



# FULL YEAR RESULTS 2021

**Investor Presentation** 9 November 2021

**Ross McEwan**

Chief Executive Officer

**Gary Lennon**

Chief Financial Officer

# NAB 2021 FULL YEAR RESULTS INDEX

This presentation is general background information about NAB. It is intended to be used by a professional analyst audience and is not intended to be relied upon as financial advice. Refer to page 127 for legal disclaimer.

Financial information in this presentation is based on cash earnings, which is not a statutory financial measure. Refer to page 125 for definition of cash earnings and reconciliation to statutory net profit.

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# OVERVIEW

**ROSS McEWAN**

**Group Chief Executive Officer**

# 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**

# 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 <sup>2</sup> (\$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>3</sup>	63.7%	38.9%	large

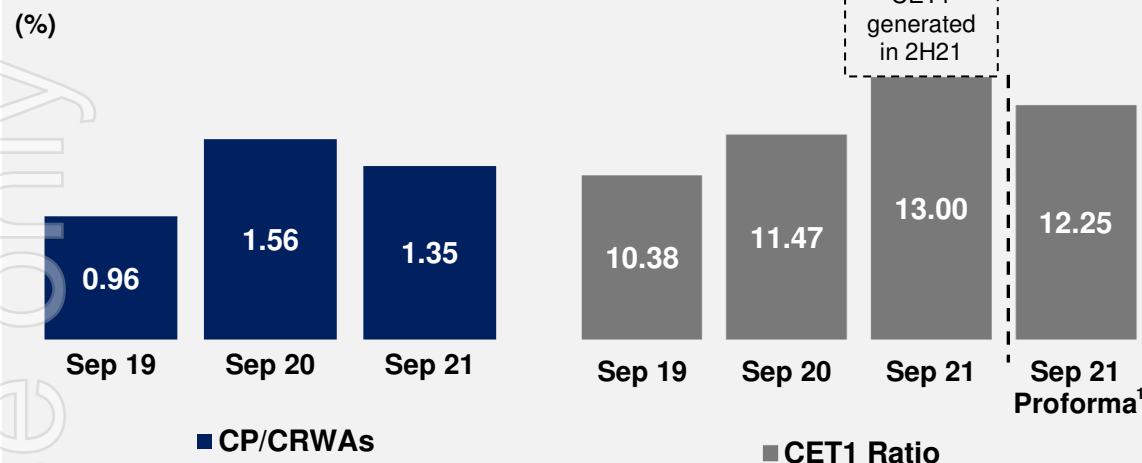
(1) The Group did not recognise any amounts as large notable items in FY21. For a full breakdown of large notable items in FY20 refer to Section 4, Note 16 of the 2021 Full Year Results Management Discussion and Analysis

(2) Refer to page 125 for definition of cash earnings and reconciliation to statutory net profit

(3) Based on basic cash EPS

# IMPROVING SHAREHOLDER RETURNS WHILE RETAINING A STRONG BALANCE SHEET

## STRONG PROVISIONING AND CAPITAL



## CLEAR CAPITAL AND DIVIDEND SETTINGS IN PLACE

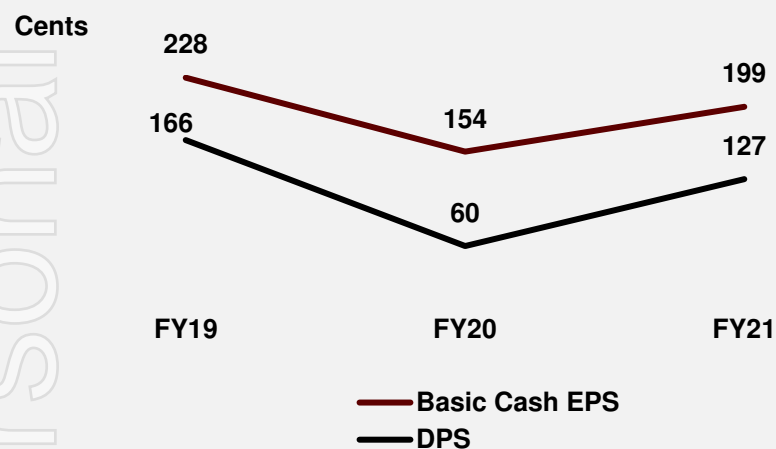
*10.75 – 11.25 %*

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

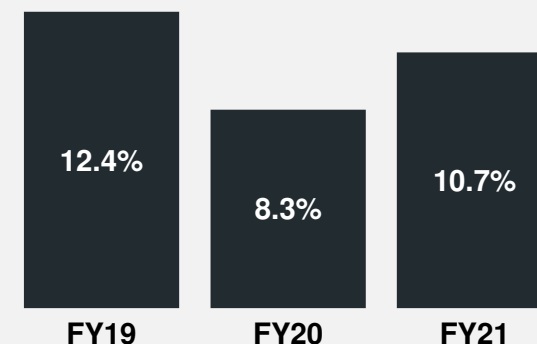
## IMPROVING SHAREHOLDER RETURNS



**\$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

# 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)

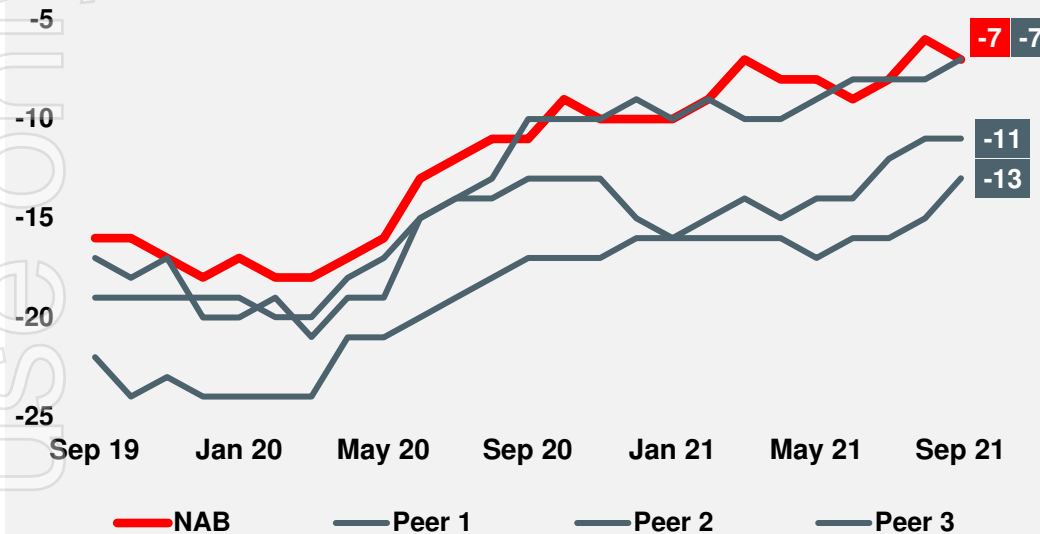
(2) Excluding large notable items, the impact of proposed acquisition of Citigroup's Australian consumer business and any potential non-recurring AML/KYC related costs including those incurred in addressing the issues subject to investigation by AUSTRAC, such as file remediation and other associated costs. Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 127



# FOCUS ON CUSTOMERS AND COLLEAGUES DELIVERING RESULTS

## OUR CUSTOMERS

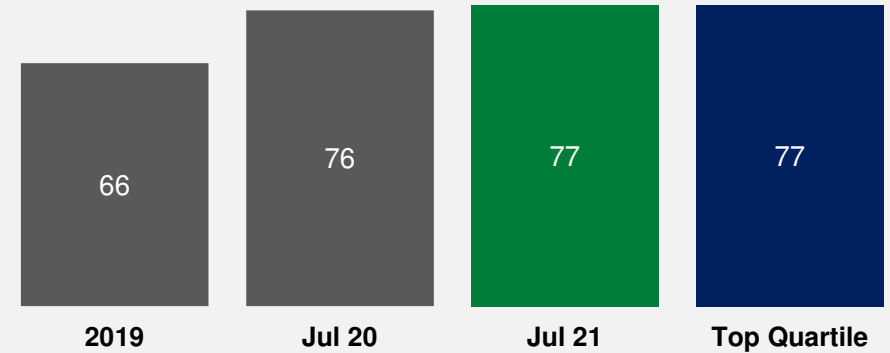
*Strategic NPS<sup>1,2</sup> equal first, more work to achieve positive*



- **#1** in Consumer<sup>3</sup> NPS
- **#2** in Business<sup>4</sup> NPS, **#1** in Medium Business<sup>5</sup> NPS
- **#1** Institutional NPS<sup>6</sup> and Transactional Banking RSI<sup>7</sup> and setting record high customer scores
- **#1** in BNZ Consumer NPS<sup>8</sup>

## OUR COLLEAGUES

*Engagement levels now at top quartile<sup>9</sup>*



*Continued investment in colleagues*



Distinctive Leadership Program rollout underway for leaders, and Career Qualified in Banking (CQiB) program for all colleagues

**>550**

New customer facing roles in Business and Private Bank – new banker hires exceeding set performance benchmarks

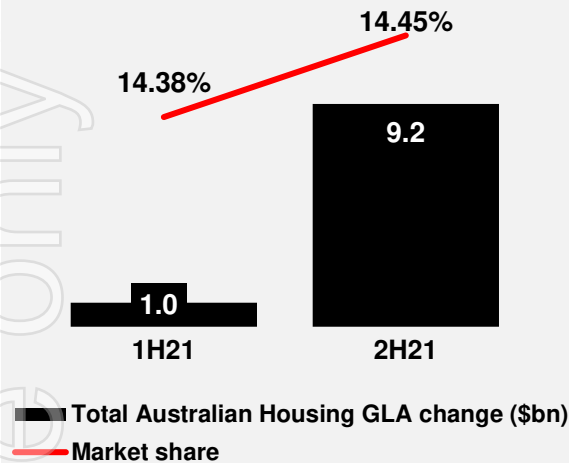
**>2.7k**

Industry recognised cloud certifications

(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  
 (2) Strategic NPS: Sourced from DBM Atlas, measured on 6 month rolling average. 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).  
 (3) September 2021. Source: DBM Atlas – Consumer. All Consumer customers, Australian population aged 18+, six month rolling averages.  
 (4) September 2021. Source: DBM Atlas – Business. All Business customers, six month rolling averages.  
 (5) September 2021. Source: DBM Atlas – Medium Business. Business Customers with turnover from \$5m to \$50m, six month rolling averages.  
 (6) Source: Peter Lee Associates, Australia. Large Corporate Relationship Banking Survey 2021. Based on top four banks by penetration.  
 (7) Source: Peter Lee Associates, Australia. Large Corporate Transactional Banking Survey 2021. Based on top four banks by penetration. Relationship Strength Index (RSI) is based on a combined measure of most qualitative evaluations.  
 (8) Source: Camorra Retail Market Monitor (data on 12 month roll).  
 (9) The 2019 score of 66 represents a restated score of the AON survey into a Glint 'Heartbeat' score methodology. Top quartile comparison is based upon Glint's client group (domestic and global, from all industries)

# CLEAR GROWTH MOMENTUM ACROSS OUR BUSINESSES IN 2H21<sup>1</sup>

## PERSONAL BANKING

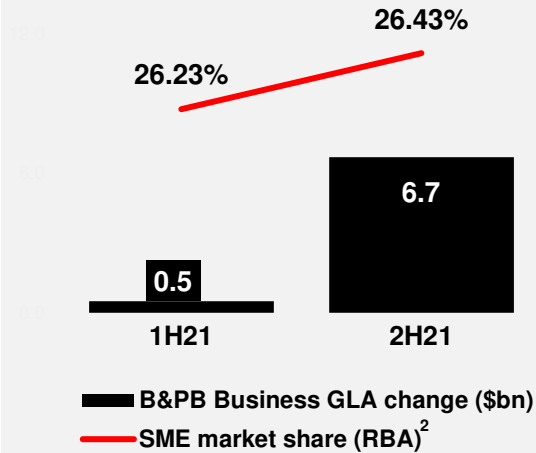


**1.1x**

HL system growth

**+19 bps**  
in cards market share

## BUSINESS & PRIVATE

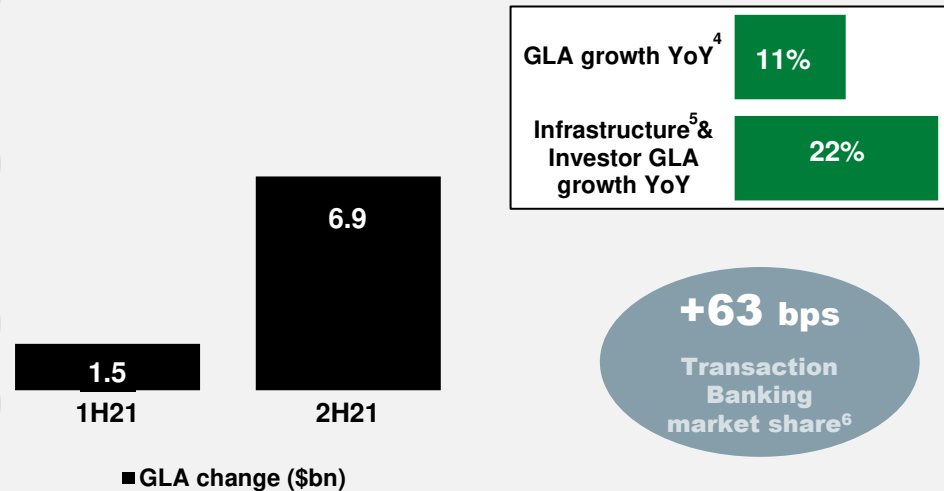


**1.4x**

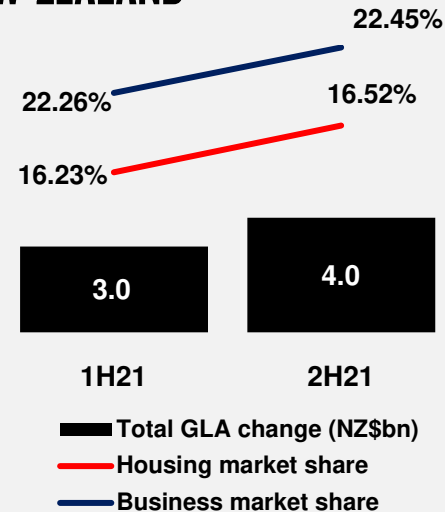
SME BL system growth<sup>2</sup>

**+18%**  
in Business Transaction Account sales<sup>3</sup>

## CORPORATE & INSTITUTIONAL



## NEW ZEALAND



**1.4x** HL system growth

**1.5x** BL system growth

**+28 bps**  
in retail deposits market share

- (1) Market share data are for the relevant periods and all system growth multiples are for 2H21 unless otherwise stated, and are based on APRA Monthly Authorised Deposit-taking Institution statistics, and RBNZ data for New Zealand related metrics. Housing market share for 2H21 includes 86 400.
- (2) A business is classified as SME under the RBA if NAB has exposure to the business and the business has turnover less than \$50 million. A business is classified as B&PB if NAB has exposure to the business less than \$50m; and the business has turnover less than \$100 million. Latest market share as at Aug 21.
- (3) Count of new Business Everyday Accounts FY21 compared with FY20
- (4) Growth rates excluding FX and aviation sale
- (5) Infrastructure includes Renewables
- (6) Peter Lee Associates – Transaction Banking Survey 2021. Represents the increase in NAB's domestic transactional bank 'lead' citations from 23% in 2020 to 24% in 2021

# 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

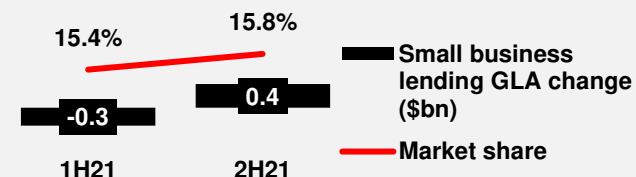
*Simplified merchant offering*

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

Driving growth through better customer and colleague experiences

## Transforming small business lending

- ✓ Simplified small business lending with fast tracked assessment, digitally captured self declared income, conditional approval in 24-48 hours
- ✓ New Quickbiz offering<sup>3</sup> to enable cash disbursement within 20 mins



## Digital transaction account opening<sup>2</sup>

- ✓ Straight-through processing enabling real-time onboarding
- ✓ Electronic ID verification and automated KYC decisioning
- ✓ Multi product origination



## Industry-leading relationship bankers enabled by Data & Analytics

- ✓ New facility renewal & annual review process: faster assessment based on behavioural drivers
- ✓ Personalised customer leads: advanced analytics propensity models help identify opportunities for bankers to better meet customer needs



## Leveraging our High Net Worth proposition

- ✓ New integrated HNW offering, 2.3x HL system growth in 2H21
- ✓ 50 new Private Bankers, dedicated credit team and tailored policies, improving turnaround times
- ✓ Improved digital: new nabtrade app, JBWere website refresh and new client portal



(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

# 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*

~30%

In <1 hour

~60%

In <1 day

~80%

In <5 days

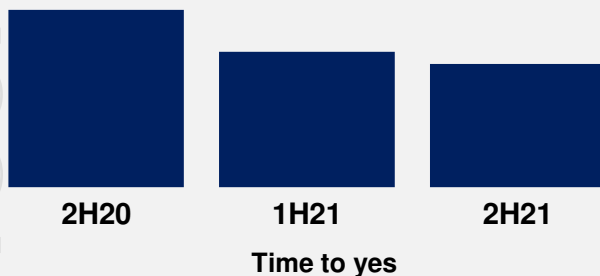
## ...simplified, digitised and automated policies and processes

- 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%

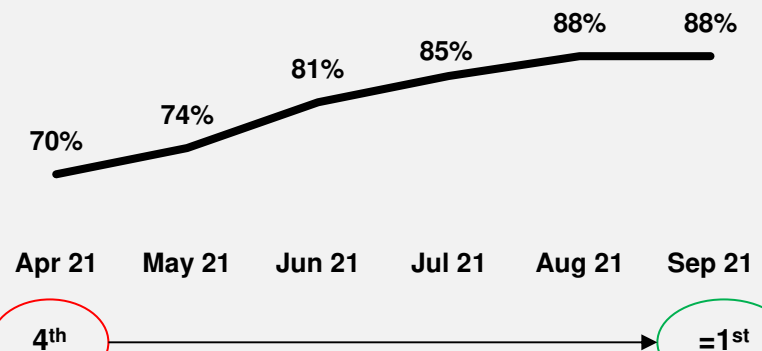


Equal 1<sup>st</sup>

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

# RESHAPING OUR PORTFOLIO – MLC EXIT AND BOLT ON ACQUISITIONS

MLC Wealth transaction completed in May 2021

86 400 and UBank to deliver market leading digital bank experience

**86 400**

*Innovating with new features and offerings*

Sign up in

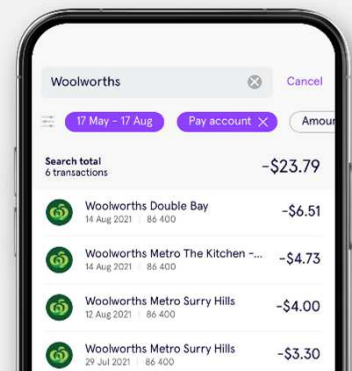
**120**

seconds

**>70%**

HL growth since completion

- Introduced Smart Search, enabling search across 86 400 and connected accounts
- Visibility of Super and Investment accounts
- Launched direct to customer home loans



Smart Search functionality



**+12% growth in customer numbers**



FY20

FY21

■ UBank ■ 86 400

Proposed acquisition of Citigroup's Australian consumer business to build a more scalable business

- Increased access to transactional data with ~1m additional unsecured lending customers
- Scale supports investment in new technology
- Combined business to be the 2<sup>nd</sup> largest credit card provider in Australia<sup>1</sup>

Milestone	Timeframe
Completion	1H CY2022 <sup>2</sup>
TSAs	~ 30 months
Full integration	Mid 2024 <sup>3</sup>

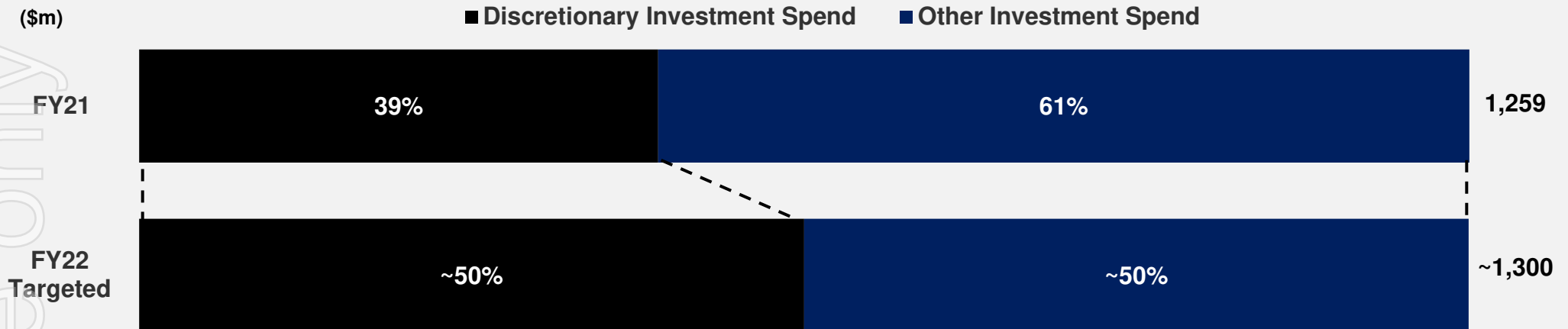
(1) Based on outstanding balances as at Sep 21

(2) Targeted completion timeframe, subject to regulatory approvals

(3) Subject to completing on expected timetable

# CONTINUING TO INVEST IN OUR KEY STRATEGIC PRIORITIES

## INVESTMENT SPEND MIX SHIFTING TOWARDS DISCRETIONARY



- Business Lending transformation
- Merchant offering uplift
- Single end to end mortgage platform
- Enhanced use of data and analytics
- Simple and digital everyday Personal Bank proposition
- Investment in colleagues – digital tools and CQiB
- Enhanced technology resilience and agility, and migration of apps to cloud

- Investment to uplift systems, processes and control environment
- Focus on financial crime detection and prevention, and cyber security capability

# ACCELERATING EXECUTION OF OUR DIGITAL, DATA AND ANALYTICS AGENDA

Significant progress in FY21 driving better outcomes for customers and colleagues



## Payments innovation

- One tap digital health insurance claims through HICAPs, via Apple Wallet
- Launched merchant hub in partnership with Pollinate, providing customers with real-time payment insights
- Launched Payments-as-a-Service enabling Fintechs to access NPP real-time payments – increased market share by 225 bps<sup>1</sup>



## Improved digital engagement & advocacy

- #1 Multichannel Bank for CX 2021<sup>2</sup>
- Record highs in mobile advocacy with +50 NPS, 6% YoY increase in mobile users
- Increased self-serve
  - 65% simple consumer sales via digital
  - 13% increase in mobile payment value
  - Virtual Assistant chats up 59% YoY<sup>3</sup>
- NAB Assist – ~900 customers per week electing to 'pay now' or arrange payment through IB and mobile



## Simplified lending experience

- Simple Home Loans – from 10% to 80% eligibility rate in FY21
- QuickBiz<sup>4</sup> straight-through processing enabling disbursement within 20 mins

**ELT appointment builds on FY21 progress and reflects strategic importance of NAB's data and digital strategies**



## Leveraging Data & Analytics

- Retention, attrition and customer leads for bankers
- Streamlined B&PB customer reviews
- EedenBull partnership enables better analytics on business cards



## Open Data

- Accredited Data Recipient
- Innovating with the global Open Finance challenge

(1) Source: RBA (NAB domestic payments market share based on three month rolling average from September 2020 to August 2021)

(2) NAB received the highest CX Index™ score among Banks Multichannel in Forrester's proprietary 2021 CX Index™ survey. The ranking was based on responses from 1,487 Australian individuals measuring 5 brands in the industry. The proprietary survey results are based on consumers' opinions of the experiences with the brands in the survey. Forrester Research does not endorse any company included in any CX Index™ report and does not advise any person to select the products or services of any particular company based on the ratings included in such reports

(3) Monthly YoY growth, Sep 20 to 21 in VA conversations

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



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

## ALIGNING OUR PORTFOLIO TO NET ZERO BY 2050

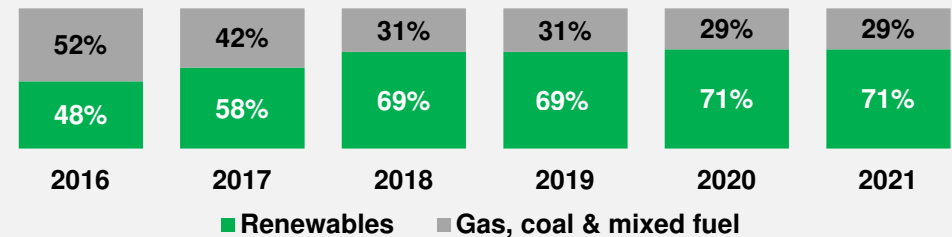
- First Australian bank to sign the UNEP FI Collective Commitment to Climate Action, with our goal to **align our lending portfolio to net zero emissions by 2050**
- **\$56.3bn in environmental financing** to customers since 2015<sup>1</sup>
- **Carbon neutral in operations for over a decade**, focused 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>.

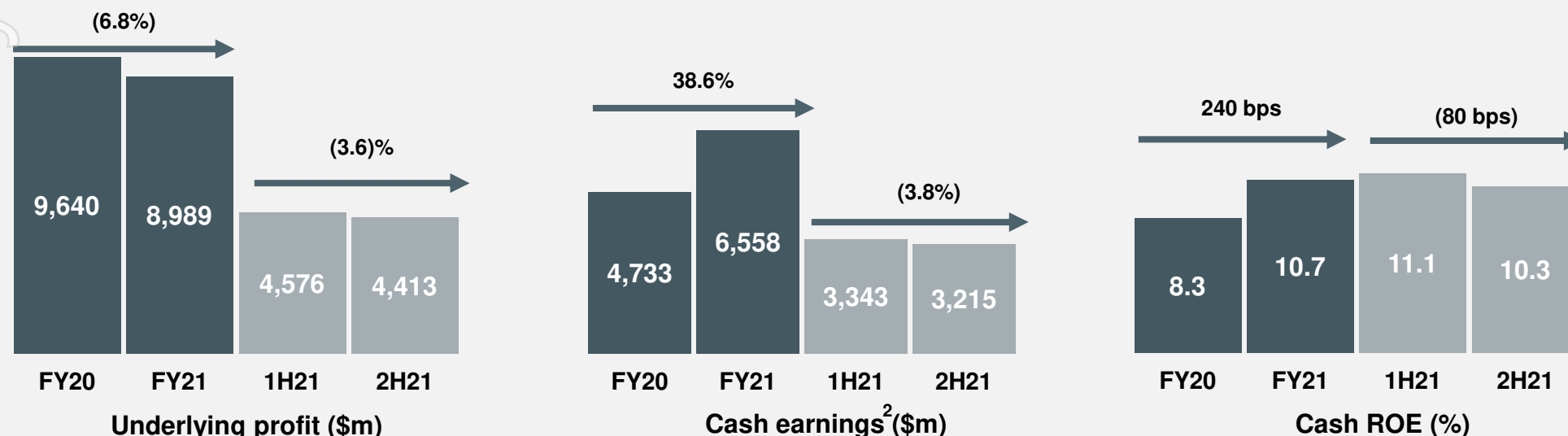
# **FY21 FINANCIALS**

**GARY LENNON**

**Group Chief Financial Officer**

# 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%)

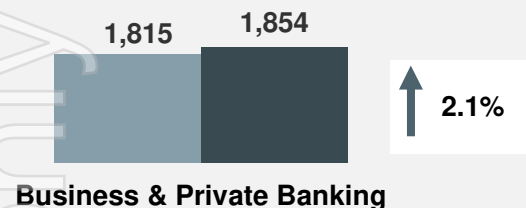
(1) Refers to large notable items in FY20. No notable items in FY21

(2) Refer to page 125 for definition of cash earnings and reconciliation to statutory profit

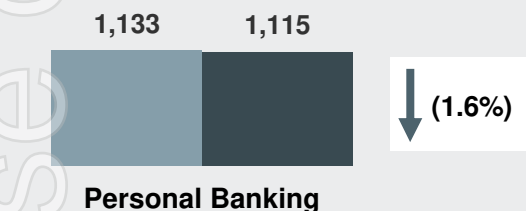
# SOLID UNDERLYING PERFORMANCES

## DIVISIONAL UNDERLYING PROFIT (HOH)

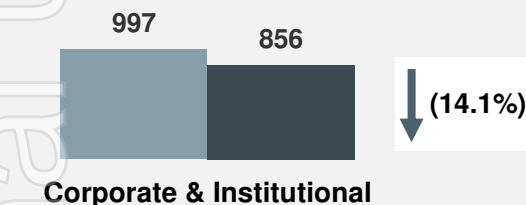
(\$m) ■ 1H21 ■ 2H21



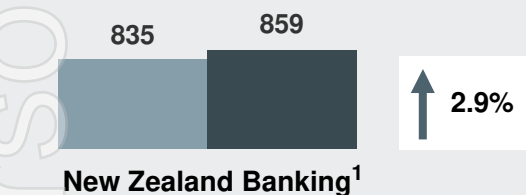
- Above system, broad based growth in business lending
- Higher NIM benefitting from lower funding costs
- Additional spend on customer facing roles for growth, higher technology investment



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



- 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

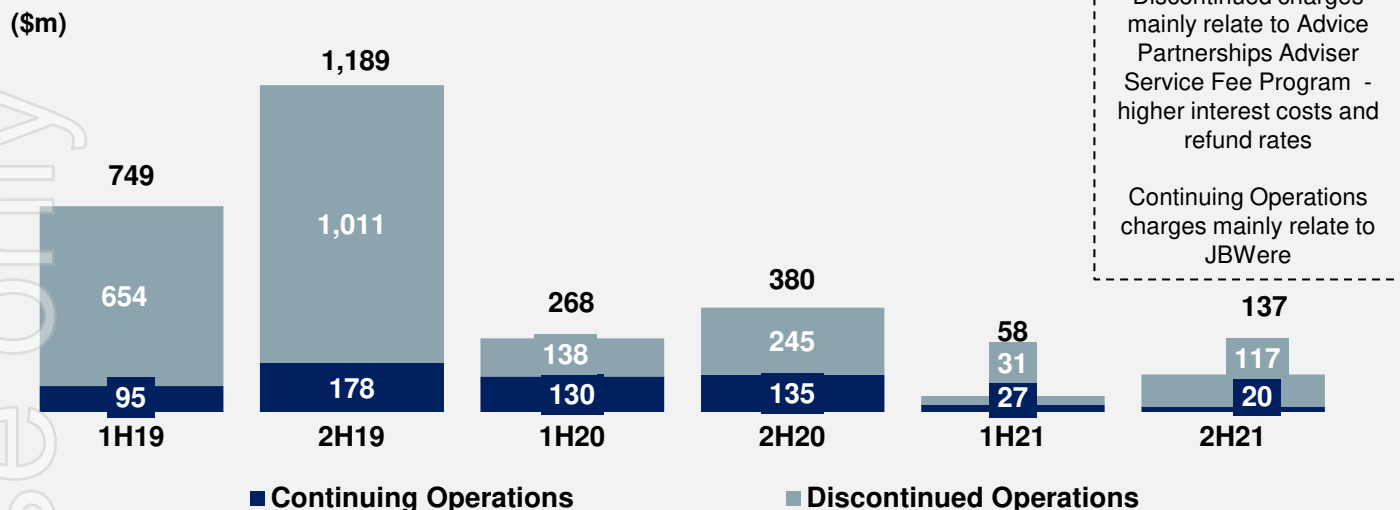


- Above system growth in housing and business lending – broad based growth in business, particularly strong in SME
- Spend on additional colleagues for growth and compliance & risk activities

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

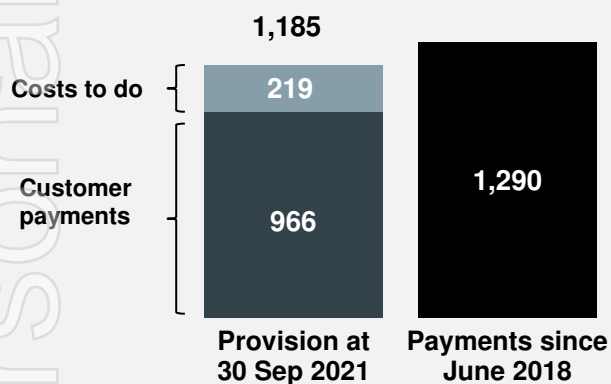
# REMEDATION WORK PROGRESSING

## 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

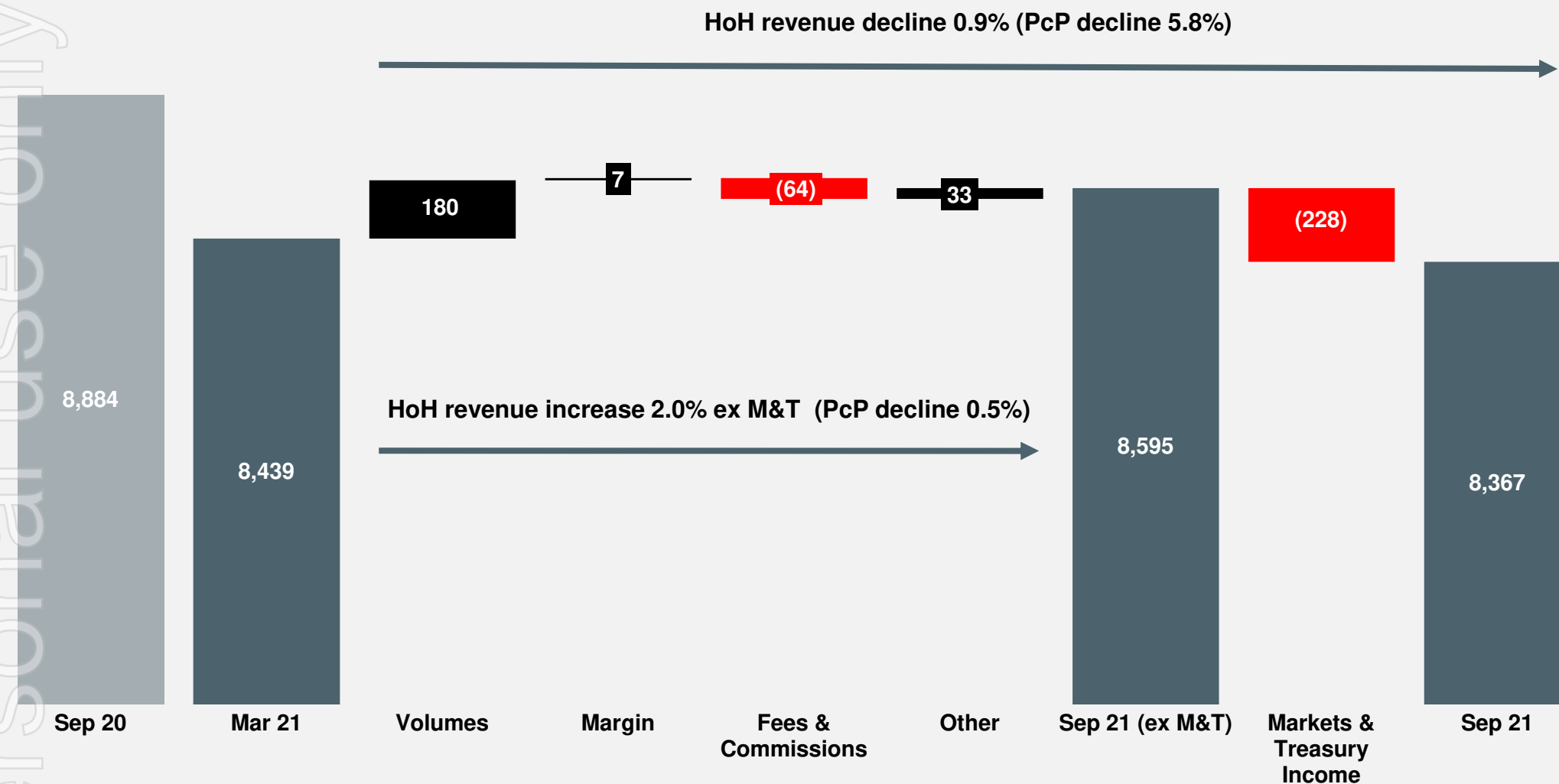
- Enforcement investigation commenced by AUSTRAC in June given serious concerns about NAB's potential non-compliance with its AML/CTF obligations
- AUSTRAC advised that it had not made any decision as to whether it will take any enforcement action, but that it was not considering civil penalty proceedings 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

# REVENUE UP EX MARKETS & TREASURY

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

(\$m)

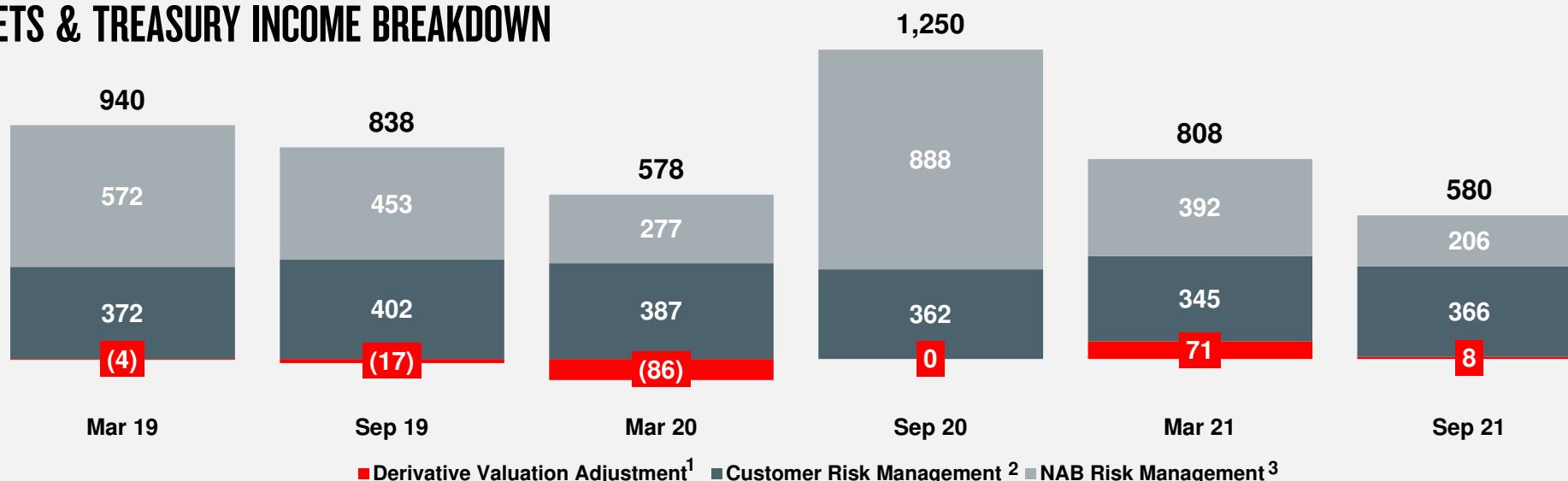


(1) Refers to large notable items in FY20. No notable items in FY21

# MARKETS & TREASURY INCOME LOWER

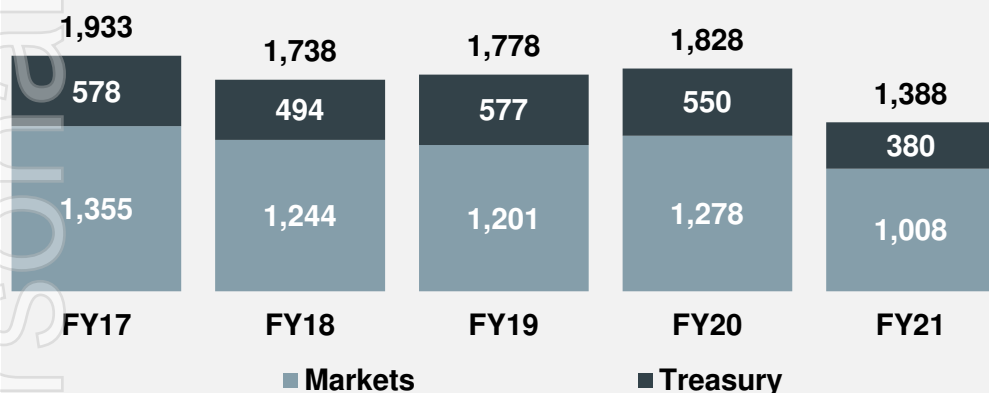
## MARKETS & TREASURY INCOME BREAKDOWN

(\$m)



## HISTORICAL MARKETS & TREASURY INCOME

(\$m)



## KEY CONSIDERATIONS

- Lower NAB Risk Management income in FY21 primarily reflects:
  - lower volatility in global rates & FX markets
  - surplus liquidity impacting repo margins
- Recent re-emergence of interest rate volatility, but outlook difficult to predict

(1) Derivative valuation adjustments include credit valuation adjustments and funding valuation adjustments

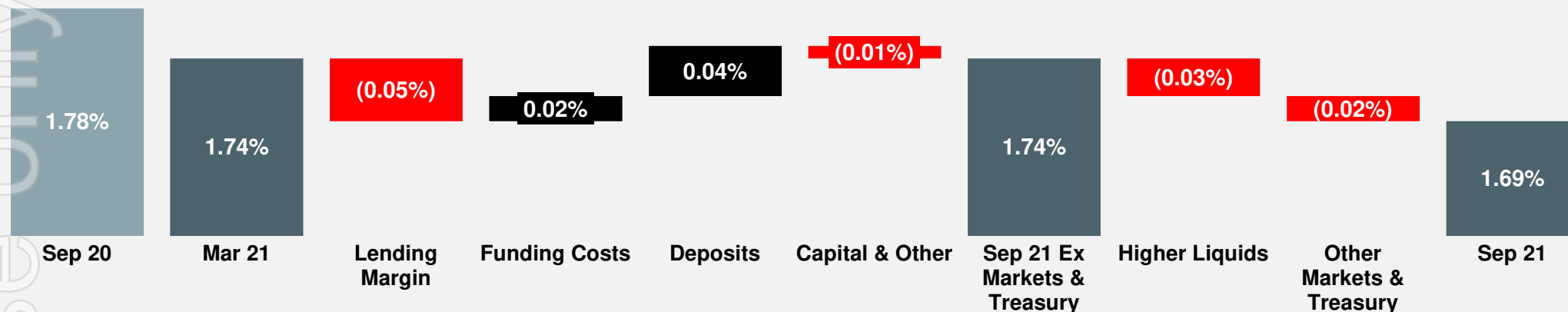
(2) Customer risk management comprises NII and OOI

(3) NAB risk management comprises NII and OOI and is defined as management of interest rate risk in the banking book (IRRBB), wholesale funding and liquidity requirements and trading market risk to support the Group's franchises



# NET INTEREST MARGIN

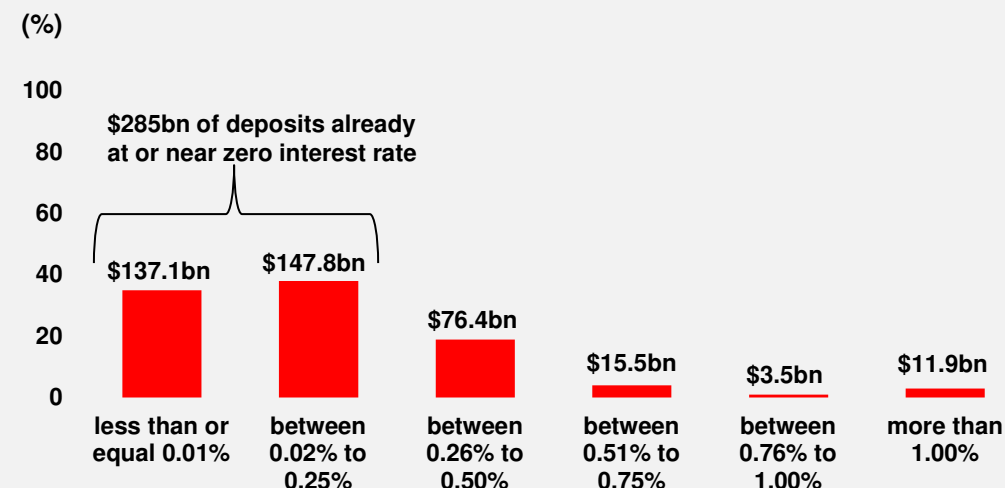
## NET INTEREST MARGIN (EX LARGE NOTABLE ITEMS)<sup>1</sup>



## 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

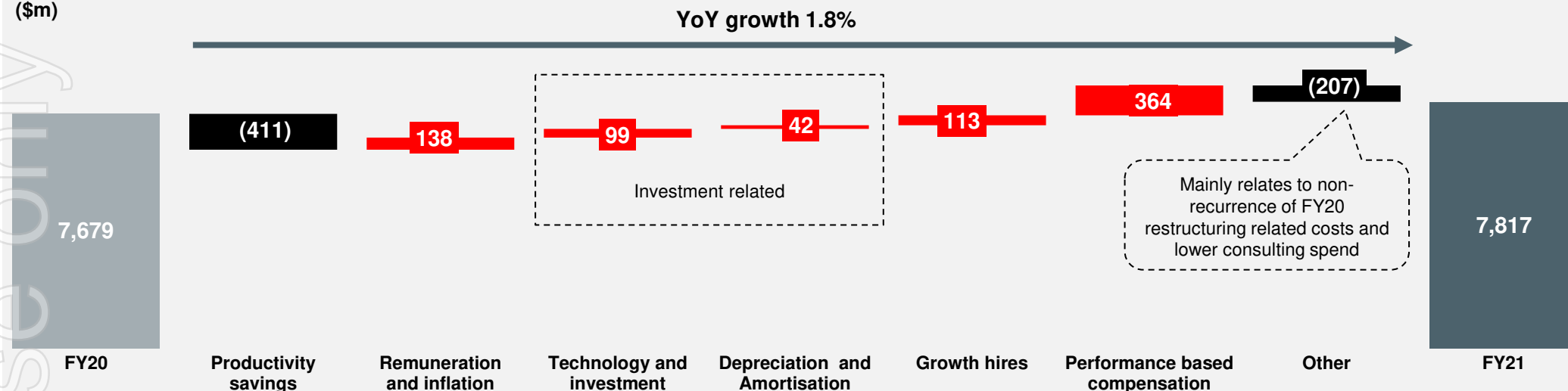
(2) Refers to impact of the replicating portfolio net of any repricing, and based on current rates

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

# REINVESTING SAVINGS FOR GROWTH

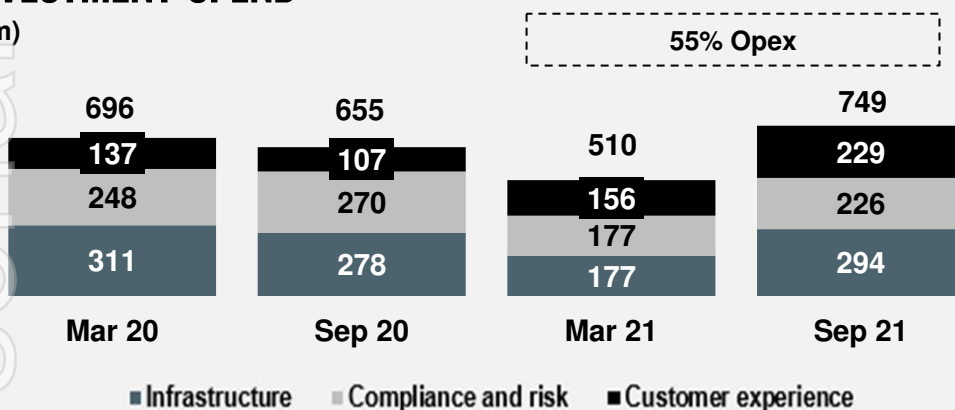
## OPERATING EXPENSES (EX LARGE NOTABLE ITEMS)<sup>1</sup>

(\$m)



## INVESTMENT SPEND

(\$m)



## COMMENTS

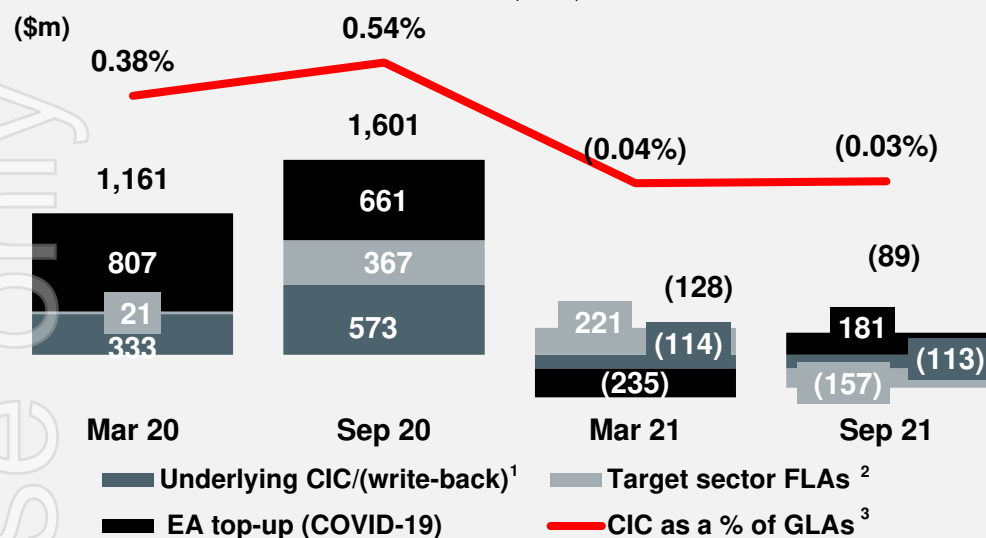
- Cost growth of 1.8% consistent with FY21 target of 0-2%
- Targeting broadly flat costs in FY22<sup>2</sup>
- FY22 investment spend expected to be broadly flat
- Continue to target FY23-25 costs to be lower than \$7.7bn<sup>2</sup>

(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. Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 127

# CREDIT IMPAIRMENT WRITE-BACK, PROVISIONS MODESTLY LOWER

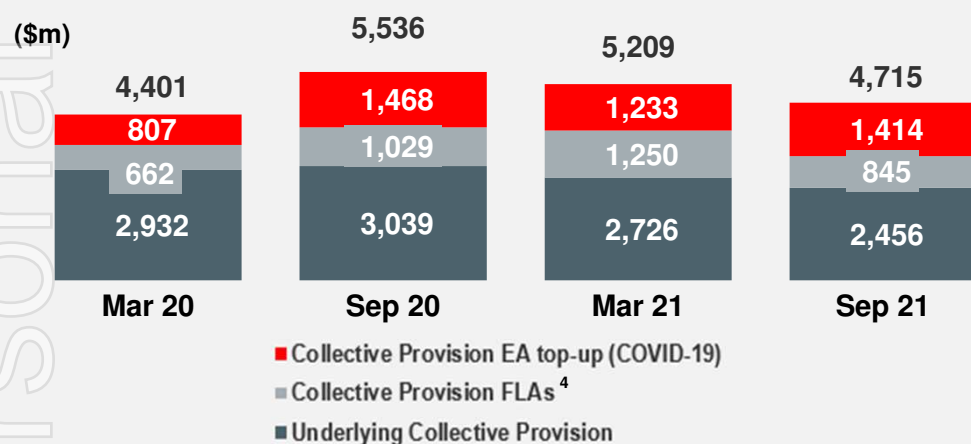
## CREDIT IMPAIRMENT CHARGE (CIC)



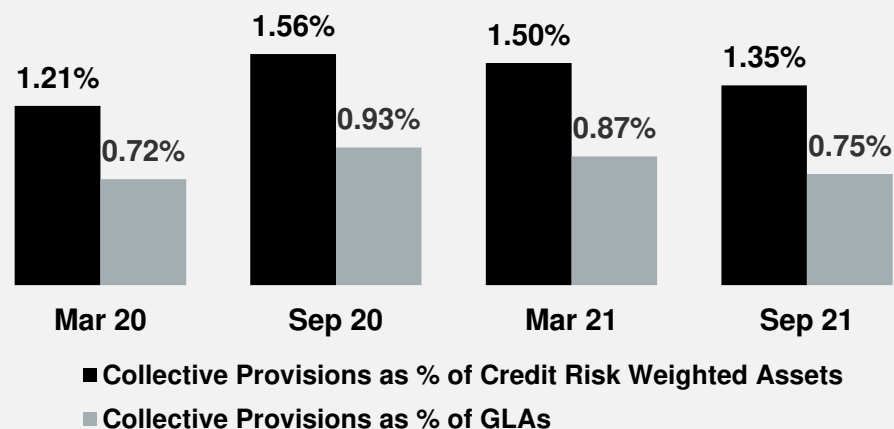
## KEY CONSIDERATIONS 2H21

- 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

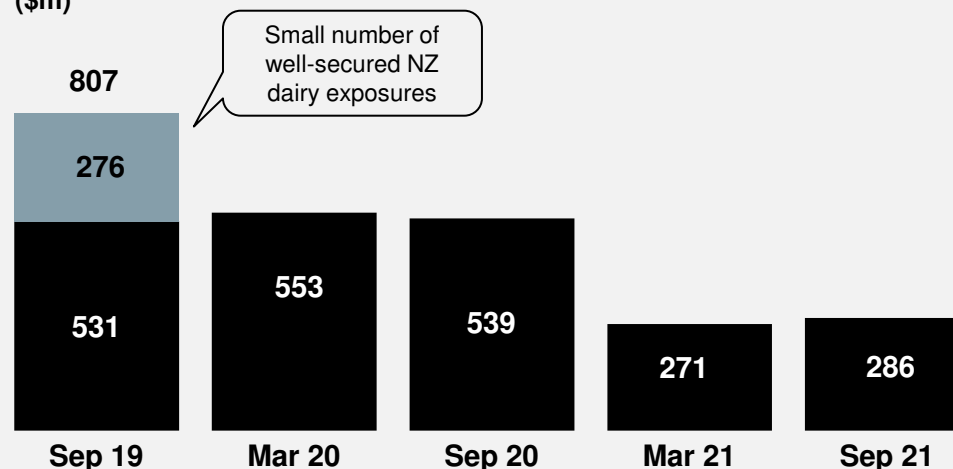
# ASSET QUALITY IMPROVING

## KEY IMPACTS IN 2H21

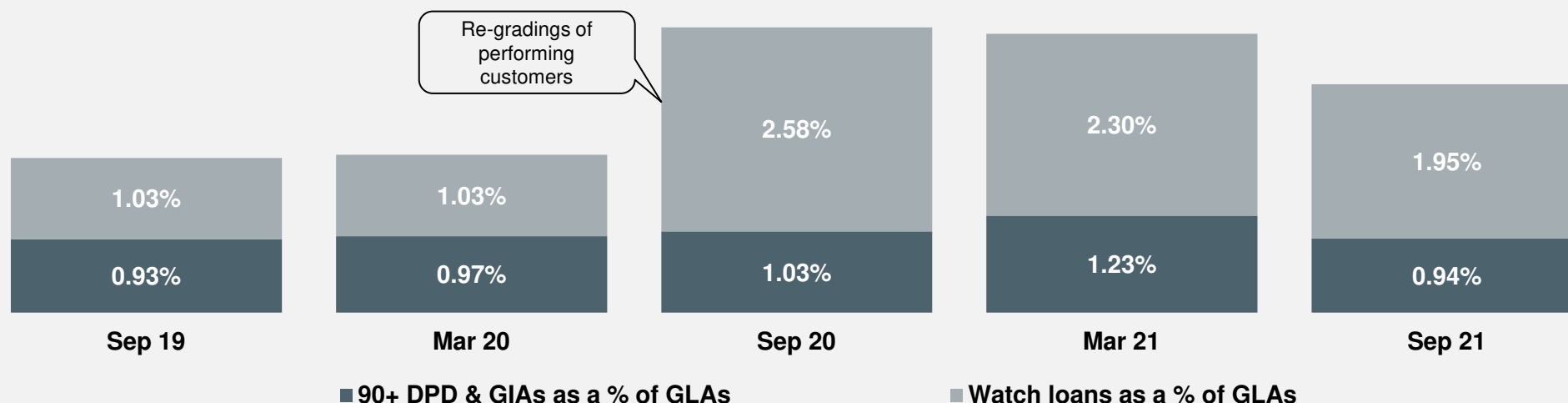
- 90+ DPD & GIA ratio reduction with improvements in business lending and Australian home lending
- Reduction in Watch loans reflects aviation sale
- New impaired assets remain at low levels
- >70% of non-retail categorised assets relate to COVID-19 sectors<sup>1</sup>
- Total deferral balances associated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

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

(\$m)



## 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

# COVID-19 NON-RETAIL SECTORS REMAIN CHALLENGED

## KEY CONSIDERATIONS

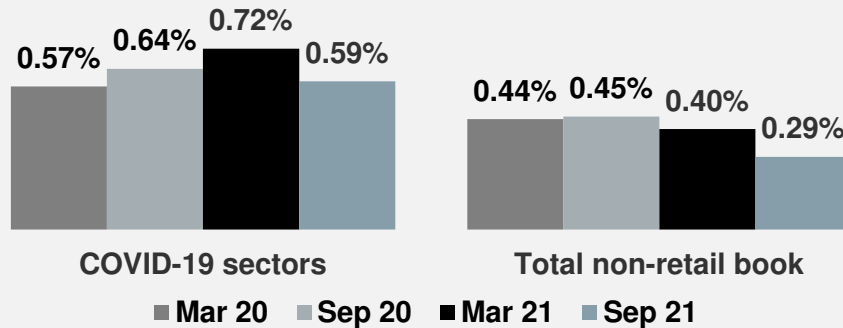
- Continued close monitoring of exposures to sectors significantly impacted by COVID-19
- While asset quality for these sectors improved compared with 1H21, it remains materially worse than for the total non-retail book
- EAD broadly stable vs 1H21
- FLAs for non-retail COVID-19 sectors now account for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

## COVID-19 SECTORS – KEY METRICS SUMMARY

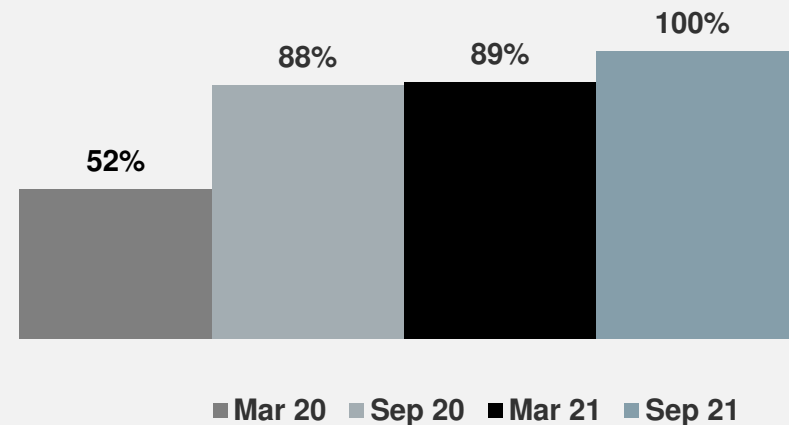
	EAD \$bn		% of 90+ DPD and GIA to EAD	
	Mar 21	Sep 21	Mar 21	Sep 21
Retail Trade	14.5	14.6	1.71	1.24
Tourism, Hospitality & Entertainment <sup>1</sup>	13.5	13.6	1.23	1.13
Air travel and related services	10.1	8.8	0.77	0.80
Office, retail, tourism & leisure CRE <sup>2</sup>	41.6	42.4	0.21	0.15
<b>Total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

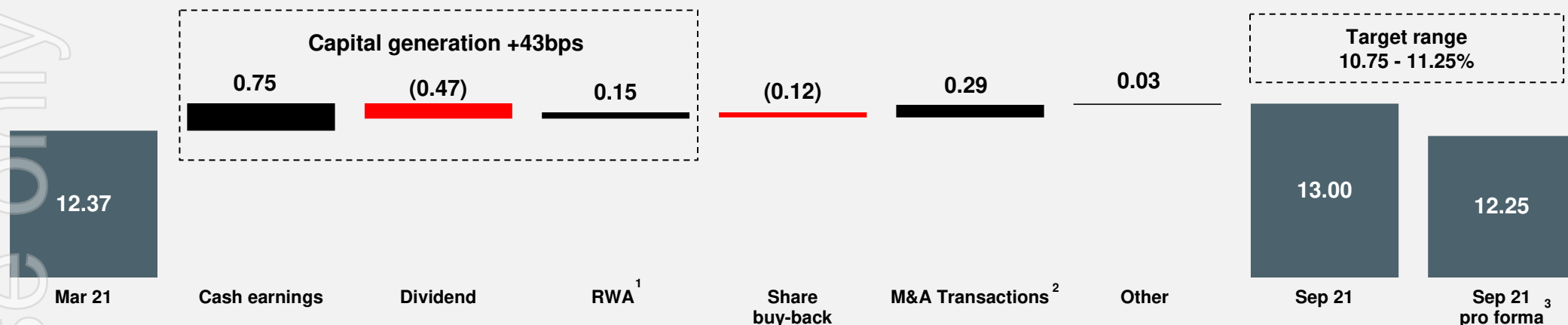
(2) CRE EAD figures are limits based on ARF230 and the FLAs relate to the whole CRE portfolio with Office, Retail, Tourism and Leisure CRE most impacted by COVID-19 stress

(3) Refer page 75 for a breakdown of target sector FLAs

# STRONG CAPITAL POSITION

## GROUP BASEL III COMMON EQUITY TIER 1 CAPITAL RATIO

(%)

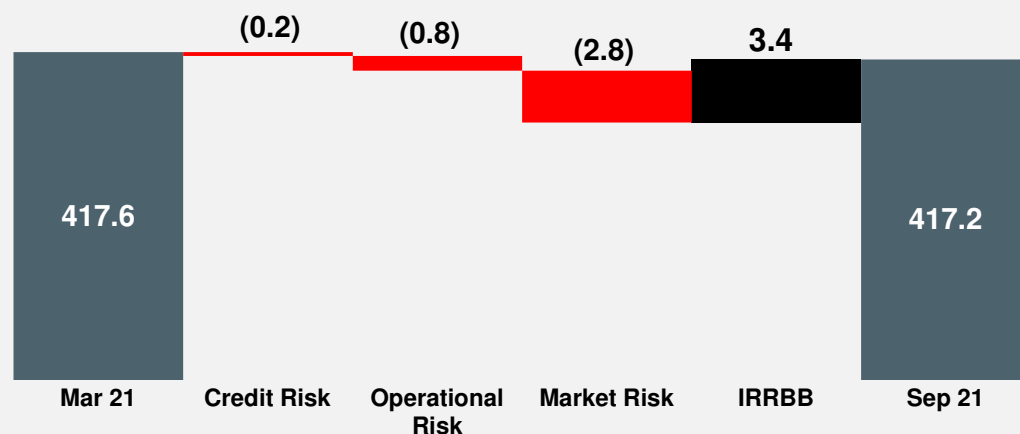


## CET1 CONSIDERATIONS

- 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

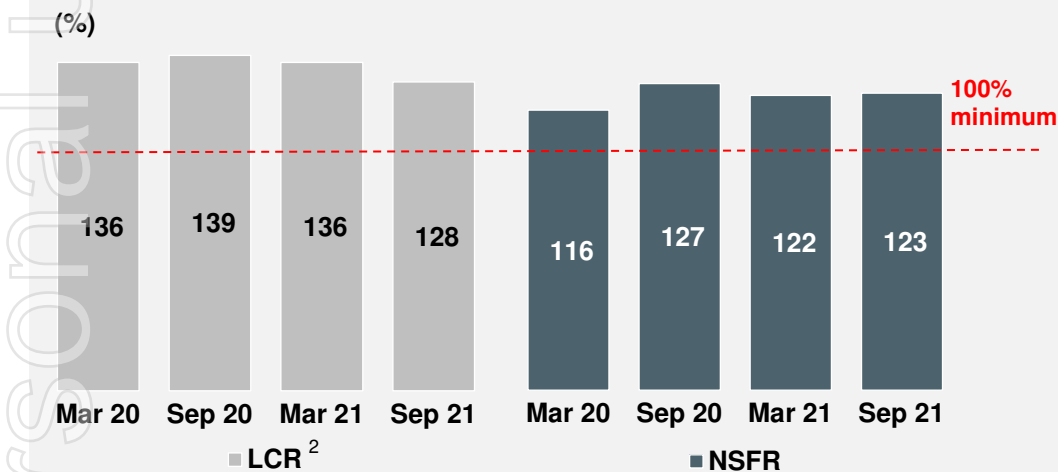
(4) Standards expected to be finalised in November 2021

# FUNDING & LIQUIDITY

## KEY MESSAGES

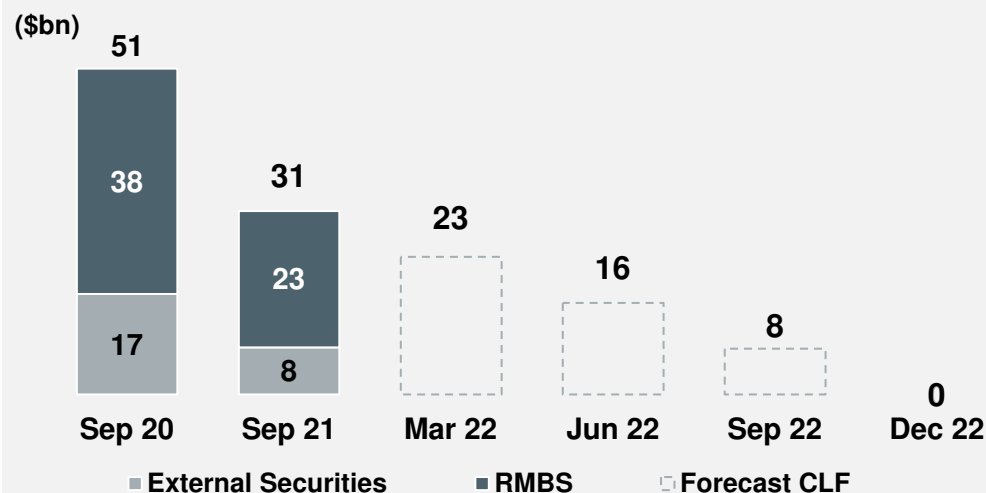
- Strong funding and liquidity position, well above regulatory minimums
- Term Funding Facility (TFF) Additional and Supplementary Allowances totalling \$17.6bn were fully drawn in 4Q21, supporting lending growth, refinancing of term wholesale maturities and higher liquid assets
- Term wholesale issuance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

## LIQUIDITY RATIOS REMAINS ABOVE REGULATORY MINIMUMS

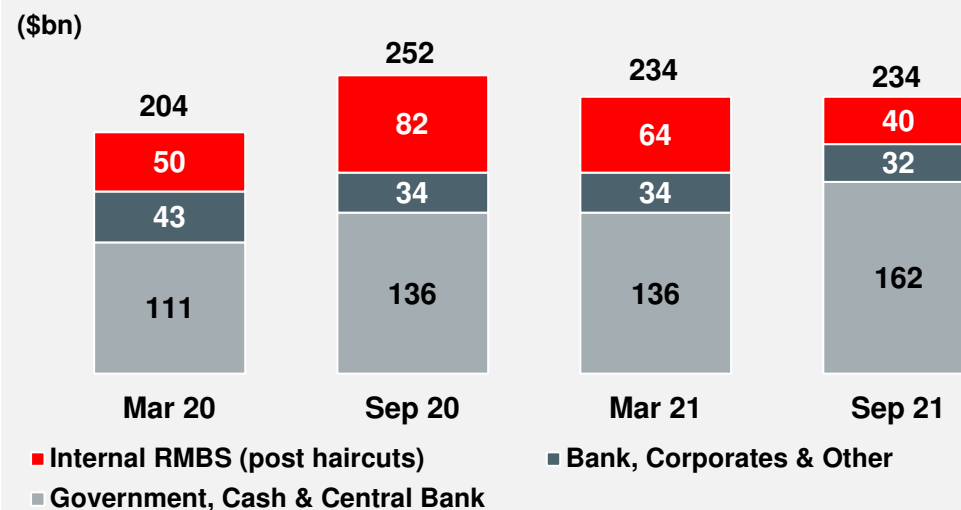


- (1) CLF reduction dates are 1 January, 30 April, 31 August and 31 December 2022  
 (2) Average LCR for the quarter  
 (3) Spot Liquid Assets as at end of each period

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



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





# OUTLOOK

**ROSS McEWAN**

**Group Chief Executive Officer**

# 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**

# ADDITIONAL INFORMATION

## DIVISIONAL PERFORMANCES

NAB At A Glance	33
We Have Clear Growth Opportunities	34
Divisional Contributions	35
Business & Private Banking	36
Personal Banking	39
Corporate & Institutional Banking	40
New Zealand Banking	42

# NAB AT A GLANCE

**>32,000  
Employees**

**~8 million  
Customers**

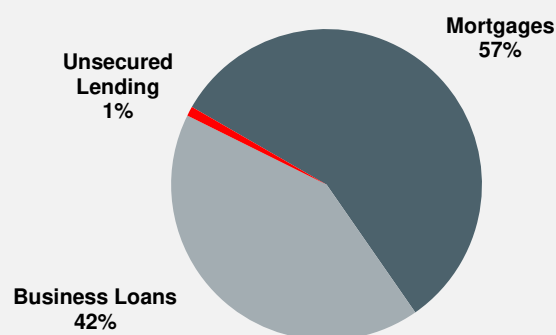
**748  
Branches/Business centres**

**>160 years  
in operation**

## CASH EARNINGS DIVISIONAL SPLIT<sup>1</sup>

Division	% of FY21 Cash Earnings
Business & Private Banking	38%
Personal Banking	25%
Corporate & Institutional Banking	18%
New Zealand Banking	18%
Corporate Functions & Other	1%
Cash Earnings	100%

## GROSS LOANS & ACCEPTANCES SPLIT



### Key Financial Data

**FY21**

Cash Earnings <sup>1</sup>	\$6,558m
Cash ROE	10.7%
Gross Loans & Acceptances	\$629bn
Non-performing loans to GLAs <sup>2</sup>	94 bps
CET1 (APRA)	13.00%
NSFR (APRA)	123%

### Australian Market Share

**As at September 21**

Business lending <sup>3</sup>	22.0%
Housing lending <sup>3</sup>	14.4%
Personal lending <sup>4</sup>	9.2%
Cards <sup>3</sup>	13.4%

**Credit Ratings  
NAB Ltd LT/ST**

**S&P AA-/A-1+  
(Stable)**

**Moody's Aa3/P-1  
(Stable)**

**Fitch A+/F1  
(Stable)**

- (1) Refer to page 125 for definition of cash earnings and reconciliation to statutory net profit  
 (2) 90+ days past due and gross impaired assets to gross loans and acceptances  
 (3) APRA Monthly Authorised Deposit-taking Institution statistics  
 (4) Personal loans business tracker reports provided by RFI, represents share of RFI defined peer group data

# WE HAVE CLEAR GROWTH OPPORTUNITIES

BUSINESS & PRIVATE BANKING	PERSONAL BANKING	CORPORATE & INSTITUTIONAL BANKING	BNZ	UBANK
<p><i>Clear market leadership</i></p> <ul style="list-style-type: none"> <li>• Industry-leading relationship bankers, enabled by data and analytics</li> <li>• 550 new customer facing roles</li> <li>• Strengthen sector specialisation</li> <li>• Transform business lending experience</li> <li>• Leverage High Net Worth proposition</li> <li>• Partner to deliver differentiated transactional banking experiences</li> </ul>	<p><i>Simple &amp; digital</i></p> <ul style="list-style-type: none"> <li>• Flexible and professional bankers – able to serve customers whenever, wherever and through any channel they choose</li> <li>• Deliver a simple and digital everyday banking experience, including unsecured lending</li> <li>• Deliver Australia's simplest home loan</li> </ul>	<p><i>Disciplined growth</i></p> <ul style="list-style-type: none"> <li>• Highly professional relationship managers and specialists</li> <li>• Leadership in infrastructure, investors, and sustainability</li> <li>• Enhanced transactional banking and asset distribution capability</li> </ul>	<p><i>Grow in personal &amp; SME</i></p> <ul style="list-style-type: none"> <li>• Step change in digital banking capability</li> <li>• Simpler, more focused bank</li> <li>• Re-weight to less capital intense segments</li> </ul>	<p><i>New customer acquisition</i></p> <ul style="list-style-type: none"> <li>• New propositions driving customer acquisition</li> <li>• Market leading digital experience</li> <li>• Ambition to expand share in younger segments</li> </ul>

# DIVISIONAL CONTRIBUTIONS

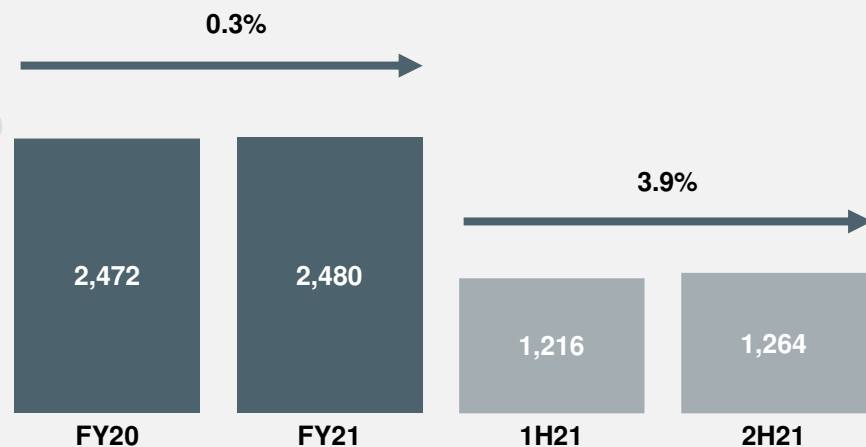
Divisional cash earnings	FY21 (\$m)	FY21 v FY20	2H21 (\$m)	2H21 v 1H21
Business and Private Banking	2,480	0.3%	1,264	3.9%
Personal Banking	1,650	14.4%	791	(7.9%)
Corporate & Institutional Banking	1,207	(14.8%)	425	(45.7%)
New Zealand Banking <sup>1</sup>	1,230	18.7%	614	(0.3%)

(1) In local currency

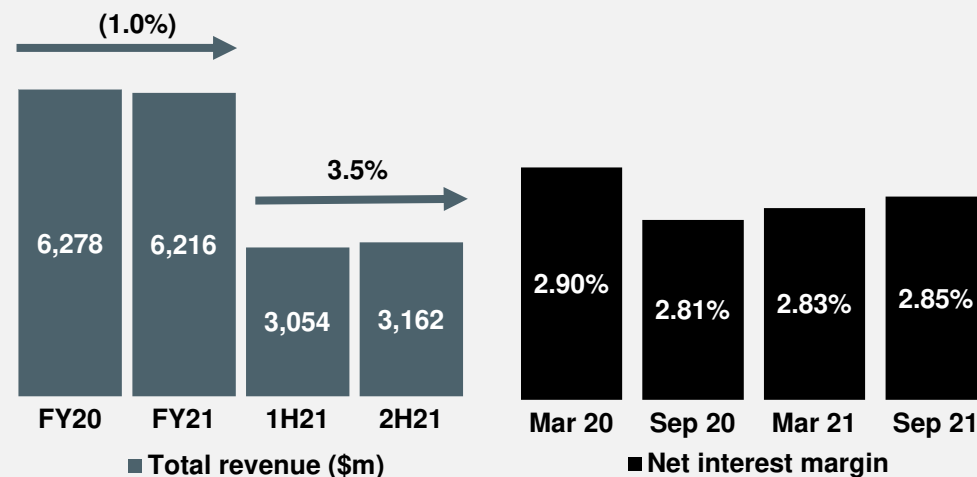
# BUSINESS & PRIVATE BANKING

## CASH EARNINGS

(\$m)

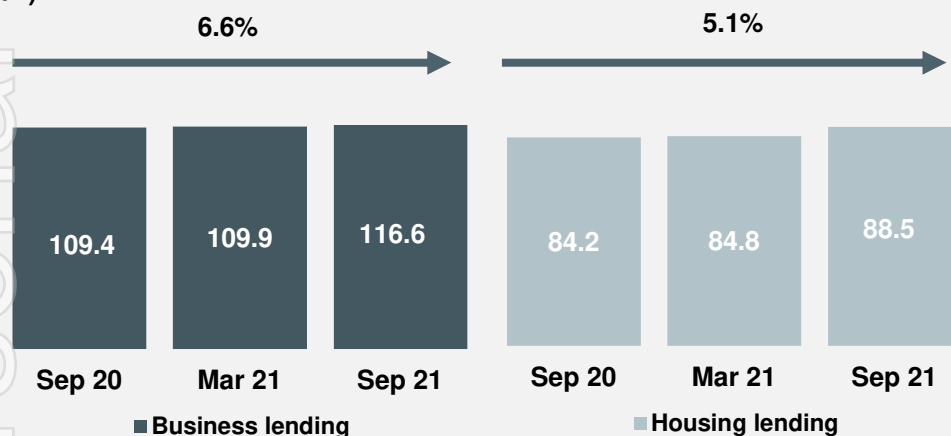


## REVENUE AND MARGIN



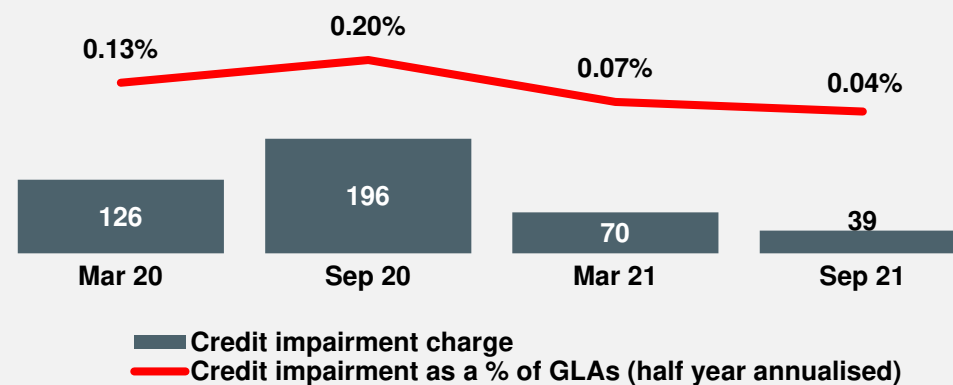
## BUSINESS AND HOUSING LENDING GLAs

(\$bn)



## CREDIT IMPAIRMENT CHARGES AND AS A % OF GLAs

(\$m)

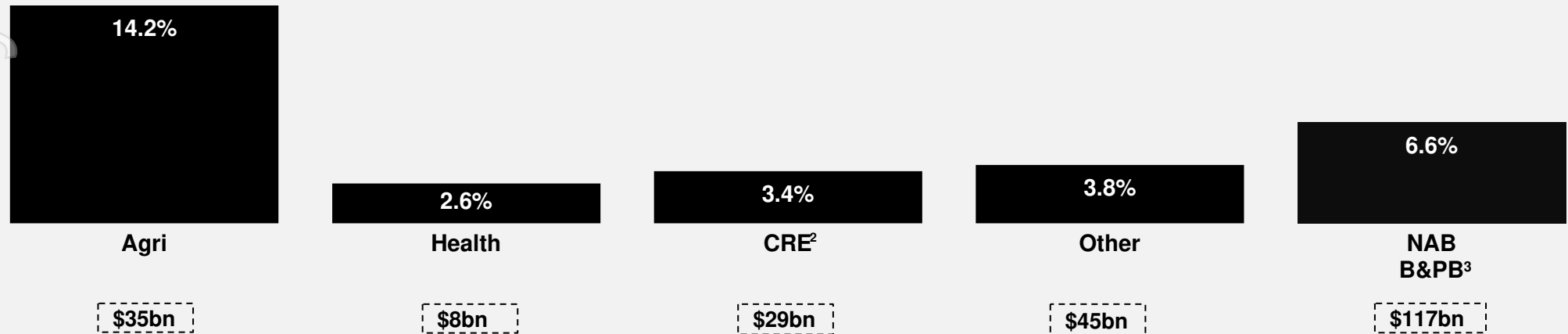




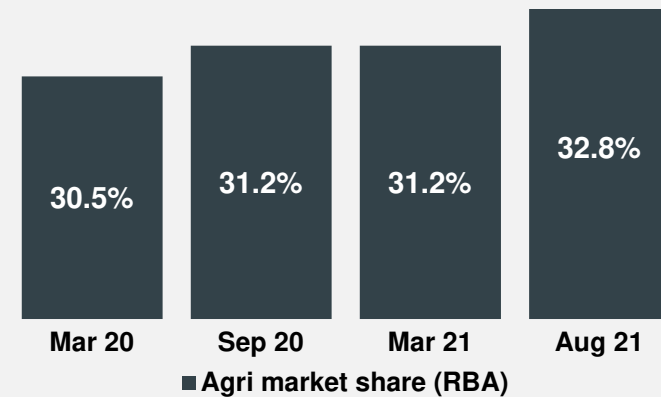
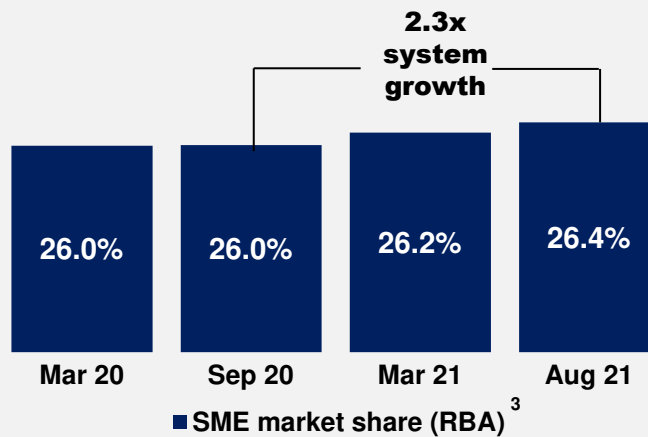
# BUSINESS LENDING GROWTH & MARKET SHARE

## AUSTRALIAN BUSINESS LENDING GROWTH (YOY)<sup>1</sup>

Denotes lending balance as at 30 September 2021



## SME AND AGRI BUSINESS LENDING MARKET SHARE



(1) Growth rates are on a customer segment basis and not industry

(2) CRE primarily represents commercial real estate investment lending across a range of asset classes including Retail, Office, Industrial, Tourism and Leisure, and Residential

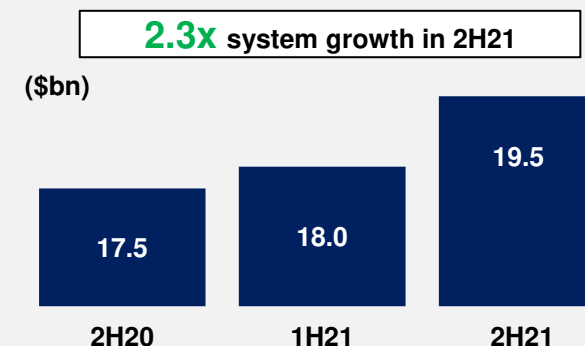
(3) A business is classified as SME under the RBA if NAB has exposure to the business and the business has turnover less than \$50 million. A business is classified as B&PB if NAB has exposure to the business less than \$50m; and the business has turnover less than \$100 million.

# BUSINESS & PRIVATE BANKING – LEVERAGING HIGH NET WORTH (HNW)

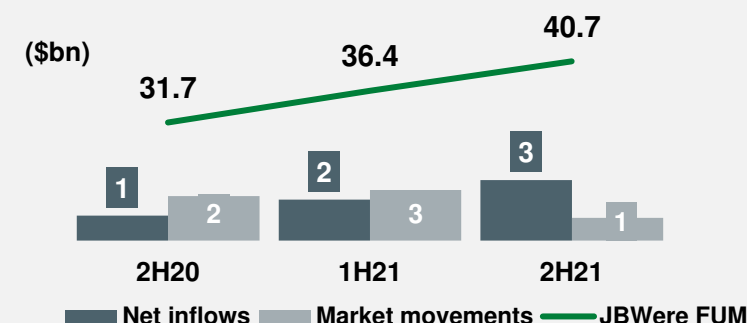
## INVESTING IN A NEW INTEGRATED APPROACH IN FY21

- Single leadership of Private Bank, JBWere and nabtrade
- Closer collaboration with Business Banking:
  - HNW representatives across specialised banking teams
  - Aligning Private Bankers and Wealth Advisors with every metropolitan Business Banking Centre
  - Established cross-business referral model
- 50 new Private Bankers added, dedicated credit team and tailored HNW credit policies, improving turnaround times
- Digital initiatives:
  - New nabtrade app – 116k downloads since launch; +30 NPS uplift<sup>3</sup>
  - JBWere website refresh and new client portal providing real time portfolio performance reporting
  - 100% of eligible Private Bank home lending documents provided via DigiDocs

### Growing home lending



### Growing net fund inflows driving higher FUM



(1) Change in September 2021 score versus September 2020 score. DBM Atlas - Consumer. HNW customers, six month rolling average to September 2021. HNW includes consumer aged 18 up to 75, Total net worth \$2m+ across Deposits / Lending / Credit/ Super / Investments (Managed and Direct) / Equity in investment property. 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. 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)

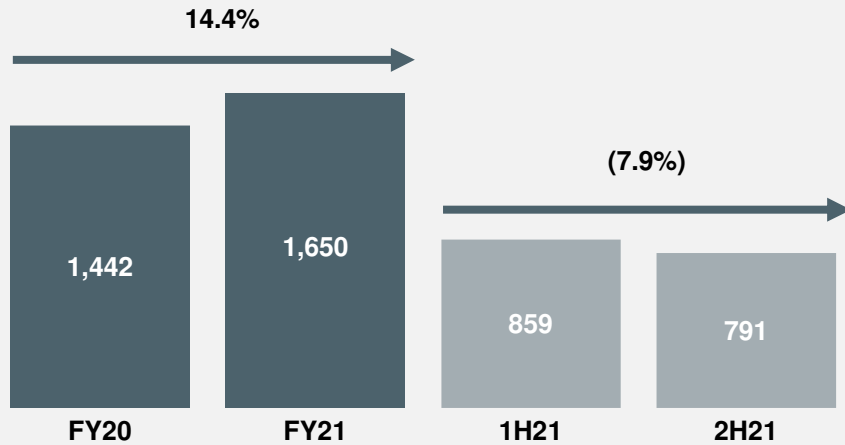
(2) NAB Private Bank: Winner - Australia

(3) From Oct-20 to Sep-21

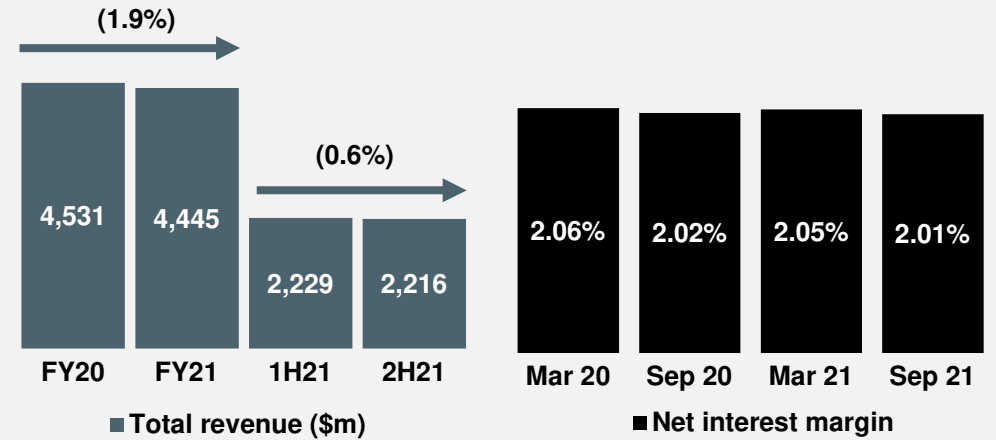
# PERSONAL BANKING

## CASH EARNINGS

(\$m)

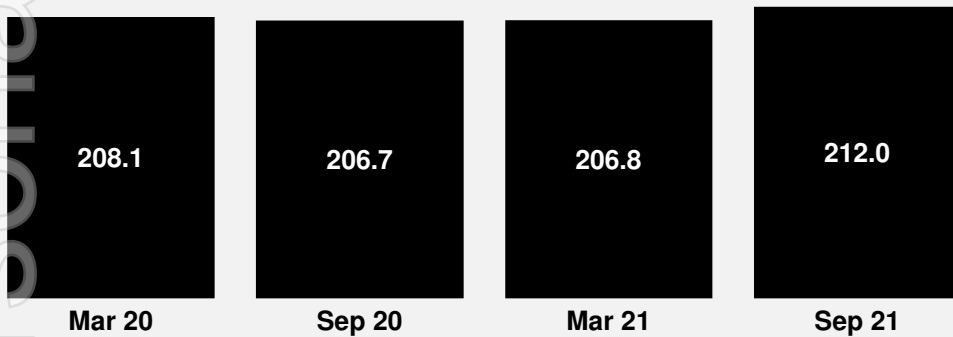


## REVENUE AND MARGIN



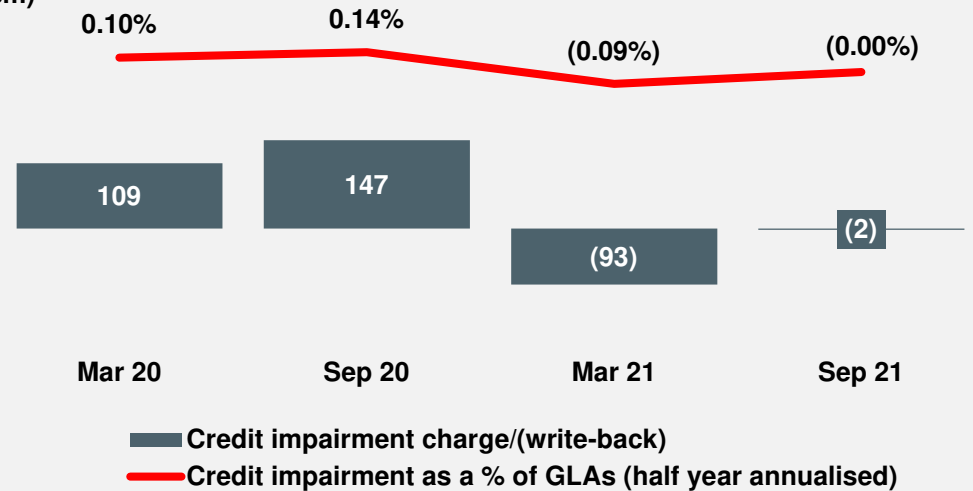
## HOUSING LENDING GLAs

(\$bn)



## CREDIT IMPAIRMENT CHARGES AND AS A % OF GLAs

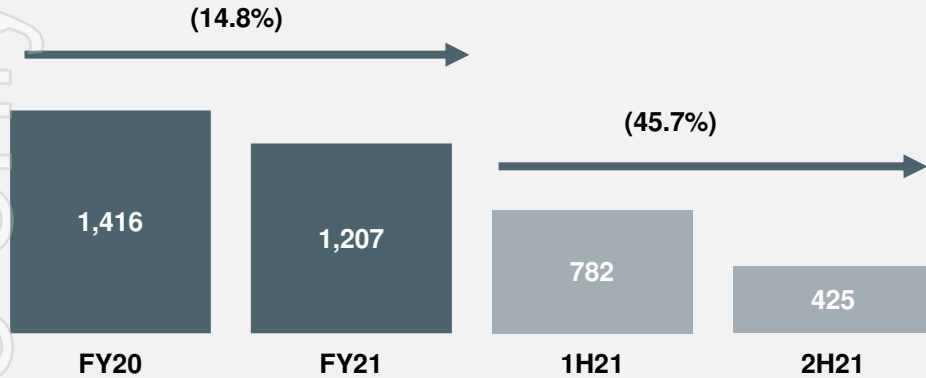
(\$m)



# CORPORATE & INSTITUTIONAL BANKING

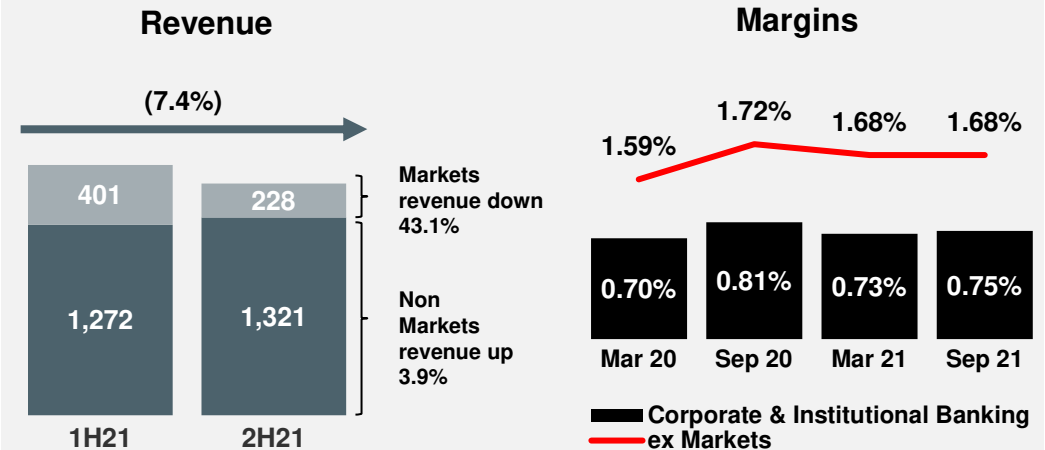
## CASH EARNINGS

(\$m)



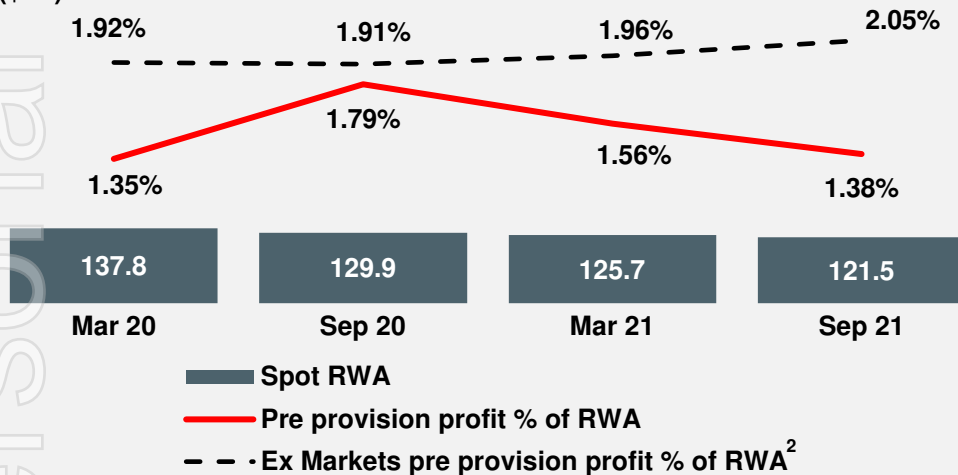
## MARGINS AND REVENUE BREAKDOWN<sup>1</sup>

(\$m)



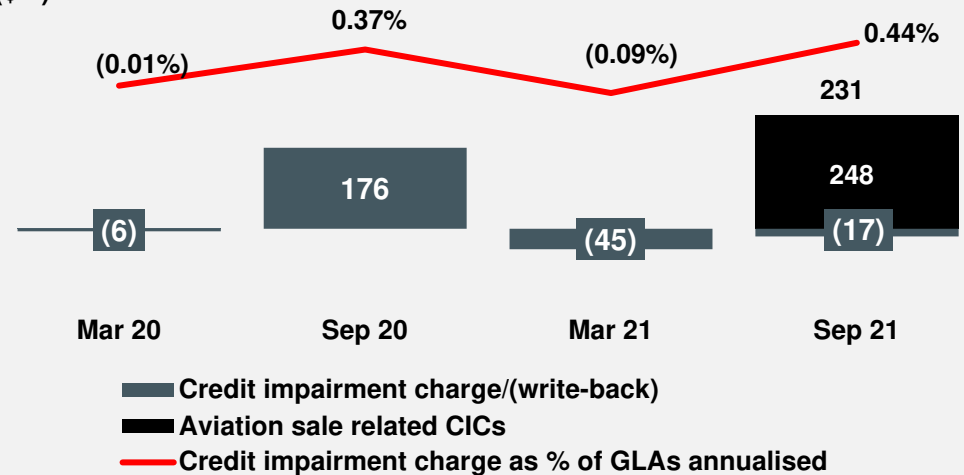
## RETURNS FOCUS

(\$bn)



## CREDIT IMPAIRMENT CHARGES AND AS A % OF GLAs

(\$m)



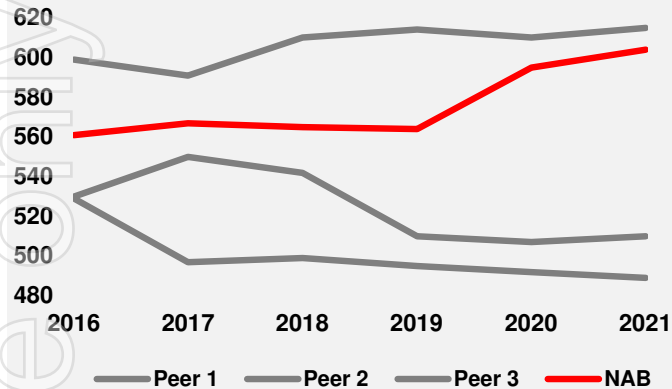
(1) Markets revenue represents Customer Risk Management revenue and NAB Risk Management Revenue. Includes derivative valuation adjustments

(2) Excludes Markets pre provision profit and average RWAs

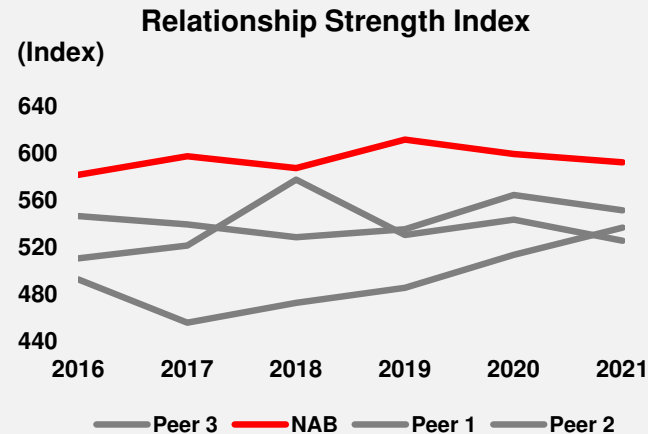
# CUSTOMER METRICS

CORPORATE & INSTITUTIONAL  
BANKING

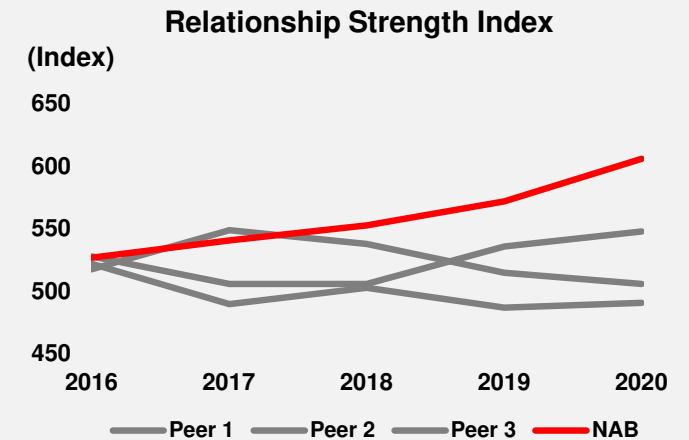
## LARGE CORPORATE & INSTITUTIONAL – RELATIONSHIP STRENGTH INDEX<sup>1</sup>



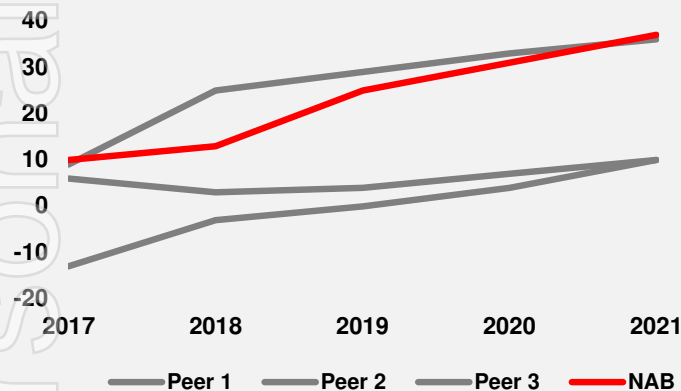
## INTEREST RATE HEDGING<sup>3</sup>



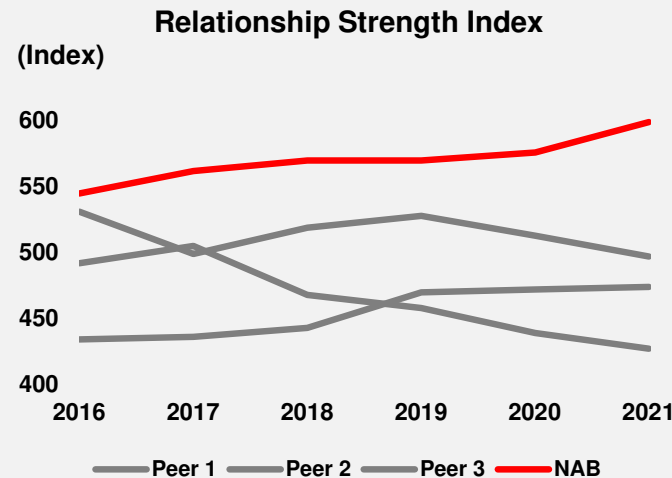
## FOREIGN EXCHANGE<sup>4</sup>



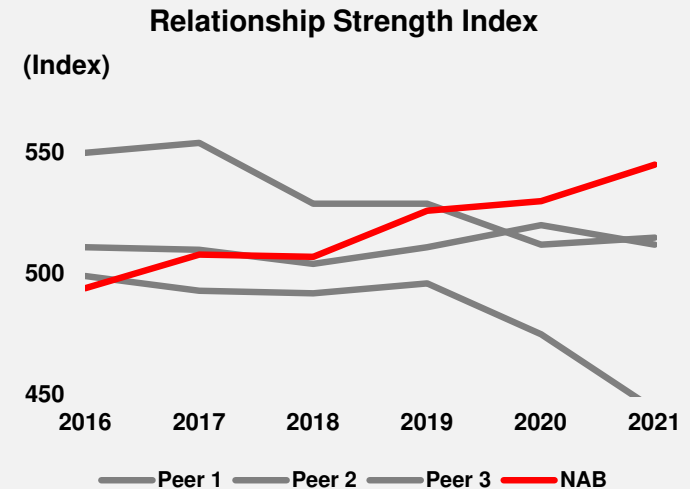
## INSTITUTIONAL NPS<sup>1,2</sup>



## DEBT MARKETS ORIGINATION<sup>5</sup>



## TRANSACTIONAL BANKING<sup>6</sup>



All data from Peter Lee Associates, Australia. Based on top four banks by penetration. Relationship Strength Index (RSI) is based on a combined measure of most qualitative evaluations.

(1) Corporate and Institutional Relationship Banking Survey 2021

(2) 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

(3) Interest Rate Derivatives Survey 2021

(4) Foreign Exchange Survey 2020

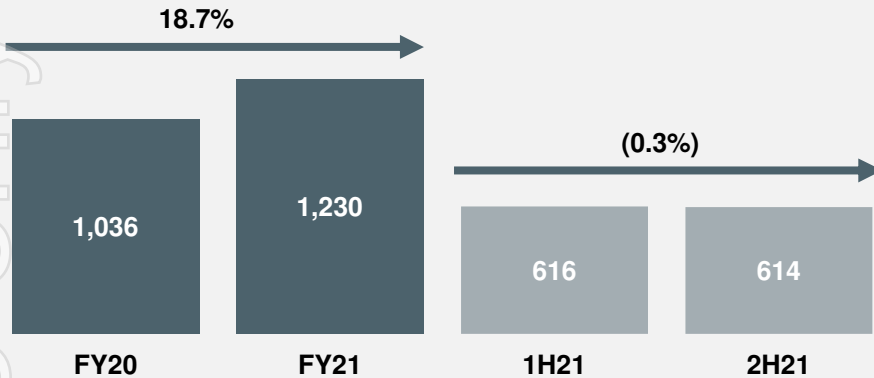
(5) Debt Securities Origination Survey 2021

(6) Transaction Banking Survey 2021

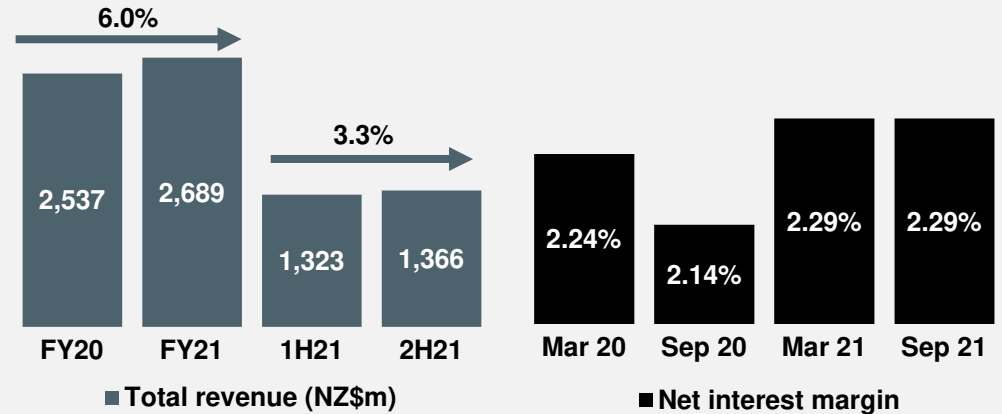
# NEW ZEALAND BANKING

## CASH EARNINGS

(NZ\$m)

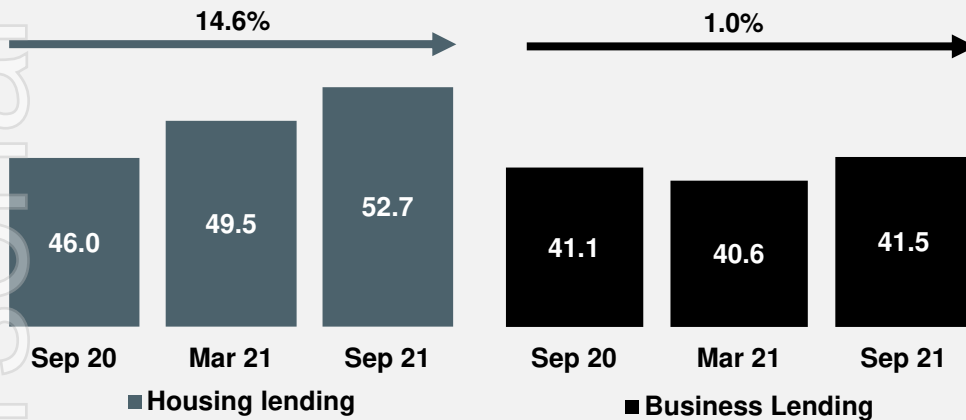


## REVENUE AND MARGIN



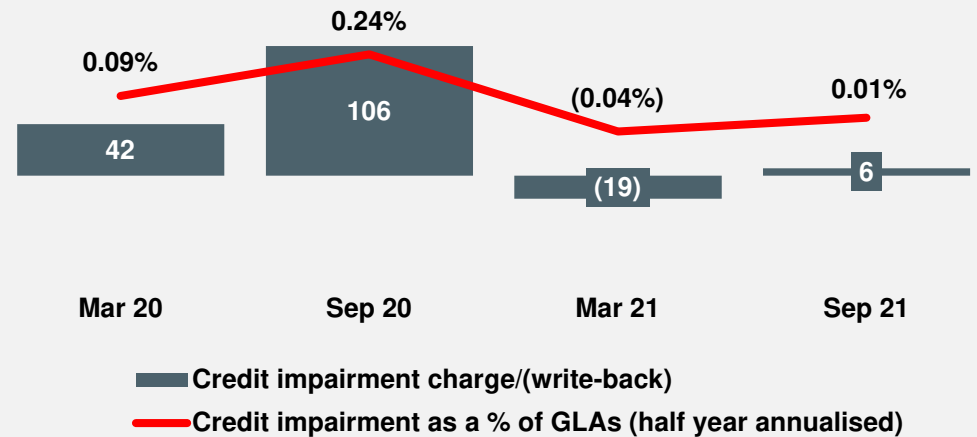
## BUSINESS & HOUSING LENDING GLAs

(NZ\$bn)



## CREDIT IMPAIRMENT CHARGES AND AS A % OF GLAs

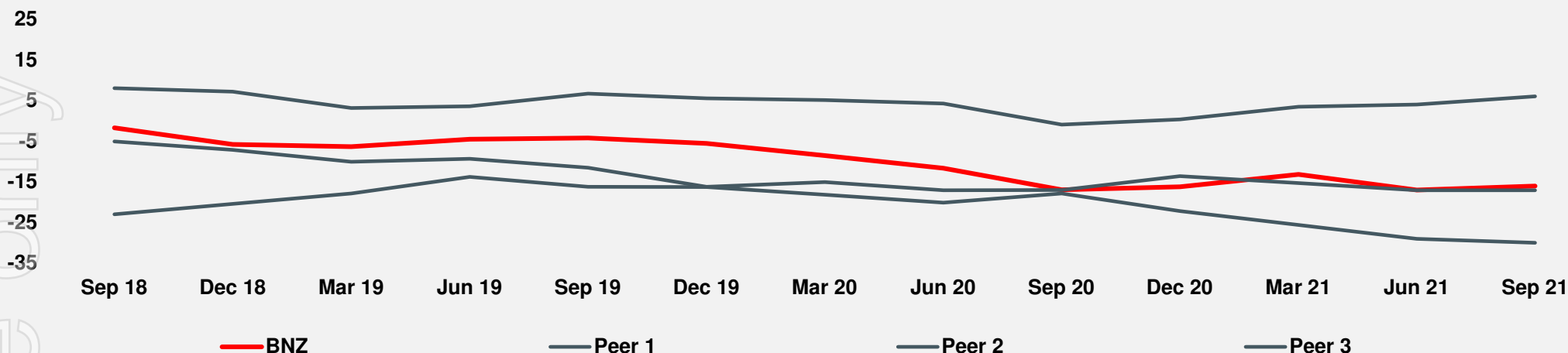
(NZ\$m)



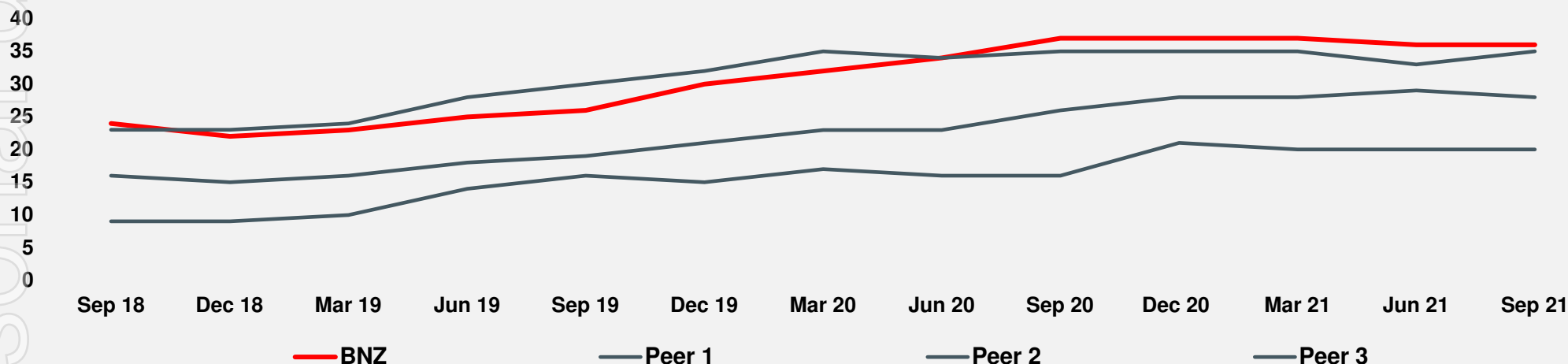
# KEY CUSTOMER METRICS

NEW ZEALAND BANKING

## BNZ BUSINESS NPS<sup>1,3</sup>



## BNZ CONSUMER NPS<sup>2,3,4,5</sup>



(1) Source: Kantar Business Finance Monitor (data on 4 quarter roll). Total business market up to annual turnover of \$150m; includes Agribusiness with a turnover of \$100k+.

(2) Source: Camorra Retail Market Monitor (data on 12 month roll). There has been a change in NPS used for BNZ reporting vs. previous years. The result now reflects the total Consumer market, rather than Combined Priority Segments (which included Starters and Savers, Home Owners and Investors and High Net Worth).

(3) 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.

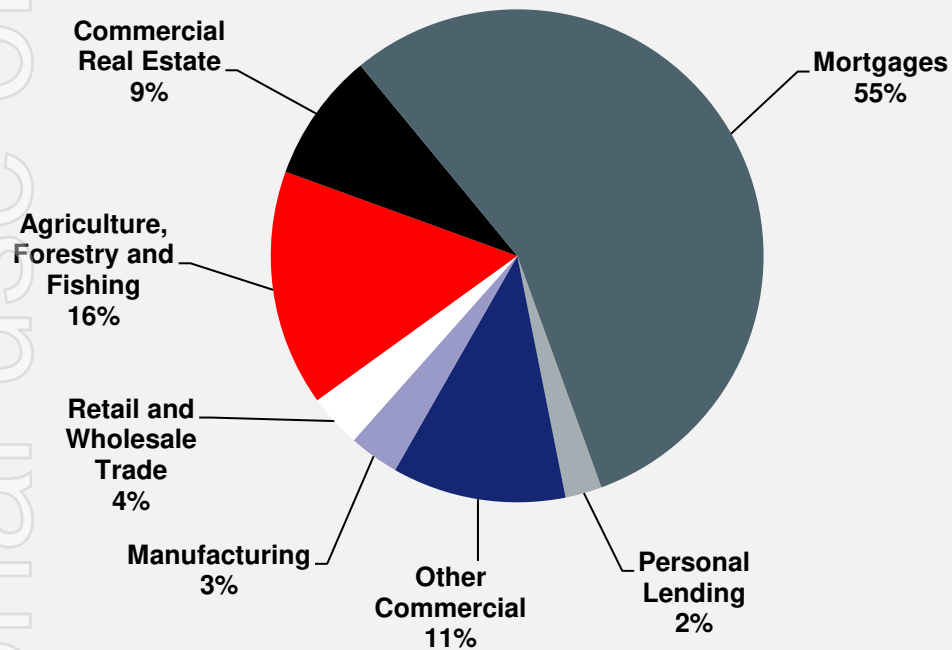
(4) In 2019, a change in Retail Market Monitor methodology led to a re-set of NPS for the consumer market for all major banks. Use of a 12 month rolling average in BNZ reporting smoothed the transition but a methodology-driven increase in NPS for all banks is visible. The new methodology has been fully embedded since October 2019.

(5) In September 2021 there was a further methodological improvement. Customer share (alongside population census results) is now included in the underlying data weighting approach. This change has been applied across the market, so affects both BNZ and our peers. It has also been applied to the historical results from May 19 so comparisons over time remain valid, including for blended periods.

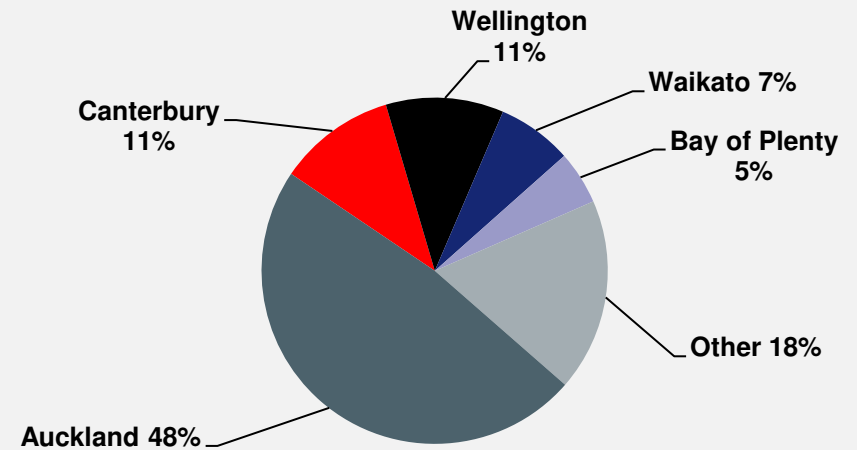
# LENDING MIX

NEW ZEALAND BANKING

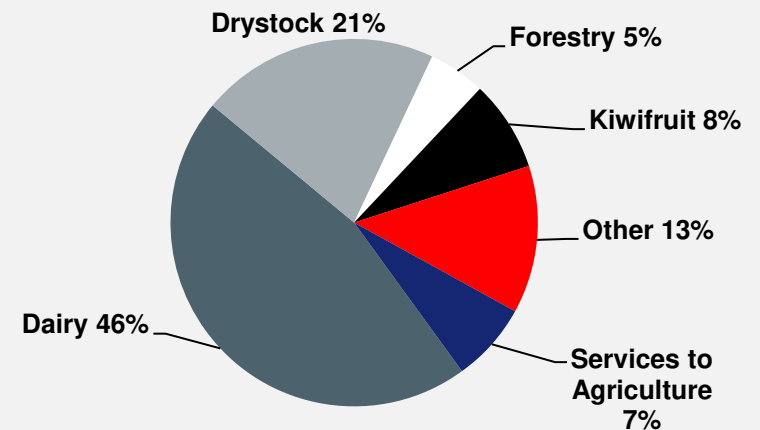
## PORTFOLIO BREAKDOWN – TOTAL NZ\$95.1BN



## MORTGAGE PORTFOLIO BREAKDOWN BY GEOGRAPHY – TOTAL MORTGAGE NZ\$52.7BN



## AGRIBUSINESS PORTFOLIO BREAKDOWN BY INDUSTRY – TOTAL AGRI NZ\$14.7BN





# NEW ZEALAND HOUSING LENDING KEY METRICS

NEW ZEALAND BANKING

New Zealand Housing Lending	Mar 20	Sep 20	Mar 21	Sep 21		Sep 20	Mar 21	Sep 21
Portfolio						Drawdowns <sup>1</sup>		
Total Balances (spot) NZ\$bn	44.8	46.0	49.5	52.7		5.1	9.5	8.8
By product								
- Variable rate	15.2%	14.1%	12.9%	11.3%		15.1%	11.2%	10.0%
- Fixed rate	82.6%	84.1%	85.5%	87.3%		84.6%	88.2%	89.7%
- Line of credit	2.2%	1.8%	1.6%	1.4%		0.3%	0.6%	0.3%
By borrower type								
- Owner Occupied	66.4%	66.0%	64.5%	64.6%		64.5%	60.1%	68.5%
- Investor	33.6%	34.0%	35.5%	35.4%		35.5%	39.9%	31.5%
By channel								
- Proprietary	77.9%	76.2%	73.7%	71.6%		68.8%	67.9%	64.7%
- Broker	22.1%	23.8%	26.3%	28.4%		31.2%	32.1%	35.3%
Low Documentation	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Interest only <sup>2</sup>	24.4%	25.5%	20.2%	18.9%	28.2%	28.5%	25.4%	
LVR at origination	66.7%	66.8%	66.0%	65.4%				
90+ days past due	0.11%	0.13%	0.14%	0.09%				
Impaired loans	0.03%	0.02%	0.01%	0.00%				
Specific Impairment coverage ratio	25.5%	26.3%	20.8%	11.5%				
Loss rate <sup>3</sup>	0.01%	0.00%	0.00%	0.00%				

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

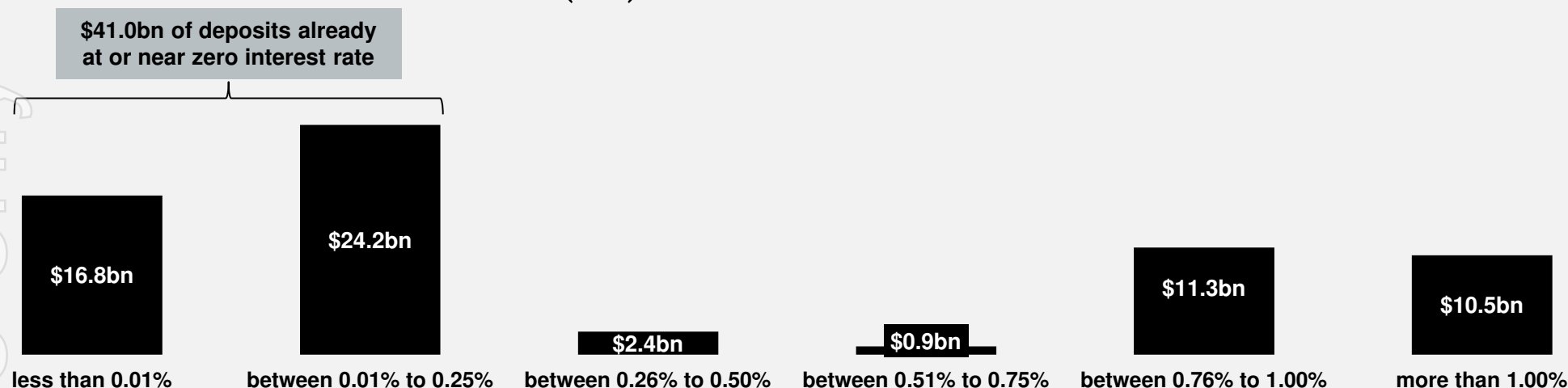
(2) Excludes line of credit products

(3) 12 month rolling Net Write-offs / Spot Drawn Balances

# NZ CUSTOMER DEPOSITS BY INTEREST RATE

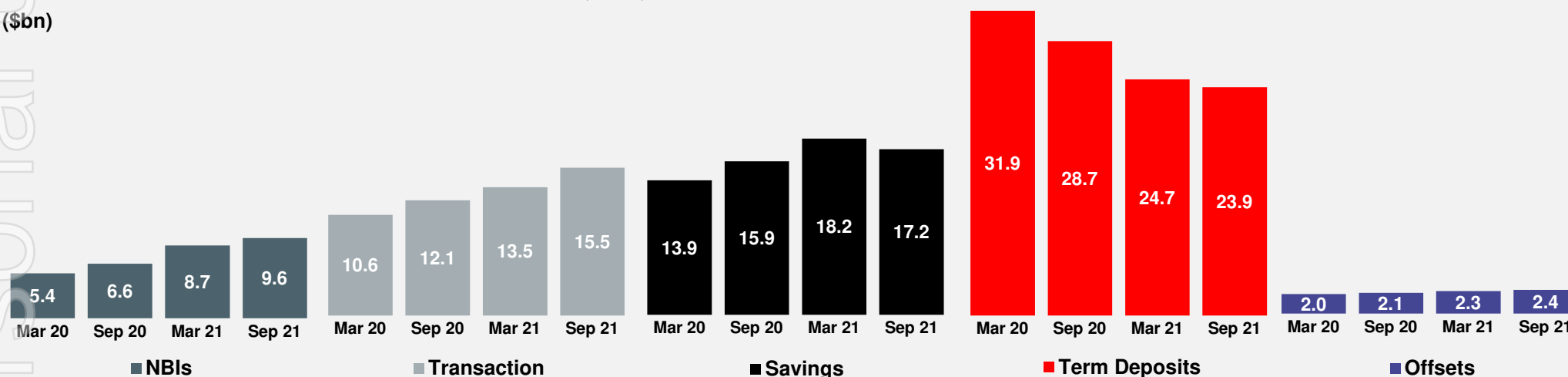
NEW ZEALAND BANKING

## NZ CUSTOMER DEPOSITS BY INTEREST RATE (NZD)<sup>1</sup>



## CUSTOMER DEPOSIT BALANCES BY PRODUCT (NZD)

(\$bn)



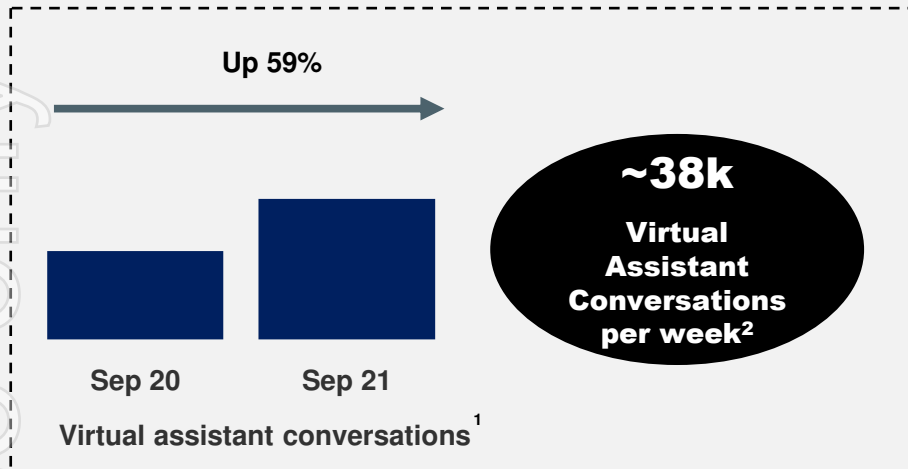
(1) Customer deposits exclude offset products, and set-off facilities

# **ADDITIONAL INFORMATION**

**DIGITAL TRANSFORMATION, TECHNOLOGY AND INNOVATION**

# 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

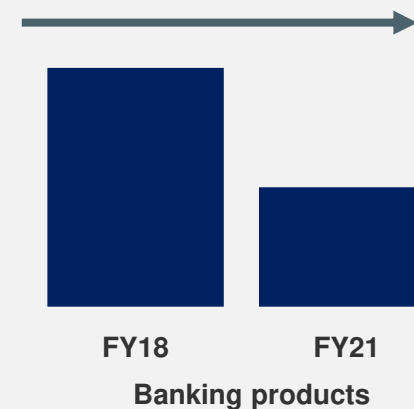


- >50%** of all home lending rollovers, lump sum payments and change repayment events now **digital**



- 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

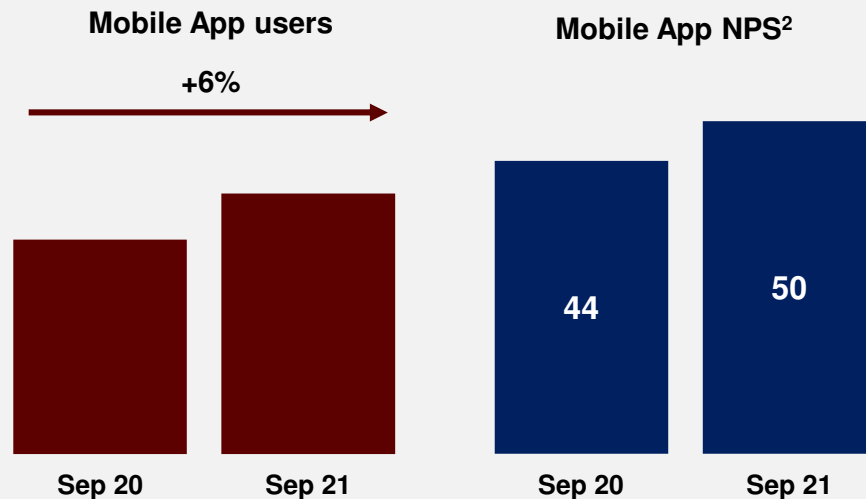
(2) Average # of weekly contacts answered by the Virtual Assistant from July to September 2021

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

# CONTINUED FOCUS ON MOBILE EXPERIENCES

## NAB APP – NEW HIGHS IN USAGE AND NPS

- 80% of all Simple Home Loan modifications done via the NAB App (up from 52% at Sep 2020)
- 6% increase in digital payment value<sup>1</sup>, and a 13% increase in mobile payment value
- First bank to integrate with Slyp to provide a digital smart receipting capability –  
2021 Canstar Innovation Excellence Award winner



(1) Digital includes desktop Internet Banking and the Mobile App. Figures compare monthly activity Sep 20 to Sep 21

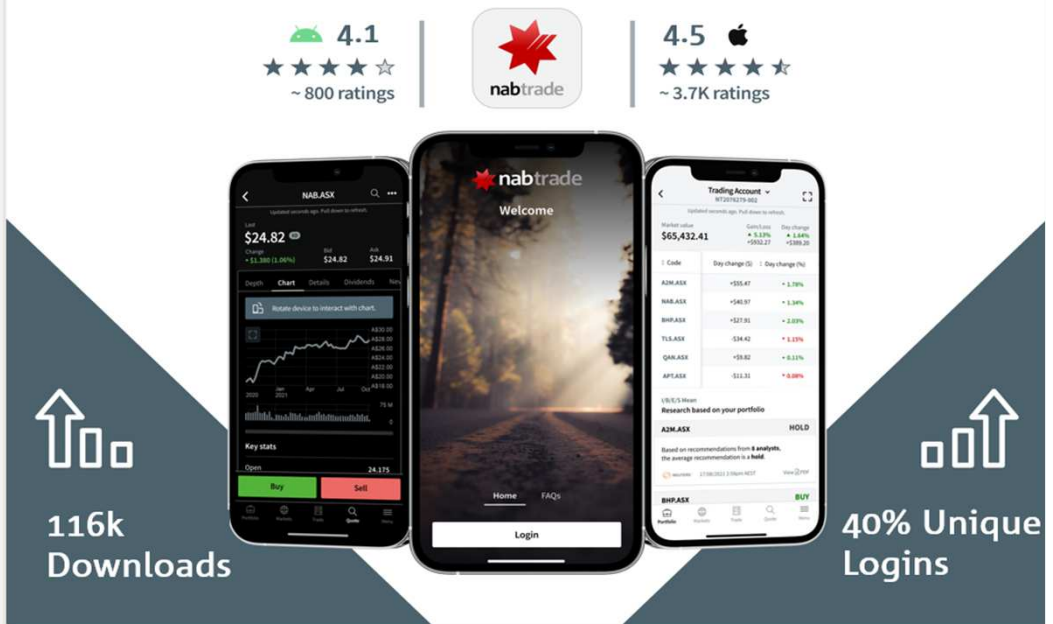
(2) Internal measure of NPS, calculated on a 26 week rolling average. Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld

(3) Increase from 1 Oct 2020 to 30 Sep 2021

## IMPROVED FUNCTIONALITY IN NABTRADE APP

- Significant investment to improve app functionality in FY21
- >40% of customer interactions on nabtrade now via app
- Now among top rated investment apps in Australia

29% Increase in Mobile Satisfaction<sup>3</sup>



# ENHANCED UNSECURED PROPOSITION

## SIMPLIFYING EVERYDAY BANKING

- Debit cards added to 3rd party wallets (including Apple Pay) without the need to wait for a physical card
- Cards and personal loan applications can now be completed without re-authenticating and with pre-filled data, increasing conversion rates

The screenshot shows the NAB mobile app interface. At the top, there's a navigation bar with 'Your card', 'About you', and 'Employment'. The 'About you' section is active, displaying 'Confirm your details'. Below this, it states: 'We have pre-filled your information from your last application with us. You don't need to use this information, but if you do please ensure you review and update anything that has changed.' It also mentions: 'For information that is not editable, please contact NAB on 13 22 66 or visit your nearest branch.' There are two buttons: 'Previous' and 'Next'. At the bottom, it says 'YOU'RE APPLYING FOR:' and 'Rates & Fees'.

**+12%  
apps  
completed**

## NAB BUSINESS CREDIT CARDS

*Partnership with EedenBull allows NAB business card customers to have more control and oversight of expenses*



- Visibility of all transactions and receipts on single dashboard
- Real time expense capture and categorisation
- Integration with existing accounting platforms

## STRAIGHTUP CARD

- Launched the NAB StraightUp Card in 2H20, Australia's first no-interest credit card



*NAB's most popular credit card product*

**30%**

of NAB's credit card applications in FY21

*Millennial appeal*

**37%**

More applicants under 35 years old vs other cards

# INNOVATING WITH NAB VENTURES

## NAB Ventures is NAB's venture capital arm that makes investments to promote strategic priorities

- NAB Ventures work alongside other parts of the bank, incubating and testing innovative new customer propositions and leveraging new developments in technology
- Manages over 20 investments spread across ten themes of innovation

### Innovation Themes

Open Data & Data Driven Personalisation

SME Banking and Merchants

Payments innovation

Banking as a service

New to Banking Market

Embedded Finance

Simplified Lending and everyday banking experiences

Carbon and the Environment

Security & ID

Tokenisation

### Investments announced since 30 Sep 2020



**Spriggy** provides a mobile-first pocket money app for managing family finances. NAB Ventures was the lead investor in Spriggy's most recent \$35m capital raising



**Archistar** is an AI-driven, cloud-based property intelligence platform that enables enterprise clients to understand and model numerous compliant, property development outcomes



**Bugcrowd** provides a platform and service for organisations to access trusted and highly skilled security researchers to identify bugs and security vulnerabilities, to protect their business



**BioCatch** develops behavioural biometric technology for use in identity authentication and fraud detection.

### Follow on Investments



**Slyp** is a digital receipting company enabling banks to embed receipts in banking app with rich data, relevant merchant offers and loyalty



**Lighter Capital** provides revenue-based financing to technology companies.



**Edstart** works with our Education clients customers' to offer financing for private school fees with a mission of supporting access to learning and providing reassurance to families.



**Stash** has developed a mobile-first platform for personal finance including investing, banking, insurance and financial literacy



**Hometime** provides a short-term rental management services (co-hosting) platform for Airbnb property owners



**Figured** is a farm financial management software company that aims to help farmers better manage the profitability and productivity of their farming operations



# OUR TECHNOLOGY TRANSFORMATION UNDERPINS EXECUTION OF OUR STRATEGY

## KEY AREAS OF FOCUS

## 3 YEAR ACHIEVEMENTS<sup>1</sup>

### Leverage the Cloud, Microservices and APIs

- 54% of total apps<sup>2</sup> now running on the cloud and targeting 80% – greater flexibility and reliability
- Built >300 microservices and >2,500 APIs – increasing efficiency of new feature delivery



### Simplify legacy technology

- Reduced the number of applications by 13%<sup>3</sup> – reduced complexity
- Simplified and modernised workplace technology for colleagues
- 87% reduction in High and Critical rated incidents<sup>4</sup> – significantly less customer impacts



### Embracing Data & Analytics

- Delivered numerous machine learning use cases for processes such as voice analytics & compliance, customer complaints, fraud and insider crime detection, customer retention, financial difficulty support, and credit decisioning



### World class cyber security

- Kept losses broadly stable despite significant surge in attempted fraud
- Achieved a 18% increase in NIST<sup>5</sup> score – improved capability to protect customers



### Culture of high speed delivery

- Significant reduction in average time to deliver change
- 32% improvement in technology productivity<sup>6</sup>



### Insourcing key technology functions & uplifting skills

- Insourcing of major contracts mostly completed, or winding down. Workforce now 68% insourced from 30%
- >2,700 industry recognised cloud certifications (#1 in Australia for AWS & Azure for non-cloud companies)



*Investment in technology has generated clear benefits and underpins cost & revenue momentum going forward*

**Cost  
reduction**

**NPS<sup>7</sup>  
increase**

**Improved  
resilience**

**Faster time  
to market**

**Safe  
growth**

**Uplifting  
colleague  
skills**

1. Using October 2018 as the baseline  
2. Application count is based on full application set, regardless of technical platform  
3. Reduction calculated on a like for like basis, excluding acquired or divested businesses  
4. Incidents include NAB and BNZ, using FY17 as baseline

5. The NIST Cybersecurity Framework provides guidance for how organisations can assess and improve their ability to prevent, detect, and respond to cyber attacks.  
6. Based on the improvement in delivery velocity, as measured by story points delivered  
7. 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



# IMPROVED WORKPLACE TECHNOLOGY FOR COLLEAGUES

## 2018

Outsourced – Rigid delivery by 3rd parties  
**30% internal workforce**

Average 10-15min logon;  
Multiple aged versions of Windows

Three browsers, multiple versions required to access apps

<3,500 token based remote access capacity

Audio conference only on desk phones;  
Limited video rooms available

Legacy on-premise collaboration, email, share drives and Lync messaging

Service Desk: slow, limited responsiveness and poor customer satisfaction



**Outsourced to Insourced**



**Windows Upgrade**



**Simple Browsing**



**Remote Access for Everyone**



**Easy Audio and Video Conferencing**



**Collaborate Wherever you are**



**Faster and Better Tech Support**

Insourced – **68% internal workforce** driving improved service & stability, and reduced cost

<10 sec biometric logon;  
100% desktops on Windows 10;  
Windows 11 pilot begins Q1;  
Microsoft Technology Adoption Pilot partner

One version of a single browser for all apps

Seamless “Always on” remote access for 100% of NAB colleagues, no tokens

Video / Audio on all colleague laptops;  
>1,000 VC rooms

Evergreen cloud-based collaboration - MS Teams, Zoom, OneDrive, SharePoint

Service requests down 10%;  
customer satisfaction up 7%

## 2021



National Australia Bank

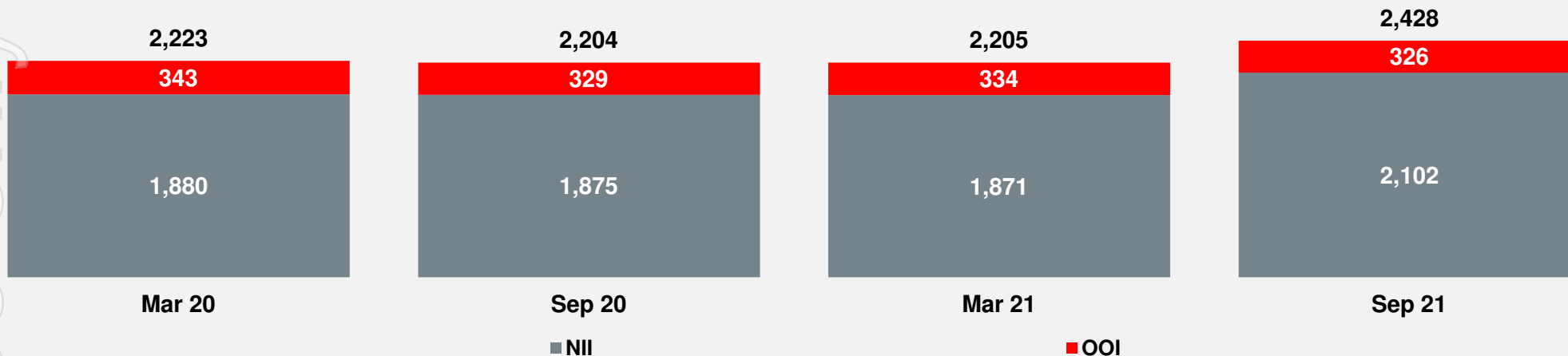
# **ADDITIONAL INFORMATION**

## **AUSTRALIAN BUSINESS LENDING**

# KEY METRICS

## BUSINESS LENDING REVENUE

(\$m)



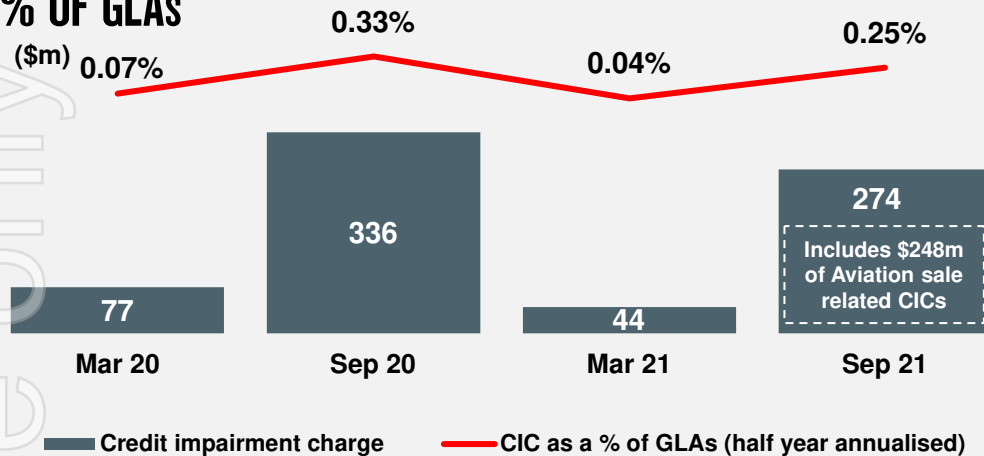
## BUSINESS LENDING GLAs

(\$bn)

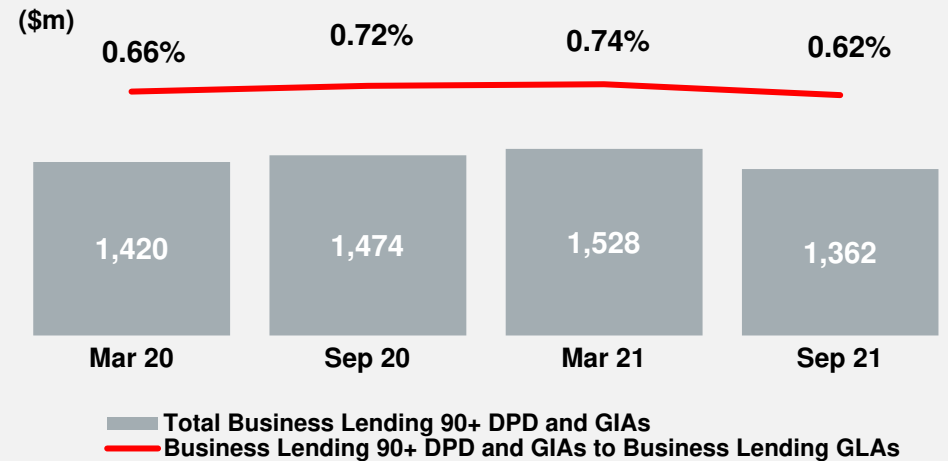


# BUSINESS LENDING ASSET QUALITY

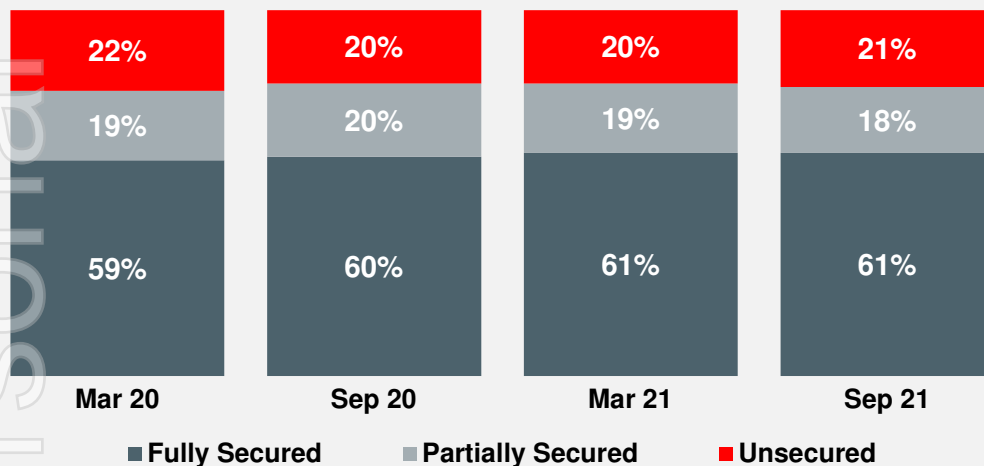
## BUSINESS LENDING CREDIT IMPAIRMENT CHARGE AND AS % OF GLAs



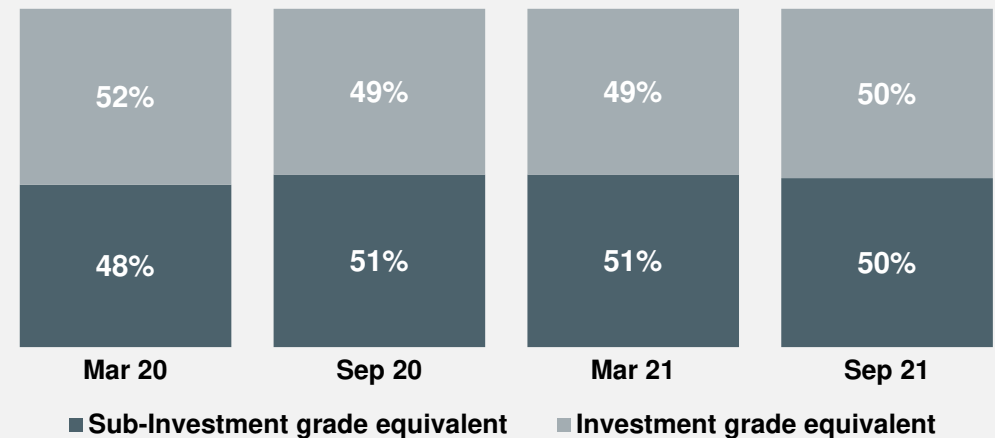
## BUSINESS LENDING 90+ DPD AND GIAs AND AS % OF GLAs



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



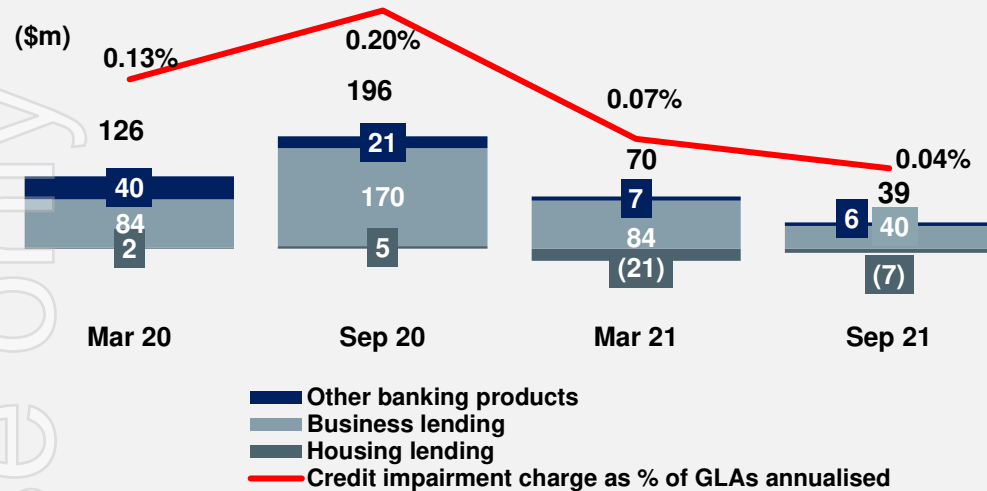
## BUSINESS LENDING PORTFOLIO QUALITY



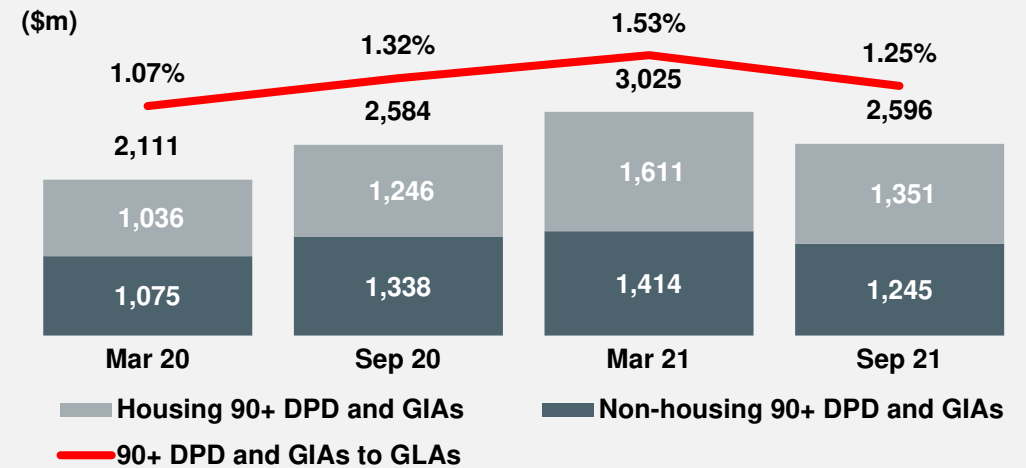
(1) Fully Secured is where the loan amount is less than 100% of the bank extended value of security; Partially Secured is where the loan amount is greater than 100% of the bank extended value of security; Unsecured is where no security is held and/or no value held against the security and negative pledge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

# BUSINESS & PRIVATE BANKING ASSET QUALITY

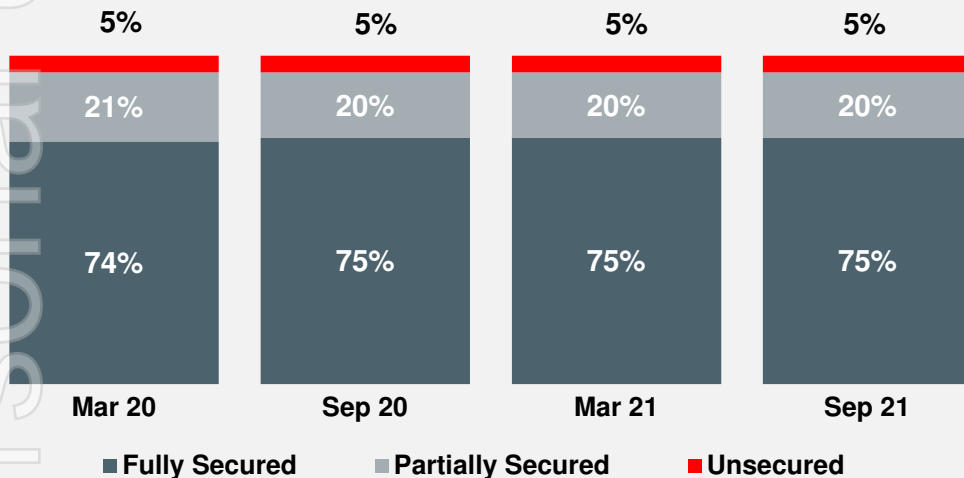
## B&PB CREDIT IMPAIRMENT CHARGE AND AS % OF GLAs<sup>1</sup>



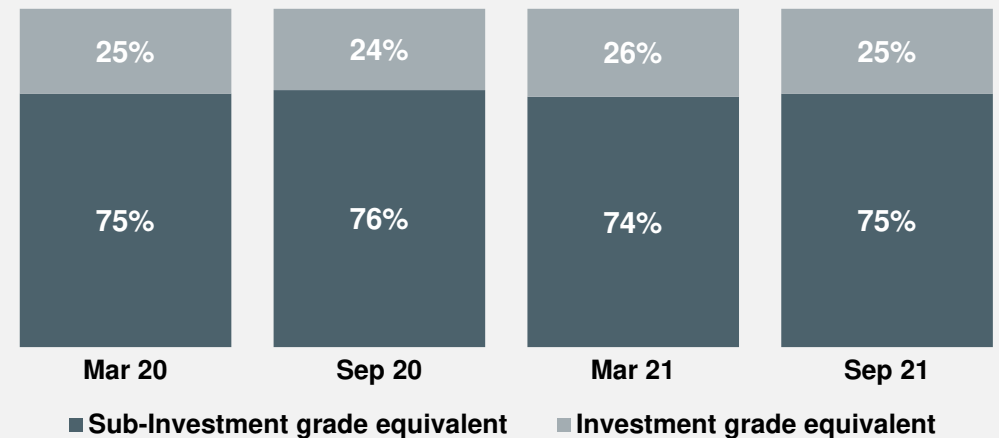
## B&PB 90+ DPD AND GIAs AND AS % OF GLAs<sup>1</sup>



## B&PB BUSINESS LENDING SECURITY PROFILE<sup>2</sup>



## B&PB BUSINESS LENDING PORTFOLIO QUALITY



(1) B&PB credit impairment charges and 90+ DPD and GIAs reflect the total B&PB portfolio including mortgages

(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

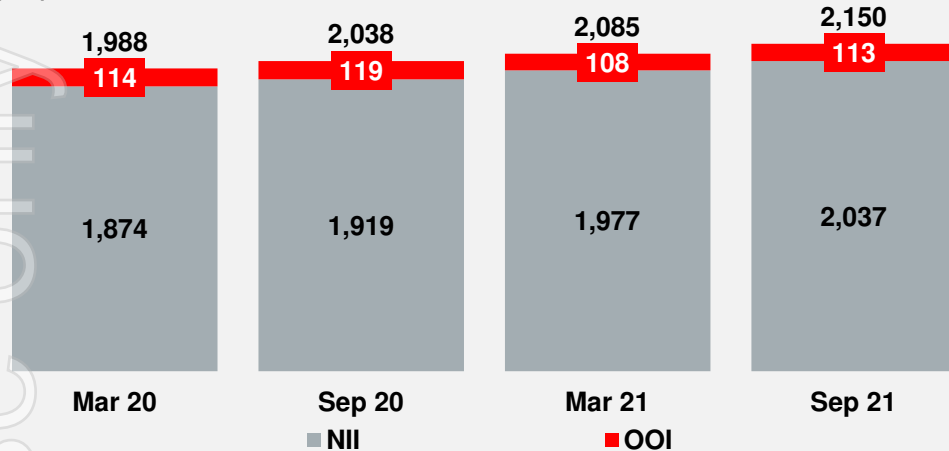
# **ADDITIONAL INFORMATION**

## **AUSTRALIAN HOUSING LENDING**

# HOUSING LENDING PORTFOLIO PROFILE

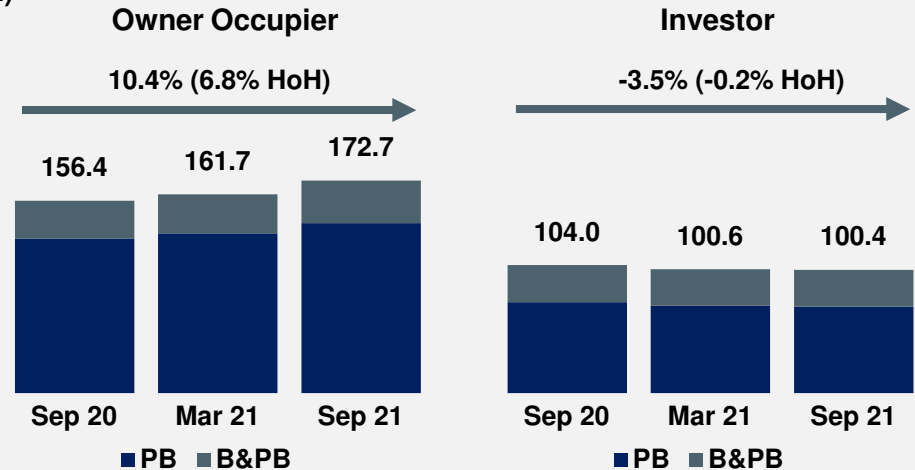
## HOUSING LENDING REVENUE

(\$m)



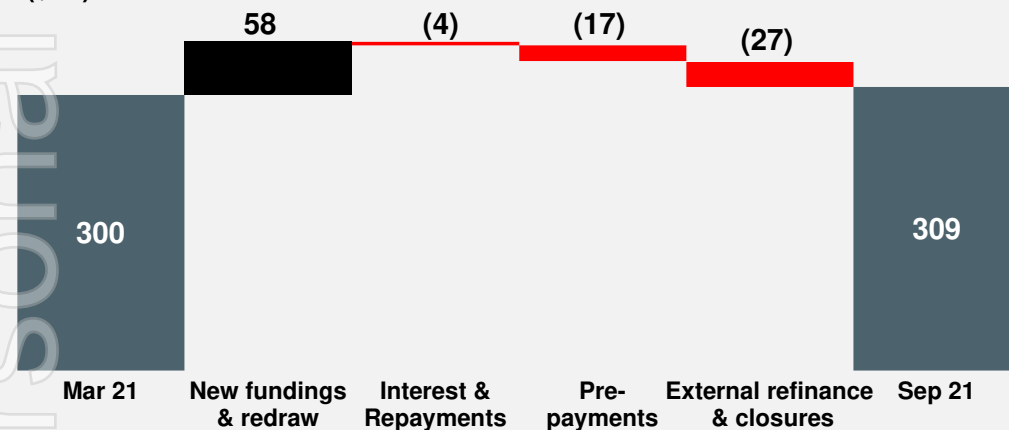
## HOUSING LENDING VOLUME GROWTH<sup>1</sup>

(\$bn)



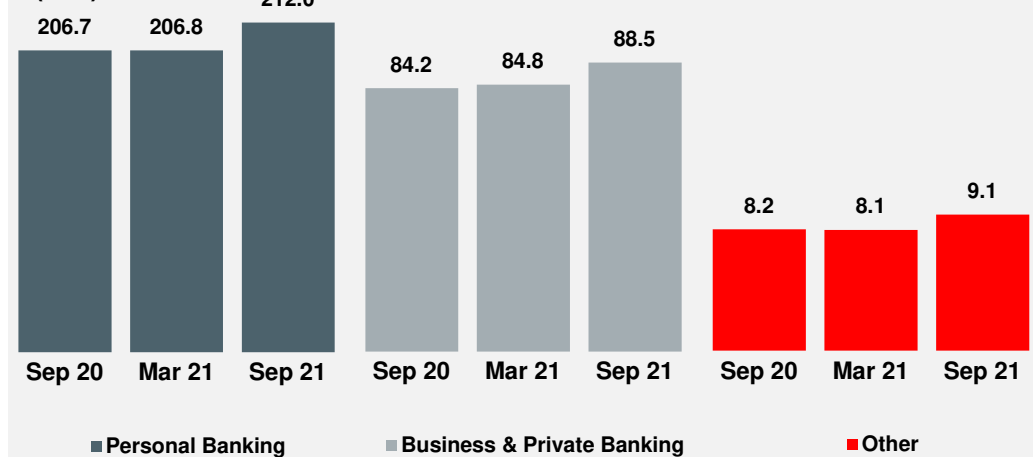
## HOUSING LENDING FLOW MOVEMENTS<sup>2</sup>

(\$bn)



## HOUSING LENDING BY DIVISION<sup>3</sup>

(\$bn)



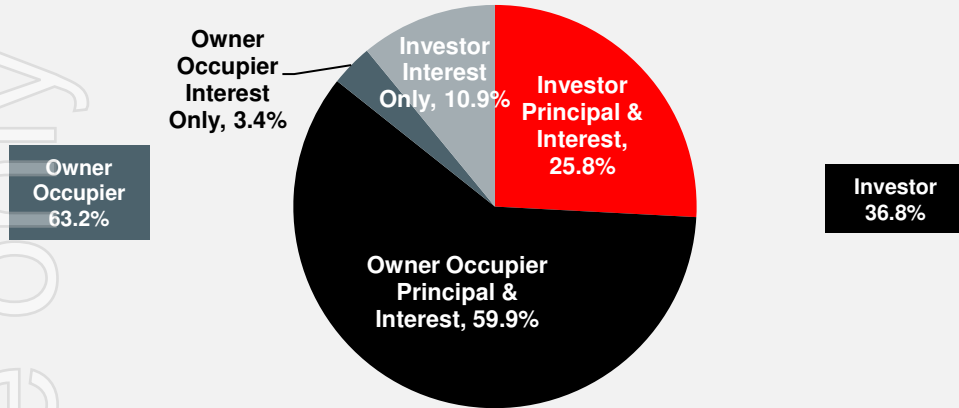
(1) APRA Monthly Authorised Deposit-taking Institution statistics September 2021. UBank and 86 400 included in Personal Banking

(2) Excludes home loan offsets and 86 400

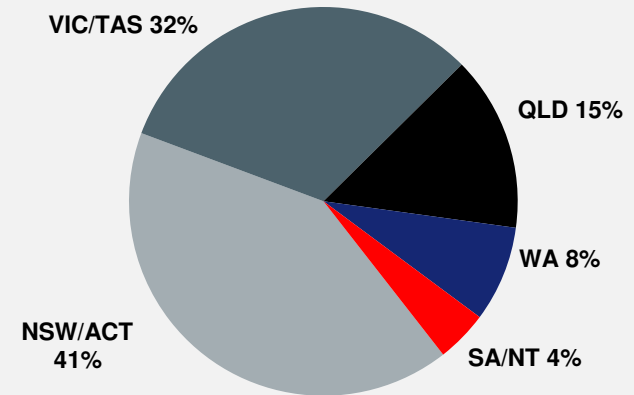
(3) Other includes UBank and 86 400

# HOUSING LENDING PORTFOLIO PROFILE

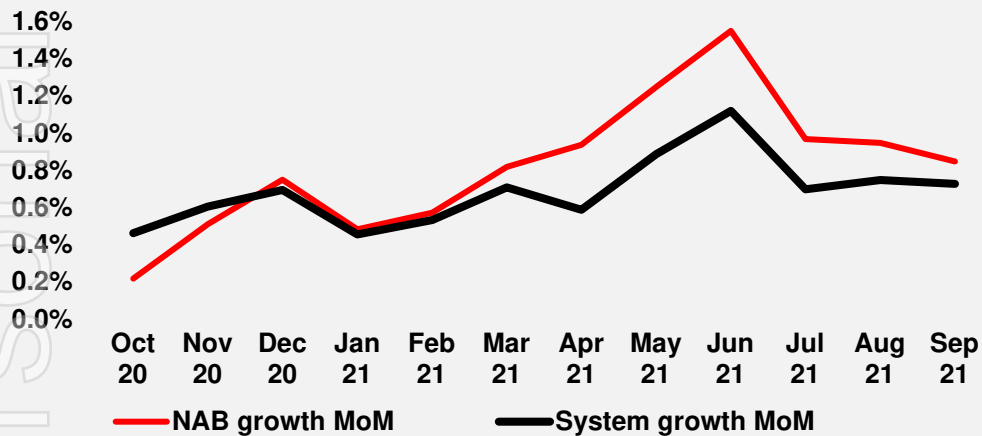
## HOUSING LENDING VOLUME BY BORROWER AND REPAYMENT TYPE<sup>1,2</sup>



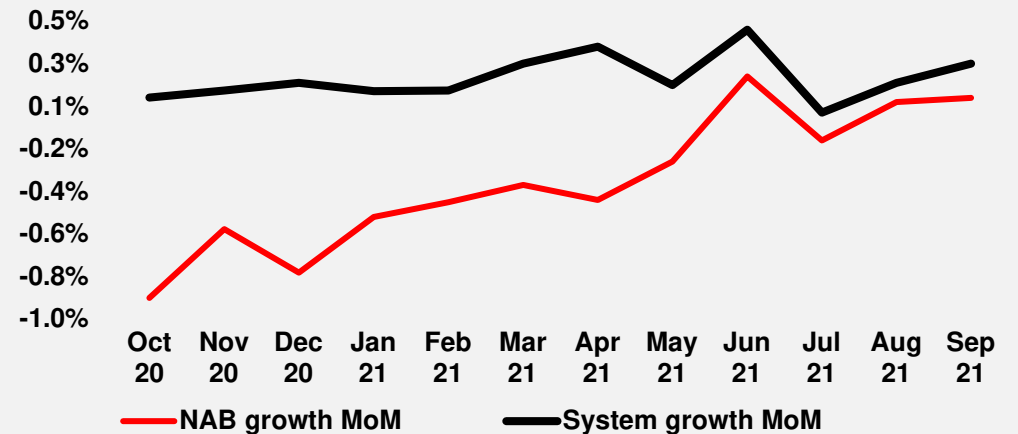
## AUSTRALIAN MORTGAGES STATE PROFILE<sup>2</sup>



## OWNER OCCUPIER MONTHLY GROWTH<sup>1,3</sup>



## INVESTOR MONTHLY GROWTH<sup>1,3</sup>

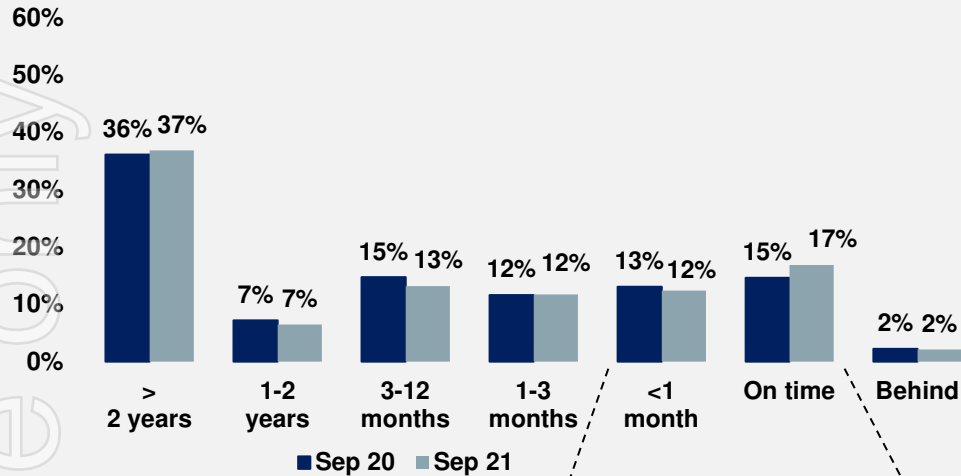


- (1) Only includes housing loans to households based on APRA ARF 720.1 reporting definitions, and excludes counterparties such as private trading corporations  
 (2) Excludes 86 400  
 (3) Includes 86 400 from May 2021



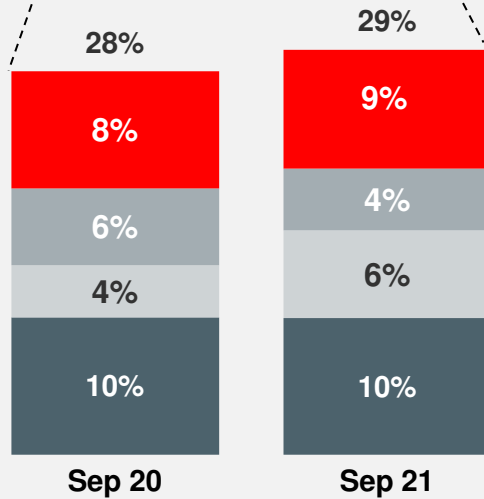
# HOUSING LENDING PORTFOLIO PROFILE

## PAYMENTS IN ADVANCE<sup>1</sup>



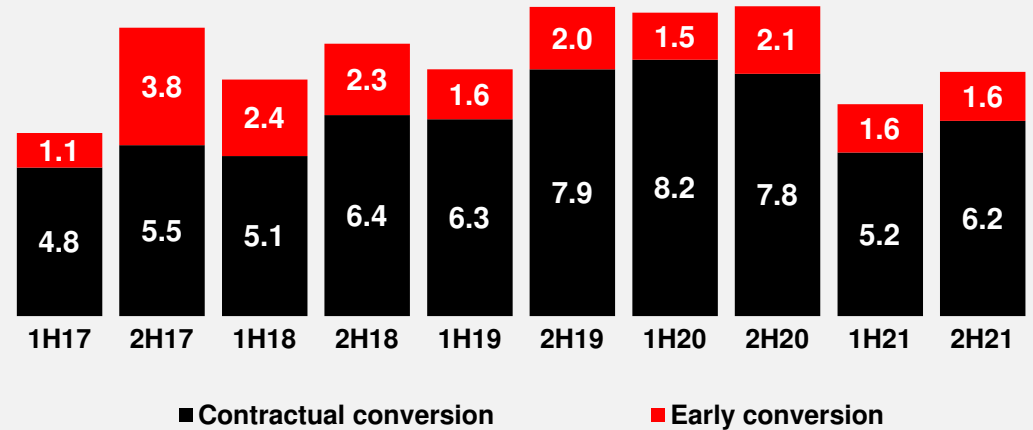
## PROFILE OF REPAYMENTS <1 MONTH, ON TIME<sup>1</sup>

- Loans for investment purposes
- Structural e.g. interest only fixed rates
- Accounts opened in prior 12 months
- Residual

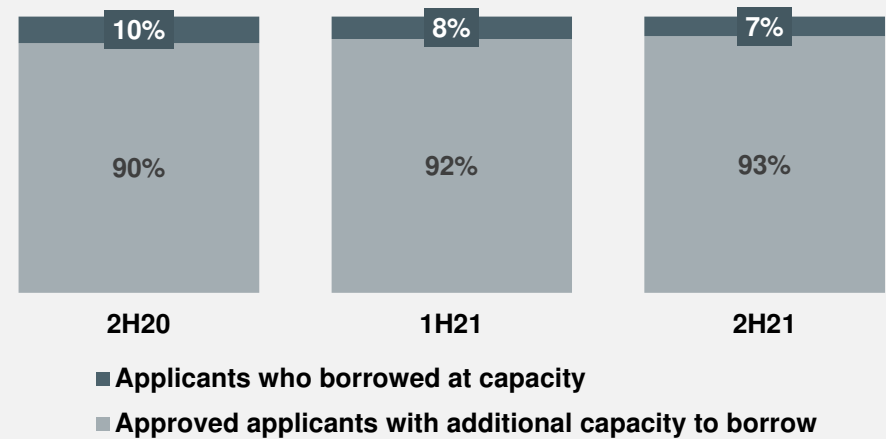


## INTEREST ONLY CONVERSIONS TO P&I<sup>2</sup>

(\$bn)



## APPROVED APPLICANTS BORROWING CAPACITY<sup>2</sup>

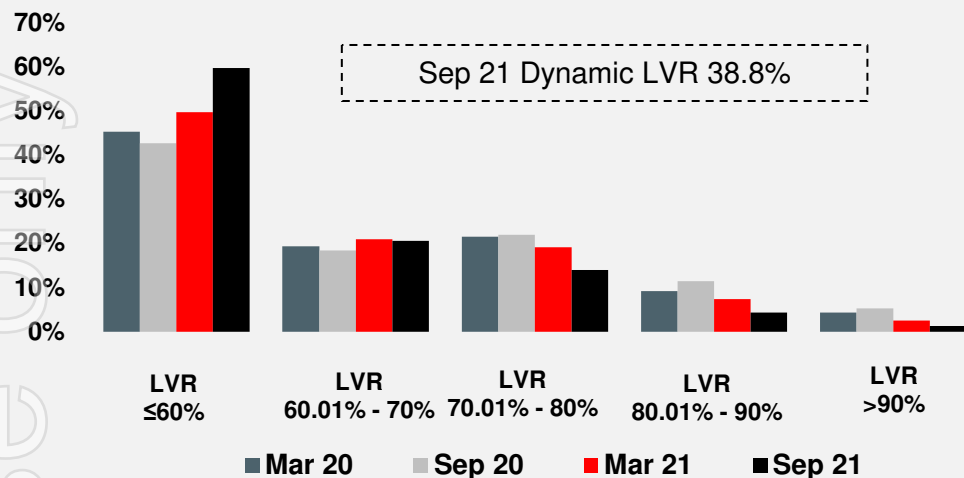


(1) By accounts. Includes offsets. Excludes Advantaged book, line of credit and 86 400

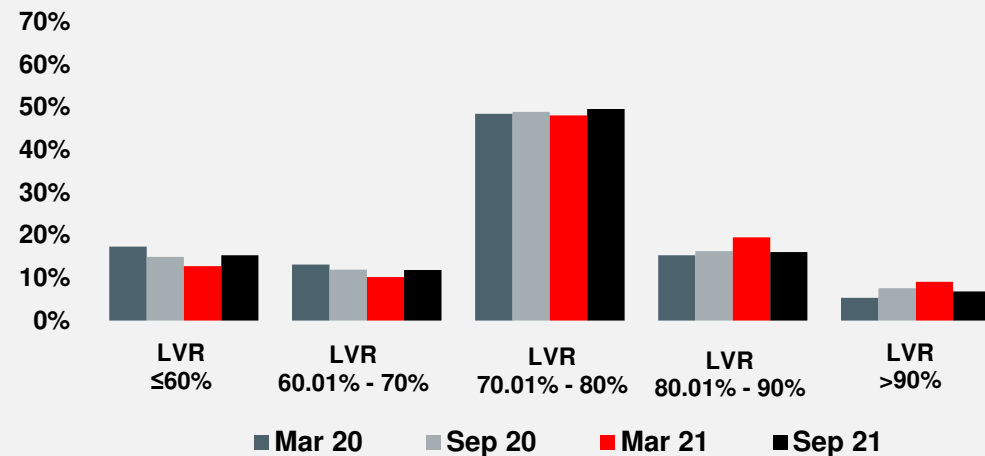
(2) Excludes 86 400 and Advantaged

# HOUSING LENDING PORTFOLIO QUALITY

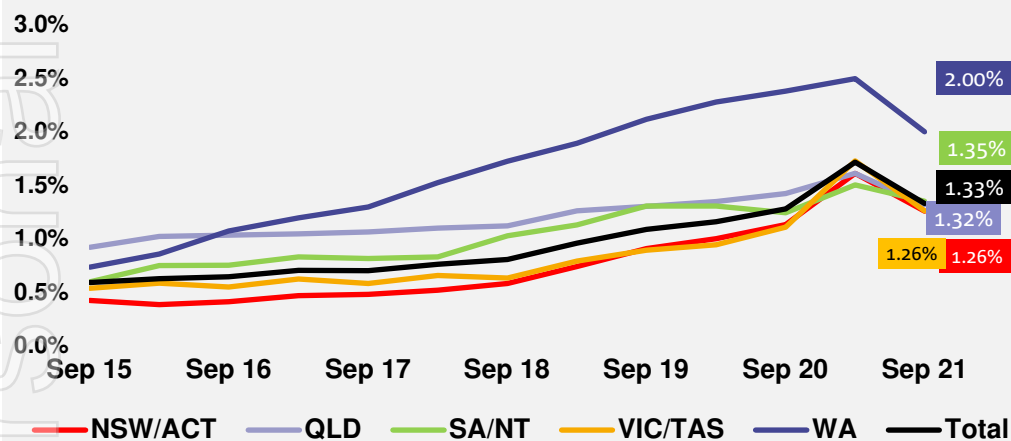
## DYNAMIC LVR BREAKDOWN OF DRAWN BALANCE<sup>1</sup>



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

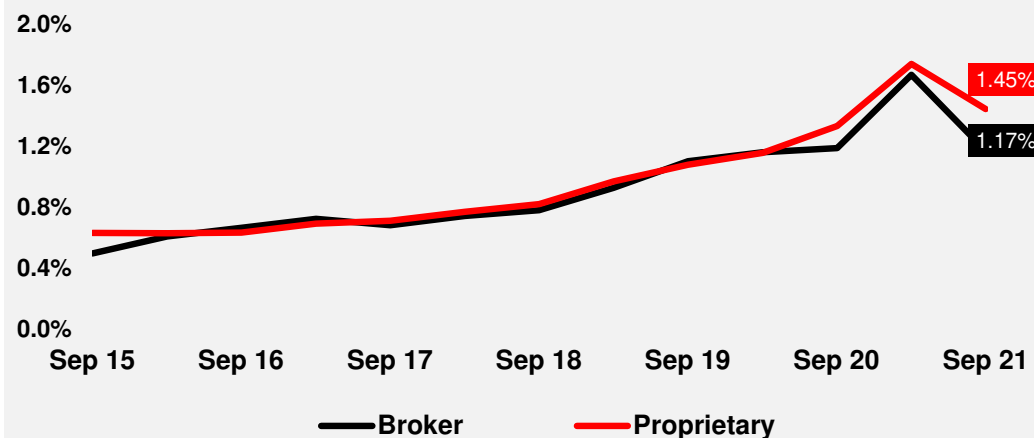


## HOUSING LENDING 90+ DPD & GIAs AS % OF GLAs<sup>1</sup>



(1) Excludes 86 400

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



# 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
	Portfolio					Drawdowns <sup>2</sup>		
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 ≥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

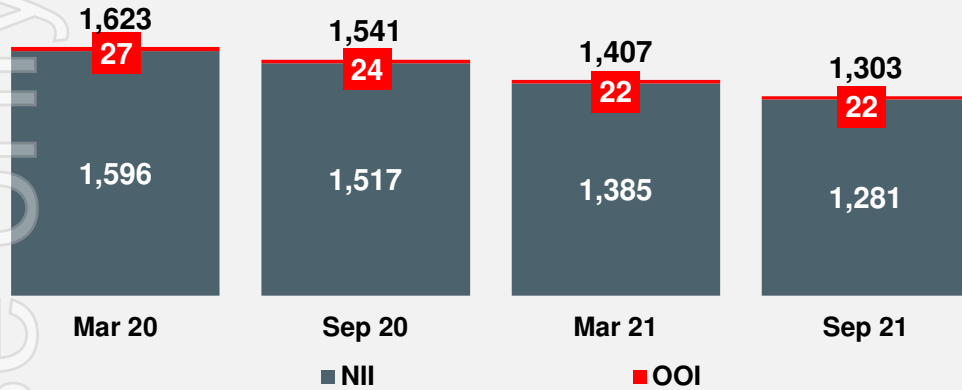
# **ADDITIONAL INFORMATION**

## **OTHER AUSTRALIAN PRODUCTS**

# DEPOSITS & TRANSACTION ACCOUNTS

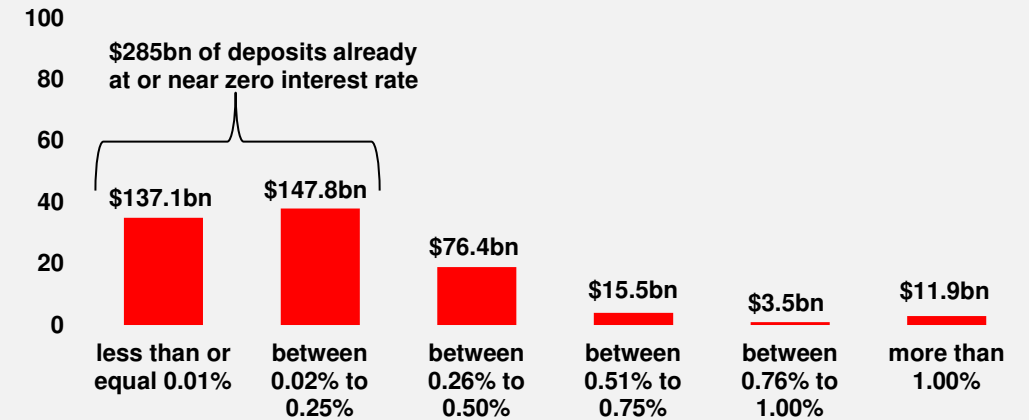
## DEPOSIT REVENUE

(\$m)



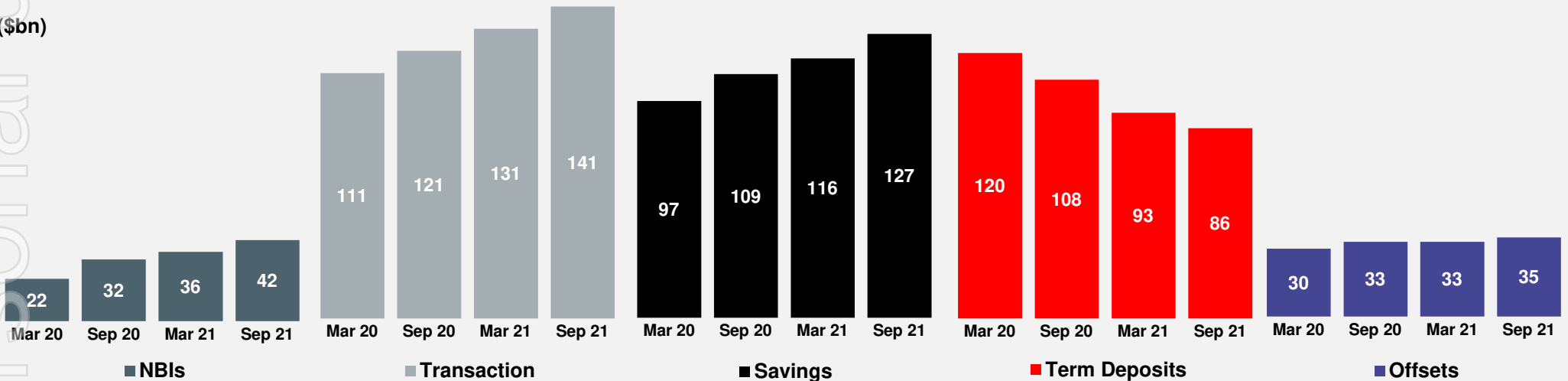
## CUSTOMER DEPOSITS BY INTEREST RATE<sup>1</sup>

(%)



## CUSTOMER DEPOSIT BALANCES BY PRODUCT

(\$bn)

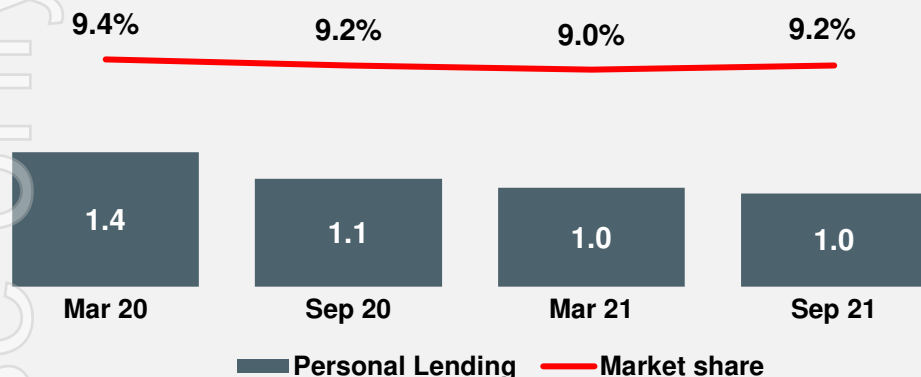


(1) Australia only, as at 30 September 2021. Customer deposits exclude home loan offsets, and set-off facilities

# OTHER BANKING PRODUCTS

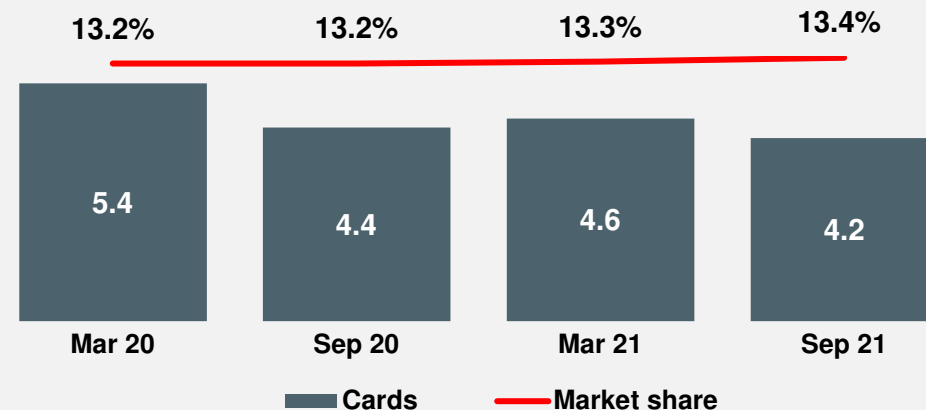
## PERSONAL LENDING BALANCE AND MARKET SHARE<sup>1</sup>

(\$bn)



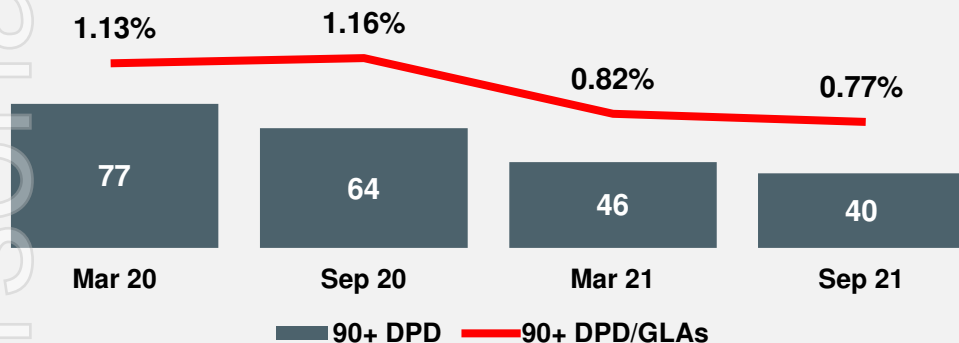
## CARDS BALANCE AND MARKET SHARE<sup>2,3</sup>

(\$bn)

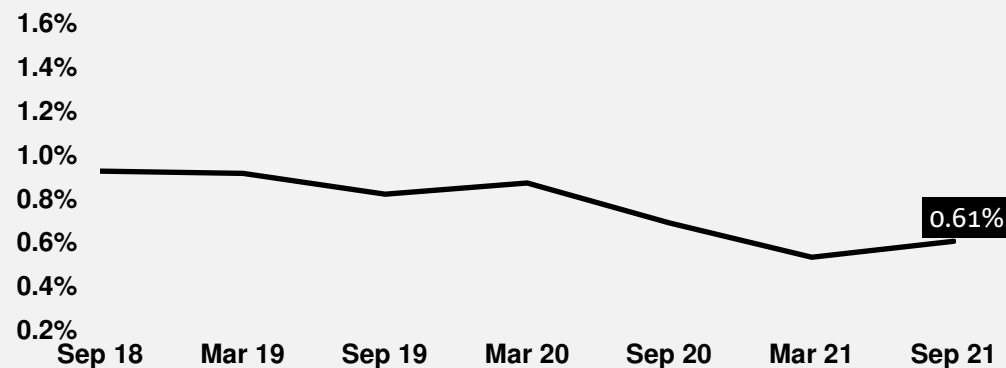


## CARDS<sup>2</sup> AND PERSONAL LENDING 90+ DPD AND AS % OF TOTAL CARDS AND PERSONAL LENDING GLAs

(\$m)



## CONSUMER CARDS 90+ DPD AS % OF OUTSTANDINGS<sup>4</sup>



(1) Personal Loans market share is based on RFI peer group benchmarking and includes secured and unsecured loans

(2) Includes consumer and commercial cards

(3) Market share refers to consumer cards only

(4) Consumer Cards outstandings now reflect balances at month-end date

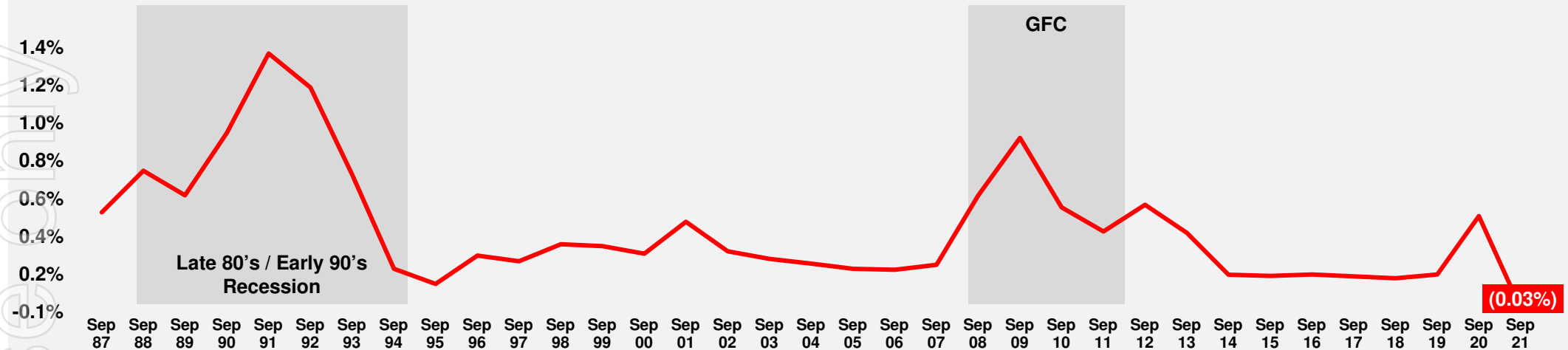
# **ADDITIONAL INFORMATION**

## **GROUP ASSET QUALITY**



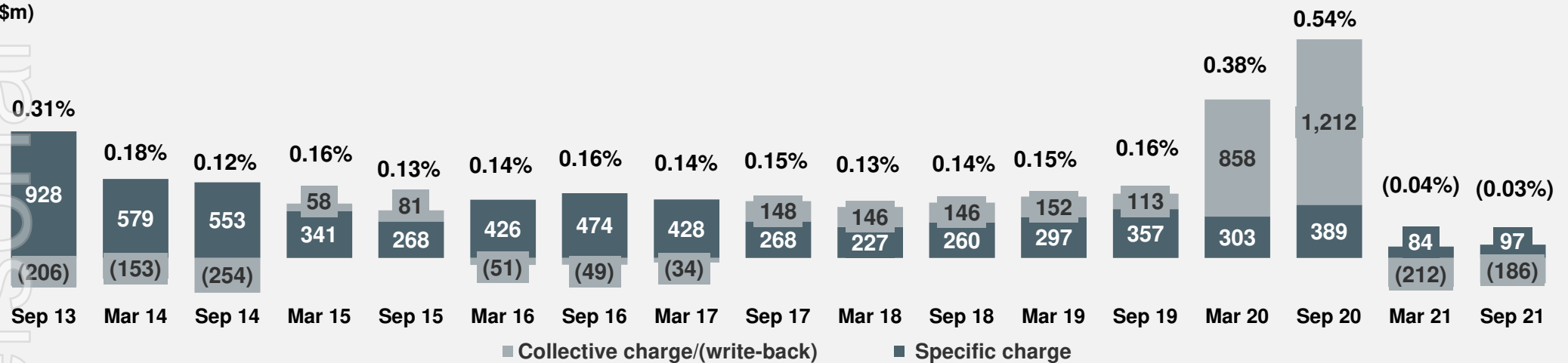
# GROUP CREDIT IMPAIRMENT CHARGE

## CREDIT IMPAIRMENT CHARGE AS % OF GLAs



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

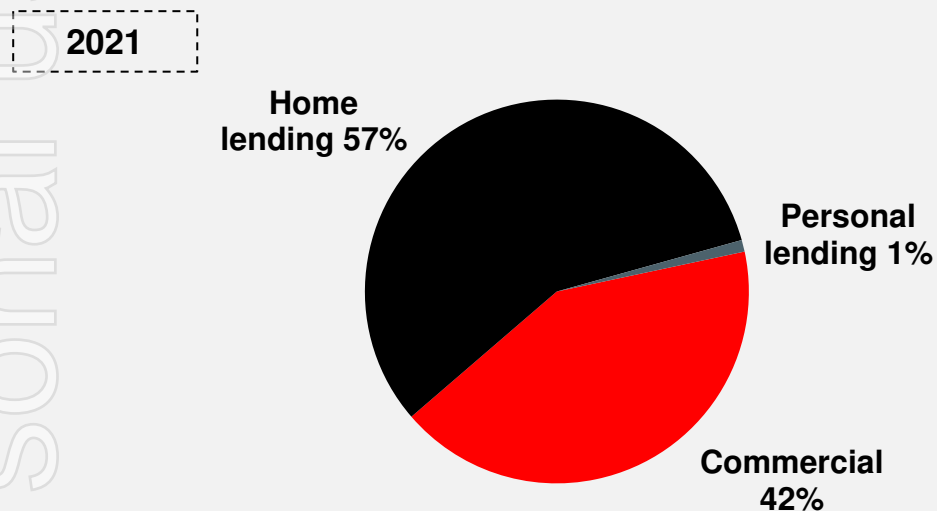
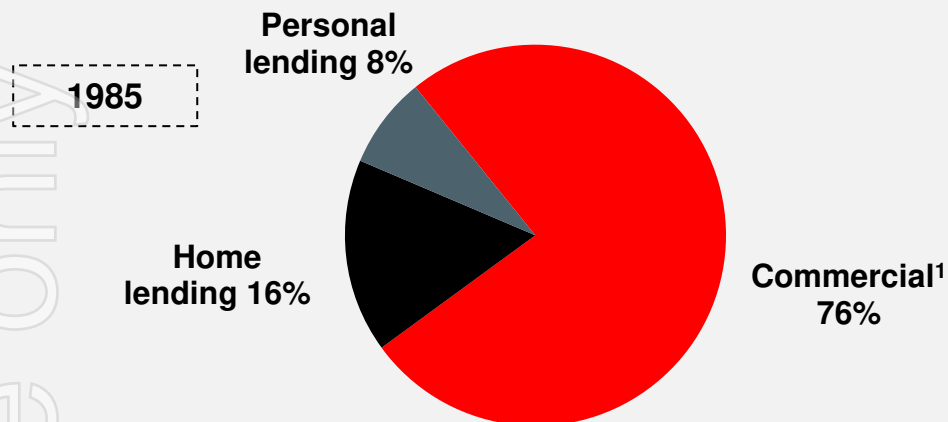
(\$m)



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

# GROUP ESTIMATED LONG RUN LOAN LOSS RATE 1985 TO 2021

## GROUP BUSINESS MIX – GLAs BY CATEGORY



## ESTIMATING LONG RUN LOAN LOSS RATE

NAB Australian geography net write off rates as a % of GLAs 1985 - 2021 <sup>2</sup>	Long run average
Home lending <sup>3</sup>	0.03%
Personal lending <sup>3,4</sup>	1.56%
Commercial <sup>3</sup>	0.52%
Australian average (1985-2021)	0.32%
Group average <sup>5</sup> based on 2021 business mix	0.25%
Group average <sup>5</sup> based on 2021 business mix excluding 1991-1993 and 2008-2010	0.17%

(1) For 1985 Group business mix, all overseas GLAs are allocated to Commercial category

(2) Data used in calculation of net write off rate as a % of GLAs is based on NAB's Australian geography and sourced from NAB's Supplemental Information Statements (2007 - 2020) and NAB's Annual Financial Reports (1985 - 2006). 2021 net write off rates is based on NAB unaudited results

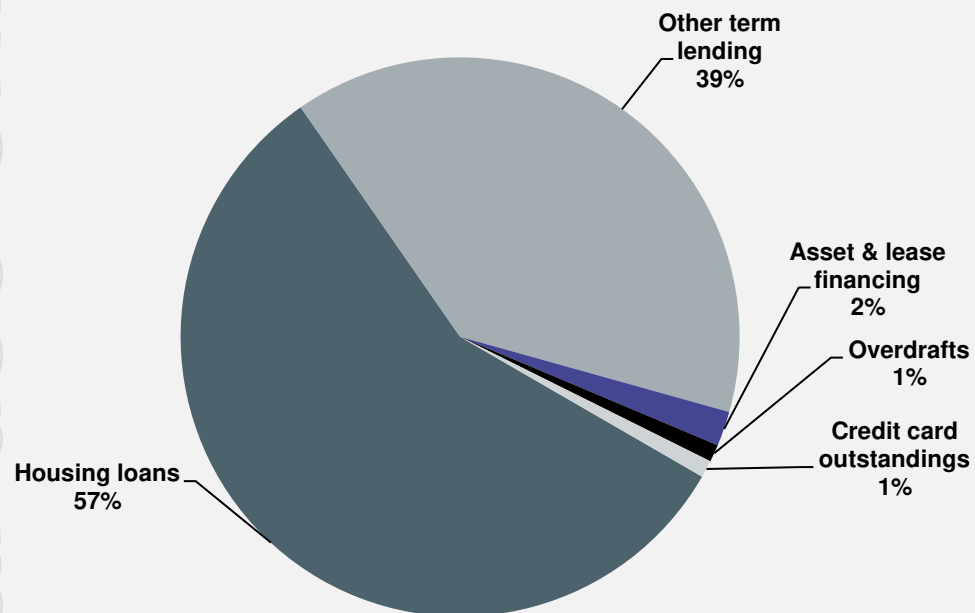
(3) Home lending represents "Real estate – mortgages" category; Personal lending represents "Instalment loans to individuals and other personal lending (including credit cards)" category; Commercial represents "all other industry lending categories" as presented in the source documents as described in note 2 above

(4) Personal lending net write off rate since 2008 is above long run average of 1.56%. Average net write off rate 2008 - 2021 is 2.62%

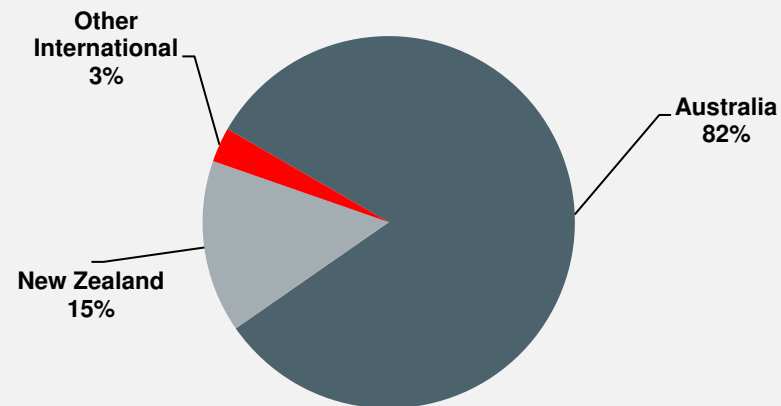
(5) Group average is calculated by applying each of the Australian geography long run average net write off rates by product to the respective percentage of Group GLAs by product as at 30 September 2021. Commercial long run average net write off rate has been applied to acceptances

# GROUP LENDING MIX

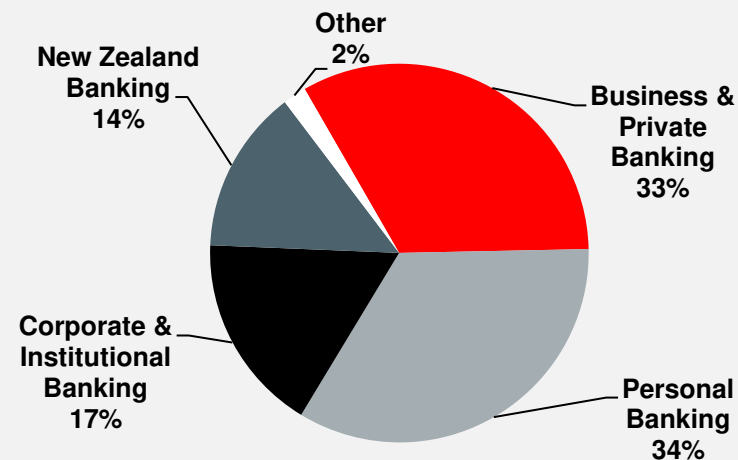
## GROSS LOANS AND ACCEPTANCES BY PRODUCT - \$629BN



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



## GROSS LOANS AND ACCEPTANCES BY BUSINESS UNIT

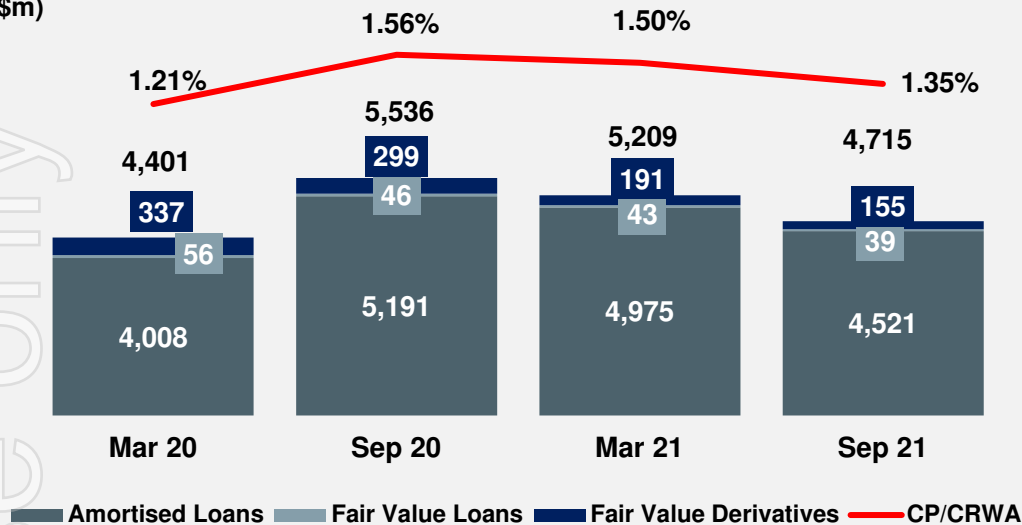


(1) Based on booking office where transactions have been recorded

# GROUP PROVISIONS

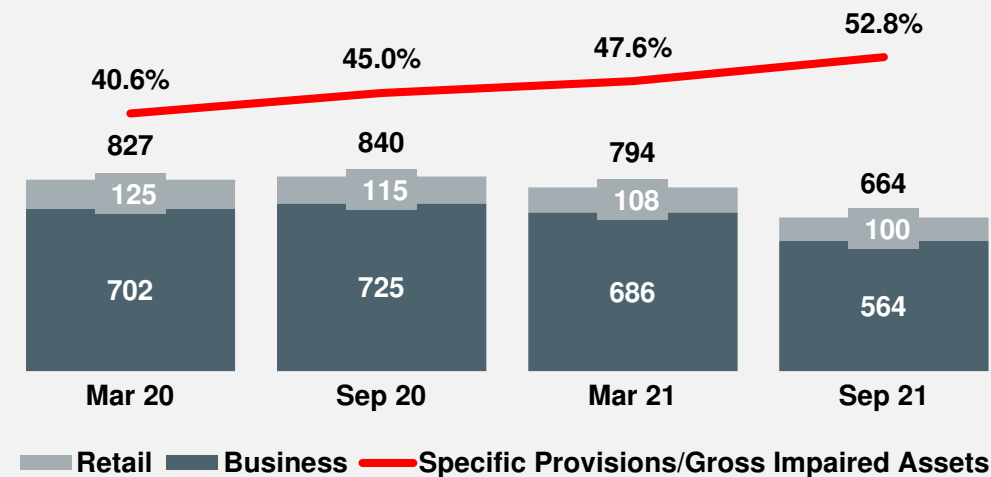
## COLLECTIVE PROVISIONS

(\$m)



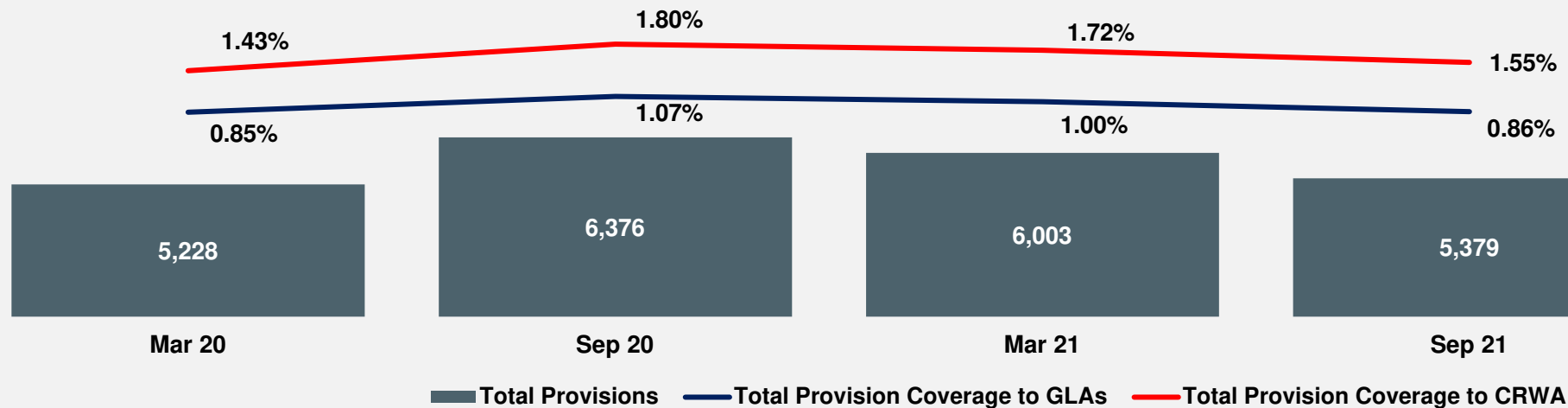
## SPECIFIC PROVISIONS

(\$m)



## TOTAL PROVISIONS

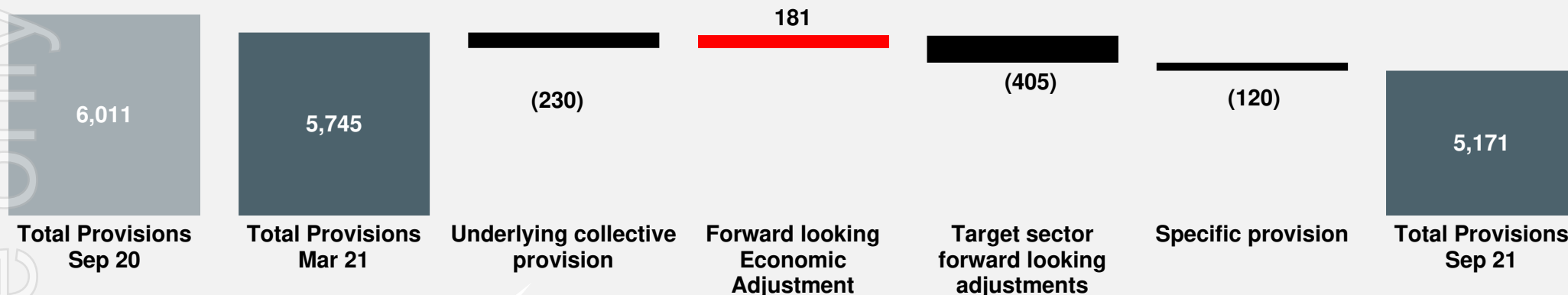
(\$m)



# 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 base-line, 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)

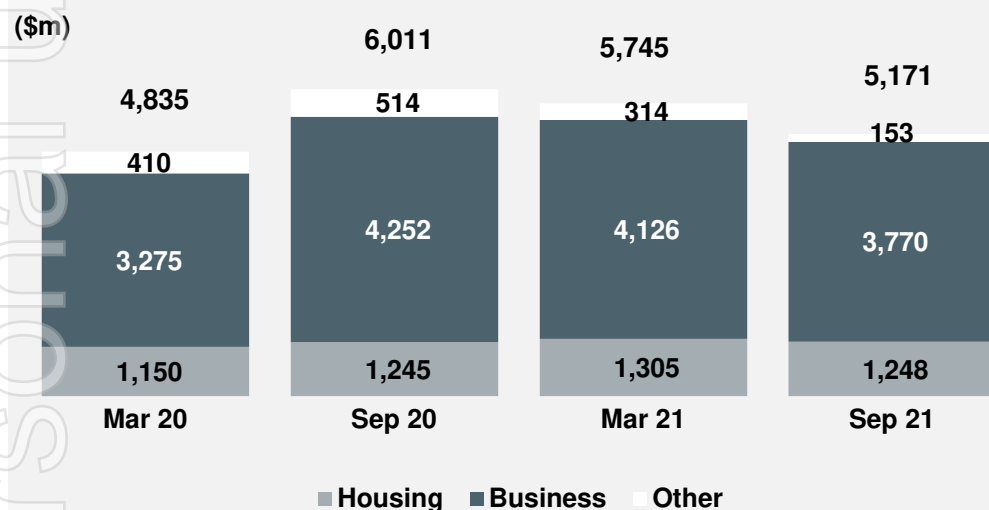
# ECL ASSESSMENT

## 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

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



(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

## 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)

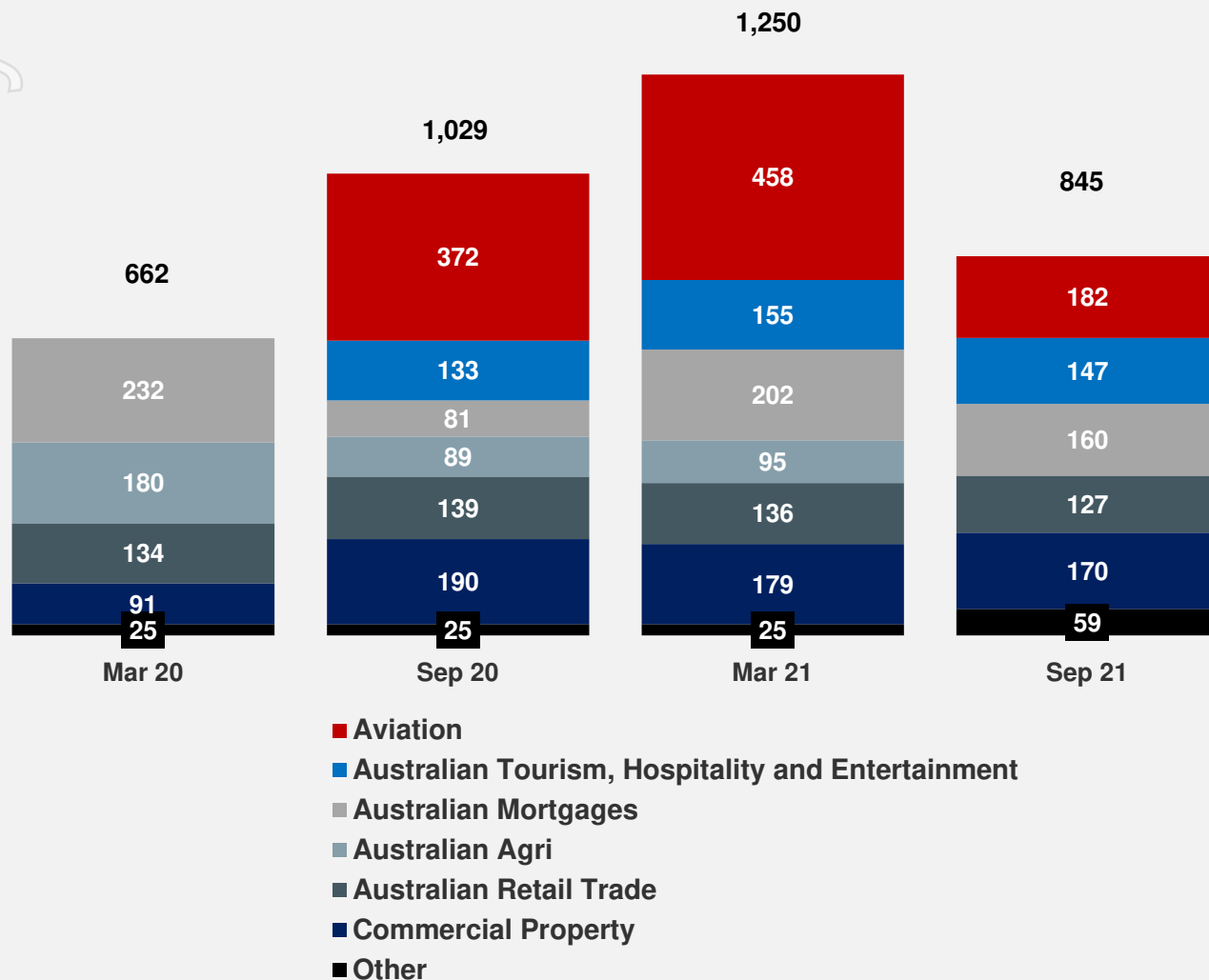
## ECONOMIC ASSUMPTIONS

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

# TARGET SECTOR FLAs

## COLLECTIVE PROVISION TARGET SECTOR FLAs

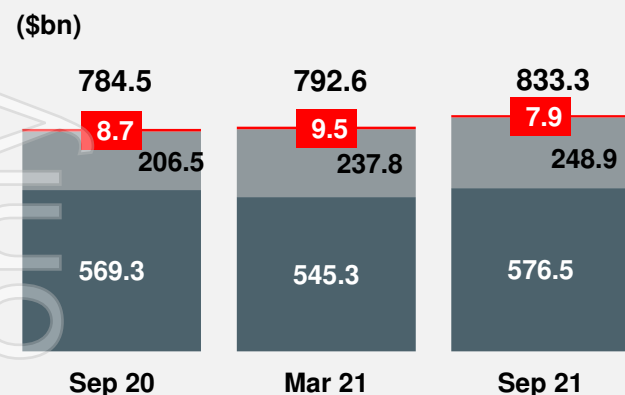
(\$m)



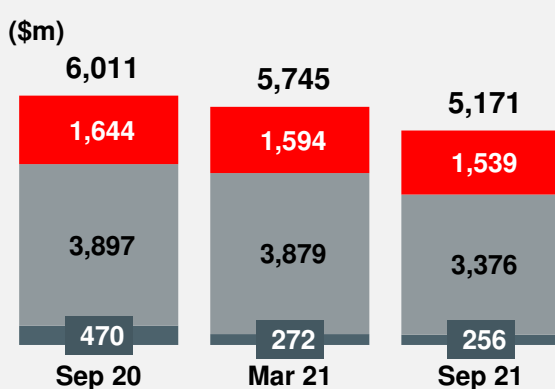
- Aviation FLA release includes \$248m as a result of the partial sale of the aviation portfolio
- \$95m release in Australian Agri due to improved trading conditions and outlook
- \$42m release in Australian mortgages due to the impact of house prices and lower delinquencies

# ECL PROVISIONING BY STAGES

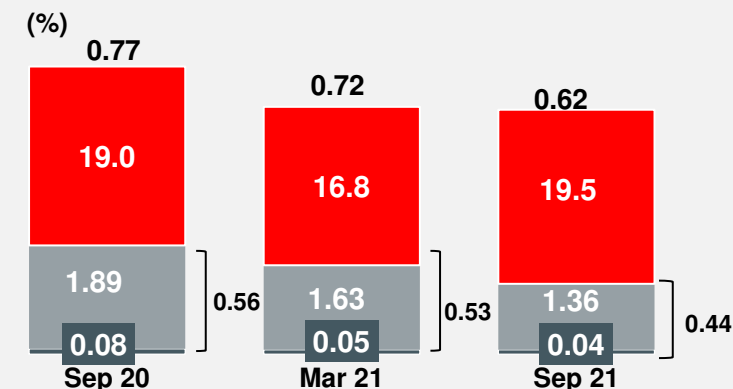
## LOANS AND ADVANCES BY STAGE<sup>1</sup>



## 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

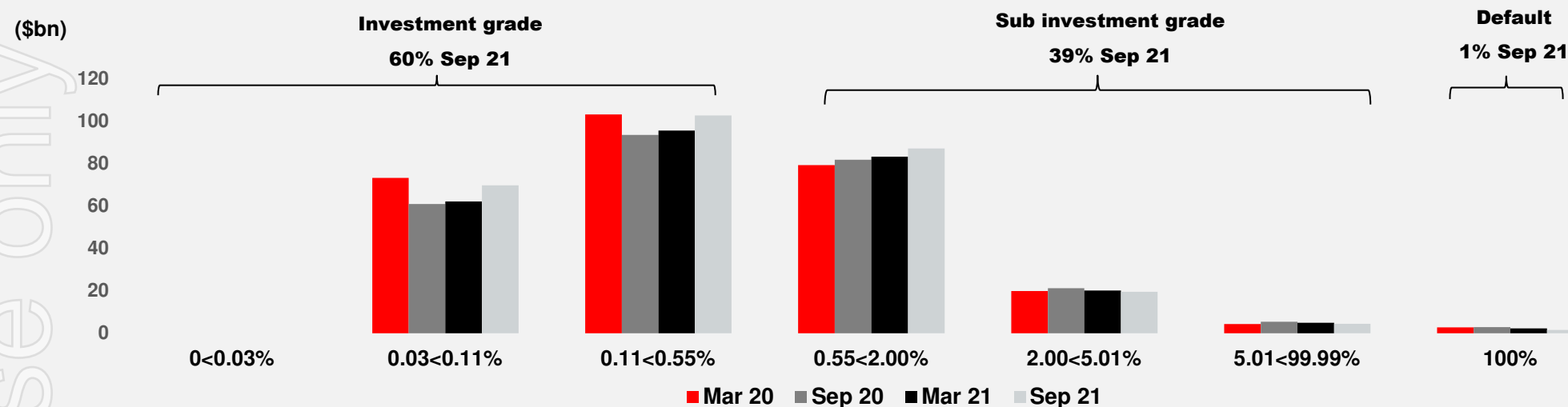
(2) Excludes collective provision on loans at fair value and derivatives which are not allocated to a stage under the ECL model

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

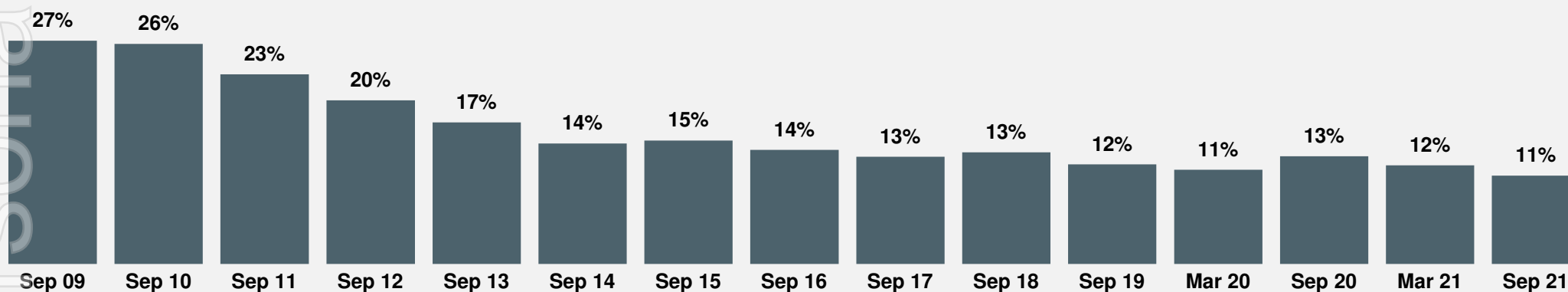


# PROBABILITY OF DEFAULT (PD) ANALYSIS

## NON RETAIL CORPORATE EAD<sup>1</sup> BY PROBABILITY OF DEFAULT



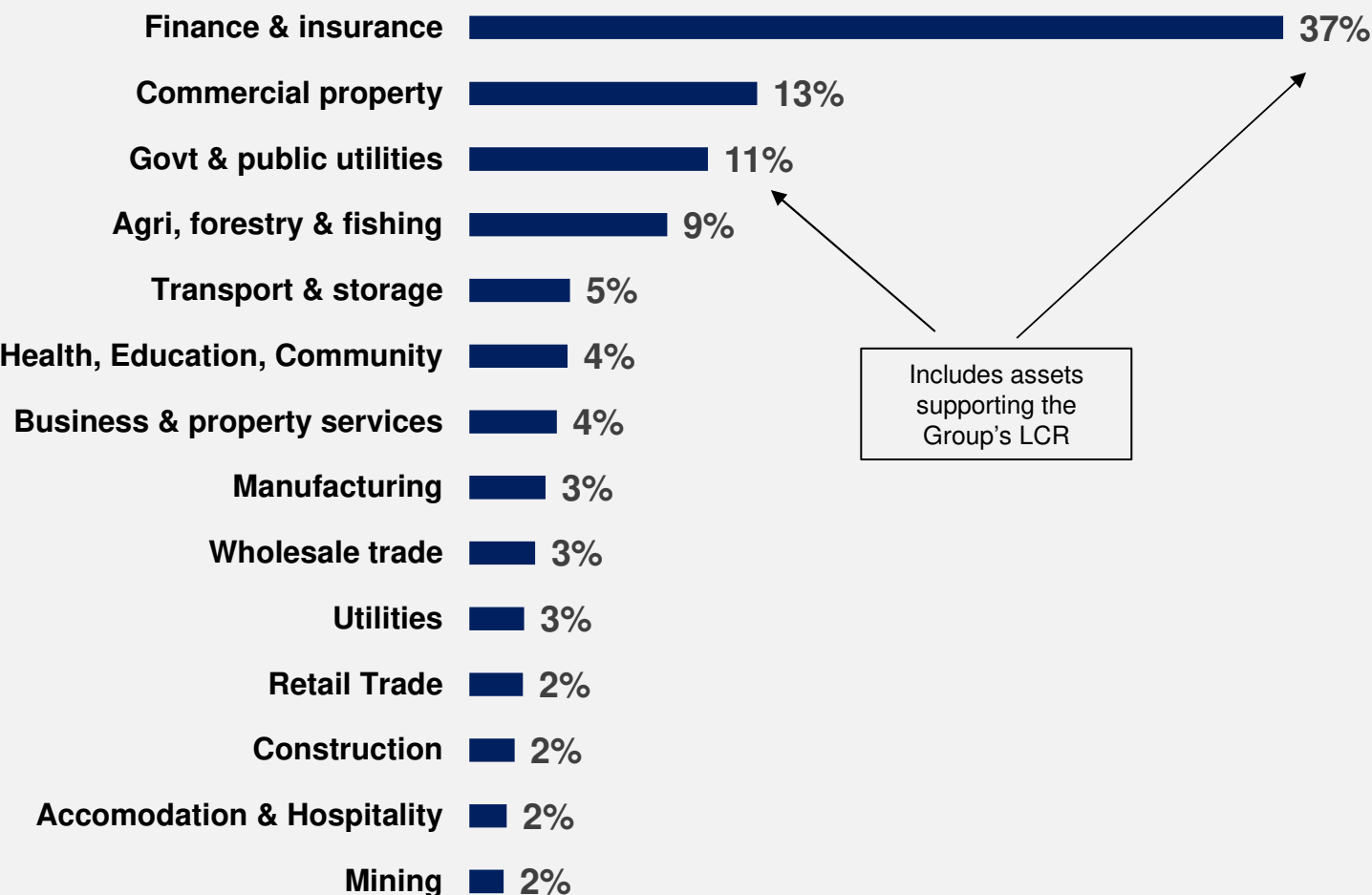
## AUSTRALIAN AND NEW ZEALAND BUSINESS EXPOSURES PD ≥ 2%



(1) For internal ratings based portfolios. Excluding Bank and Sovereign exposures. Total \$285bn at Sep 21, \$269bn at Mar 21, \$266bn at Sep 20 and \$283bn at Mar 20

# NON RETAIL INDUSTRY SECTOR ANALYSIS

## NON RETAIL EAD BY INDUSTRY<sup>1</sup> - \$584BN



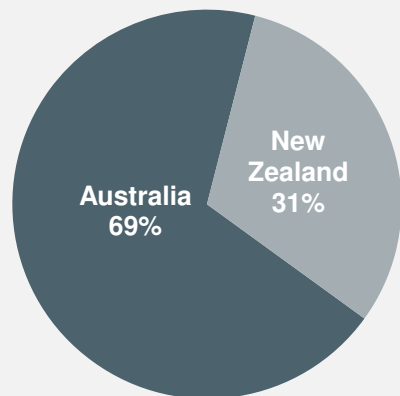
% Non performing <sup>2</sup>	
Mar 21	Sep 21
0.03%	0.02%
0.43%	0.34%
0.00%	0.00%
0.89%	0.56%
0.67%	0.54%
0.60%	0.43%
0.97%	0.97%
0.54%	0.65%
0.42%	0.29%
0.01%	0.01%
1.71%	1.24%
1.19%	0.93%
1.38%	1.24%
0.42%	0.16%

(1) Industry classifications are aligned to those disclosed in the 30 September 2021 Pillar 3 report – Table 5.1D

(2) Non performing reflects exposures which are 90+ DPD or Impaired

# GROUP AGRICULTURE, FORESTRY & FISHING EXPOSURES

GROUP EAD \$52.8BN SEPTEMBER 2021

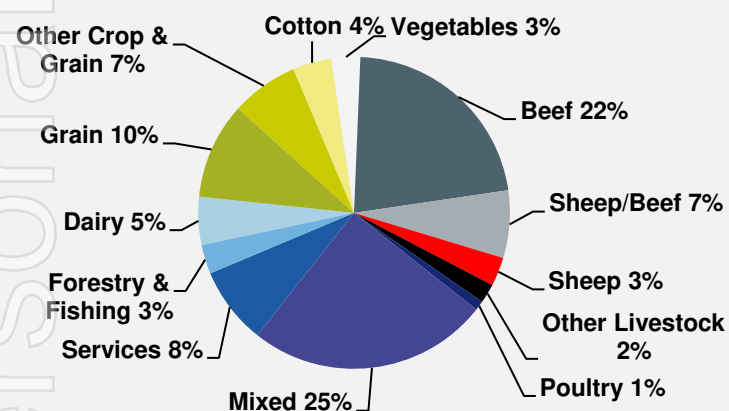


## KEY CONSIDERATIONS

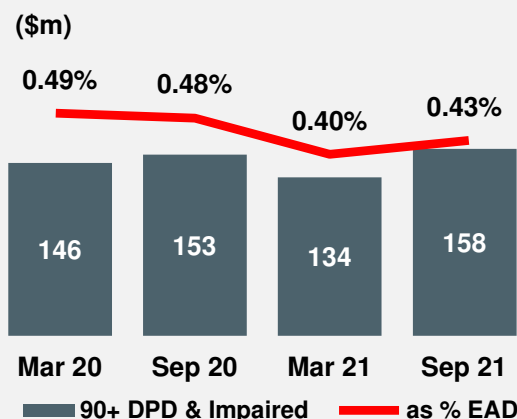
- Sector outlook continues to improve, with favourable weather conditions, higher than predicted commodity prices and minimal impact from ongoing China trade tensions
- Portfolio asset quality remains robust, benefitting from favourable external conditions

## AUSTRALIAN AGRICULTURE, FORESTRY & FISHING

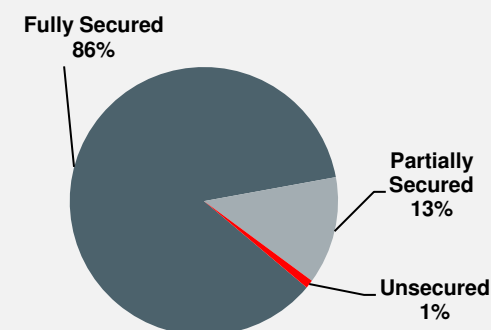
Diverse Portfolio EAD \$36.6bn Sep 21



### 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>

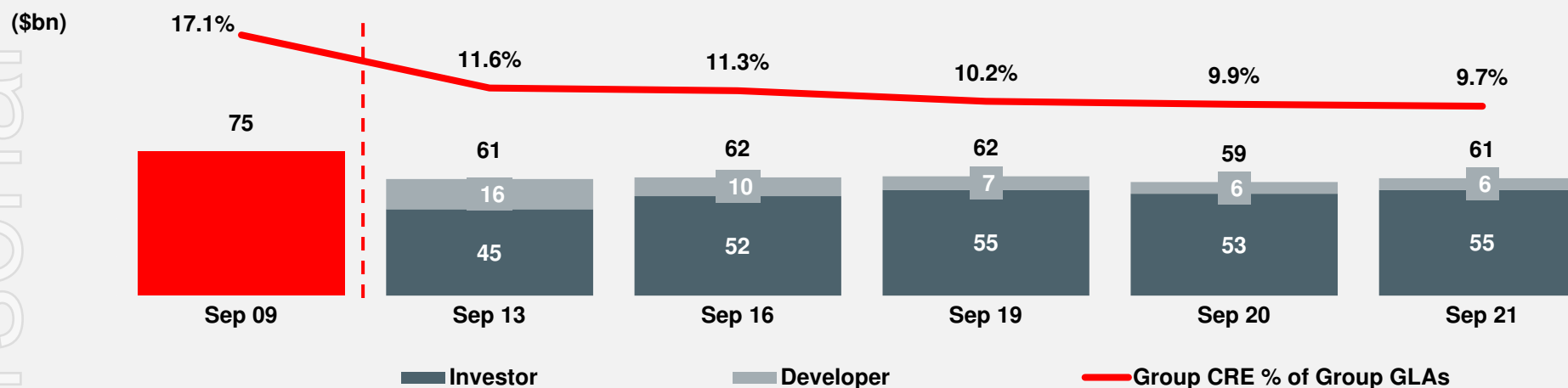
## GROSS LOANS & ACCEPTANCES

	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

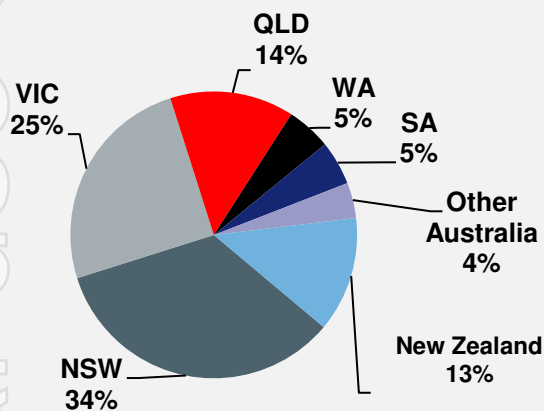


(1) Measured as balance outstanding as at 30 September 2021 per APRA Commercial Property ARF 230 definitions

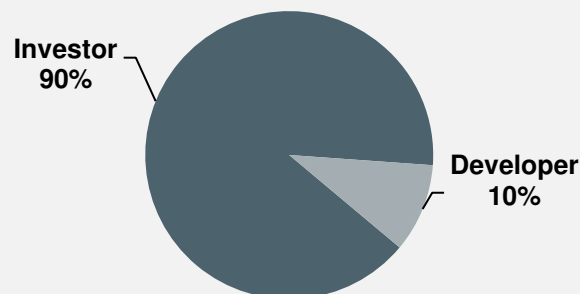
# GROUP COMMERCIAL REAL ESTATE<sup>1</sup>

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

Geographic breakdown

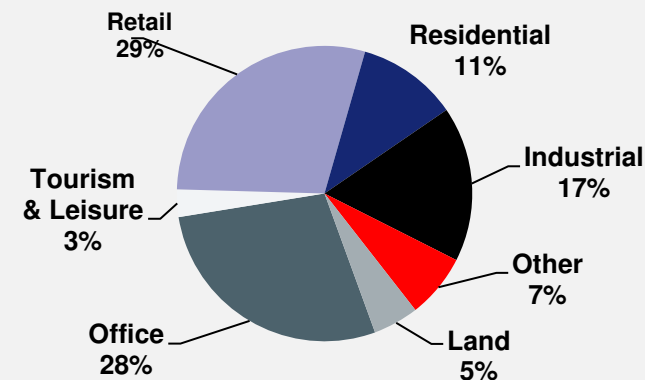


Borrower breakdown



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

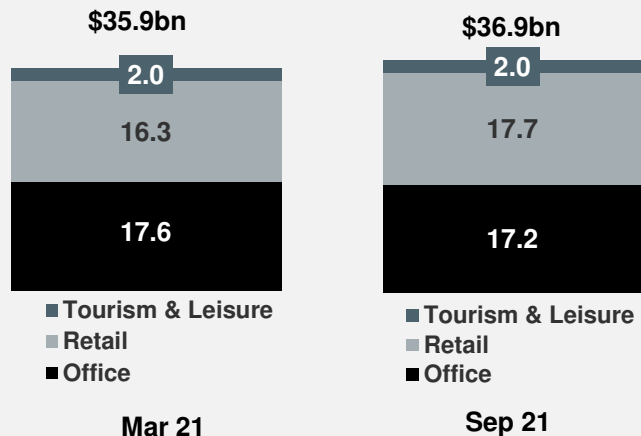
Sector breakdown



(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

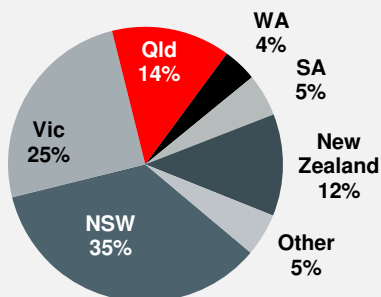


## KEY CONSIDERATIONS

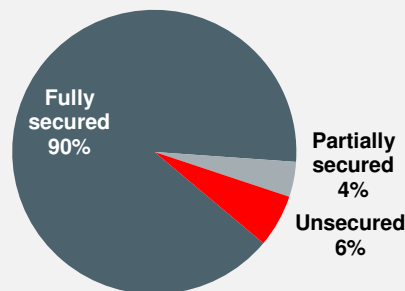
- Office, Retail and Tourism & Leisure (T&L) viewed as most impacted by COVID-19 across Group CRE portfolio
- Office faces medium term uncertainties, dependent on extent and timing of return-to-work and asset-specific lease expiries; ~44% of Australian balances CBD-based (of which ~88% C&I)
- Market 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

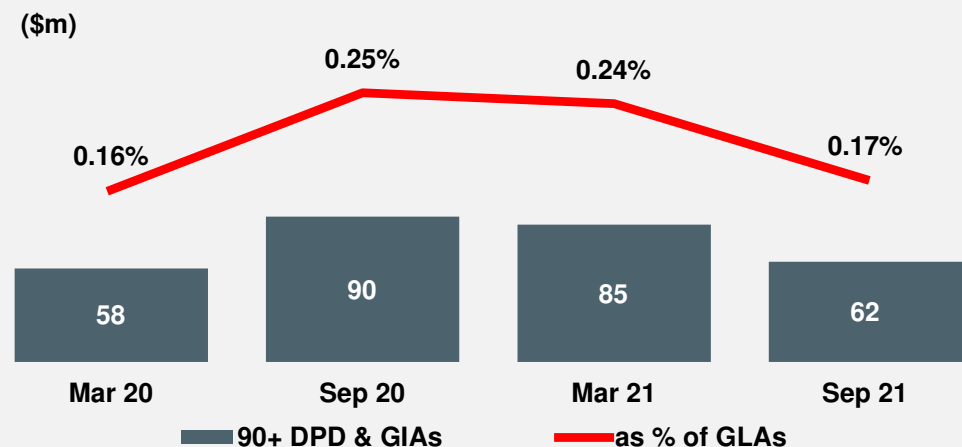


### Portfolio security<sup>2</sup>



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

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

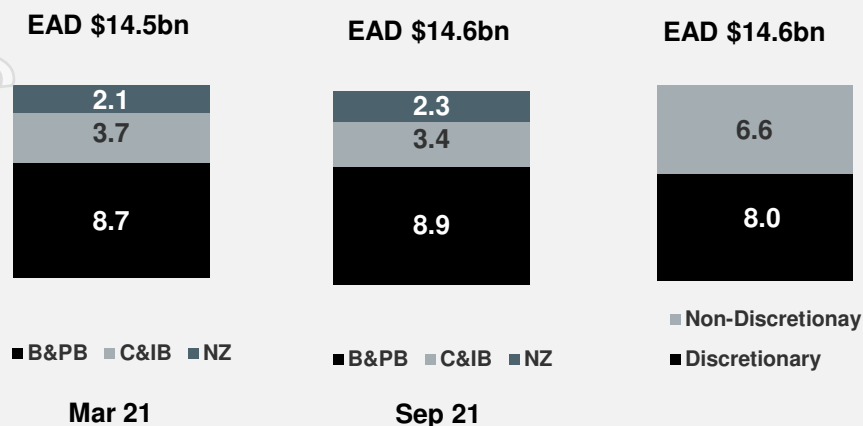


(1) Measured as balance outstanding as at 30 September 2021 per APRA Commercial Property ARF230 definitions

(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>

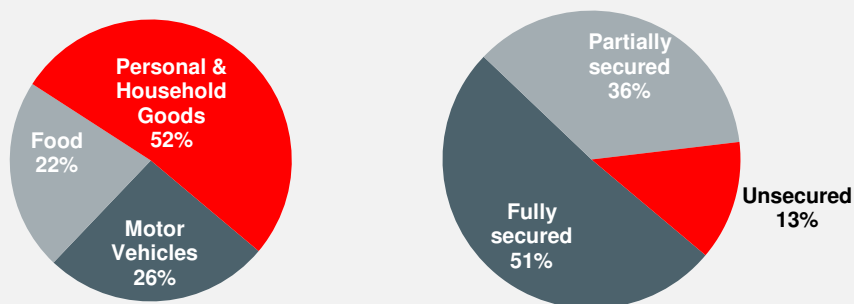
## EXPOSURE AT DEFAULT



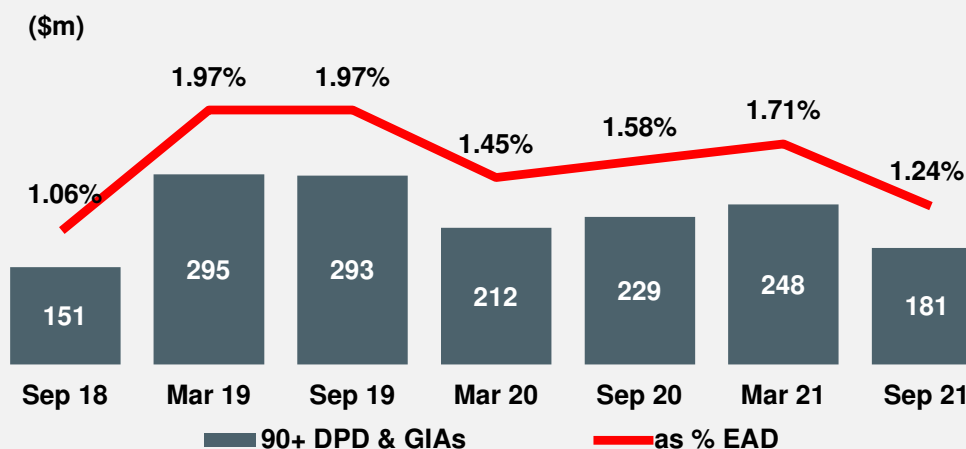
## KEY CONSIDERATIONS

- 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

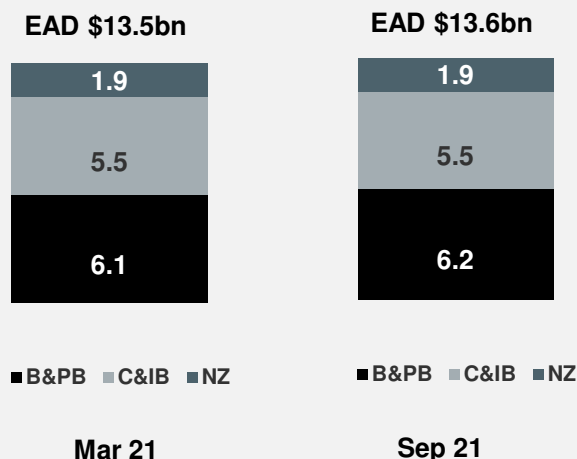


(1) Retail Trade is aligned to Regulatory Industry Classifications. Discretionary / Non-discretionary Retail Trade determined at an individual ANZSIC code level

(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>

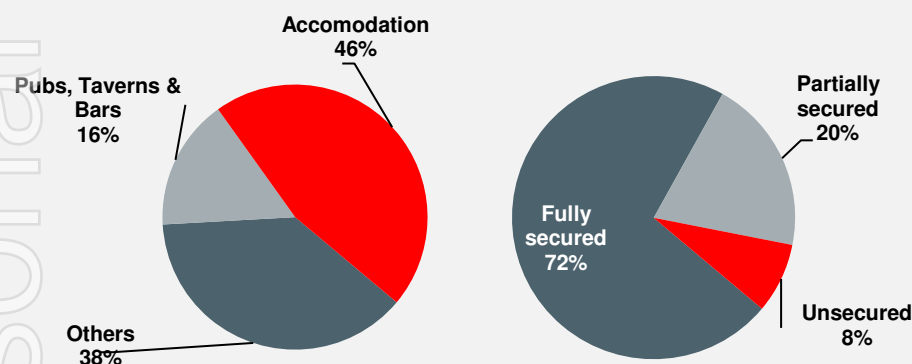
## EXPOSURE AT DEFAULT



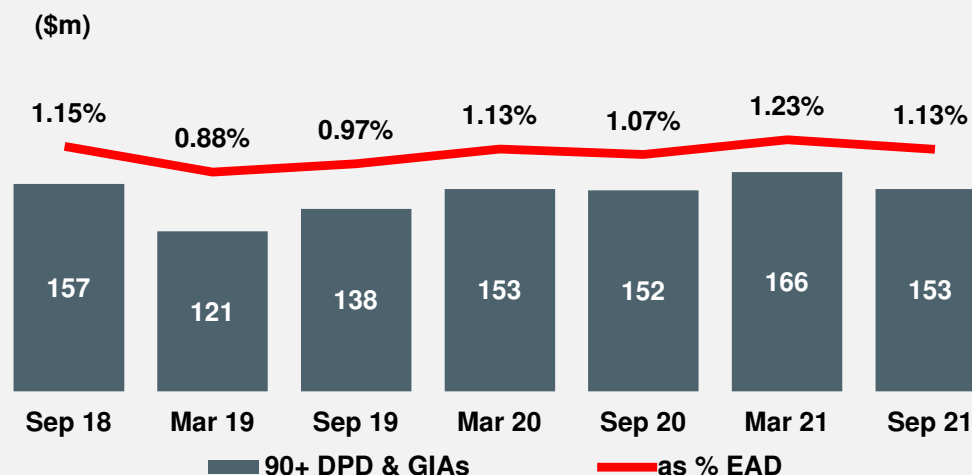
## KEY CONSIDERATIONS

- 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



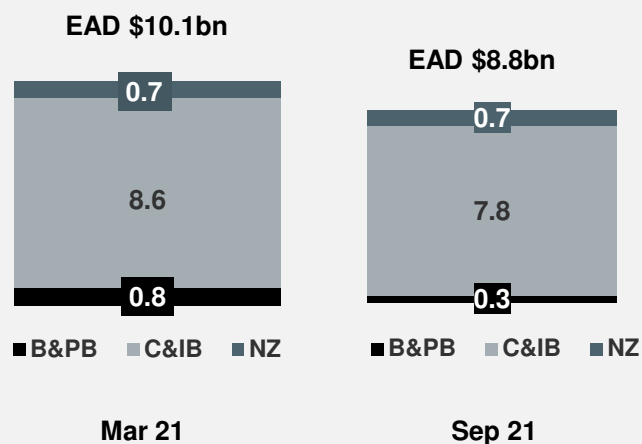
(1) Tourism, hospitality and entertainment include regulatory industry classification of accommodation and hospitality, plus cultural and recreational services

(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

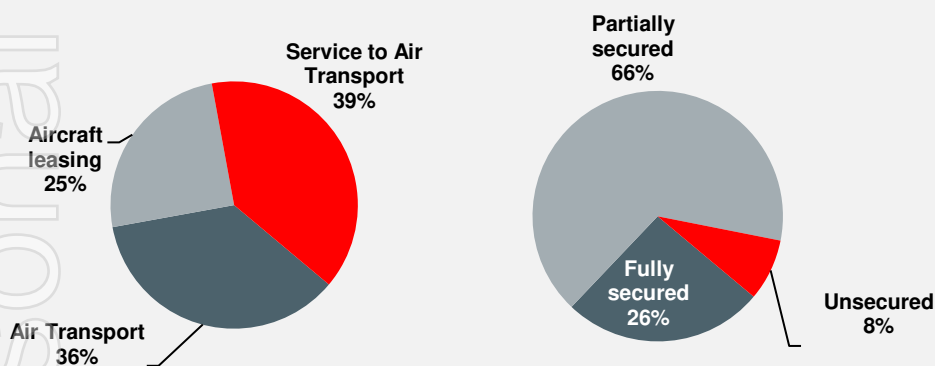
## EXPOSURE AT DEFAULT



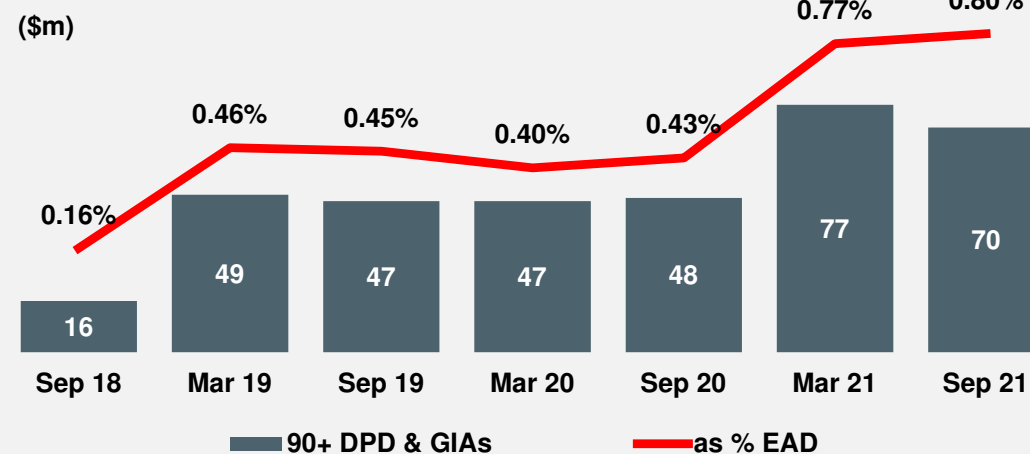
## KEY CONSIDERATIONS

- ~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

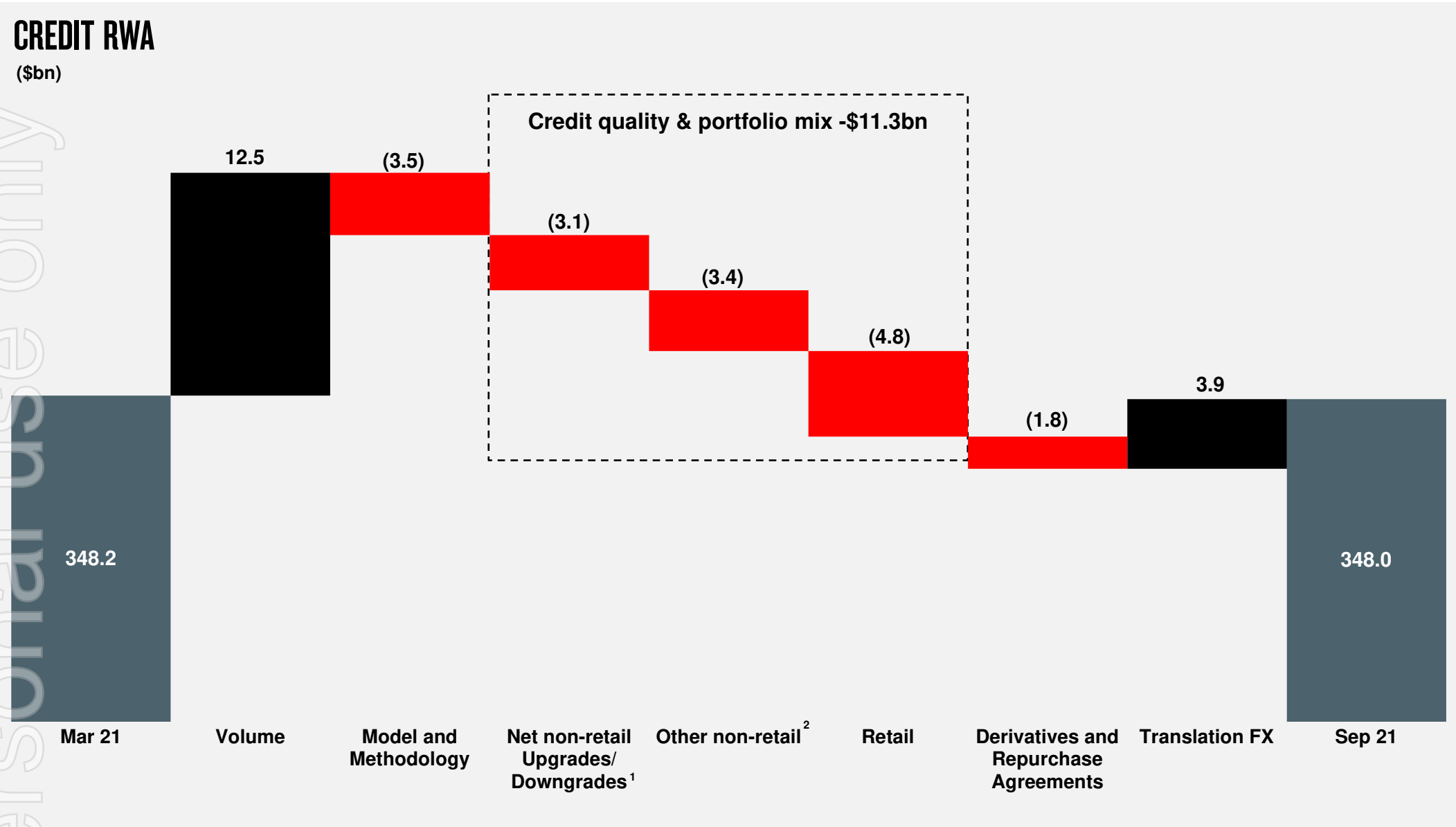


(1) Fully Secured is where the loan amount is less than 100% of the bank extended value of security; Partially Secured is where the loan amount is greater than 100% of the bank extended value of security; Unsecured is where no security is held and/or no value held against the security and negative pledge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

# **ADDITIONAL INFORMATION**

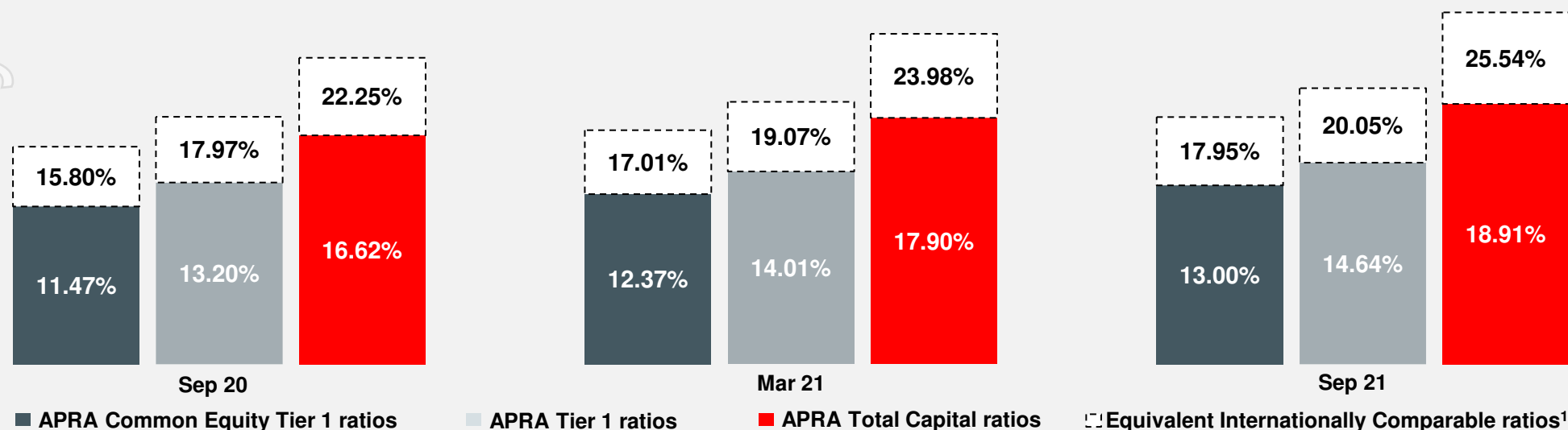
## **CAPITAL & FUNDING**

# CREDIT RISK WEIGHTED ASSETS



(1) Includes SME overlay release (-\$1.4bn)  
(2) Includes changes in quality, portfolio mix and maturity

# 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

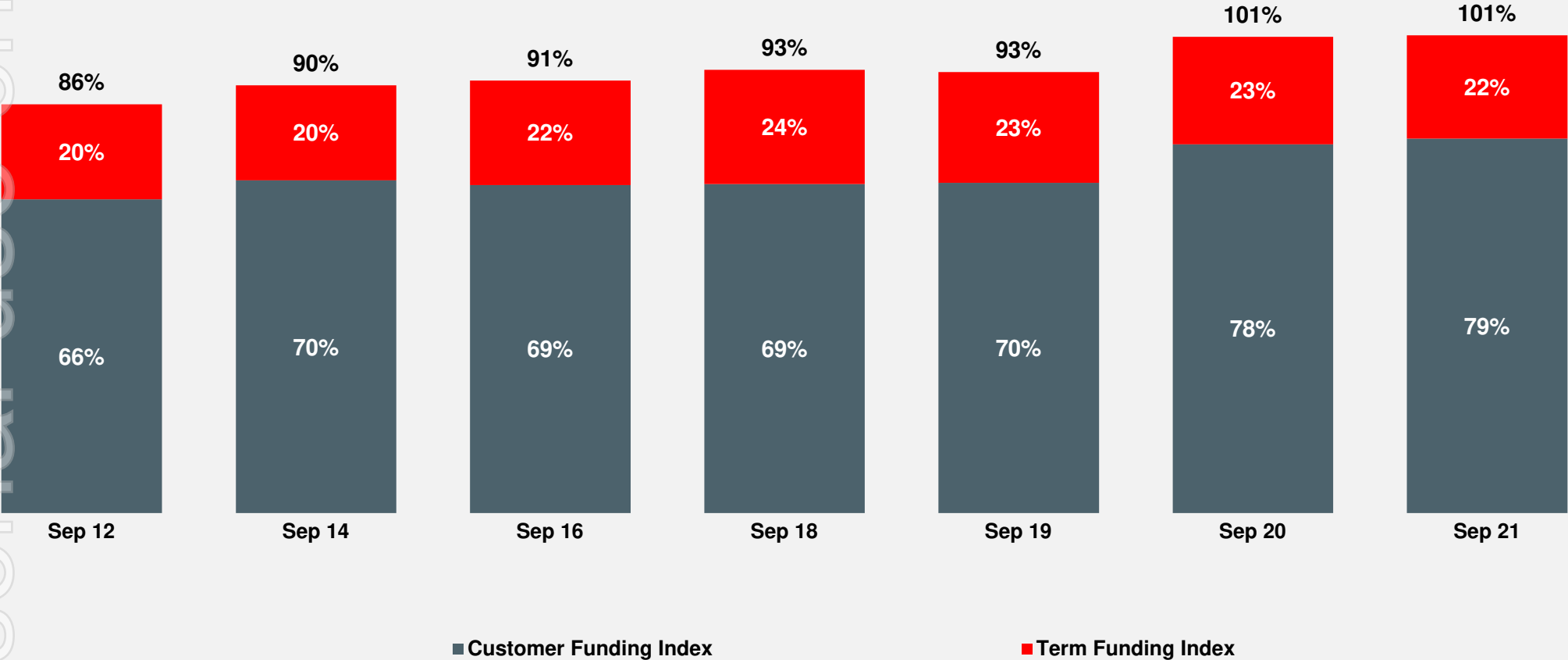
## APRA FUNDING & LIQUIDITY CHANGES

- 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

# FUNDING PROFILE

## GROUP STABLE FUNDING INDEX (SFI)<sup>1</sup>



(1) The Group Stable Funding Index (SFI) is the sum of the Customer Funding Index (CFI) and Term Funding Index (TFI). CFI is measured as customer deposits (excluding certain short dated institutional deposits used to fund liquid assets) as a percentage of core assets. TFI is measured as term wholesale funding (with remaining maturity to first call date greater than 12 months), including Term Funding Facility (TFF) and RBNZ funding facility drawdowns, as a percentage of the core assets.

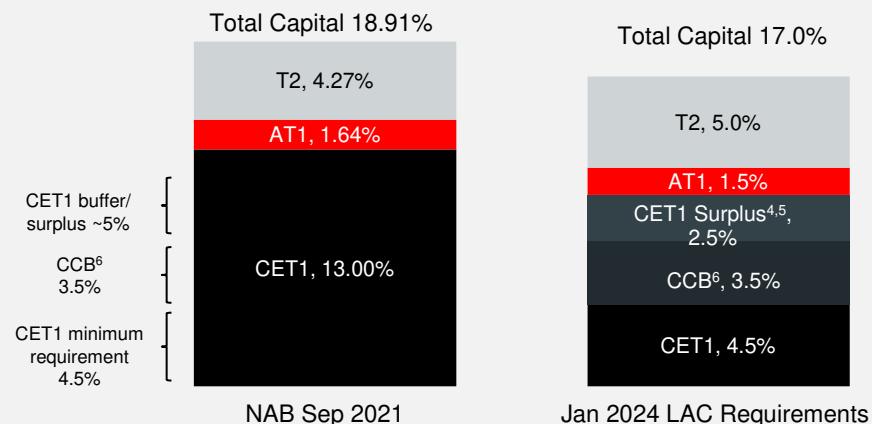
# LOSS-ABSORBING CAPACITY

## LOSS-ABSORBING CAPACITY

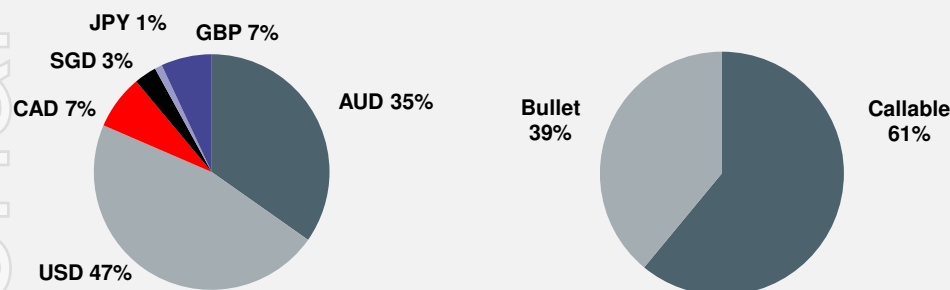
- Based on the Group's RWA and Total Capital position as at 30 September 2021, the incremental Group Total Capital requirement prior to January 2024 is approximately \$3.0bn
- \$1.8bn of surplus provisions are eligible for inclusion in Tier 2 Capital
- \$1.5bn of NAB's existing Tier 2 Capital has optional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

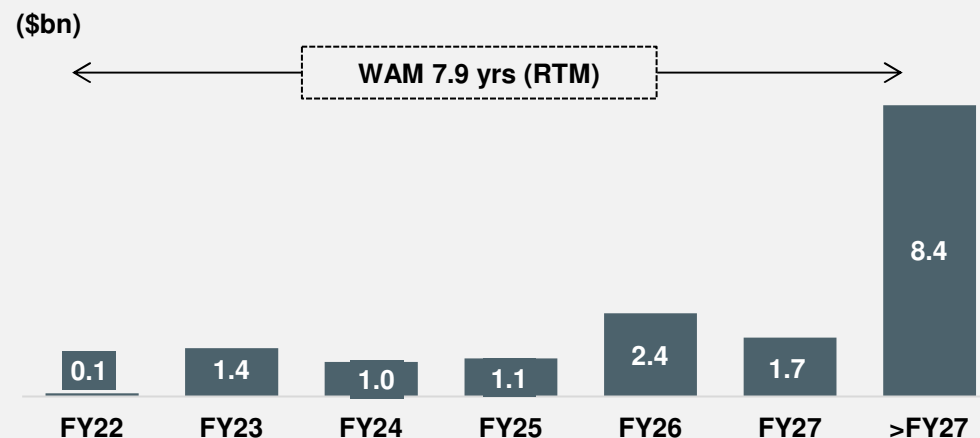


## NAB TIER 2 ISSUANCE AND PORTFOLIO DIVERSIFICATION



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

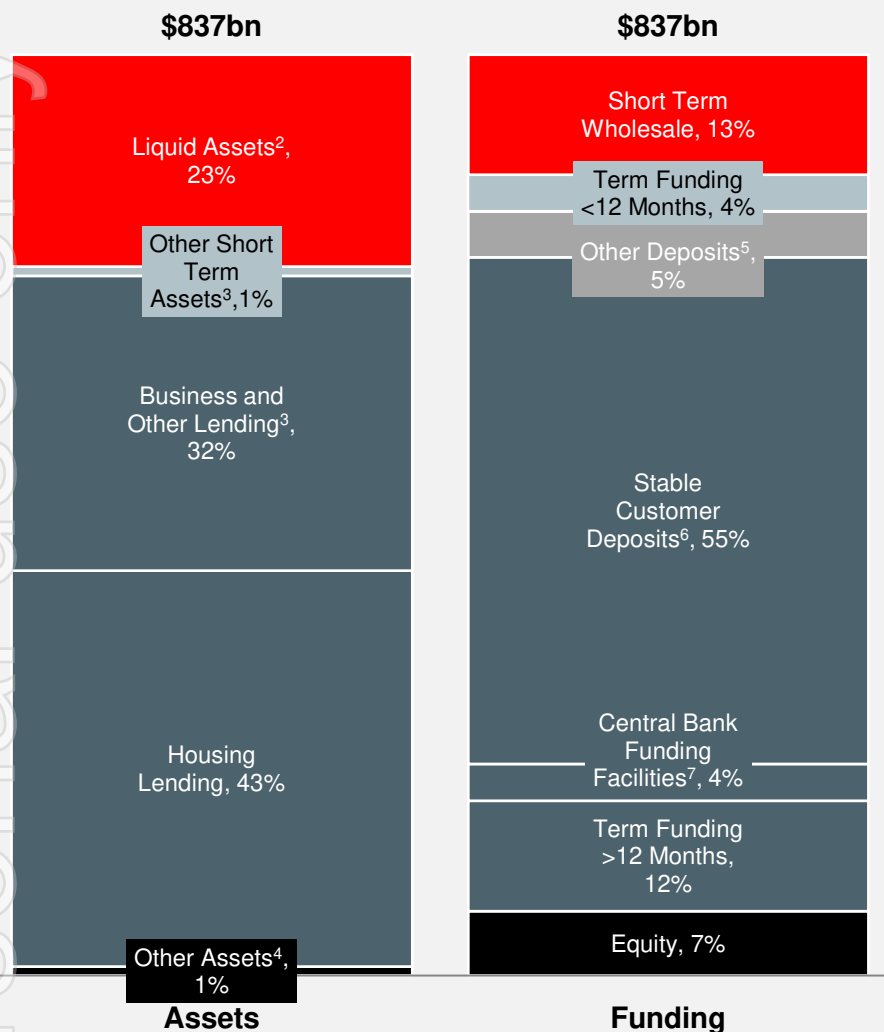
## NAB TIER 2 MATURITIES (TO FIRST CALL<sup>1</sup>)



(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

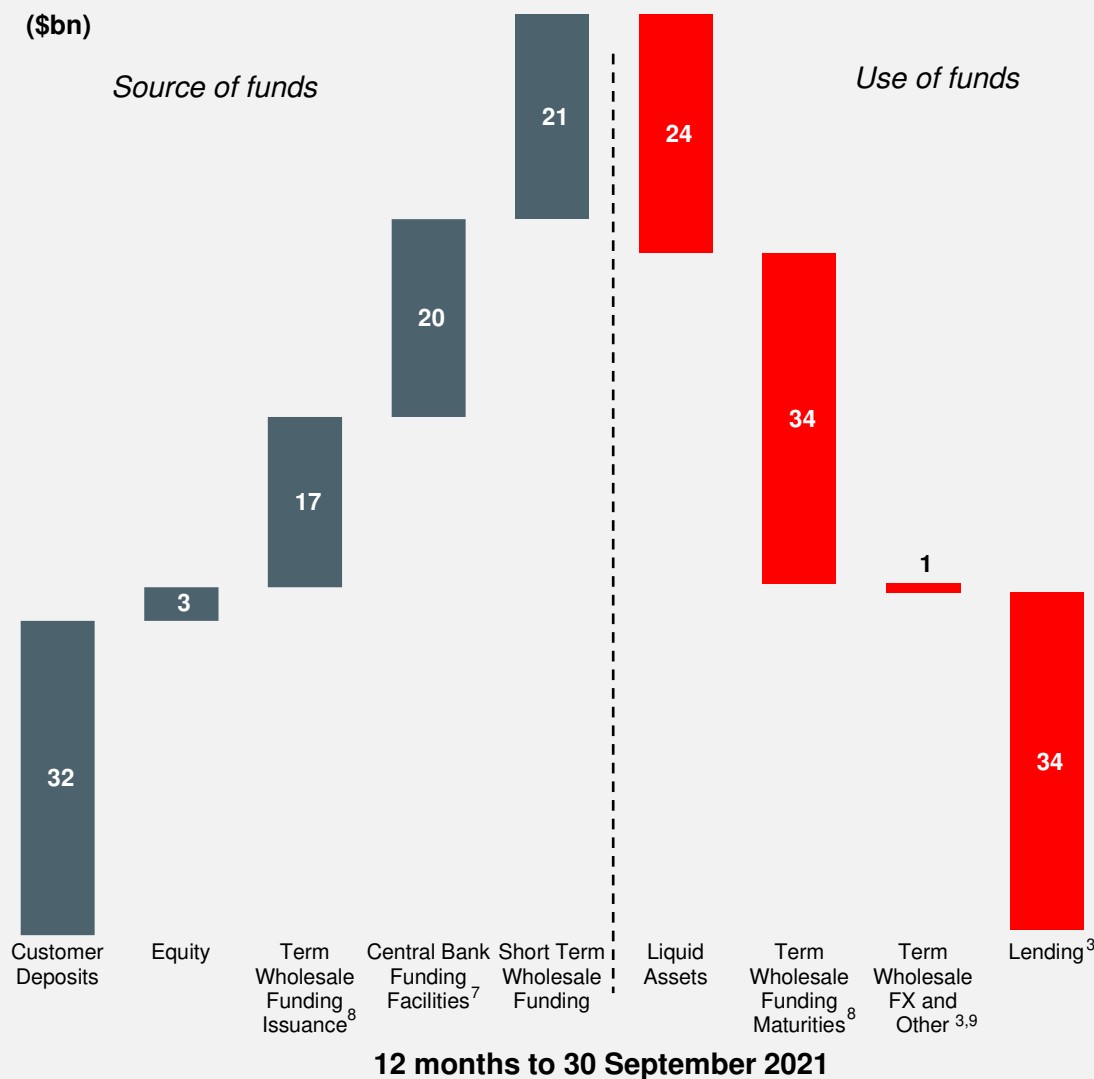
# ASSET FUNDING

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



## SOURCE AND USE OF FUNDS

(\$bn)



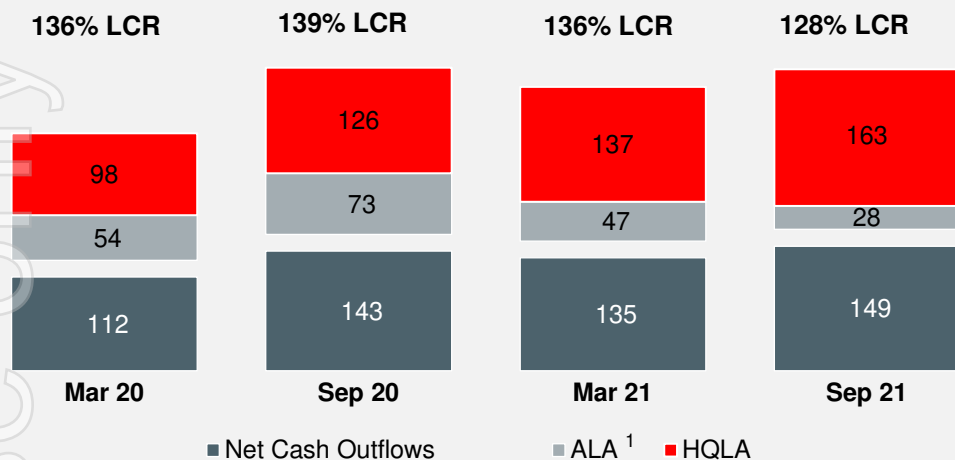
- 1) Excludes repurchase agreements, trading and hedging derivatives, and any accruals, receivables and payables that do not provide net funding
- 2) Market value of marketable securities including HQLA, non-HQLA securities and commodities
- 3) Trade finance loans are included in other short-term assets, instead of business and other lending
- 4) Includes net derivatives, goodwill, property, plant and equipment and net of accruals, receivables and payables
- 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

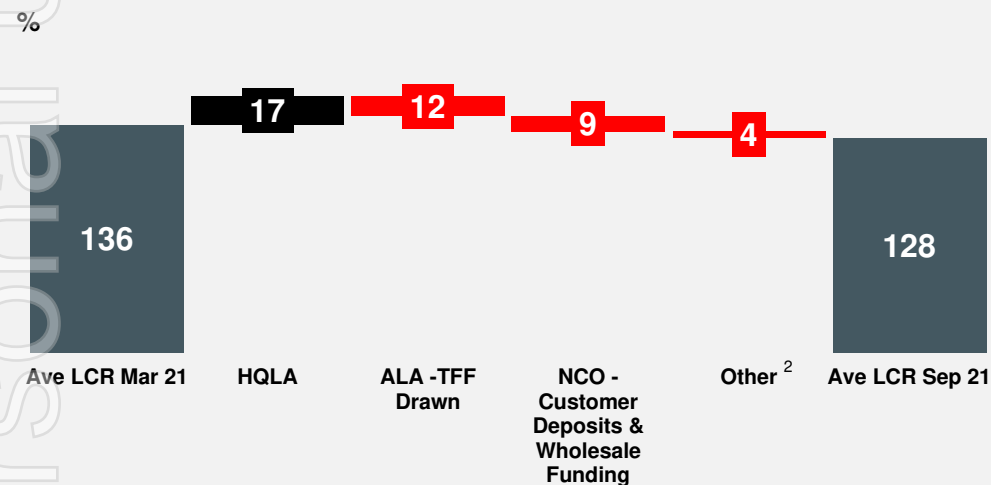


# LIQUIDITY

## LIQUIDITY COVERAGE RATIO (QUARTERLY AVERAGE)



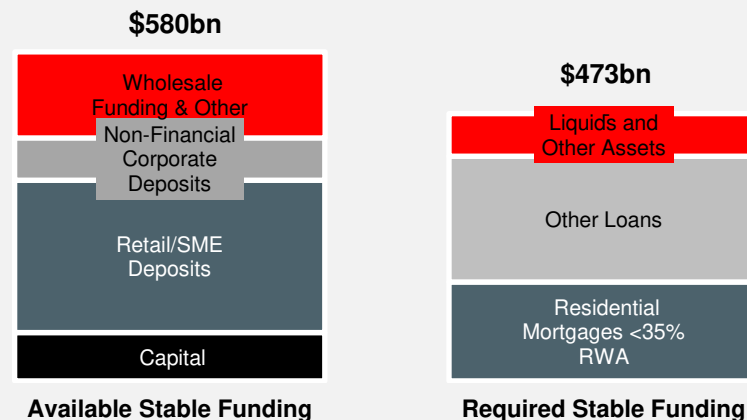
## LCR MOVEMENT



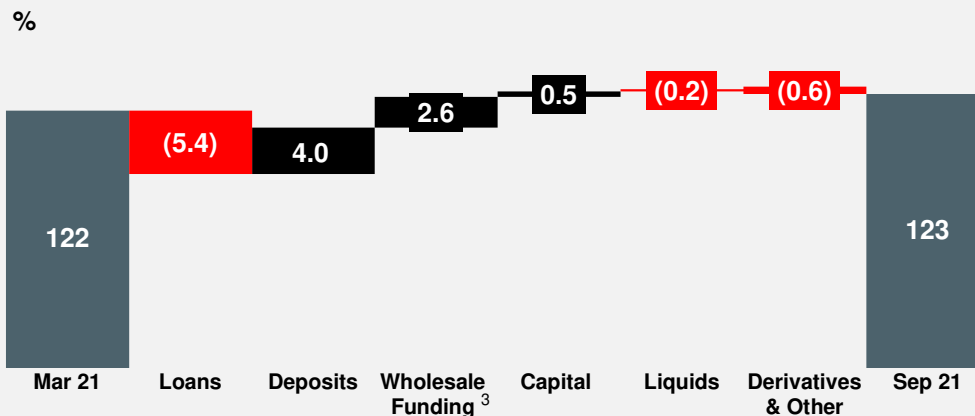
- (1) Committed Liquidity Facility (CLF) and Term Funding Facility (TFF) values used in LCR calculation are the undrawn portion of the facility. The average amount of undrawn TFF included in the LCR was \$12bn for the March Quarter and \$0bn for the September Quarter
- (2) Other includes an increase in lending commitments and reduced lending inflows
- (3) Includes drawdowns of Term Funding Facility (TFF)

## NET STABLE FUNDING RATIO COMPOSITION

Group NSFR 123% as at 30 September 2021



## NET STABLE FUNDING RATIO MOVEMENT

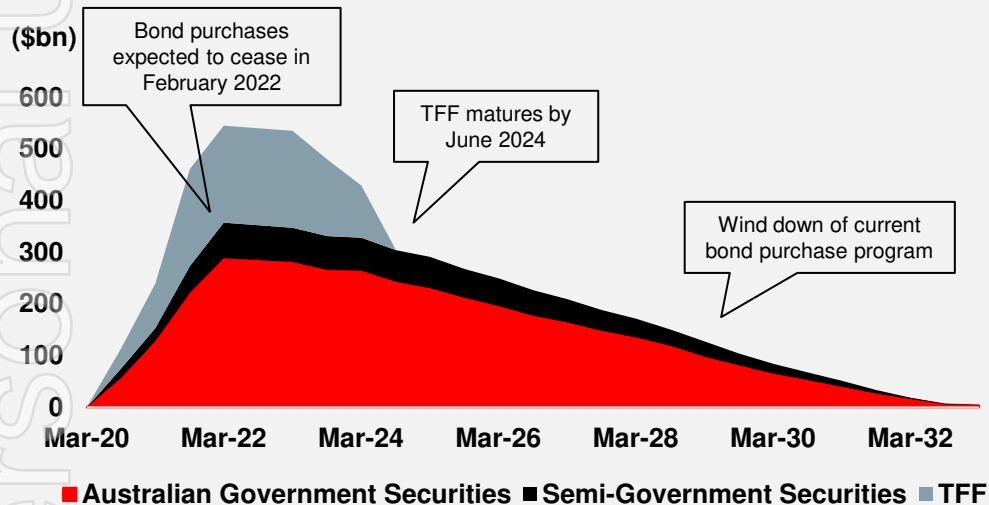


# LIQUIDITY CONSIDERATIONS

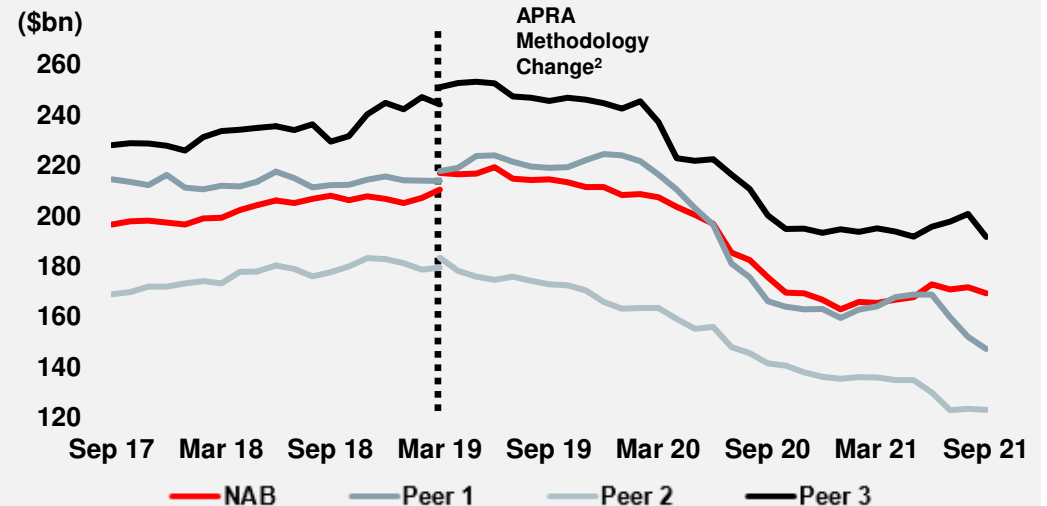
## INCREASED SYSTEM LIQUIDITY

- 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

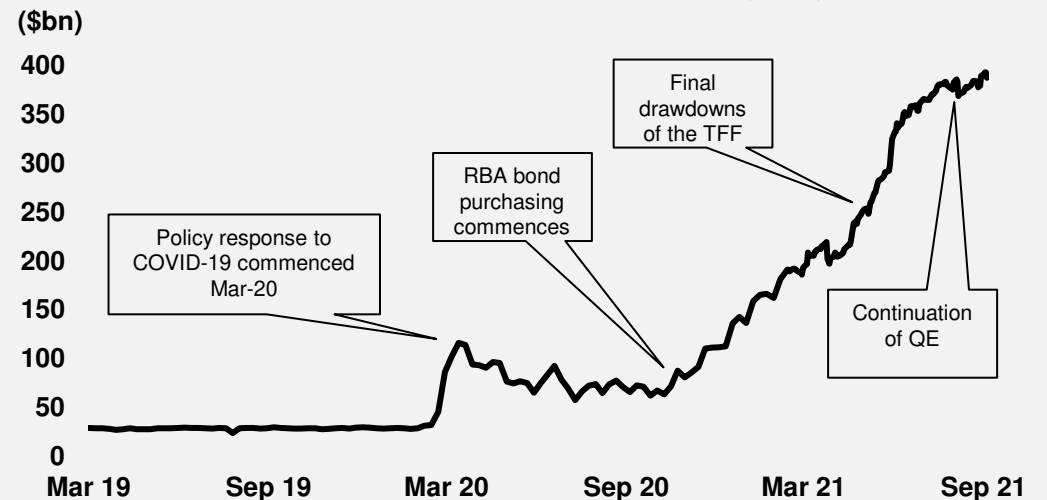
## UNWINDING THE LIQUIDITY INJECTION BY THE RBA<sup>3</sup>



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

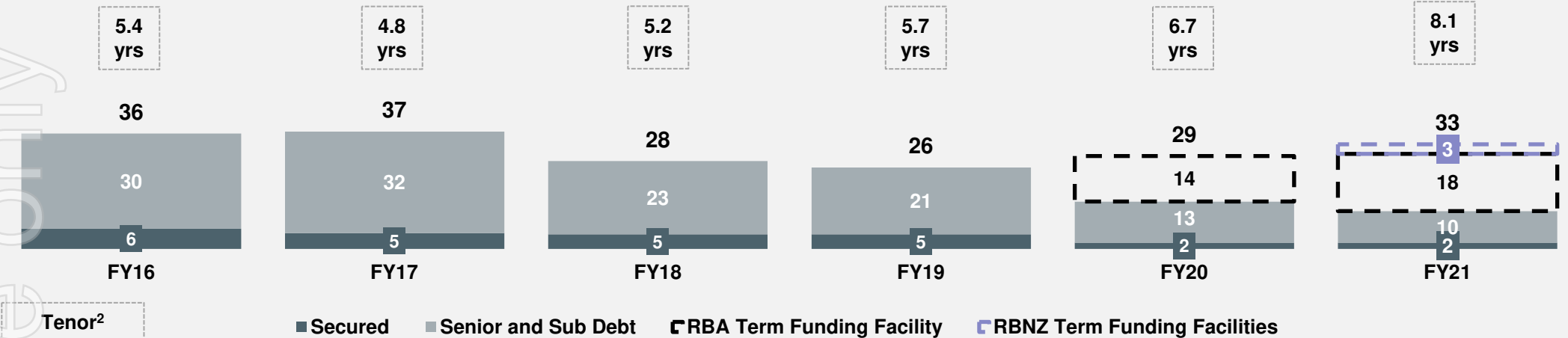
(3) RBA unconventional monetary policies from March 2020, including TFF, bonds purchased to address market dysfunction, Yield Curve Control or Quantitative Easing (QE). Also includes forecast bond purchases at a rate of \$4bn per week to February 2022

94 (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

# TERM WHOLESALE FUNDING PROFILE

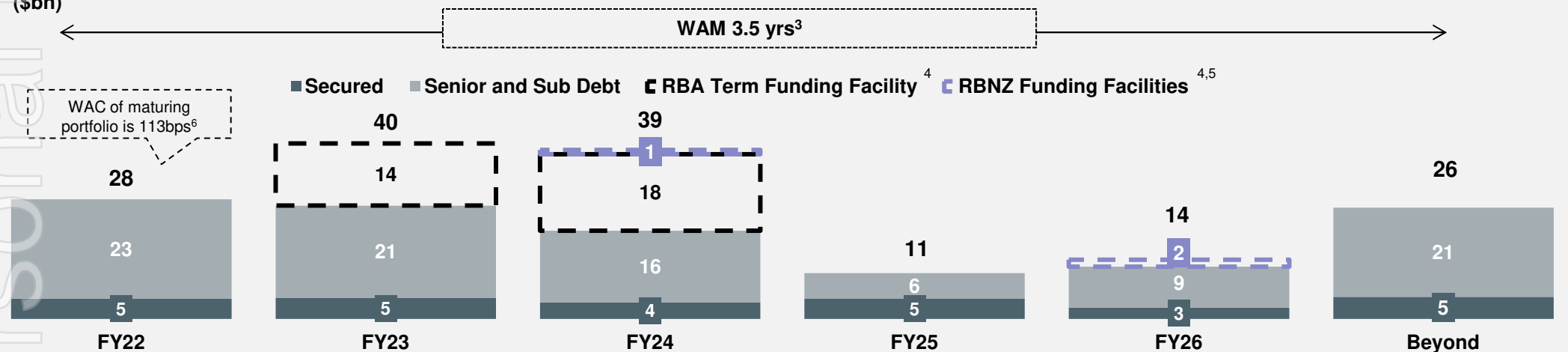
## HISTORIC TERM FUNDING ISSUANCE<sup>1</sup>

(\$bn)



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

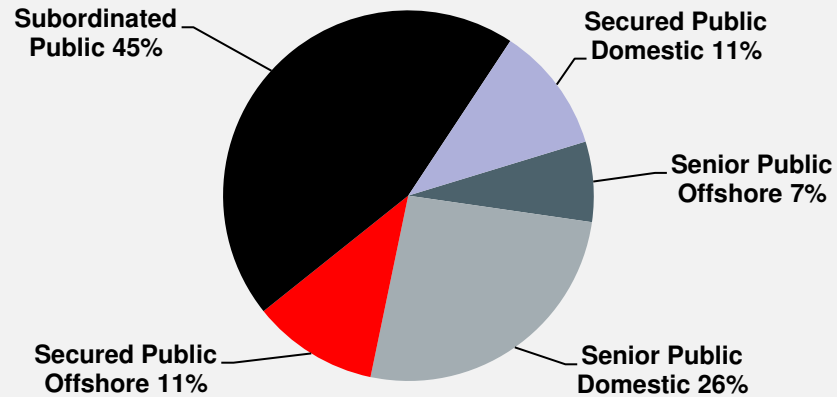
(\$bn)



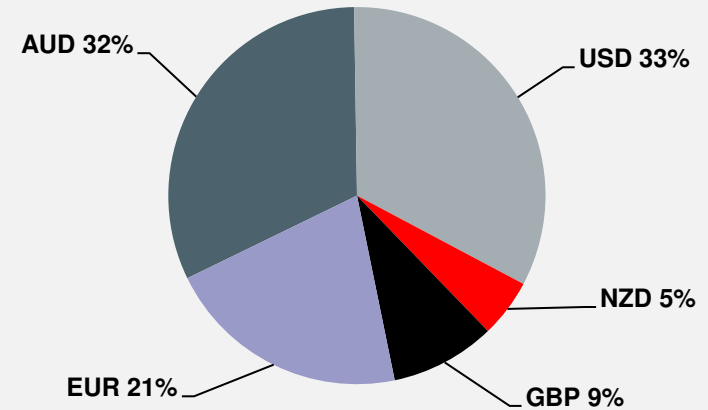
- (1) Includes senior unsecured, secured (covered bonds and securitisation) and subordinated debt with an original term to maturity or call date of greater than 12 months, excludes Additional Tier 1 instruments
- (2) Weighted average maturity and maturity profile of funding issuance with an original 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

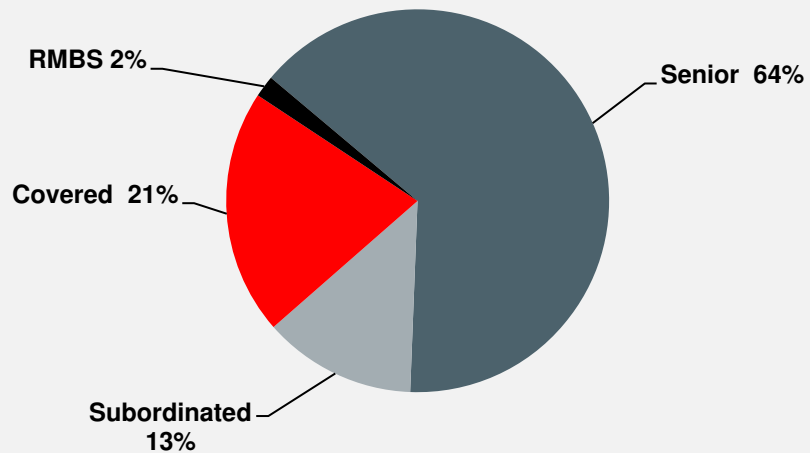
## FY21 ISSUANCE BY PRODUCT TYPE<sup>1</sup>



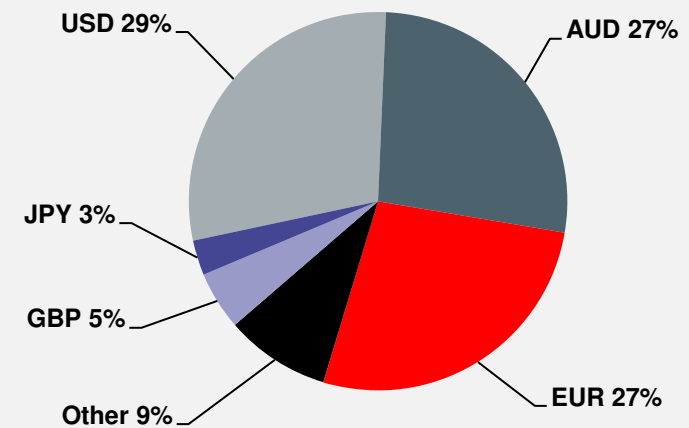
## FY21 ISSUANCE BY CURRENCY<sup>1</sup>



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



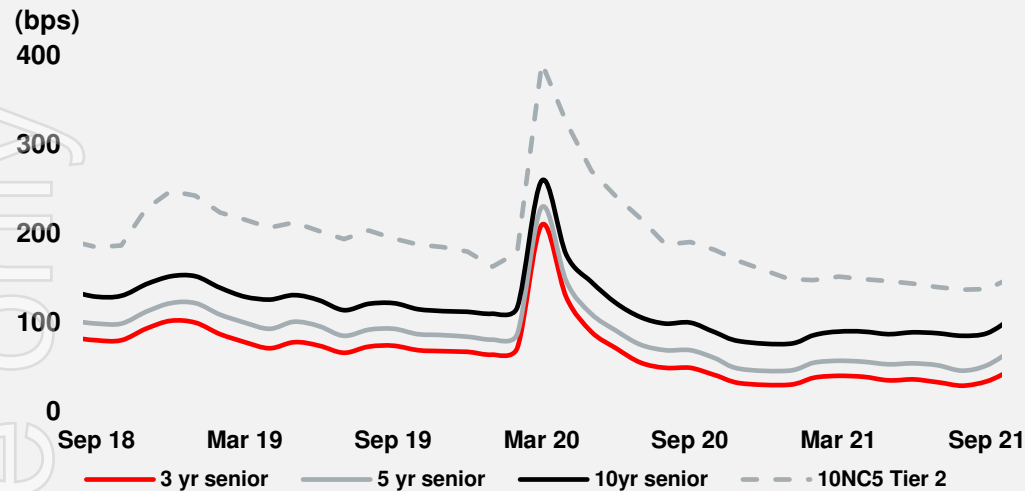
## OUTSTANDING ISSUANCE BY CURRENCY<sup>1</sup>



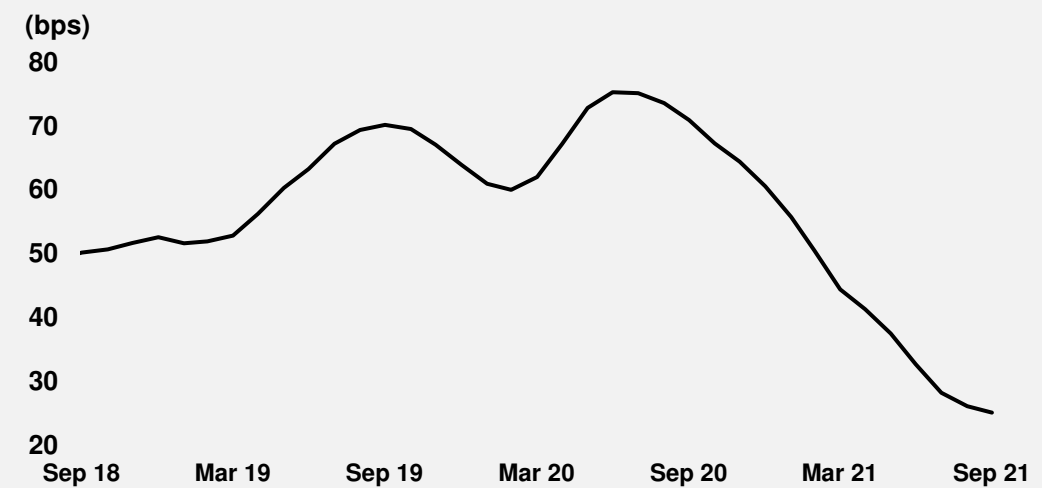
(1) Excludes Additional Tier 1, RBA Term Funding Facility and RBNZ funding facilities

# FUNDING COSTS

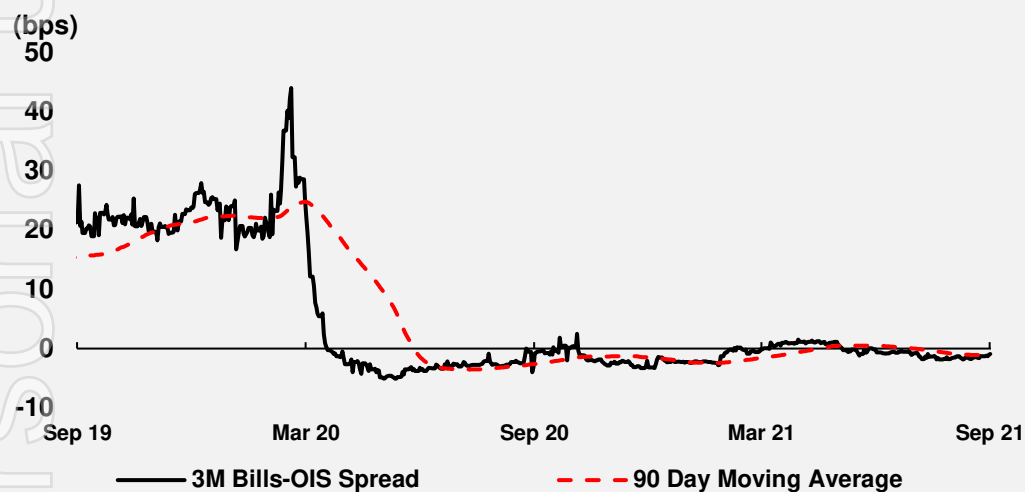
## INDICATIVE TERM WHOLESALE FUNDING ISSUANCE COSTS<sup>1</sup>



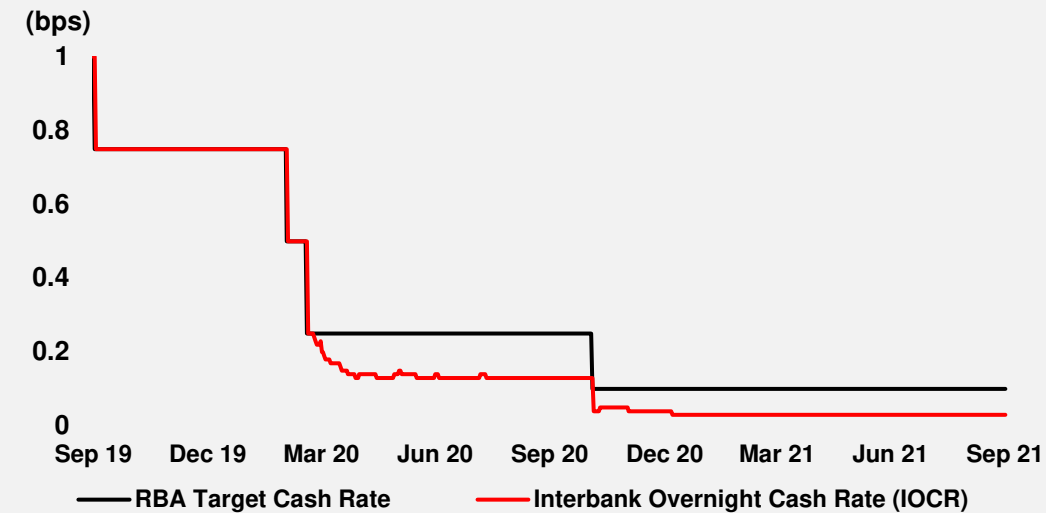
## TERM DEPOSIT PORTFOLIO COSTS<sup>2</sup>



## DOMESTIC SHORT TERM WHOLESALE FUNDING COSTS<sup>3</sup>



## CASH RATES



(1) Indicative Major Bank Wholesale subordinated and senior unsecured funding rates over 3m BBSW using a blend of multi-currency inputs (3 years, 5 years, 10-year non-call 5-year and 10 years)

(2) Management data. Total deposit portfolio cost over relevant market reference rate. Australia only

(3) Spread between 3 month AUD Bank Bill Swap Rate and Overnight Index Swaps (OIS). Source: Bloomberg

# CAPITAL & DEPOSIT HEDGES

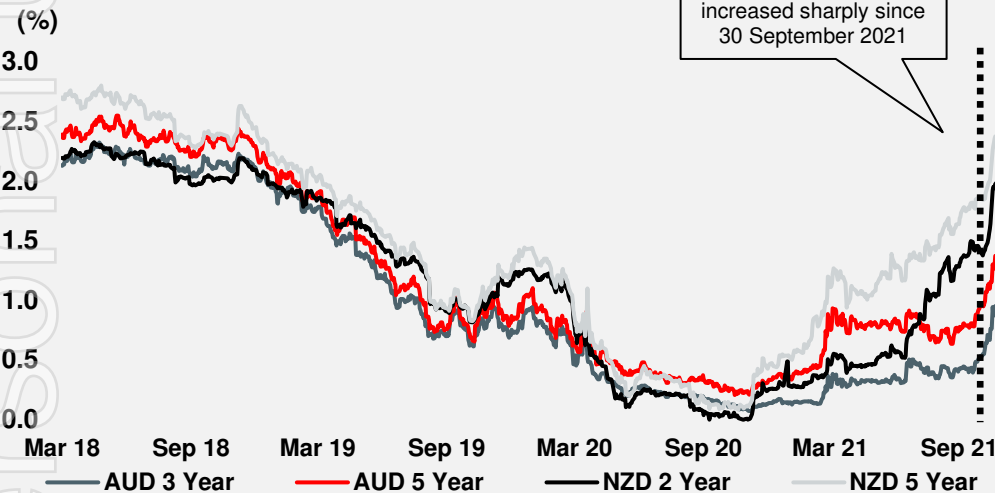
## NAB REPLICATING PORTFOLIOS<sup>1</sup>

Replicating portfolio		
	30 Sep 21 balance	Invested out to term of
Capital	AUD \$42bn	3 years
Low rate deposits	AUD \$63bn	5 years

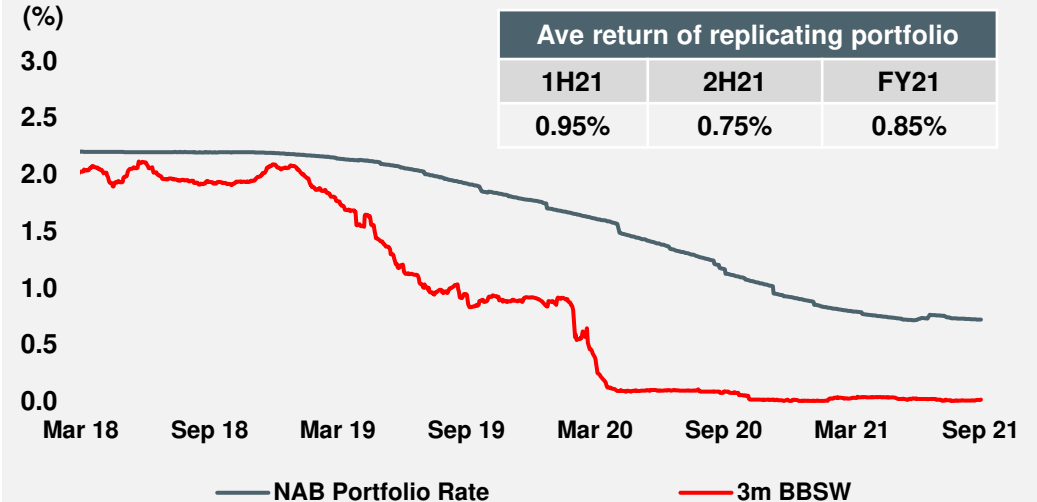
## BNZ REPLICATING PORTFOLIOS<sup>2</sup>

Replicating portfolio		
	30 Sep 21 balance	Invested out to term of
Capital	NZD \$9bn	2 years
Low rate deposits	NZD \$9bn	5 years

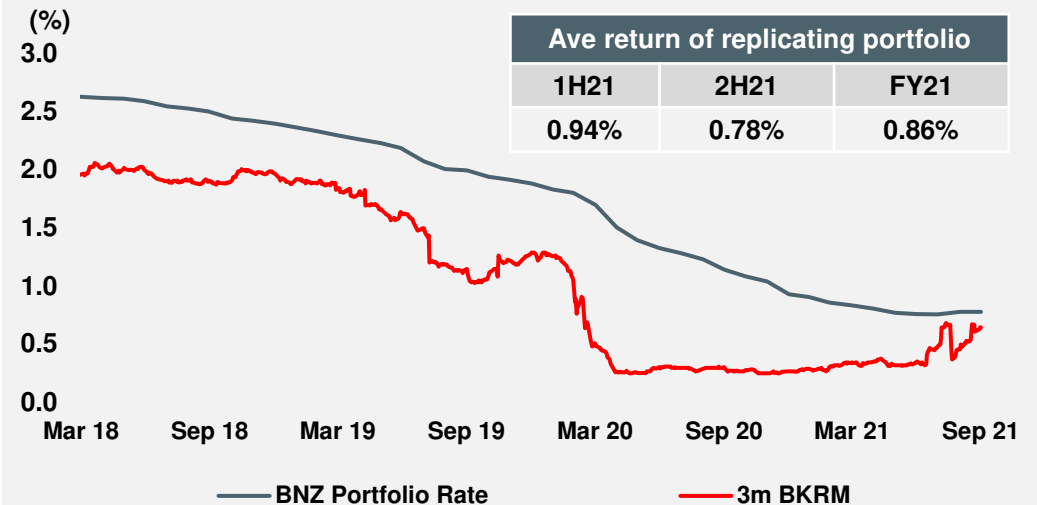
## SWAP RATES<sup>3</sup>



## NAB — REPLICATING PORTFOLIOS<sup>1</sup>



## BNZ — REPLICATING PORTFOLIOS<sup>2</sup>



(1) Blended replicating portfolio (Australia only). Replicating portfolio includes capital and low rate deposits, which consist of non-interest bearing deposits and lower tiers in Retirement account. The investment tenor for Capital was extended from 2yr to 3yr in 2H21

(2) Blended replicating portfolio (New Zealand only). Replicating portfolio includes capital and low rate deposits, which consist of non-interest bearing deposits and lower tiers in Retirement account

(3) AUD Swap Rates sourced from Bloomberg and NZD Swap Rates sourced from Reuters

# **ADDITIONAL INFORMATION**

## **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

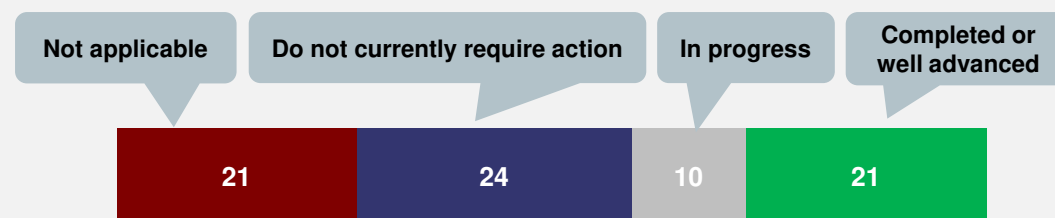
Chair: David Gall

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



# ESG REPORTING FRAMEWORKS AND BENCHMARKED ESG PERFORMANCE

## REPORTING FRAMEWORKS



Since 2003, NAB has prepared its sustainability reporting in alignment with the Global Reporting Initiative



Since 2011, NAB has actively supported the concept of integrated reporting, and as a pilot programme member, actively contributed to the development of the Integrated Reporting Framework



Since 2017, NAB has aligned its climate reporting to the recommendations of the Task Force on Climate-related Financial Disclosures

## BENCHMARKED ESG PERFORMANCE



Recipient of the 2021 inaugural [Terra Carta Seal](#) for our commitment to, and momentum towards, the creation of genuinely sustainable markets. The only Australian bank to receive the Seal, and one of only three Australian companies



Received a rating of A (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment in 2021<sup>1</sup>



ESG Rating 4.5 in 2021. Top 4% of Banks globally



Ranked 11th globally for banking sector in 2020. Included in DJSI World Index and DJSI Australia



Classified in the Leadership band amongst the global financial services sector with a score of A- in 2020

(1) The use by NAB of any MSCI ESG research LLC or its affiliates ("MSCI") data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of NAB by MSCI. MSCI services and data are the property of MSCI or its information providers, and are provided 'as-is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI

# 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

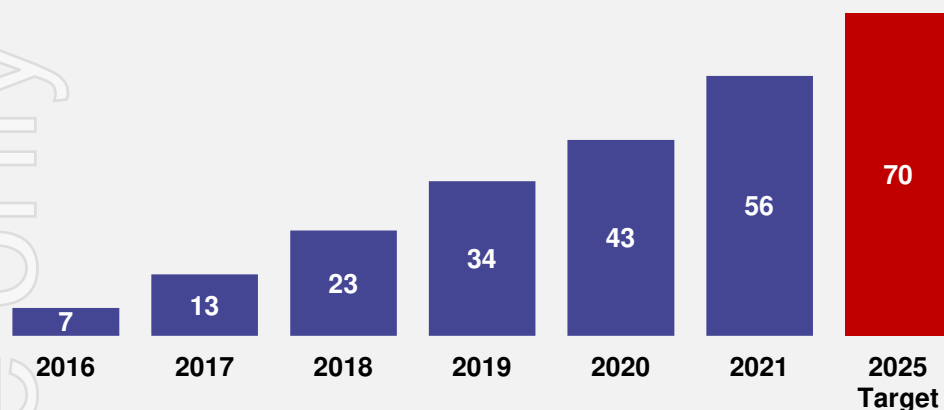
- Actively taking part in nationwide discussions on how **Australia gets to net zero as a leader in sustainable technology**
- Launched **Project Carbon, a Voluntary Carbon Marketplace** pilot in partnership with CIBC, Itaú Unibanco and NatWest Group

(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

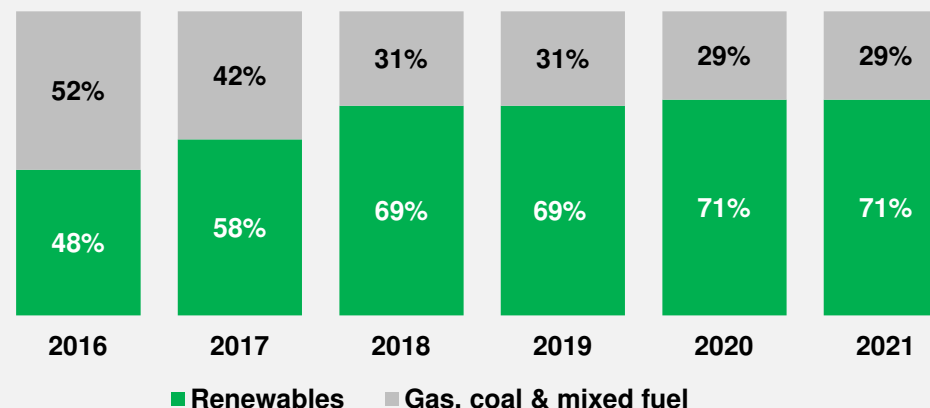
# CLIMATE METRICS AND TARGETS

## ENVIRONMENTAL FINANCING<sup>1</sup>

(cumulative \$bn)

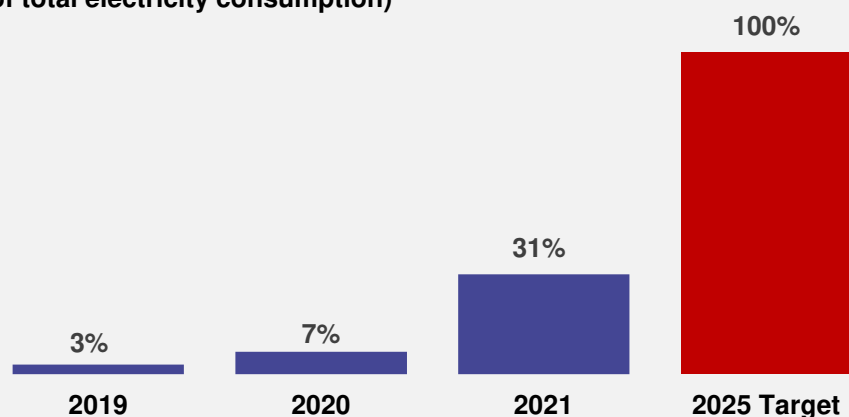


## RENEWABLES EAD AS A % OF ENERGY GENERATION<sup>2</sup>



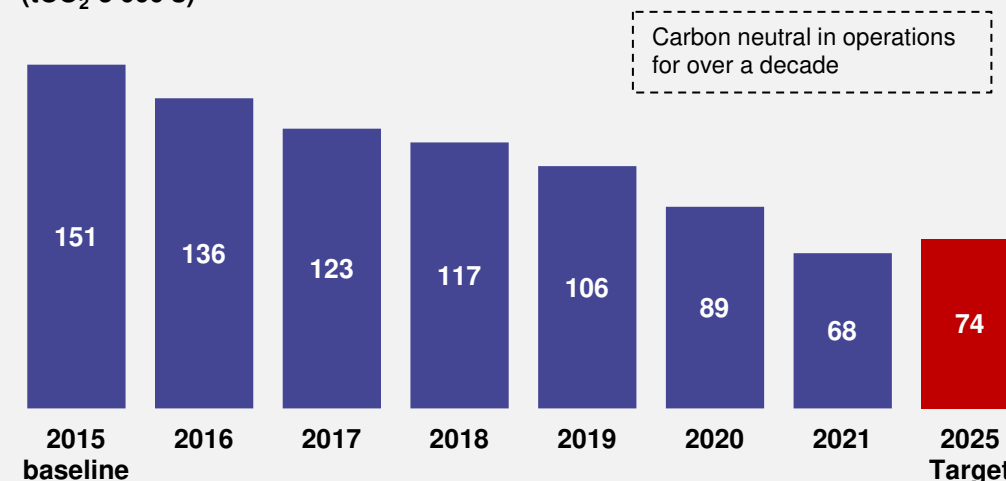
## NAB GROUP ELECTRICITY CONSUMPTION FROM RENEWABLE SOURCES<sup>3</sup>

(% of total electricity consumption)



## NAB GROUP OPERATIONAL GHG EMISSIONS (SCOPE 1 & 2)<sup>3,4</sup>

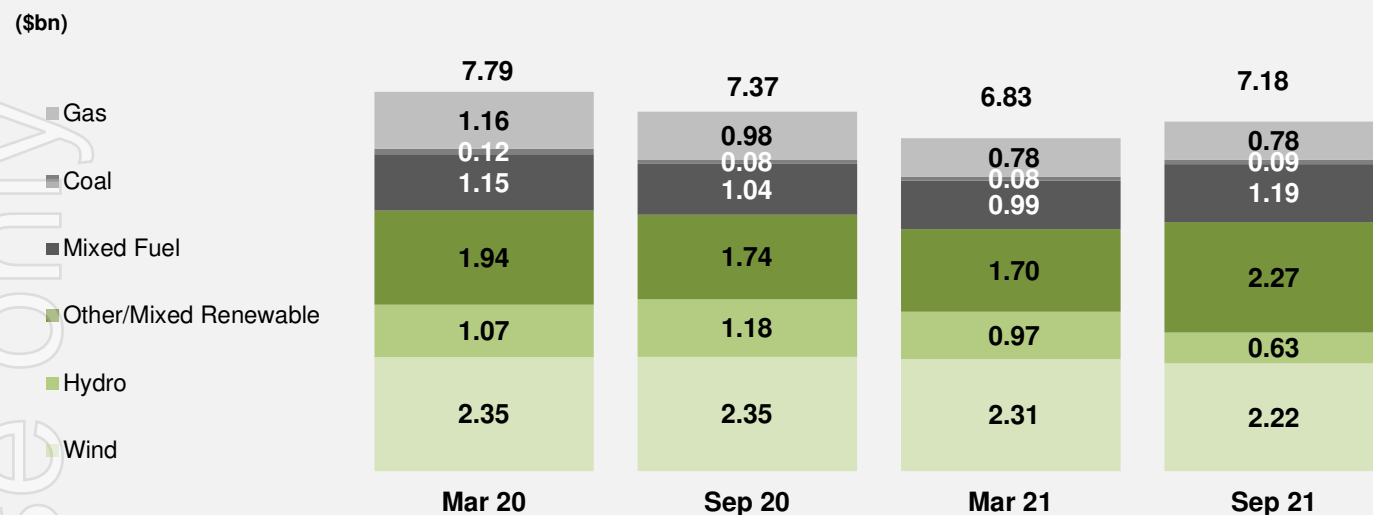
(tCO<sub>2</sub>-e 000's)



- (1) This includes NAB's financing of green infrastructure, capital markets, asset finance and new mortgage lending flow for 6 Star residential housing in Australia (new dwellings and significant renovations) as a cumulative flow of new environmental finance since 1 October 2015. Refer to 2021 Sustainability Data Pack.
- (2) 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>.
- (3) NAB's operational environmental numbers are reported on a July-June performance period
- (4) Significant progress towards NAB's 2025 science-based target was demonstrated in 2020 and 2021 however performance has been influenced by COVID-19 impacts and we do not expect all of the reductions achieved to date to be permanent. 2020 and 2019 progress restated due to additional electricity charges at our BNZ operations. Includes our net operational scope 1 and 2 GHG emissions, 2020 and 2021 figures calculated using a market-based approach

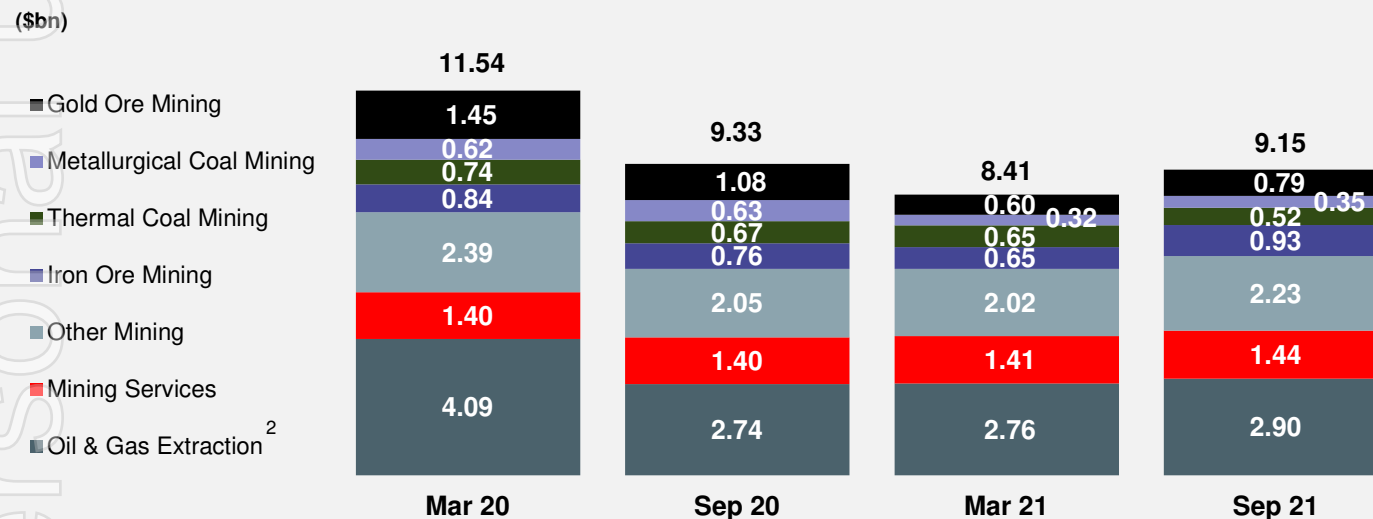
# OUR EXPOSURES TO THE ENERGY GENERATION AND RESOURCE SECTOR

## 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.

# ENGAGING WITH 100 OF OUR LARGEST EMITTERS ON THEIR TRANSITION PLANS

## OUR TARGET

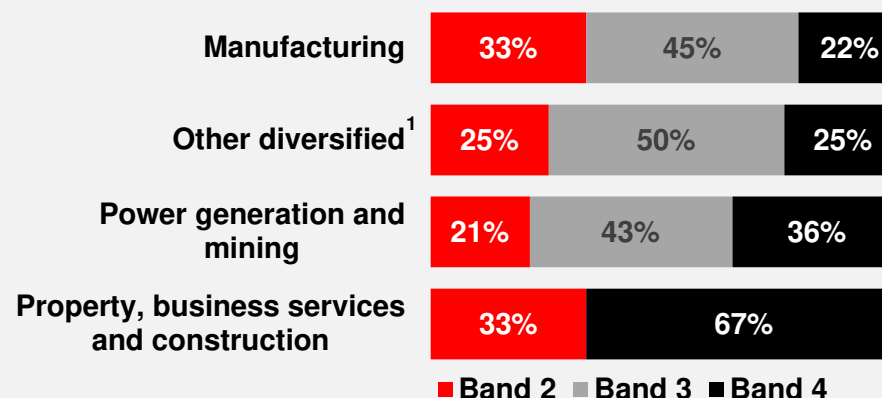
To work closely with 100 of our largest greenhouse gas emitting customers to support them as they develop or improve their low carbon transition plans by 30 September 2023

## OUR TRANSITION FRAMEWORK

In 2021, we developed a Transition Framework Diagnostic to assist in working with our customers:

- Framework was developed with reference to other international transition frameworks including the UNPRI Transition Pathway Initiative and the ClimateWise Transition Risk Framework
- Brings rigour and consistency to help us understand our customers' transition maturity relative to their sector and geography
- Initial analysis suggests majority of customers acknowledge climate change as an issue, disclose emissions and have committed, or are already, reporting in alignment with TCFD.
- ~73% of companies assessed in Band 3 or 4.

## TRANSITION MATURITY OF 34 OF OUR HIGHEST EMITTERS



Band	Category (drawing on UNPRI Transition Pathway Initiative)
0	Unaware of (or not acknowledging) climate change as a business issue
1	<b>Acknowledgement of climate change as business issue:</b> the company acknowledges that climate change presents business risks and/or opportunities, and that the company has a responsibility to manage its greenhouse gas emissions. This is often the point where companies adopt a climate change policy
2	<b>Building capacity:</b> the company develops its basic capacity, its management systems and processes, and starts to report on practice and performance
3	<b>Integrating into operational decision-making:</b> the company improves its operational practices, assigns senior management or board responsibility for climate change and provides comprehensive disclosures on its carbon practices and performance.
4	<b>Strategic assessment:</b> the company develops a more strategic and holistic understanding of risks and opportunities related to the low-carbon transition and integrates this into its business strategy and capital expenditure decisions

(1) Other diversified includes transport, health services, communications, wholesale and retail trade.

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

## NAB HAS SIGNED THE COLLECTIVE COMMITMENT TO CLIMATE ACTION

To meet requirements of CCCA, NAB has set a goal to align our Australian lending portfolio to net zero emissions by 2050, and publish interim sector-specific decarbonisation targets in our 2022 Reporting Suite

### PROGRESSING:

### BASELINING GHG EMISSIONS









- In 2021, we have expanded the coverage of our estimated greenhouse gas emissions attributable to NAB's lending, to cover an additional three segments of our lending. The full eight segments are shown in the table opposite
- The estimate covers a proportion of our lending book only (50.7% of Group EAD)
- We apply a sector-wide emissions intensity methodology to estimate emissions for 100% of small to medium sized businesses, residential mortgages and agriculture exposures
- For the remaining sectors, a bottom-up approach is taken, based on reported and verified emissions data from customers where available, leading to variations in sectoral coverage

### COMMENCED:

### DECARBONISATION PATHWAYS

We are on track to publish, in our 2022 annual reporting suite, interim sector-specific decarbonisation targets, applying the following principles:

- **Broad portfolio coverage:** targets set will account for substantial majority of Australian lending portfolio
- **Science-based:** Decarbonisation scenarios will be set for 2030 and 2050 using scenarios that are science-based and aligned to limit global warming to 1.5C
- **Governance:** Targets shall be approved by the Executive Leadership Team and Board
- **Guided by global best practice:** NAB shall be guided by the UN Environment Programme Finance Initiative's Guidelines for Climate Target Setting for Banks
- **Up to date:** Targets will be reviewed regularly to ensure consistency with current climate science, updated data and available methodologies

Sector	% of Sector EAD covered <sup>1</sup>	Absolute emissions (tCO <sub>2</sub> -e)	Emissions intensity (tCO <sub>2</sub> -e/AUD\$M EAD)
 Power generation (Power generation, gentailers, electricity transmission and distribution)	22%	2,036,484	1,018
 Heavy manufacturing (cement, lime, plaster, concrete, bricks, iron and steel and aluminium)	69%	185,727	267
 Resources (including coal, oil and gas)	22%	536,921	261
 Transport (road freight, air, rail and international sea transport)	9%	101,347	135
 Agriculture	100%	3,929,316	115
 SME (in commercial and services sectors <sup>2</sup> )	100%	990,005	24
 Residential mortgages	100%	3,072,195	8
 Commercial real estate (office and retail)	19%	33,844	6

(1) Detailed methodology available in 'How we calculate our carbon emissions' on <https://www.nab.com.au/about-us/social-impact/environment/climate-change>

(2) Based on Australian Energy Statistics data for Commercial and Services sectors and aligned to 1993 ANZSIC classifications: F, G, H, J, K, L, M, N, O, P and Q.



# CONTINUING PHASED RISK REVIEW

We continued our ongoing, phased review of credit risk policy settings for carbon intensive, climate sensitive and low-carbon sectors. In 2021, this included a specific review of the oil and gas sector. We will align to the International Energy Agency's Net Zero Emissions by 2050: A Roadmap for the Global Energy Sector report

## OIL AND GAS

**We have capped oil and gas exposure at default at USD2.4bn and will reduce our exposure from 30 September 2026 through to 30 September 2050, aligned to IEA NZE 2050. This provides for measured re-orientation of client activity ensuring NAB can continue to support clients committed to transition<sup>1</sup>**

- We will only consider directly financing greenfield gas extraction in Australia where it plays a role in underpinning national energy security
- We will not directly finance greenfield gas extraction projects outside Australia
- We will continue to support integrated LNG in Australia, NZ, PNG and selected LNG infrastructure in other regions, under the oil and gas exposure cap
- We will not directly finance greenfield oil extraction projects or onboard new customers with a predominant focus on oil extraction
- We will not finance oil and gas extraction, production or pipeline projects within or impacting the Arctic National Wildlife Refuge area or any similar Antarctic Refuge
- We will not directly finance oil/tar sands or ultra-deep water oil and gas extraction projects

## COAL

**We have capped thermal coal mining exposures at 30 September 2019 levels, and updated our plans to reduce thermal coal mining exposures by 50% by 30 September 2026 and to be effectively zero by 30 September 2030, apart from residual performance guarantees to rehabilitate existing thermal coal mining assets**

- We will not finance new or material expansions of coal-fired power generation facilities
- We will not finance new thermal coal mining projects or take on new-to-bank thermal coal mining customers
- From FY22, we will separately report our thermal coal-related rehabilitation performance guarantees as part of reporting our resources exposures
- We recognise that currently there are no readily available substitutes for the use of metallurgical coal in steel production. We will continue providing finance to our customers in this segment, subject to enhanced due diligence which further considers underlying environmental, social and governance risks

(1) The cap of USD2.4 bn was determined giving consideration to the three-year average exposure up to 30 September 2021 due to COVID impacts. Use of USD for the purposes of this cap is to account for currency movement because the majority of the portfolio is USD denominated. From 2022, oil and gas exposure at default will be reported in USD. For the purposes of this review oil and gas included: oil and gas extraction (upstream); liquefied natural gas (LNG) production (not at refineries – downstream LNG); and LNG production at wellhead (integrated LNG)



# WE ARE A LEADER IN SUSTAINABLE FINANCING

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

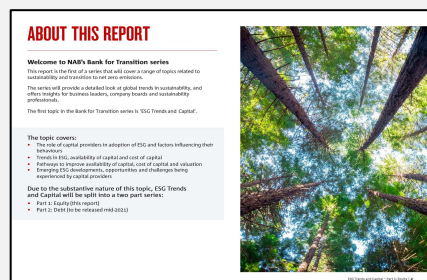
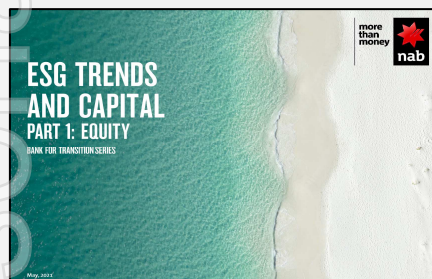
- We are raising the bar on Climate Banking professionalisation, having highly skilled bankers work with customers on their transition planning
- We will extend this training to our national agribusiness banker network

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>

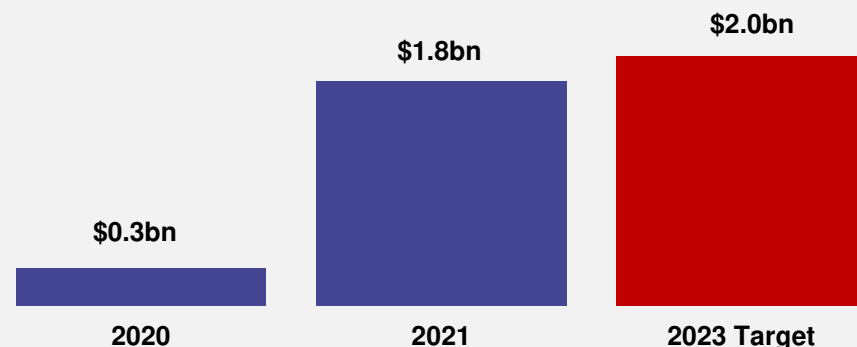
(1) Rankings based on IJGlobal League Table, MLA, Renewables, 12 months ending 30 September 2021  
(2) A voluntary Carbon Marketplace pilot in partnership with CIBC, Itaú Unibanco and NatWest Group  
(3) BloombergNEF: "Tipping point: ESG debt issuance tops \$3 trillion" June 2021

# 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

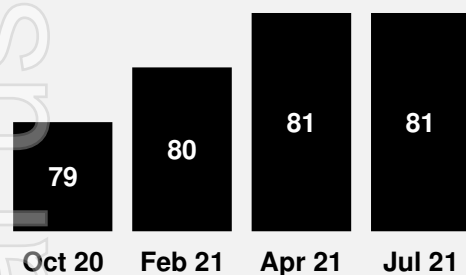
# PROGRESSING OUR PRIORITIES – RESILIENT AND SUSTAINABLE BUSINESS PRACTICES

## NEW INCLUSION AND DIVERSITY STRATEGY

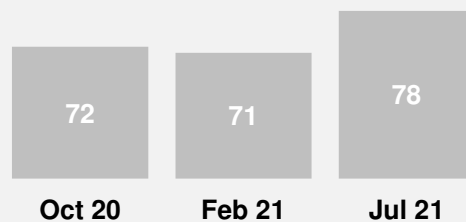
Focus areas of the new framework:

- **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>



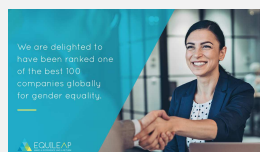
**WORKFORCE GENDER  
EQUALITY AGENCY**  
Employer of  
choice



**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

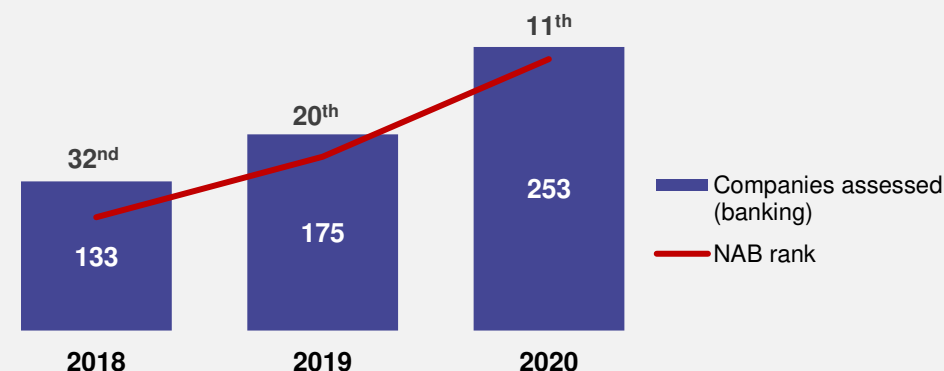
Spent  
**\$4.6m**

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.

# **ADDITIONAL INFORMATION**

## **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

## 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 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

## 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

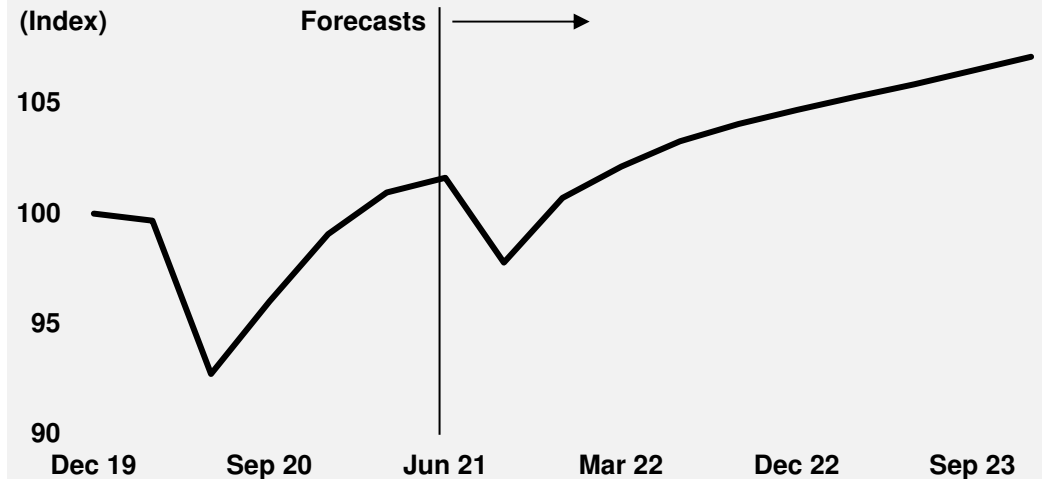
(4) December quarter on December quarter of previous year. For Australia, average of trimmed mean and weighted median indices

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

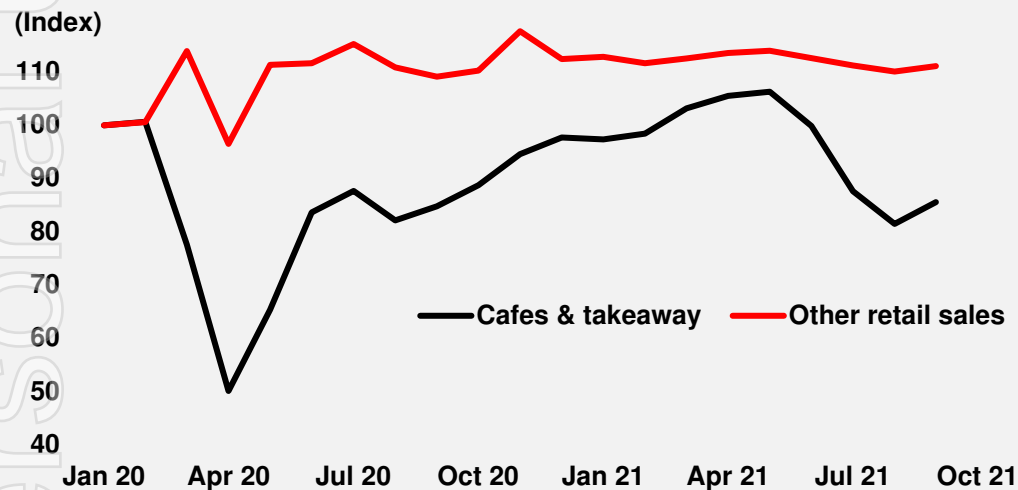
# ACTIVITY IS EXPECTED TO BOUNCE BACK AFTER CURRENT LOCKDOWNS

- 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.

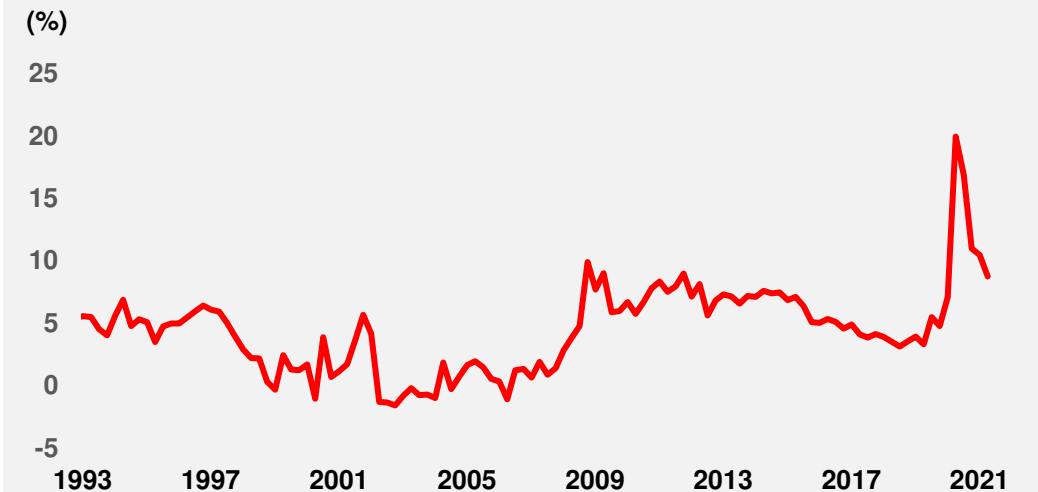
## GDP IS EXPECTED TO BOUNCE BACK<sup>1</sup>



## 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

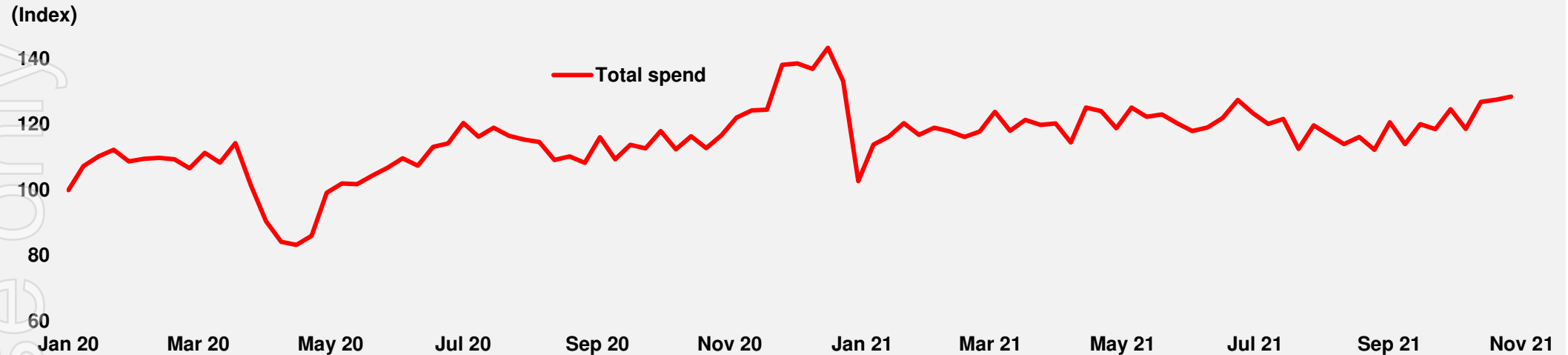
(2) Source: ABS, NAB. Data are ABS retail sales indexed to January 2020, data to September 2021

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

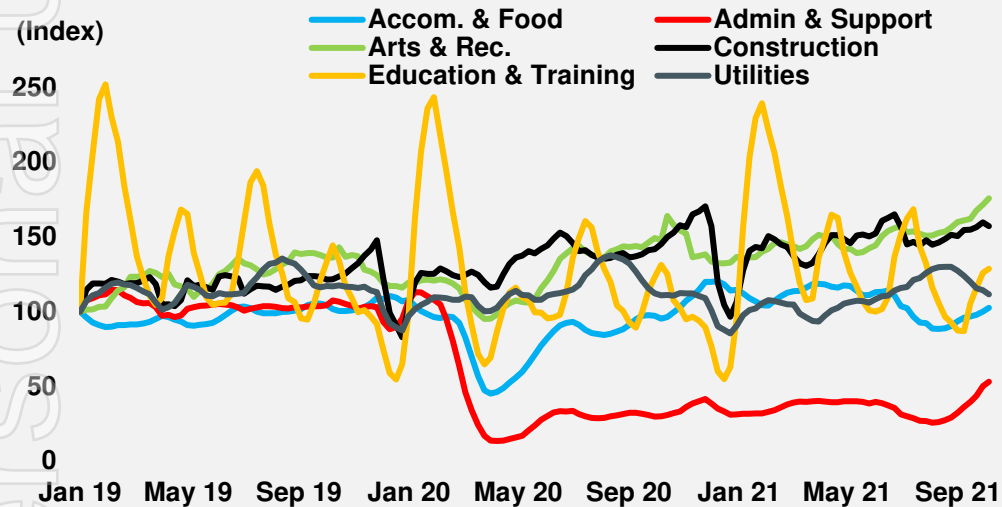


# HIGH FREQUENCY DATA SHOWS RESILIENCE IN THE FACE OF RECENT LOCKDOWNS

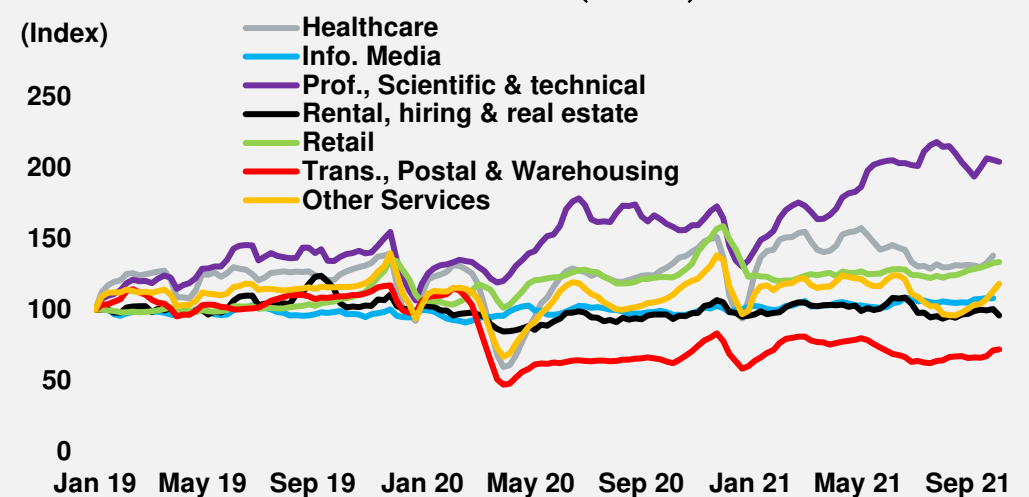
## CONSUMER SPENDING RESILIENT IN THE FACE OF RECENT LOCKDOWNS<sup>1</sup>



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



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

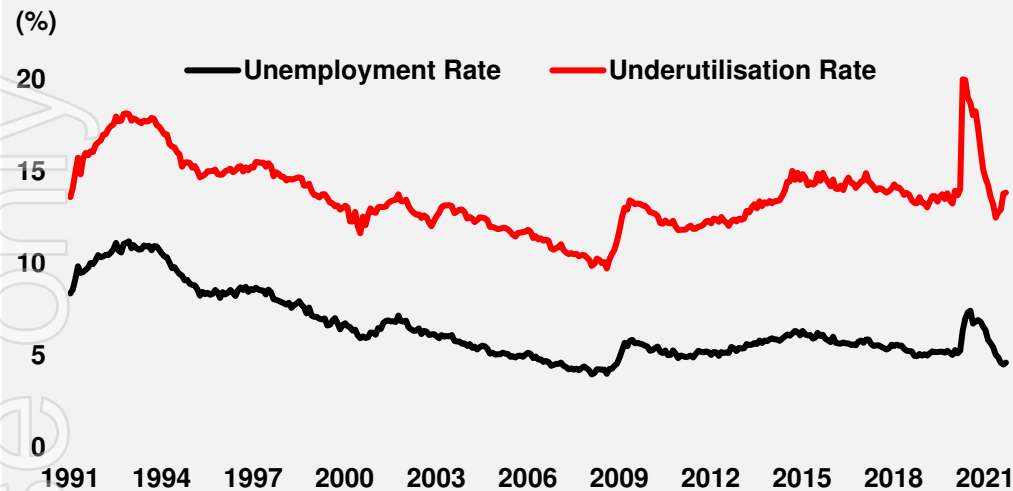


(1) Source: NAB. Weekly spend data derived from NAB platforms, indexed to 4 January 2020, data to 30 October 2021

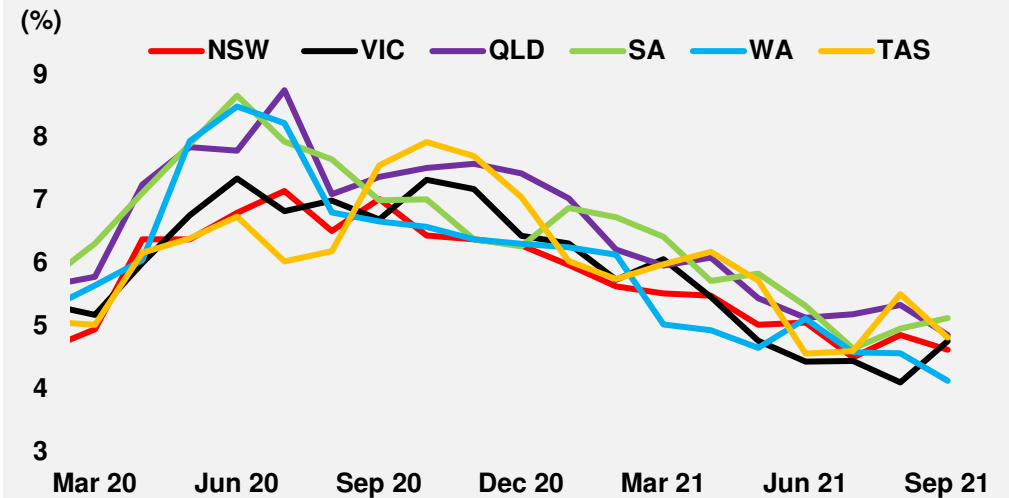
(2) Source: NAB. Data are a 4-week moving average of total weekly transactions, indexed to 26 January 2019, data to 30 October 2021

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

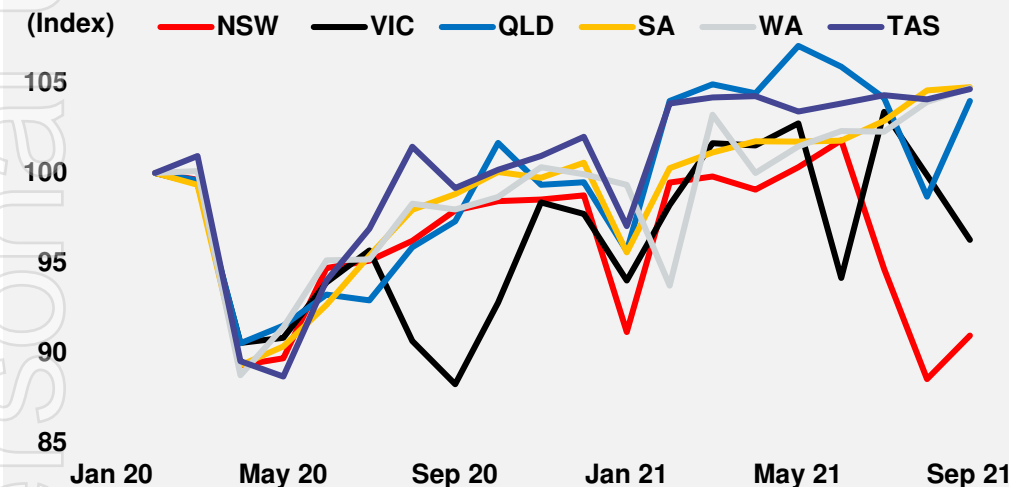
## UNEMPLOYMENT IS LOW<sup>1</sup>



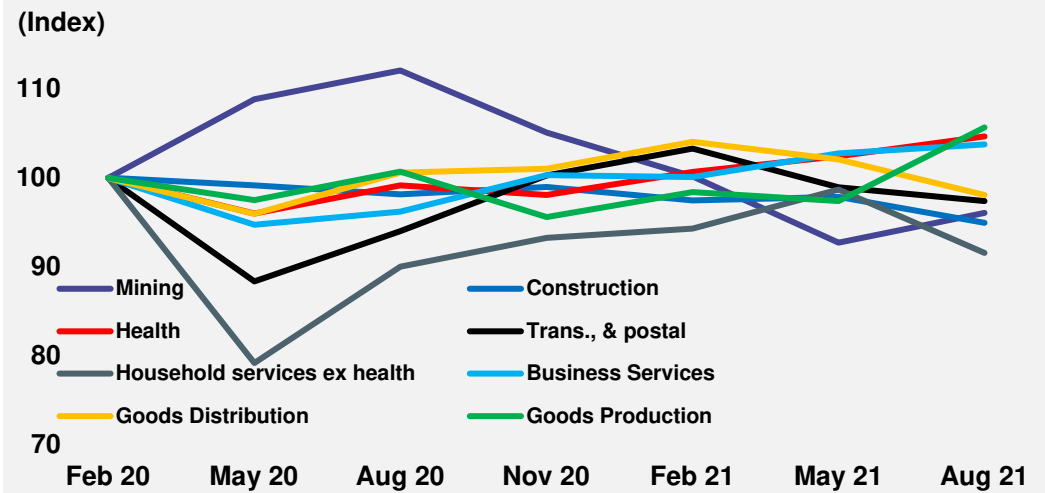
## UNEMPLOYMENT IS LOW ACROSS THE STATES<sup>1</sup>



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



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



(1) Source: ABS. Data to September 2021

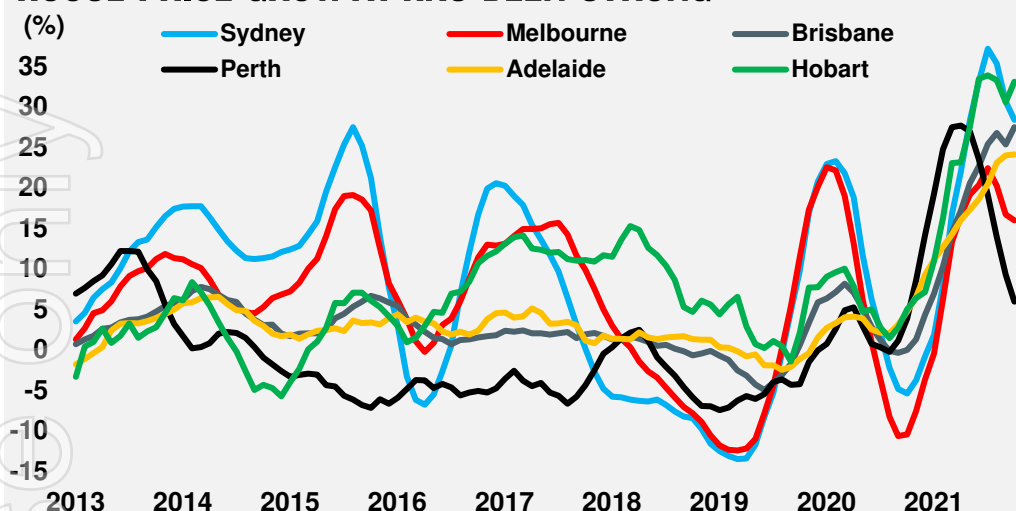
(2) Source: ABS, NAB. Data are monthly hours worked from the labour force survey, indexed to February 2020 = 100, data to September 2021

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

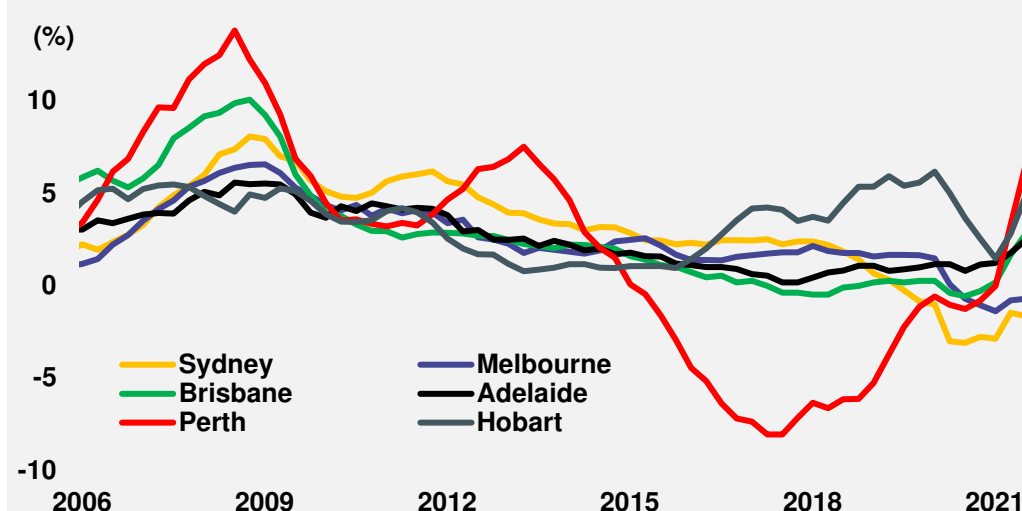


# THE HOUSING MARKET HAS STRENGTHENED

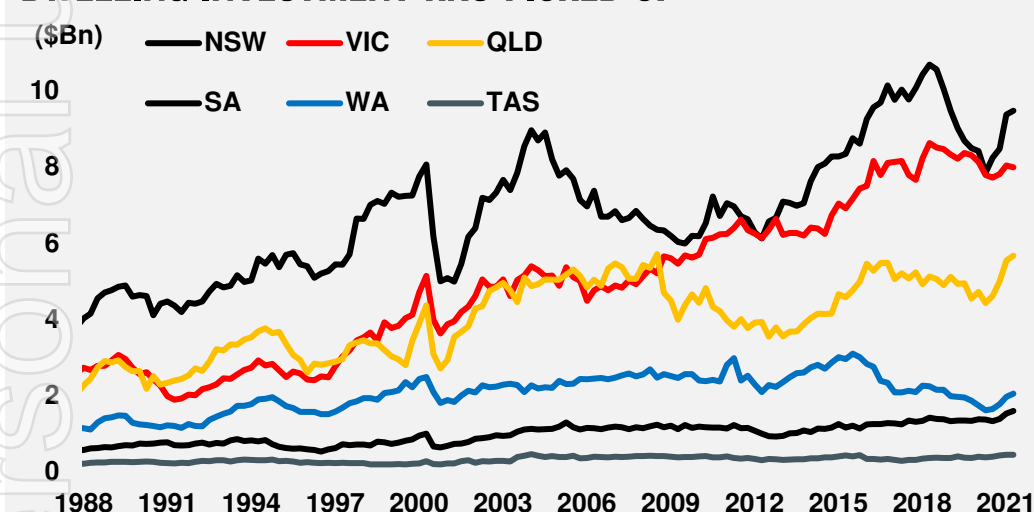
## HOUSE PRICE GROWTH HAS BEEN STRONG<sup>1</sup>



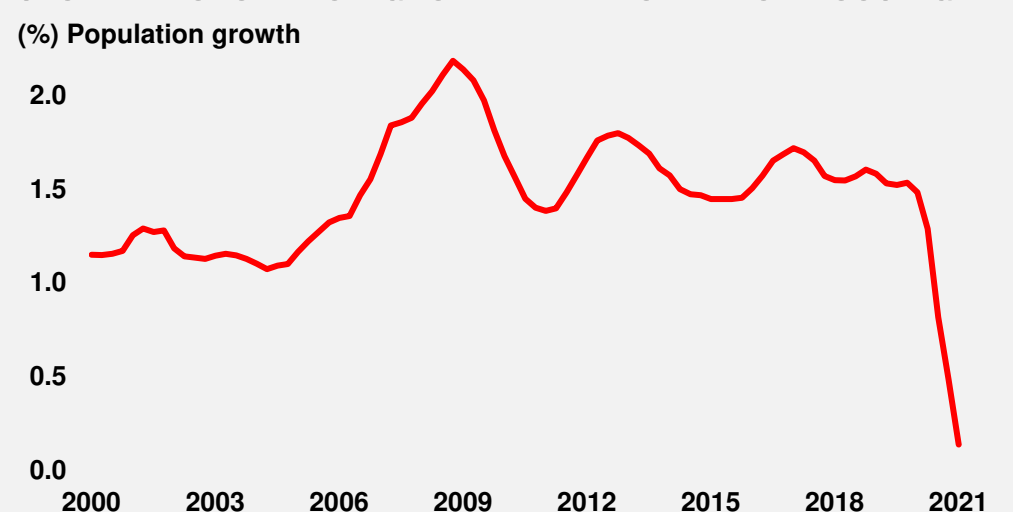
## RENTS ARE RECOVERING<sup>2</sup>



## 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

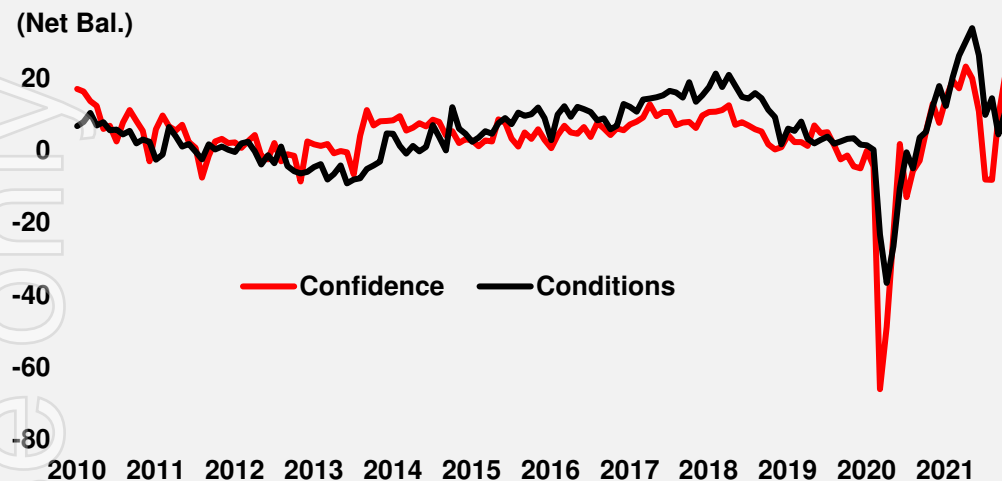
(2) Source: ABS. Year-ended growth in CPI rents, data to September quarter 2021

(3) Source: ABS. Chain volume measure (reference year 2018-19). Data to June quarter 2021

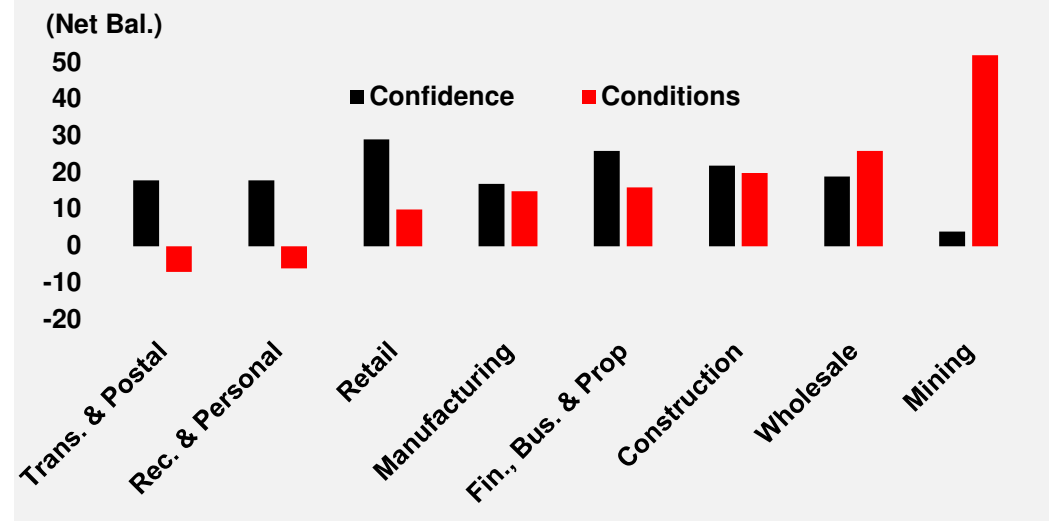
(4) Source: ABS. Year-ended growth, data to Q1 2021

# THE BUSINESS SURVEY SHOWS A RAPID REBOUND AS LOCKDOWNS END

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



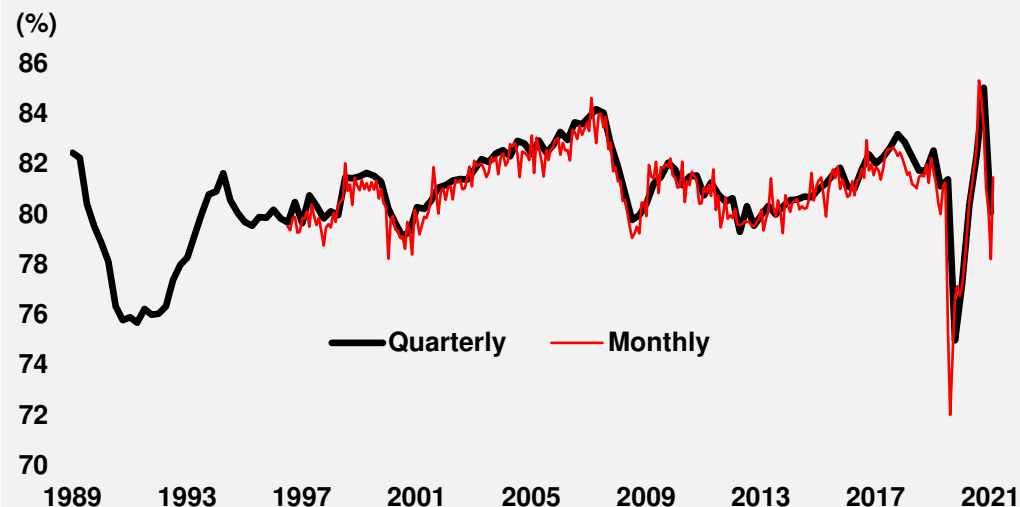
## CONFIDENCE AND CONDITIONS BY INDUSTRY<sup>2</sup>



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



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



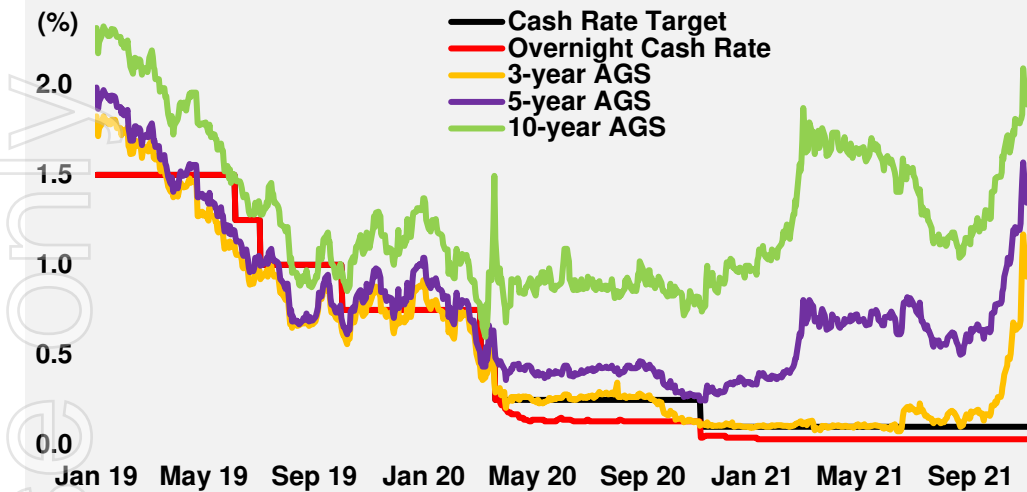
(1) Source: NAB. Overall confidence and conditions from the NAB Monthly Business Survey in net balance terms, data to October 2021

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

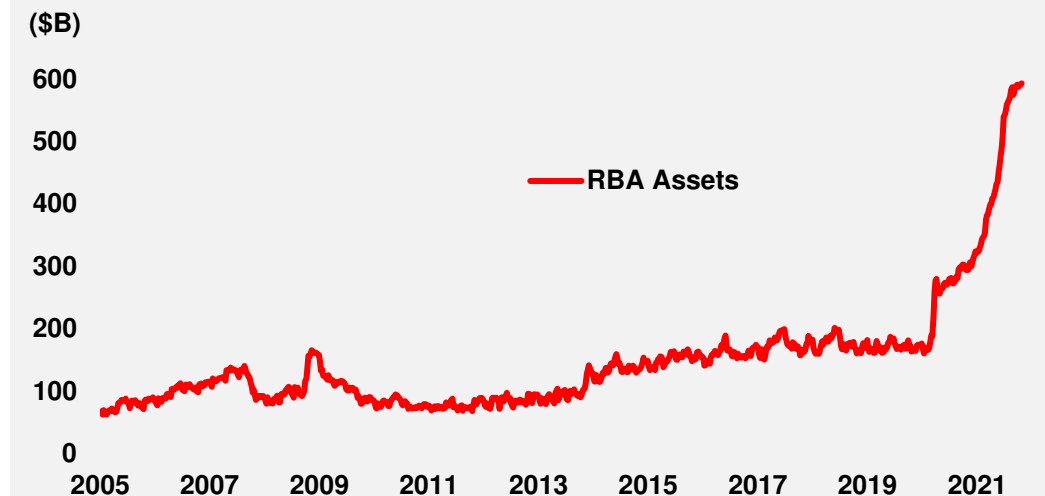
(3) Source: NAB. Overall capacity utilisation from the NAB Quarterly and Monthly Business Surveys. Quarterly data to September 2021, monthly data to October 2021

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

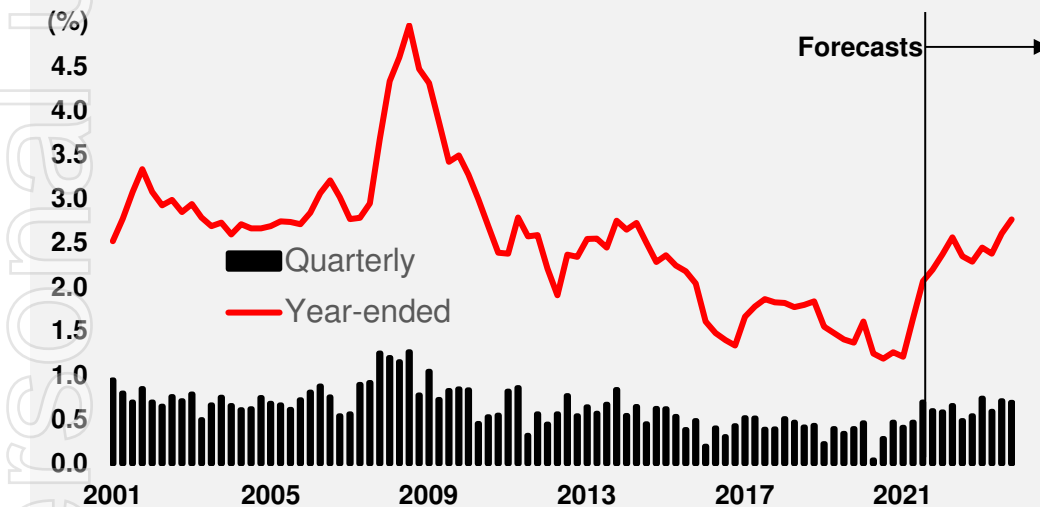
## THE CASH RATE TO REMAIN ON HOLD UNTIL 2023<sup>1</sup>



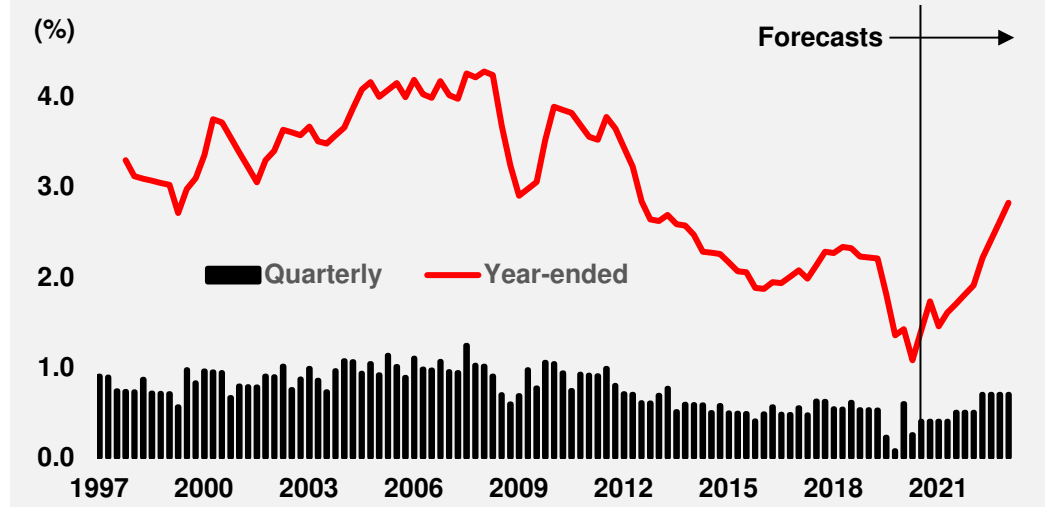
## THOUGH BOND PURCHASES WILL TAPER<sup>2</sup>



## 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

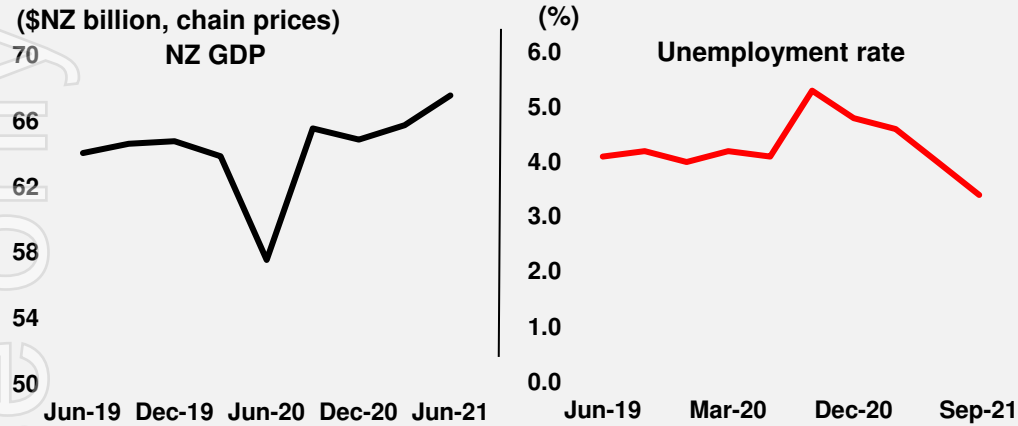
(2) Source: RBA, NAB. Data to 11 October 2021. Total Assets on the RBA's Balance Sheet

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

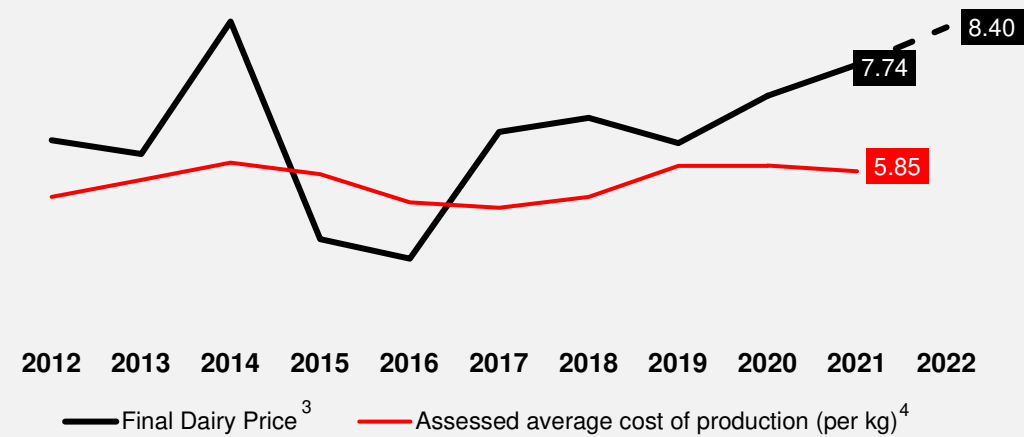
(4) Source: ABS, NAB. Data to June quarter 2021, NAB forecasts thereafter

# NEW ZEALAND ECONOMY

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

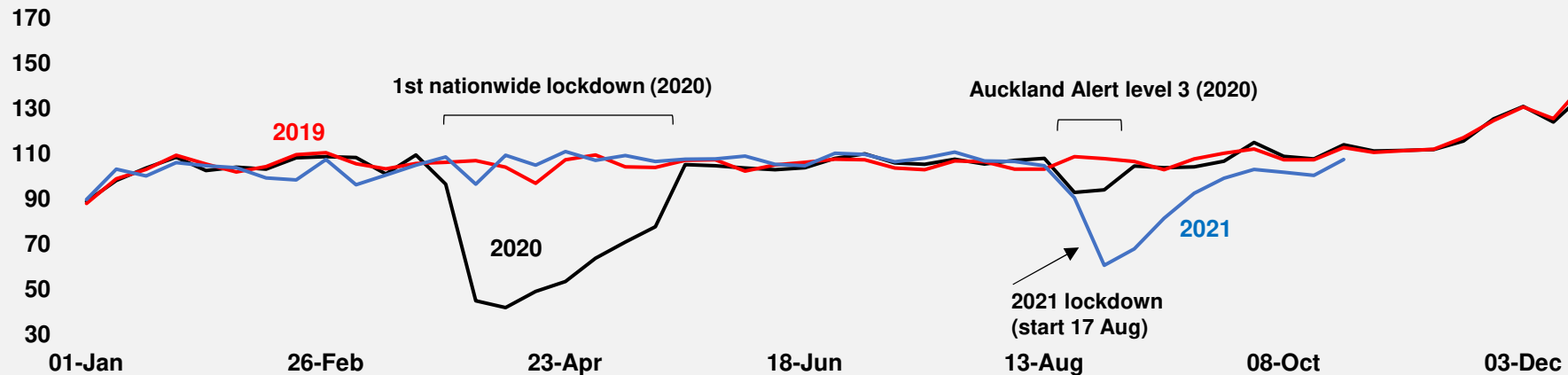


## STRONG DAIRY FARM VIABILITY



## 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

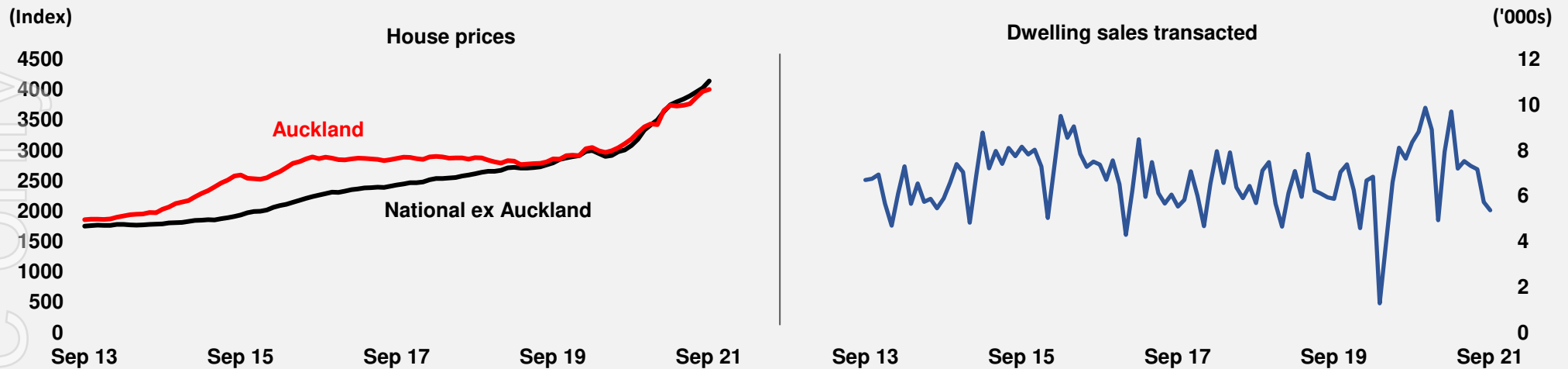
(2) Source: BNZ; weekly card spending by BNZ customers through New Zealand merchants. This includes all credit and debit card transactions plus EFTPOS card transactions. Transactions include spending less any refunds. Spending data has been indexed to 100 in the first four weeks in each series. Dates 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

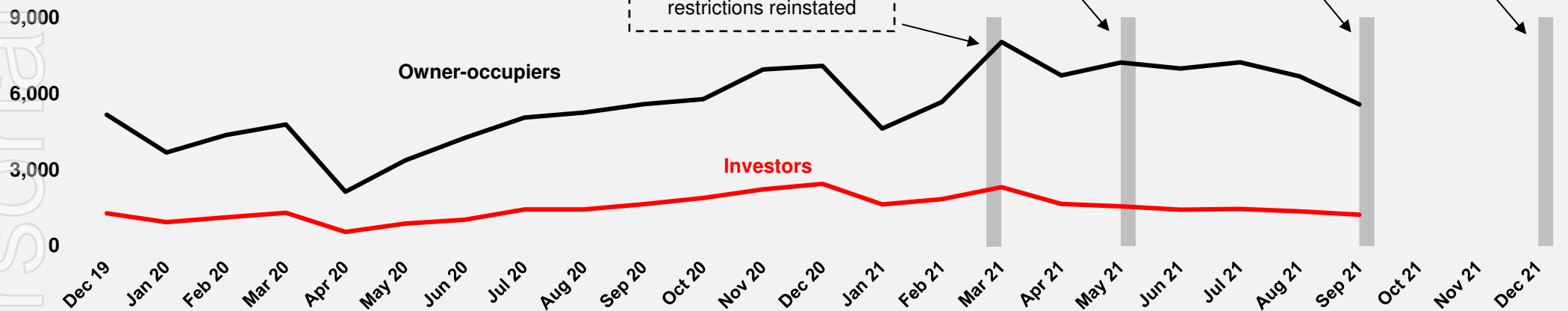
# NEW ZEALAND HOUSING

**HOUSING MARKET VERY STRONG; PRICES KEEP GROWING THROUGH LOCKDOWN AS SALES VOLUMES FALL<sup>1</sup>**



**RESTRICTIONS ARE MODERATING PACE OF NEW LENDING<sup>2</sup>**

**New residential mortgage lending (\$NZ million)**



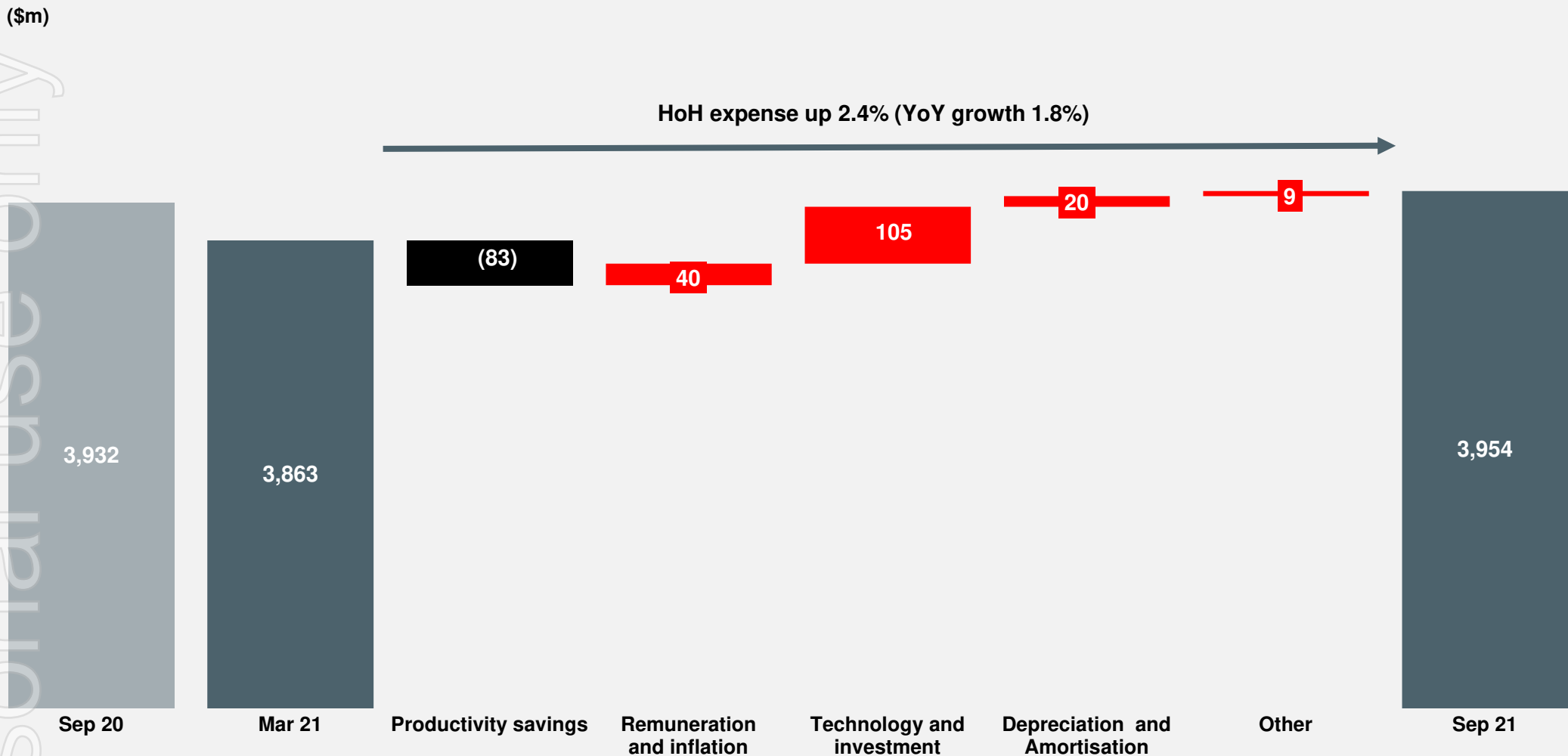
(1) Source: Refinitiv, REINZ

(2) Source: RBNZ. Consumer credit law changes include changes to the Credit Contracts and Consumer Finance Act

## OTHER INFORMATION

# OPERATING EXPENSES – HALF ON HALF

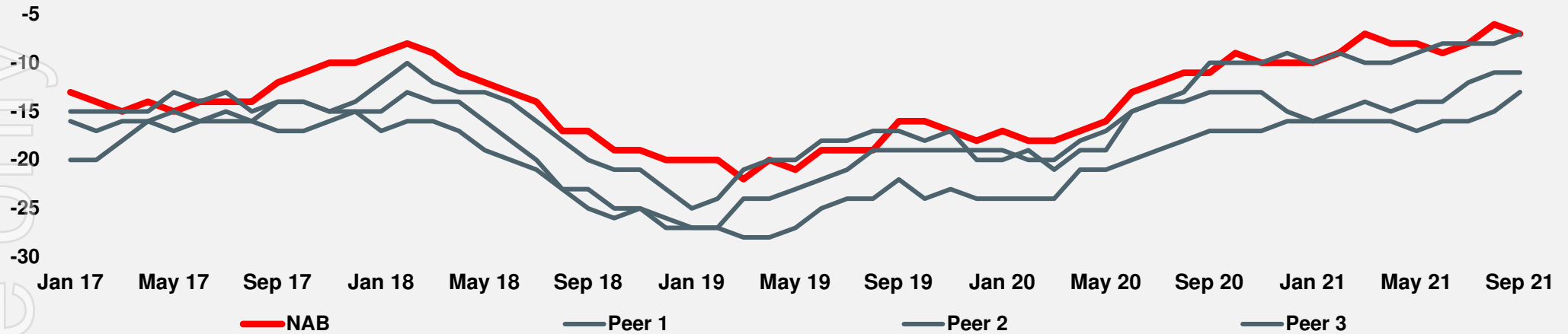
## OPERATING EXPENSES (EX LARGE NOTABLE ITEMS)<sup>1</sup>



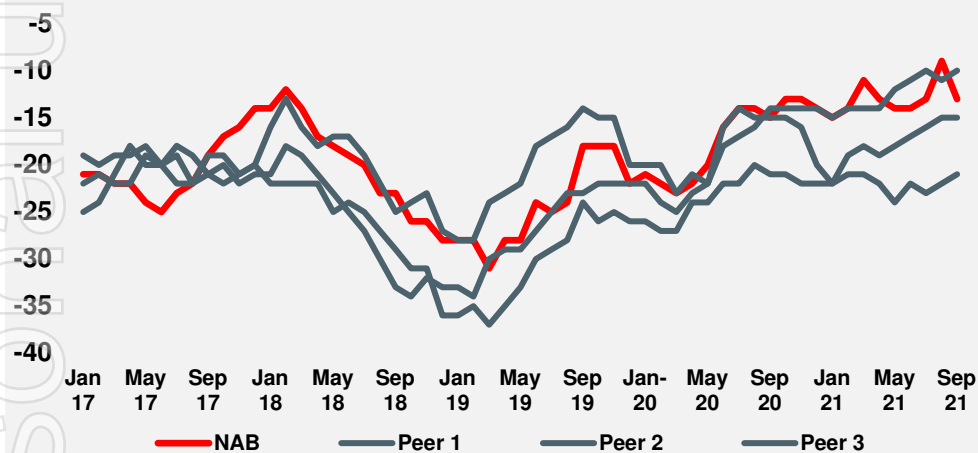
(1) Refers to large notable items in FY20. No notable items in FY21

# STRATEGIC NPS EQUAL FIRST BUT MORE WORK TO DO TO ACHIEVE POSITIVE

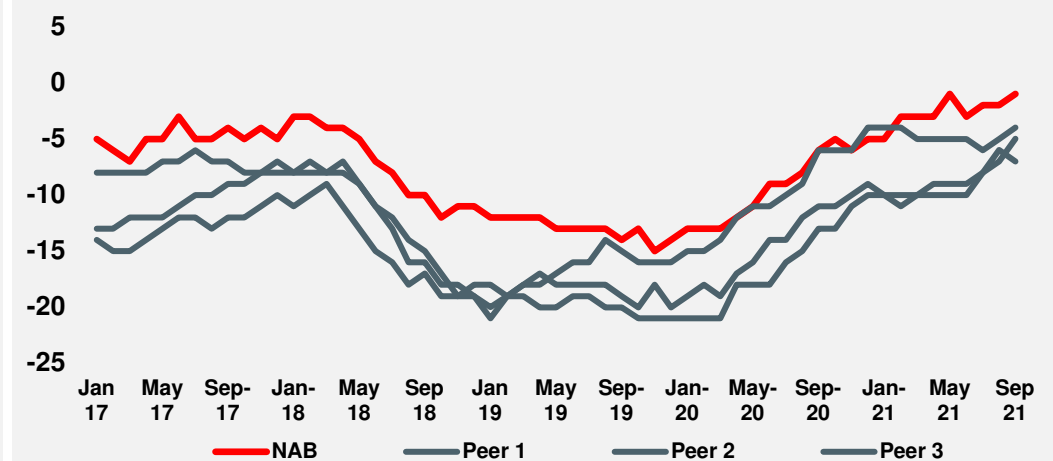
## STRATEGIC NPS<sup>1,2</sup>



## BUSINESS<sup>3</sup>



## CONSUMER<sup>4</sup>



(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

(2) Strategic NPS: Sourced from DBM Atlas, measured on 6 month rolling average. The overall Strategic NPS result combines the Consumer 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)

(3) September 2021. Source: DBM Atlas – Business. All Business customers, six month rolling averages

(4) September 2021. Source: DBM Atlas – Consumer. All Consumer customers, Australian population aged 18+, six month rolling averages



# GROUP CASH EARNINGS RECONCILIATION TO STATUTORY NET PROFIT

- NAB uses cash earnings (rather than statutory net profit attributable to owners of NAB) for its internal management reporting purposes and considers it a better reflection of the Group's underlying performance. Accordingly, information is presented on a cash earnings basis unless otherwise stated.
- Cash earnings is not a statutory financial measure and is not presented in accordance with Australian Accounting Standards nor audited or reviewed in accordance with Australian Auditing Standards. Cash earnings is calculated by excluding discontinued operations and certain other items which are included within the statutory net profit attributable to owners of NAB. These non-cash earning items, and a reconciliation to statutory net profit attributable to owners of NAB, are presented in the table below.
- The definition of cash earnings is set out on page 10 of the 2021 Full Year Results Management Discussion and Analysis, and a discussion of non-cash earnings items and a full reconciliation of the cash earnings to statutory net profit attributable to owners of NAB is set out on pages 75 - 77 of the same document. The Group's financial statements, prepared in accordance with the Corporations Act 2001 (Cth) and Australian Accounting Standards, and is audited by the auditors in accordance with Australian Auditing Standards, are set out in the 2021 Annual Financial Report.

	FY21 (\$m)	FY21 v FY20	2H21 (\$m)	2H21 v 1H21
<b>Cash earnings</b>	<b>6,558</b>	<b>76.8%</b>	<b>3,215</b>	<b>(3.8%)</b>
Non-cash earnings items (after tax)				
Distributions	13	(66.7%)	-	large
Hedging and fair value volatility	(63)	85.3%	63	large
Amortisation of acquired intangible assets	(4)	(98.2%)	(4)	large
Acquisition, integration and transaction costs	(33)	large	(33)	large
<b>Net profit from continuing operations</b>	<b>6,471</b>	<b>85.0%</b>	<b>3,241</b>	<b>0.3%</b>
Net loss attributable to owners of NAB from discontinued operations	(107)	(88.6%)	(85)	large
<b>Statutory net profit attributable to owners of NAB</b>	<b>6,364</b>	<b>large</b>	<b>3,156</b>	<b>(1.6%)</b>

# 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

# DISCLAIMER

The material in this presentation is general background information about the NAB Group current at the date of the presentation on 9 November 2021. The information is given in summary form and does not purport to be complete. It is intended to be read by a professional analyst audience in conjunction with the verbal presentation and the 2021 Full Year Results Management Discussion and Analysis (available at [www.nab.com.au](http://www.nab.com.au)). It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. No representation is made as to the accuracy, completeness or reliability of the presentation.

This presentation contains statements that are, or may be deemed to be, forward looking statements. These forward looking statements may be identified by the use of forward looking terminology, including the terms "believe", "estimate", "plan", "project", "anticipate", "expect", "target", "intend", "likely", "may", "will", "could" or "should" or, in each case, their negative or other variations or other similar expressions, or by discussions of strategy, plans, objectives, targets, goals, future events or intentions. Indications of, and guidance on, future earnings and financial position and performance are also forward looking statements. You are cautioned not to place undue reliance on such forward looking statements. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

There are a number of other important factors that could cause actual results to differ materially from those projected in such statements, including (without limitation) a significant change in the Group's financial performance or operating environment; a material change to law or regulation or changes to regulatory policy or interpretation; and risks and uncertainties associated with the ongoing impacts of the COVID-19 pandemic, the Australian and global economic environment and capital market conditions. Further information is contained in the Group's Annual Financial Report for the 2021 financial year, which is available at [www.nab.com.au](http://www.nab.com.au).

**For further information visit [www.nab.com.au](http://www.nab.com.au) or contact:**

**Sally Mihell**  
Executive, Investor Relations  
Mobile | +61 (0) 436 857 669

**Natalie Coombe**  
Director, Investor Relations  
Mobile | +61 (0) 477 327 540

**Mark Alexander**  
Executive, Corporate Communications  
Mobile | +61 (0) 412 171 447