BÉLL POTTER

Analyst

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Authorisation

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Recommendation

Buy (unchanged)
Price

\$28.83

Target (12 months)

\$32.00 (previously \$31.00)

GICS Sector

Banks

Expected Return	
Capital growth	11.0%
Dividend yield	4.4%
Total expected return	15.4%
Company Data & Rati	ios
Enterprise value	n/m
Market cap	\$94,140m
Issued capital	3,265m
Free float	100%
Avg. daily val. (52wk)	\$174.1m
12 month price range	\$22.25 - \$30.30

Price Performance									
	(1m)	(3m)	(12m)						
Price (A\$)	29.40	28.18	23.55						
Absolute (%)	-1.94	2.31	22.42						
Rel market (%)	0.37	3.85	12.28						

National Australia Bank (NAB)

AGM comments

Better than ever

There is not much difference in the Chairman's address, being about COVID-19 and work continues in respect of performance and future of the business. While this appears to be well progressed, the years ahead continue to have their challenges. Nevertheless, there is a strong focus on customers/colleagues and to grow the business safely. NAB is now the second largest major bank by market capitalisation. The payout ratio is now close to its maximum, being 65-75% of cash earnings. ROE was 10.7% in FY21 and still climbing, while CET1 ratio was 13% and ahead of the 10.75-11.25% target range. The bank still intends to return surplus capital, being 40% complete. The acquisition of 86 400 plus the proposed acquisition of Citigroup's Australian consumer business will see the bank achieve scale in digital and consumer banking offerings. Likewise, change has been made as to how the bank has treated governance, accountability and culture. A number of regulatory matters have also been concluded and \$1.3bn has been returned to customers. As mentioned earlier, core earnings continued to improve and there were no large one-off items. The bread and butter role of its largest division Business & Private Banking had another good year in market share, likewise Personal Banking and Corporate & Institutional although Markets remains difficult for the time being.

Price target increased to \$32.00, Buy rating unchanged

Our FY22 and FY23 forecast earnings are slightly increased by 1%, all else being equal. We have also slightly increased NAB's valuation by around 3% and this is mainly due to better premiums ahead in Business & Private Banking (FY22 PE 15.5x), Personal Banking (FY22 PE 14.0x) and Corporate & Institutional Banking (FY22 PE 15.0x). Based also on a PB of now 1.6x overall, we have increased NAB's valuation and price target by 3% to \$32.00 (previously \$31.00). The Buy rating is unchanged.



SOURCE: IRESS		

Earnings Forecast				
Year end 30 September	2021	2022e	2023e	2024e
Statutory earnings (A\$m)	6,364	6,227	6,420	6,620
Cash earnings (A\$m)	6,558	6,345	6,538	6,738
EPS (cash) (A¢)	199	192	195	200
EPS (cash) growth (%)	65%	-4%	1%	3%
PER (x)	14.5	15.0	14.8	14.4
P/Book (x)	1.5	1.4	1.4	1.3
P/NTA (x)	1.6	1.5	1.4	1.4
Dividend (A¢)	127	133	135	141
Yield (%)	4.4%	4.6%	4.7%	4.9%
ROE (%)	10.8%	10.0%	9.7%	9.7%
NIM (%)	1.72%	1.68%	1.67%	1.66%
Franking (%)	100%	100%	100%	100%
SOURCE: BELL POTTER SECURITIES ESTIMATES				

AGM comments

Chairman's address

There is not much difference in terms of the Chairman's address. It is mainly about COVID-19 and that work continues at NAB in respect of performance to shareholders and the future of the business. While this appears to be well progressed, the years ahead still have their challenges and require resilience and ability to adapt. Nevertheless, there is a strong focus on customers and colleagues and to grow the business safely.

NAB is now the second largest major bank by market capitalisation, previously fourth. Dividends have increased and the payout ratio is now close to its maximum (being 65-75% of sustainable cash earnings, subject to timing differences). ROE was 10.7% in FY21, higher than the previous year but still lower than in FY19. CET1 ratio was 13%, well ahead of the target range of 10.75-11.25% and the bank intends to still return surplus capital to shareholders. (40% complete).

The exit of MLC Wealth was a major milestone, and the acquisition of 86 400 plus the proposed acquisition of Citigroup's Australian consumer business will see the bank achieve scale in digital (for example, 94% of customer transactions are online and 40% of home lending appointments are through VCR) and consumer banking offerings. COVID-19 has generated shifts in the use of IT in other words.

Likewise, change has been made as to how the bank has treated governance, accountability and culture. A number of regulatory matters have also been concluded and roughly \$1.3bn has been returned to customers, with the remainder by the end of calendar year 2022. Pay has also been changed and this mainly reflects 100% fixed pay to most colleagues. Finally, NAB is still set to align its lending portfolio to achieve net-zero emissions by 2050 (still the only Australian major to have set an upper limit on oil and gas extraction and production exposures).

CEO's address

In terms of the CEO, it is now roughly two years since he started the role. It seems faster progress has been achieved to date in terms of being relationship-led, easy to do business with, safe banking and thinking long-term. As mentioned earlier, core earnings continued to improve and there were no large one-off items. Dividend is now 127cps (vs 60cps last year) and the bread and butter role of its largest division Business & Private Banking had another good year in market share. Likewise Personal Banking and Corporate & Institutional in market share increases, although Markets remains difficult for the time being.

There is however much to do, for example, better use data to make faster lending decisions and improve customer experiences. So it is all about having the right technology and investing to make the systems more modern, flexible and reliable.

Price target increased to \$32.00, Buy rating maintained

Our FY22 and FY23 forecast earnings are slightly increased by 1%, all else being equal. We have also slightly increased NAB's valuation by around 3% and this is mainly due to better premiums ahead in Business & Private Banking (FY22 PE 15.5x), Personal Banking (FY22 PE 14.0x) and Corporate & Institutional Banking (FY22 PE 15.0x). Based also on a PB of now 1.6x overall, we have increased NAB's valuation and price target by 3% to \$32.00 (previously \$31.00).

The Buy rating is unchanged.

Table 1 – Composite valuation											
Composite Valuation	Value (\$m)	Per NAB share	Weighting	Composite value per NAB share							
DCF	84,461	\$25.87	25%	\$6.47							
Dividend yield (sustainable)	115,376	\$35.33	25%	\$8.83							
ROE (sustainable)	107,480	\$32.92	25%	\$8.23							
Sum-of-Parts	94,855	\$29.05	25%	\$7.26							
Surplus capital*	1,612	\$0.49		\$0.49							
Total				\$31.28							
* Less estimated NZ new capital requirement											

Table 2 – SOP valuation				
Sum-of-Parts (As Is)	FY22e NPAT	Pros. PE (times)	Value (\$m)	Per NAB share
Business & Private Banking	2,574	15.5	39,893	\$12.22
Personal Banking	1,611	14.0	22,552	\$6.91
Corporate & Institutional Banking	1,094	15.0	16,417	\$5.03
Wealth Management	0	-	-	-
NZ Banking	1,066	15.0	15,993	\$4.90
Other including distributions	0	0.0	0	\$0.00
Total	6,345	14.9	94,855	\$29.05

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

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National Australia Bank		FY22e			FY23e		FY24e			FY25e		
Y/e September 30 (\$m)	Current	Previous	Change									
Profit & Loss												
Net interest income	13,984	14,003	0%	14,286	14,306	0%	14,596	14,616	0%	14,912	14,933	0%
Other income	3,061	3,061	0%	3,153	3,153	0%	3,248	3,248	0%	3,345	3,345	0%
Net operating income	17,045	17,064	0%	17,440	17,460	0%	17,844	17,864	0%	18,257	18,278	0%
Operating expenses	-7,480	-7,480	0%	-7,435	-7,435	0%	-7,383	-7,383	0%	-7,323	-7,323	0%
Credit impairment charge	-524	-633	21%	-688	-799	16%	-859	-881	3%	-943	-965	2%
Cash earnings b4 tax/distributions	9,042	8,952	1%	9,316	9,225	1%	9,601	9,600	0%	9,991	9,989	0%
Income tax expense	-2,696	-2,669	-1%	-2,778	-2,751	-1%	-2,863	-2,863	0%	-2,980	-2,979	0%
Distributions	0	0	n/m	0	0	n/m	0	0	n/m	0	0	n/n
Cash earnings	6,345	6,282	1%	6,538	6,474	1%	6,738	6,737	0%	7,011	7,010	0%
Statutory earnings	6,227	6,164	1%	6,420	6,356	1%	6,620	6,619	0%	6,893	6,892	0%
Cash earnings ex-notable items	6,302	6,239	1%	6,494	6,430	1%	6,695	6,693	0%	6,968	6,967	0%
DPS (¢)	133	133	0%	135	135	0%	141	141	0%	145	145	0%
EPS (cash basis) (¢)	192	190	1%	195	193	1%	200	200	0%	207	207	0%
- ex-notable items (¢)	191	189	1%	193	191	1%	199	199	0%	206	206	0%
Cash payout ratio	69%	70%	-1%	69%	70%	-1%	70%	70%	0%	70%	70%	0%
- ex-notable items	69%	70%	-1%	70%	70%	-1%	71%	71%	0%	70%	70%	0%
ROE	10.0%	9.9%	0.1%	9.7%	9.7%	0.1%	9.7%	9.7%	0.0%	9.7%	9.8%	0.0%
NIM	1.68%	1.68%	0.00%	1.67%	1.67%	0.00%	1.66%	1.67%	0.00%	1.66%	1.66%	0.00%
CIR	44%	44%	0%	43%	43%	0%	41%	41%	0%	40%	40%	0%
- ex-notable items	44%	44%	0%	43%	43%	0%	42%	42%	0%	40%	40%	0%
Underlying cost base	7,542	7,542	0%	7,497	7,497	0%	7,445	7,445	0%	7,385	7,385	0%
Impairment expense as % of GLA	0.08%	0.10%	0.02%	0.11%	0.12%	0.02%	0.13%	0.13%	0.00%	0.14%	0.14%	0.00%
Effective tax rate	30%	30%	0%	30%	30%	0%	30%	30%	0%	30%	30%	09

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

National Australia Bank

Company description

NAB is a well-diversified financial services organisation providing a comprehensive range of retail and wholesale banking products and services. The bank largely operates in Australia (under the NAB umbrella brands) and in New Zealand (under the BNZ brand) and remains a leader in SME/business banking.

Investment strategy

NAB's turnaround and de-risking phase is complete following the demerger and IPO of CYB. The bank is now focused on the lower risk, capital efficient Australian and New Zealand retail, business and corporate banking market space. Our investment strategy is predicated upon NAB improving its NIM (through repricing and pricing discipline), maintaining tight cost management and lifting its overall ROE to levels that are closer to those of its major bank peers.

Valuation

Our price target is broadly based on a blend of DCF, sustainable dividend yield play, sustainable ROE and fully de-risked SOP valuation weighted equally and as its ROE outlook normalises towards at least 10-12% in the medium term.

Table 4 – Composite valuation											
Composite Valuation	Value (\$m)	Per NAB share	Weighting	Composite value per NAB share							
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Personal Banking	1,611	14.0	22,552	\$6.91
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Wealth Management	0	-	-	-
NZ Banking	1,066	15.0	15,993	\$4.90
Other including distributions	0	0.0	0	\$0.00
Total	6,345	14.9	94,855	\$29.05

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SWOT analysis

Strengths

- 1. Agribusiness and SME / commercial banking capabilities;
- 2. Highest proportion of investment grade exposures in the sector;
- 3. Lowest exposure to mining and energy;
- 4. High quality mortgage loan book;
- 5. Well diversified geographically;
- 6. Management execution; and
- 7. Cost and growth discipline, and ROE focus.

Weaknesses

1. NIM still soft in business lending; and

2. Market share loss in SME and business banking segments.

Opportunities

- 1. Further domestic banking and wealth management opportunities based on securing alternate distribution strategies;
- 2. Upside risk to planned cost savings following \$1.5bn investment spend; and
- 3. Driving the Personal and Business Banking cost ratio to below 35%.

Threats

- 1. Slippage in planned productivity increases;
- 2. Royal Commission and other political uncertainties;
- 3. Macroeconomic factors, e.g. unemployment and slowing credit growth;
- Changes in regulatory environment, especially higher liquidity/capital/funding constraints under proposed global regulatory reforms, and the potential capping of funds management and advice fees that would crimp wealth management earnings growth; and
- 5. Increased competition specifically from the majors and disruptors on the domestic front in retail and wholesale banking and wealth management.

Sensitivities

Table 6 - Sensitivities									
Y/e September 30	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Sensitivities									
Group NIM +10bp									
- NPAT upside (cash basis)	9.2%	9.2%	9.1%	9.0%	8.8%	8.6%	8.4%	8.2%	8.1%
- Price target upside	\$2.94	\$2.94	\$2.92	\$2.87	\$2.81	\$2.75	\$2.70	\$2.64	\$2.58
Group Loans +1%									
- NPAT upside (cash basis)	0.7%	0.7%	0.7%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
- Price target upside	\$0.22	\$0.21	\$0.21	\$0.21	\$0.21	\$0.20	\$0.20	\$0.20	\$0.19
Australian loans +1%									
- NPAT upside (cash basis)	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
- Price target upside	\$0.13	\$0.13	\$0.13	\$0.13	\$0.13	\$0.13	\$0.13	\$0.12	\$0.12
NZ loans +1%									
- NPAT upside (cash basis)	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
- Price target upside	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05
Other income +1%									
- NPAT upside (cash basis)	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
- Price target upside	\$0.11	\$0.11	\$0.11	\$0.11	\$0.11	\$0.10	\$0.10	\$0.10	\$0.10
BDD +1%									
- NPAT upside (cash basis)	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
- Price target upside	-\$0.02	-\$0.02	-\$0.03	-\$0.03	-\$0.03	-\$0.03	-\$0.03	-\$0.03	-\$0.03
Costs +1%									
- NPAT upside (cash basis)	-0.8%	-0.8%	-0.8%	-0.7%	-0.7%	-0.7%	-0.6%	-0.6%	-0.6%
- Price target upside	-\$0.26	-\$0.25	-\$0.25	-\$0.23	-\$0.22	-\$0.21	-\$0.20	-\$0.19	-\$0.18

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

National Australia Bank as at 17 December 2021

RecommendationBuyPrice\$28.83Target (12 months)\$32.00

Table 7 – Financial sumn	nary										
National Australia Bank As at	17-Dec-21						Share Price Market Cap	,			28.83 94,140
								()			0.,
PROFIT AND LOSS	2020	2021	2022e	2023e	2024e	VALUATION DATA Y/e September 30	2020	2021	2022e	2023e	2024e
Y/e September 30 (\$m) Net interest income	13,920	13,797	13,984	14,286	14,596	Cash earnings (\$m)	3,710	6,558	6,345	6,538	6,738
Other banking income	3,270	3,009	3,061	3,153	3,248	EPS (statutory basis) (cps)	82	193	189	191	196
Total banking income	17,190	16,806	17,045	17,440	17,844	- Growth	-51%	135%	-2%	1%	3%
Funds management income	0	0	0	0	0	EPS (cash basis) (cps) - Growth	121 -42%	199 65%	192 -4%	195 1%	200 3%
Insurance income Net operating income	17,190	16,806	17,045	17,440	17,844	P / E ratio (times)	23.8	14.5	15.0	14.8	14.4
Operating expenses	-9,007	-7,817	-7,480	-7,435	-7,383	P / Book ratio (times)	1.5	1.5	1.4	1.4	1.3
Credit impairment charge	-2,762	217	-524	-688	-859	P / NTA ratio (times)	1.6	1.6	1.5	1.4	1.4
Cash earnings b4 tax/distributions	5,421	9,206	9,042	9,316	9,601	Net DPS (cps)	60	127	133	135	141
Income tax expense Outside equity interests	-1,672 0	-2,635 0	-2,696 0	-2,778 0	-2,863 0	Yield Franking	2.1% 100%	4.4% 100%	4.6% 100%	4.7% 100%	4.9% 100%
Investment experience	0	0	0	0	0	Payout (cash basis)	49%	63%	69%	69%	70%
Distributions	-39	-13	0	0	0						
Cash earnings	3,710	6,558	6,345	6,538	6,738	CAPITAL ADEQUACY					
Large notable items, discontinued	-1,151	-194	-118	-118	-118	Y/e September 30	2020	2021	2022e	2023e	2024e
operations and other adjustments Statutory earnings	2,559	6,364	6,227	6,420	6,620	Risk weighted assets (\$m)	425,147	417,163	463,981	500,888	520,691
outdory curnings	2,000	0,00.	0,	0, .20	0,020	Average risk weight	53%	48%	51%	53%	53%
CASHFLOW						Tier 1 ratio	13.2%	14.6%	13.8%	13.2%	13.2%
Y/e September 30 (\$m)	2020	2021	2022e	2023e	2024e	CET1 capital ratio	11.5%	13.0%	12.3%	11.9%	11.9%
NPAT (cash basis)	3,710	6,558	6,345	6,538	6,738	Total capital ratio Equity ratio	16.6% 7.1%	18.9% 6.8%	17.6% 7.0%	16.8% 7.0%	16.6% 7.0%
Increase in loans	7,300	-32,448	-13,501	-13,897	-14,439	=quity fatto	1.170	0.070	1.070	1.070	1.576
Increase in other assets	-18,320	-39,767	-19,269	-20,842	-22,542	DIVISIONAL					
Capital expenditure	-1,257	-440	-85	-88	-90	Y/e September 30 (\$m)	2020	2021	2022e	2023e	2024e
Investing cashflow	-12,277	-72,655	-32,855	-34,826	-37,072	Business/Private/Consumer Banking					
Increase in deposits & borrowings	29,922	30,556	11,475	11,859	12,242	Net interest income	9,417	9,301	9,601	9,793	9,989
Increase in other liabilities	-16,170	27,361	16,985	20,572	22,369	Other operating income	1,392	1,360	1,336	1,369	1,402
Ordinary equity raised	5,160	72	0	0	0	Net operating income	10,809	10,661	10,937	11,162	11,391
Other	-1,414	-5,448	-1,950	-4,143	-4,277	Operating expenses	-4,633	-4,744	-4,746	-4,711	-4,671
Financing cashflow	17,498	52,541	26,510	28,289	30,334	Credit impairment charge Cash earnings b4 tax/distributions	-578 5,598	-14 5,903	-194 5,997	-331 6,120	-473 6,246
Net change in cash	8,931	-13,556	0	0	0	Income tax expense	-1,684	-1,773	-1,812	-1,850	-1,888
Cash at end of period	64,388	50,832	50,832	50,832	50,832	Cash earnings	3,914	4,130	4,185	4,270	4,358
						Home loans	290,910	300,464	306,473	312,603	318,855
BALANCE SHEET						Other loans	116,891	123,990	126,470	128,999	131,579
Y/e September 30 (\$m) Cash and liquid assets	2020 64,388	2021 50,832	2022e 50,832	2023e 50,832	2024e 50,832	Deposits	270,016	295,641	304,510	313,646	323,055
Divisional gross loans	585,416	619,666	634,517	649,734	665,306	Corporate & Institutional Banking					
Provisions	-6,376	-5,379	-5,889	-6,368	-6,659	Net interest income	2,075	1,918	1,941	2,013	2,087
Other gross loans / inter div.	15,012	12,213	11,372	10,531	9,691	Other operating income	1,382	1,304	1,232	1,277	1,324
Other IEA	196,247 3,809	236,142 4,113	255,411 4,113	276,253 4,113	298,795 4,113	Net operating income Operating expenses	3,457 -1,388	3,222 -1,369	3,173 -1,375	3,290 -1,372	3,411 -1,367
Intangibles PP&E	2,374	2,814	2,899	2,987	3,077	Credit impairment charge	-170	-186	-234	-243	-252
Insurance assets	0	0	0	0	0	Cash earnings b4 tax/distributions	1,899	1,667	1,563	1,675	1,793
Other assets	5,695	5,567	5,567	5,567	5,567	Income tax expense	-483	-460	-469	-503	-538
Total assets	866,565	925,968	958,823	993,650	1,030,721	Cash earnings	1,416	1,207	1,094	1,173	1,255
Divinional deposits	330,573	361,129	372.604	384,463	396,705	Loans Other IEA	96,039 182,561	104,478 148,122	109,045 152,942	113,752 157,896	118,604 162,987
Divisional deposits Other borrowings	461,419	490,100	507,085	527,657	550,026	Other IEA	102,301	140,122	132,342	137,090	102,907
Other liabilities	13,280	11,960	11,960	11,960	11,960	Wealth Management					
Total liabilities	805,272	863,189	891,649	924,080	958,691	Wealth management income	0	0	0	0	0
0.5	40.504	40.047	45.004	10 111	40.040	Insurance income	0	0 0	0 0	0	0
Ordinary share capital Other equity instruments	43,531 1,945	43,247 0	45,684 0	46,144 0	46,618 0	Net operating income Wealth management expense	0 0	0	0	0	0 0
Reserves	99	550	550	550	550	Other expenses	0	0	0	0	0
Retained profits	15,717	18,982	20,940	22,876	24,863	Cash earnings b4 tax/distributions	0	0	0	0	0
Minority interests	1	0	0	0	0	Income tax expense	0	0	0	0	0
Total shareholders' equity	61,293	62,779	67,175	69,570	72,031	Investment experience Cash earnings	0 0	0 0	0 0	0 0	0 0
Total sh. equity & liabs.	866,565	925,968	958,823	993.650	1,030,721	FUMA	0	0	0	0	0
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WANOS - statutory (m)	3,068	3,290	3,303	3,360	3,371	NZ Banking					
WANOS - cash (m)	3,068	3,290	3,303	3,360	3,371	Net interest income	1,872 520	2,017 505	1,943 493	1,982 507	2,022 522
PROFITABILITY RATIOS						Other operating income Net operating income	2,392	2,522	2, 437	2,490	2,544
Y/e September 30	2020	2021	2022e	2023e	2024e	Operating expenses	-894	-933	-920	-914	-907
Return on assets	0.4%	0.7%	0.7%	0.7%	0.7%	Credit impairment charge	-140	12	-36	-55	-74
Return on equity	6.5%	10.8%	10.0%	9.7%	9.7%	Cash earnings b4 tax/distributions	1,358	1,601	1,481	1,521	1,562
Leverage ratio Net interest margin	6.5% 1.77%	6.6% 1.72%	6.7% 1.68%	6.7% 1.67%	6.7% 1.66%	Income tax expense Outside equity interests	-381 0	-447 0	-415 0	-426 0	-438 0
CIR	52%	47%	44%	43%	41%	Investment experience	0	0	0	0	0
Cost / average assets	1.00%	0.87%	0.79%	0.76%	0.72%	Cash earnings	977	1,154	1,066	1,095	1,125
Growth in net operating income	-1%	-2%	1%	2%	2%	Loans	81,576	90,734	92,530	94,380	96,268
Growth in operating expenses	11% -12%	-13%	-4% 6%	-1% 3%	-1% 3%	Deposits	60,557	65,488	68,094	70,817	73,650
Jaws Effective tax rate	-12% 31%	11% 29%	30%	3% 30%	3% 30%	EX-LARGE NOTABLE ITEMS					
						Y/e September 30 (\$m)	2020	2021	2022e	2023e	2024e
ASSET QUALITY						Cash earnings	3,710	6,558	6,345	6,538	6,738
Y/e September 30	2020	2021	2022e	2023e	2024e	Add back:	00	^	^	^	0
Credit impairment charge / GLA Credit impairment charge / RWA	0.47% 0.65%	-0.04% -0.05%	0.08% 0.11%	0.11% 0.14%	0.13% 0.16%	 Customer remediation income loss Customer remed'n costs, ASIC, etc. 	90 932	0	0 -43	0 -43	0 -43
Total provisions (\$m)	6,376	5,379	5,889	6,368	6,659	- Customer remedin costs, ASIC, etc. - Restructuring costs	932	0	-43 0	-43 0	-43
						Cash earnings ex-large notable					
Total provisions / RWA	1.50%	1.29%	1.27%	1.27%	1.28%	items	4,732	6,558	6,302	6,494	6,695
IAP / GIA	45%	53%	53%	53%	53%	Cash EPS ex-large notable items	154	199	191	193	199
IBL / IEA Total provisions / GLA	100% 1.09%	99% 0.87%	98% 0.93%	98% 0.98%	98% 1.00%	 Growth Operating expenses (underlying) 	-32% 7,679	29% 7,817	-4% 7,542	1% 7,497	3% 7,445
- I III Promotion out		5.51 /6	0.0070	0.5070		Payout (cash basis)	39%	63%	69%	70%	71%
						Return on equity (underlying)	8.3%	10.8%	9.9%	9.7%	9.6%
						CIR (underlying)	45%	47%	44%	43%	42%

SOURCE: 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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TS Lim, authoring analyst, holds a long position in NAB.

Disclosure: Bell Potter Securities acted as Co-Manager in NAB's NABPH (November 2020) offer and received fees for that service.

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