



# NAB DEBT INVESTOR PRESENTATION

November 2021

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**Significance of the Registration:** Registered credit rating agencies are subject to the following regulations: (1) duty of integrity, (2) duty to develop the business management system for the prevention of conflict of interests / securing of the fairness of the rating process, (3) prohibition of assignment of rating in cases where the agency holds the securities to be rated, (4) duty to disclose information such as preparation and release of the rating policy and to make explanatory documents available to the public. Such rating agencies are also subject to supervision by the Financial Services Agency such as requirement of reports, on-site inspection, or business improvement orders. Unregistered rating agencies, however, are not subject to the above-mentioned restrictions or supervision. For details, please see the following home page of NAB Securities Limited. Although the information was prepared from information sources which we believe to be reliable, we do not guarantee its accuracy or completeness. (<https://www.nab.com.au/content/dam/nabrwd/documents/policy/corporate/explanation-regarding-unregistered-credit-ratings.pdf>)

# KEY MESSAGES

## **Solid financial results in a challenging environment**

- **Business momentum**
- **Maintained strong asset quality**

## **Improving shareholder returns while retaining a strong balance sheet**

## **Disciplined execution of our strategy is delivering results**

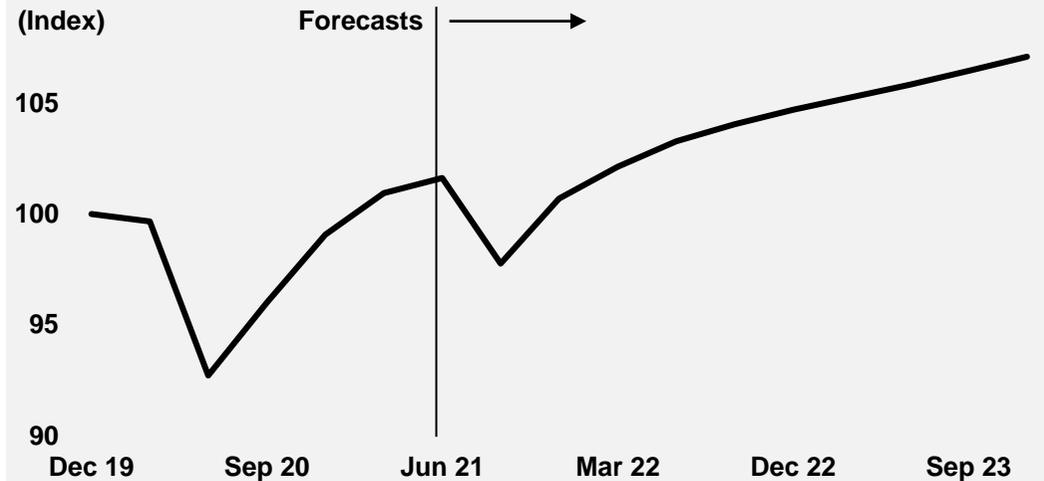
## **Maintaining cost focus while investing to support growth**

## **Well positioned for economic rebound in FY22**

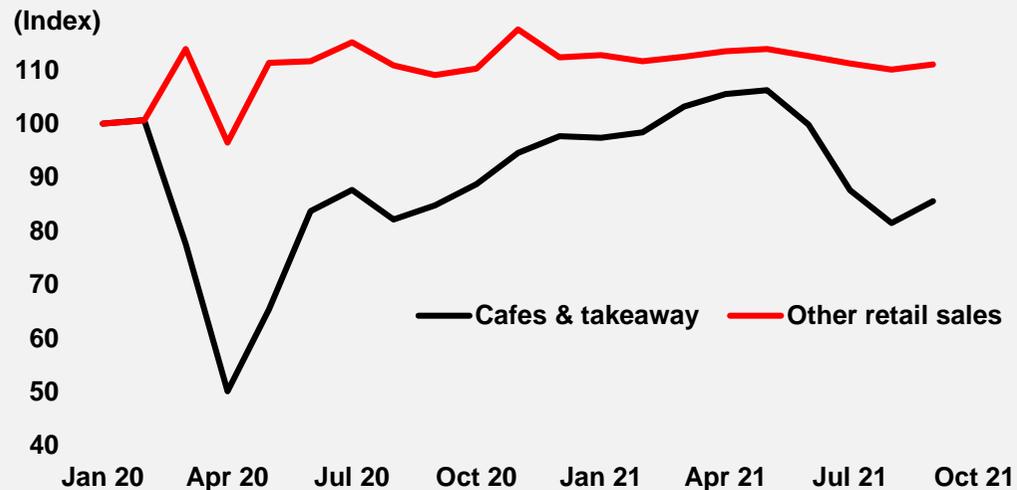
# ACTIVITY IS EXPECTED TO BOUNCE BACK AFTER CURRENT LOCKDOWNS

- Economic activity and hours worked are expected to have fallen relatively sharply in the September quarter with widespread lockdowns in NSW, VIC and the ACT as well as state border closures. Employment and labour participation also declined in the quarter and the unemployment rate is expected to see a small increase in the near term.
- However, the relatively healthy pre-COVID starting point as well as ongoing policy support should support a rapid rebound in both activity and the labour market over coming quarters.
- The recovery continues to be uneven with some sectors still held back by state and international border closures, while others have seen a boost as a result of policy stimulus. The normalisation of consumer spending patterns will also likely take some time.

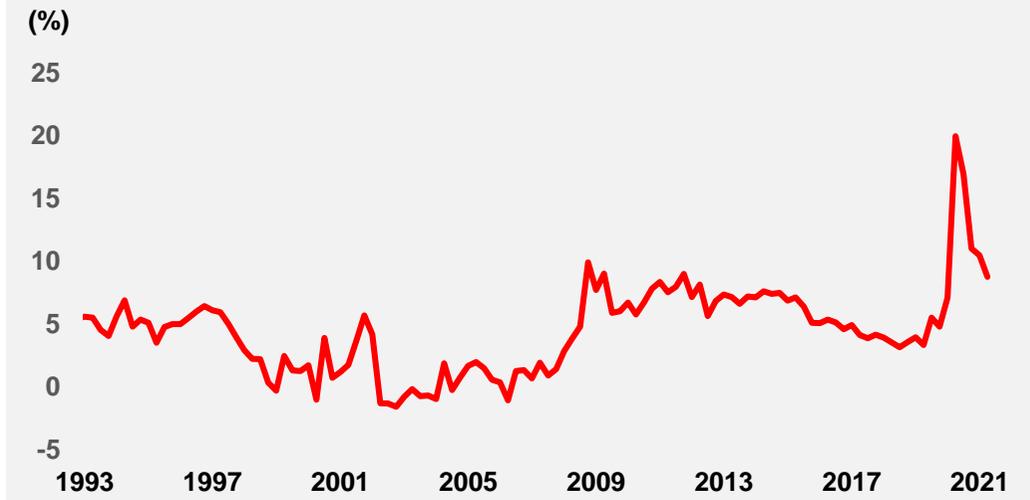
## GDP IS EXPECTED TO BOUNCE BACK<sup>1</sup>



## HOUSEHOLD CONSUMPTION CONTINUES TO BE IMPACTED<sup>2</sup>



## INCREASED SAVINGS HAVE BUILT A BUFFER<sup>3</sup>



(1) Source: ABS, NAB. Data are indexed to December quarter 2019. NAB Economics Forecasts from September quarter 2021

(2) Source: ABS, NAB. Data are ABS retail sales indexed to January 2020, data to September 2021

(3) Source: ABS, NAB. Household savings rate (ABS national accounts), data to June quarter 2021

# SOUND FINANCIAL RESULTS

METRIC	FY21	FY20	FY21 V FY20
Statutory net profit (\$m)	6,364	2,559	large
<b>CONTINUING OPERATIONS (EX LARGE NOTABLE ITEMS<sup>1</sup>)</b>			
Cash earnings (\$m)	6,558	4,733	38.6%
Underlying profit (\$m)	8,989	9,640	(6.8%)
Cash ROE	10.7%	8.3%	2.4%
Diluted Cash EPS (cents)	191.0	146.9	30.0%
Dividend (cents)	127	60	large
Cash payout ratio <sup>2</sup>	63.7%	38.9%	large

(1) The Group did not recognise any amounts as large notable items in FY21. For a full breakdown of large notable items in FY20 refer to Section 4, Note 16 of the 2021 Full Year Results Management Discussion and Analysis

(2) Based on basic cash EPS

# SOLID UNDERLYING PERFORMANCES

## DIVISIONAL UNDERLYING PROFIT (HOH)

(\$m) ■ 1H21 ■ 2H21



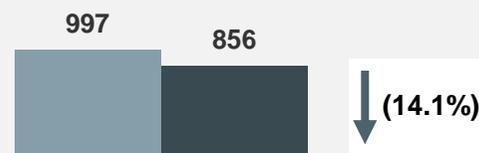
**Business & Private Banking**

- Above system, broad based growth in business lending
- Higher NIM benefitting from lower funding costs
- Additional spend on customer facing roles for growth, higher technology investment



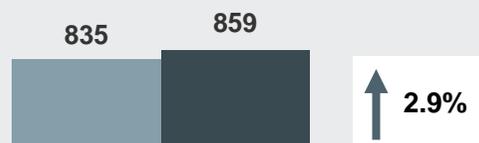
**Personal Banking**

- Growth in housing lending, but NIM impacted by competition and mix
- Good cost discipline



**Corporate & Institutional**

- Lower markets risk management income (\$124m decline in 2H21)
- Underlying profit up 5% ex Markets
- GLA growth driven by target growth sectors of infrastructure and investor



**New Zealand Banking<sup>1</sup>**

- Above system growth in housing and business lending – broad based growth in business, particularly strong in SME
- Spend on additional colleagues for growth and compliance & risk activities

(1) Results in local currency. Divisional earnings exclude increase in forward looking collective provision economic adjustment.

# WE HAVE A CLEAR STRATEGIC AMBITION



:86400

## WHY WE ARE HERE

To serve customers well and help our communities prosper

## WHO WE ARE HERE FOR



### Colleagues

Trusted professionals that are proud to be a part of NAB



### Customers

Choose NAB because we serve them well every day

## WHAT WE WILL BE KNOWN FOR

### Relationship-led

#### Relationships are our strength

1. Exceptional bankers
2. Unrivalled customer value (expertise, data and analytics)
3. Truly personalised experiences

### Easy

#### Simple to deal with

1. Simple products and experiences
2. Seamless - everything just works
3. Fast and decisive

### Safe

#### Responsible & secure business

1. Strong balance sheet
2. Leading, resilient technology and operations
3. Pre-empting risk and managing it responsibly

### Long-term

#### A sustainable approach

1. Commercial responses to society's biggest challenges
2. Resilient and sustainable business practices
3. Innovating for the future

## WHERE WE WILL GROW

### Business & Private

Clear market leadership

### Corporate & Institutional

Disciplined growth

### Personal

Simple & digital

### BNZ

Grow in Personal & SME

### UBank

New customer acquisition

## HOW WE WORK



Excellence for customers



Grow together



Be respectful



Own it

## MEASURES FOR SUCCESS



Engagement



NPS growth



Cash EPS growth



ROE

# SUCCESSFUL EXECUTION OF OUR STRATEGY

 <b>KEY MEASURES OF SUCCESS</b>	 <b>FY21 PROGRESS</b>	 <b>OUR AMBITION OVER FY23-25</b>
Colleague engagement	✓	Top quartile engagement
Customer NPS <sup>1</sup>	Equal #1 of majors but not yet positive	Strategic NPS positive and #1 of majors
Cash EPS growth	✓	Focus on growing share in target segments, while managing risk and pricing disciplines
	0-2% cost increase YoY	Disciplined approach to costs and investment – target lower absolute costs (relative to FY20 cost base of \$7.7bn <sup>2</sup> )
ROE	✓	Target double digit Cash ROE

(1) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. The overall Strategic NPS result combines the Consumer (18+) and Business segment results using a 50% weighting for each. Net Promoter Score (NPS) is based on all customers' likelihood to recommend on a scale of 0 (not at all likely) to 10 (extremely likely)

(2) Excluding large notable items, the impact of proposed acquisition of Citigroup's Australian consumer business and any potential non-recurring AML/KYC related costs including those incurred in addressing the issues subject to investigation by AUSTRAC, such as file remediation and other associated costs.

# IMPROVING SHAREHOLDER RETURNS WHILE RETAINING A STRONG BALANCE SHEET

## STRONG PROVISIONING AND CAPITAL



## CLEAR CAPITAL AND DIVIDEND SETTINGS IN PLACE

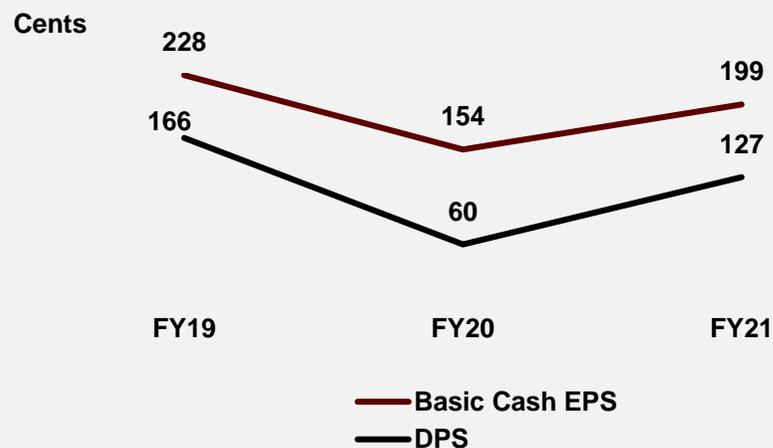
*10.75 - 11.25 %*

target range for CET1 over time

*65 - 75 %*

payout ratio range of cash earnings by which future dividends are to be guided, subject to Board determination based on circumstances at the relevant time

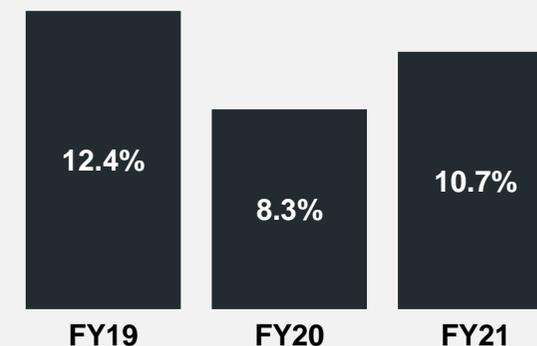
## IMPROVING SHAREHOLDER RETURNS



**\$2.5bn**

Share buyback underway with \$2.0bn remaining

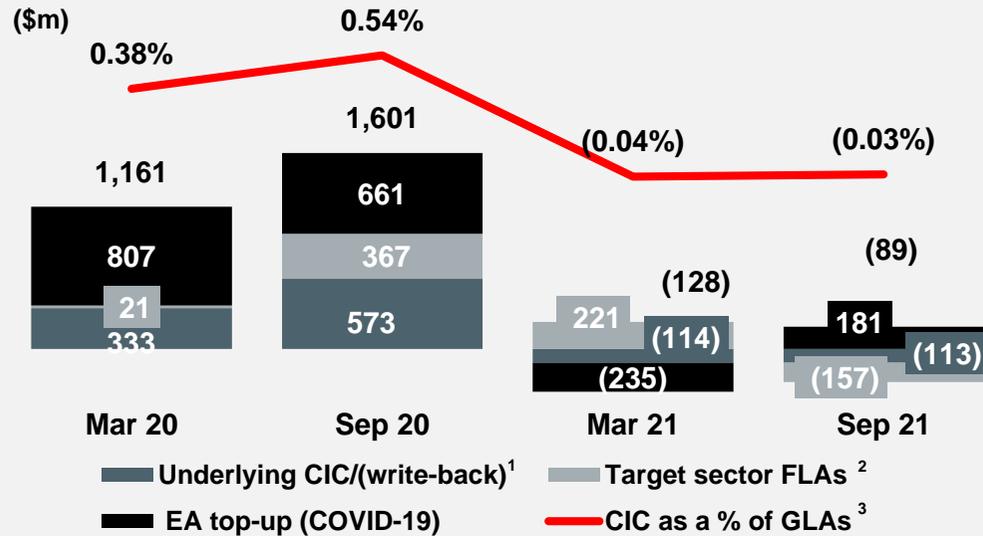
### Return on Equity



(1) Pro forma impacts include estimated impacts from agreed sale of BNZ Life (+7bps), upfront impact of the proposed acquisition of Citigroup's Australian consumer business (-34bps) and the remaining \$2.0bn of on-market share buy-backs (-48bps). Both the proposed acquisition of the Citigroup Australian consumer business and the sale of BNZ Life are expected to complete in 2022, subject to relevant regulatory approvals. Final capital impact of each transaction will be determined following completion

# CREDIT IMPAIRMENT WRITE-BACK, PROVISIONS MODESTLY LOWER

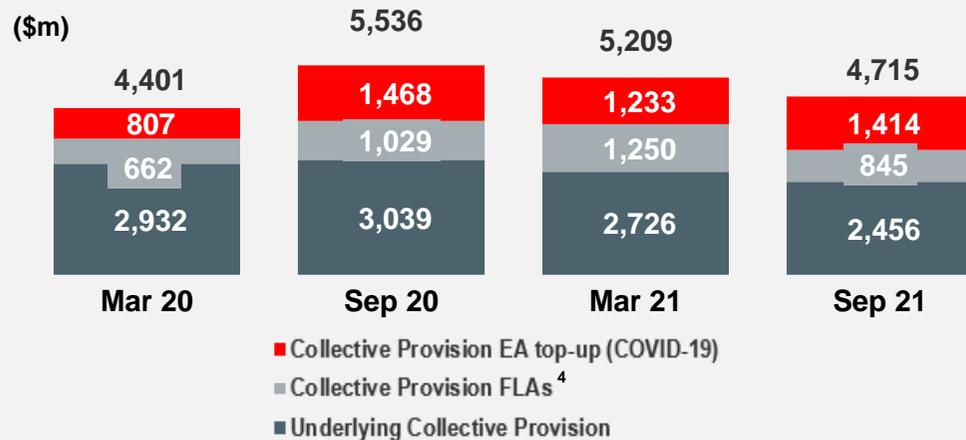
## CREDIT IMPAIRMENT CHARGE (CIC)



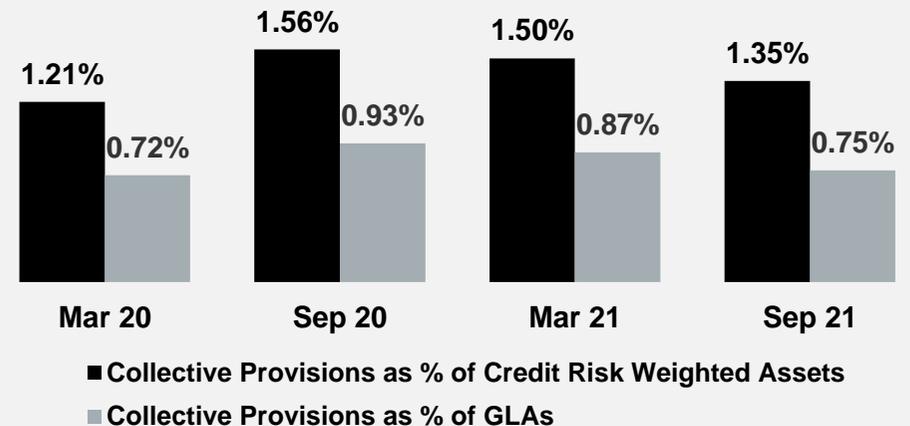
## KEY CONSIDERATIONS 2H21

- Underlying CIC write-back of \$113m broadly consistent with 1H21, including continued low specific charges and improved asset quality
- Forward looking charges little changed vs 1H21:
  - Economic Adjustment (EA) top up of \$181m reflecting recent lockdowns and reopening uncertainty
  - Partially offset by \$157m write-back in Forward Looking Adjustments (FLAs)

## COLLECTIVE PROVISION BALANCES



## COLLECTIVE PROVISION COVERAGE



(1) Represents total credit impairment charge less EA top-up and FLAs increase

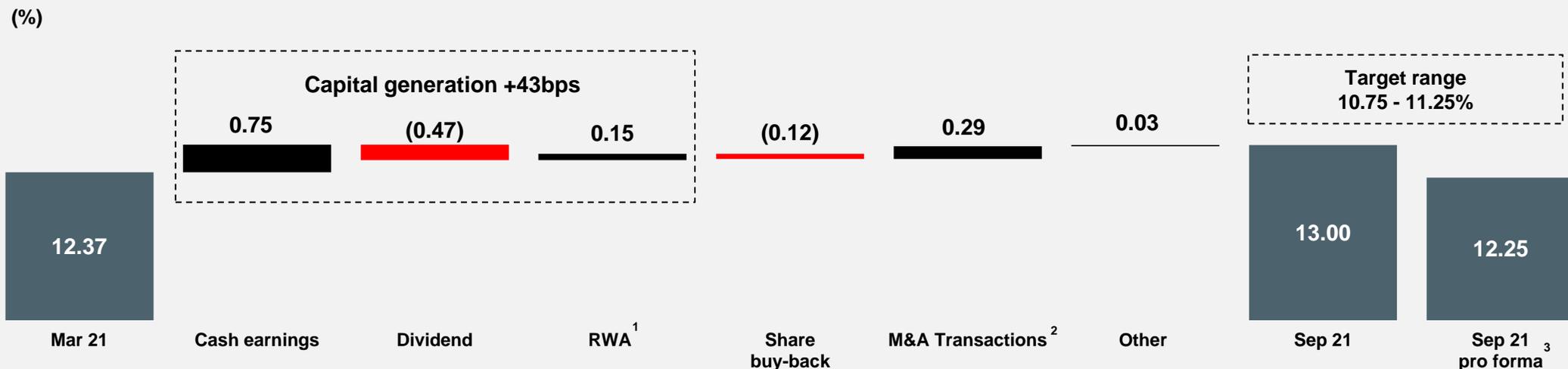
(2) Represents collective provision FLAs for targeted sectors

(3) Half year annualised

(4) Collective provision FLA decline Sep 21 v Mar 21 of \$405m includes \$248m of provisions derecognised as a result of sale of aviation loans

# STRONG CAPITAL POSITION

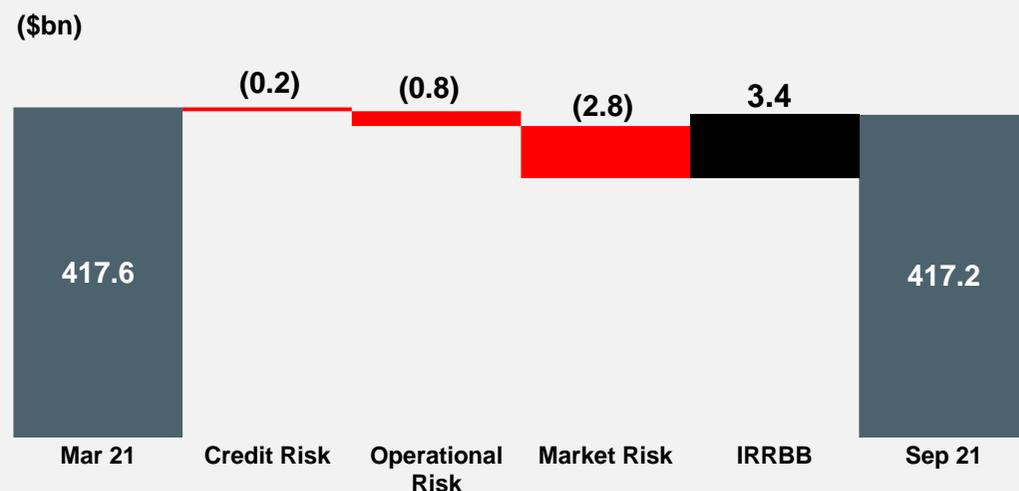
## GROUP BASEL III COMMON EQUITY TIER 1 CAPITAL RATIO (%)



## CET1 CONSIDERATIONS

- Continued strong organic capital generation
- Flat RWAs – CRWAs stable with improved asset quality and portfolio mix offsetting \$30bn GLA growth
- On-market share buy-back ~20% complete with ~\$2bn remaining
- APRA's 'unquestionably strong' standards are expected to reset capital ratios but are not expected to have a significant impact<sup>4</sup>

## GROUP RWA (\$bn)



(1) Excludes FX translation

(2) Includes sale of MLC Wealth (+34bps) and acquisition of 86 400 (-5bps)

(3) Pro forma impacts include estimated impacts from agreed sale of BNZ Life (+7bps), upfront impact of the proposed acquisition of Citigroup's Australian consumer business (-34bps) and the remaining \$2.0bn of on-market share buy-backs (-48bps). Both the proposed acquisition of the Citigroup Australian consumer business and the sale of BNZ Life are expected to complete in 2022, subject to relevant regulatory approvals. Final capital impact of each transaction will be determined following completion

(4) Standards expected to be finalised in November 2021

# FUNDING & LIQUIDITY

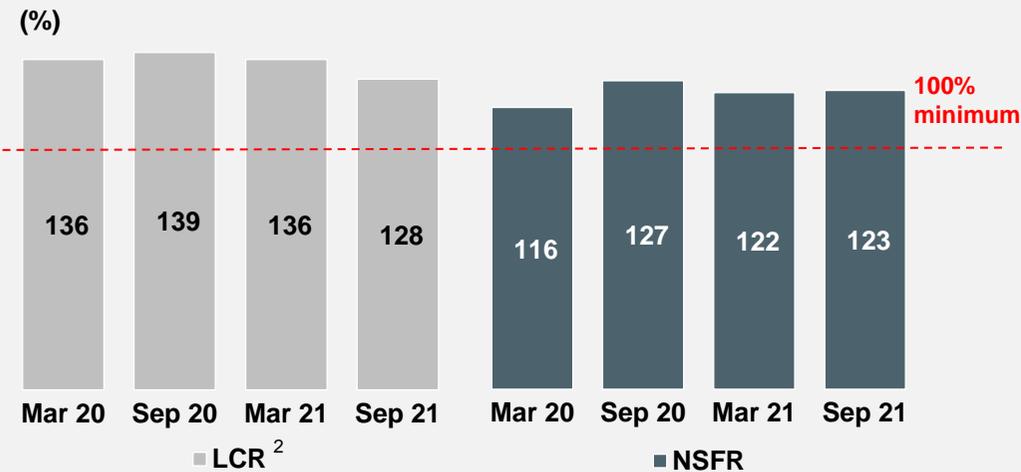
## KEY MESSAGES

- Strong funding and liquidity position, well above regulatory minimums
- Term Funding Facility (TFF) Additional and Supplementary Allowances totalling \$17.6bn were fully drawn in 4Q21, supporting lending growth, refinancing of term wholesale maturities and higher liquid assets
- Term wholesale issuance expected to increase to more normalised levels in FY22
- Phase out of CLF by December 2022 is manageable, expected to increase liquid assets

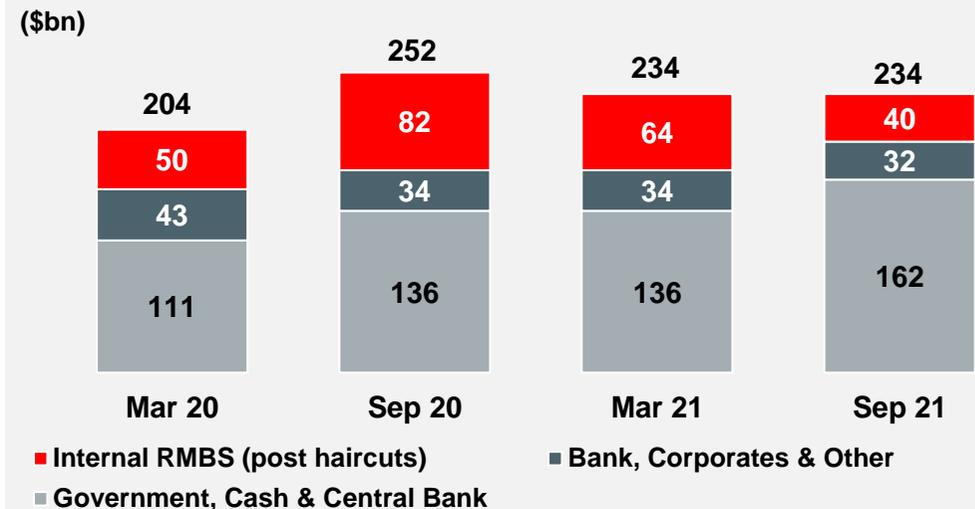
## COMMITTED LIQUIDITY FACILITY REDUCES TO ZERO IN 2022<sup>1</sup>



## LIQUIDITY RATIOS REMAINS ABOVE REGULATORY MINIMUMS



## LIQUID ASSETS<sup>3</sup>



(1) CLF reduction dates are 1 January, 30 April, 31 August and 31 December 2022  
 (2) Average LCR for the quarter  
 (3) Spot Liquid Assets as at end of each period

# CLIMATE ACTION IS A PRIORITY AND A KEY LONG-TERM GROWTH OPPORTUNITY

## ALIGNING OUR PORTFOLIO TO NET ZERO BY 2050

- First Australian bank to sign the UNEP FI Collective Commitment to Climate Action, with our goal to **align our lending portfolio to net zero emissions by 2050**
- **\$56.3bn in environmental financing** to customers since 2015<sup>1</sup>
- **Carbon neutral in operations for over a decade**, focused on sourcing 100% of our electricity needs from renewable sources by 2025
- **Finalised oil and gas review** and published updated ESG credit risk settings for coal, oil and gas sectors
- Exposure to **fossil fuels<sup>2</sup> in energy generation portfolio down ~25%** on 30 September 2016 with exposure to **clean energy<sup>2</sup> increasing 110%**

## WELL POSITIONED TO SUPPORT ACTION BY CUSTOMERS

**#1** Australian bank for global renewables transactions<sup>3</sup>

- Driving innovation in finance products to support the transition e.g. sustainability-linked derivatives, founding member of the carbon trading network<sup>4</sup>
- Investing in our bankers
- Backing over 150 domestic and global renewable energy finance transactions

**Renewables EAD as a % of energy generation<sup>5</sup>**



## OUR CLIMATE STRATEGY

 **GOAL OF ALIGNING OUR LENDING PORTFOLIO TO NET ZERO EMISSIONS BY 2050**

 **WORKING WITH CUSTOMERS TO DECARBONISE AND BUILD RESILIENCE**

 **MANAGING CLIMATE RISK**

*Supported by*

 **ACTIVELY REDUCING OUR OWN EMISSIONS**

 **HIGHLY CAPABLE COLLEAGUES**

 **RESEARCH, PARTNERSHIPS AND ENGAGEMENT**

(1) Represented as a cumulative amount of new environmental finance since 1 October 2015. Refer to the Group's 2021 Sustainability Data Pack for a further breakdown of this number and reference to how the environmental financing commitment is calculated

(2) Fossil fuels includes net EAD to gas, coal and mixed fuel. Clean energy includes net EAD to wind, hydro and mixed renewables. Excludes exposure to counterparties predominantly involved in transmission and distribution

(3) Rankings based on IJGlobal League Table, MLA, Renewables, 12 months ending 30 September 2021.

(4) An international collaboration between NAB, CIBC, Itaú Unibanco and NatWest Group to organise the carbon offset market with an efficient, transparent system for buying and selling that puts a price and measure on carbon

(5) NAB methodology (based upon the 1993 ANZSIC codes) at net EAD basis. Excludes exposure to counterparties predominantly involved in transmission and distribution. Vertically integrated retailers included and categorised as renewable where majority of their generation activities sourced from renewable energy. More detail at <https://www.nab.com.au/about-us/social-impact>.

# OUR PRIORITIES IN FY22

**Continue to focus on execution of Group strategy**

**Supporting customers and colleagues as we manage transition to “COVID-normal”**

**Investing in growth while maintaining cost and capital discipline**

**Resolution of AUSTRAC investigation**

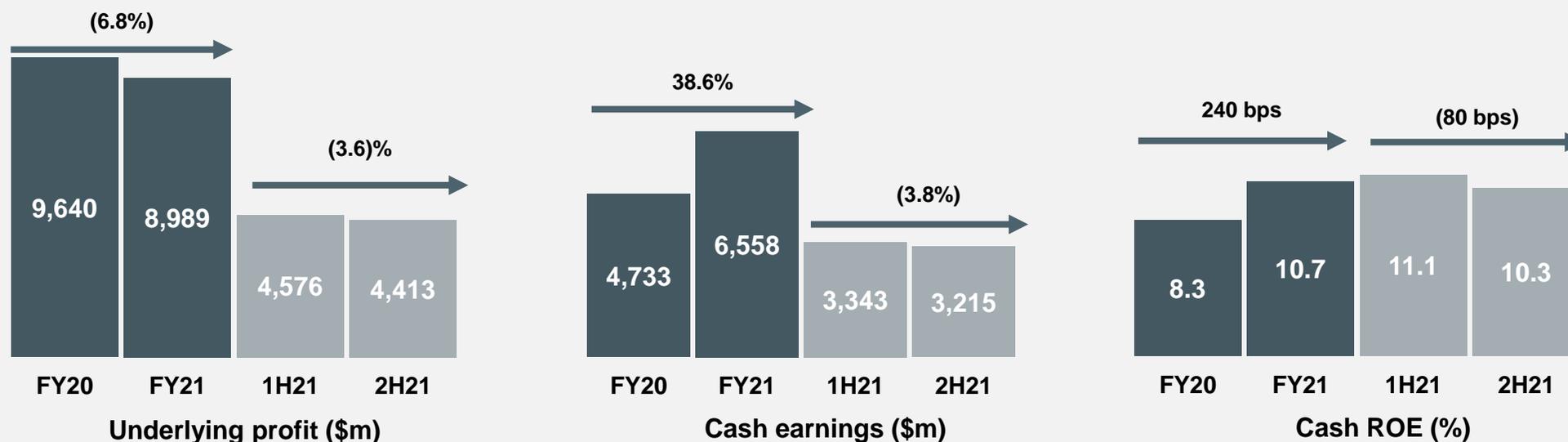
**Complete proposed acquisition of Citigroup's Australian consumer business and integration of UBank and 86 400**



# FY21 FINANCIALS

# RESULTS IMPACTED BY LOWER MARKETS & TREASURY INCOME

## GROWTH BY KEY FINANCIAL INDICATORS (EX LARGE NOTABLE ITEMS<sup>1</sup>)



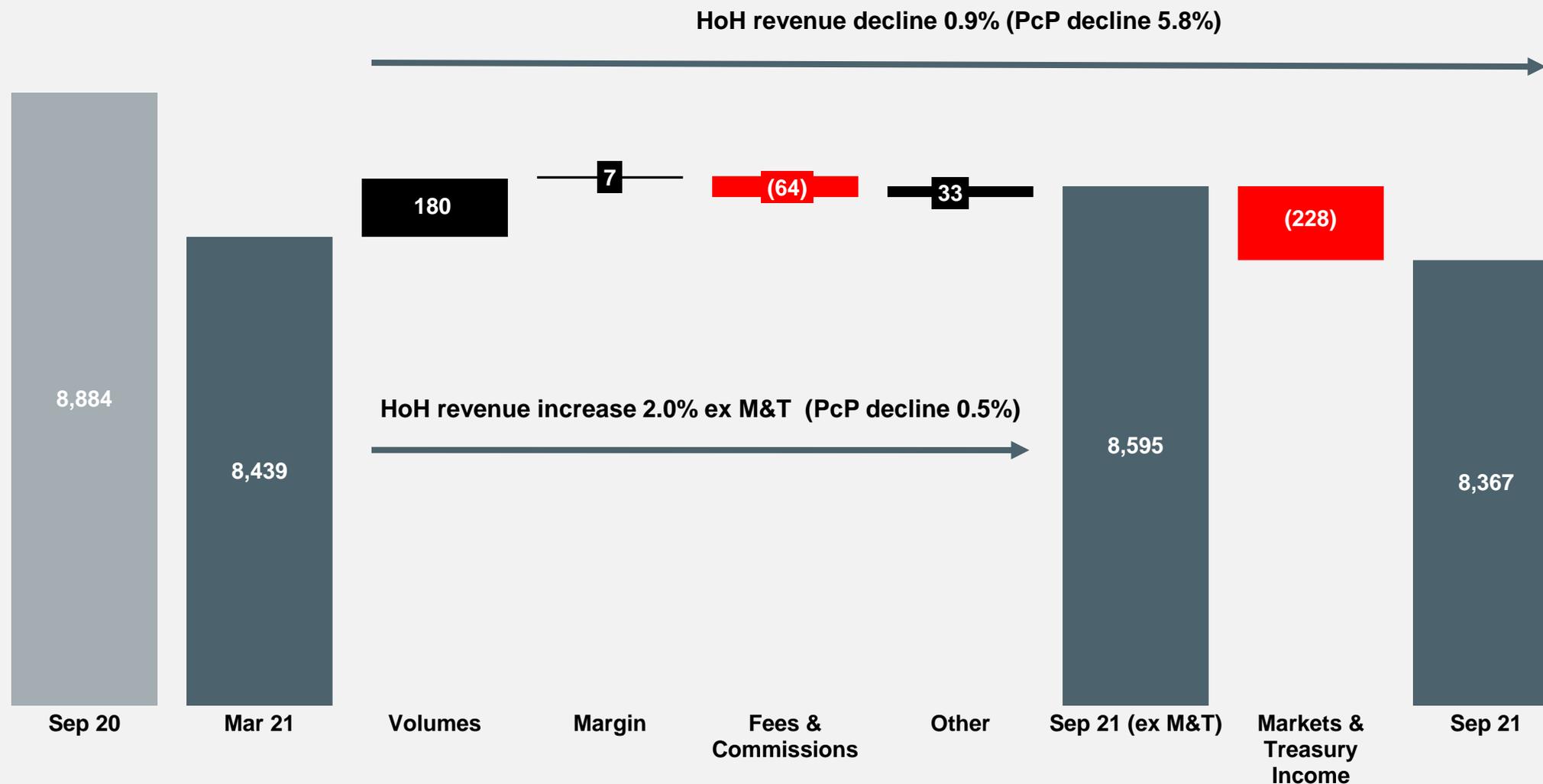
P&L key financial indicators	FY21 (\$m)	FY21 v FY20	2H21 (\$m)	2H21 v 1H21
Net operating income	16,806	(3.0%)	8,367	(0.9%)
<i>ex Markets &amp; Treasury</i>	15,418	(0.5%)	7,787	2.0%
Operating expenses	7,817	1.8%	3,954	2.4%
Credit impairment write-back	217	large	89	(30.5%)

(1) Refers to large notable items in FY20. No notable items in FY21

# REVENUE UP EX MARKETS & TREASURY

## NET OPERATING INCOME (EX LARGE NOTABLE ITEMS)<sup>1</sup>

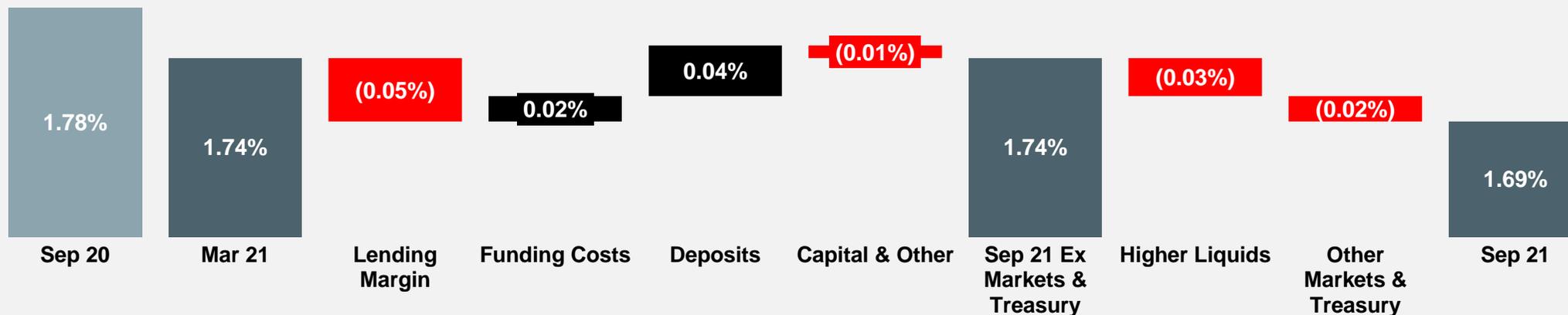
(\$m)



(1) Refers to large notable items in FY20. No notable items in FY21

# NET INTEREST MARGIN

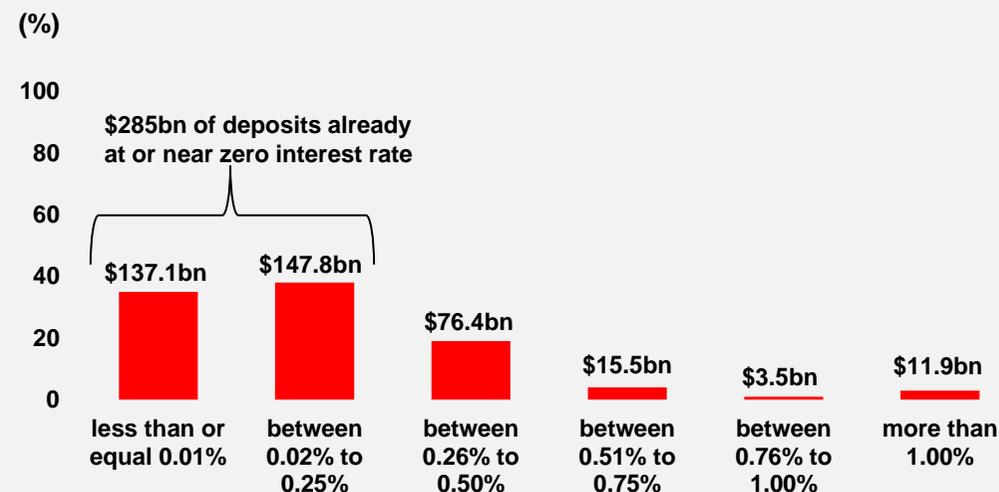
## NET INTEREST MARGIN (EX LARGE NOTABLE ITEMS)<sup>1</sup>



## KEY CONSIDERATIONS FOR FY22

- NIM impact from the low rate environment<sup>2</sup> in FY22 expected to be broadly neutral, turning positive in FY23
- Competitive pressures and mix expected to continue impacting housing lending margins, along with full period impact of liquids build in 4Q21
- Lower funding costs and deposit mix expected to be a moderating tailwind
- Expect minimal NIM drag from CLF phase out in FY22

## CUSTOMER DEPOSITS BY INTEREST RATE<sup>3</sup>



(1) Refers to large notable items in FY20. No notable items in FY21

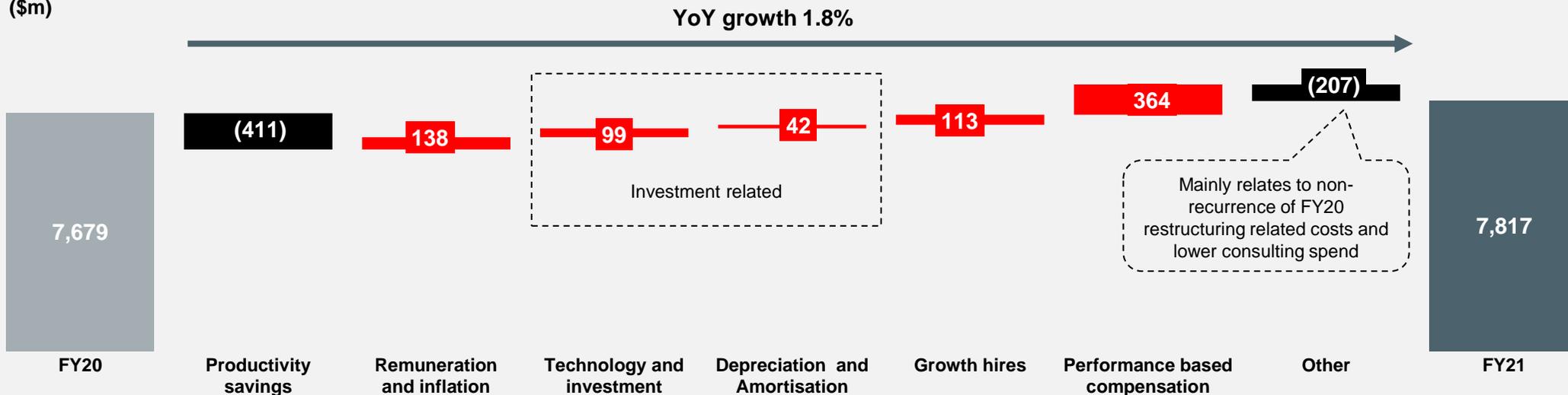
(2) Refers to impact of the replicating portfolio net of any repricing, and based on current rates

(3) Australia only, as at 30 September 2021. Customer deposits exclude home loan offsets, and set-off facilities

# REINVESTING SAVINGS FOR GROWTH

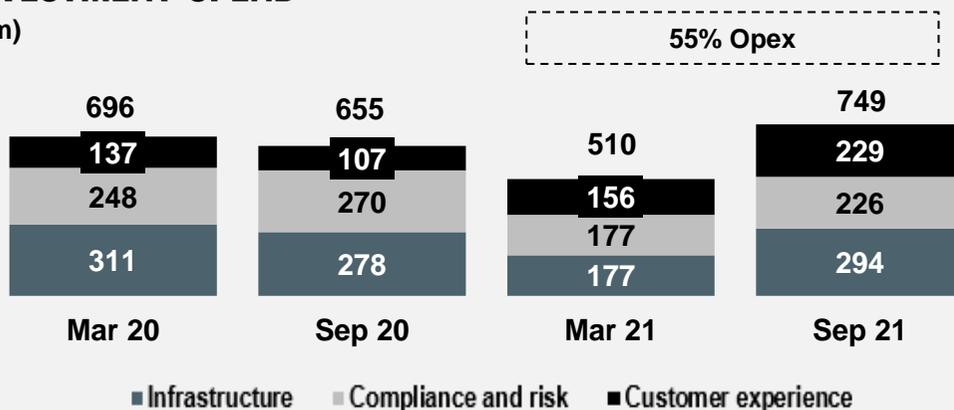
## OPERATING EXPENSES (EX LARGE NOTABLE ITEMS)<sup>1</sup>

(\$m)



## INVESTMENT SPEND

(\$m)



## COMMENTS

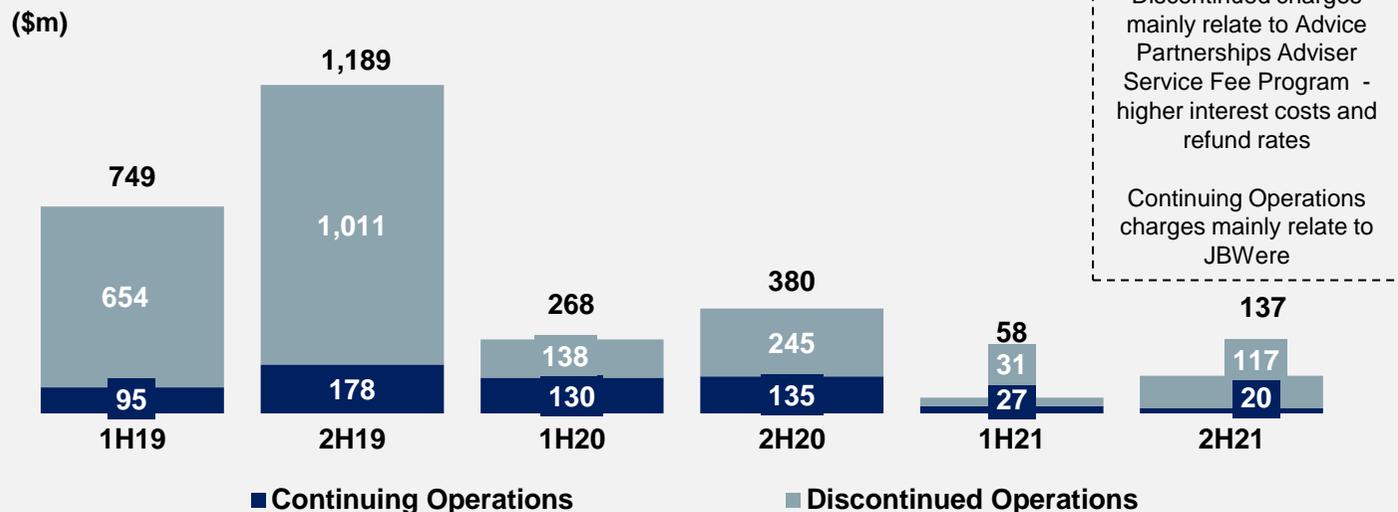
- Cost growth of 1.8% consistent with FY21 target of 0-2%
- Targeting broadly flat costs in FY22<sup>2</sup>
- FY22 investment spend expected to be broadly flat
- Continue to target FY23-25 costs to be lower than \$7.7bn<sup>2</sup>

(1) Refers to large notable items in FY20. No notable items in FY21

(2) Excluding large notable items, the impact of proposed acquisition of Citigroup's Australian consumer business and any potential non-recurring AML/KYC related costs including those incurred in addressing the issues subject to investigation by AUSTRAC, such as file remediation and other associated costs.

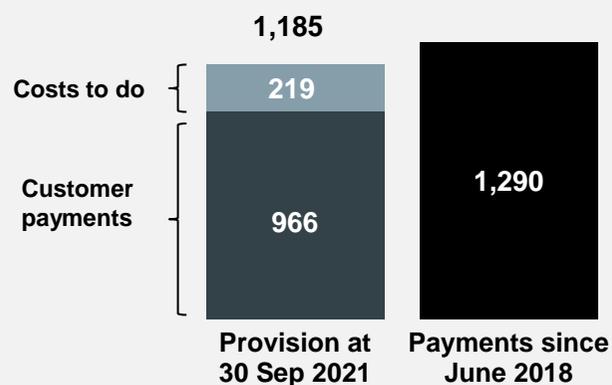
# REMEDIATION WORK PROGRESSING

## CUSTOMER-RELATED REMEDIATION PROVISION CHARGES<sup>1</sup>



## CUSTOMER-RELATED REMEDIATION PROVISIONING AND UTILISATION

(\$m)



- >1,200 colleagues dedicated to remediation activities
- >1.3m payments to customers since June 2018 totalling \$1,290m – up 80% from FY20
- Progressing accelerated payments to customers of Advice Partnerships Adviser Service Fee Program, with ~80% completion expected by Dec 2021
- All major programs expected to be essentially completed in CY22

## AUSTRAC INVESTIGATION UPDATE

- Enforcement investigation commenced by AUSTRAC in June given serious concerns about NAB's potential non-compliance with its AML/CTF obligations
- AUSTRAC advised that it had not made any decision as to whether it will take any enforcement action, but that it was not considering civil penalty proceedings at that stage and that its decision was "reflective of the work undertaken" by NAB to date. NAB has not been notified of any change to this position, however the AUSTRAC investigation is ongoing
- Outcomes, including costs, relating to AUSTRAC investigation remain uncertain at this stage
- NAB's Financial Crime Remediation team are driving a dedicated program of work aimed at ensuring that all relevant KYC data is captured and recorded appropriately

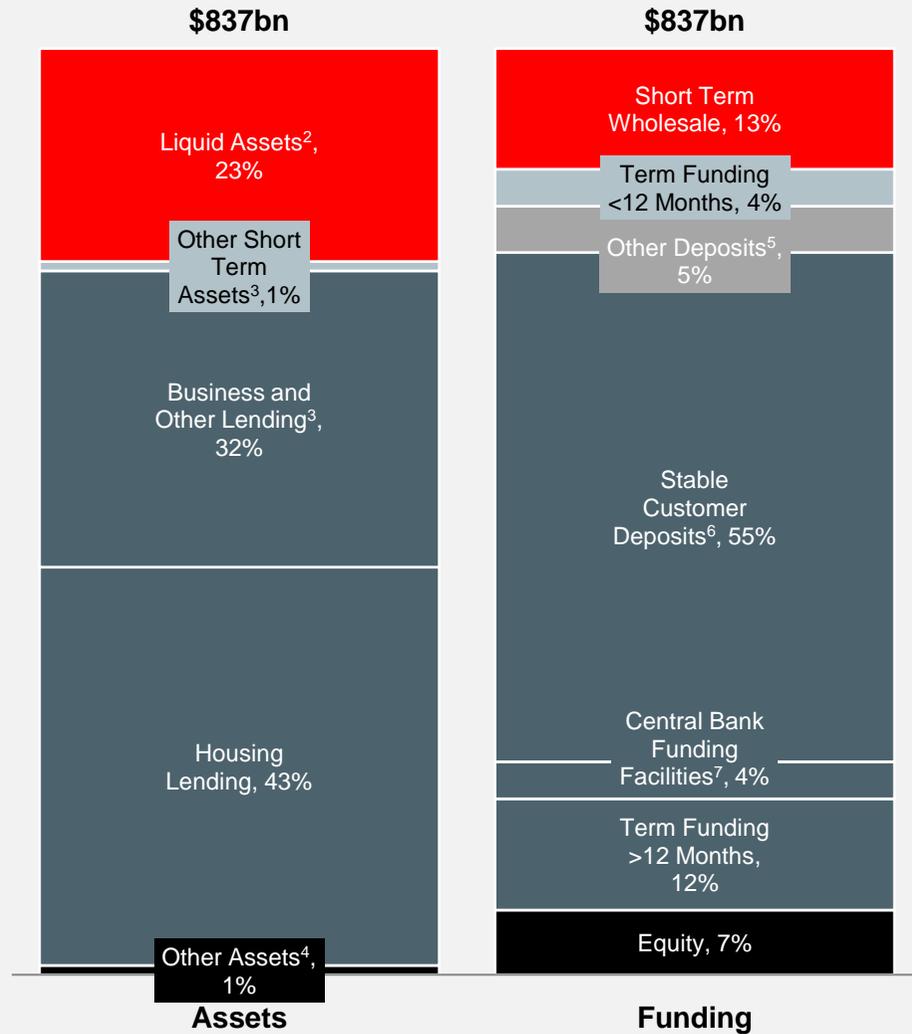
(1) Charges were included as large notable items in FY19 and FY20. Charges are shown pre-tax; 1H19 and 2H19 have been restated for the presentation of MLC Wealth as a discontinued operation



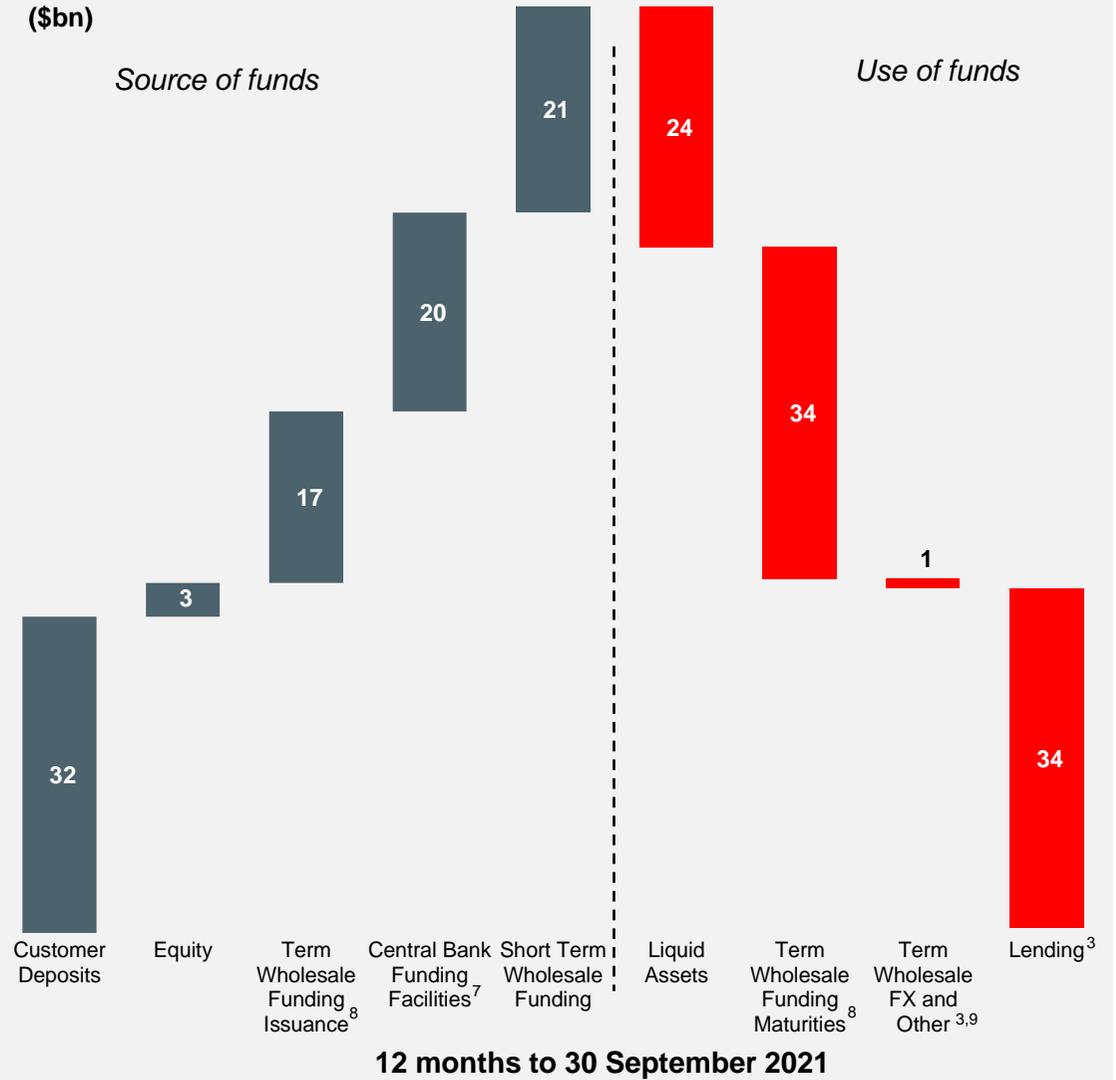
# **CAPITAL, FUNDING & LIQUIDITY**

# ASSET FUNDING

## FUNDED BALANCE SHEET<sup>1</sup>



## SOURCE AND USE OF FUNDS



1) Excludes repurchase agreements, trading and hedging derivatives, and any accruals, receivables and payables that do not provide net funding  
 2) Market value of marketable securities including HQLA, non-HQLA securities and commodities  
 3) Trade finance loans are included in other short-term assets, instead of business and other lending  
 4) Includes net derivatives, goodwill, property, plant and equipment and net of accruals, receivables and payables  
 24 5) Includes non-operational financial institution deposits and certain offshore deposits as defined in APRA standard APS 210 *Liquidity*

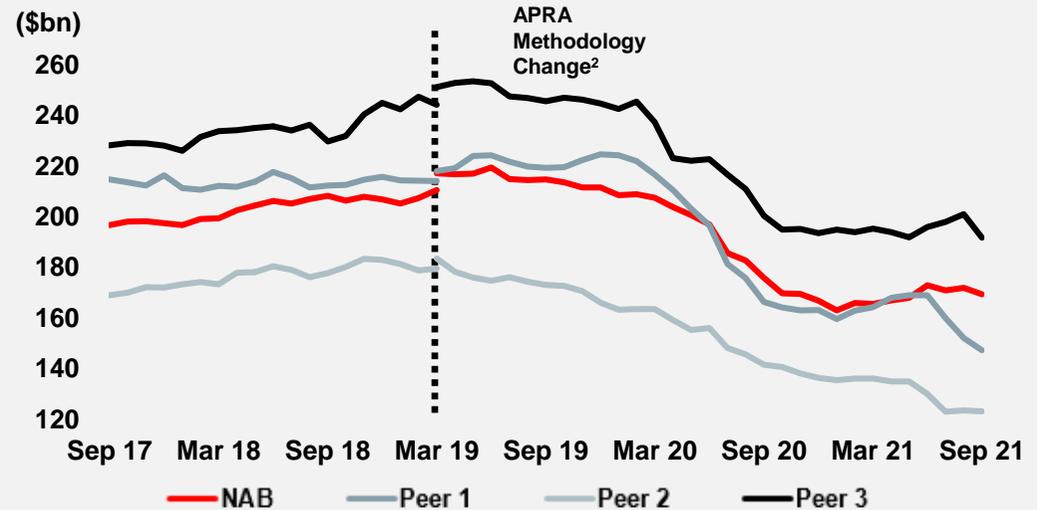
6) Includes operational deposits, non-financial corporate deposits and retail / SME deposits and excludes certain offshore deposits as defined in APRA standard APS 210 *Liquidity*  
 7) Includes RBA's Term Funding Facility (TFF) and RBNZ's Term Lending Facility (TLF) and Funding for Lending Programme (FLP)  
 8) Includes Additional Tier 1  
 9) Includes the net movement of other assets and other liabilities

# LIQUIDITY CONSIDERATIONS

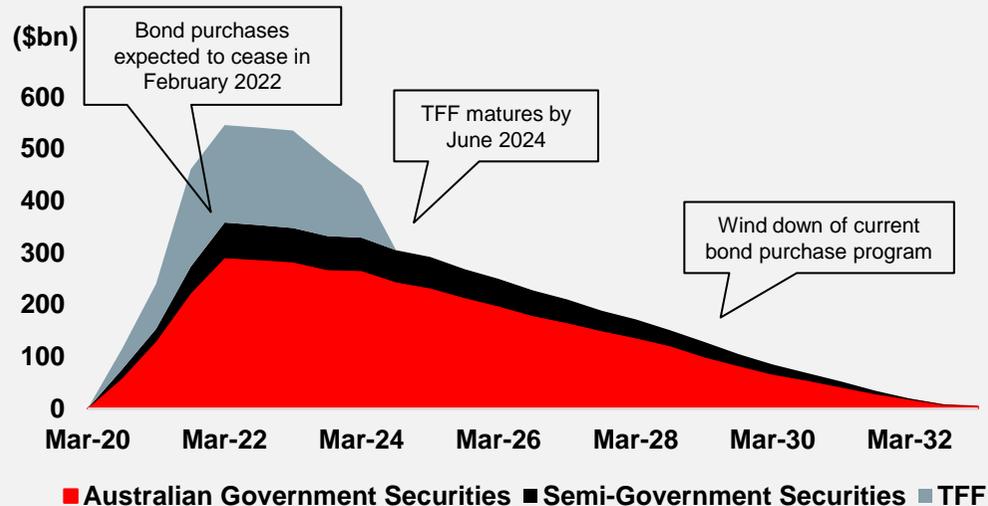
## INCREASED SYSTEM LIQUIDITY

- Central bank policies continue to increase system liquidity and deposit growth. TFF has been fully drawn (\$17.6bn in FY21 for NAB), with NAB managing maturity concentration over FY23-24
- CLF to be phased out to zero by end of 2022 (currently at \$31bn). Implications for NAB include:
  - Increased wholesale funding issuance
  - Higher physical liquids from replacement of CLF to impact margins as more low yielding assets are added to the balance sheet
  - Reduced CLF cost due to removal of 20bps fee by end of 2022 offset by cost of additional funding required for liquid assets

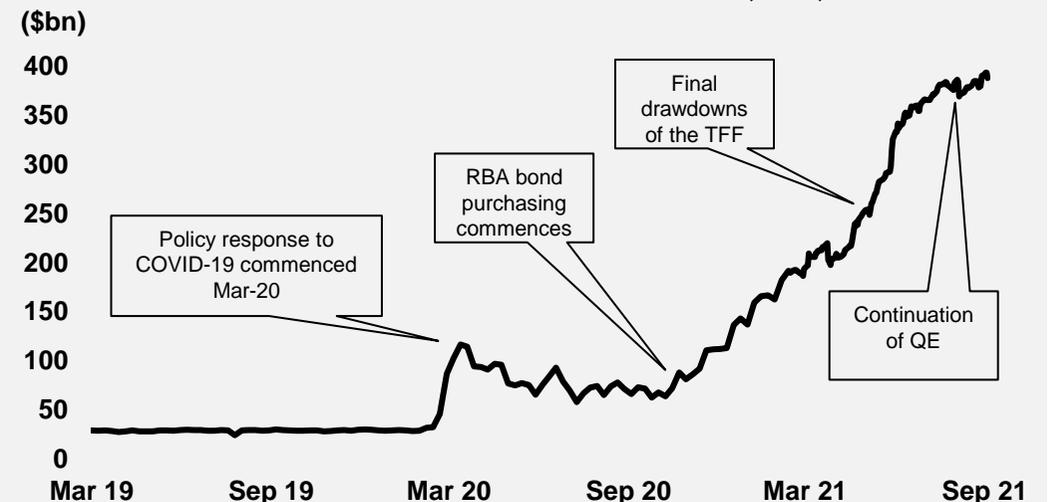
## AUSTRALIAN CORE FUNDING GAP<sup>1</sup>



## UNWINDING THE LIQUIDITY INJECTION BY THE RBA<sup>3</sup>



## SYSTEM EXCHANGE SETTLEMENT ACCOUNT (ESA) BALANCES<sup>4</sup>



(1) Australian core funding gap = Gross loans and advances plus Acceptances less Total deposits (excluding financial institution deposits and certificates of deposit)

(2) APRA Monthly Banking Statistics are used from September 2017 to March 2019. April 2019 onwards is prepared using APRA Monthly Authorised Deposit-taking Institution Statistics. Statistics as at September 2021

(3) RBA unconventional monetary policies from March 2020, including TFF, bonds purchased to address market dysfunction, Yield Curve Control or Quantitative Easing (QE). Also includes forecast bond purchases at a rate of \$4bn per week to February 2022

(4) ESAs are the means by which providers of payments services settle obligations that have accrued in the clearing process, operated through the Reserve Bank Information and Transfer System (RITS) Effective 4 November 2020, the interest rate on surplus ESA balances set by the RBA is 0.00%. RBA data

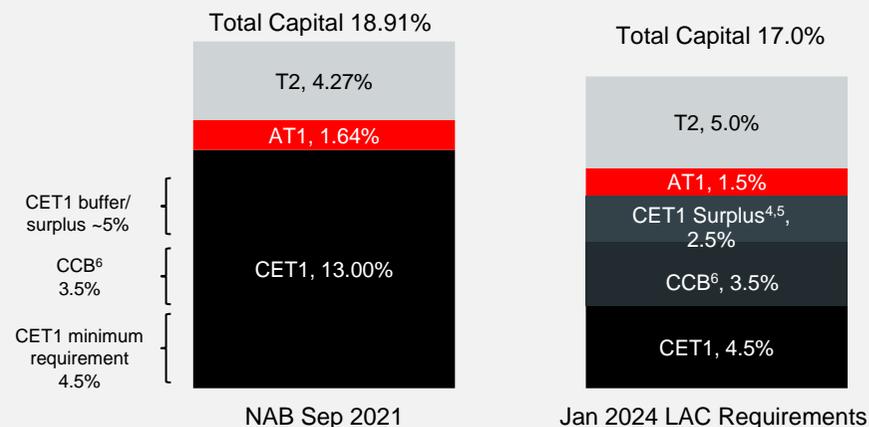
# LOSS-ABSORBING CAPACITY

## LOSS-ABSORBING CAPACITY

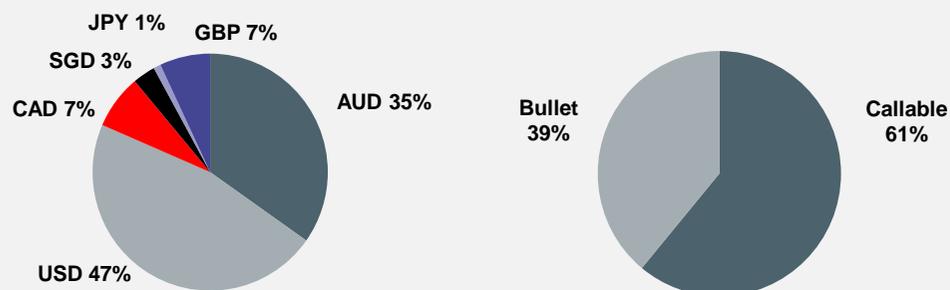
- Based on the Group's RWA and Total Capital position as at 30 September 2021, the incremental Group Total Capital requirement prior to January 2024 is approximately \$3.0bn
- \$1.8bn of surplus provisions are eligible for inclusion in Tier 2 Capital
- \$1.5bn of NAB's existing Tier 2 Capital has optional redemption dates prior to January 2024<sup>1</sup>

	Sep-21 (\$bn)
Group RWA	417.2
Tier 2 Requirement (5% by Jan-24) <sup>2</sup>	20.8
Existing Tier 2 Capital (4.27%)	17.8
Current Shortfall	3.0

## APRA CHANGES TO MAJOR BANKS' CAPITAL STRUCTURES<sup>3</sup>

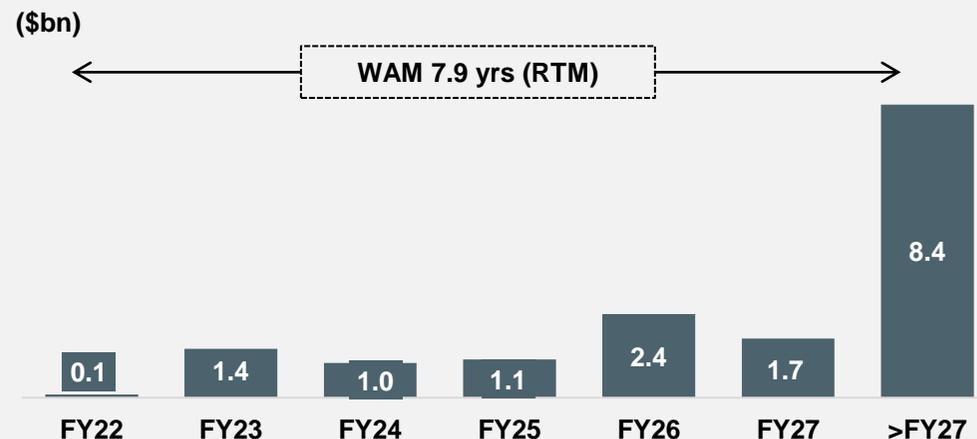


## NAB TIER 2 ISSUANCE AND PORTFOLIO DIVERSIFICATION



- In FY21, NAB issued \$5.6bn of Tier 2. NAB's FY22 Tier 2 issuance is expected to be approximately \$3-4bn

## NAB TIER 2 MATURITIES (TO FIRST CALL<sup>1</sup>)



(1) Subject to the prior written approval of APRA

(2) Ahead of January 2024 APRA will consider "feasible alternative methods" for raising an additional 1-2% of RWA in loss-absorbing capacity, in consultation with industry and other interested stakeholders

(3) APRA's proposed revisions to 'unquestionably strong' framework (released December 2020) not reflected

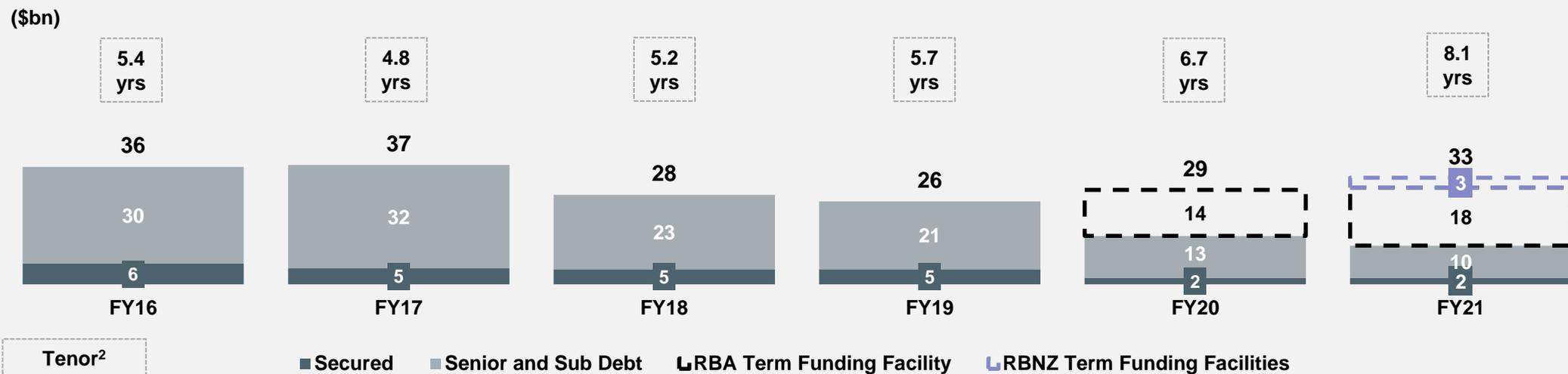
(4) Capital surplus of 2.5% is generally higher than the normal level for D-SIBs, as a result of the 'unquestionably strong' capital benchmarks

(5) Excludes any Pillar 2 requirements and additional loss-absorbing capacity 1-2% RWA requirement through "feasible alternative methods"

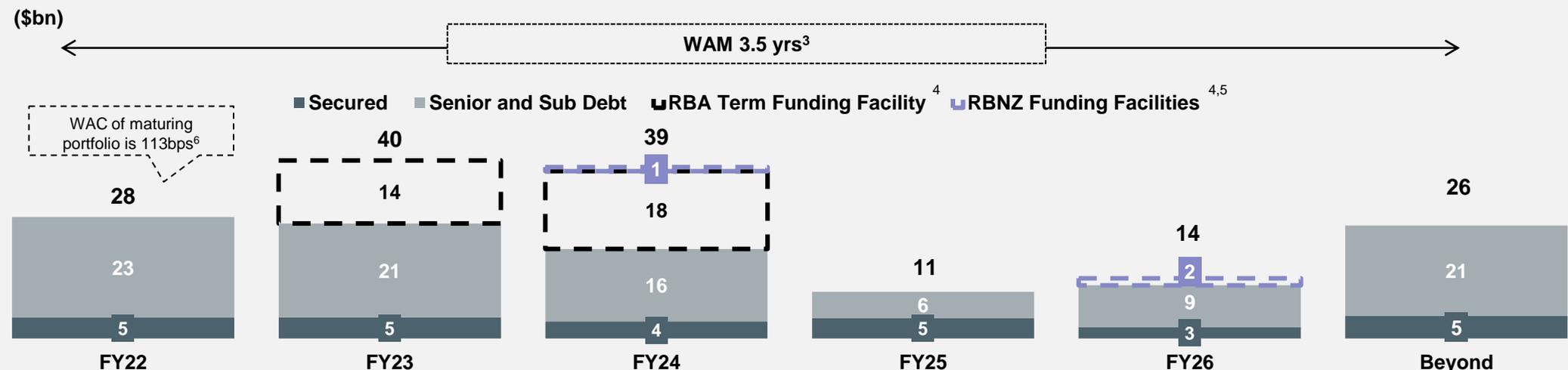
(6) CCB is the Capital Conservation Buffer

# TERM WHOLESALE FUNDING PROFILE

## HISTORIC TERM FUNDING ISSUANCE<sup>1</sup>



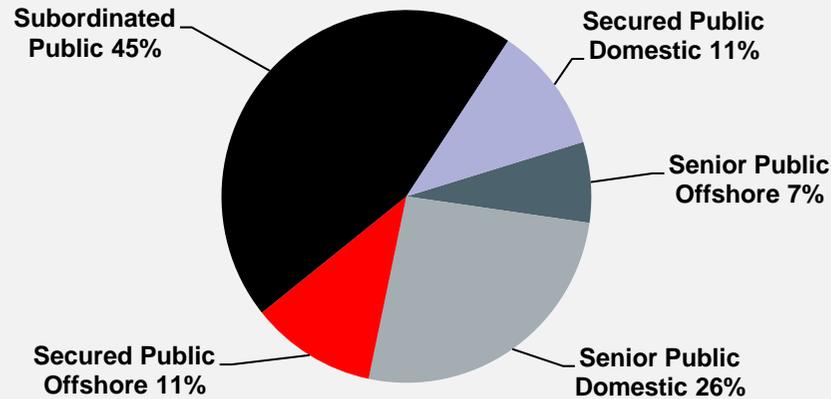
## TERM FUNDING MATURITY PROFILE<sup>2</sup>



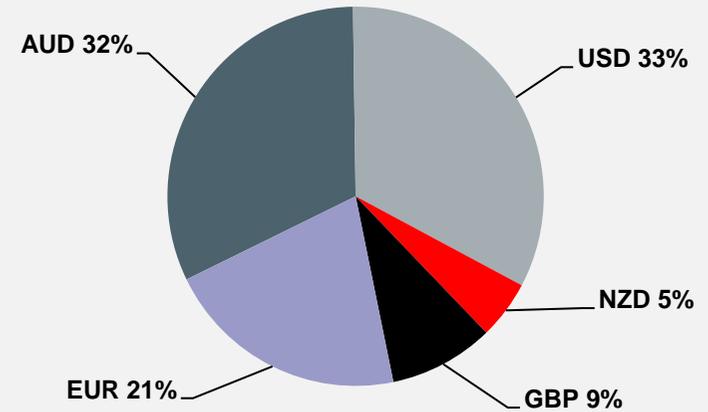
- (1) Includes senior unsecured, secured (covered bonds and securitisation) and subordinated debt with an original term to maturity or call date of greater than 12 months, excludes Additional Tier 1 instruments
- (2) Weighted average maturity and maturity profile of funding issuance with an original term to maturity greater than 12 months. Excludes Additional Tier 1, Residential Mortgage Backed Securities, RBA Term Funding Facility and RBNZ funding facilities
- (3) Remaining weighted average maturity, excludes Additional Tier 1, Residential Mortgage Backed Securities, RBA Term Funding Facility and RBNZ funding facilities
- (4) Contractual maturity is based on drawdown date
- (5) Includes RBNZ's Term Lending Facility (TLF) and Funding for Lending Programme (FLP)
- (6) Weighted average cost refers to the cost of the maturing portfolio over the year and is shown as a spread over 3m BBSW. Includes subordinated debt and excludes Additional Tier 1 and BNZ

# DIVERSIFIED AND FLEXIBLE TERM WHOLESALE FUNDING PORTFOLIO

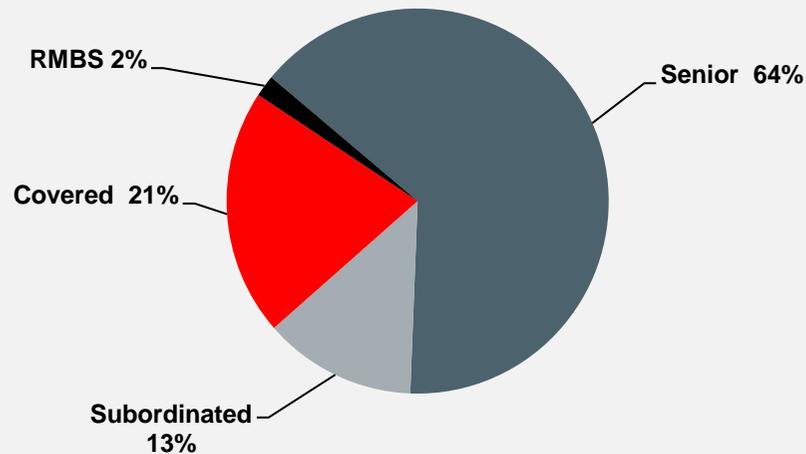
## FY21 ISSUANCE BY PRODUCT TYPE<sup>1</sup>



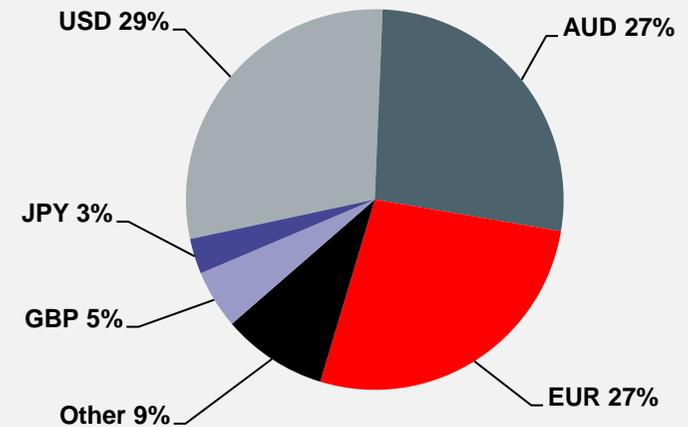
## FY21 ISSUANCE BY CURRENCY<sup>1</sup>



## OUTSTANDING ISSUANCE BY PRODUCT TYPE<sup>1</sup>

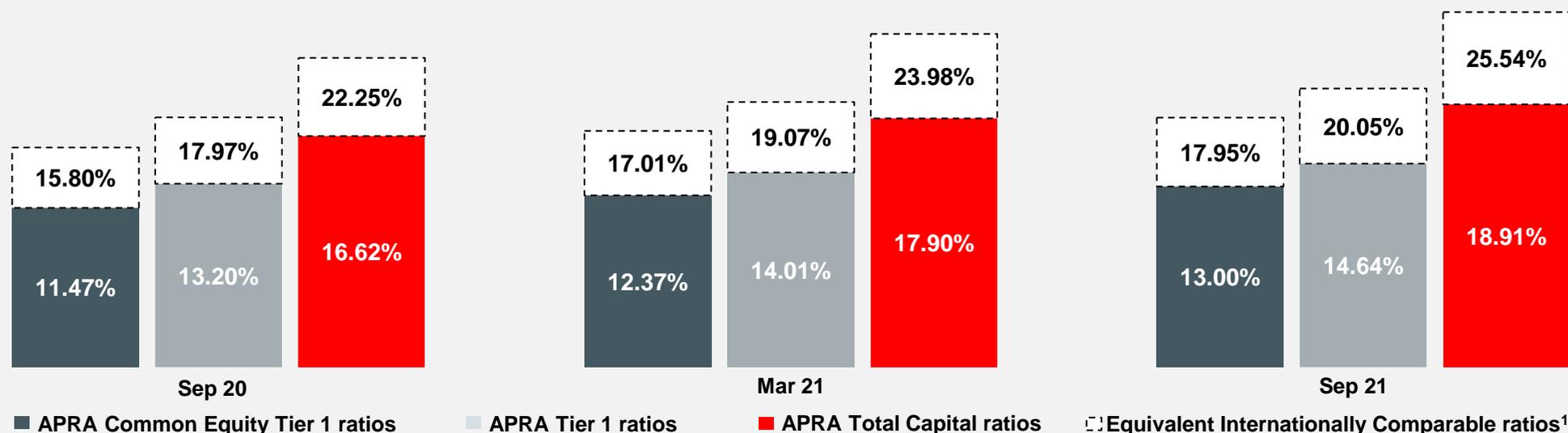


## OUTSTANDING ISSUANCE BY CURRENCY<sup>1</sup>



(1) Excludes Additional Tier 1, RBA Term Funding Facility and RBNZ funding facilities

# GROUP BASEL III CAPITAL RATIOS



## APRA to Internationally Comparable CET1 Ratio Reconciliation

	CET1
Group CET1 ratio under APRA	13.00%
APRA's Basel capital adequacy standards require a 100% deduction from common equity for deferred tax assets, investments in non-consolidated subsidiaries and equity investments. Under Basel Committee on Banking Supervision (BCBS) such items are concessionally risk weighted if they fall below prescribed thresholds	+68bps
Mortgages – reduction in loss given default floor from 20% to 15% and adjustment for correlation factor	+194bps
Interest rate risk in the banking book (IRRBB) – removal of IRRBB risk weighted assets from Pillar 1 capital requirements	+49bps
Other adjustments including corporate lending adjustments and treatment of specialised lending	+184bps
Group Internationally Comparable CET1	17.95%

(1) Internationally Comparable CET1 ratios align with the APRA study entitled "International capital comparison study" released on 13 July 2015

# KEY REGULATORY CHANGES IMPACTING CAPITAL AND FUNDING

Change	1HCY21	2HCY21	CY22	CY23	CY24	CY25
Capital Adequacy (APS 110)	Consult	Finalise		Implementation		
Measurement of Capital (APS 111)	Consult	Finalised	Implementation			
Credit Risk (APS 112/113)	Consult	Finalise		Implementation		
Operational Risk (APS 115) <sup>1</sup>				Implementation		
Market Risk (APS 116)			Consult	Finalise		Implementation
Counterparty Credit Risk (APS 180)			Consult	Finalise		Implementation
Interest Rate Risk in the Banking Book (APS 117)			Finalise		Implementation	
Public Disclosures (APS 330)			Consult/Finalise		Implementation	
Credit Risk Management (APS 220)		Finalise	Implementation			
Loss-Absorbing Capacity					Implementation	
Remuneration (CPS 511)		Finalised		Implementation		
Recovery and Resolution		Consult	Finalise	Implementation		

## APRA'S REVISIONS TO ADI CAPITAL FRAMEWORK

- Revisions follow the 2017 APRA benchmark of 'unquestionably strong' capital ratios and APRA's discussion paper on 'a more flexible and resilient capital framework for ADIs' released in December 2020
- Final prudential standards expected in November 2021, with implementation from 1 January 2023
- Overall level of capital in the system is expected to be broadly unchanged
- Interim reporting requirements to be finalised throughout 2022 and final reporting standards to be released in 2024

## APRA FUNDING & LIQUIDITY CHANGES

- In September 2021, APRA announced the phasing out of the RBA's Committed Liquidity Facility (CLF) to zero by the end of December 2022 subject to market conditions. The CLF reduction is expected to be offset by ADIs increasing holdings of HQLA
- APRA is consulting on requiring ADIs subject to LCR requirements to hold unencumbered self-securitised assets equal to 30% of LCR Net Cash Outflows

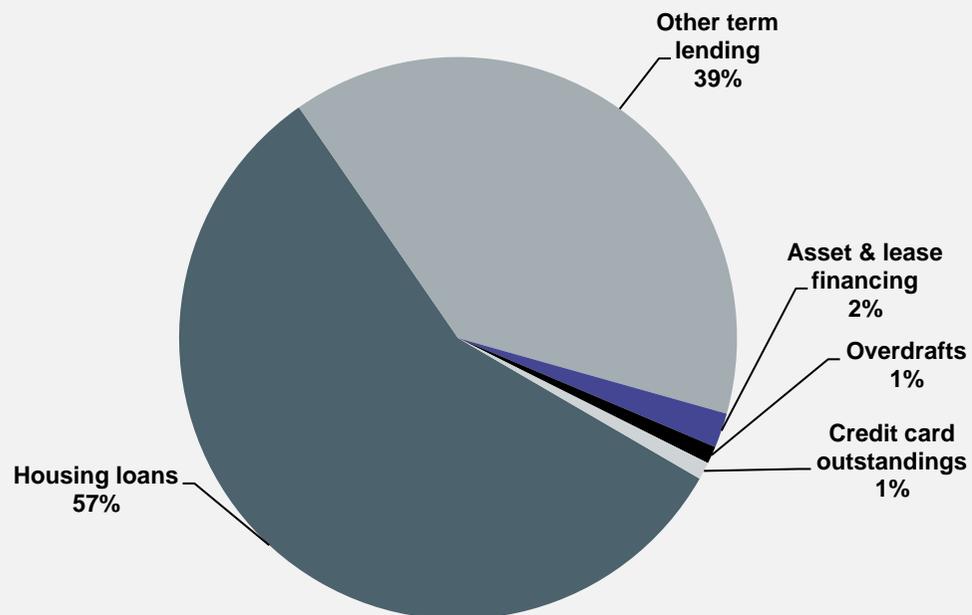
(1) APRA has provided the option to banks using the Advanced Measurement Approach to implement APS 115 from 1 January 2022



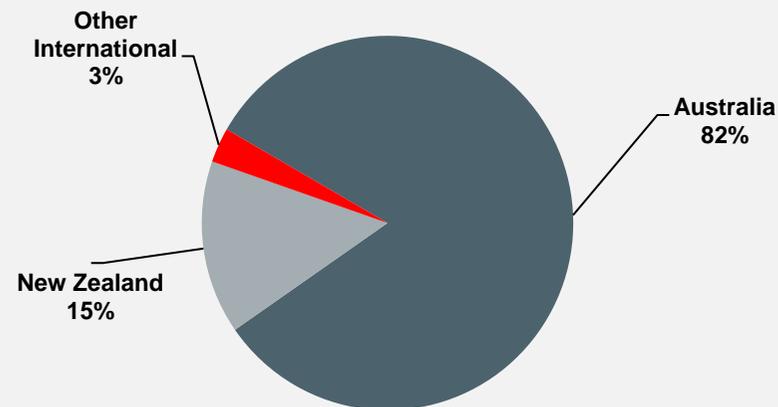
# GROUP ASSET QUALITY

# GROUP LENDING MIX

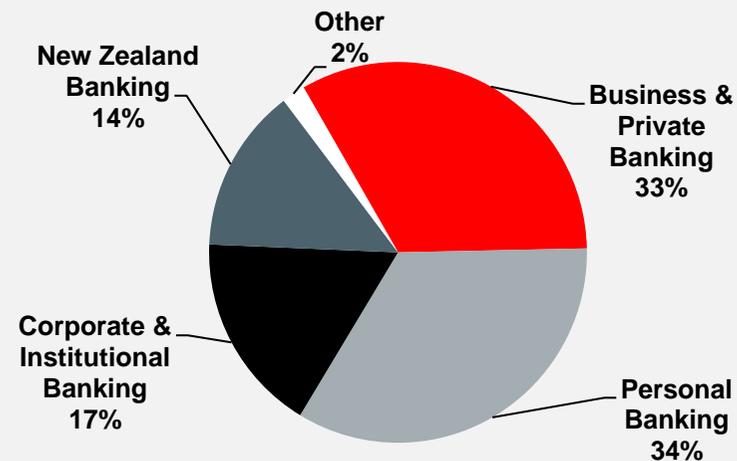
## GROSS LOANS AND ACCEPTANCES BY PRODUCT - \$629BN



## GROSS LOANS AND ACCEPTANCES BY GEOGRAPHY<sup>1</sup>



## GROSS LOANS AND ACCEPTANCES BY BUSINESS UNIT



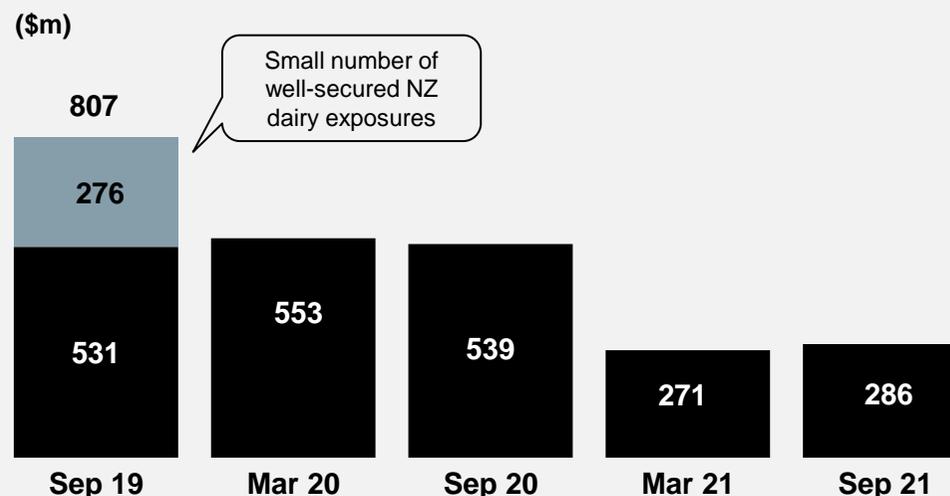
(1) Based on booking office where transactions have been recorded

# ASSET QUALITY IMPROVING

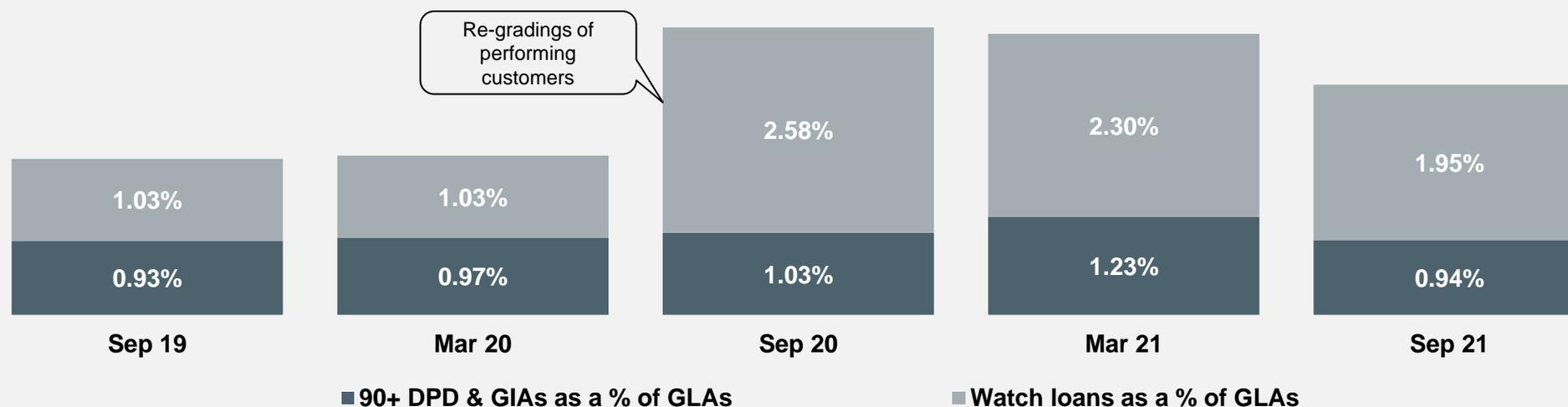
## KEY IMPACTS IN 2H21

- 90+ DPD & GIA ratio reduction with improvements in business lending and Australian home lending
- Reduction in Watch loans reflects aviation sale
- New impaired assets remain at low levels
- >70% of non-retail categorised assets relate to COVID-19 sectors<sup>1</sup>
- Total deferral balances associated with recent lockdowns ~\$2.2bn at 30 September<sup>2</sup>, majority housing

## NEW IMPAIRED ASSETS<sup>3</sup>



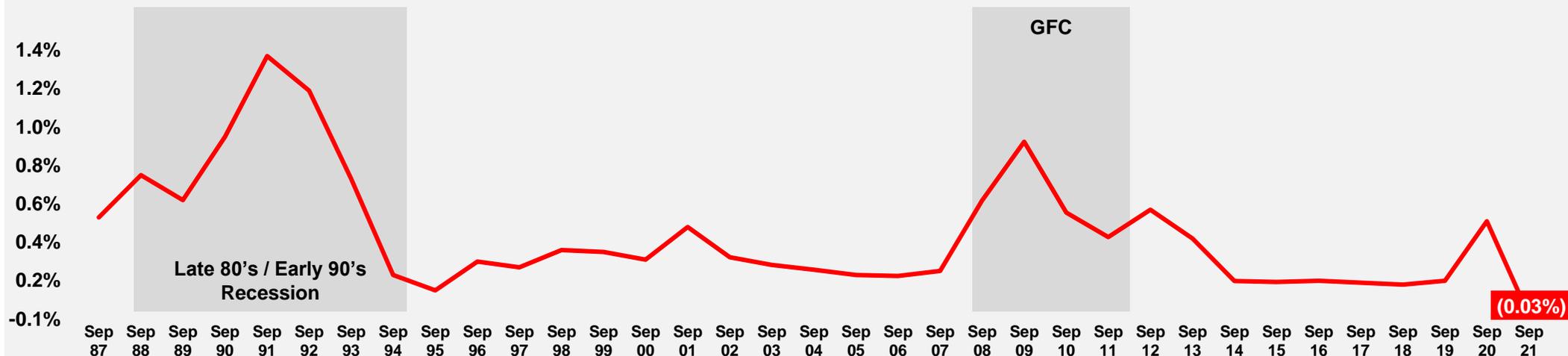
## 90+ DPD, GIAs & WATCH LOANS AS A % OF GLAs<sup>4,5</sup>



- (1) Categorised assets include 90+ DPD, GIAs and Watch loans. COVID-19 sectors refer to Retail Trade, Tourism, Hospitality & Entertainment, Air Travel and related services, Office, Retail, Tourism & Leisure CRE (see slides 82-85 for more details)
- (2) APRA concessional treatment of deferrals ended 30 September 2021
- (3) Figures represent Half Year to date flow of new impaired assets
- (4) Referral to Watch generally triggered by banker annual reviews through the year or as a result of performing customers experiencing cashflow pressures
- (5) Eligible deferral customers treated in accordance with APRA guidance, with arrears profile frozen for period of deferral

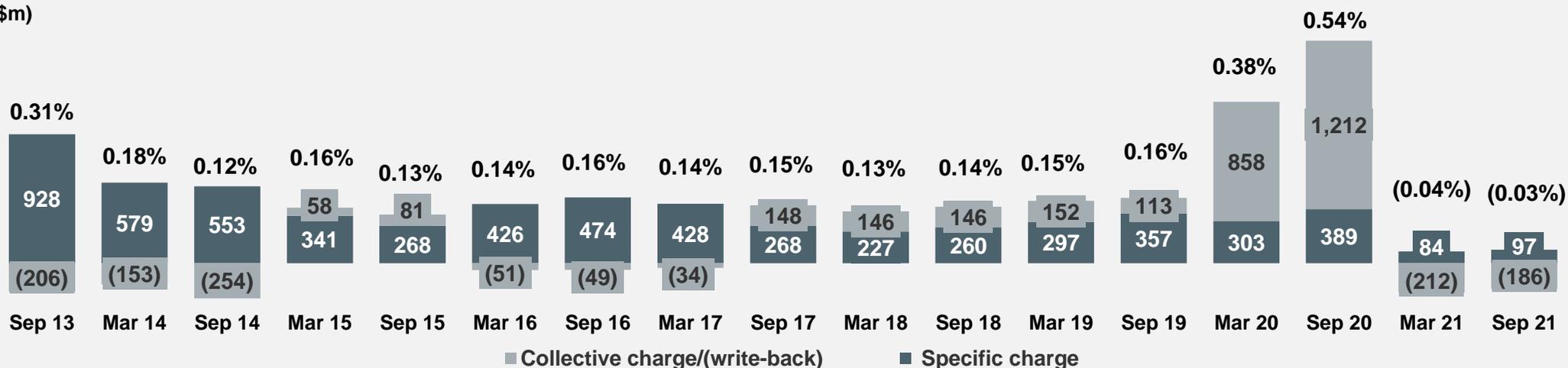
# GROUP CREDIT IMPAIRMENT CHARGE

## CREDIT IMPAIRMENT CHARGE AS % OF GLAs



## CREDIT IMPAIRMENT CHARGE AND AS % OF GLAs<sup>1</sup>

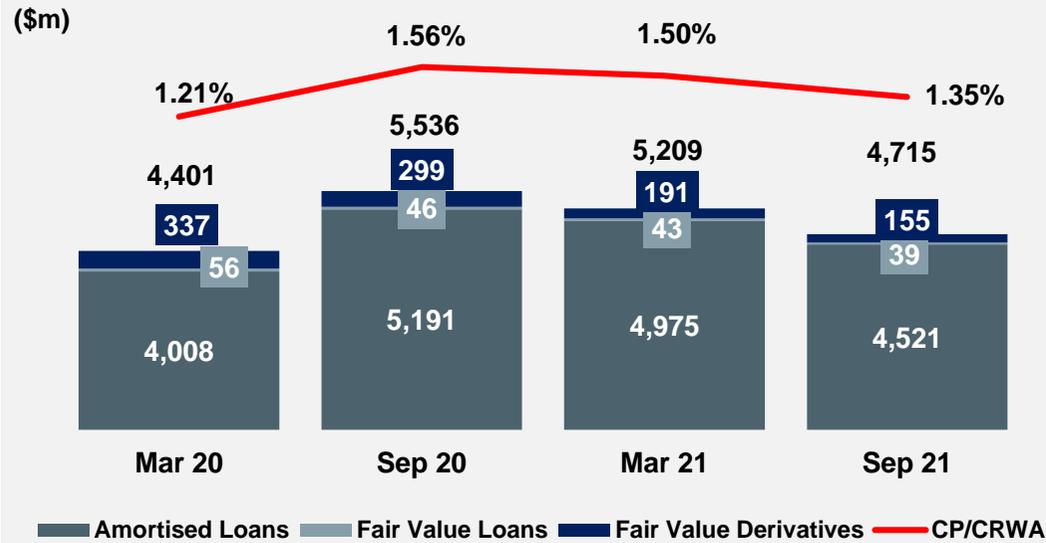
(\$m)



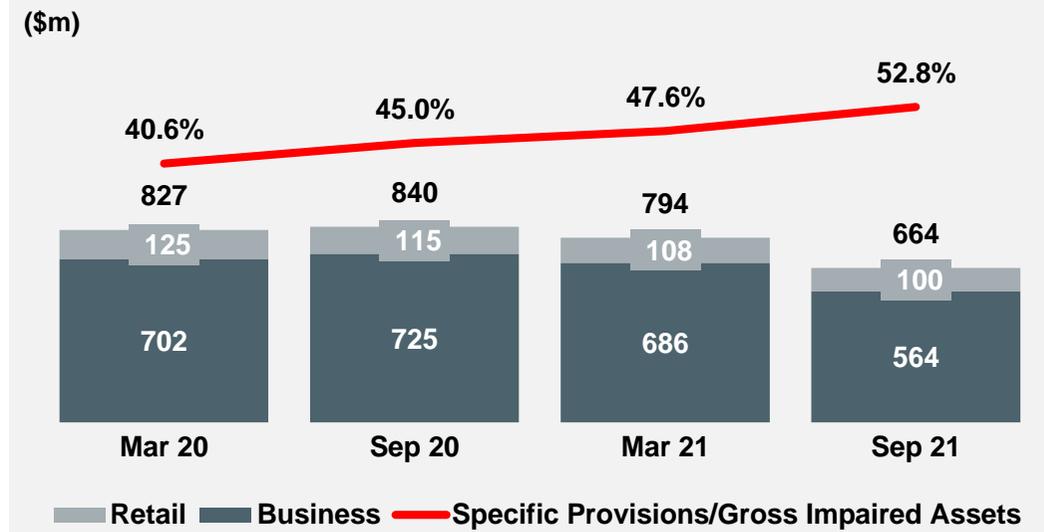
(1) Ratios for all periods refer to the half year ratio annualised

# GROUP PROVISIONS

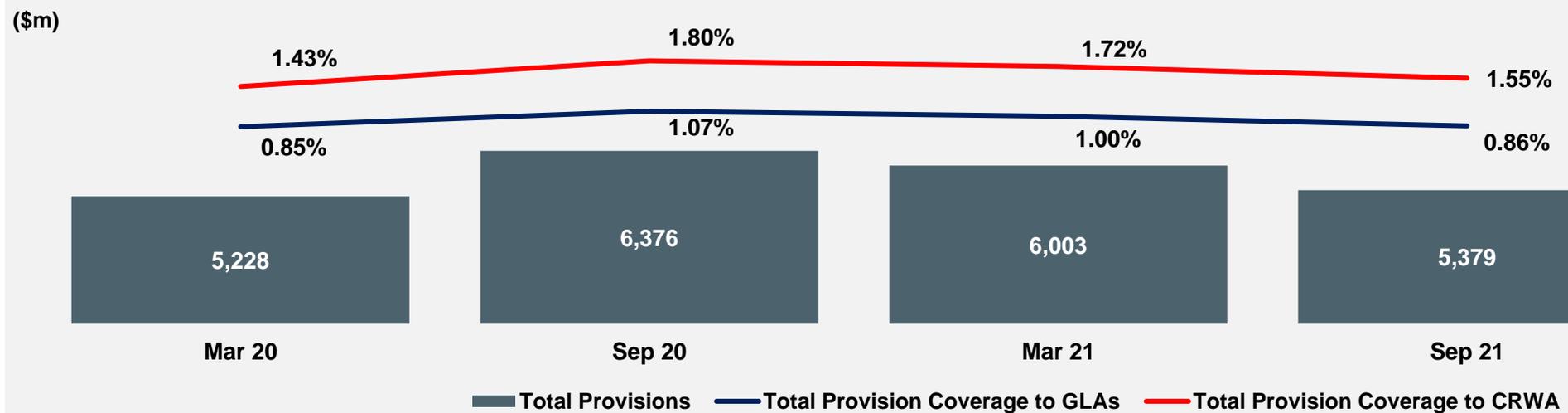
## COLLECTIVE PROVISIONS



## SPECIFIC PROVISIONS



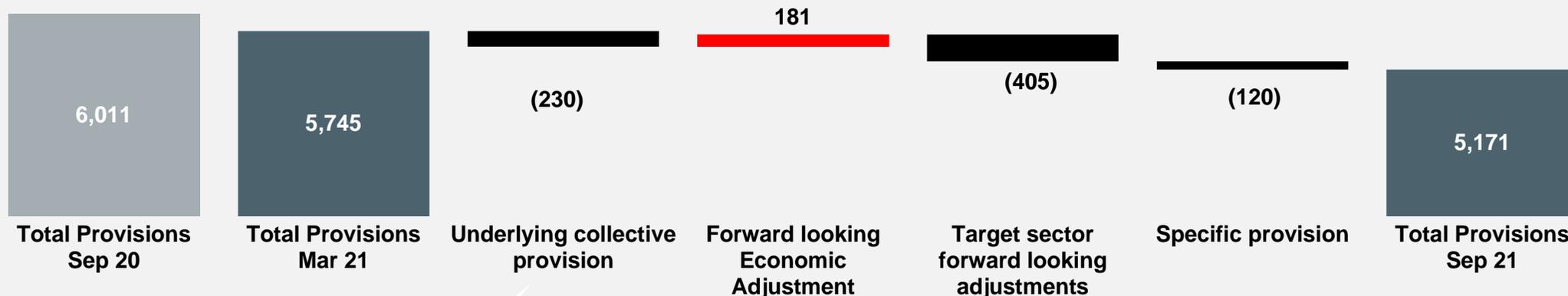
## TOTAL PROVISIONS



# PROVISIONS

## MOVEMENT IN PROVISIONS<sup>1</sup>

(\$m)



### UNDERLYING CP

- Model outcomes based on point-in-time data
- Forms baseline
- 2H21 release reflects improved environment and customer positions

### ECONOMIC ADJUSTMENT (EA)

- Forward view of additional stress across portfolio from baseline, according to 3 probability weighted scenarios (upside, base case & downside)
- Scenarios based on forward looking macro economic data and granular PD and LGD assumptions
- EA top-up required where probability weighted EA higher over the period (and vice versa)
- 2H21 EA increase of \$181m reflects modest increased weighting to downside scenario (30% to 32.5%) given increased uncertainty in the economic outlook<sup>2</sup>

### TARGET SECTOR FLAS

- Considers forward looking stress incremental to EA changes
- \$248m release in FLAs relating to the partial sale of the Aviation portfolio

(1) Excludes provisions on fair value loans and derivatives

(2) Australian base case weighting now 62.5% (from 65% at 1H21) and Downside weighting now 32.5% (from 30% at 1H21)

# ECL ASSESSMENT

## ECL SCENARIOS & WEIGHTINGS

	Total Provisions for ECL <sup>1,2</sup>		
\$m	2H21 (probability weighted)	100% Base case	100% Downside
Total Group	5,171	4,291	6,984
Change vs Mar 21	(574)	(613)	(346)

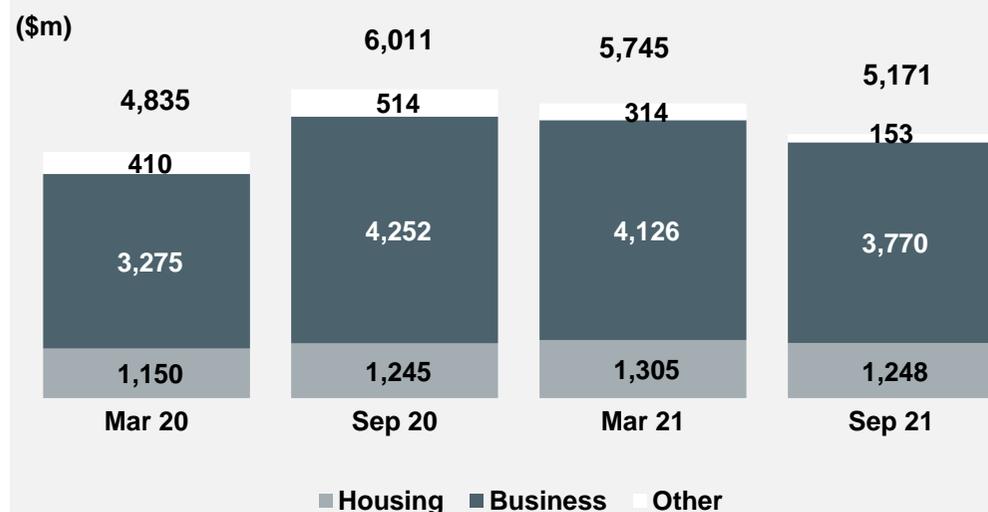
  

	Macro economic scenario weightings		
Australian Portfolio (%)	Upside	Base case	Downside
31 Mar 21	5	65	30
30 Sep 21	5	62.5	32.5

## KEY CONSIDERATIONS

- Reduction in ECL vs Mar 21 includes \$299m CP derecognised with aviation sale<sup>3</sup> and \$120m SP reduction due to work-outs and low levels of new impairments
- Modest underlying CP release given improved asset quality
- \$157m reduction in target sector FLAs (ex. aviation sale)
- Modest EA increase with increased uncertainty in economic outlook
- Limited change in exposures (total and mix)

## TOTAL PROVISIONS FOR EXPECTED CREDIT LOSSES<sup>1</sup>



## ECONOMIC ASSUMPTIONS

Economic assumptions considered in deriving Base Case ECL scenario at Sep 21			
%	2022	2023	2024
GDP change (Year ended September)	5.9	2.2	2.5
Unemployment (as at 30 September)	4.5	4.0	3.8
House price change (Year ended September)	5.5	3.0	2.0

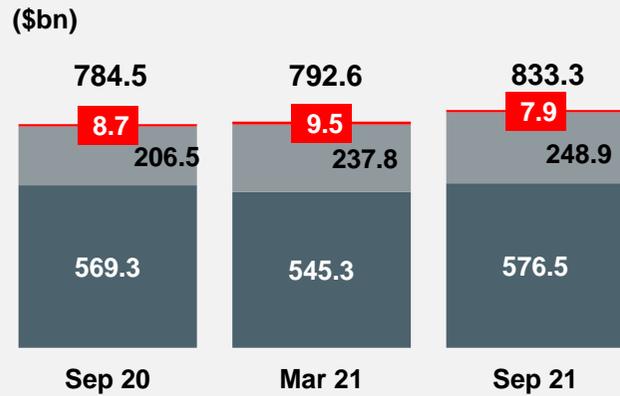
(1) ECL excludes provisions on fair value loans and derivatives

(2) Scenarios, prepared for purposes of informing forward looking provisions, rely on NAB Economics modelling and management judgement

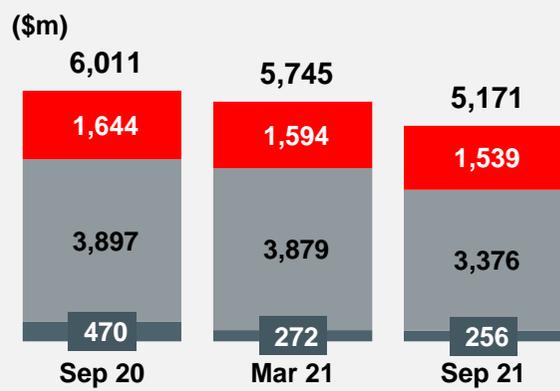
(3) Of which \$248m relates to target sector FLAs

# ECL PROVISIONING BY STAGES

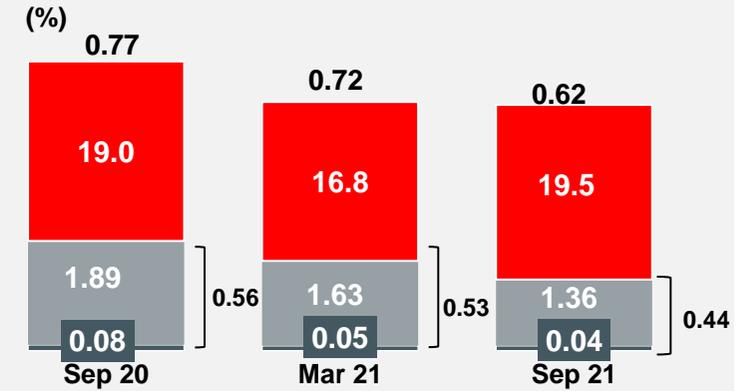
## LOANS AND ADVANCES BY STAGE<sup>1</sup>



## PROVISIONS BY STAGE<sup>2</sup>



## PROVISION COVERAGE BY STAGE<sup>3</sup>



■ Stage 1 (12 month ECL) ■ Stage 2 (Lifetime ECL) ■ Stage 3 (Lifetime ECL)

	Status	Type of provision
Stage 1 (12 month ECL)	Credit risk not increased significantly since initial recognition; performing	Collective
Stage 2 (Lifetime ECL)	Credit risk increased significantly since initial recognition but not credit impaired	Collective
Stage 3 (Lifetime ECL)	Credit impaired: default no loss Credit impaired: default with loss	Collective Specific

- Significant increase in credit risk determined by change in credit risk scores for business exposures and change in behavioural scoring outcomes for retail exposures. These rules are not prescribed by accounting standards
- No automatic migration from stage 1 to stage 2 as a result of COVID-19 repayment deferrals; migration assumptions included in forward looking adjustments
- Stage 2 includes majority of forward looking adjustments

(1) Notional staging of loans and advances including contingent liabilities and credit-related commitments, incorporates forward looking stress applied in the ECL model

(2) Excludes collective provision on loans at fair value and derivatives which are not allocated to a stage under the ECL model

(3) Provision coverage: provisions as a percentage of loans and advances including contingent liabilities and credit-related commitments

# COVID-19 NON-RETAIL SECTORS REMAIN CHALLENGED

## KEY CONSIDERATIONS

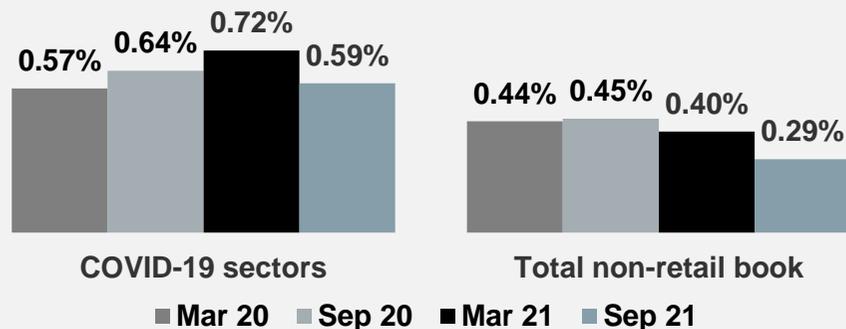
- Continued close monitoring of exposures to sectors significantly impacted by COVID-19
- While asset quality for these sectors improved compared with 1H21, it remains materially worse than for the total non-retail book
- EAD broadly stable vs 1H21
- FLAs for non-retail COVID-19 sectors now account for 100% of non-retail FLAs

## COVID-19 SECTORS – KEY METRICS SUMMARY

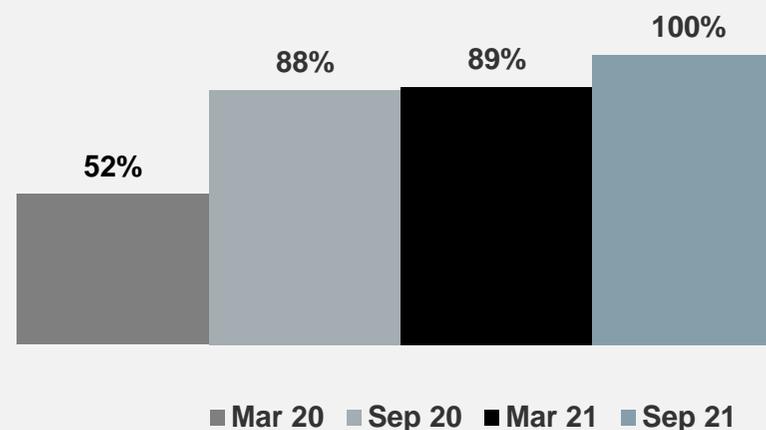
	EAD \$bn		% of 90+ DPD and GIA to EAD	
	Mar 21	Sep 21	Mar 21	Sep 21
Retail Trade	14.5	14.6	1.71	1.24
Tourism, Hospitality & Entertainment <sup>1</sup>	13.5	13.6	1.23	1.13
Air travel and related services	10.1	8.8	0.77	0.80
Office, retail, tourism & leisure CRE <sup>2</sup>	41.6	42.4	0.21	0.15
<b>Total COVID-19 non-retail sectors</b>	<b>79.7</b>	<b>79.4</b>	<b>0.72</b>	<b>0.59</b>

## COVID-19 SECTORS VS TOTAL NON-RETAIL BOOK

90+ DPD & GIA % of EAD



## COVID-19 SECTOR FLAs % OF TOTAL NON-RETAIL FLAs<sup>3</sup>

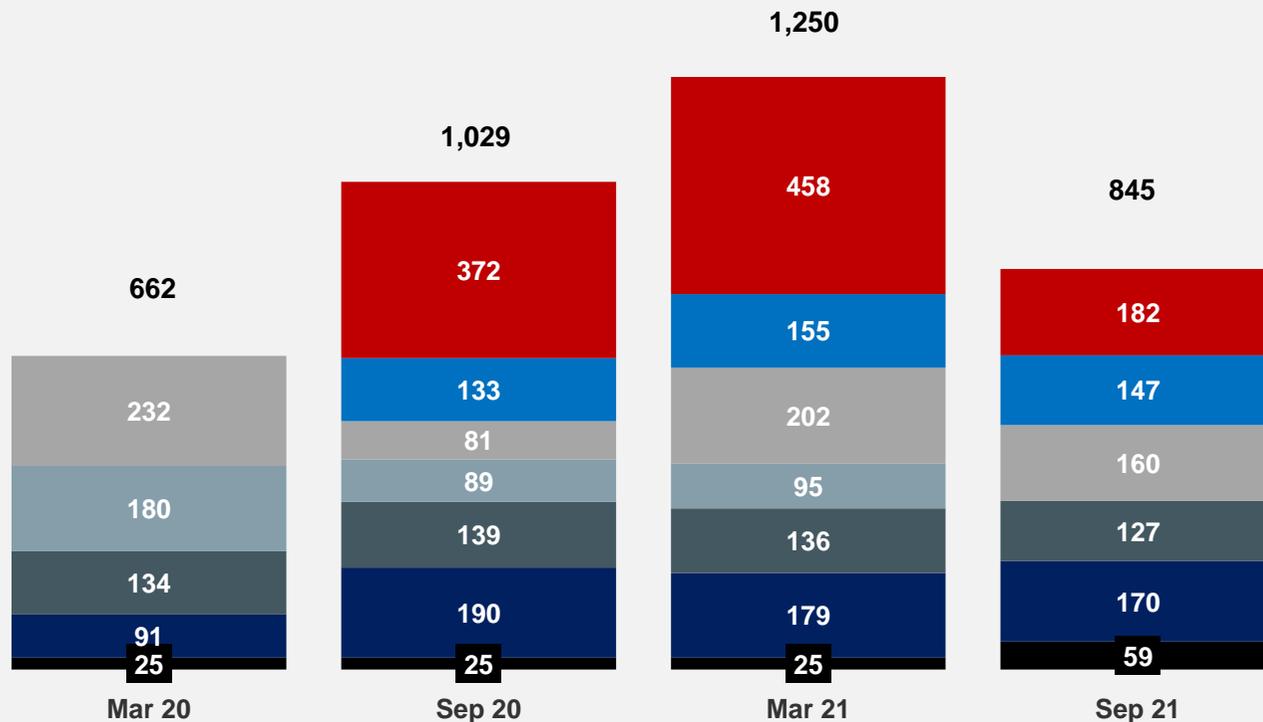


(1) Tourism, hospitality and entertainment include regulatory industry classification of accommodation and hospitality, plus cultural and recreational services  
 (2) CRE EAD figures are limits based on ARF230 and the FLAs relate to the whole CRE portfolio with Office, Retail, Tourism and Leisure CRE most impacted by COVID-19 stress  
 (3) Refer page 40 for a breakdown of target sector FLAs

# TARGET SECTOR FLAs

## COLLECTIVE PROVISION TARGET SECTOR FLAs

(\$m)

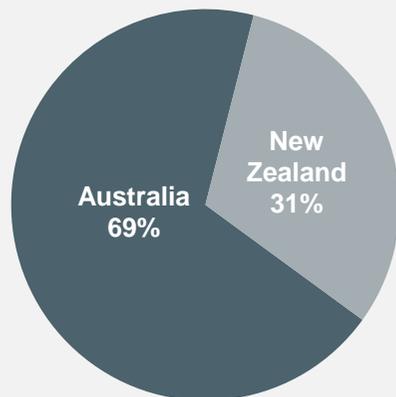


- Aviation
- Australian Tourism, Hospitality and Entertainment
- Australian Mortgages
- Australian Agri
- Australian Retail Trade
- Commercial Property
- Other

- Aviation FLA release includes \$248m as a result of the partial sale of the aviation portfolio
- \$95m release in Australian Agri due to improved trading conditions and outlook
- \$42m release in Australian mortgages due to the impact of house prices and lower delinquencies

# GROUP AGRICULTURE, FORESTRY & FISHING EXPOSURES

## GROUP EAD \$52.8BN SEPTEMBER 2021

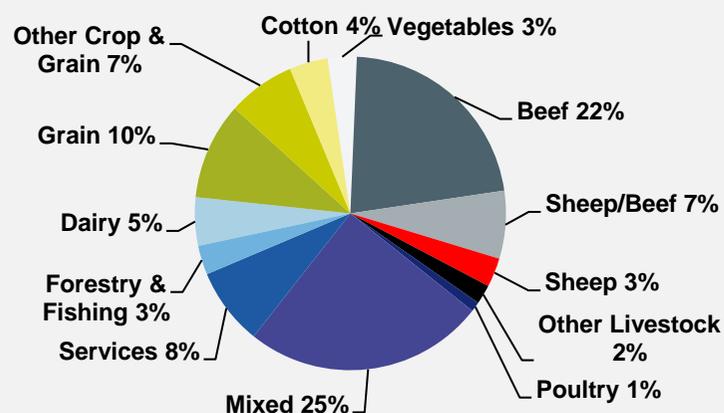


## KEY CONSIDERATIONS

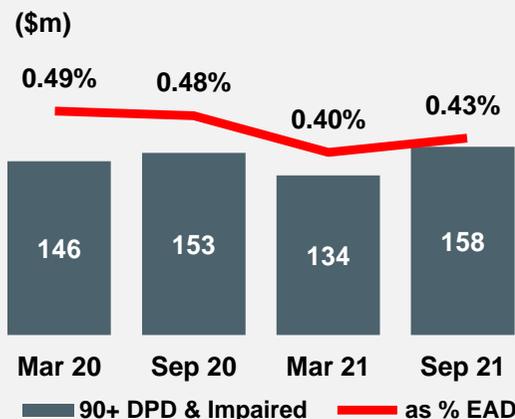
- Sector outlook continues to improve, with favourable weather conditions, higher than predicted commodity prices and minimal impact from ongoing China trade tensions
- Portfolio asset quality remains robust, benefitting from favourable external conditions

## AUSTRALIAN AGRICULTURE, FORESTRY & FISHING

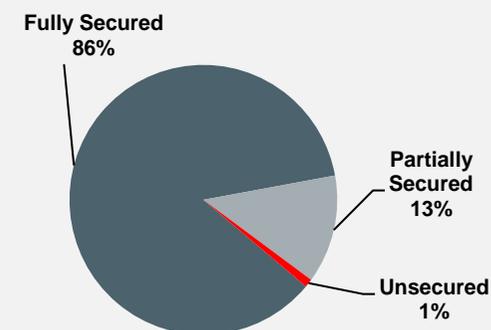
### Diverse Portfolio EAD \$36.6bn Sep 21



### Australian Agriculture Asset Quality



### Australian Agriculture Portfolio Well Secured<sup>1</sup>



(1) Fully Secured is where the loan amount is less than 100% of the bank extended value of security; Partially Secured is where the loan amount is greater than 100% of the bank extended value of security; Unsecured is where no security is held and/or no value held against the security and negative pledge arrangements are normally in place. Bank extended value is calculated as a discount to market value based on the nature of the underlying security

# GROUP COMMERCIAL REAL ESTATE<sup>1</sup>

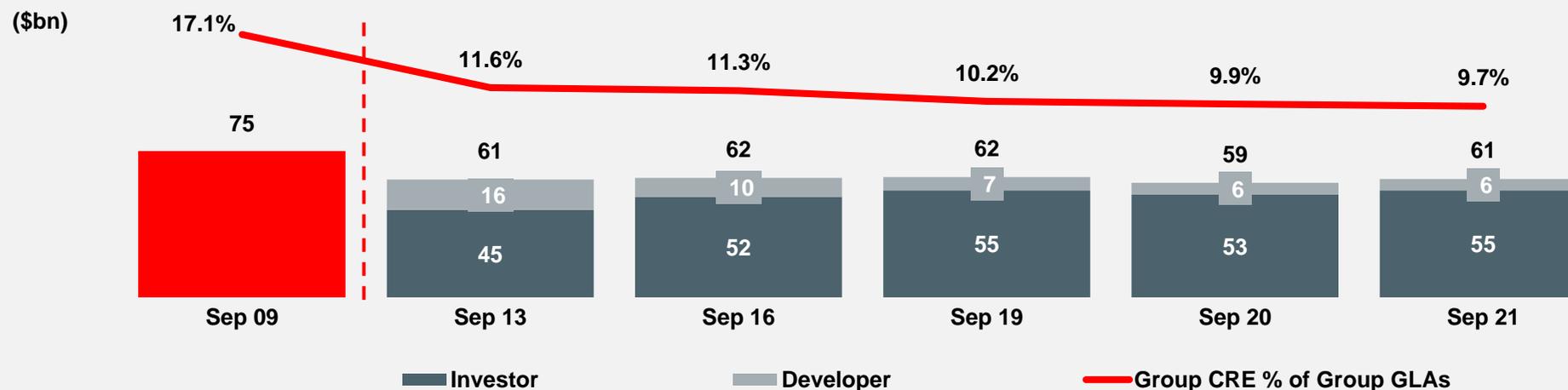
## GROSS LOANS & ACCEPTANCES

	Aust	New Zealand	Total
TOTAL CRE (A\$bn)	53.2	7.6	60.8
Increase/(decrease) from Sep 20 (A\$bn)	2.0	0.1	2.1
% of geographical GLAs	10.3%	8.4%	9.7%
Change in % from Sep 20	-	(0.7%)	(0.2%)

## ASSET QUALITY

Trend	Mar 19	Sep 19	Mar 20	Sep 20	Mar 21	Sep 21
Impaired loans ratio	0.22%	0.25%	0.26%	0.32%	0.30%	0.19%
Specific Provision Coverage	34.4%	31.9%	32.2%	39.9%	39.2%	44.6%

## BALANCES OVER TIME

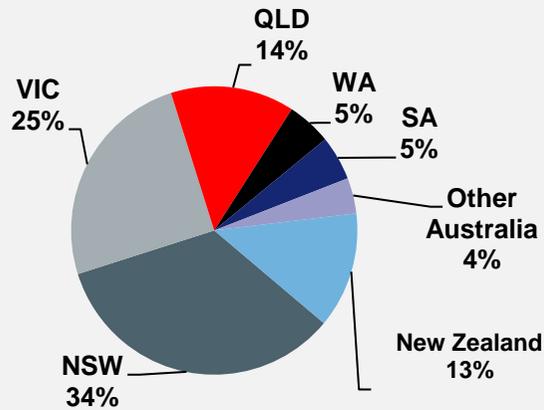


(1) Measured as balance outstanding as at 30 September 2021 per APRA Commercial Property ARF 230 definitions

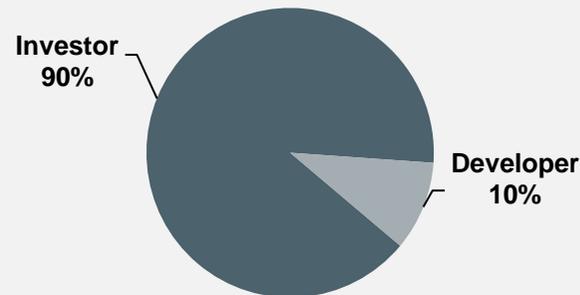
# GROUP COMMERCIAL REAL ESTATE<sup>1</sup>

## BREAKDOWN BY TOTAL GROSS LOANS & ACCEPTANCES (\$60.8BN)

### Geographic breakdown

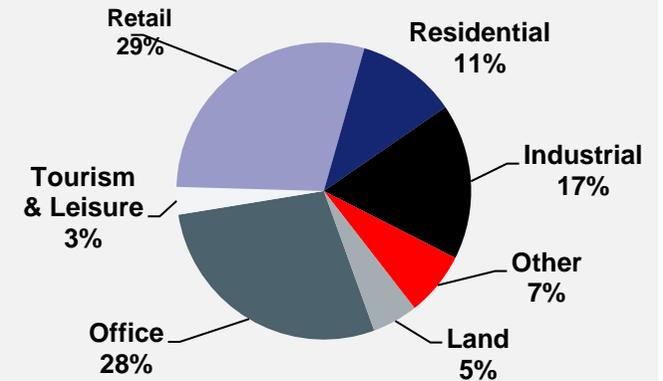


### Borrower breakdown



**Developer includes \$1.1bn for land development and \$2.1bn for residential development in Australia**

### Sector breakdown



(1) Measured as balance outstanding as at 30 September 2021 per APRA Commercial Property ARF 230 definitions

# GROUP OFFICE, RETAIL, TOURISM & LEISURE COMMERCIAL REAL ESTATE<sup>1</sup>

## GLA PROFILE

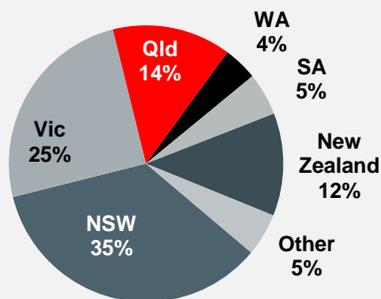


## KEY CONSIDERATIONS

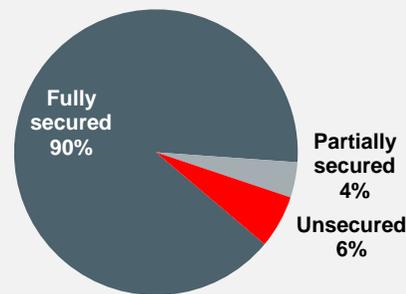
- Office, Retail and Tourism & Leisure (T&L) viewed as most impacted by COVID-19 across Group CRE portfolio
- Office faces medium term uncertainties, dependent on extent and timing of return-to-work and asset-specific lease expiries; ~44% of Australian balances CBD-based (of which ~88% C&I)
- Market liquidity and well supported valuations for Retail assets with stronger bias to non-discretionary tenants; T&L to benefit from increasing vaccination rates and lifting of restrictions
- CBD-based Retail and T&L assets impacted by lockdowns given low office occupancy and closed borders: ~6% of Australian Retail balances (of which ~50% C&I); minority of Australian T&L balances

## PORTFOLIO CHARACTERISTICS<sup>1</sup>

### Geographic breakdown

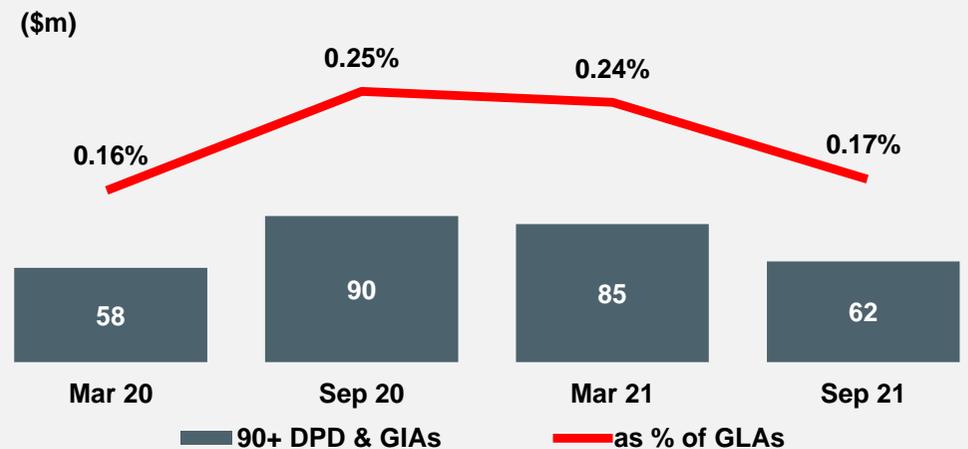


### Portfolio security<sup>2</sup>



**Borrower breakdown: Investor 96%, Developer 4%**

## 90+ DPD AND GIAs AND AS % OF SECTOR GLAs

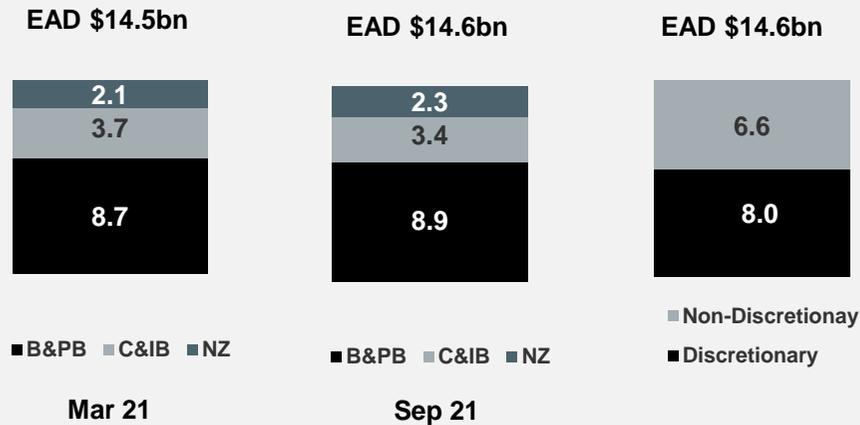


(1) Measured as balance outstanding as at 30 September 2021 per APRA Commercial Property ARF230 definitions

(2) Fully Secured is where the loan amount is less than 100% of the bank extended value of security; Partially Secured is where the loan amount is greater than 100% of the bank extended value of security; Unsecured is where no security is held and/or no value held against the security and negative pledge arrangements are normally in place. Bank extended value is calculated as a discount to market value based on the nature of the underlying security. Unsecured proportion represents Institutional exposures that are weighted towards listed A-REITs and wholesale funds which are lowly geared and exhibit strong debt servicing.

# RETAIL TRADE<sup>1</sup>

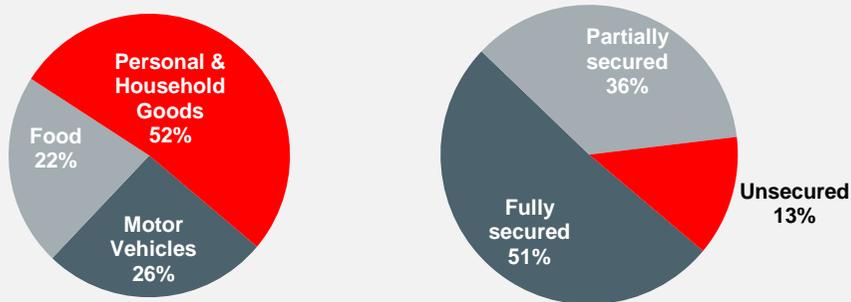
## EXPOSURE AT DEFAULT



## KEY CONSIDERATIONS

- Notwithstanding challenges pre COVID-19, the Retail Trade sector performed relatively well during lockdowns as consumers continued spending, but impacts have been uneven across segments
- Full impact of COVID-19 on the Retail industry not yet fully played out, given unprecedented levels of government and bank support
- Retail Trade portfolio COVID-19 impacts mixed:
  - ~46% is non-discretionary with more limited COVID-19 impacts
  - ~11% of B&PB exposure is CBD located

## EAD PORTFOLIO BY SECTOR AND SECURITY<sup>2</sup>



## 90+ DPD AND GIAs AND AS % OF SECTOR EAD



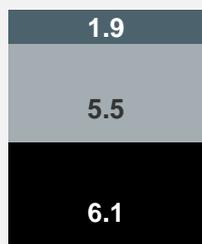
(1) Retail Trade is aligned to Regulatory Industry Classifications. Discretionary / Non-discretionary Retail Trade determined at an individual ANZSIC code level

(2) Fully Secured is where the loan amount is less than 100% of the bank extended value of security; Partially Secured is where the loan amount is greater than 100% of the bank extended value of security; Unsecured is where no security is held and/or no value held against the security and negative pledge arrangements are normally in place. Bank extended value is calculated as a discount to market value based on the nature of the underlying security

# TOURISM, HOSPITALITY AND ENTERTAINMENT<sup>1</sup>

## EXPOSURE AT DEFAULT

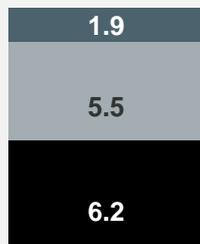
EAD \$13.5bn



■ B&PB ■ C&IB ■ NZ

Mar 21

EAD \$13.6bn



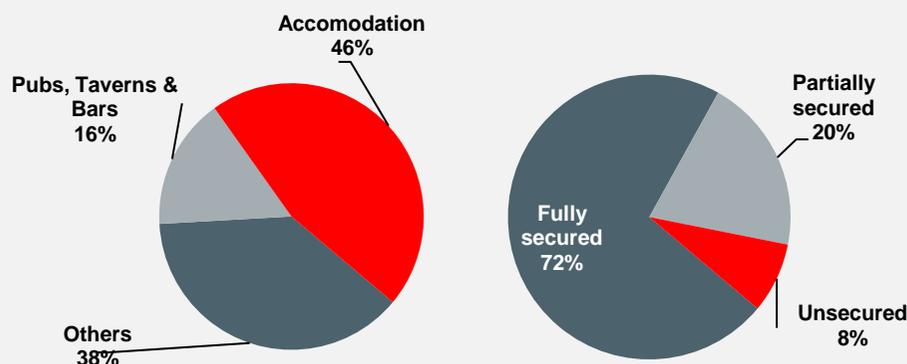
■ B&PB ■ C&IB ■ NZ

Sep 21

## KEY CONSIDERATIONS

- Industry outlook for Hospitality & Entertainment sectors continues to improve, reflecting growing confidence in COVID-19 tracking, controls and immunisation levels; Tourism and Accommodation sectors exposed to international visitors continue to face uncertainties
- Prior resurgence in regional TH&E activities has stalled given lockdowns and domestic border closures
- Extent of COVID-19 impacts dependent on location. ~19% of B&PB portfolio is in CBD and has seen a significant drop in activity given lockdowns and WFH

## EAD PORTFOLIO BY SECTOR AND SECURITY<sup>2</sup>



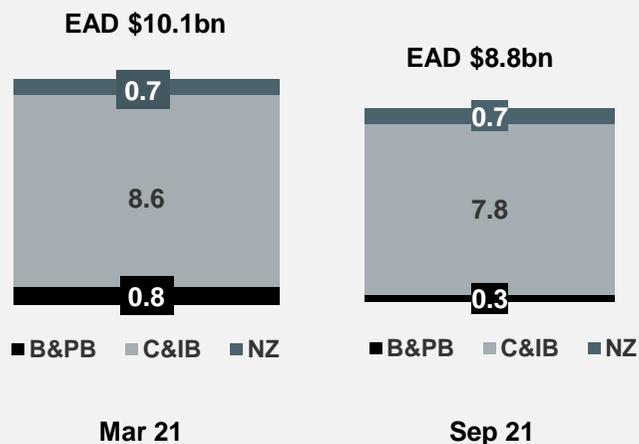
## 90+ DPD AND GIAs AND AS % OF SECTOR EAD



- (1) Tourism, hospitality and entertainment include regulatory industry classification of accommodation and hospitality, plus cultural and recreational services
- (2) Fully Secured is where the loan amount is less than 100% of the bank extended value of security; Partially Secured is where the loan amount is greater than 100% of the bank extended value of security; Unsecured is where no security is held and/or no value held against the security and negative pledge arrangements are normally in place. Bank extended value is calculated as a discount to market value based on the nature of the underlying security

# AIR TRAVEL AND RELATED SERVICES

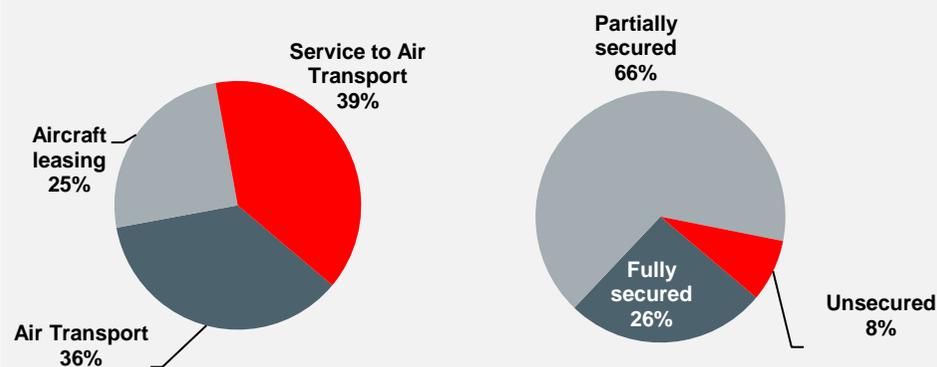
## EXPOSURE AT DEFAULT



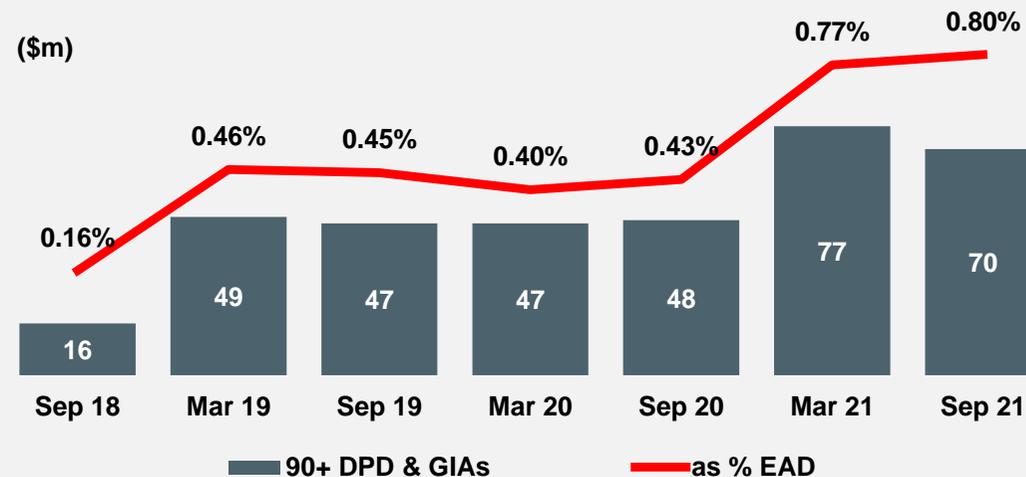
## KEY CONSIDERATIONS

- ~2% of non retail EAD
- Portfolio comprises airlines which are usually national carriers and sovereign owned, airports, lessors and service companies supporting the aviation industry
- Ongoing disruption caused by COVID-19 related travel restrictions, with length and severity unknown; sovereign support and access to capital markets continues
- EAD reduction driven by sale of part of the aviation portfolio

## EAD PORTFOLIO BY SECTOR AND SECURITY<sup>1</sup>



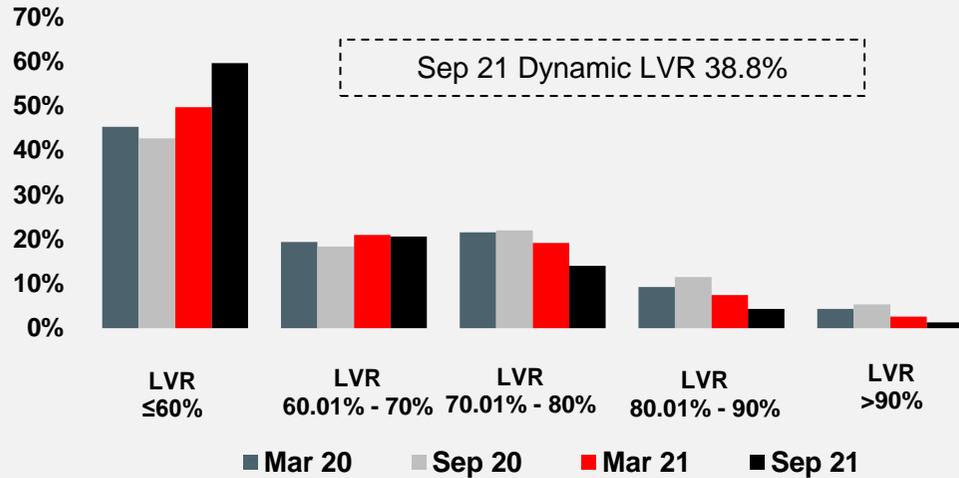
## 90+ DPD AND GIAs AND AS % OF SECTOR EAD



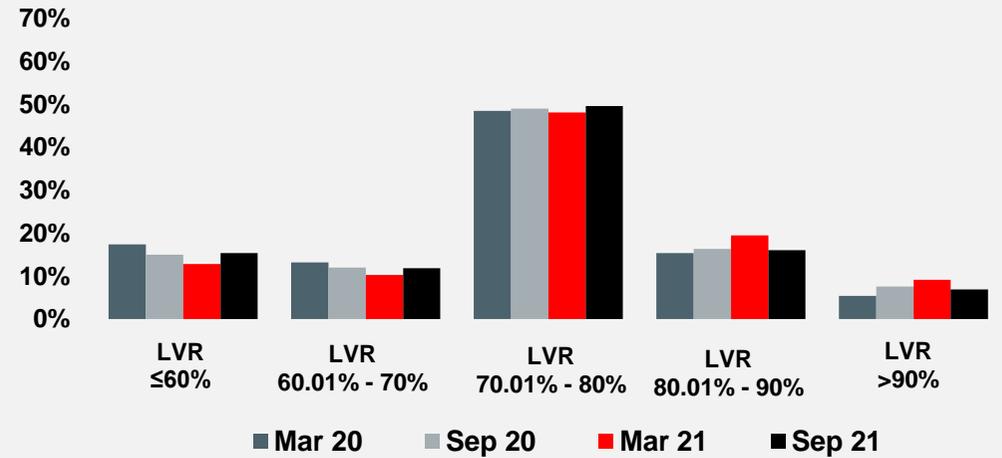
(1) Fully Secured is where the loan amount is less than 100% of the bank extended value of security; Partially Secured is where the loan amount is greater than 100% of the bank extended value of security; Unsecured is where no security is held and/or no value held against the security and negative pledge arrangements are normally in place. Bank extended value is calculated as a discount to market value based on the nature of the underlying security

# HOUSING LENDING PORTFOLIO QUALITY

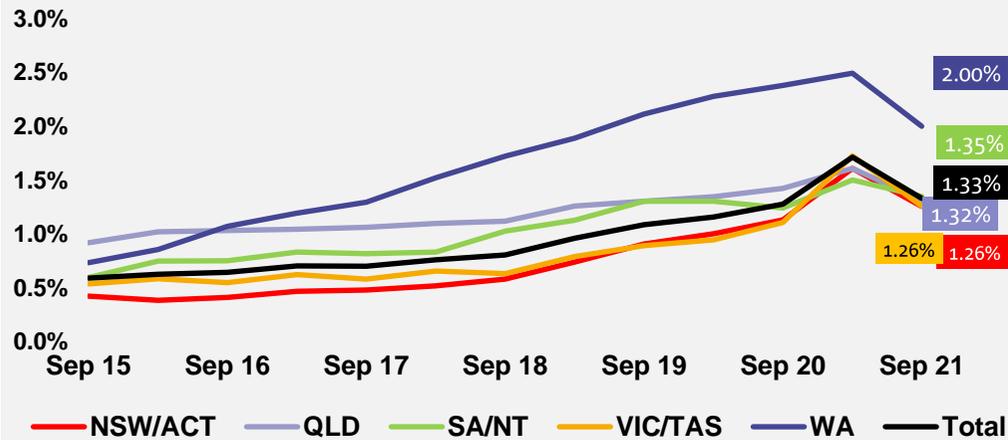
## DYNAMIC LVR BREAKDOWN OF DRAWN BALANCE<sup>1</sup>



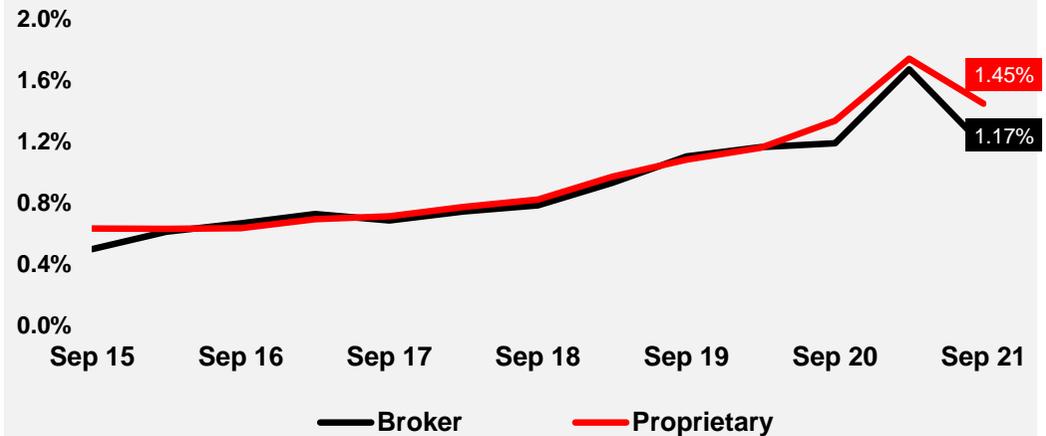
## LVR BREAKDOWN AT ORIGINATION<sup>1</sup>



## HOUSING LENDING 90+ DPD & GIAs AS % OF GLAs<sup>1</sup>



## 90+ DPD & GIAs AS % OF TOTAL HOUSING LENDING GLAs - BY CHANNEL<sup>1</sup>



(1) Excludes 86 400

# HOUSING LENDING PRACTICES & REQUIREMENTS

## KEY ORIGINATION REQUIREMENTS

<b>Income</b>	<ul style="list-style-type: none"> <li>Income verified using a variety of documents including payslips and/or checks on salary credits into customers' accounts</li> <li>20% shading applies to less certain incomes (temporarily increased to 30% in May 2020, reduced back to 20% in November 2020)</li> </ul>
<b>Household expenses</b>	<p>Assessed using the greater of:</p> <ul style="list-style-type: none"> <li>Customers' declared living expenses, enhanced in 2016 to break down into granular sub categories</li> <li>Household Expenditure Measure (HEM) benchmark plus specific customer declared expenses (e.g. private school fees). HEM is adjusted by income and household size</li> </ul>
<b>Serviceability</b>	<ul style="list-style-type: none"> <li>Assess customers' ability to repay based on the higher of the customer rate plus serviceability buffer (3.0%<sup>1</sup>) or the floor rate (4.95%)</li> <li>Assess Interest Only loans on the full remaining Principal and Interest term</li> </ul>
<b>Existing debt</b>	<ul style="list-style-type: none"> <li>Verify using declared loan statements and assess on the higher of the customer rate plus serviceability buffer (3.0%<sup>1</sup>) or the floor rate (4.95%)</li> <li>Assessment of customer credit cards assuming repayments of 3.8% per month of the limit</li> <li>Assessment of customer overdrafts assuming repayments of 3.8% per month of the limit</li> </ul>

(1) Serviceability buffer increased by 0.50% to 3.00% as of 1 November 2021

## LOAN-TO-VALUE RATIO (LVR) LIMITS

Principal & Interest – Owner Occupier	95%
Principal & Interest – Investor	90%
Interest Only – Owner Occupier	80%
Interest Only – Investor	90%
'At risk' postcodes	80%
'High risk' postcodes (e.g. mining towns)	70%

## OTHER REQUIREMENTS

- Loan-to-Income decline threshold of 7x
- Debt-to-Income decline threshold of 9x
- Lenders' mortgage insurance (LMI) applicable for majority of lending >80% LVR
- LMI for inner city investment housing >70% LVR
- Apartment size to be 50 square metres or greater (including balconies and car park)
- NAB Broker applications assessed centrally – verification and credit decisioning
- Maximum Interest Only term for Owner Occupier borrowers of 5 years

# HOUSING LENDING KEY METRICS<sup>1</sup>

Australian Housing Lending	Mar 20	Sep 20	Mar 21	Sep 21		Sep 20	Mar 21	Sep 21
	<b>Portfolio</b>					<b>Drawdowns<sup>2</sup></b>		
Total Balances (spot) \$bn	302	299	300	309		29	32	49
Average loan size \$'000	309	309	310	315		383	401	427
- Variable rate	75.9%	71.9%	67.8%	61.3%		64.0%	53.2%	41.9%
- Fixed rate	18.3%	22.8%	27.3%	34.4%		35.0%	45.8%	56.9%
- Line of credit	5.8%	5.3%	4.9%	4.4%		1.1%	1.0%	1.2%
By borrower type								
- Owner Occupied <sup>3,4</sup>	58.4%	60.1%	61.6%	63.2%		70.1%	71.3%	67.8%
- Investor <sup>3,4</sup>	41.6%	39.9%	38.4%	36.8%		29.9%	28.7%	32.2%
By channel								
- Proprietary	62.8%	62.2%	60.0%	58.2%		53.1%	52.1%	48.7%
- Broker	37.2%	37.8%	40.0%	41.8%		46.9%	47.9%	51.3%
Interest only <sup>5</sup>	17.2%	14.8%	13.6%	12.7%		17.9%	17.3%	20.5%
Low Documentation	0.4%	0.4%	0.3%	0.3%				
Offset account balance (\$bn)	30.0	32.6	33.3	33.5				
LVR at origination	69.1%	69.2%	69.5%	69.6%				
Dynamic LVR on a drawn balance calculated basis	44.6%	45.5%	42.3%	38.8%				
Customers in advance $\geq 1$ month <sup>6</sup> (including offset facilities)	66.5%	69.9%	69.1%	68.5%				
Avg # of monthly payments in advance <sup>6</sup> (including offset facilities)	36.3	43.4	45.1	47.1				
90+ days past due	1.04%	1.18%	1.61%	1.24%				
Impaired loans	0.12%	0.10%	0.10%	0.10%				
Specific provision coverage ratio	33.3%	35.4%	32.8%	32.3%				
Loss rate <sup>7</sup>	0.02%	0.02%	0.01%	0.01%				
Number of properties in possession <sup>8</sup>	268	155	113	169				
HEM reliance	33%	33%	35%	33%				

(1) Excludes Asia and 86 400

(2) Drawdowns is defined as new lending excluding limit increases and redraws in the previous six month period

(3) Portfolio sourced from APRA Monthly Banking Statistics

(4) Drawdowns sourced from management data

(5) Excludes line of credit products

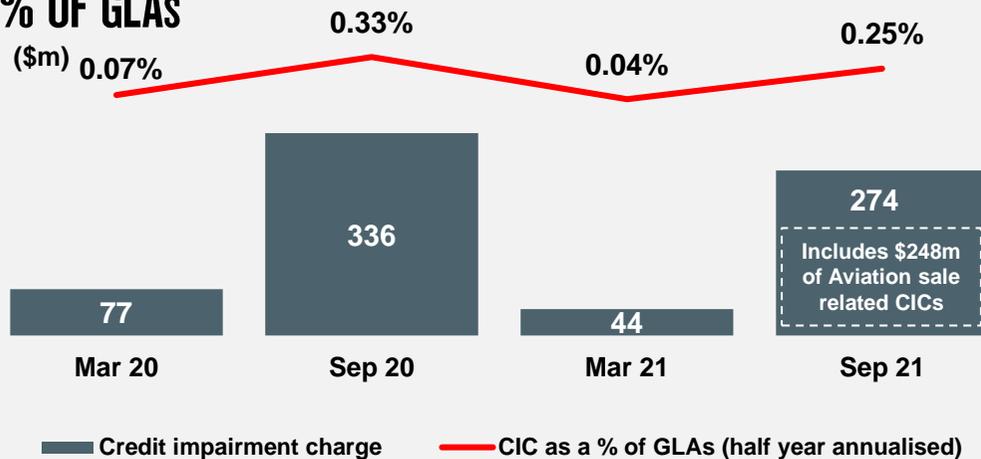
(6) Excludes Advantaged and line of credit

(7) 12 month rolling Net Write-offs / Spot Drawn Balances

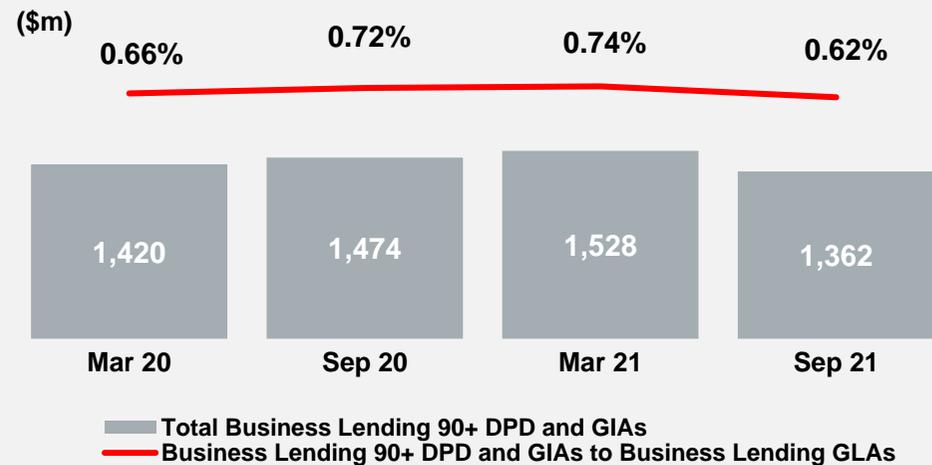
(8) Reduction in properties in possession in Sep 20 and Mar 21 reflects pause in legal activity due to COVID-19

# BUSINESS LENDING ASSET QUALITY

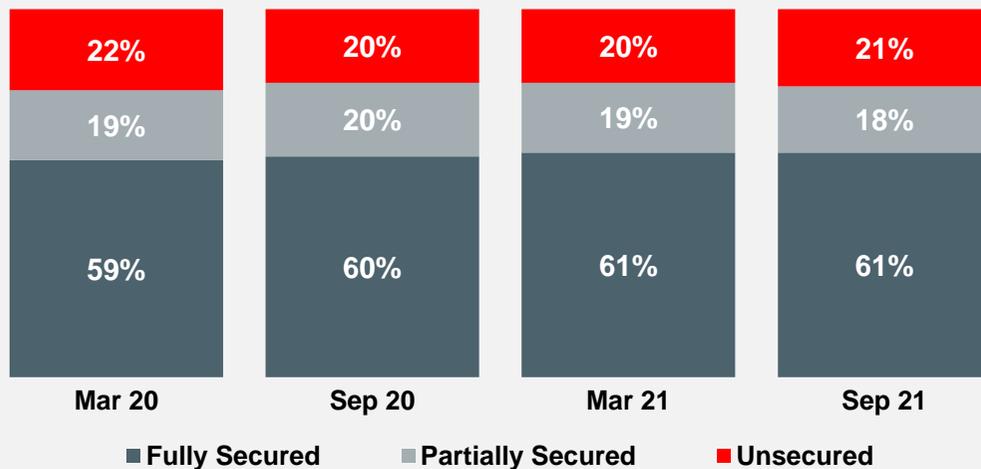
## BUSINESS LENDING CREDIT IMPAIRMENT CHARGE AND AS % OF GLAs



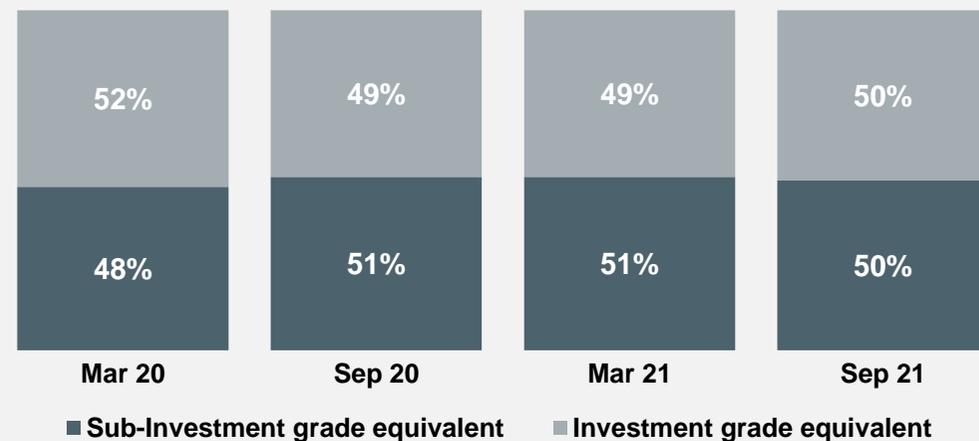
## BUSINESS LENDING 90+ DPD AND GIAs AND AS % OF GLAs



## TOTAL BUSINESS LENDING SECURITY PROFILE<sup>(1)</sup>



## BUSINESS LENDING PORTFOLIO QUALITY



(1) Fully Secured is where the loan amount is less than 100% of the bank extended value of security; Partially Secured is where the loan amount is greater than 100% of the bank extended value of security; Unsecured is where no security is held and/or no value held against the security and negative pledge arrangements are normally in place. Bank extended value is calculated as a discount to market value based on the nature of the underlying security



National  
Australia  
Bank

# **LONG-TERM: A SUSTAINABLE APPROACH**

# SUSTAINABILITY IS EMBEDDED IN OUR GROUP STRATEGY

## COMMERCIAL RESPONSES TO SOCIETY'S BIGGEST CHALLENGES



Embedding sustainability means doing good through the way we do business. Using our core skills and resources and focusing activity in three areas:

### Our priorities:

- Climate change
- Affordable and specialist housing
- Indigenous business

## RESILIENT AND SUSTAINABLE BUSINESS PRACTICES



Getting the basics right and managing our environmental, social and governance (ESG) risks and opportunities responsibly.

### Our priorities:

- Colleagues and culture
- Inclusive banking
- ESG risk management
- Supply chain management
- Human rights, including modern slavery

## INNOVATING FOR THE FUTURE



Driving investment in new, emerging and disruptive technologies, and partnering with customers, industry and government on critical initiatives.

### Our priorities:

- Our future core business and market-leading data analytics
- Partnerships that matter



**ALIGNED TO SIX KEY UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS<sup>1</sup> – WHERE WE CAN MAKE THE BIGGEST IMPACT**

(1) [www.un.org/sustainabledevelopment](http://www.un.org/sustainabledevelopment)

# ESG GOVERNANCE & PERFORMANCE

## BOARD COMMITTEES:

### Audit Committee

Chair: David Armstrong

### Customer Committee

Chair: Ann Sherry

### Nomination & Governance Committee

Chair: Philip Chronican

### People & Remuneration Committee

Chair: Anne Loveridge

### Risk & Compliance Committee

Chair: Simon McKeon

Updates on ESG risks are provided to the Board Risk & Compliance Committee and Board as appropriate

## EXECUTIVE COMMITTEES OVERSEEING KEY ASPECTS OF ESG RISK

### Sustainability Council

Chair: Les Matheson

### Executive Risk & Compliance Committee

Chair: Shaun Dooley

### Group Non-Financial Risk Committee

Chair: Patrick Wright

### Group Credit & Market Risk Committee

Chair: David Gall

NAB's overall approach to corporate governance available at: [nab.com.au/corporategovernance](http://nab.com.au/corporategovernance)  
Summary of relevant ESG policies and positions available at: [nab.com.au/esgrisk](http://nab.com.au/esgrisk)

## IMPLEMENTATION OF APRA SELF-ASSESSMENT ACTIONS AND ROYAL COMMISSION RECOMMENDATIONS

- Of 26 actions identified in NAB's 2018 Self-Assessment, **all but three are now embedded and closed**, those remaining relate to reviews that are ongoing in nature
- NAB will engage with APRA to determine whether related issues identified in NAB's Self-Assessment have been addressed to the satisfaction of the regulator
- Reform program has driven **improvement in governance, accountability and culture**, to address the root causes of past failings
- **The voice of the customer is now firmly represented**, executive accountabilities are clear due to updated operating model and risk committee structure has improved ownership and accountability for risks and issues

- **Actively Implementing all applicable reforms** following the Banking & Financial Services Royal Commission



# OUR GROUP CLIMATE STRATEGY

## GOAL OF ALIGNING OUR LENDING PORTFOLIO TO NET ZERO EMISSIONS BY 2050

- First Australian bank to have **signed the Collective Commitment to Climate Action (CCCA)**
- **Financed emissions estimate expanded to 8 sectors**
- **Sector specific pathway mapping work is under way and interim target-setting is on track** to be published in our 2022 annual reporting suite

### SUPPORTING OUR CUSTOMERS TO DECARBONISE AND BUILD RESILIENCE

- **Working closely with 100 of our largest GHG-emitting customers** to support them as they develop or improve their low carbon transition plans by 30 September 2023
- **\$70 billion environmental financing target by 30 September 2025<sup>1</sup>**
- **Bank for Transition** to support customers in their journey to net zero emissions

### MANAGING CLIMATE RISK

- **Committed to TCFD since 2017**
- Progressing **Climate Vulnerability Assessment**
- Completed **review of oil and gas sector** - published additional ESG-related credit policy settings and capped exposure to oil and gas

## SUPPORTED BY

### ACTIVELY REDUCING OUR OWN EMISSIONS

- **Carbon neutral in operations** for over a decade
- Focused on **reducing our operational greenhouse gas emissions** (targeting 51% reduction by 30 June 2025 against a 30 June 2019 baseline)
- Target to **source 100% of electricity consumption needs from renewable energy sources** by 30 June 2025

### HIGHLY CAPABLE COLLEAGUES

- **Climate change module in annual Risk Awareness training** for all colleagues
- **Climate change included** in Board development agenda
- Select **bankers taking part in a course on identifying climate-risk and developing transition plans** in partnership with Melbourne Business School

### RESEARCH, PARTNERSHIPS & ENGAGEMENT

- Actively taking part in nationwide discussions on how **Australia gets to net zero as a leader in sustainable technology**
- Launched **Project Carbon, a Voluntary Carbon Marketplace** pilot in partnership with CIBC, Itaú Unibanco and NatWest Group

(1) Represented as a cumulative amount of new environmental finance since 1 October 2015. Refer to the Group's 2021 Sustainability Data Pack for a further breakdown of this number and reference to how the environmental financing commitment is calculated

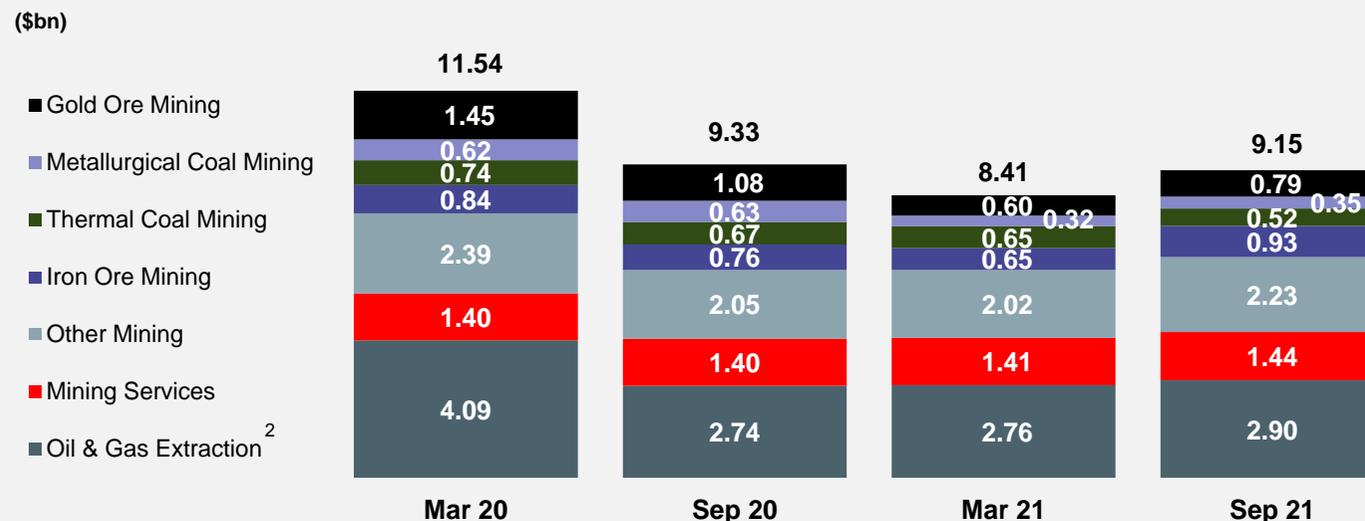
# OUR EXPOSURES TO THE ENERGY GENERATION AND RESOURCE SECTOR

## ENERGY GENERATION EAD BY FUEL SOURCE<sup>1</sup>



- Renewables comprise 71.4% of energy generation EAD at September 21, increasing from 39% as at September 2014

## RESOURCE EAD BY TYPE



- Thermal coal exposures decreased 20.8% over the half
- Thermal coal exposures have reduced 32.4% against September 19 cap level
- 20% of thermal coal mining EAD is for performance guarantees to rehabilitate existing coal mining sites

(1) NAB methodology (based upon the 1993 ANZSIC codes) at net EAD basis. Excludes exposure to counterparties predominantly involved in transmission and distribution. Vertically integrated retailers included and categorised as renewable where majority of their generation activities sourced from renewable energy. More detail at <https://www.nab.com.au/about-us/social-impact>.

(2) A significant contributor to the reduction of \$1.3bn in the Resources portfolio between Mar-20 and Sep-20 is AUD currency appreciation of USD denominated exposures and lower mark-to-market positions of treasury-related products in the Oil & Gas extraction sector.

# WE ARE A LEADER IN SUSTAINABLE FINANCING

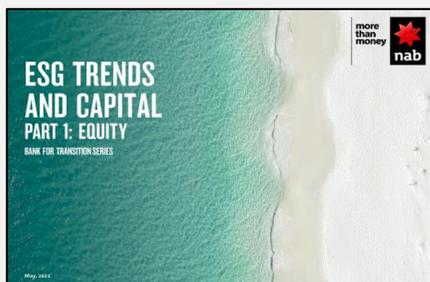
## GLOBAL COVERAGE MODEL WITH HIGHLY PROFESSIONAL BANKERS WORKING CLOSELY WITH CUSTOMERS

- We are raising the bar on Climate Banking professionalisation, having highly skilled bankers work with customers on their transition planning
- We will extend this training to our national agribusiness banker network

**75**  
BANKERS COMPLETING  
MELBOURNE BUSINESS  
SCHOOL CLIMATE BANKING  
TRAINING IN 2021

## ACCESS TO INSIGHTS, RESEARCH & PARTNERSHIPS

- We have established a Bank for Transition series to support our customers in their journey to net zero emissions with market leading strategic insights and support



## PRODUCT INNOVATION TO SUPPORT THE TRANSITION

- #1 Australian bank for global renewables transactions<sup>1</sup>
- Recently completed our first ESG-linked derivative with an ASX50 listed company
- Launched Project Carbon<sup>2</sup>

**>\$33 BILLION** Helped customers raise over \$33bn by arranging 60 green, social and sustainability linked bonds since 2014

**~\$25 BILLION** Supported customers to raise close to \$25bn across green, social and sustainability linked loans since 2018

**>\$11 BILLION** Committed over \$11.5bn in renewable energy project finance since 2003, backing over 150 domestic and global transactions

**CLOSED 7** ESG-linked derivatives (six in the European market including the first in the UK social housing market, as well as the first known inflation swap linked to the performance of ESG metrics globally, and one in Australia)

**Well positioned to support growth in global financing needs, representing a significant opportunity for NAB**

**USD 11 TRILLION** Cumulative sustainable debt issuance on track to hit \$11 trillion by 2025 having recently surpassed \$3 trillion in 2021<sup>3</sup>

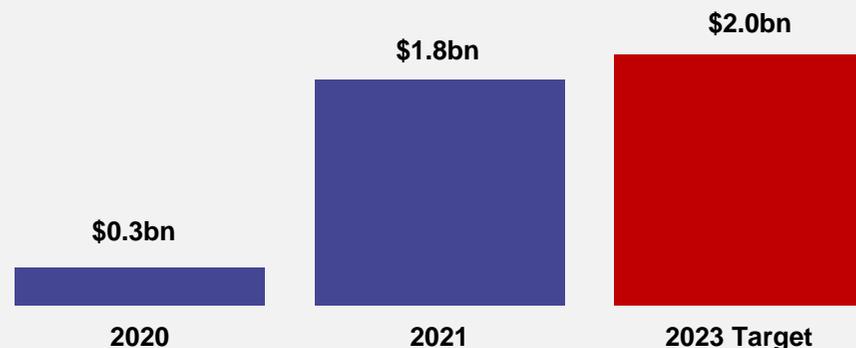
(1) Rankings based on IJGlobal League Table, MLA, Renewables, 12 months ending 30 September 2021  
 (2) A voluntary Carbon Marketplace pilot in partnership with CIBC, ItaÚ Unibanco and NatWest Group  
 (3) BloombergNEF: "Tipping point: ESG debt issuance tops \$3 trillion" June 2021

# PROGRESSING OUR PRIORITIES – COMMERCIAL RESPONSES TO SOCIETY'S BIGGEST CHALLENGES

## AFFORDABLE AND SPECIALIST HOUSING

### Progress against \$2bn financing target to support affordable and specialist housing<sup>1</sup>

(Cumulative \$bn)



- Cumulative total includes funding of affordable housing, specialist disability accommodation, sustainable housing; as well as a subset of loans made under the First Home Loan Deposit Scheme for:
  - Properties under the national median house price
  - Borrowers with taxable income below the national median household income
- >4,300 affordable, sustainable and specialist dwellings created
- >11,000 people housed
- Target under review for future ambition

(1) Affordable and specialist housing includes loans for affordable housing, specialist disability accommodation, and sustainable housing. It also includes loans made under the First Home Loan Deposit Scheme for properties under the national median house price, and borrowers with taxable income below the national median household income. Progress is based on total lending facilities committed, where first drawdown occurred during the target period (1 October 2019 – 30 September 2023). This number does not reflect debt balances.

## INDIGENOUS BUSINESS

- Hosted our first Indigenous Business Roundtable, hearing directly from NAB's Indigenous business customers on their experiences with NAB
- Finalised our comprehensive indigenous business strategy, outlining our target investment to support growth over the next three years
- Developed a dedicated customer value proposition for Indigenous Community customers within the Government, Education and Community banking sub-sector

## SUSTAINABLE AGRICULTURE

- Worked with researchers from the Food Agility CRC to develop a tool that catalogues and reviews investment opportunities for Australian farmers that supports them to mitigate emissions and adapt to the physical risks of climate change
- Supported ClimateWorks Australia with the development of a natural capital catalogue which defines what, and how, natural capital metrics can be measured across Australian Farms. The next phase of this work in 2022 will involve supporting farmers to pilot the metrics on participating farms

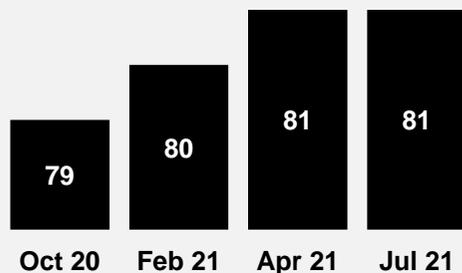
# PROGRESSING OUR PRIORITIES – RESILIENT AND SUSTAINABLE BUSINESS PRACTICES

## NEW INCLUSION AND DIVERSITY STRATEGY

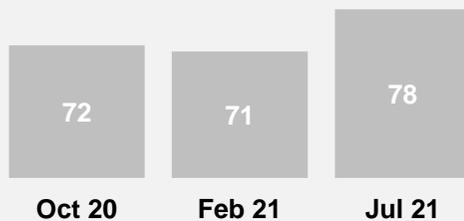
Focus areas of the new framework:

- **Inclusive leadership:** Leaders who are visible in their commitment to inclusion and actively build diversity in teams
- **Inclusive workplace:** A workplace that actively promotes and leverages team diversity, flexibility and wellbeing
- **Customer inclusion:** Colleagues who take pride in understanding the needs of our customers, and ensure that they can access the information, services and products they need with ease

Inclusion score<sup>1</sup>



Colleague Wellbeing score<sup>2</sup>



**WORKFORCE GENDER EQUALITY AGENCY**  
Employer of choice



**BLOOMBERG GENDER EQUALITY INDEX**



**EQUILEAP**  
(top 100)



**AUSTRALIAN WORKPLACE EQUALITY INDEX**  
(LGBTI Inclusion)  
Gold employer



## RESILIENT AND SUSTAINABLE BUSINESS PRACTICES

Provided  
**>32k**

no and low interest loans. Including programs for people on low incomes, are experiencing domestic and family violence or who have experienced loss of income due to COVID-19

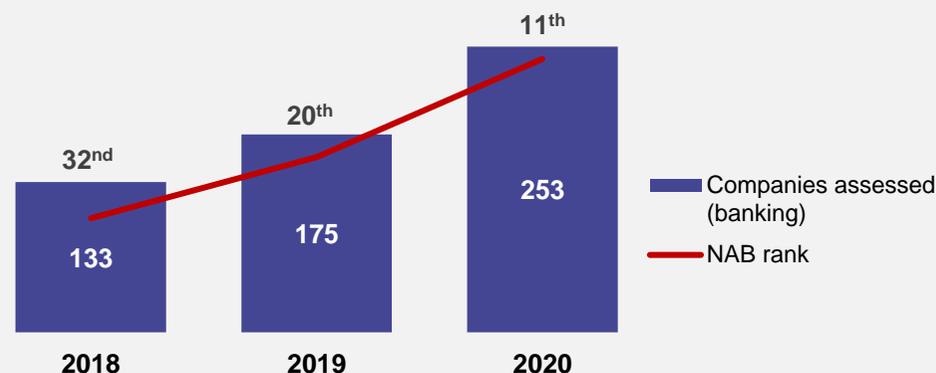
Spent  
**\$4.6m**

on diverse suppliers within our supply chain in FY21, up from \$2.9m in FY20<sup>3</sup>. We have a **goal to spend at least \$10m annually with diverse suppliers by 2025**

- As a founding signatory to the **Principles for Responsible Banking (PRB)**, we are actively working on shifting the balance of our activities towards positive environmental and social impact. Read more on our progress in the *Sustainability Data Pack*.

**NAB DJSI Ranking<sup>4</sup>**

(compared to total number of companies assessed in BANKS sector)



(1) Represents score based on the survey question of "Our team has a climate in which diverse perspectives are valued"

(2) Represents score based on the survey question of "Our team takes a genuine interest in employee wellbeing"

(3) Describes NAB's purchases made with Indigenous-owned, minority-owned and women-owned businesses and disability and social enterprises, total excludes GST

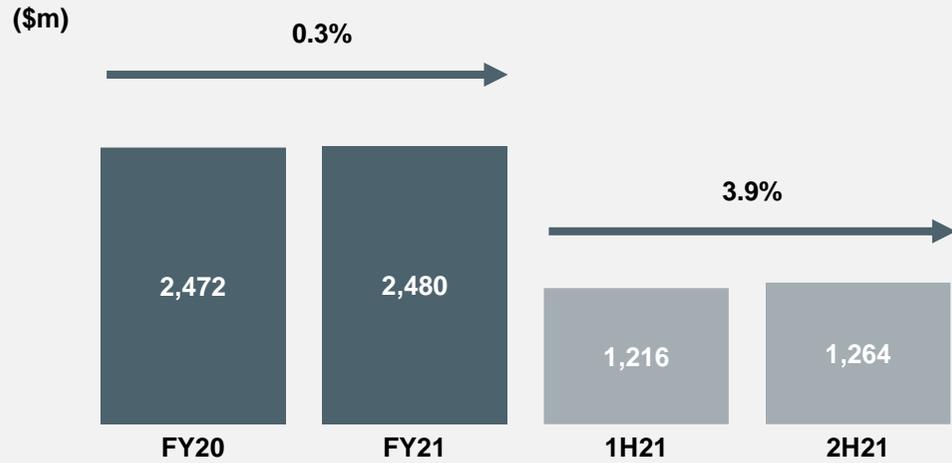
(4) NAB has set a target to maintain its inclusion in the Dow Jones Sustainability World and Australia Indexes, representing the top 10% of all companies assessed in the banking sector.



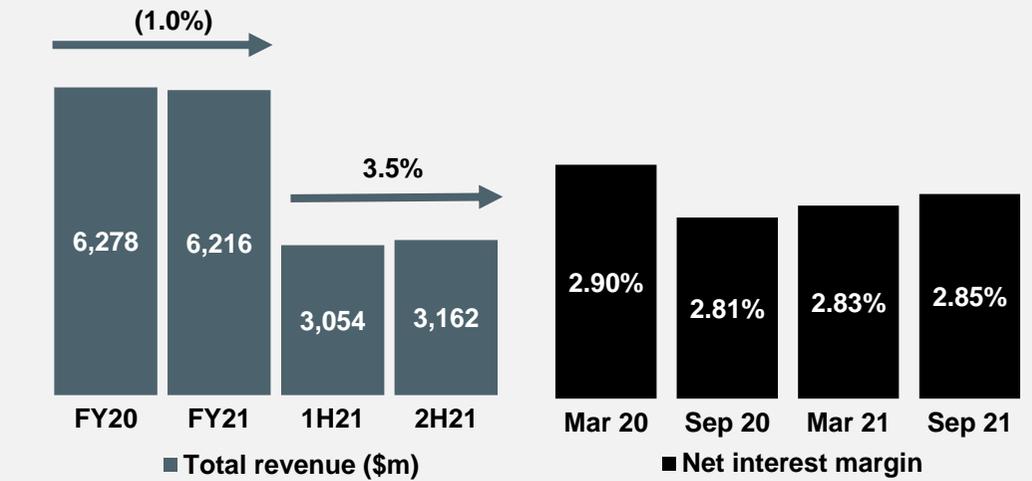
# **DIVISIONAL RESULTS & PRODUCT INFORMATION**

# BUSINESS & PRIVATE BANKING

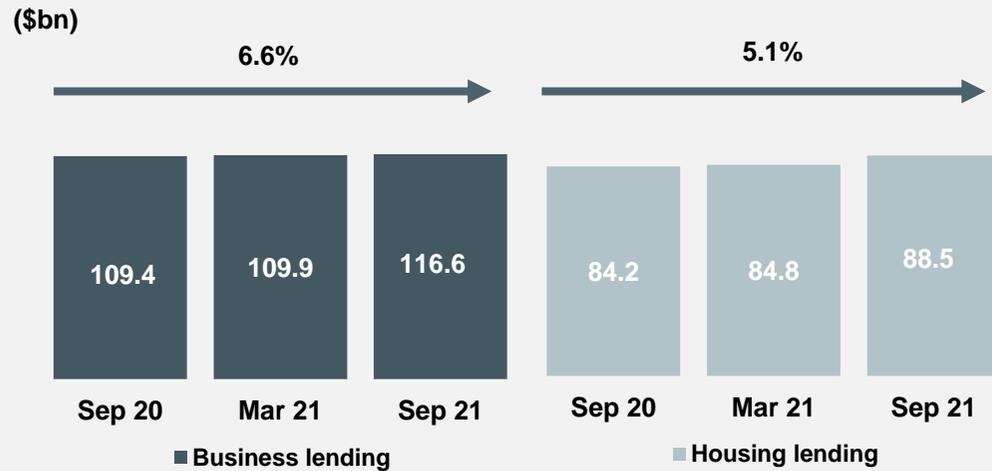
## CASH EARNINGS



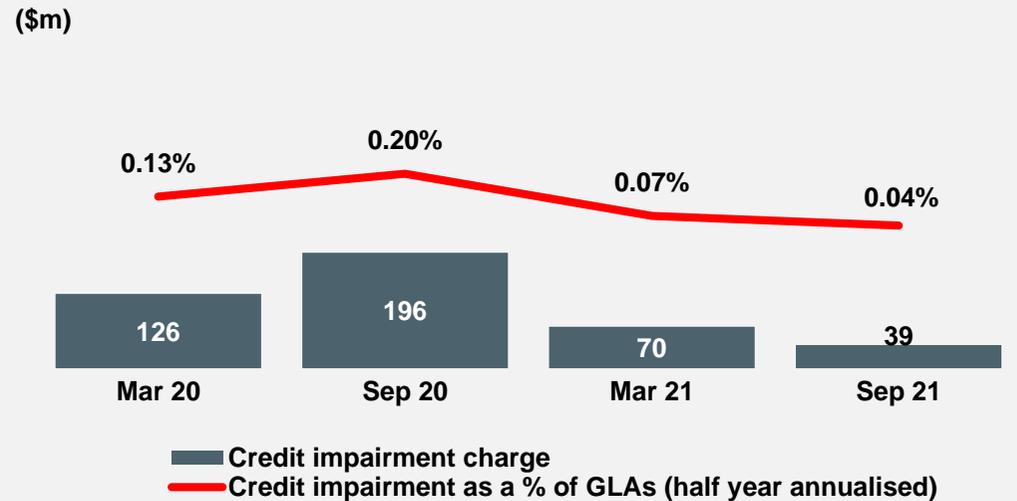
## REVENUE AND MARGIN



## BUSINESS AND HOUSING LENDING GLAs



## CREDIT IMPAIRMENT CHARGES AND AS A % OF GLAs



# MARKET LEADERSHIP IN BUSINESS & PRIVATE BANKING

## Focused on simplifying the business and getting the basics right



Embedded heightened focus on **performance disciplines**

**~550**

New customer facing roles in FY21

**~200**

FTE savings from process & policy changes

### Simplified merchant offering

- 1.15% flat price on card transactions<sup>1</sup>
- **Least cost routing**

## Driving growth through better customer and colleague experiences

<p><b>Transforming small business lending</b></p>	<ul style="list-style-type: none"> <li>✓ Simplified small business lending with fast tracked assessment, digitally captured self declared income, conditional approval in 24-48 hours</li> <li>✓ New Quickbiz offering<sup>3</sup> to enable cash disbursement within 20 mins</li> </ul>	<p>15.4%      15.8%</p> <p>-0.3      0.4</p> <p>1H21      2H21</p> <p>■ Small business lending GLA change (\$bn)</p> <p>— Market share</p>
<p><b>Digital transaction account opening<sup>2</sup></b></p>	<ul style="list-style-type: none"> <li>✓ Straight-through processing enabling real-time onboarding</li> <li>✓ Electronic ID verification and automated KYC decisioning</li> <li>✓ Multi product origination</li> </ul>	
<p><b>Industry-leading relationship bankers enabled by Data &amp; Analytics</b></p>	<ul style="list-style-type: none"> <li>✓ New facility renewal &amp; annual review process: faster assessment based on behavioural drivers</li> <li>✓ Personalised customer leads: advanced analytics propensity models help identify opportunities for bankers to better meet customer needs</li> </ul>	
<p><b>Leveraging our High Net Worth proposition</b></p>	<ul style="list-style-type: none"> <li>✓ New integrated HNW offering, 2.3x HL system growth in 2H21</li> <li>✓ 50 new Private Bankers, dedicated credit team and tailored policies, improving turnaround times</li> <li>✓ Improved digital: new nabtrade app, JBWere website refresh and new client portal</li> </ul>	

(1) Replacing 10 separate pricing plans

(2) Currently available only to sole traders and Australian private companies where the individual is new to bank. Work underway to expand more broadly

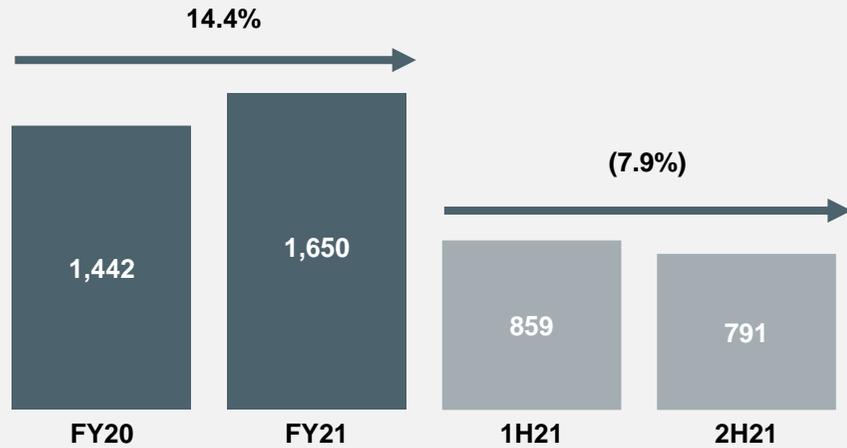
(3) Expected launch in late calendar year 2021 initially for unsecured lending and existing customers only

(4) NAB Private Bank: Winner - Australia

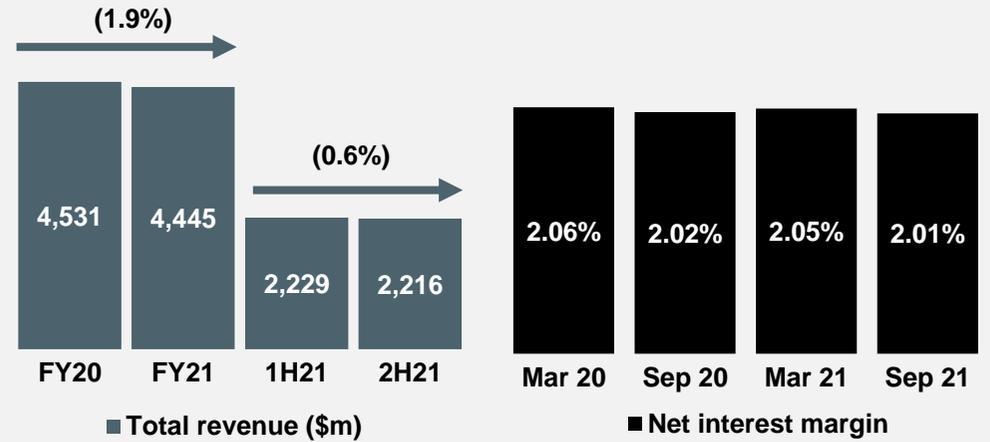
# PERSONAL BANKING

## CASH EARNINGS

(\$m)

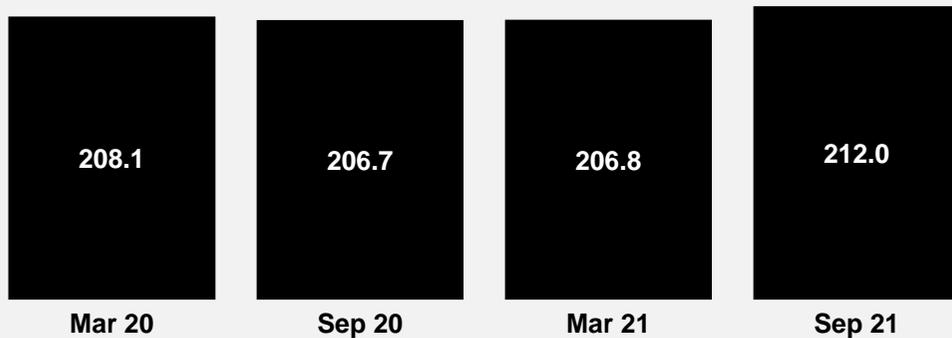


## REVENUE AND MARGIN



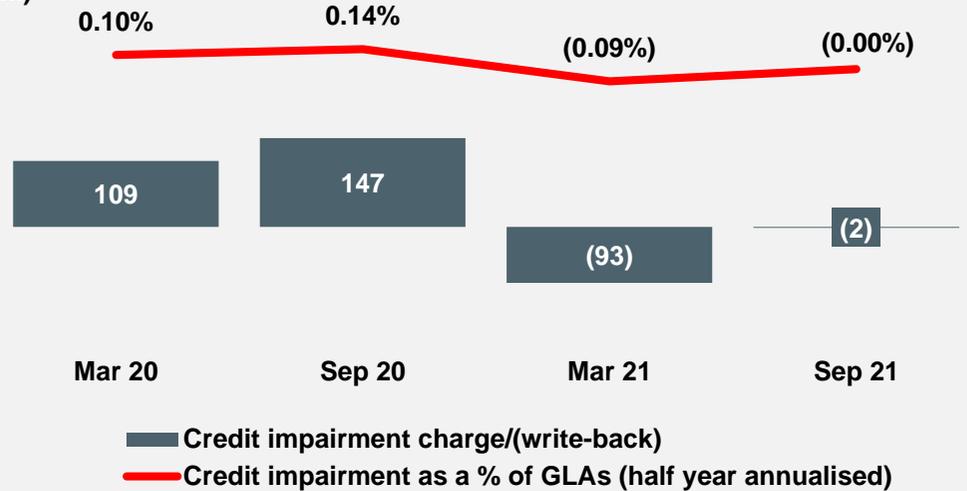
## HOUSING LENDING GLAs

(\$bn)



## CREDIT IMPAIRMENT CHARGES AND AS A % OF GLAs

(\$m)



# SIGNIFICANTLY IMPROVED HOME LENDING EXPERIENCE

## Continued rollout of simple home loans...

- 80% of proprietary applications now eligible
- Progressive rollout to Broker and B&PB in FY22

*'Time to Yes' for applications through Simple Home Loans*



## ...simplified, digitised and automated policies and processes

- Improved application quality through colleague training
- New credit decision engine for brokers to simplify approvals
- Leveraging data & analytics to enable automated approvals and valuations
- Increased self-serve functionality for home loan modifications via the NAB App
- 50% increase in home loan appointment bookings through digital channels<sup>3</sup> and >40% of home loan appointments now via video

**50%**  
Reduction in banker time to submit an application<sup>2</sup>

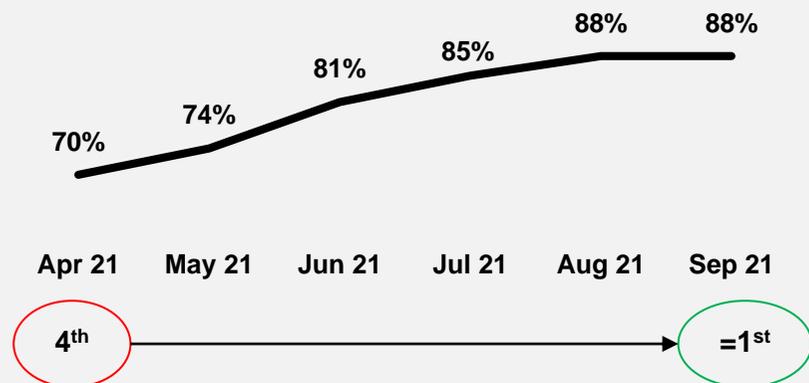
'Time to yes'<sup>1</sup> improved 30% with applications up ~60%



**Equal 1<sup>st</sup>**  
PEXA Settlement service rank



PEXA % of NAB settlements signed on time<sup>4</sup>



(1) Average monthly median days from submission of a customers' application to unconditional approval. Personal Bank only

(2) Measures improvement via Simple Home Loan application tool in the 12 month period to September 2021

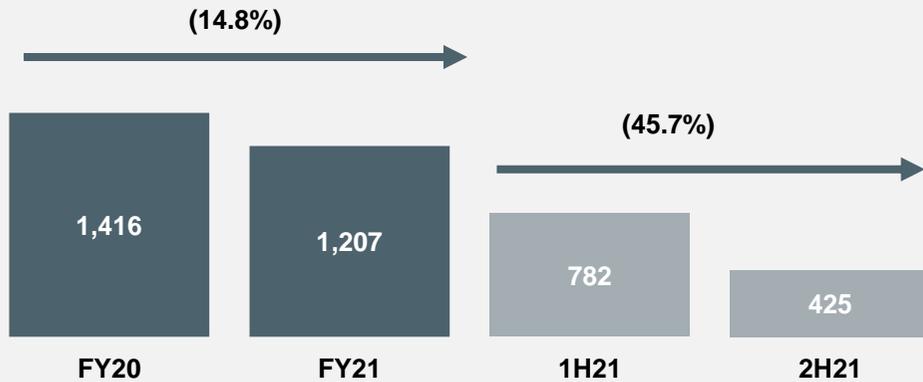
(3) Compared to 1H21

(4) PEXA's 'Signed on Time' metric is a land and property settlement performance metric that allows NAB to track performance & benchmark against industry peers

# CORPORATE & INSTITUTIONAL BANKING

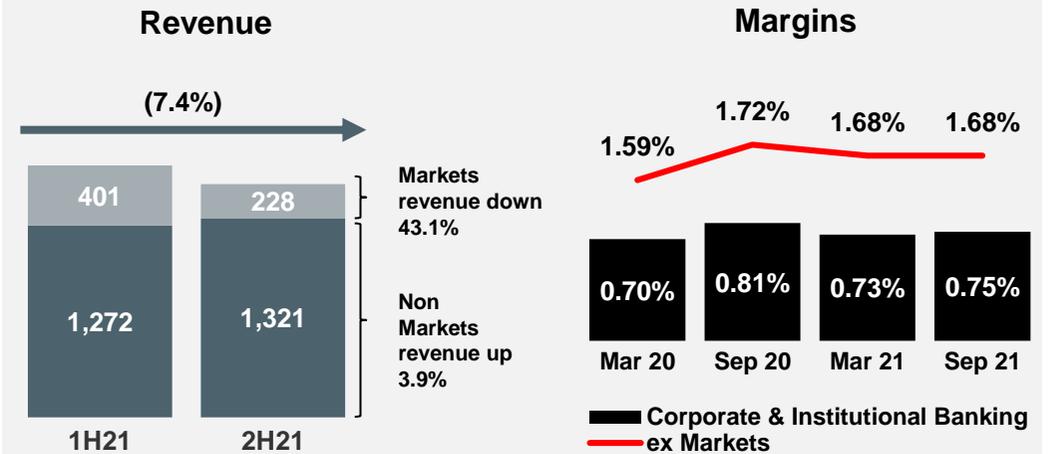
## CASH EARNINGS

(\$m)



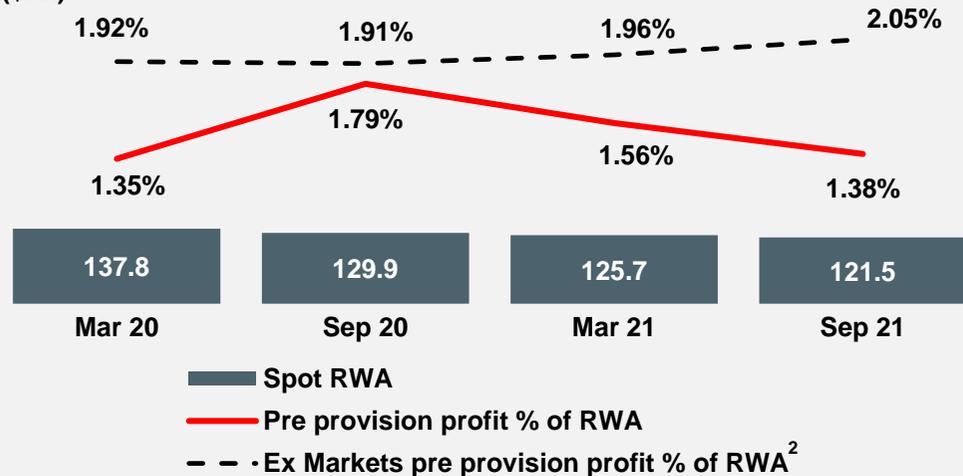
## MARGINS AND REVENUE BREAKDOWN<sup>1</sup>

(\$m)



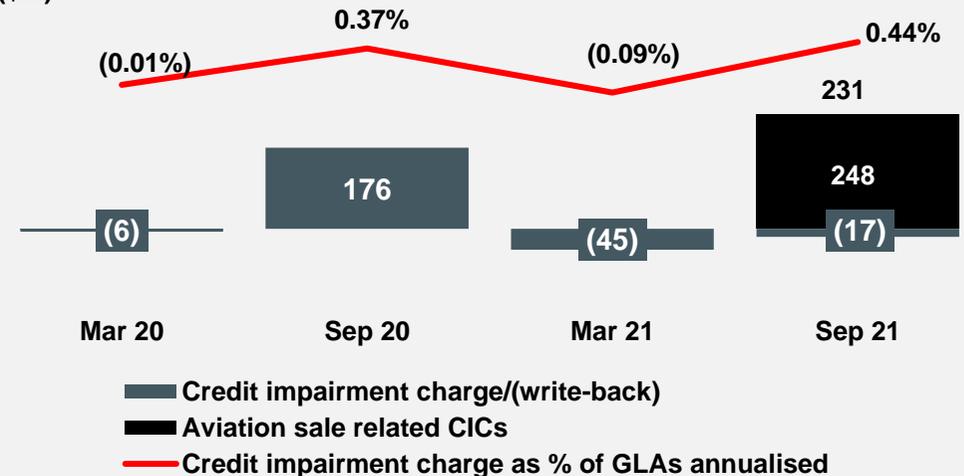
## RETURNS FOCUS

(\$bn)



## CREDIT IMPAIRMENT CHARGES AND AS A % OF GLAs

(\$m)



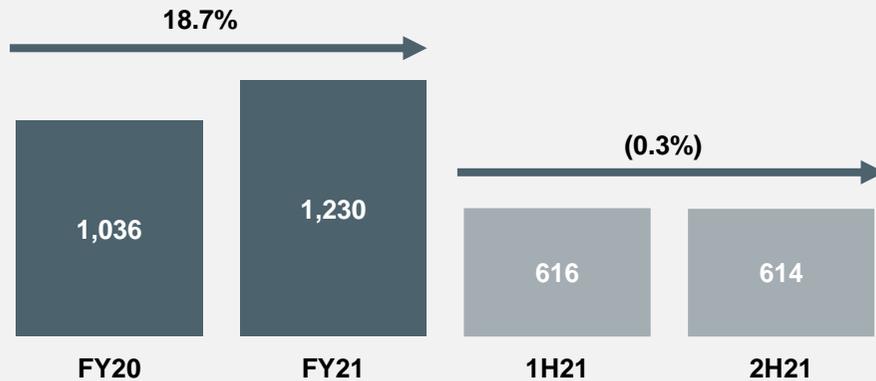
(1) Markets revenue represents Customer Risk Management revenue and NAB Risk Management Revenue. Includes derivative valuation adjustments

(2) Excludes Markets pre provision profit and average RWAs

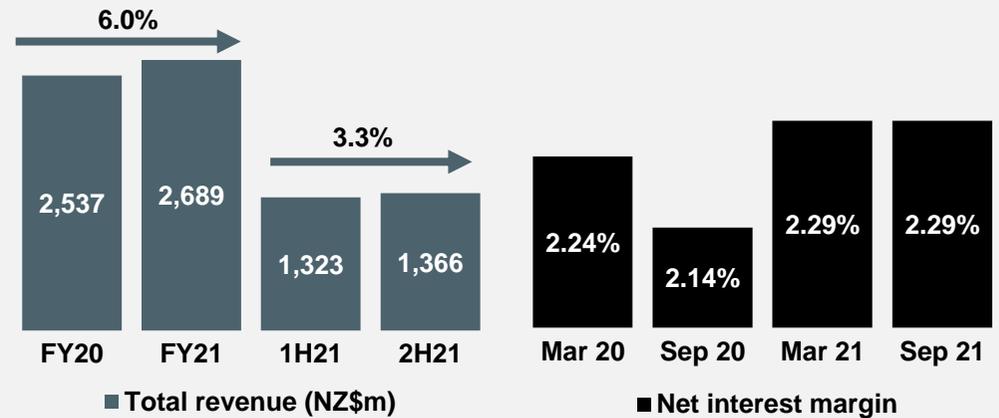
# NEW ZEALAND BANKING

## CASH EARNINGS

(NZ\$m)

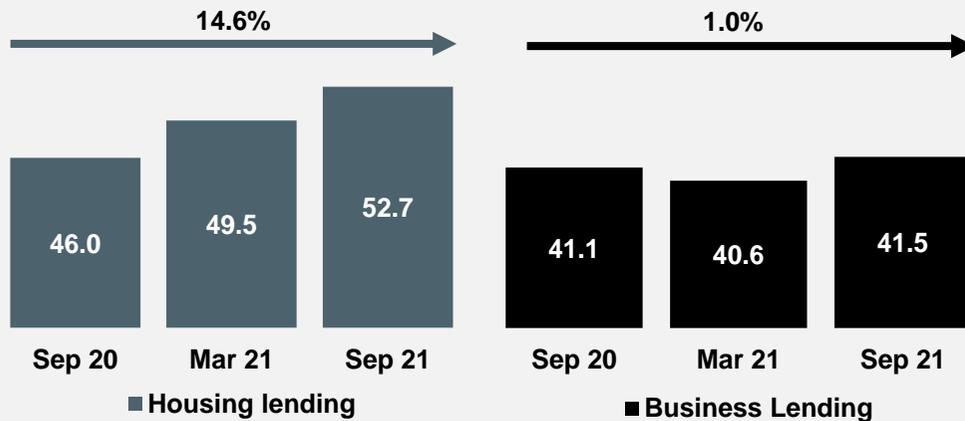


## REVENUE AND MARGIN



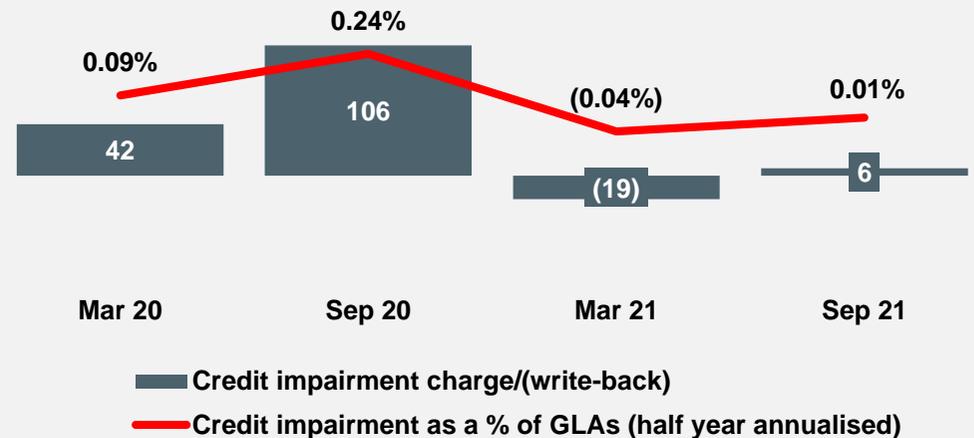
## BUSINESS & HOUSING LENDING GLAs

(NZ\$bn)



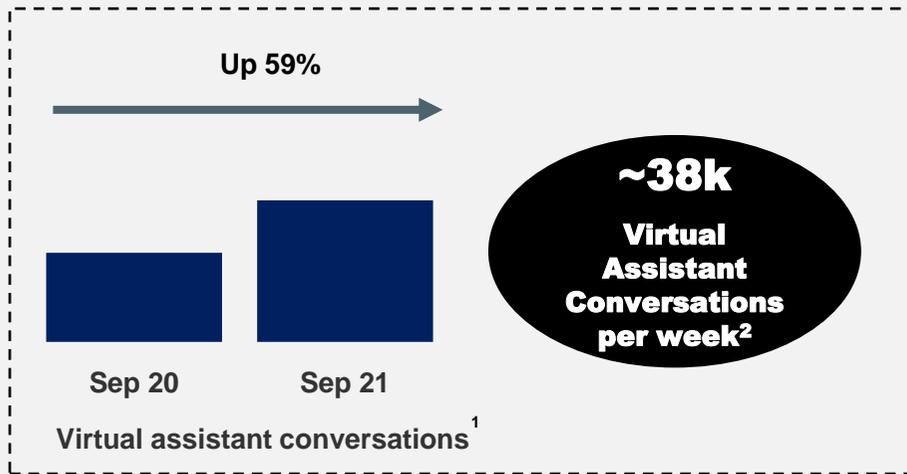
## CREDIT IMPAIRMENT CHARGES AND AS A % OF GLAs

(NZ\$m)



# SIMPLIFYING, DIGITISING AND INNOVATING

## NAB



**1300:1**

Ratio of payments now executed digitally v/s in branch

**65%**

Of simple consumer sales via digital<sup>3</sup>



Continued network simplification and modernisation to reflect customer needs

**13%**

YoY Reduction in Branches and BBCs

**~3,500**

Australia Post outlets serving customers

## BNZ



- Decommissioned **all cheques, paper payments and FX cash**



- Continued network simplification – **Reduced data centre footprint** reducing risk and cost



- >50%** of all home lending rollovers, lump sum payments and change repayment events now **digital**



- 95% reduction** in OTC cash deposit transactions over 5 years

Down 47%



*BNZ awarded best bank for online banking in 2021*

(1) Monthly YoY growth, Sept. 20 to 21 in VA conversations

(2) Average # of weekly contacts answered by the Virtual Assistant from July to September 2021

(3) Simple consumer products refer to transaction accounts, savings accounts, credit cards and personal loans



# ECONOMICS

# AUSTRALIA AND NZ KEY ECONOMIC INDICATORS

## AUSTRALIAN ECONOMIC INDICATORS (%)<sup>1</sup>

	CY19	CY20	CY21(f)	CY22(f)	CY23(f)
GDP growth <sup>2</sup>	1.9	-0.9	1.6	4.0	2.3
Unemployment <sup>3</sup>	5.1	6.7	4.7	4.2	3.8
Core Inflation <sup>4</sup>	1.4	1.3	2.2	2.3	2.8
Cash rate target <sup>3</sup>	0.75	0.10	0.10	0.10	0.75

## NZ ECONOMIC INDICATORS (%)<sup>1</sup>

	CY19	CY20	CY21(f)	CY22(f)	CY23(f)
GDP growth <sup>2</sup>	1.8	0.1	-1.0	7.8	1.3
Unemployment <sup>3</sup>	4.0	4.8	3.3	3.6	4.5
Inflation <sup>4</sup>	1.9	1.4	5.8	2.7	2.5
Cash rate (OCR) <sup>3</sup>	1.0	0.25	0.75	2.00	2.25

## AUSTRALIAN SYSTEM GROWTH (%)<sup>5</sup>

	FY19	FY20	FY21(f)	FY22(f)	FY23(f)
Housing	3.0	3.3	6.5	5.1	5.0
Personal	-4.2	-12.9	-5.3	0.0	1.5
Business	3.3	1.9	4.6	4.2	4.5
Total lending	2.7	1.9	5.3	4.6	4.7
System deposits	3.8	11.7	8.0	7.3	3.4

## NZ SYSTEM GROWTH (%)<sup>5</sup>

	FY19	FY20	FY21	FY22(f)	FY23(f)
Housing	6.6	6.8	11.6	4.7	3.6
Personal	0.1	-11.8	-9.0	5.9	5.1
Business	4.8	-1.4	1.6	4.0	5.7
Total lending	5.6	3.0	7.3	4.5	4.3
Household retail deposits	5.1	9.4	4.5	4.5	4.3

(1) Sources: ABS, Econdata DX, RBA, RBNZ, Stats NZ, NAB

(2) December quarter on December quarter of previous year

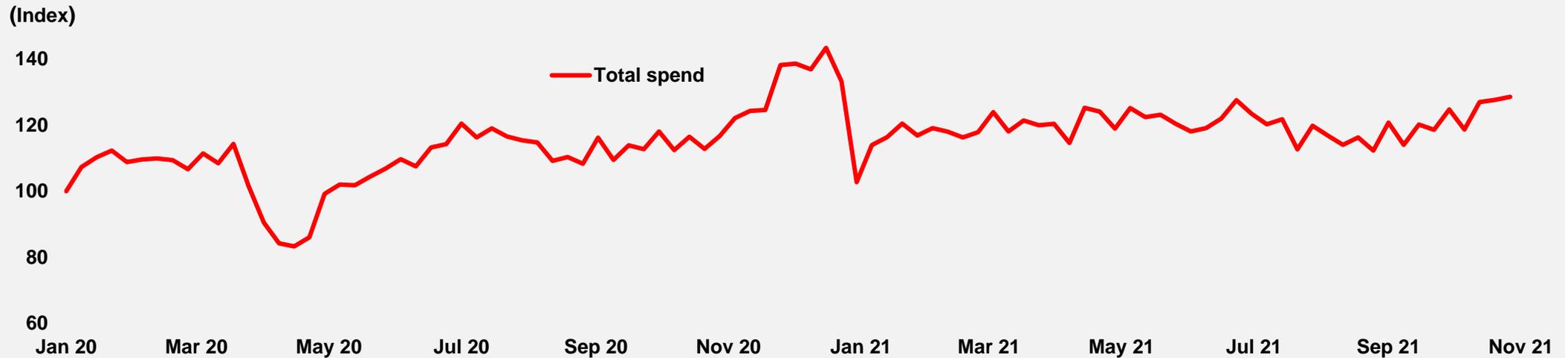
(3) As at December quarter

(4) December quarter on December quarter of previous year. For Australia, average of trimmed mean and weighted median indices

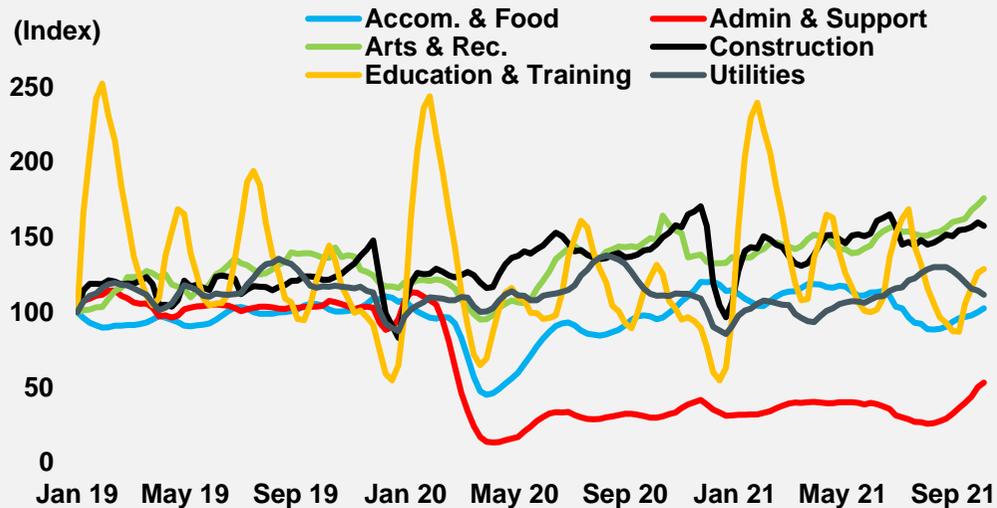
(5) Source: RBA, RBNZ, NAB. Bank fiscal year-ended (September). NZ business credit includes credit to Agriculture and is calculated from break adjusted data.

# HIGH FREQUENCY DATA SHOWS RESILIENCE IN THE FACE OF RECENT LOCKDOWNS

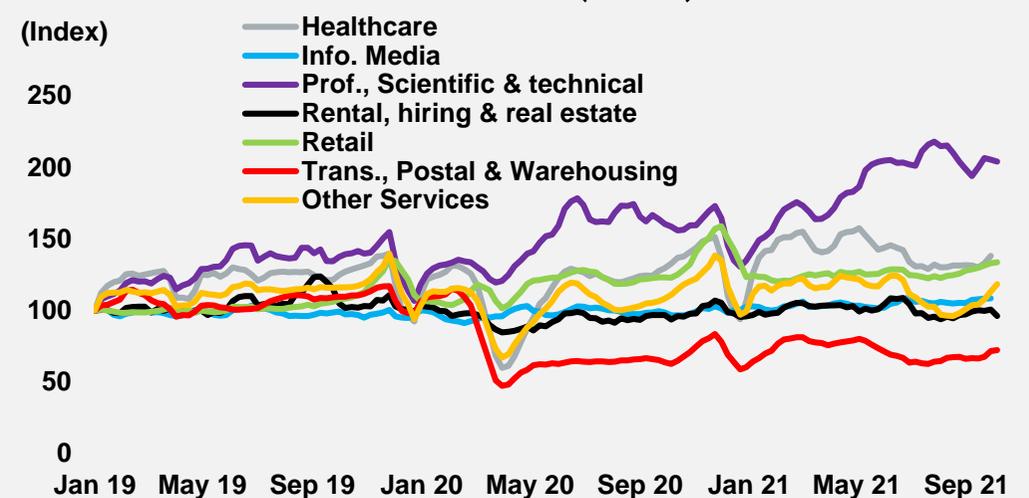
## CONSUMER SPENDING RESILIENT IN THE FACE OF RECENT LOCKDOWNS<sup>1</sup>



## CONSUMER SPEND BY INDUSTRY<sup>2</sup>



## CONSUMER SPEND BY INDUSTRY (CON'T)<sup>2</sup>

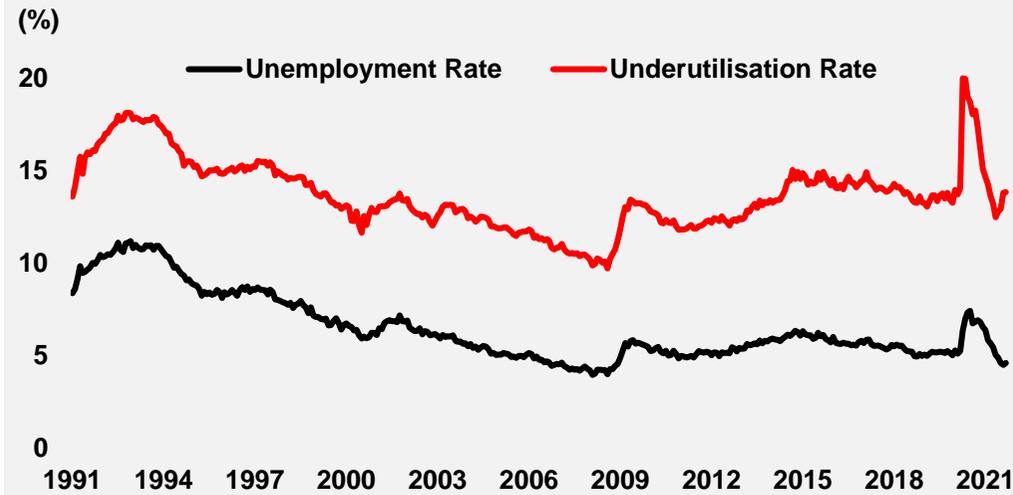


(1) Source: NAB. Weekly spend data derived from NAB platforms, indexed to 4 January 2020, data to 30 October 2021

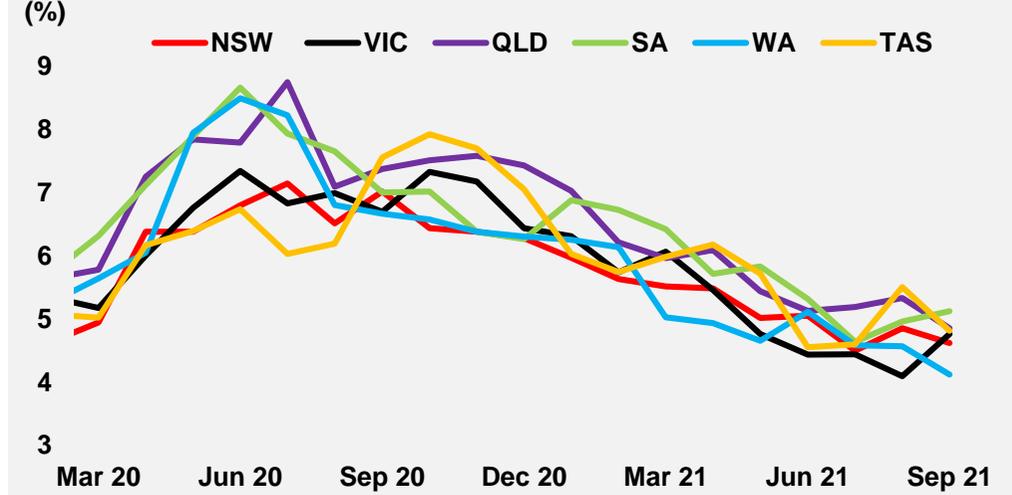
(2) Source: NAB. Data are a 4-week moving average of total weekly transactions, indexed to 26 January 2019, data to 30 October 2021

# A NEAR-TERM HIT TO THE LABOUR MARKET, BUT A GOOD STARTING POINT

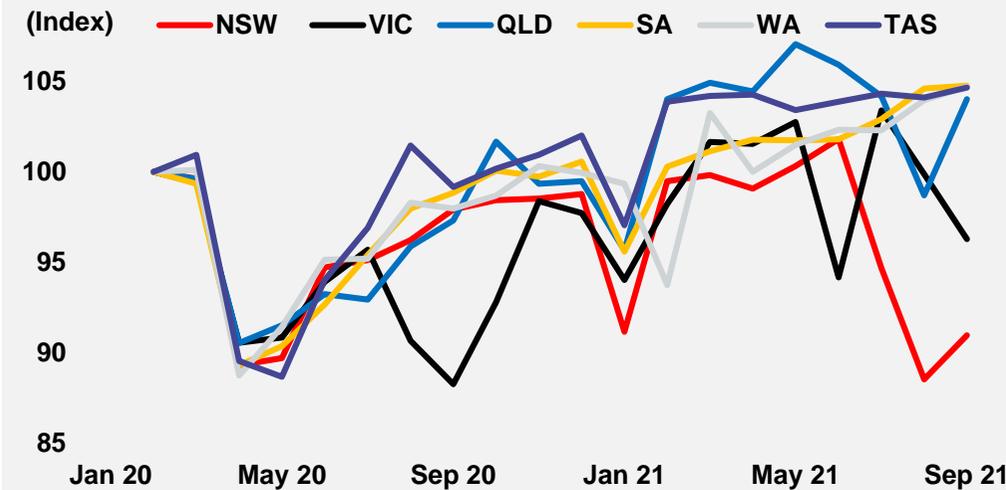
## UNEMPLOYMENT IS LOW<sup>1</sup>



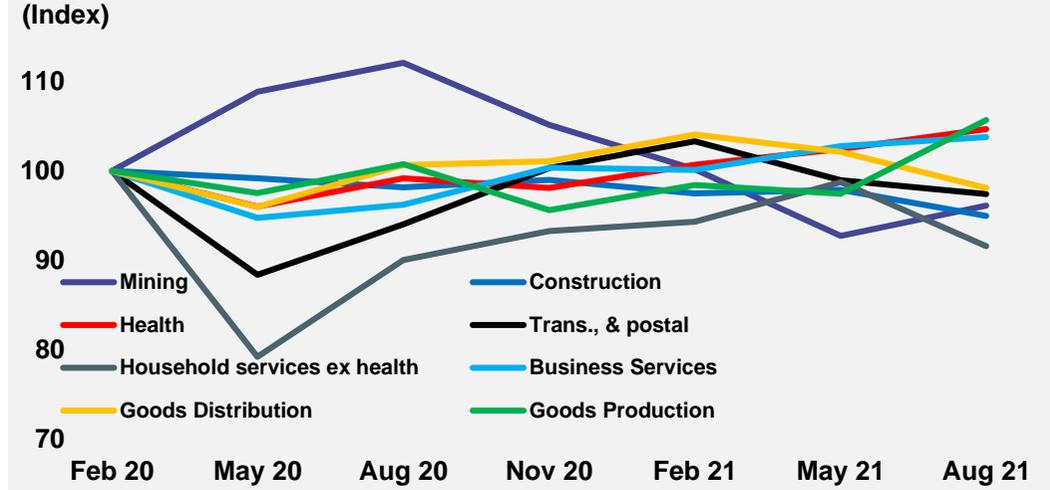
## UNEMPLOYMENT IS LOW ACROSS THE STATES<sup>1</sup>



## HOURS WORKED HAVE BEEN HIT BY LOCKDOWNS<sup>2</sup>



## EMPLOYMENT BY INDUSTRY<sup>3</sup>



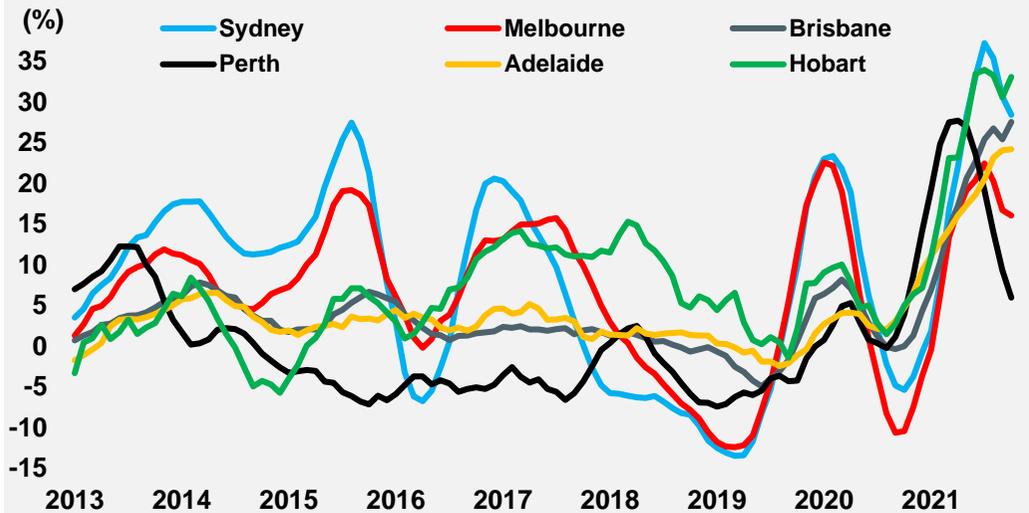
(1) Source: ABS. Data to September 2021

(2) Source: ABS, NAB. Data are monthly hours worked from the labour force survey, indexed to February 2020 = 100, data to September 2021

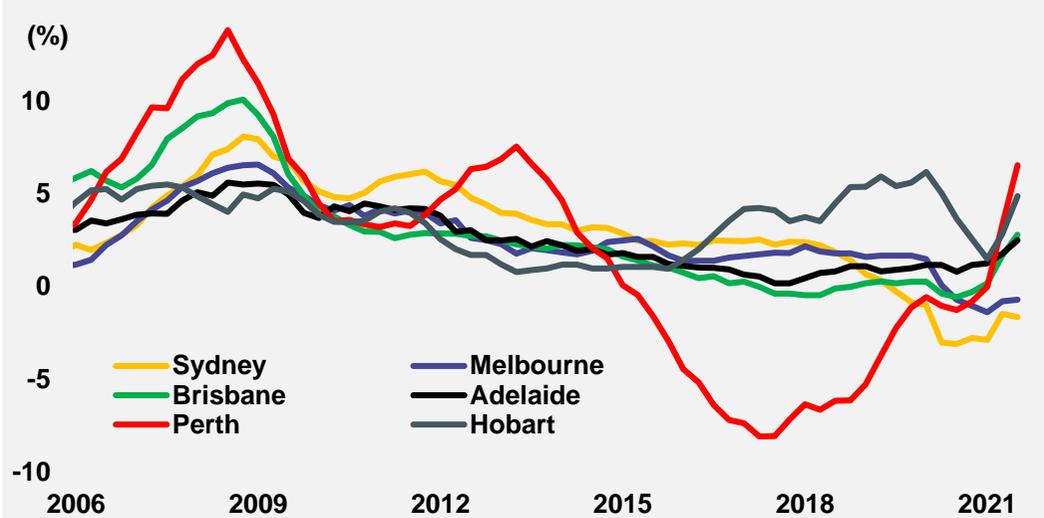
(3) Source: ABS, NAB. Data are employment by industry from the labour force survey, February 2020 = 100, data to August 2021

# THE HOUSING MARKET HAS STRENGTHENED

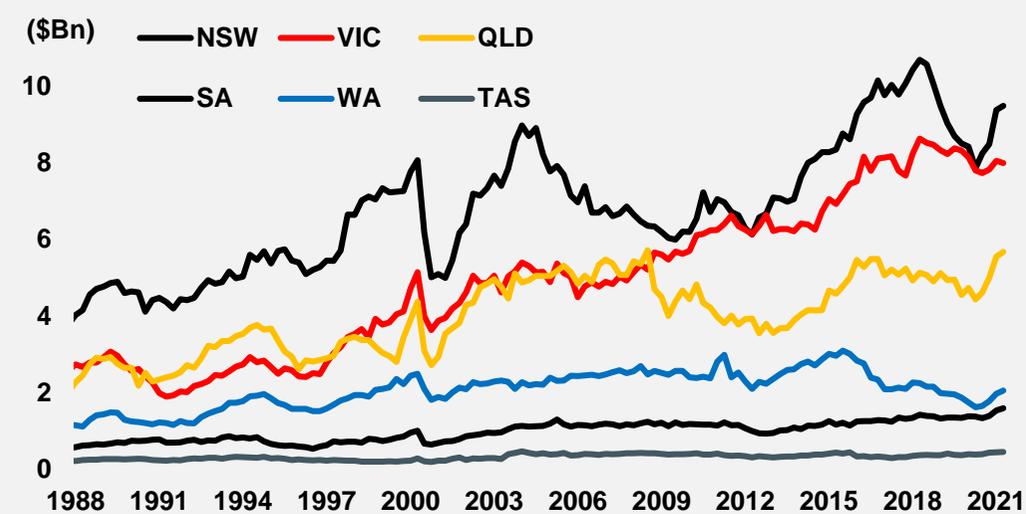
## HOUSE PRICE GROWTH HAS BEEN STRONG<sup>1</sup>



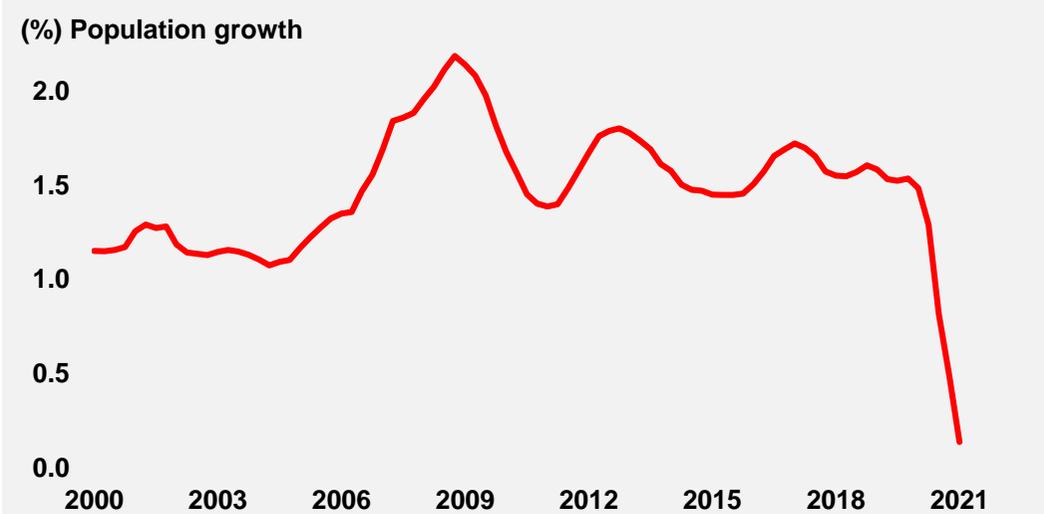
## RENTS ARE RECOVERING<sup>2</sup>



## DWELLING INVESTMENT HAS PICKED UP<sup>3</sup>



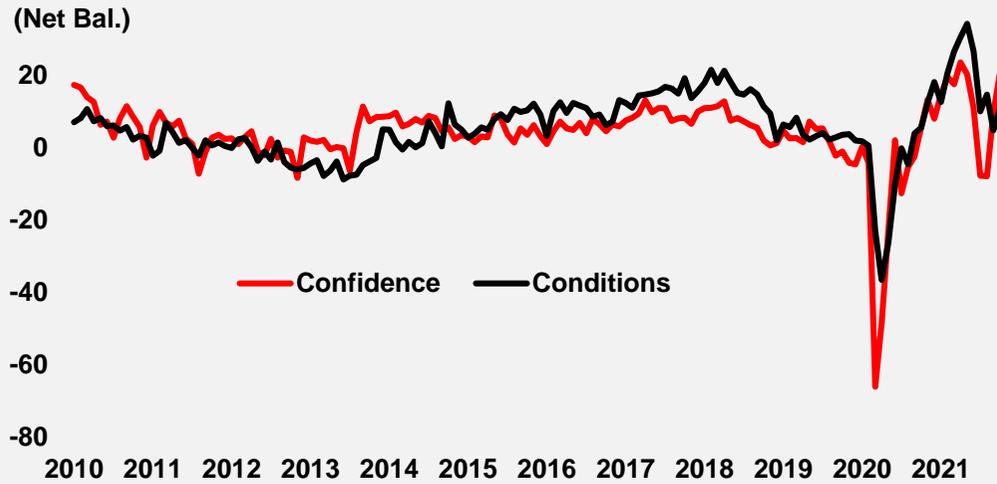
## SLOWER POPULATION GROWTH YET TO IMPACT HOUSING<sup>4</sup>



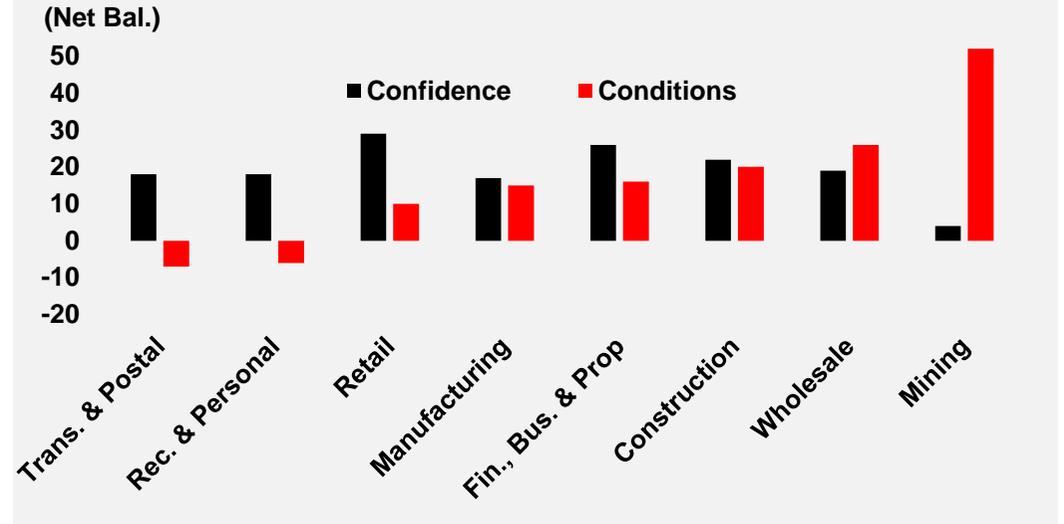
- (1) Source: CoreLogic. 6-month-ended-annualised growth. Data to 31 October 2021
- (2) Source: ABS. Year-ended growth in CPI rents, data to September quarter 2021
- (3) Source: ABS. Chain volume measure (reference year 2018-19). Data to June quarter 2021
- (4) Source: ABS. Year-ended growth, data to Q1 2021

# THE BUSINESS SURVEY SHOWS A RAPID REBOUND AS LOCKDOWNS END

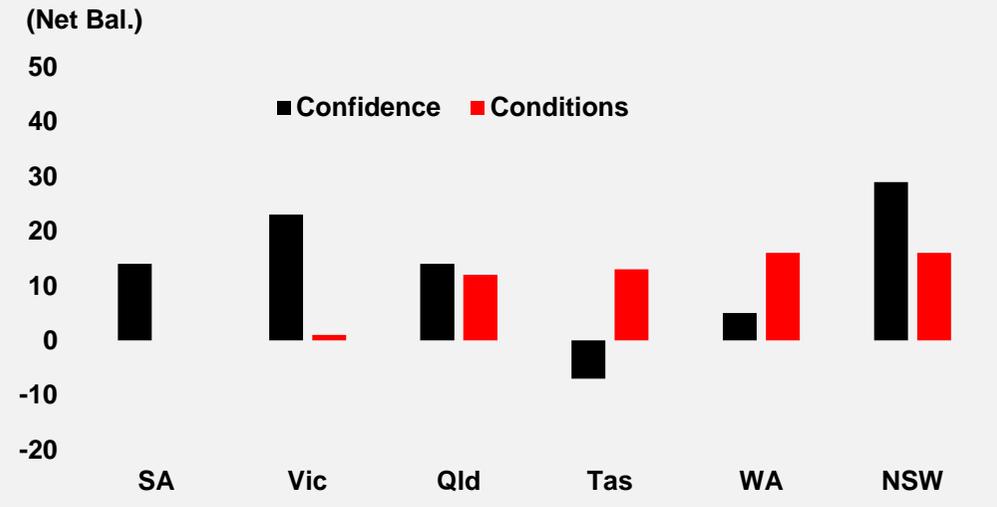
## CONFIDENCE AND CONDITIONS HAVE REBOUNDED<sup>1</sup>



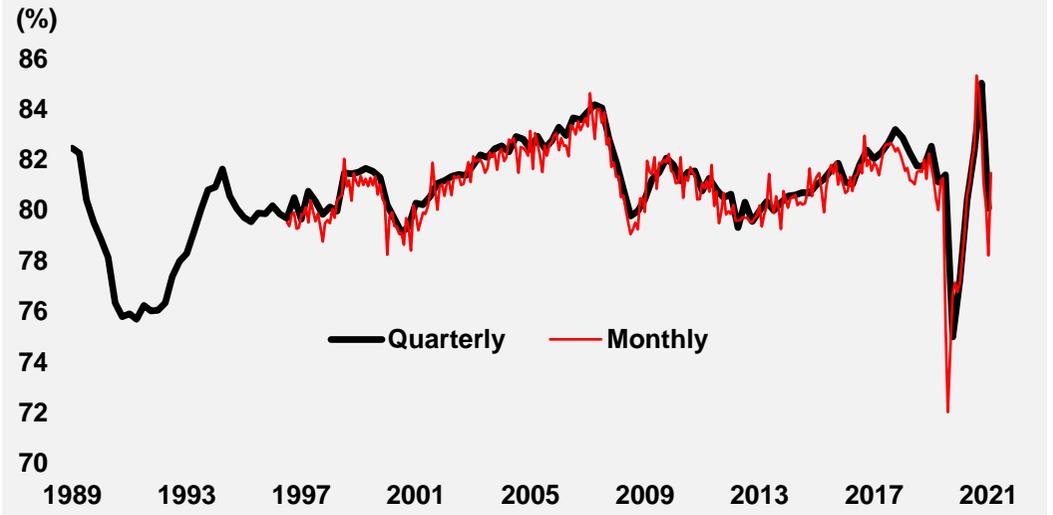
## CONFIDENCE AND CONDITIONS BY INDUSTRY<sup>2</sup>



## CONFIDENCE AND CONDITIONS BY STATE<sup>2</sup>



## CAPACITY UTILISATION HAS HELD UP<sup>3</sup>



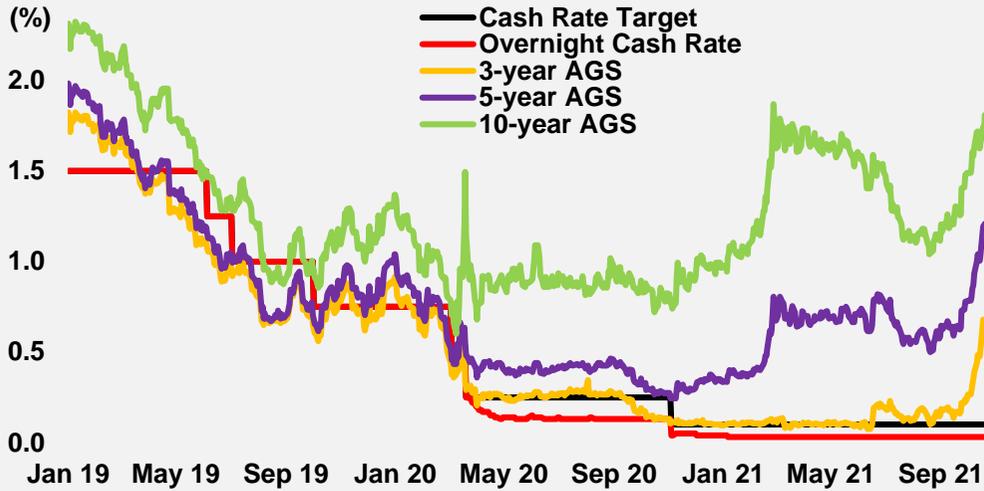
(1) Source: NAB. Overall confidence and conditions from the NAB Monthly Business Survey in net balance terms, data to October 2021

(2) Source: NAB. Confidence and conditions by industry from the NAB Monthly Business Survey in net balance terms, data to October 2021

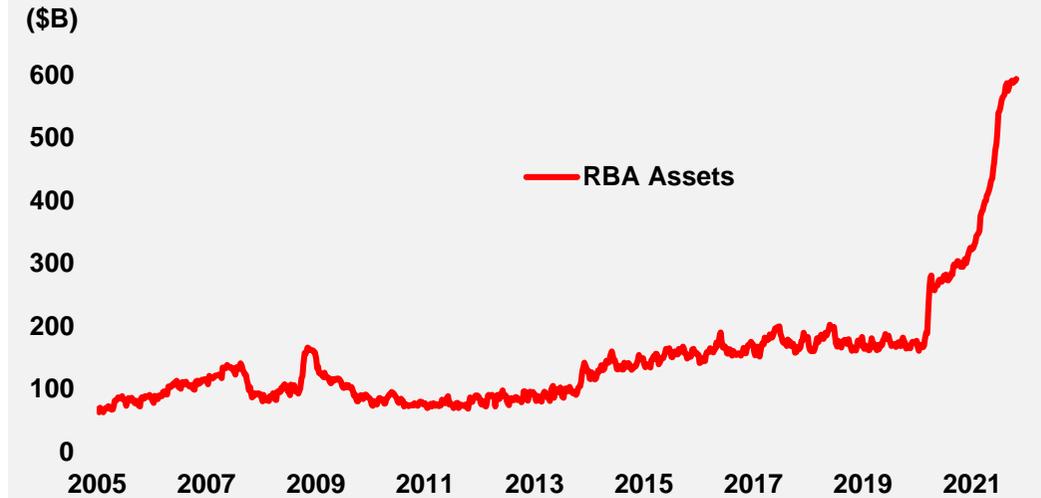
(3) Source: NAB. Overall capacity utilisation from the NAB Quarterly and Monthly Business Surveys. Quarterly data to September 2021, monthly data to October 2021

# LOW RATES TO PERSIST IN THE NEAR-TERM BUT BEGIN NORMALISING

## THE CASH RATE TO REMAIN ON HOLD UNTIL 2023<sup>1</sup>



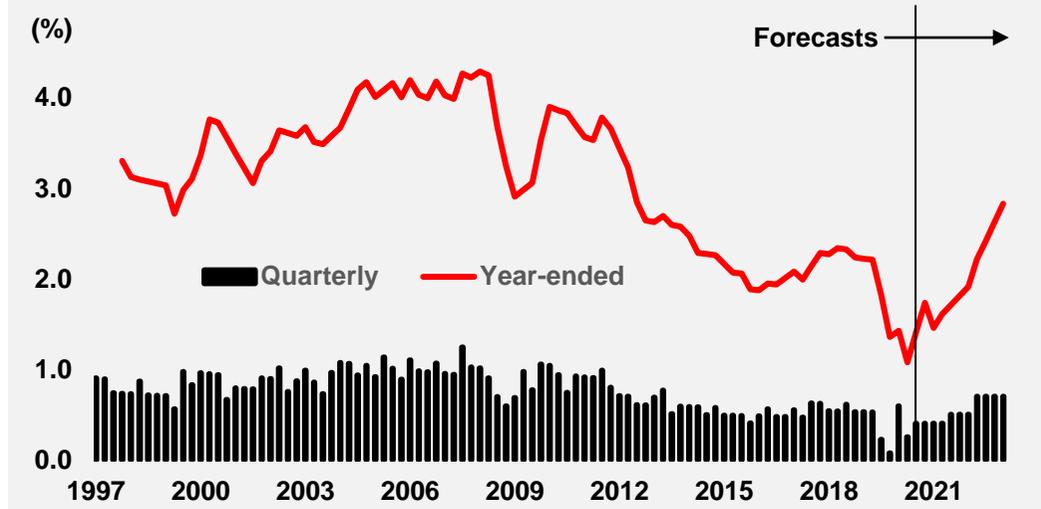
## THOUGH BOND PURCHASES WILL TAPER<sup>2</sup>



## INFLATION LIKELY TO RISE IN THE NEAR TERM<sup>3</sup>



## WAGE GROWTH A KEY DETERMINANT FOR INFLATION<sup>4</sup>



(1) Source: Macrobond. Data to 2 November 2021

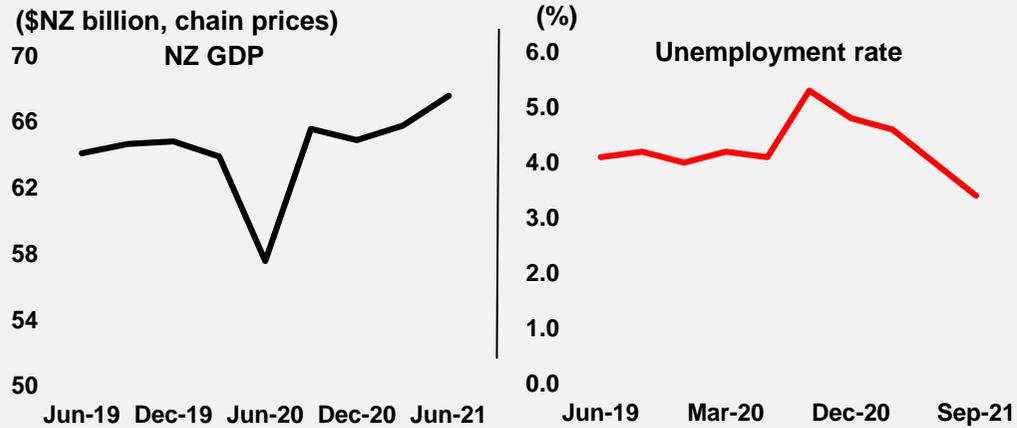
(2) Source: Source: RBA, NAB. Data to 11 October 2021. Total Assets on the RBA's Balance Sheet

(3) Source: ABS, NAB. Average of the trimmed-mean and weighted-median CPI measures, data to September quarter 2021, NAB forecasts thereafter

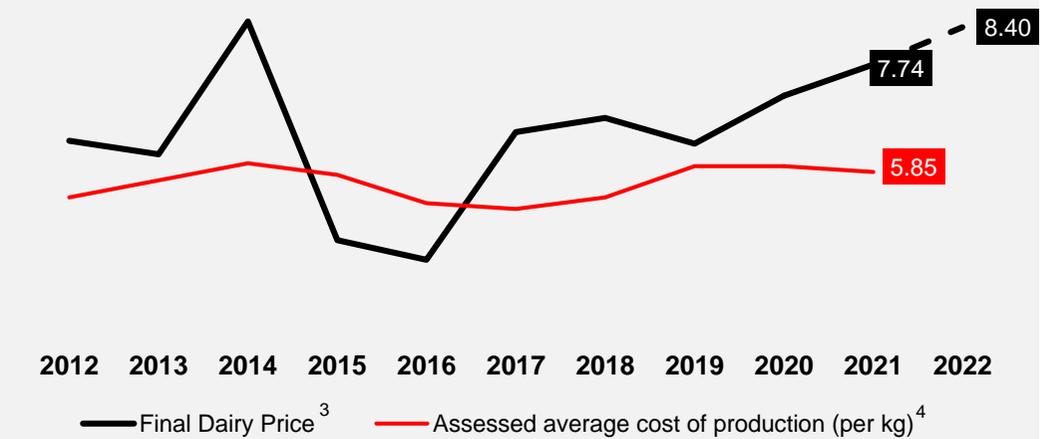
(4) Source: ABS, NAB. Data to June quarter 2021, NAB forecasts thereafter

# NEW ZEALAND ECONOMY

## ECONOMY HAD SOLID MOMENTUM BEFORE Q3 LOCKDOWN; LABOUR MARKET STRENGTH CONTINUED INTO Q3<sup>1</sup>

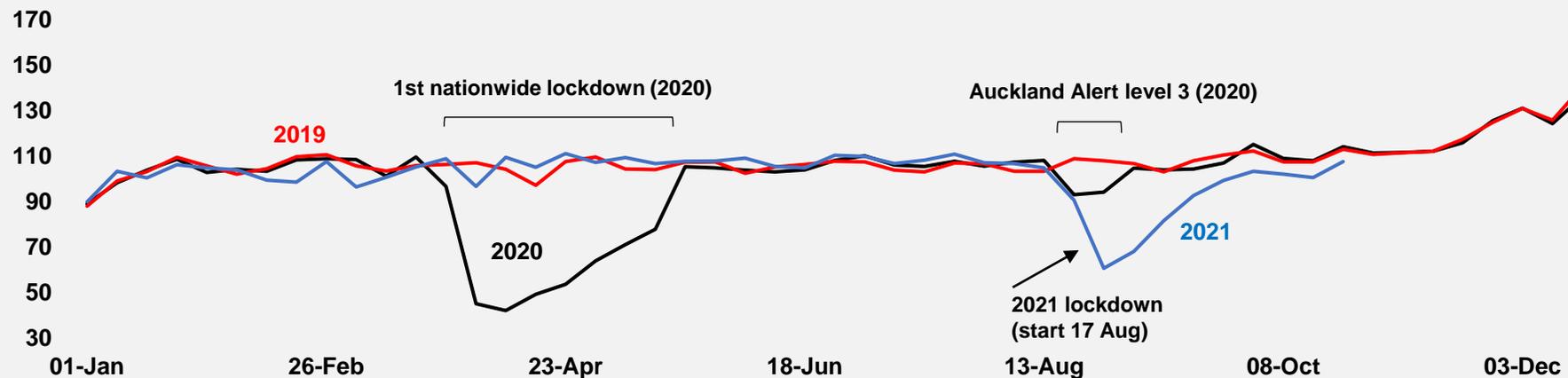


## STRONG DAIRY FARM VIABILITY



## IMPACT OF LATEST LOCKDOWN: WHILE SMALLER THAN IN 2020 STILL LARGE; RECEDING AS RESTRICTIONS EASE<sup>2</sup>

Total card spending (first four weeks of year = 100)



- (1) Source: Refinitiv, Statistics NZ
- (2) Source: BNZ; weekly card spending by BNZ customers through New Zealand merchants. This includes all credit and debit card transactions plus EFTPOS card transactions. Transactions include spending less any refunds. Spending data has been indexed to 100 in the first four weeks in each series. Dates displayed are for 2021 (2019 begins week ended 4-Jan, 2020 3-Jan).
- (3) Source: Fonterra (milk price) FY20/2021 final price of \$7.74 p.kg includes dividend of \$0.20 p.kg. FY21/22 forecast payout ratio of \$8.40 p.kg is mid point of current forecast payout range
- (4) Source: Dairy NZ estimated cost of production

# ABBREVIATIONS

<b>ALA</b>	Alternative Liquid Assets
<b>AML</b>	Anti Money Laundering
<b>CET1</b>	Common Equity Tier 1 Capital
<b>CIC</b>	Credit impairment charge
<b>CLF</b>	Committed Liquidity Facility
<b>CP</b>	Collective Provision
<b>CTI</b>	Cost to income ratio
<b>DPD</b>	Days Past Due
<b>DRP</b>	Dividend Reinvestment Plan
<b>EAD</b>	Exposure at Default
<b>EA</b>	Economic Adjustment
<b>ECL</b>	Expected Credit Losses
<b>EOFY</b>	End Of Financial Year
<b>EPS</b>	Earnings Per Share
<b>FTEs</b>	Full-time Equivalent Employees
<b>GHG</b>	Greenhouse Gas
<b>GIAs</b>	Gross Impaired Assets
<b>GLAs</b>	Gross Loans and Acceptances
<b>HQLA</b>	High Quality Liquid Assets
<b>IRB</b>	Internal Ratings Based approach

<b>KYC</b>	Know Your Customer
<b>LCR</b>	Liquidity Coverage Ratio
<b>LGD</b>	Loss given default
<b>LVR</b>	Loan to Value Ratio
<b>MTM</b>	Mark to market
<b>NBI</b>	Non Bearing Interest
<b>NCO</b>	Net Cash Outflow
<b>NII</b>	Net Interest Income
<b>NILS</b>	No Interest Loan Scheme
<b>NPS</b>	Net Promoter Score
<b>NSFR</b>	Net Stable Funding Ratio
<b>OIS</b>	Overnight Index Swap
<b>OOI</b>	Other Operating Income
<b>PD</b>	Probability of Default
<b>RMBS</b>	Residential Mortgage Backed Securities
<b>ROE</b>	Return on Equity
<b>RWAs</b>	Risk-weighted assets
<b>SFI</b>	Stable Funding Index
<b>SHL</b>	Simple Home Loans
<b>SME</b>	Small and Medium Enterprise
<b>TFF</b>	Term Funding Facility

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