Auswide Bank Ltd

ABA.AX

A research platform of MST Financial

11 March 2024

Gradual increase in net interest margins forecast.

NEED TO KNOW

- 1H24 net interest margin (NIM) of 150 basis points (bp)
- Forecast 5.8% loan book growth ($250m) in 2H24.
- $1.0bn of fixed rate loans to roll off in CY2024 ($439m in 2H24) with a potential 300 bp pricing benefit.
- Interim dividend cut from $0.22 cents per share (cps) in 1H23 to $0.11 cps.

NIM fell to 150 bp from 188 bp in FY23. ABA had already guided the market to a weaker 1H in November 2023 where it noted NIM had fallen to 152 bp in the first four months of the quarter. Pleasingly the NIM recovered in the last two months of CY2023.

Costs remain flat but given the NIM impacts noted above the cost to income ratio (CTI) blew out to 74.5%. While ABA has kept operating expenses tightly controlled (flat on the previous comparable period (pcp)) the substantial drop in net interest income due to the decline in NIM impacted materially compared with the 62.8% CTI in the pcp.

Dividends per share were cut 50% reflecting the lower earnings with a payout ratio of ~77% based on underlying earnings**.**

Investment Thesis

Competition should eventually become rational again: We expect to see pressures on ABA's NIM and CTI ease over the next couple of years, which should enable its ROE to again lift above its cost of capital, supporting higher valuation multiples and growing dividends.

Management noted on the result call that ABA expects a gradual improvement in NIM over the next 6 to 12 months due to easing competition and more rational pricing in the loan markets. A forecast growth in net new loans of $250m in the second half and repricing of the $1.0bn of loan book that is rolling off fixed pricing (forecast 300 bp pricing lift) over CY2024 will aid the recovery in NIM.

Capital and credit quality remain competitive advantages: With one of the highest quality loan books in the industry, reflected in its low asset impairment charges, and conservative lending practices, accompanied by a strong capital base with a capital adequacy ratio at the 31st December of 15.3%, ABA stands well placed to capture market share when others become distracted with growing competition.

We are forecasting a recovery in dividends in 2H24 to $0.15 per share implying a FY24 yield of 5.8% lifting to 7.2% (gross yield of 10.3%) in FY25.

Valuation

We have lowered our sum of the parts valuation from $7.13 to $5.40, primarily reflecting lower forecast earnings from FY25 forward, as a result of a lower growth profile in forecast NIM and a lower forecast growth in ABA's loan book.

Risks

ABAs key risks include changing macroeconomic conditions, liquidity and funding risks, credit risk, fraud, cybersecurity, asset-liability mismatch and compliance risks. Furthermore, it could suffer adverse changes from changes in the regulatory environment including in respect of bank capital and lending buffer requirements.

Equities Research Australia

Financials

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Auswide Bank Ltd (ABA) was established in 1966 in regional Queensland, listed on the ASX in 1994, and rebranded when converting into a bank in 2015.

ABA has established an Australia-wide lending presence supported through branches, business bankers, accredited mortgage brokers and online.

ABA has a strong presence in Queensland and is growing across the rest of Australia. The Company boasts a high-quality loan book with total assets over $5bn, representing a mortgage market share of around 20 basis points.

Valuation	**A$5.40** *(previously A$7.13)*
Current price	**A$4.50**
Market cap	**A$209m**

Upcoming Catalysts / Next News

Period	
Mid to late April	New CEO & MD Doug Snell to start
Monthly	APRA Authorised deposit-taking institution (ADI) statistics on the last business day of the following month
August 2024	Full year result released

Share Price ($A)

Source: FactSet, MST Access

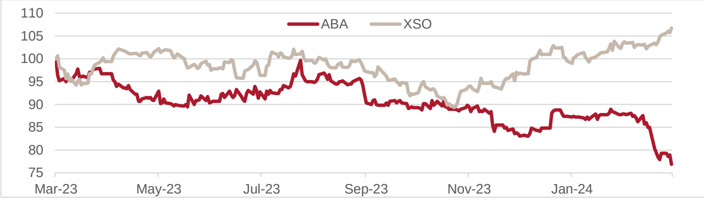
Auswide Bank Financial Data

Auswide Bank Limited — ABA-AU

Year end 30 June, A$

MARKET DATA			
Price	A$		$4.51
Valuation	A$		$5.40
52 week low - high	A$	$5.79	$4.45
Market capitalisation	A$m		209
Shares on issue (basic)	m		46.4
Options / rights (currently antidilutive)	m		0.0
Performance rights	m		0.2
Shares on issue (fuly diluted)	m		46.6

12-MONTH SHARE PRICE PERFORMANCE VERSUS S&P/ASX SMALL ORDINARIES (XSO)



INVESTMENT FUNDAMENTALS		FY22A	FY23A	FY24E	FY25E	FY26E
Year end shares	**m**	44	46	47	48	49
Weighted average diluted shares	m	43	45	46	47	48
Year end share price (Actual / Spot)	**A$**	**6.09**	**5.39**	**4.51**	**4.51**	**4.51**
EPS - reported	cps	60	56	37	45	53
EPS - Underlying	cps	58	56	35	45	53
EPS - diluted underlying	**cps**	**58**	**56**	**35**	**45**	**53**
Diluted Underlying EPS growth	%	2%	(4%)	(37%)	29%	18%
PE (diluted EPS)	**x**	**10.5**	**9.4**	**11.1**	**9.7**	**12.9**
DPS	**A$**	**0.42**	**0.43**	**0.26**	**0.32**	**0.40**
Payout ratio (underlying EPS)	%	69%	77%	70%	73%	75%
Dividend yield	**%**	**6.9%**	**8.0%**	**5.8%**	**7.2%**	**8.8%**
Franking	%	100%	100%	100%	100%	100%
Gross yield	**%**	**9.9%**	**11.4%**	**8.3%**	**10.3%**	**12.6%**
NAV per share	A$	6.48	6.41	6.12	6.14	6.23
Price / NAV	**x**	**0.94**	**0.84**	**0.74**	**0.73**	**0.72**
NTA per share	A$	5.35	5.33	5.07	5.12	5.24
Price / NTA	**x**	**1.14**	**1.01**	**0.89**	**0.88**	**0.86**
Operating cash flow per share	cps	100	(296)	177	38	46
Free cash flow to equity per share	cps	183	71	(102)	31	39
FCF yield	%	30%	13%	(23%)	7%	9%

KEY DATA		FY22A	FY23A	FY24E	FY25E	FY26E
CET1 ratio	**%**	**11.9%**	**11.4%**	**12.1%**	**12.0%**	**11.9%**
Capital adequacy ratio	**%**	**12.9%**	**13.7%**	**14.4%**	**14.1%**	**14.0%**
Leverage ratio	%	5.7%	5.4%	5.2%	5.0%	5.0%
Operating income growth	%	6.7%	6.5%	(8.5%)	9.4%	9.6%
Expense growth	%	8.3%	13.3%	2.1%	4.7%	4.8%
ROE - reported	%	9.3%	8.5%	5.6%	7.3%	8.6%

HALF YEARLY DATA		*1H23A*	*2H23A*	FY23A	*1H24A*	*2H24E*
Net Interest Income	**A$m**	*46.5*	*42.7*	**89.2**	*37.3*	*41.6*
Non-Interest income	A$m	*5.6*	*5.8*	11.3	*6.5*	*6.5*
Provision for loan losses	A$m	*0.8*	*(0.1)*	0.7	*(0.0)*	*(0.4)*
Operating expenses	A$m	*(32.7)*	*(32.6)*	(65.3)	*(32.8)*	*(33.9)*
Profit before income tax	A$m	*20.2*	*15.7*	35.9	*11.0*	*13.8*
Reported NPAT	A$m	*14.1*	*11.0*	25.1	*7.7*	*9.6*
Underlying NPAT	**A$m**	*14.1*	*11.0*	**25.1**	*6.6*	*9.6*
Cost to income ratio	%	*62.8%*	*67.4%*	**65.0%**	*74.5%*	*70.5%*
EPS - diluted underlying	**A$**	*0.32*	*0.24*	**0.56**	*0.14*	*0.21*
DPS	A$	*0.22*	*0.21*	0.43	*0.11*	*0.15*

KEY PERFORMANCE INDICATORS		FY22A	FY23A	FY24E	FY25E	FY26E
Average loans and advances	$m	3,739	4,188	4,456	4,658	4,907
Net Interest Margin	**%**	**1.94%**	**1.88%**	**1.55%**	**1.63%**	**1.71%**
Total Revenue / Average loans and advances	%	2.5%	2.4%	2.1%	2.1%	2.2%
Cost to income ratio	**%**	**61.1%**	**65.0%**	**72.5%**	**69.4%**	**66.4%**
Expected Credit Loss (ECL) % of gross loans	%	0.1%	0.1%	0.1%	0.1%	0.1%

PROFIT AND LOSS		FY22A	FY23A	FY24E	FY25E	FY26E
Interest Revenues	A$m	106	190	253	286	315
Interest Expense	A$m	(24)	(100)	(174)	(199)	(220)
Net Interest Income	**A$m**	**82**	**89**	**79**	**87**	**96**
Non-Interest Income	A$m	12	11	13	14	14
Total operating income	**A$m**	**94**	**101**	**92**	**101**	**110**
Provision For Loan Losses	A$m	1	1	(0)	(0)	(1)
Operating costs	A$m	(58)	(65)	(67)	(70)	(73)
Profit before income tax	**A$m**	**37**	**36**	**25**	**30**	**37**
Income tax expense	A$m	(11)	(11)	(8)	(9)	(11)
Reported NPAT	**A$m**	**26**	**25**	**17**	**21**	**26**
Underlying profit	**A$m**	**25**	**25**	**16**	**21**	**26**

BALANCE SHEET		FY22A	FY23A	FY24E	FY25E	FY26E
Cash and cash equivalents	A$m	179	203	145	150	156
Loans and advances	A$m	3,828	4,378	4,534	4,782	5,031
Other financial assets	A$m	412	402	412	422	433
Property, plant and equipment	A$m	21	19	20	22	24
Goodwill and other intangibles	A$m	49	49	49	49	48
Other assets	A$m	17	8	22	20	20
Total Assets	**A$m**	**4,505**	**5,060**	**5,182**	**5,445**	**5,712**
Deposits and short term borrowings	A$m	3,617	4,043	4,261	4,501	4,741
Loans under management	A$m	371	531	544	558	572
Other borrowings / RBA Term Funding Facility	A$m	151	101	0	0	0
Subordinated capital notes	A$m	42	42	42	42	42
Other liabilities	A$m	42	49	49	52	54
Total Liabilities	**A$m**	**4,223**	**4,766**	**4,896**	**5,152**	**5,408**
Contributed equity	A$m	200	212	216	220	224
Treasury shares	A$m	0	0	0	0	0
Reserves	A$m	28	22	6	3	3
Retained earnings/accumulated losses	A$m	54	60	64	70	76
Non-controlling interests	A$m	0	0	0	0	0
Total equity	**A$m**	**282**	**294**	**286**	**293**	**304**
Net assets	**A$m**	282	294	286	293	304
Net tangible assets	**A$m**	**233**	**244**	**237**	**244**	**255**
Risk weighted assets	A$m	1,953	1,950	1,824	1,918	2,012
Capital base	A$m	252	267	263	271	282

CASH FLOW		FY22A	FY23A	FY24E	FY25E	FY26E
Net interest income	A$m	80	107	79	87	96
Non-interest income	A$m	14	17	13	14	14
Net move in loans and advances	A$m	(271)	(549)	(156)	(249)	(249)
Net move in deposits and borrowings	A$m	268	376	218	240	240
Operating expenses	A$m	(38)	(73)	(63)	(66)	(69)
Income taxes paid / Other	A$m	(11)	(11)	(9)	(8)	(10)
Net operating cashflow	**A$m**	**43**	**(133)**	**82**	**18**	**22**
Net move investments / Due from institutions	A$m	4	10	(22)	(10)	(11)
Capital expenditure	A$m	(3)	(2)	(5)	(5)	(5)
Acquisitions and divestments	A$m	0	0	0	0	0
Net investment cashflow	**A$m**	**1**	**8**	**(26)**	**(15)**	**(16)**
Movement in Equity	A$m	1	0	1	1	1
Dividends	A$m	(14)	(8)	(11)	(11)	(13)
Net move due to financial institutions	A$m	36	160	(101)	14	14
Lease payments / Other	A$m	(2)	(2)	(2)	(2)	(2)
Net financing cashflow	**A$m**	**21**	**151**	**(114)**	**1**	**(0)**
Net cash flow	**A$m**	**66**	**25**	**(58)**	**4**	**6**

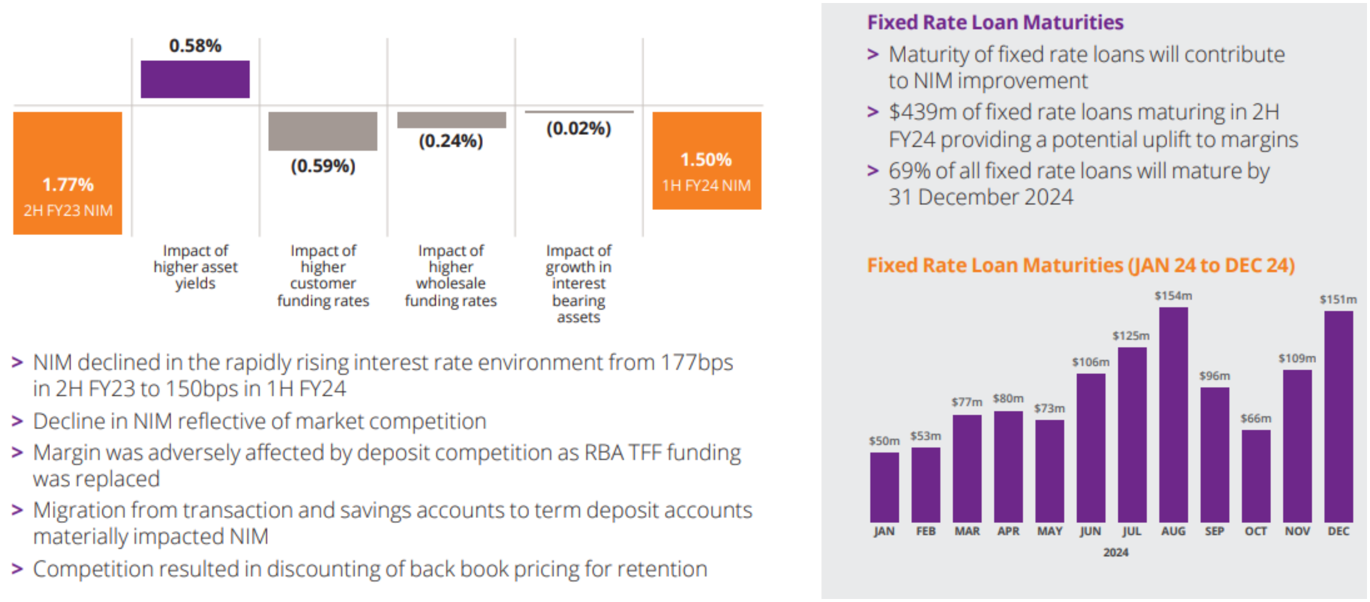
Source: Company data, MST Access

Interim Result review

We note below the key highlights from the 1H24 interim result:

- NIM fell to 150 bp from 188 bp in FY23. Key impacts were rapidly rising interest rates, competition in the market for deposits as the Reserve Banks term funding facility (TFF) was removed, together with customers migrating their savings to higher interest term deposit accounts impacting on funding costs.
- ABA had already guided the market to a weaker 1H24 in November 2023 where it noted NIM had fallen to 152 bp in the first four months of the quarter. Pleasingly the NIM recovered in the last two months of CY2023. Management noted on the result call that ABA expects a gradual improvement in NIM over the next 6 to 12 months due to easing competition and more rational pricing in the loan markets.

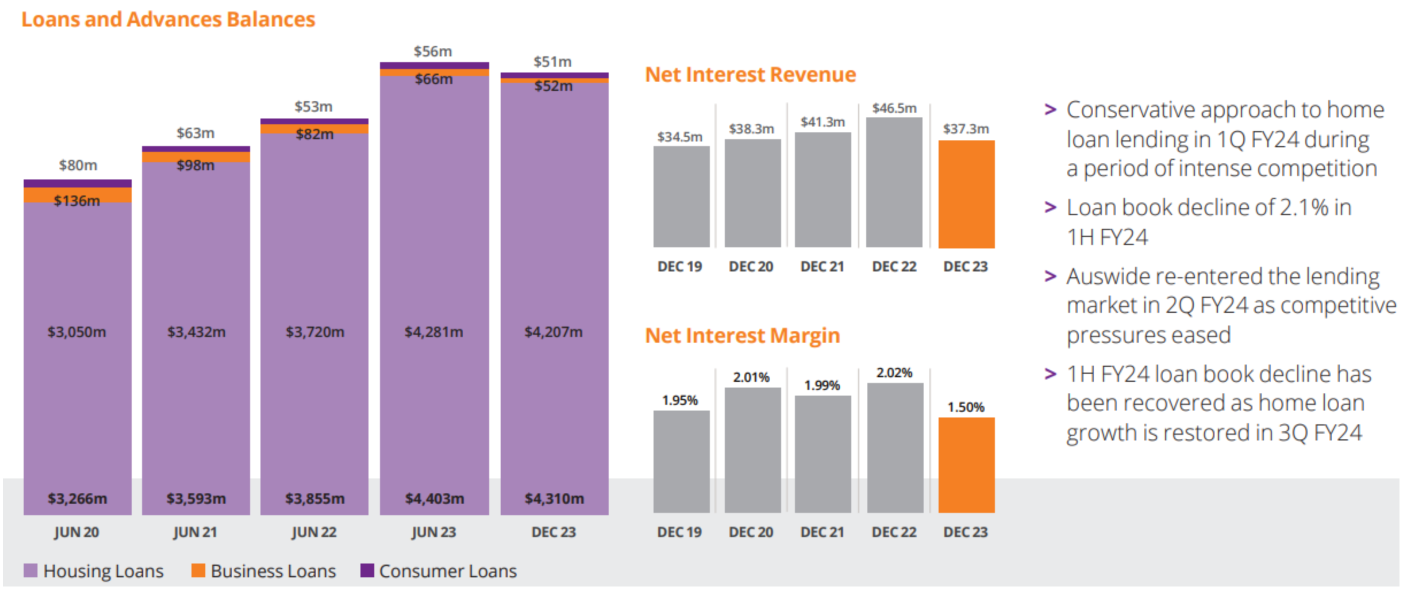
Figure 1: Auswide Bank NIM



Source: Company

- Loan book of $4.3bn (down ~2% on FY23). Management is confident about achieving a 5.8% growth in loan book in the 2H of FY24 (~$250m) with a focus remaining on low Loan-to-Value Ratio (LVR) lending.

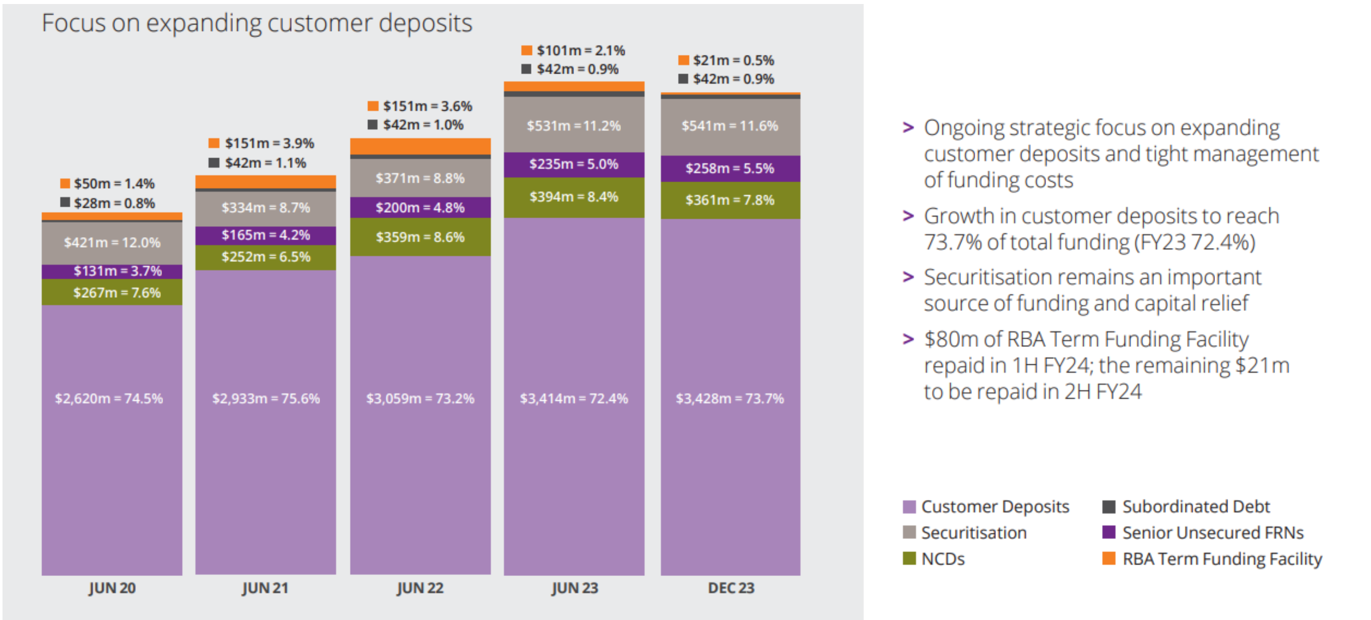
Figure 2: Conservative approach to home lending during a period of intense competition



Source: Company

- Circa $1.04 bn of fixed-rate loans are forecast to roll off in CY2024 ($439m in 2H24) with an associated lift of 300 bps in interest rates (~$1.0bn of fixed rate loans rolled in CY2023). By the end of CY2024 we expect the lions share of fixed rate loans priced up to the end of CY2021 will have rolled. NB: ABA do not lend 5-year fixed interest loans. Given the high volume of customers graduating from low fixed rate loans ABA will need to remain vigilant in the lift in retention competition to ensure it can keep these loans.
- Deposits were up flat on FY23 (up $5m) reflecting the intense competition in CY2023 together with customers looking to higher yielding products. This combined with the steepening of the front end of the curve resulted in significantly higher funding costs (interest cost of $84m was up 30% on 2H23 and over 135% on 1H23) which not surprisingly had a material impact on NIM (noted above) and the cost to income ratio which blew out to 74.5% from 62.8% in 1H23. ABA is rolling out new deposit products targeting different market segments within the next two to three months, aiming to lower overall funding costs.

Figure 3: ABA has an ongoing strategic focus on expanding customer deposits and tight management of funding costs



Source: Company

- Operating costs were tightly controlled and were essentially flat on the previous two halves.
- Underlying NPAT of $6.6m was down 53% on the previous comparable period (pcp).
- Interim dividend of $0.11, 100% franked, was down 50% on pcp. Payout ratio of ~77% based on underlying earnings per share (EPS).
- Loan book arrears of 0.14%, up from 0.10% at FY23 but well below the regional SPIN [1] of 0.71%. Credit quality continues to be reinforced by advance payments of ~$250m, (5.8% of ABA's total loan book), with $450m of cash sitting in offset accounts (10.8% of the total loan book).
- Provisions were flat at $6.8m
- ABA's capital adequacy ratio remained strong at 15.3% (13.7% at FY23) with ABA's tier 1 capital ratio (CET1) of 12.8%, up on 11.5% at FY23.
- M&A opportunities remain on the board's agenda, including potential mergers or acquisitions of adjacent businesses.
- Management noted the Queensland economy is robust with strong population growth and property demand with no immediate risk seen around property prices.

[1] *S&P Global Ratings Mortgage Performance Index (SPIN) is a measure of arrears that covers the universe of RMBS rated by the agency. A mortgage is considered to be in arrears when the balance of the loan exceeds the scheduled loan amount, this occurs when a borrower is behind on their mortgage repayment*

Incorporating our learnings from the interim result we have updated our earnings estimates.

Figure 4: Auswide Bank earnings forecasts

A$m		FY22A	FY23A	*1H24A*	*2H24E*	FY24E	FY25E	FY26E
Interest Revenues	A$m	106.0	189.6	*121.5*	*131.6*	253.1	286.2	315.4
Interest Expense	A$m	(23.9)	(100.4)	*(84.2)*	*(90.0)*	(174.2)	(199.3)	(219.5)
Net Interest Income	**A$m**	**82.0**	**89.2**	*37.3*	*41.6*	**78.9**	**86.9**	**95.8**
Non-Interest Income	A$m	12.4	11.3	*6.5*	*6.5*	13.0	13.7	14.4
Total operating income	**A$m**	**94.4**	**100.5**	*43.8*	*48.1*	**92.0**	**100.6**	**110.2**
Operating expenses	**A$m**	**(57.7)**	**(65.3)**	*(32.8)*	*(33.9)*	**(66.7)**	**(69.8)**	**(73.2)**
Pre-provision profit		**36.8**	**35.2**	*11.1*	*14.2*	**25.3**	**30.8**	**37.1**
Provision For Loan Losses		0.7	0.7	*(0.0)*	*(0.4)*	(0.5)	(0.5)	(0.5)
Profit before income tax	**A$m**	**37.5**	**35.9**	*11.0*	*13.8*	**24.8**	**30.3**	**36.6**
Income tax expense	A$m	(11.4)	(10.9)	*(3.4)*	*(4.2)*	(7.6)	(9.2)	(11.0)
Non-controlling interests	A$m	0.0	0.0	*0.0*	*0.0*	0.0	0.0	0.0
NPAT - reported	**A$m**	**26.1**	**25.1**	*7.7*	*9.6*	**17.2**	**21.2**	**25.5**
Discontinued operations / Gain on sale	A$m	(1.2)	0.0	*(1.1)*	*0.0*	(1.1)	0.0	0.0
Underlying NPAT	**A$m**	**25.0**	**25.1**	*6.6*	*9.6*	**16.1**	**21.2**	**25.5**
Reported EPS	A$	0.60	0.56	*0.17*	*0.21*	0.37	0.45	0.53
Underlying EPS	A$	0.58	0.56	*0.14*	*0.21*	0.35	0.45	0.53
Diluted Underlying EPS	**A$**	0.58	0.56	*0.14*	*0.21*	0.35	0.45	0.53
Total DPS	**A$**	**0.42**	**0.43**	*0.11*	*0.15*	**0.26**	**0.32**	**0.40**
Franking	%	100.0%	100.0%	*100.0%*	*100.0%*	100.0%	100.0%	100.0%
Franking	cps	0.18	0.18	*0.05*	*0.06*	0.11	0.14	0.17
Yield	**%**	**6.9%**	**8.0%**	*4.3%*	*6.7%*	**5.8%**	**7.2%**	**8.8%**
Gross yield	%	9.9%	11.4%	*6.1%*	*9.5%*	8.2%	10.2%	12.5%

Source: Company, MST Access

Key earnings changes below primarily reflect our lower forecast growth in loan book (net loan growth of $250m p.a. from FY25 onwards) and slower recovery in NIM (grows to 1.95% by FY30).

Figure 5: Auswide Bank earnings forecasts

	FY23	FY24E			FY25E			FY26E		
A$m	Old	Old	New	% chg	Old	New	% chg	Old	New	% chg
Interest Revenues	189.6	269.7	252.6	(6%)	316.9	286.2	(10%)	361.9	315.4	(13%)
Interest Expense	(100.4)	(187.5)	(173.7)	7%	(208.3)	(199.3)	4%	(232.6)	(219.5)	6%
Net Interest Income	**89.2**	**82.2**	**78.9**	(4%)	**108.5**	**86.9**	(20%)	**129.3**	**95.8**	(26%)
Non-Interest Income	11.3	11.6	13.0	12%	11.9	13.7	15%	12.7	14.4	13%
Total operating income	**100.5**	**93.8**	**92.0**	(2%)	**120.5**	**100.6**	(17%)	**142.0**	**110.2**	(22%)
Provision For Loan Losses	0.7	(0.2)	(0.5)	n/m	(0.2)	(0.5)	n/m	(0.3)	(0.5)	n/m
Operating costs	(65.3)	(69.3)	(66.7)	4%	(76.9)	(69.8)	9%	(84.5)	(73.2)	13%
Reported NPAT	**25.1**	**17.0**	**17.2**	1%	**30.2**	**21.2**	(30%)	**39.9**	**25.5**	(36%)
Underlying profit	**25.1**	**17.0**	**16.1**	(5%)	**30.2**	**21.2**	(30%)	**39.9**	**25.5**	(36%)
EPS (Underlying) (cps)	**55.6**	**36.0**	**34.9**	(3%)	**61.6**	**44.8**	(27%)	**77.2**	**53.0**	(31%)
DPS (A$)	**0.43**	**0.26**	**0.26**	0%	**0.42**	**0.32**	(23%)	**0.53**	**0.40**	(25%)
Yield (%) (Year end / Spot)	**8.0%**	**5.3%**	**5.8%**	9%	**8.5%**	**7.2%**	(15%)	**10.7%**	**8.8%**	(18%)
P/E (Underlying)	**9.7**	**13.7**	**12.9**	(6%)	**8.0**	**10.1**	26%	**6.4**	**8.5**	33%
Loans and advances	4,378	4,657	4,534	(3%)	5,433	4,782	(12%)	6,340	5,031	(21%)
NIM (%)	**1.88%**	**1.65%**	**1.55%**	(0.10%)	**1.94%**	**1.63%**	(0.31%)	**2.00%**	**1.71%**	(0.30%)

Source: Company, MST Access

Company Description

Auswide Bank Ltd (ABA) is Australia's 24th largest bank, and 54th largest bank operating in the Australian market. It was established in 1966 in regional Queensland, listed on the ASX in 1994, and rebranded in 2015 shortly after converting into a bank.

ABA has established an Australia-wide lending presence supported through branches, business bankers, accredited mortgage brokers and online. ABA has a strong presence in Queensland and is growing across the rest of Australia.

The bank boasts a high-quality loan book with total assets over $5b, representing a mortgage market share of around 20 basis points (0.20%).

ABA's 3-year strategic plan contains several ambitious targets including to:

1. Grow its lending book to $6bn
2. Embrace digital systems and loan processing capabilities to lower its borrower acquisition costs
3. Optimise its funding sources through low cost savings and transaction accounts
4. Issue RMBS to provide funding and capital flexibility
5. Achieve a cost to income ratio below 60% over the medium term
6. Pursue M&A opportunities to help achieve scale

Investment Thesis

ABA offers a variety of attractions to investors:

- The potential of stronger growth prospects than the major banks, with an ability to grow home loans unimpeded at multiples of system when it is profitable to grow and increasing operational efficiency.
- One of the highest quality loan books in the industry, reflected in its low asset impairment charges.
- Improving return on equity metrics as the benefits of its increased scale and improving profitability flow through.
- A strong capital position supportive of further growth.
- ABA has realised that scale and complexity in today's banking environment is not the advantage it once was. Simplicity and nimbleness backed by good value products that are distributed efficiently via multiple channels (proprietary and partner) has been identified as ABA's opportunity.

In the short to medium term, we believe:

- Competition should eventually become rational again: We expect to see pressures on ABA's NIM and CTI ease over the next couple of years, which should enable its ROE to again lift above its cost of capital, supporting higher valuation multiples and growing dividends.
- Management noted on the result call that ABA expects a gradual improvement in NIM over the next 6 to 12 months due to easing competition and more rational pricing in the loan markets. A forecast growth in net new loans of $250m in the second half and repricing of the $1.0bn of loan book that is rolling off fixed pricing (forecast 300 bp pricing lift) over CY2024 will aid the recovery in NIM.
- Capital and credit quality remain competitive advantages: With one of the highest quality loan books in the industry, reflected in its low asset impairment charges, and conservative lending practices, accompanied by a strong capital base with a capital adequacy ratio at the 31st December of 15.3%, ABA stands well placed to capture market share when others become distracted with growing competition.
- We are forecasting a recovery in dividends in 2H24 to $0.15 per share implying a FY24 yield of 5.8% lifting to 7.2% (gross yield of 10.3%) in FY25.

Valuation

We have lowered our sum of the parts valuation from $7.13 to $5.40, primarily reflecting lower forecast earnings from FY25 forward, as a result of a lower growth profile in forecast NIM and a lower forecast growth in ABA's loan book.

We have assumed that the market will look to historic multiples for guidance when pricing ABA and as such we have derived relevant 12-month forward valuations below and set our valuation at the average of the four.

Over the next 12 months as the market becomes more comfortable with ABA's progress in achieving its 3-year strategic plan we believe the share price will trade up closer to 1 times book value.

Our near-term valuation has very little sensitivity to loan book growth and NIM.

Our current forecasts out to FY30 have net loan book growth of $250m p.a. (last five years has been closer to $300m p.a.) and a recovery in NIM to 1.95% by FY30.

Clearly, if ABA can grow the loan book faster than we are forecasting and get NIM back up closer to 2.0% sooner than we are expecting, the value of ABA in the eyes of the market will be higher than we are forecasting.

Figure 6: Auswide Bank Limited Sum of the Parts Valuation

Method	Metric	Multiple	Valuation per share	Rationale for multiple chosen
	A$	x	A$	
FY25 earnings per share	0.45	11.3	5.06	Last five year average 11.3 times
FY25 dividend yield	0.32	6.6%	4.92	Last five year average 6.6%
FY24 Price / Book	6.12	0.94	5.73	Last five year average 0.94 times
FY24 Price / NTA	5.07	1.15	5.86	Last five year average 1.15 times
Average			**5.40**	**Range of A$4.92 - A$5.86**

Source: Company reports, MST Access estimates

We note if we run a dividend discount model based on our forecasts and using a cost of equity of 12.5%, a 50% franking value, and a terminal growth rate of 2.5% we arrive at a 30 June 2024 valuation of $5.90.

Risks and sensitivities

ABAs key risks include changing macroeconomic conditions, liquidity and funding risks, credit risk, fraud, cybersecurity, asset-liability mismatch and compliance risks. Furthermore, it could suffer adverse changes from changes in the regulatory environment including in respect of bank capital and lending buffer requirements.

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