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# Bank Note$

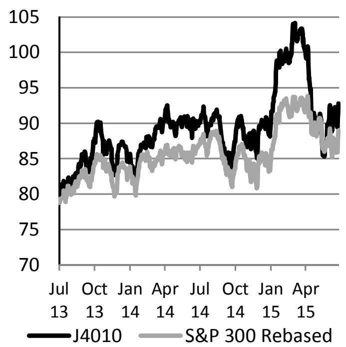
## Enough room now to swing a cat

| Stock | Price | Target | Rating |
|---|---|---|---|
| ANZ | $32.44 | $37.00 | Buy |
| CBA | $87.98 | $91.00 | Hold |
| NAB | $34.34 | $38.50 | Buy |
| WBC | $34.57 | $34.90 | Hold |
| BEN | $12.96 | $13.20 | Hold |
| BOQ | $13.38 | $14.10 | Buy |
| MQG | $83.51 | $90.00 | Buy |
| SUN | $14.17 | $14.50 | Buy |

### ASX200 Banks (J4010) Price Performance

| | (1m) | (3m) | (12m) |
|---|---|---|---|
| Price (A$) | 87.20 | 103.27 | 90.26 |
| Absolute (%) | 6.23 | -10.30 | 2.63 |
| Rel market (%) | 3.93 | -5.49 | -0.14 |

### Absolute Price




SOURCE: IRESS

## Worst kept secret out

APRA today announced an increase in the capital requirements only for residential mortgages under the IRB approach (involving ANZ, CBA, NAB, WBC and MQG). This will lead to the average risk weight rising from ~16% to at least 25%. The move addresses one of the FSI recommendations and is also consistent with the Basel Committee's current thinking on global capital adequacy. The higher risk weight will apply to all residential mortgages other than SME lending secured by residential mortgage and will come into effect on 1 July 2016 to ensure an orderly transition. While at the low end of the FSI recommended range of 25-30%, APRA highlighted this is only an interim measure. The final measure is then dependent upon the outcome of the Basel Committee's review of global capital adequacy (unlikely before the end of calendar year 2015) while the 200bp capital adequacy buffer announced by APRA last week appears to have taken the above into consideration (~80bp of the buffer relates to higher mortgage risk weight). There is no mention of timing but we feel there will again be an orderly transition to get to the end result.

Today's move should come as no surprise with the major banks already having extensively gamed a 25-30% mortgage risk weight scenario (and coming in at the low end of the risk weighted expectations is deemed a positive in any case). Our view remains that the major banks will not need to raise external capital but rather they will be creative in terms of adjusting their respective DRPs in the coming years. Our analysis suggests MQG ($150m capital impact immaterial relative to estimated surplus capital of $1.4bn assuming 10% RWA) and NAB (immaterial dilution to get to over 10% CET1 capital ratio in the next few years) are the clear winners while the impact on ANZ is not as detrimental as the market has been led to believe. The resilience of NAB and ANZ relative to WBC and CBA is also underpinned by much lower earnings dilution. Finally, regional banks on the way to accreditation (e.g. BEN and SUN) are clear winners while BOQ should also benefit in due course. We believe the regionals will also deploy any surplus capital into higher margin wealth and lending segments.

## MQG, NAB and SUN remain the top picks

Our earnings forecasts, price targets and ratings are unchanged. Including the diversified financials, our top picks are: MQG followed by NAB and SUN.

### Table 1 – Financial summary

| | Mkt Cap | Price / Book (x) | | PE (x) | | Yield | | ROE | | EPS growth | | Price | Last | | 12 month |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ($bn) | 2015e | 2016e | 2015e | 2016e | 2015e | 2016e | 2015e | 2016e | 2015e | 2016e | target | price | Rating | TSR |
| BANKS | | | | | | | | | | | | | | | |
| ANZ | 90.7 | 1.7 | 1.6 | 11.9 | 11.3 | 5.7% | 5.9% | 15% | 14% | 4% | 5% | $37.00 | $32.44 | Buy | 20% |
| CBA | 143.2 | 2.7 | 2.5 | 15.8 | 15.1 | 4.8% | 5.0% | 18% | 18% | 4% | 4% | $91.00 | $87.98 | Hold | 8% |
| NAB | 90.2 | 1.6 | 1.5 | 12.4 | 13.1 | 5.8% | 5.8% | 14% | 13% | 26% | -6% | $38.50 | $34.34 | Buy | 18% |
| WBC | 110.1 | 2.0 | 1.9 | 13.8 | 13.3 | 5.4% | 5.7% | 16% | 16% | 2% | 4% | $34.90 | $34.57 | Hold | 7% |
| BEN | 5.9 | 1.2 | 1.1 | 13.4 | 12.9 | 5.4% | 5.7% | 9% | 9% | 5% | 4% | $13.20 | $12.96 | Hold | 7% |
| BOQ | 5.0 | 1.4 | 1.3 | 13.6 | 12.6 | 5.6% | 6.0% | 11% | 12% | 10% | 8% | $14.10 | $13.38 | Buy | 11% |
| DIVERSIFIEDS | | | | | | | | | | | | | | | |
| MQG | 27.9 | 2.3 | 1.8 | 16.6 | 15.7 | 4.0% | 4.2% | 14% | 13% | 31% | 6% | $90.00 | $83.51 | Buy | 12% |
| SUN | 18.2 | 1.3 | 1.3 | 15.3 | 13.1 | 6.9% | 7.1% | 9% | 10% | -9% | 16% | $14.50 | $14.17 | Buy | 9% |

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

# Enough room now to swing a cat

## Worst kept secret out

APRA today announced an increase in the capital requirements for residential mortgages under the internal ratings-based (IRB) approach (banks that follow this approach are ANZ, CBA, NAB, WBC and MQG). This will lead to the average risk weight rising from around 16% to at least 25%. The move addresses one of the Financial System Inquiry (FSI) recommendations and is also consistent with the Basel Committee on Banking Supervision's (BCBS) current thinking on global capital adequacy. The higher risk weight will apply to all residential mortgages other than SME lending secured by residential mortgage (a pleasant surprise for the battlers) and will come into effect on 1 July 2016 to ensure an orderly transition.

While at the low end of the FSI recommended range of 25-30%, APRA highlighted this is only an interim measure – and with the final measure dependent upon the outcome of BCBS's review of global capital adequacy (timing of this is unlikely before the end of calendar year 2015). The 200bp capital adequacy buffer announced by APRA last week for the IRB banks to be "comfortably positioned in the top quartile of international peers" has taken the above into consideration (~80bp of the buffer relates to higher mortgage risk weight) – the timing is still uncertain but we feel there will again be an orderly transition to get to the end game. Finally, there is no impact on non-IRB banks and other ADIs.

Today's move should come as no surprise to the sector with the major banks already having extensively gamed a 25-30% mortgage risk weight scenario (and coming in at the low end of the risk weighted expectations is deemed a positive in any case). Our view remains that the major banks will not need to raise external capital but rather they will be creative in terms of adjusting their respective DRPs in the coming years (this will be proven in the next section). Regional banks that are on their way to accreditation such as BEN and SUN would also be winners although BOQ should also benefit in due course. We believe the regionals will also deploy any surplus capital into higher margin wealth and lending segments (as they are unlikely to return surplus capital that is required to maintain their long term credit ratings).

## Banks' responses and observations – no surprises again

The respective banks' responses and our observations are highlighted below. Our observations are based on sensitivity analyses taking into account a 25% average risk weight in 2016 that climbs to 27.5% the next year (mid-point of 25-30% range), and additional capital raised via DRP to arrive at 10.3% CET1 capital ratio by 2018 (consistent with an orderly transition towards 200bp higher capital from a base of ~8.3% in June 2014 – summarised in Table 2 on page 4 with details in Tables 4-7 on pages 6-9).

**ANZ**

"Based on ANZ's 31 March 2015 Financial Report, the APRA change in average credit risk weights to 255 will require ANZ to allocate approximately $2.3bn of additional capital to the bank's Australian mortgage lending book. The impact to ANZ's capital position of approximately 55 basis points is largely as expected…and is manageable during the APRA transition timetable to 1 July 2016."

As we suspected all along, the impact on ANZ is not as detrimental as the market has been led to believe. The $2.3bn additional capital should be sufficient to maintain our forecast CET1 capital ratio of around 9.0% at the end of September 2015. This is also in line with our view that a total of $4.9bn (all else being equal) is required to arrive at a

10.3% CET1 capital ratio by 2018 (including a manageable ~$1.3bn extra DRP in each of 2017 and 2018). The upside for ANZ is that the inevitable divestment of some of its Asian partnerships would go a long way in reducing the overall required capital.

**CBA**

"…expect that this will have the effect of increasing the amount of Common Equity Tier 1 (CET1) required for Australian residential mortgages by approximately 95 basis points from 1 July 2016…CBA has been working on a number of options for managing our capital over the coming year."

We estimate the 95bp will equate to around $3.5bn extra CET1 capital required if status quo is maintained (relative to our CET1 capital forecast at the end of June 2015). Our analysis suggests CBA would have to raise a total of $7.2bn (all else being equal) to achieve 10.3% CET1 capital ratio by 2018.

**NAB**

"Based on NAB's March 2015 capital ratios, the impact would be approximately 70 basis points of Common Equity Tier 1 (CET1)…likely to rise by a further 10 to 20 basis points when the impact of the $5.5bn capital raising and other potential strategic transactions are factored in. Taking into account the impact of the increase in mortgage risk weights, this is now likely to result in a pro-forma CET1 ratio within NAB's target range (of 8.75-9.25 per cent)."

To get to 10.3%, NAB would only have to raise an extra $250m a year for the next three years (all else being equal and having pre-empted the bulk of this in May with its $5.5bn capital raising). This is the smallest increment required among the major banks and NAB as such remains our top pick. Note this is all before the UK and US divestments.

**WBC**

"Based on our portfolio, at 31 March 2015, the change has been estimated to increase the RWAs for Australian residential mortgages by $40.7bn…on a pro-forma basis, the 31 March 2015 Westpac CET1 capital ratio would have been 8.5%...would be just below our preferred CET1 capital range of 8.75% to 9.25%, more than a year prior to the required implementation…the impact of this change will require a further $3bn of capital to lift the Group's 8.5% 31 March 2015 pro-forma CET1 capital ratio towards the top end of our preferred range…increased capital does come at a cost…will inevitably be borne by customers and shareholders."

Our analysis confirms the $3bn required capital should be sufficient to maintain our forecast CET1 capital ratio of around 9.5% at the end of September 2015. WBC would have to raise a total of $8.1bn (all else being equal and including the $2bn DRP in 1H15) to achieve 10.3% CET1 capital ratio by 2018.

**MQG**

"…based on our current mortgage portfolio, the impact on MGL's APRA Basel III capital surplus would be approximately $150m (at 8.5% RWAs), equivalent to a 20 basis point reduction in the Bank Group's CET1 ratio…increased capital requirement for mortgages will be accommodated from the existing capital surplus and retained earnings…capital surplus was $2.7bn over regulatory minimum requirement of 8.5%."

The $150m capital impact would also be immaterial relative to estimated surplus capital of $1.4bn assuming 10% RWA. Given its strong capital position and earnings that are highly leveraged to annuity-style businesses and the US, MQG remains the top pick across our coverage universe.

## Table 2 – Summary pro-forma capital position forecasts

| | 2014 | 2015e | 2016e | 2017e | 2018e | 2019e | |
|---|---|---|---|---|---|---|---|
| **Current forecast** | | | | | | | |
| Payout ratio pre DRP | | | | | | | |
| - ANZ | 68% | 68% | 67% | 66% | 65% | 65% | |
| - CBA | 75% | 75% | 75% | 75% | 75% | 75% | |
| - NAB | 90% | 71% | 76% | 76% | 76% | 75% | |
| - WBC | 74% | 75% | 76% | 75% | 75% | 74% | |
| DRP rate | | | | | | | |
| - ANZ | 17% | 19% | 19% | 19% | 19% | 19% | |
| - CBA | 11% | 9% | 19% | 19% | 19% | 19% | |
| - NAB | 15% | 40% | 15% | 14% | 15% | 15% | |
| - WBC | 0% | 40% | 13% | 13% | 13% | 13% | |
| Payout ratio (net) | | | | | | | |
| - ANZ | 56% | 55% | 54% | 53% | 52% | 52% | |
| - CBA | 67% | 68% | 61% | 61% | 61% | 61% | |
| - NAB | 76% | 43% | 65% | 65% | 65% | 64% | |
| - WBC | 74% | 45% | 66% | 66% | 65% | 65% | |
| **Target 10.3% CET1 ratio by 2018 assuming mortgage risk weight of 25% in 2016 and 27.5% (mid-point 25-30%) in subsequent years** | | | | | | | |
| Payout ratio pre DRP | | | | | | | |
| - ANZ | 68% | 68% | 67% | 66% | 65% | 65% | |
| - CBA | 75% | 75% | 75% | 75% | 75% | 75% | |
| - NAB | 90% | 71% | 76% | 76% | 76% | 75% | |
| - WBC | 74% | 75% | 76% | 75% | 75% | 74% | |
| DRP rate | | | | | | | |
| - ANZ | 17% | 19% | 62% | 42% | 41% | 19% | |
| - CBA | 11% | 9% | 68% | 43% | 42% | 19% | |
| - NAB | 15% | 38% | 20% | 19% | 19% | 14% | |
| - WBC | 0% | 40% | 60% | 36% | 35% | 13% | |
| Payout ratio (net) | | | | | | | |
| - ANZ | 56% | 55% | 26% | 38% | 38% | 52% | |
| - CBA | 67% | 68% | 24% | 43% | 44% | 61% | |
| - NAB | 76% | 44% | 61% | 62% | 62% | 64% | |
| - WBC | 74% | 45% | 30% | 48% | 49% | 65% | |
| **Extra capital to be raised through DRP ($m)** | | | | | | | **Total** |
| **- ANZ** | **-** | **-** | **2,300** | **1,290** | **1,290** | **-** | **4,880** |
| **- CBA** | **-** | **-** | **3,500** | **1,850** | **1,850** | **-** | **7,200** |
| **- NAB** | **-** | **-** | **250** | **250** | **250** | **-** | **750** |
| **- WBC** | **-** | **2,000** | **3,000** | **1,550** | **1,550** | **-** | **8,100** |
| **Impact on EPS and ROE post extra DRP** | | | | | | | |
| **ANZ** | | | | | | | |
| - EPS before (cps) | 260 | 272 | 286 | 306 | 322 | 339 | |
| - EPS after (cps) | 260 | 272 | 279 | 294 | 306 | 322 | |
| - Accretion / (dilution) | - | - | -2% | -4% | -5% | -5% | |
| - ROE before | 15.4% | 14.7% | 14.5% | 14.6% | 14.5% | 14.3% | |
| - ROE after | 15.4% | 14.7% | 13.9% | 13.7% | 13.5% | 13.4% | |
| - Accretion / (dilution) | - | - | -0.6% | -0.8% | -1.0% | -0.9% | |
| **CBA** | | | | | | | |
| - EPS before (cps) | 536 | 558 | 582 | 614 | 649 | 681 | |
| - EPS after (cps) | 536 | 558 | 569 | 592 | 619 | 650 | |
| - Accretion / (dilution) | - | - | -2% | -4% | -5% | -5% | |
| - ROE before | 18.7% | 18.1% | 17.8% | 17.6% | 17.5% | 17.2% | |
| - ROE after | 18.7% | 18.1% | 16.7% | 16.1% | 15.7% | 15.6% | |
| - Accretion / (dilution) | - | - | -1.1% | -1.5% | -1.8% | -1.7% | |
| **NAB** | | | | | | | |
| - EPS before (cps) | 220 | 277 | 261 | 279 | 295 | 313 | |
| - EPS after (cps) | 220 | 277 | 261 | 277 | 293 | 310 | |
| - Accretion / (dilution) | - | - | 0% | -1% | -1% | -1% | |
| - ROE before | 11.9% | 14.4% | 13.1% | 13.4% | 13.6% | 13.8% | |
| - ROE after | 11.9% | 14.4% | 13.0% | 13.3% | 13.4% | 13.7% | |
| - Accretion / (dilution) | - | - | -0.1% | -0.1% | -0.2% | -0.2% | |
| **WBC** | | | | | | | |
| - EPS before (cps) | 245 | 250 | 259 | 271 | 283 | 295 | |
| - EPS after (cps) | 245 | 250 | 252 | 260 | 268 | 280 | |
| - Accretion / (dilution) | - | - | -3% | -4% | -5% | -5% | |
| - ROE before | 16.4% | 15.9% | 15.5% | 15.4% | 15.4% | 15.3% | |
| - ROE after | 16.4% | 15.9% | 14.7% | 14.3% | 14.0% | 14.0% | |
| - Accretion / (dilution) | - | - | -0.8% | -1.2% | -1.4% | -1.4% | |

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

## EPS and ROE resilience: NAB and ANZ top the majors

We have also carried out some EPS and ROE sensitivities to determine which of the major banks are the most resilient in a higher capital adequacy framework (Table 2, previous page). In terms of EPS, NAB would be the most resilient (no surprises given the least amount of capital to be raised) while the remaining majors would be impacted almost equally. NAB again would be the most resilient when it comes to ROE, followed by ANZ, WBC and CBA. In summary, these outcomes are consistent with our major bank pecking order: NAB and ANZ follows by WBC and CBA.

## MQG, NAB and SUN remain the top picks in any case

Our earnings forecasts, price targets and ratings are unchanged. Including the diversified financials, our top picks are: MQG followed by NAB and SUN.

**Table 3 – Comps**

| | Mkt Cap | Price / Book (x) | | PE (x) | | Yield | | ROE | | EPS growth | | Price | Last | | 12 month |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ($bn) | 2015e | 2016e | 2015e | 2016e | 2015e | 2016e | 2015e | 2016e | 2015e | 2016e | target | price | Rating | TSR |
| **BANKS** | | | | | | | | | | | | | | | |
| ANZ | 90.7 | 1.7 | 1.6 | 11.9 | 11.3 | 5.7% | 5.9% | 15% | 14% | 5% | 5% | $37.00 | $32.44 | Buy | 20% |
| CBA | 143.2 | 2.7 | 2.5 | 15.8 | 15.1 | 4.8% | 5.0% | 18% | 18% | 4% | 4% | $91.00 | $87.98 | Hold | 8% |
| NAB | 90.2 | 1.6 | 1.5 | 12.4 | 13.1 | 5.8% | 5.8% | 14% | 13% | 26% | -6% | $38.50 | $34.34 | Buy | 18% |
| WBC | 110.1 | 2.0 | 1.9 | 13.8 | 13.3 | 5.4% | 5.7% | 16% | 16% | 2% | 4% | $34.90 | $34.57 | Hold | 7% |
| BEN | 5.9 | 1.2 | 1.1 | 13.4 | 12.9 | 5.4% | 5.7% | 9% | 9% | 5% | 4% | $13.20 | $12.96 | Hold | 7% |
| BOQ | 5.0 | 1.4 | 1.3 | 13.6 | 12.6 | 5.6% | 6.0% | 11% | 12% | 10% | 8% | $14.10 | $13.38 | Buy | 11% |
| **DIVERSIFIEDS** | | | | | | | | | | | | | | | |
| MQG | 27.9 | 2.3 | 1.8 | 16.6 | 15.7 | 4.0% | 4.2% | 14% | 13% | 31% | 6% | $90.00 | $83.51 | Buy | 12% |
| SUN | 18.2 | 1.3 | 1.3 | 15.3 | 13.1 | 6.9% | 7.1% | 9% | 10% | -9% | 16% | $14.50 | $14.17 | Buy | 9% |

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

# ANZ

## Table 4 – ANZ

| ANZ | 2014 | 2015e | 2016e | 2017e | 2018e | 2019e |
|---|---|---|---|---|---|---|
| CET1 capital - current forecast ($m) | | | | | | |
| - Opening balance | 28,779 | 31,776 | 36,203 | 42,419 | 48,034 | 54,001 |
| - Shareholders' equity before DRP | 2,830 | 4,244 | 2,858 | 3,211 | 3,503 | 3,755 |
| - DRP | 851 | 971 | 1,057 | 1,115 | 1,174 | 1,241 |
| - DRP (underwritten) | 0 | 0 | 2,300 | 1,290 | 1,290 | 0 |
| - Other | -684 | -787 | 0 | 0 | 0 | 0 |
| - Closing balance | 31,776 | 36,203 | 42,419 | 48,034 | 54,001 | 58,998 |
| Cash NPAT - current forecast ($m) | 7,117 | 7,511 | 8,043 | 8,684 | 9,274 | 9,862 |
| Dividend declared - current forecast ($m) | 4,896 | 5,139 | 5,430 | 5,723 | 6,025 | 6,396 |
| | | | | | | |
| Shares on issue - current forecast (m) | 2,757 | 2,788 | 2,821 | 2,855 | 2,891 | 2,929 |
| DRP (underwritten) shares to issue (m) | - | - | 71 | 40 | 40 | 0 |
| Total shares on issue post new DRP (m) | 2,757 | 2,788 | 2,891 | 2,966 | 3,042 | 3,080 |
| WANOS - current forecast (m) | 2,734 | 2,765 | 2,809 | 2,842 | 2,877 | 2,913 |
| WANOS - post new DRP (m) | 2,734 | 2,765 | 2,880 | 2,953 | 3,027 | 3,064 |
| | | | | | | |
| Cash EPS - current forecast (cps) | 260 | 272 | 286 | 306 | 322 | 339 |
| - Growth | - | 4% | 5% | 7% | 6% | 5% |
| Cash EPS - post new DRP (cps) | 260 | 272 | 279 | 294 | 306 | 322 |
| - Growth | - | 4% | 3% | 5% | 4% | 5% |
| Cash EPS accretion/(dilution) | - | - | -2% | -4% | -5% | -5% |
| | | | | | | |
| Dividend - current forecast (cps) | 178 | 185 | 193 | 201 | 209 | 219 |
| Payout ratio pre DRP - current forecast | 68% | 68% | 67% | 66% | 65% | 65% |
| DRP rate - current forecast | 17% | 19% | 19% | 19% | 19% | 19% |
| Payout ratio (net) - current forecast | 56% | 55% | 54% | 53% | 52% | 52% |
| | | | | | | |
| Dividend - post DRP (cps) (payout unchanged) | 178 | 185 | 188 | 193 | 199 | 208 |
| - Change | 0% | 0% | -2% | -4% | -5% | -5% |
| Total dividend payment ($m) | 4,907 | 5,158 | 5,443 | 5,737 | 6,041 | 6,414 |
| Total DRP rate - post new DRP | 17% | 19% | 62% | 42% | 41% | 19% |
| Payout ratio (net) - post new DRP | 56% | 55% | 26% | 38% | 38% | 52% |
| | | | | | | |
| Mortgage EaD - current forecast ($m) | 300,966 | 321,506 | 340,793 | 361,229 | 382,882 | 405,825 |
| - Mortgage RWA ($m) | 52,412 | 48,226 | 85,198 | 99,338 | 105,293 | 111,602 |
| - Average risk weight | 17% | 15% | 25% | 28% | 28% | 28% |
| Total RWA - current forecast ($m) | 361,529 | 400,504 | 459,369 | 496,735 | 526,815 | 558,787 |
| **CET1 capital ratio - current forecast** | **8.8%** | **9.0%** | **9.2%** | **9.7%** | **10.3%** | **10.6%** |
| | | | | | | |
| Cash ROE - current forecast | 15.4% | 14.7% | 14.5% | 14.6% | 14.5% | 14.3% |
| Average shareholders' equity - current forecast ($m) | 46,289 | 51,187 | 55,527 | 59,585 | 64,016 | 68,784 |
| Average shareholders' equity - post new DRP ($m) | 46,289 | 51,187 | 57,827 | 63,175 | 68,896 | 73,664 |
| Cash ROE - post new DRP | 15.4% | 14.7% | 13.9% | 13.7% | 13.5% | 13.4% |
| Cash ROE accretion/(dilution) | - | - | -1% | -1% | -1% | -1% |

| | |
|---|---|
| Current shareprice | $32.44 |
| CET1 ratio 30 Jun 2014 | 8.3% |

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

# CBA

**Table 5 – CBA**

| CBA | 2014 | 2015e | 2016e | 2017e | 2018e | 2019e | |
|---|---|---|---|---|---|---|---|
| CET1 capital - current forecast ($m) | | | | | | | |
| - Opening balance | 27,030 | 31,412 | 34,067 | 41,310 | 47,143 | 53,271 | |
| - Shareholders' equity before DRP | 3,104 | 2,954 | 2,607 | 2,759 | 2,984 | 3,113 | Current |
| - DRP | 707 | 640 | 1,387 | 1,479 | 1,575 | 1,679 | shareprice |
| - DRP (underwritten) | 0 | 0 | 3,500 | 1,850 | 1,850 | 0 | $87.98 |
| - Other | 571 | -939 | -250 | -256 | -281 | -290 | |
| - Closing balance | 31,412 | 34,067 | 41,310 | 47,143 | 53,271 | 57,774 | CET1 ratio |
| Cash NPAT - current forecast ($m) | 8,680 | 9,102 | 9,581 | 10,197 | 10,898 | 11,551 | 30 Jun 2014 |
| Dividend declared - current forecast ($m) | 6,462 | 6,830 | 7,183 | 7,653 | 8,153 | 8,685 | 9.3% |
| | | | | | | | |
| Shares on issue - current forecast (m) | 1,616 | 1,628 | 1,643 | 1,660 | 1,678 | 1,697 | |
| DRP (underwritten) shares to issue (m) | - | - | 40 | 21 | 21 | 0 | |
| Total shares on issue post new DRP (m) | 1,616 | 1,628 | 1,683 | 1,721 | 1,760 | 1,779 | |
| WANOS - current forecast (m) | 1,620 | 1,631 | 1,645 | 1,661 | 1,678 | 1,696 | |
| WANOS - post new DRP (m) | 1,620 | 1,631 | 1,685 | 1,722 | 1,760 | 1,778 | |
| | | | | | | | |
| Cash EPS - current forecast (cps) | 536 | 558 | 582 | 614 | 649 | 681 | |
| - Growth | - | 4% | 4% | 5% | 6% | 5% | |
| Cash EPS - post new DRP (cps) | 536 | 558 | 569 | 592 | 619 | 650 | |
| - Growth | - | 4% | 2% | 4% | 5% | 5% | |
| Cash EPS accretion/(dilution) | - | - | -2% | -4% | -5% | -5% | |
| | | | | | | | |
| Dividend - current forecast (cps) | 401 | 421 | 438 | 462 | 487 | 513 | |
| Payout ratio pre DRP - current forecast | 75% | 75% | 75% | 75% | 75% | 75% | |
| DRP rate - current forecast | 11% | 9% | 19% | 19% | 19% | 19% | |
| Payout ratio (net) - current forecast | 67% | 68% | 61% | 61% | 61% | 61% | |
| | | | | | | | |
| Dividend - post DRP (cps) (payout unchanged) | 401 | 421 | 428 | 446 | 464 | 489 | |
| - Change | 0% | 0% | -2% | -4% | -5% | -5% | |
| Total dividend payment ($m) | 6,479 | 6,852 | 7,198 | 7,670 | 8,172 | 8,706 | |
| Total DRP rate - post new DRP | 11% | 9% | 68% | 43% | 42% | 19% | |
| Payout ratio (net) - post new DRP | 67% | 68% | 24% | 43% | 44% | 61% | |
| | | | | | | | |
| Mortgage EaD - current forecast ($m) | 470,382 | 495,940 | 527,335 | 560,683 | 596,104 | 633,725 | |
| - Mortgage RWA ($m) | 72,026 | 80,218 | 131,834 | 154,188 | 163,929 | 174,274 | |
| - Average risk weight | 15% | 16% | 25% | 28% | 28% | 28% | |
| Total RWA - current forecast ($m) | 337,715 | 368,768 | 446,785 | 488,456 | 519,092 | 551,695 | |
| **CET1 capital ratio - current forecast** | **9.3%** | **9.2%** | **9.2%** | **9.7%** | **10.3%** | **10.5%** | |
| | | | | | | | |
| Cash ROE - current forecast | 18.7% | 18.1% | 17.8% | 17.6% | 17.5% | 17.2% | |
| Average shareholders' equity - current forecast ($m) | 46,301 | 50,324 | 53,893 | 58,003 | 62,393 | 67,063 | |
| Average shareholders' equity - post new DRP ($m) | 46,301 | 50,324 | 57,393 | 63,353 | 69,593 | 74,263 | |
| Cash ROE - post new DRP | 18.7% | 18.1% | 16.7% | 16.1% | 15.7% | 15.6% | |
| Cash ROE accretion/(dilution) | - | - | -1% | -1% | -2% | -2% | |

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

# NAB

## Table 6 – NAB

| NAB | 2014 | 2015e | 2016e | 2017e | 2018e | 2019e |
|---|---|---|---|---|---|---|
| CET1 capital - current forecast ($m) | | | | | | |
| - Opening balance | 30,531 | 31,714 | 41,913 | 43,050 | 46,427 | 50,017 |
| - Shareholders' equity before DRP | 855 | 7,015 | 2,006 | 2,311 | 2,467 | 2,648 |
| - DRP | 677 | 1,964 | 781 | 816 | 873 | 932 |
| - DRP (underwritten) | 0 | 0 | 250 | 250 | 250 | 0 |
| - Other | -349 | 1,220 | -1,900 | 0 | 0 | 0 |
| - Closing balance | 31,714 | 41,913 | 43,050 | 46,427 | 50,017 | 53,597 |
| Cash NPAT - current forecast ($m) | 5,184 | 6,788 | 7,013 | 7,557 | 8,092 | 8,663 |
| Dividend declared - current forecast ($m) | 4,549 | 4,916 | 5,257 | 5,631 | 6,016 | 6,411 |
| | | | | | | |
| Shares on issue - current forecast (m) | 2,310 | 2,615 | 2,642 | 2,670 | 2,699 | 2,730 |
| DRP (underwritten) shares to issue (m) | - | - | 7 | 7 | 7 | 0 |
| Total shares on issue post new DRP (m) | 2,310 | 2,615 | 2,649 | 2,684 | 2,721 | 2,752 |
| WANOS - current forecast (m) | 2,358 | 2,450 | 2,683 | 2,710 | 2,739 | 2,769 |
| WANOS - post new DRP (m) | 2,358 | 2,450 | 2,691 | 2,725 | 2,761 | 2,791 |
| | | | | | | |
| Cash EPS - current forecast (cps) | 220 | 277 | 261 | 279 | 295 | 313 |
| - Growth | - | 26% | -6% | 7% | 6% | 6% |
| Cash EPS - post new DRP (cps) | 220 | 277 | 261 | 277 | 293 | 310 |
| - Growth | - | 26% | -6% | 6% | 6% | 6% |
| Cash EPS accretion/(dilution) | - | - | 0% | -1% | -1% | -1% |
| | | | | | | |
| Dividend - current forecast (cps) | 198 | 198 | 200 | 212 | 224 | 236 |
| Payout ratio pre DRP - current forecast | 90% | 71% | 76% | 76% | 76% | 75% |
| DRP rate - current forecast | 15% | 40% | 15% | 14% | 15% | 15% |
| Payout ratio (net) - current forecast | 76% | 43% | 65% | 65% | 65% | 64% |
| | | | | | | |
| Dividend - post DRP (cps) (payout unchanged) | 198 | 198 | 199 | 210 | 222 | 234 |
| - Change | 0% | 0% | 0% | -1% | -1% | -1% |
| Total dividend payment ($m) | 4,563 | 5,165 | 5,271 | 5,647 | 6,033 | 6,430 |
| Total DRP rate - post new DRP | 15% | 38% | 20% | 19% | 19% | 14% |
| Payout ratio (net) - post new DRP | 76% | 44% | 61% | 62% | 62% | 64% |
| | | | | | | |
| Mortgage EaD - current forecast ($m) | 361,823 | 390,691 | 415,235 | 441,296 | 468,969 | 498,351 |
| - Mortgage RWA ($m) | 77,047 | 82,281 | 103,809 | 121,357 | 128,967 | 137,047 |
| - Average risk weight | 21% | 21% | 25% | 28% | 28% | 28% |
| Total RWA - current forecast ($m) | 367,652 | 405,218 | 419,674 | 457,398 | 486,900 | 518,479 |
| **CET1 capital ratio - current forecast** | **8.6%** | **10.3%** | **10.3%** | **10.2%** | **10.3%** | **10.3%** |
| | | | | | | |
| Cash ROE - current forecast | 11.9% | 14.4% | 13.1% | 13.4% | 13.6% | 13.8% |
| Average shareholders' equity - current forecast ($m) | 43,541 | 47,099 | 53,718 | 56,468 | 59,449 | 62,637 |
| Average shareholders' equity - post new DRP ($m) | 43,541 | 47,099 | 53,968 | 56,968 | 60,199 | 63,387 |
| Cash ROE - post new DRP | 11.9% | 14.4% | 13.0% | 13.3% | 13.4% | 13.7% |
| Cash ROE accretion/(dilution) | - | - | 0% | 0% | 0% | 0% |

| Current shareprice | CET1 ratio 30 Jun 2014 |
|---|---|
| $34.34 | 8.5% |

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

# WBC

## Table 7 – WBC

| WBC | 2014 | 2015e | 2016e | 2017e | 2018e | 2019e | |
|---|---|---|---|---|---|---|---|
| CET1 capital - current forecast ($m) | | | | | | | |
| - Opening balance | 27,969 | 29,724 | 34,214 | 40,273 | 45,050 | 50,018 | |
| - Shareholders' equity before DRP | 1,800 | 4,442 | 2,265 | 2,393 | 2,545 | 2,715 | Current |
| - DRP | 0 | 364 | 795 | 834 | 874 | 915 | shareprice |
| - DRP (underwritten) | 0 | 2,000 | 3,000 | 1,550 | 1,550 | 0 | $34.57 |
| - Other | -45 | -2,316 | 0 | 0 | 0 | 0 | |
| - Closing balance | 29,724 | 34,214 | 40,273 | 45,050 | 50,018 | 53,647 | CET1 ratio |
| Cash NPAT - current forecast ($m) | 7,628 | 7,805 | 8,277 | 8,706 | 9,166 | 9,649 | 30 Jun 2014 |
| Dividend declared - current forecast ($m) | 5,658 | 5,921 | 6,262 | 6,567 | 6,877 | 7,194 | 8.3% |
| | | | | | | | |
| Shares on issue - current forecast (m) | 3,109 | 3,120 | 3,201 | 3,225 | 3,250 | 3,277 | |
| DRP (underwritten) shares to issue (m) | - | 58 | 87 | 45 | 45 | 0 | |
| Total shares on issue post new DRP (m) | 3,109 | 3,178 | 3,288 | 3,357 | 3,427 | 3,453 | |
| WANOS - current forecast (m) | 3,109 | 3,122 | 3,193 | 3,216 | 3,240 | 3,266 | |
| WANOS - post new DRP (m) | 3,109 | 3,122 | 3,279 | 3,347 | 3,417 | 3,442 | |
| | | | | | | | |
| Cash EPS - current forecast (cps) | 245 | 250 | 259 | 271 | 283 | 295 | |
| - Growth | - | 2% | 4% | 4% | 4% | 4% | |
| Cash EPS - post new DRP (cps) | 245 | 250 | 252 | 260 | 268 | 280 | |
| - Growth | - | 2% | 1% | 3% | 3% | 4% | |
| Cash EPS accretion/(dilution) | - | - | -3% | -4% | -5% | -5% | |
| | | | | | | | |
| Dividend - current forecast (cps) | 182 | 188 | 196 | 204 | 212 | 220 | |
| Payout ratio pre DRP - current forecast | 74% | 75% | 76% | 75% | 75% | 74% | |
| DRP rate - current forecast | 0% | 40% | 13% | 13% | 13% | 13% | |
| Payout ratio (net) - current forecast | 74% | 45% | 66% | 66% | 65% | 65% | |
| | | | | | | | |
| Dividend - post DRP (cps) (payout unchanged) | 182 | 188 | 191 | 196 | 201 | 209 | |
| - Change | 0% | 0% | -3% | -4% | -5% | -5% | |
| Total dividend payment ($m) | 5,658 | 5,974 | 6,273 | 6,578 | 6,889 | 7,207 | |
| Total DRP rate - post new DRP | 0% | 40% | 60% | 36% | 35% | 13% | |
| Payout ratio (net) - post new DRP | 74% | 45% | 30% | 48% | 49% | 65% | |
| | | | | | | | |
| Mortgage EaD - current forecast ($m) | 455,481 | 483,283 | 514,165 | 546,982 | 581,853 | 618,906 | |
| - Mortgage RWA ($m) | 65,901 | 78,465 | 128,541 | 150,420 | 160,010 | 170,199 | |
| - Average risk weight | 14% | 16% | 25% | 28% | 28% | 28% | |
| Total RWA - current forecast ($m) | 331,387 | 357,801 | 422,758 | 460,625 | 487,405 | 515,799 | |
| **CET1 capital ratio - current forecast** | **9.0%** | **9.6%** | **9.5%** | **9.8%** | **10.3%** | **10.4%** | |
| | | | | | | | |
| Cash ROE - current forecast | 16.4% | 15.9% | 15.5% | 15.4% | 15.4% | 15.3% | |
| Average shareholders' equity - current forecast ($m) | 46,473 | 48,946 | 53,373 | 56,386 | 59,570 | 62,947 | |
| Average shareholders' equity - post new DRP ($m) | 46,473 | 48,946 | 56,373 | 60,936 | 65,670 | 69,047 | |
| Cash ROE - post new DRP | 16.4% | 15.9% | 14.7% | 14.3% | 14.0% | 14.0% | |
| Cash ROE accretion/(dilution) | - | - | -1% | -1% | -1% | -1% | |

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

# Cheat Sheet

## Table 8 – Bank Cheat Sheet 1

| | | ANZ | CBA | NAB | WBC | SUN | BEN | BOQ | MQG |
|---|---|---|---|---|---|---|---|---|---|
| 1 | **Lending (Total Australia)** | | | | | | | | |
| | Home | 60% | 68% | 60% | 62% | 79% | 65% | 69% | 26% |
| | Consumer (inc M / L) | 3% | 4% | 3% | 4% | 1% | 10% | 1% | 9% |
| | SME | 4% | 7% | 8% | 2% | 11% | 25% | 20% | 3% |
| | Business & Corporate | 16% | 4% | 15% | 20% | 9% | 0% | 10% | 39% |
| | Institutional | 18% | 17% | 14% | 12% | 0% | 0% | 0% | 23% |
| | Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| | 2015e growth (BP) | 10% | 6% | 9% | 7% | 5% | 6% | 6% | - |
| | 2016e growth (BP) | 5% | 6% | -5% | 6% | 7% | 7% | 6% | - |
| | Domestic market share (APRA) | | | | | | | | |
| | Home - owner occupied | 17% | 27% | 19% | 21% | 3% | 2% | 2% | 2% |
| | Home - investor | 13% | 27% | 14% | 32% | 3% | 2% | 2% | 2% |
| | Credit card | 20% | 28% | 14% | 23% | 0% | 1% | 0% | 1% |
| | Other consumer | 30% | 18% | 19% | 16% | 1% | 5% | 0% | 3% |
| | Wholesale lending (non-financials) | 17% | 19% | 22% | 17% | 2% | 2% | 1% | 1% |
| | Mortgage lending by State | | | | | | | | |
| | NSW / ACT | 27% | 34% | 35% | 40% | 24% | 19% | 20% | - |
| | VIC | 29% | 28% | 30% | 26% | 9% | 37% | 15% | - |
| | QLD | 18% | 19% | 19% | 17% | 57% | 18% | 52% | - |
| | WA | 16% | 12% | 11% | 10% | 6% | 12% | 10% | - |
| | SA / other | 10% | 7% | 6% | 7% | 3% | 13% | 3% | - |
| | Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | - |
| 2 | **Group funding (ex-SHE)** | | | | | | | | |
| | Customer deposits as % of funding - Term | 30% | 32% | 22% | 25% | 25% | 55% | 51% | - |
| | Customer deposits as % of funding - Other | 36% | 31% | 36% | 39% | 34% | 23% | 23% | |
| | Other as % of funding | 35% | 37% | 42% | 36% | 41% | 22% | 26% | - |
| | Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | - |
| | Retail deposits as % of gross loans | 78% | 73% | 73% | 69% | 66% | 83% | 67% | - |
| | Net interest margin | 2.04% | 2.12% | 1.92% | 2.05% | 1.86% | 1.93% | 1.97% | - |
| | Securitisation funding (estimate) | 0% | 2% | 5% | 2% | 5% | 10% | 13% | - |
| | Wholesale funding <12 month maturity | 18% | 21% | 25% | 18% | 15% | 10% | 17% | - |
| | 2016e w'sale funding requirement ($bn) | 23 | 14 | 26 | 24 | - | - | - | - |
| | Liquid assets as % of short term funding | 77% | 96% | 85% | 104% | - | - | - | - |
| | Domestic market share - deposits (APRA) | 16% | 25% | 17% | 20% | 2% | 3% | 2% | 2% |
| 3 | **Asset quality** | | | | | | | | |
| | Bad debt charge as % of GLA | 0.19% | 0.14% | 0.16% | 0.12% | 0.17% | 0.11% | 0.18% | - |
| | Provisions as % of GLA | 0.72% | 0.63% | 0.76% | 0.53% | 0.75% | 0.58% | 0.87% | - |
| | 90 days past due as % of GLA | 0.40% | 0.34% | 0.40% | 0.39% | 0.78% | 1.25% | 0.56% | - |
| | Commercial property lending as % of GLA | 7% | 7% | 10% | 8% | 5% | 2% | 2% | - |
| | Institutional loans by risk grade | | | | | | | | |
| | AAA to BBB- (investment grade) | 78% | 70% | 76% | 59% | - | - | - | - |
| | Other | 22% | 30% | 24% | 41% | - | - | - | - |
| | Total | 100% | 100% | 100% | 100% | - | - | - | - |
| 4 | **EaD by industry ($bn)** | | | | | | | | |
| | Agriculture, F&F & mining | 53 | 17 | 47 | 17 | 4 | 6 | - | - |
| | Construction & property related | 67 | 63 | 80 | 68 | 3 | 1 | - | - |
| | Entertainment, leisure & tourism | 14 | 7 | 10 | 9 | 1 | 0 | - | - |
| | Financial | 273 | 116 | 149 | 92 | 9 | 1 | - | - |
| | Manufacturing | 56 | 14 | 22 | 30 | 0 | 0 | - | - |
| | Retail | 365 | 490 | 356 | 515 | 41 | 41 | - | - |
| | Services (ANZ & CBA est.) | 20 | 9 | 16 | 20 | 0 | 5 | - | - |
| | Sovereign | 39 | 80 | 48 | 40 | 0 | 0 | - | - |
| | Trade | 55 | 21 | 31 | 30 | 0 | 1 | - | - |
| | Transport & storage | 19 | 14 | 17 | 18 | 0 | 0 | - | - |
| | Other | 30 | 73 | 38 | 57 | 3 | 0 | - | - |
| | Total | 991 | 904 | 814 | 896 | 61 | 55 | 41 | - |
| | Agriculture, F&F & mining | 5% | 2% | 6% | 2% | 7% | 11% | - | - |
| | Construction & property related | 7% | 7% | 10% | 8% | 4% | 2% | - | - |
| | Entertainment, leisure & tourism | 1% | 1% | 1% | 1% | 2% | 1% | - | - |
| | Financial | 28% | 13% | 18% | 10% | 15% | 1% | - | - |
| | Manufacturing | 6% | 2% | 3% | 3% | 1% | 0% | - | - |
| | Retail | 37% | 54% | 44% | 57% | 66% | 75% | - | - |
| | Services (ANZ & CBA est.) | 2% | 1% | 2% | 2% | 0% | 9% | - | - |
| | Sovereign | 4% | 9% | 6% | 4% | 0% | 0% | - | - |
| | Trade | 6% | 2% | 4% | 3% | 0% | 1% | - | - |
| | Transport & storage | 2% | 2% | 2% | 2% | 0% | 0% | - | - |
| | Other | 3% | 8% | 5% | 6% | 5% | 0% | - | - |
| | Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | - |
| 5 | **EaD by portfolio ($bn)** | | | | | | | | |
| | Retail | 365 | 490 | 356 | 515 | 41 | 41 | 37 | - |
| | Corporate | 302 | 171 | 141 | 188 | 1 | 0 | 0 | - |
| | Business / SME | 12 | 48 | 120 | 61 | 11 | 13 | 0 | - |
| | Financial | 273 | 116 | 149 | 92 | 9 | 1 | 2 | - |
| | Sovereign | 39 | 80 | 48 | 40 | 0 | 0 | 2 | - |
| | Total | 991 | 904 | 814 | 896 | 61 | 55 | 41 | - |
| | Retail | 37% | 54% | 44% | 57% | 66% | 75% | 91% | - |
| | Corporate | 30% | 19% | 17% | 21% | 1% | 0% | 0% | - |
| | Business / SME | 1% | 5% | 15% | 7% | 18% | 24% | 0% | - |
| | Financial | 28% | 13% | 18% | 10% | 15% | 1% | 4% | - |
| | Sovereign | 4% | 9% | 6% | 4% | 0% | 0% | 5% | - |
| | Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | - |
| 6 | **NPAT by segment** | | | | | | | | |
| | Retail | 42% | 43% | 45% | 48% | 27% | 50% | - | - |
| | Wholesale | 57% | 36% | 50% | 39% | 5% | 46% | - | - |
| | Wealth | 7% | 8% | 7% | 12% | 13% | 4% | - | - |
| | Other | -6% | 2% | -2% | 1% | 60% | 0% | - | - |
| | Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| 7 | **NPAT by geography** | | | | | | | | |
| | Australia | 58% | 89% | 83% | 88% | 100% | 100% | 100% | 30% |
| | New Zealand | 20% | 9% | 12% | 11% | 0% | 0% | 0% | 0% |
| | Other | 21% | 2% | 5% | 2% | 0% | 0% | 0% | 70% |
| | Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| | Cost ratio (reported - current) | 45% | 42% | 46% | 43% | - | 60% | 46% | 76% |
| 8 | **Capital management** | | | | | | | | |
| | Leverage ratio (3-5%) (CET1 / Tang. Assets) | 4.0% | 3.9% | 4.1% | 4.2% | 4.5% | 4.4% | 4.9% | - |
| | APRA CET1 | 8.7% | 9.2% | 10.0% | 9.6% | 8.8% | 8.1% | 8.8% | 9.7% |
| | Tier 1 | 10.6% | 11.6% | 12.3% | 11.1% | 10.3% | 10.0% | 10.0% | 11.0% |
| | Harmonised CET1 | 12.4% | 13.3% | 12.8% | 13.5% | - | - | - | 11.4% |

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

## Table 9 – Bank Cheat Sheet 2

| | ANZ | CBA | NAB | WBC | SUN | BEN | BOQ | MQG |
|---|---|---|---|---|---|---|---|---|
| **9 Pricing** | | | | | | | | |
| Shareprice | $32.44 | $87.98 | $34.34 | $34.57 | $14.17 | $12.96 | $13.38 | $83.51 |
| Price target | $37.00 | $91.00 | $38.50 | $34.90 | $14.50 | $13.20 | $14.10 | $90.00 |
| Target PB | | | | | | | | |
| - 2015e | 1.9 | 2.8 | 1.8 | 2.1 | 1.4 | 1.2 | 1.5 | 2.1 |
| - 2016e | 1.8 | 2.6 | 1.7 | 1.9 | 1.4 | 1.1 | 1.4 | 2.0 |
| Target PE | | | | | | | | |
| - 2015e | 13.6 | 16.3 | 13.9 | 14.0 | 15.6 | 13.7 | 14.3 | 17.9 |
| - 2016e | 12.9 | 15.6 | 14.7 | 13.5 | 13.4 | 13.1 | 13.3 | 16.9 |
| Target yield | | | | | | | | |
| - 2015e | 5.0% | 4.6% | 5.1% | 5.4% | 6.8% | 5.3% | 5.3% | 3.7% |
| - 2016e | 5.2% | 4.8% | 5.2% | 5.6% | 6.9% | 5.6% | 5.7% | 3.9% |
| | | | | | | | | |
| Expected return | 19.9% | 8.3% | 17.9% | 6.5% | 9.2% | 7.3% | 11.0% | 12.0% |
| BP recommendation | Buy | Hold | Buy | Hold | Buy | Hold | Buy | Buy |
| S&P long term Issuer Credit Rating (ICR) | AA- | AA- | AA- | AA- | A+ | A- | A- | BBB |
| Market capitalisation ($bn) | 91 | 143 | 90 | 110 | 18 | 6 | 5 | 28 |
| | | | | | | | | |
| TSR | | | | | | | | |
| 1 week | 2% | 3% | 4% | 5% | 4% | 3% | 3% | 4% |
| 1 month | -1% | 4% | 2% | 5% | 5% | 4% | 4% | 3% |
| 3 months | -7% | -4% | -7% | -8% | 2% | 5% | 0% | 7% |
| 1 year | 2% | 13% | 8% | 7% | 10% | 11% | 14% | 45% |
| | | | | | | | | |
| BP estimates | | | | | | | | |
| PB 2013 (x) | 2.0 | 3.1 | 1.9 | 2.3 | 1.3 | 1.3 | 1.8 | 2.3 |
| PB 2014 (x) | 1.8 | 2.9 | 1.9 | 2.2 | 1.3 | 1.2 | 1.5 | 2.3 |
| PB 2015e (x) | 1.7 | 2.7 | 1.6 | 2.0 | 1.3 | 1.2 | 1.4 | 1.9 |
| PB 2016e (x) | 1.6 | 2.5 | 1.5 | 1.9 | 1.3 | 1.1 | 1.3 | 1.8 |
| | | | | | | | | |
| ROE 2013 | 15% | 18% | 14% | 16% | 4% | 9% | 9% | 8% |
| ROE 2014 | 15% | 19% | 12% | 16% | 9% | 9% | 11% | 11% |
| ROE 2015e | 15% | 18% | 14% | 16% | 9% | 9% | 11% | 14% |
| ROE 2016e | 14% | 18% | 13% | 16% | 10% | 9% | 12% | 13% |
| | | | | | | | | |
| NIM 2013 | 2.22% | 2.13% | 2.04% | 2.15% | 1.80% | 1.86% | 1.69% | - |
| NIM 2014 | 2.13% | 2.14% | 1.94% | 2.09% | 1.90% | 1.92% | 1.82% | - |
| NIM 2015e | 2.01% | 2.10% | 1.91% | 2.05% | 1.91% | 1.93% | 1.95% | - |
| NIM 2016e | 1.95% | 2.06% | 1.88% | 2.04% | 1.86% | 1.93% | 1.94% | - |
| | | | | | | | | |
| PE 2013 (x) | 13.6 | 18.2 | 14.0 | 15.2 | 31.4 | 15.2 | 16.7 | 33.2 |
| PE 2014 (x) | 12.5 | 16.4 | 15.6 | 14.1 | 13.9 | 14.2 | 15.0 | 21.8 |
| PE 2015e (x) | 11.9 | 15.8 | 12.4 | 13.8 | 15.3 | 13.4 | 13.6 | 16.6 |
| PE 2016e (x) | 11.3 | 15.1 | 13.1 | 13.3 | 13.1 | 12.9 | 12.6 | 15.7 |
| | | | | | | | | |
| EPS growth 2013 | 9% | 7% | 2% | 6% | -30% | 1% | 590% | 20% |
| EPS growth 2014 | 9% | 11% | -10% | 8% | 126% | 7% | 12% | 53% |
| EPS growth 2015e | 5% | 4% | 26% | 2% | -9% | 5% | 10% | 31% |
| EPS growth 2016e | 5% | 4% | -6% | 4% | 16% | 4% | 8% | 6% |
| | | | | | | | | |
| DPS 2013 (cps) | 164 | 364 | 190 | 194 | 75 | 61 | 58 | 200 |
| DPS 2014 (cps) | 178 | 401 | 198 | 182 | 105 | 64 | 66 | 260 |
| DPS 2015e (cps) | 185 | 421 | 198 | 188 | 98 | 70 | 75 | 330 |
| DPS 2016e (cps) | 193 | 438 | 200 | 196 | 100 | 74 | 80 | 354 |
| | | | | | | | | |
| Yield 2013 | 5.1% | 4.1% | 5.5% | 5.6% | 5.3% | 4.7% | 4.3% | 2.4% |
| Yield 2014 | 5.5% | 4.6% | 5.8% | 5.3% | 7.4% | 4.9% | 4.9% | 3.1% |
| Yield 2015e | 5.7% | 4.8% | 5.8% | 5.4% | 6.9% | 5.4% | 5.6% | 4.0% |
| Yield 2016e | 5.9% | 5.0% | 5.8% | 5.7% | 7.1% | 5.7% | 6.0% | 4.2% |
| | | | | | | | | |
| Payout 2013 | 66% | 73% | 69% | 75% | 58% | 70% | 68% | 58% |
| Payout 2014 | 66% | 73% | 74% | 77% | 70% | 65% | 457% | 66% |
| Payout 2015e | 69% | 74% | 77% | 85% | 86% | 71% | 73% | 67% |
| Payout 2016e | 68% | 75% | 90% | 74% | 166% | 71% | 75% | 80% |
| | | | | | | | | |
| BDD as % of GLA 2009 | 0.88% | 0.72% | 0.94% | 0.72% | 1.71% | 0.21% | 0.23% | - |
| BDD as % of GLA 2010 | 0.45% | 0.42% | 0.54% | 0.31% | 1.29% | 0.10% | 0.33% | - |
| BDD as % of GLA 2011 | 0.31% | 0.25% | 0.40% | 0.20% | 0.95% | 0.10% | 0.60% | - |
| BDD as % of GLA 2012 | 0.30% | 0.20% | 0.56% | 0.24% | 0.87% | 0.07% | 1.17% | - |
| BDD as % of GLA 2013 | 0.25% | 0.19% | 0.38% | 0.16% | 0.92% | 0.10% | 0.60% | - |
| BDD as % of GLA 2014 | 0.19% | 0.16% | 0.16% | 0.11% | 0.66% | 0.10% | 1.17% | - |
| BDD as % of GLA 2015e | 0.18% | 0.15% | 0.16% | 0.12% | 0.87% | 0.07% | 0.32% | - |
| BDD as % of GLA 2016e | 0.21% | 0.17% | 0.17% | 0.17% | 1.87% | 0.14% | 0.22% | - |
| | | | | | | | | |
| Provisions + GRCL as % of RWA 2009 | 1.8% | 1.9% | 1.5% | 1.9% | 2.3% | 0.9% | 0.8% | - |
| Provisions + GRCL as % of RWA 2010 | 2.0% | 1.9% | 1.4% | 1.8% | 2.4% | 0.9% | 1.0% | - |
| Provisions + GRCL as % of RWA 2011 | 1.8% | 1.8% | 1.4% | 1.6% | 2.1% | 0.9% | 1.6% | - |
| Provisions + GRCL as % of RWA 2012 | 1.6% | 1.6% | 1.5% | 1.4% | 2.1% | 0.9% | 2.3% | - |
| Provisions + GRCL as % of RWA 2013 | 1.3% | 1.4% | 1.3% | 1.3% | 2.4% | 0.9% | 1.6% | - |
| Provisions + GRCL as % of RWA 2014 | 1.1% | 1.2% | 1.0% | 1.1% | 2.1% | 0.9% | 2.3% | - |
| Provisions + GRCL as % of RWA 2015e | 1.0% | 1.1% | 1.1% | 1.0% | 2.1% | 0.9% | 1.8% | - |
| Provisions + GRCL as % of RWA 2016e | 1.1% | 1.2% | 1.1% | 0.9% | 1.4% | 0.9% | 1.4% | - |
| **10 Strategy** | | | | | | | | |
| | Differentiated strategy, seeking 25-30% earnings from Institutional and APEA by 2017; addressing Wealth | IT leadership underpinning core retail bank in Australia & NZ with flexible growth options in Wealth and in Asia | Business banking focus (e.g. agribanking) and Wealth in mature economies; also de-risking UK | Large Regional (similar to WFC) with multi-brand approach and skills in Business and Wealth | More of a GI now with limited banking capabilities; lately pursuing retail banking growth options in WA | Strong retail funding base to provide platform for growth in SME and Wealth | Strong retail funding base to support growth in WA and VIC; well capitalised and provisioned | Moving towards annuity-style earnings; 31% exposure to US$ earnings a plus |
| **11 Value proposition** | | | | | | | | |
| | Asian growth story intact based on capability transfer of skills; end game DLC with Singaporean bank | Significant improvements in core retail banking efficiency and productivity with WM and Asian growth options | Value upside from ultimate sale of NAB UK and rundown of UK CRE | Significant improvements in core retail banking efficiency and productivity with WM upside from BTFG | Cash and growth story, with capital release from Non-core Bank runoff and defensive GI business with stronger top line growth | Value add is to buy SUN's Core Bank or regional QLD players such as WBB | In turnaround mode with surplus capital to be released following Basel II accreditation | Leveraged to fast growing Wealth and Asia segments and recovering US in core markets |

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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**Disclosure of interest:**

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**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, including with respect to Bell Potter, 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.