

Company Profile

Ord Minnett Research

2 July 2024

National Australia Bank Limited (NAB.AX)

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).

Business and Private Banking: Business and Private Banking focusses on serving the needs of three of NAB's priority customer segments - small businesses, medium businesses and investors. Customers are served through an integrated banking model locally led by managing partners through business banking centres and through the small business customer hubs. This includes specialists in Health, Agribusiness, Government, Education, Community and Franchising (GECF), Professional Services and Commercial Real Estate. The division also serves high net worth customers through the Private Bank and JBWere.

Consumer Banking and Wealth comprises: Consumer Banking and Wealth comprises the NAB and UBank consumer banking divisions and the Wealth divisions of Advice, Asset Management and Superannuation. The division provides customers with access to independent advisers, including mortgage brokers and a financial planning network of selfemployed, aligned and salaried advisers in Australia.

Corporate and Institutional Banking: Corporate and Institutional Banking provides a range of lending and transactional products and services related to financial and debt capital markets, specialised capital, custody and alternative investments. The division serves its customers in Australia and globally, including branches in the US, UK and Asia, with specialised industry relationships and product teams.

Snapshot

Last Price	\$36.07
Market Cap.	\$111,707 million
52 Week High/Low	\$36.72 - \$25.52
Shares on issue	3,096 million
GICS Industry	Banks

Key Dates

Accounts Close	30 September
AGM	15 Dec 2023
Listing Date	31 Jan 1962

Investment Fundamentals

		2023A	2024E	2025E	2026E
Sales Rev.	\$m	--	--	--	--
Rep Profit	\$m	7,414.0	6,791.8	6,497.1	6,865.8
Norm Profit	\$m	7,731.0	6,899.8	6,605.1	6,973.8
Rep EPS	¢	228.5	215.6	209.2	221.9
Norm EPS	¢	237.8	218.8	212.4	225.2
Rep PE	x	12.2	16.4	16.9	16.0
Norm PE	x	15.1	16.4	16.9	16.0
DPS	¢	167.0	168.0	168.0	168.0
Yield	%	5.7	4.7	4.7	4.7
Franking	%	100	100	100	100
ROE	%	12.6	11.2	10.5	10.8

Source: Ord Minnett

Share Price Chart



Total Return on \$10,000 Investment



Ratios and Substantial Shareholders						
		2019A	2020A	2021A	2022A	2023A
Profitability Ratios						
Net Interest Margin	%	1.73	1.72	1.48	1.44	1.52
Interest Spread	%	1.50	1.55	1.37	1.30	0.88
Non-Int Inc/Total Inc	%	25.72	23.32	22.57	25.17	28.01
Tot Op. Inc/Tot Assets	%	2.01	1.67	1.83	1.75	1.87
Return on Equity	%	9.25	7.30	10.48	11.69	12.28
Efficiency/Safety Ratios						
Cost to Income	%	48.40	38.65	43.62	44.84	42.23
Capital Adequacy Ratio	%	14.68	16.62	18.91	18.17	19.88
Top 5 Substantial Shareholders						
State Street Corporation and subsidiaries						6.2%
BlackRock Group						6.0%
The Vanguard Group,Inc						5.0%

Source: Morningstar

Principals & Directors	
Principals	
Company Secretary	Mrs Louise R Thomson
Directors	
Mr Philip Wayne Chronican (Non-Executive Director,Non-Executive Chairman)	
Ms Ann Sherry (Non-Executive Director)	
Ms Sarah (Carolyn) Hailes Kay (Non-Executive Director)	
Ms Alison Mary Kitchen (Non-Executive Director)	
Ms Kathryn Joy Fagg (Non-Executive Director)	
Ms Anne Joan Loveridge (Non-Executive Director)	
Mr Simon Vincent McKeon (Non-Executive Director)	
Mr Douglas Alexander McKay (Non-Executive Director)	
Ms Christine Louise Fellowes (Non-Executive Director)	
Mr Andrew Francis Irvine (Chief Executive Officer,Managing Director)	

Source: Morningstar

Recent Operational History

20 May 2024 - National Aust. Bank reported NPAT down 11.92% to \$3,494m for the half-year ended 31 March 2024. Revenue from ordinary activities were \$10,170m, up 3.8% from last year. Basic and Diluted EPS were 112.24 cents compared to 126.26 cents last year. The net operating cash outflow was \$27,528m compared to \$13,757m last year. The interim dividend declared was 84 cents, compared with 83 cents last year.

13 May 2024 - National Australia Bank announced launch of capital notes 8 offer. Capital Notes 8 are convertible, subordinated notes that are scheduled to pay quarterly, floating rate, non-cumulative Distributions in cash subject to the satisfaction of certain conditions. The Distribution Rate is equal to the sum of the Bank Bill Rate plus a Margin, adjusted for the Company's Tax Rate. Distributions are expected to be franked at the same rate as dividends paid on Ordinary Shares. The Margin will be determined under the Bookbuild and will not change for the term of Capital Notes 8. The Margin is expected to be in the range of 2.60% to 2.80% per annum.

02 May 2024 - National Australia Bank announced a \$1.5bn increase in the On-Mkt Share Buy-Back. The Company has increased its on-market buy-back of ordinary shares by \$1.5bn. The increased buy-back will allow the Company to continue managing its Common Equity Tier 1 (CET1) ratio towards its target range of 11.00-11.50%. The Company commenced the buy-back in late August 2023, and has completed \$1.3bn as at 31 March 2024. The increased buy-back is expected to be undertaken over the next twelve months from 02 May 2024.

Peer Analysis			Market Cap	Price	PE (x)		EPS Growth		Dividend Yield		Franking	
Company Name	Code	Recommendation	(\$m)	(\$)	2024	2025	2024	%	2024	%	2024	%
Commonwealth Bank	CBA	Sell	211,206	126.20	21.9	23.3	-1.9	-5.8	3.6	3.6	100	100
National Aust. Bank	NAB	Lighten	111,707	36.07	16.4	16.9	-8.0	-2.9	4.7	4.7	100	100
Westpac	WBC	Hold	94,402	27.21	14.6	14.8	-5.1	-1.4	6.6	6.1	100	100
ANZ Group Holdings	ANZ	Hold	85,611	28.45	12.3	12.7	-2.8	-3.0	5.9	5.9	65	65
Bendigo Adelaide Bnk	BEN	Lighten	6,486	11.42	12.8	13.5	-3.1	-5.3	5.5	5.6	100	100
Bank of Queensland	BOQ	Lighten	3,916	5.92	13.2	14.6	-26.6	-10.1	5.4	4.4	100	100
Judo Capital Holdings	JDO	Buy	1,387	1.25	20.9	16.4	-5.4	27.4	--	--	--	--

Company Profile

Please contact your Ord Minnett Adviser for further information on our document.

Guide to Ord Minnett recommendations

Our recommendations are based on the total return of a stock – nominal dividend yield plus capital appreciation – and have a 12-month time horizon.	
SPECULATIVE BUY	We expect the stock's total return (nominal yield plus capital appreciation) to exceed 20% over 12 months. The investment may have a strong capital appreciation but also has high degree of risk and there is a significant risk of capital loss.
BUY	The stock's total return (nominal dividend yield plus capital appreciation) is expected to exceed 15% over the next 12 months.
ACCUMULATE	We expect a total return of between 5% and 15%. Investors should consider adding to holdings or taking a position in the stock on share price weakness.
HOLD	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
LIGHTEN	We expect the stock's return to be between 0% and negative 15%. Investors should consider decreasing their holdings.
SELL	We expect the total return to lose 15% or more.
RISK ASSESSMENT	Classified as Lower, Medium or Higher, the risk assessment denotes the relative assessment of an individual stock's risk based on an appraisal of its disclosed financial information, historical volatility of its share price, nature of its operations and other relevant quantitative and qualitative criteria. Risk is assessed by comparison with other Australian stocks, not across other asset classes such as Cash or Fixed Interest.

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