target (12 months) \$5.50 (previously \$5.15)

GICS Sector

Banks

Capital growth Dividend yield Total expected return	13.9% 4.7% 18.6%
Total expected return	
	18.6%
Osmannu Data & Dation	
Company Data & Ratios	
Enterprise value	n/m
Market cap	\$205m
Issued capital	42m
Free float	100%
Avg. daily val. (52wk)	\$126,287
12 month price range	\$3.30 - \$6.83

Price Performance								
ABA	(1m)	(3m)	(12m)					
Price (A\$)	4.55	4.35	5.46					
Absolute (%)	6.15	11.03	-11.54					
Rel market (%)	4.40	-0.41	-5.60					

Absolute Price



SOURCE: IRESS

BELL POTTER SECURITIES LIMITED ACN 25 006 390 7721 AFSL 243480

Auswide Bank (ABA)

No one does banking like us

FY20: Statutory NPAT \$18.5m, final dividend 10.75¢

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.

Price target increased to \$5.50, Buy rating unchanged

Statutory NPAT forecasts are materially increased (FY21 +27%, FY22 +18% and FY23 +14%) based on a combination of better top line growth (including stable NIM of 1.99% in FY21) and ongoing cost discipline targeting 60% CIR. The price target is increased by 7% to \$5.50 and ABA's Buy rating is unchanged.

Year end 30 June	2020	2021e	2022e	2023e
NPAT (statutory) (A\$m)	18.5	19.1	19.9	20.7
NPAT (underlying) (A\$m)	18.5	19.1	19.9	20.7
EPS (underlying) (A¢)	44	45	46	48
EPS (underlying) growth (%)	7%	2%	3%	3%
PER (x)	11.0	10.8	10.4	10.1
P/Book (x)	0.8	0.8	0.8	0.7
P/NTA (x)	1.1	1.0	0.9	0.9
Dividend (A¢)	28	23	26	29
Yield (%)	5.7%	4.7%	5.3%	5.9%
RONTA (%)	9.6%	9.5%	9.4%	9.3%
NIM (%)	1.97%	1.99%	1.96%	1.93%
Franking (%)	100.0%	100.0%	100.0%	100.0%

SOURCE: BELL POTTER SECURITIES ESTIMATES

DISCLAIMER: THIS REPORT MUST BE READ WITH THE DISCLAIMER ON PAGE 10 THAT FORMS PART OF IT.

No one does banking like us

FY20: Statutory NPAT \$18.5m, final dividend 10.75¢

ABA's FY20 result components are as follows:

- 1. Statutory NPAT \$18.5m (BP \$17.7m), +8% pcp, or \$20.1m excluding COVID-19 impacts;
- 2. Statutory EPS 44¢ (BP 42¢), +7% pcp;
- 3. Underlying NPAT \$18.5m (BP \$17.7m), +8% pcp;
- 4. Underlying EPS 44¢ (BP 42¢), +7% pcp;
- 5. Fully franked final dividend 10.75¢ (BP 10.5¢), payout 49% 2H20 and 63% FY20;
- 6. RONTA 9.7% (BP 9.2%) or 10.6% excluding COVID-19 impacts;
- 7. NIM 1.97% (BP 1.92%);
- 8. CIR 62% (BP 64%);
- 9. Impairment expenses \$3.8m/12bp GLA (BP \$3.3m/10bp GLA); and
- 10. CET1 ratio 11.1% (BP 11.2%).

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 FY19 final 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 remains unbroken (Figure 2).

Figure 1 – Ticked all the right boxes

FINANCIAL OVERVIEW

STRONG NPAT PERFORMANCE, LOAN BOOK GROWTH, NIM EXPANSION \$18.504m \$17.201m NPAT (Consolidated) **↑** 7.6% NPAT (excluding the effects of COVID-19) \$20.114m \$17.201m 16.9% \$3.131b Loan Book² \$3.266b 4.3% \$70.516m \$63.185m Net Interest Revenue 11.6% 197bps 187bps 18.5c Net Interest Margin (bps) 10bps Final dividend per share (fully franked) Total dividend per share (fully franked) 27.75c 34.5c 🔶 6.75c 40.8c 43.8c EPS (cents) **↑** 3.0c RONTA 9.7% 9,1% 0.6% RONTA (excluding the effects of COVID-19) ↑ 1.5% 10.6% 9.1% ♦ 2.0% Cost to Income Ratio 62.5% 64.5% Capital Adequacy Ratio 12.95% 13,79% **4** 0.8% \$2.620h \$2 373h 10.4% Den

Return on Net Tangible Assets (equivalent to Return on Tangible Equity (ROTE))
 Grossed up for Investments in Managed Investment Schemes (MISs) reported in Financial Assets in Balance Sheet.

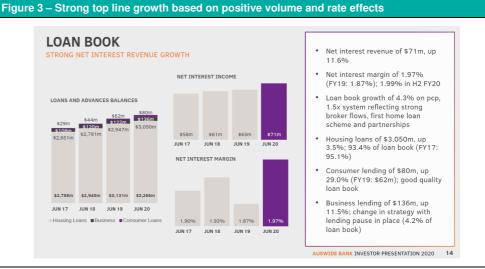
SOURCE: COMPANY DATA

- NPAT (excluding the effects of COVID-19) of \$20.114m, up 16.9% reflects strong growth in net interest revenue and ongoing cost discipline (CIR of 62.5%)
- Net interest revenue of \$70.516m, up 11.6% due to profitable loan book growth and increase in NIM
- Loan book growth of 4.3% was 1.5x system growth
- Net Interest Margin of 197bps, up 10 bps; NIM of 199bps in 2H FY20
- Deposits up 10.4%; now 74.5% of funding (FY19: 71.4%)
- Strong balance sheet, capital adequacy ratio of 12.95%
- RONTA (excluding the effects of COVID-19) of 10.6% exceeds strategic target of 10.0%
- Final dividend of 10.75cps reflects strength of financial results and APRA guidance

AUSWIDE BANK INVESTOR PRESENTATION 2020 12



NIM was one of the highlights in FY20 (+10bp to 1.97%) and in 2H20 (+4bp to 1.99%) despite a low interest rate environment, and we understand this was largely due to replacing ABA's more expensive wholesale funding and lower TD funding costs. Combined with higher loan volumes [SE QLD remains a significant growth opportunity (+2.8% pcp) in addition to strong broker flows in NSW (+8.2% pcp), VIC (+5.5% pcp) – although from a low base – and other states (+17.1% pcp)] and broadly stable other income, NIE increased by 12% pcp to \$70.5m (+4% hoh to \$36.0m) and total operating income increased by 11% pcp to \$80.5m (+12% hoh to \$40.2m).



SOURCE: COMPANY DATA

Operating expenses were 7% pcp higher at \$50.1m (+6% hoh to \$24.7m), impacted by AASB 16 lease accounting adjustments in D&A expense and further front office investments. Regardless, strong top line growth ensured an ongoing reduction in CIR (64% 1H20, 61% 2H20) and positive "Jaws" (+2% 1H20, +6% 2H20).

Loan impairment expense increased from \$0.8m/5bp in 1H20 to \$3.0m/18bp in 2H20 mainly due to COVID-19 impacts (\$2.3m/14bp increase in collective provisions) and impairments in MIS investments.

ABA's loan deferral data is set out below:

BÉLL POTTER

- 1. Australian home loans (latest):
 - a. 9% (vs. <u>ANZ</u> 12%, <u>BEN</u> 10%, <u>CBA</u> 10%, <u>NAB</u> 11%, <u>SUN</u> 5% and <u>WBC</u> 7%);
 - DLVR <80% 63% (vs. <u>ANZ</u> 67%, <u>BEN</u> 84%, <u>CBA</u> 67%, <u>NAB</u> 80%, <u>SUN</u> 69% and <u>WBC</u> 77%);
 - c. P&I 86% (vs. <u>ANZ</u> 92%, <u>BEN</u> 79%, <u>CBA</u> 84%, <u>NAB</u> 86%, <u>SUN</u> 85% and <u>WBC</u> 78%);
 - d. Owner Occupied 68% (vs. ANZ 73%, <u>BEN</u> 69%, <u>CBA</u> 72%, <u>NAB</u> 53%, <u>SUN</u> 68% and <u>WBC</u> 63%); and
 - e. VIC exposure 8% (vs. <u>ANZ</u> 32%, <u>BEN</u> 40%, <u>CBA</u> 26%, <u>NAB</u> 32%, <u>SUN</u> 13% and <u>WBC</u> 30%).
- 2. Australian commercial loans:
 - a. 16% (vs. <u>ANZ</u> 14%, <u>BEN</u> 12%, <u>CBA</u> 15%, <u>NAB</u> 16%, SUN 11% and <u>WBC</u> small business 14%); and
 - b. VIC exposure Nil (vs. <u>ANZ</u> 36%, <u>BEN</u> 52%, <u>CBA</u> 25%, <u>NAB</u> 29%, <u>SUN</u> 12% and <u>WBC</u> 26%).

Figure 4 – COVID-19 impacts 1

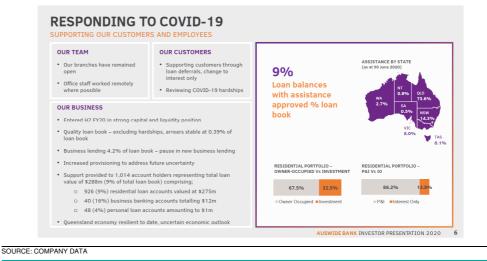
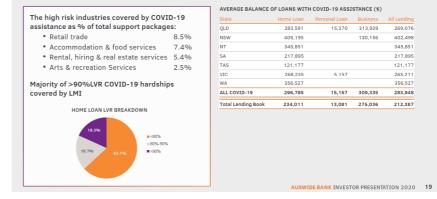


Figure 5 – COVID-19 impacts 2

COVID-19 PROFILE OF ASSISTANCE

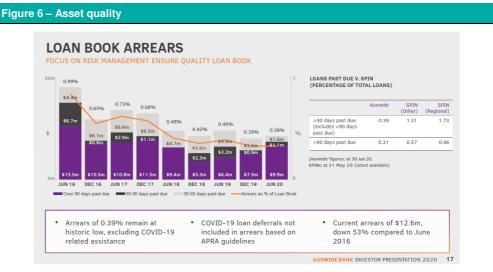
COVID-19 ASSISTANCE ACROSS REGIONS AND INDUSTRIES



SOURCE: COMPANY DATA

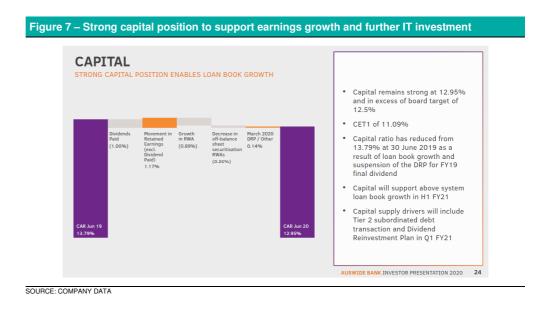
COVID-19 aside, ABA's underlying asset quality remains in good shape with stable loan book arrears and past due loans below sector averages. ABA's lower provisions are likely explained by its historically lower arrears and better quality book:

- 1. 2H20 impairment charge/GLA 18bp (vs. <u>ANZ</u> 3Q20 31bp, <u>BEN</u> 2H20 45bp, <u>CBA</u> 2H20 48bp, <u>NAB</u> 3Q20 38bp, <u>SUN</u> 2H20 59bp and <u>WBC</u> 3Q20 46bp);
- Provisions/CRWA 65bp (vs. <u>ANZ</u> 151bp, <u>BEN</u> 125bp, <u>CBA</u> 170bp, <u>NAB</u> 195bp, <u>SUN</u> 142bp and <u>WBC</u> 170bp); and
- Provisions/GLA 30bp (vs. <u>ANZ</u> 87bp, <u>BEN</u> 66bp, <u>CBA</u> 82bp, <u>NAB</u> 103bp, <u>SUN</u> 72bp and <u>WBC</u> 76bp).



SOURCE: COMPANY DATA

Based on the board's target CAR of 12.5%, excess capital is currently estimated at \$7m or 16¢ per share. Finally, ABA's FY21 outlook remains positive (Figure 8) 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 (we forecast 50% in FY21 and for this to creep up by 5% p.a. in the medium term).



BÉLL POTTER

Figure 8 – FY21 outlook

FY21 OUTLOOK

COVID-19	QLD ECONOMY & RESILIENCE	QLD HOUSING MARKET
 COVID-19 recovery plan completed 	 Prior to COVID-19 QLD economy was strong, diversionand growing faster than national average 	sified • June quarter change in Brisbane dwelling value -0.9%
 Continue review of customers that required support 	Retail trade showed improvement in June 2020 qu by 0.4%	arter June quarter change in regional QLD dwelling value -0.2%
 Establish plans for customers that require further support beyond September Continue to review economic data, credit policies, adequacy of provisioning 	QLD unemployment rate increased to 8.8% in July \$65 billion of QLD government initiatives to protect jobs, business and health Economic recovery strategy released by governme Agriculture and mining activity remain consistent SOURCE: Queensland Treasury	QLD • Reduction in listings is supporting prices • First home buyer activity in QLD remains robust
	TARGETING: Cost to Income ratio of 60% 	Return on Net Tangible Assets of 10%
	Targeting a stable trend in NIM	Above system loan growth across home, personal and business lending

SOURCE: COMPANY DATA

ble 1 – Variance analysis				
Auswide Bank 30 June (\$m)	FY20	BP	Variance	Comments
Net interest revenue	70.5	68.6	3%	Better lending volumes (>system) and NIM
Other income	10.0	10.1	-1%	Broadly in line with expectations
Total operating income	80.5	78.7	2%	
Operating expenses	-50.1	-50.1	0%	In line with expectations
Impairment expenses	-3.8	-3.3	-15%	Impacted by higher COVID-19 overlays
Net profit before income tax	26.5	25.3	5%	Positive variance mainly due to better top line
Corporate tax expense	-8.0	-7.6	-4%	Function of NPBT
Other	0.0	0.0	nm	
Investment experience	0.0	0.0	nm	
NPAT (statutory basis)	18.5	17.7	5%	Positive variance mainly due to better top line
Adjustments	0.0	0.0	nm	
NPAT (underlying basis)	18.5	17.7	5%	Positive variance mainly due to better top line
DPS (cps)	28	27	1%	Broadly in line with expectations
Payout ratio	63%	66%	-2%	
EPS (underlying basis) (cps)	44	42	5%	Positive variance mainly due to better top line
RONTA	9.6%	9.2%	0.4%	Positive variance mainly due to better top line

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Group KPIs	1H12	2H12	1H13	2H13	1H14	2H14	1H15	2H15	1H16	2H16	1H17	2H17	1H18	2H18	1H19	2H19	1H20	2H2
Total banking income (\$m)	32.4	32.1	29.9	29.2	29.4	28.1	29.8	29.6	31.5	31.5	32.9	33.7	35.1	34.8	36.1	36.0	39.5	40.
Total operating income (\$m)	34.0	35.5	31.1	31.5	31.2	28.7	30.4	30.6	31.5	31.5	32.9	34.4	35.1	35.3	36.4	36.3	39.9	40.
SAW (\$m)	8.1	9.2	10.0	7.5	7.0	11.9	11.9	7.4	8.5	10.5	8.5	10.4	8.5	10.9	9.2	11.4	9.6	12.0
Other operating expenses (\$m)	12.5	14.2	13.1	18.4	13.7	6.8	8.8	13.5	15.2	12.3	13.4	12.0	13.7	11.5	14.4	11.9	15.8	12.7
Loans (\$m)	2,230.4	2,230.3	2,197.5	2,231.3	2,192.9	2,226.4	2,464.0	2,331.8	2,435.5	2,671.5	2,675.9	2,777.5	2,807.1	2,910.8	2,986.3	3,131.0	3,216.0	3,266.0
Deposits (\$m)	1,563.8	1,625.6	1,678.0	1,707.4	1,753.1	1,743.8	1,827.9	1,852.1	1,943.2	2,183.9	2,216.5	2,304.6	2,332.6	2,446.8	2,601.0	2,802.6	2,972.8	3,018.5
Growth in NIE	-9%	-5%	-7%	0%	-2%	-3%	4%	3%	3%	8%	6%	7%	9%	4%	1%	6%	11%	12%
Growth in total income	-10%	2%	-9%	-11%	0%	-9%	-2%	6%	3%	3%	5%	9%	7%	3%	4%	3%	10%	12%
Growth in operating expenses	0%	21%	12%	11%	-11%	-28%	0%	12%	14%	9%	-7%	-1%	1%	0%	6%	4%	8%	6%
Growth in PBT before BDD	-22%	-22%	-40%	-55%	32%	82%	-7%	-3%	-20%	-10%	40%	36%	17%	8%	-1%	1%	13%	22%
Growth in loans	-1%	-2%	-1%	0%	-	-	12%	5%	-1%	15%	10%	4%	5%	5%	6%	8%	8%	4%
Growth in deposits	11%	12%	7%	5%	4%	2%	4%	6%	6%	18%	14%	6%	5%	6%	12%	15%	14%	8%
NIM	2.16%	1.94%	2.04%	1.98%	1.96%	1.94%	2.01%	1.94%	1.98%	1.94%	1.90%	1.89%	1.96%	1.91%	1.88%	1.87%	1.95%	1.99%
Cost ratio	61%	66%	74%	82%	66%	65%	68%	68%	75%	72%	67%	65%	63%	64%	65%	64%	64%	61%
Cost / average assets	1.52%	1.73%	1.73%	1.95%	1.55%	1.41%	1.50%	1.49%	1.71%	1.54%	1.42%	1.41%	1.36%	1.36%	1.39%	1.32%	1.39%	1.31%
Tier 1 capital ratio	12.8%	11.3%	11.5%	11.1%	11.4%	11.7%	12.3%	12.5%	12.6%	12.1%	12.2%	12.1%	12.6%	12.7%	12.3%	11.8%	11.1%	11.1%
impairment expense / GLA	0.02%	0.02%	0.00%	0.21%	0.02%	0.02%	0.03%	0.00%	-0.07%	0.02%	0.03%	0.04%	0.05%	0.04%	0.03%	0.05%	0.05%	0.18%
Total provisions + GRCL / GLA	0.15%	0.15%	0.14%	0.20%	0.19%	0.22%	0.17%	0.07%	0.10%	0.19%	0.25%	0.24%	0.21%	0.26%	0.21%	0.22%	0.23%	0.29%
RONTA	11.7%	11.6%	7.3%	9.9%	9.8%	9.1%	8.4%	9.2%	8.6%	9.2%	8.6%	10.2%	9.1%	9.8%	9.4%	9.0%	10.1%	9.2%
"Jaws"	-10%	-20%	-20%	-22%	11%	19%	-2%	-5%	-11%	-6%	12%	10%	5%	3%	-2%	-1%	2%	6%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

BELL POTTER

Price target increased to \$5.50, Buy rating unchanged

Statutory NPAT forecasts are materially increased (FY21 +27%, FY22 +18% and FY23 +14%) based on a combination of better top line growth (including stable NIM of 1.99% in FY21) and ongoing cost discipline targeting 60% CIR. The price target is increased by 7% to \$5.50 and ABA's Buy rating is unchanged.

able 3 – Estimate changes							
	FY21e		FY	22e	FY23e		
	New	Change	New	Change	New	Change	
NPAT (statutory) (A\$m)	19.1	27%	19.9	18%	20.7	14%	
NPAT (underlying) (A\$m)	19.1	27%	19.9	18%	20.7	14%	
EPS (underlying) (cps)	45	26%	46	16%	48	11%	
EPS growth (%)	2%	17%	3%	-9%	3%	-5%	
DPS (cps)	23	-4%	26	-4%	29	-3%	
RONTA (%)	9.5%	1.8%	9.4%	1.0%	9.3%	0.5%	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 9 – Strategy



SOURCE: COMPANY DATA

BÉLL POTTER

Auswide Bank

Company description

ABA, formerly Wide Bay Australia Ltd, is Australia's 10th and QLD's 3rd listed bank. The QLD-based bank has a national omni-channel reach through its QLD branches, a national ATM and Bank@Post distribution network, and online and digital channels via strategic relationships such as mortgage brokers. The bank provides an extensive range of personal and business banking products and services issued directly or in partnership with leading national service providers.

Board/Management

Professor John Humphrey (Chairman) – Former Senior Partner, Mallesons Stephen Jacques; (2) Martin Barrett (Managing Director); (3) Bill Schafer (Chief Financial Officer);
 (4) Craig Lonergan (Chief Risk Officer); (5) Steve Caville (Chief Information Officer).

Investment strategy

This is largely based on ABA as a challenger regional bank in Central QLD.

Valuation

ABA's price target is a blended valuation broadly based on the company's DCF value (~\$5.50 incorporating 11.5% cost of equity, 3% terminal growth rate and 10.0% target CET1 requirement as opposed to APRA's 8.5% minimum, 40% weighting), dividend yield valuation (~\$5.00 based on 4.5% required yield, 30% weighting) and PB valuation (~\$4.80 based on long term ROE of up to 9.0%, 30% weighting), plus value of surplus capital (~\$0.30). There is no consideration for ABA as a takeover target.

SWOT analysis

Strengths

Experienced management; strong service culture and brand; deep understanding of the customer base and the nuts and bolts of regional/community banking; irreplaceable branch network; IT capabilities; and presence in fast growing banking catchment areas.

Weaknesses

Sub-scale and heavily reliant on regional lending pickup; and lack of revenue and regional diversification.

Opportunities

SME/business banking initiatives; credit growth based on QLD rebuilding opportunities; efficiency gains through streamlining systems and processes; and M&A opportunities – e.g. tie up with other sub-scale building societies and credit unions.

Threats

Macroeconomic factors (such as slowing credit growth) and increased competition specifically from SUN Bank, BEN, BOQ and any of the majors on the domestic front (e.g. in retail and wholesale banking and wealth management).

Auswide Bank as at 27 August 2020

Recommendation	Buy
Price	\$4.83
Target (12 months)	\$5.50

Table 4 – Financial summary

	nary					
Auswide Bank As at	27-Aug-20					
	<u> </u>					
PROFIT AND LOSS						
Y/e June 30 (\$m) Net interest revenue	2019 63.2	2020 70.5	2021e 72.5	2022e 73.1	2023e 73.6	Ì
Fees and commissions	9.0	9.2	9.3	9.5	9.8	
Total banking income	72.1	79.7	81.9	82.6	83.4	
Premium revenue (MRM)	0.0	0.0	0.0	0.0	0.0	l
Share of profit of FTSPL	0.0	0.0	0.0	0.0	0.0	
Other revenue	0.5	0.8	0.5	0.5	0.5	I
Sign up payment	0.0	0.0	0.0	0.0	0.0	I
Total operating income	72.6	80.5	82.4	83.1	83.9	
Fees and commissions	-10.0	-11.5	-10.8	-11.1	-11.3	1
SAW	-20.6	-21.6	-22.0	-22.5	-22.9	
Depreciation expense	-1.9	-3.3	-3.3	-3.3	-3.3	
Amortisation expense (assume acquisition costs of \$2,038,922)	-0.7	-0.7	-1.4	-1.4	-1.4	1
G&A expenses	-13.7	-13.0	-12.3	-12.5	-12.7	
Underwriting expenses	0.0	0.0	0.1	0.1	0.1	
Other	0.0	0.0	0.0	0.0	0.0	
Impairment expenses	-1.1	-3.8	-5.3	-4.0	-2.7	I
Net profit before income tax	24.6	26.5	27.2	28.4	29.6	,
Corporate tax expense	-7.4	-8.0	-8.2	-8.5	-8.9	
Other	0.0	0.0	0.0	0.0	0.0	2
NPAT (statutory basis)	17.2	18.5	19.1	19.9	20.7	
Adjustments	0.0	0.0	0.0	0.0	0.0	
 Sign up payment Impairment expenses/one-offs 	0.0	0.0	0.0	0.0	0.0	ľ
- One-offs	0.0	0.0	0.0	0.0	0.0	
NPAT (underlying basis)	17.2	18.5	19.1	19.9	20.7	I
(, , , , , , , , , , , , , , , , , , ,						I
CASHFLOW						I
Y/e June 30 (\$m)	2019	2020	2021e	2022e	2023e	1
NPAT (statutory basis)	17.2	18.5	19.1	19.9	20.7	9
to a second state of the second	001.0	100.4	40.4	40.0	50.0	
Increase in loans Increase in other assets	-221.0 -15.5	-132.4 -45.1	-49.4 -32.2	-49.6 -34.8	-50.3 -37.7	
Capital expenditure	1.2	-43.1	-32.2	-34.8	-37.7	ľ
Investing cashflow	-235.3	-184.5	-81.6	-84.4	-88.0	
	200.0	104.0	01.0	04.4	00.0	
Increase in deposits & borrowings	355.8	215.9	90.6	93.3	96.1	
Increase in other liabilities	-104.4	-33.4	-20.9	-20.5	-19.4	
Ordinary equity raised	0.0	0.0	0.0	0.0	0.0	
Other	-15.3	-14.4	-7.1	-8.3	-9.4	ļ
Financing cashflow	236.1	168.1	62.5	64.5	67.3	
Net change in cash	18.0	2.1	0.0	0.0	0.0	
Cash at end of period	104.4	106.5	106.5	106.5	106.5	
BALANCE SHEET						
Y/e June 30 (\$m)	2019	2020	2021e	2022e	2023e	Ľ
Cash and liquid assets	104.4	106.5	106.5	106.5	106.5	
Divisional gross loans	3,131.0	3,266.0	3,315.0	3,364.7	3,415.2	I
Provisions	-4.5	-7.1	-6.7	-6.8	-7.0	I
Other gross loans / inter div.	-40.4	-53.1	-53.1	-53.1	-53.1	
Other IEA	338.1	394.6	426.8	461.6	499.2	I
Intangibles	48.1	47.6	47.6	47.6	47.6	;
PP&E	14.4	21.4	21.4	21.4	21.4	
Insurance assets Other assets	0.0 12.3	0.0 13.7	0.0 13.7	0.0 13.7	0.0 13.7	-
Total assets	3,603.4	3,789.5	3,871.1	3,955.5	4,043.5	i
	0,000.4	0,100.0	0,07111	0,000.0	4,040.0	
Divisional deposits	2,802.6	3,018.5	3,109.1	3,202.3	3,298.4	i
·						,
Other borrowings	518.4	498.5	477.6	457.1	437.7	â
Other liabilities	43.9	30.4	30.4	30.4	30.4	(
Total liabilities	3,364.9	3,547.4	3,617.1	3,689.8	3,766.5	l
Ordinany aboveit-1	101.0	100.0	105.0	107.0	100.0	
Ordinary share capital	191.9	193.3	195.0	197.0	199.3	
Other equity instruments	0.0	0.0	0.0	0.0	0.0	
Reserves GRCL	12.8 2.4	12.0 2.4	12.0 2.4	12.0 2.5	12.0 2.6	
Retained profits	2.4	2.4 34.3	2.4 44.5	2.5 54.1	63.0	
Minority interests	0.0	0.0	0.0	0.0	0.0	1
Total shareholders' equity	238.5	242.0	254.0	265.7	277.0	
11 · · · ·						
Total sh. equity & liabs.	3,603.4	3,789.5	3,871.1	3,955.5	4,043.5	
WANOS - statutory (m)	42.2	42.2	42.5	42.9	43.3	1
WANOS - normalised (m)	42.2	42.2	42.5	42.9	43.3	
ROE	7.3%	7.7%	7.7%	7.7%	7.6%	
SOURCE: BELL POTTER SECURITIES E		1.1 /0	1.1 /0	1.1 /0	1.0 /0	

	Choro Drico	(ል¢)			4.83
	Share Price Market Cap				4.83
VALUATION DATA					
Y/e June 30	2019	2020	2021e	2022e	2023e
NPAT (underlying basis) (\$m) EPS (statutory basis) (¢)	17.2 41	18.5 44	19.1 45	19.9 46	20.7 48
- Growth	-5%	7%	2%	3%	3%
EPS (underlying basis) (¢)	41	44	45	46	48
- Growth P / E ratio (times)	0% 11.8	7% 11.0	2% 10.8	3% 10.4	3% 10.1
P / Book ratio (times)	0.9	0.8	0.8	0.8	0.7
P / NTA ratio (times)	1.1	1.1	1.0	0.9	0.9
Net DPS (¢) Yield	34 7.1%	28 5.7%	23 4.7%	26 5.3%	29 5.9%
Franking	100%	100%	100%	100%	100%
Payout (underlying basis; target 70-	84%	63%	50%	55%	60%
80%)					
CAPITAL ADEQUACY					
Y/e June 30 Risk weighted assets (\$m)	2019 1,498.4	2020 1,631.8	2021e 1,668.2	2022e 1,706.1	2023e 1,745.5
Average risk weight	43%	45%	45%	45%	45%
Tier 1 ratio	11.8%	11.1%	11.5%	11.9%	12.2%
CET1 capital ratio Total capital ratio	11.8% 13.8%	11.1% 13.0%	11.5% 13.3%	11.9% 13.7%	12.2% 14.0%
Equity ratio	6.6%	6.4%	6.6%	6.7%	6.8%
PROFITABILITY RATIOS					
Y/e June 30	2019	2020	2021e	2022e	2023e
Return on assets (underlying)	0.5%	0.5%	0.5%	0.5%	0.5%
Return on NTA (underlying)	9.2%	9.6%	9.5%	9.4%	9.3%
Leverage ratio Net interest margin	5.0% 1.87%	4.8% 1.97%	5.0% 1.99%	5.2% 1.96%	5.3% 1.93%
Cost / income ratio	65%	62%	61%	61%	62%
Cost / average assets	1.33%	1.33%	1.30%	1.29%	1.28%
Growth in operating income Growth in operating expenses	3% 5%	11% 7%	2% -1%	1% 2%	1% 2%
Jaws	-2%	4%	3%	-1%	-1%
Effective tax rate	30%	30%	30%	30%	30%
ASSET QUALITY					
Y/e June 30	2019	2020	2021e	2022e	2023e
Impairment expense / GLA Impairment expense / RWA	0.04% 0.08%	0.12% 0.24%	0.16% 0.32%	0.12% 0.24%	0.08% 0.16%
Total provisions + GRCL (\$m)	6.9	9.5	9.1	9.3	9.5
Total provisions + GRCL / RWA	0.46% 0.22%	0.58%	0.55% 0.27%	0.55%	0.55%
Total provisions + GRCL / loans Indiv ass prov / gross imp assets	0.22%	0.29% 0%	0.27%	0.28% 0%	0.28% 0%
IBL / IEA	97%	98%	97%	97%	97%
INTERIMS					
	1H19	2H19	1H20	2H20	1H21e
Net interest revenue	31.1	32.1	34.5	36.0	36.1
Fees and commissions Total banking income	5.0 36.1	4.0 36.0	5.0 39.5	4.2 40.2	4.6 40.7
Premium revenue (MRM)	0.0	0.0	0.0	0.0	0.0
Share of profit of FTSPL	0.0	0.0	0.0	0.0	0.0
Other revenue Sign up payment	0.3 0.0	0.3 0.0	0.4 0.0	0.4 0.0	0.3 0.0
Total operating income	36.4	36.3	39.9	40.6	41.0
Fees and commissions	-4.5	-5.5	-5.0	-6.5	-5.4
SAW Depreciation expense	-9.2 -1.1	-11.4 -0.8	-9.6 -2.5	-12.0 -0.8	-9.8 -2.5
Amortisation expense (assume					-0.7
acquisition costs of \$2,038,922)	-0.7	0.0	0.0	-0.7	
G&A expenses Underwriting expenses	-7.5 -0.6	-6.2 0.6	-8.2 0.0	-4.8 0.0	-7.8 0.0
Other	0.0	0.0	0.0	0.0	0.0
Impairment expenses	-0.4	-0.8	-0.8	-3.0	-2.6
Net profit before income tax Corporate tax expense	12.4 -3.7	12.3 -3.8	13.6 -4.0	12.9 -4.0	12.1 -3.6
Other	0.0	0.0	0.0	0.0	0.0
NPAT (statutory basis)	8.7	8.5	9.6	8.9	8.5
Adjustments	0.0	0.5 0.0	9.0 0.0	0.0	0.0
- Sign up payment	0.0	0.0	0.0	0.0	0.0
 Impairment expenses/one-offs One-offs 	0.0 0.0	0.0 0.0	0.0 0.0	0.0 0.0	0.0 0.0
NPAT (underlying basis)	0.0 8.7	8.5	0.0 9.6	0.0 8.9	8.5

SOURCE: BELL POTTER SECURITIES ESTIMATES

BELL POTTER

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.

Bell Potter Securities Limited ACN 25 006 390 7721 Level 29, 101 Collins Street Melbourne, Victoria, 3000 Telephone +61 3 9256 8700 www.bellpotter.com.au

Research Team

Staff Member	Sector	Phone	@bellpotter.com.au
TS Lim	Head of Research/Banks	612 8224 2810	tslim
Analyst			
Lafitani Sotiriou	Diversified Financials/Fintech	613 9235 1668	Isotiriou
John Hester	Healthcare	612 8224 2871	jhester
Tanushree Jain	Healthcare	612 8224 2849	tnjain
Elyse Shapiro	Healthcare	613 9235 1877	eshapiro
Steven Anastasiou	Industrials	613 9235 1952	sanastasiou
James Filius	Industrials	613 9235 1612	jfilius
Sam Haddad	Industrials	612 8224 2819	shaddad
Alex McLean	Industrials	612 8224 2886	amclean
Hamish Murray	Industrials	613 9235 1813	hmurray
Chris Savage	Industrials	612 8224 2835	csavage
Jonathan Snape	Industrials	613 9235 1601	jsnape
Damien Williamson	Industrials	613 9235 1958	dwilliamson
Peter Arden	Resources	613 9235 1833	parden
David Coates	Resources	612 8224 2887	dcoates
Stuart Howe	Resources	613 9235 1856	showe
Associate			
Joseph House	Associate Analyst	613 9235 1624	jhouse

Bell Potter Securities (HK) Limited Room 1701, 17/F Posperity Tower, 39 Queens Road Central, Hong Kong, 0000 Telephone +852 3750 8400

Bell Potter Securities (US) LLC Floor 39 444 Madison Avenue, New York NY 10022, U.S.A Telephone +1 917 819 1410

Bell Potter Securities (UK) Limited 16 Berkeley Street London, England W1J 8DZ, United Kingdom Telephone +44 7734 2929

The following may affect your legal rights. Important Disclaimer:

This document is a private communication to clients and is not intended for public circulation or for the use of any third party, without the prior approval of Bell Potter Securities Limited. In the USA and the UK this research is only for institutional investors. It is not for release, publication or distribution in whole or in part to any persons in the two specified countries. In Hong Kong, this research is being distributed by Bell Potter Securities (HK) Limited which is licensed and regulated by the Securities and Futures Commission, Hong Kong. In the United States, this research is issued and distributed by Bell Potter Securities (US) LLC which is a registered broker-dealer and member of FINRA. Any person receiving this report from Bell Potter Securities (US) LLC and wishing to transact in any security described herein should do so with Bell Potter Securities (US) LLC.

This is general investment advice only and does not constitute personal advice to any person. Because this document has been prepared without consideration of any specific client's financial situation, particular needs and investment objectives ('relevant personal circumstances'), a Bell Potter Securities Limited investment adviser (or the financial services licensee, or the representative of such licensee, who has provided you with this report by arrangement with Bell Potter Securities Limited) should be made aware of your relevant personal circumstances and consulted before any investment decision is made on the basis of this document.

While this document is based on information from sources which are considered reliable, Bell Potter Securities Limited has not verified independently the information contained in the document and Bell Potter Securities Limited and its directors, employees and consultants do not represent, warrant or guarantee, expressly or impliedly, that the information contained in this document is complete or accurate. Nor does Bell Potter Securities Limited accept any responsibility for updating any advice, views opinions, or recommendations contained in this document or for correcting any error or omission which may become apparent after the document has been issued.

Except insofar as liability under any statute cannot be excluded. Bell Potter Securities Limited and its directors, employees and consultants do not accept any liability (whether arising in contract, in tort or negligence or otherwise) for any error or omission in this document or for any resulting loss or damage (whether direct, indirect, consequential or otherwise) suffered by the recipient of this document or any other person.

Research Policies:

For Bell Potter's Research Coverage Decision Making Process and Research Independence Policy, please refer to our company website:

https://www.bellpotter.com.au/rese rch-independence-policy/

Disclosure of interest:

Bell Potter Securities Limited, its employees, consultants and its associates within the meaning of Chapter 7 of the Corporations Law may receive commissions, underwriting and management fees from transactions involving securities referred to in this document (which its representatives may directly share) and may from time to time hold interests in the securities referred to in this document

T S Lim, authoring analyst, holds a long position in ABA

ANALYST CERTIFICATION

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

BELL POTTER