

9 November 2021

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National Australia Bank (NAB)

Banks

HOLD

NAB A\$29.11 **TARGET PRICE A\$28.17**

National Australia Bank Limited (NAB) is a financial services group that provides a comprehensive and integrated range of banking and financial services including wealth management throughout Australia and New Zealand, with branches located in Asia, the United Kingdom (UK) and the United States (US).

Company Data

Number of shares	3,282.0 M
Market Capitalisation	\$95,538.8 M
Free float (%)	99.5
12-month high/low	\$29.45/19.76
Average Daily Turnover (\$m)	210.9
% S&P/ASX200	4.54%
DDM Ranking	163
% All Ordinaries	3.703%
GICS Industry Group	Diversified Banks

Source: FactSet, Barclay Pearce Capital

Earnings summary

Earnings Summary (AUD)

Year end July	2021A	2022F	2023F	2024F
Revenue (\$M)	16,881.3	16,892.1	17,640.5	18,269.2
Reported NPAT (\$M)	6,364.0	6,378.2	6,495.3	6,775.2
Adjusted NPAT (\$M)	6,558.0	6,549.5	6,599.5	6,816.5
Reported EPS (c)	191.0	191.9	194.3	201.8
Adjusted EPS (c - FD)	191.0	192.9	195.2	206.8
Adjusted EPS growth (%)	7.9	1.0	1.2	6.0
Adjusted P/E (x)	15.2	15.1	14.9	14.1
Dividend (c/sh)	127.0	124.4	133.3	142.2
Gross yield (%)	0.7	0.6	0.7	0.7
Net yield (%)	0.5	0.5	0.5	0.5

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195, Capital IQ and Bloomberg.

Share price performance



Source: FactSet, Barclay Pearce Capital

FY21 Annual Review

On 9th November, National Australia Bank Ltd (NAB) released their results for 2021 with the following highlights:

Financial Result Snapshot:

- Statutory net profit: \$6.364BN;
- Net Profit from Continuing Operations: \$6.471BN
- Cash earnings: \$6.56BN up 76.8%;
- Cash ROE: 10.7%;
- Group Common Equity Tier 1 Ratio: 13.00%;
- Cash earnings per share 191.0c;

Cash earnings by business unit – 2021 cash earnings:

- Business & Private banking: \$2,480M;
- Personal Banking: \$1,650M;
- Corporate & Institutional Banking: \$1,207M;
- New Zealand Bankin: \$1,154M;
- Coporate Functions & Other: \$67M;

Outlook:

- In 2021, our overall Strategic NPS score was –7, a four point improvement on last year, and we're ranked equal number one among the major Australian banks;
- Our full year result for diluted cash earnings per share was 191 cents, our cash return on equity was 10.7%; and
- Strengthening digital and data capabilities remains a significant area of opportunity and will be critical to winning in the market and delivering on our strategy.

Phillip Chronican, NAB Chairman, said: "Looking ahead, I am cautiously optimistic that the worst of the economic impact of COVID-19 is behind us and that the Australian economy will rebound to pre-COVID-19 levels by the middle of 2022. The pandemic accelerated generational shifts in technology. Today, 94 per cent of customer transaction activities are online and 48 per cent of our home lending appointments are by video, a clear shift away from face-to-face banking. We are supporting our customers as they make this change."

Ross McEwan, NAB CEO, said "Our financial results for the year reflect a 39% improvement in cash earnings, driven by momentum across our business and strong asset quality. The increase in returns to shareholders, while retaining a strong balance sheet, is a highlight. We have completed about 20 per cent of the \$2.5 billion share buyback announced in August. Our bias is to continue to reduce our share count to deliver long term ROE benefits to shareholders."

Earnings changes

NAB's FY21 cash earnings were \$6.558 BN compared to market expectations of \$6.51 BN. NAB is also "cautiously optimistic" about the future. Hence, we do not expect any significant earnings revisions for future periods.

Valuation

We are updating our price target on NAB from \$25.58 to \$28.17 and maintaining our HOLD recommendation. The price target is underpinned by our valuation.

Disclaimer

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2021 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Buy – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

Speculative Buy – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

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Buy	37.9%	0.0% of stocks with recommendations are Barclay Pearce clients)
Hold	22.8%	0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	39.4%	0.0% of stocks with recommendations are Barclay Pearce clients)