



# HALF YEAR RESULTS 2021

**Investor Presentation**

6 May 2021

**Ross McEwan**

Chief Executive Officer

**Gary Lennon**

Chief Financial Officer

# NAB 2021 HALF 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 116 for legal disclaimer.

Financial information in this presentation is based on cash earnings, which is not a statutory financial measure. Refer to page 114 for definition of cash earnings and reconciliation to statutory net profit.

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# OVERVIEW

**ROSS McEWAN**

**Group Chief Executive Officer**

# KEY MESSAGES

**Financial results reflect improving economy**

**Risks remain – strength and stability continue to be a priority**

**Executing our strategy with discipline and focus**

**Building momentum, with more to do**

**Well positioned to support a business-led recovery**

# SOUND FINANCIAL RESULTS

METRIC	1H21	2H20	1H21 V 2H20
Statutory net profit (\$m)	3,208	1,246	Large
<b>CONTINUING OPERATIONS (EX LARGE NOTABLE ITEMS<sup>1</sup>)</b>			
Cash earnings <sup>2</sup> (\$m)	3,343	2,258	48.1%
Underlying profit (\$m)	4,576	4,952	(7.6%)
Cash ROE	11.1%	7.7%	3.4%
Diluted Cash EPS (cents)	96.9	67.3	44.0%
Dividend (cents)	60	30	100%
Cash payout ratio <sup>3</sup>	59.1%	42.7%	16.4%

(1) For a full breakdown of large notable items in 2H20 refer to Section 4, Note 3 of the 2021 Half Year Results Announcement. No large notable items in 1H21

(2) Refer to page 114 for definition of cash earnings and reconciliation to statutory net profit

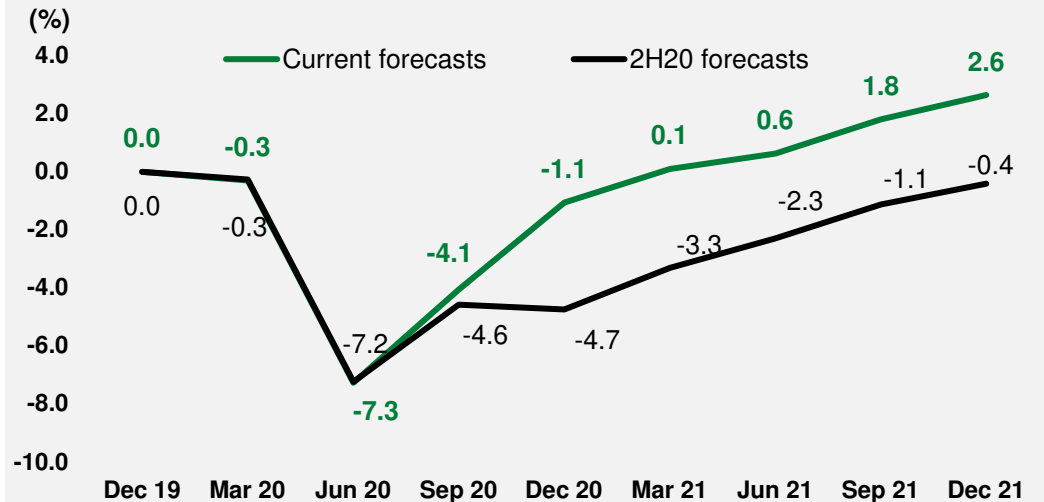
(3) Based on basic cash EPS

# ECONOMY IMPROVING BUT RISKS REMAIN

## KEY CONSIDERATIONS

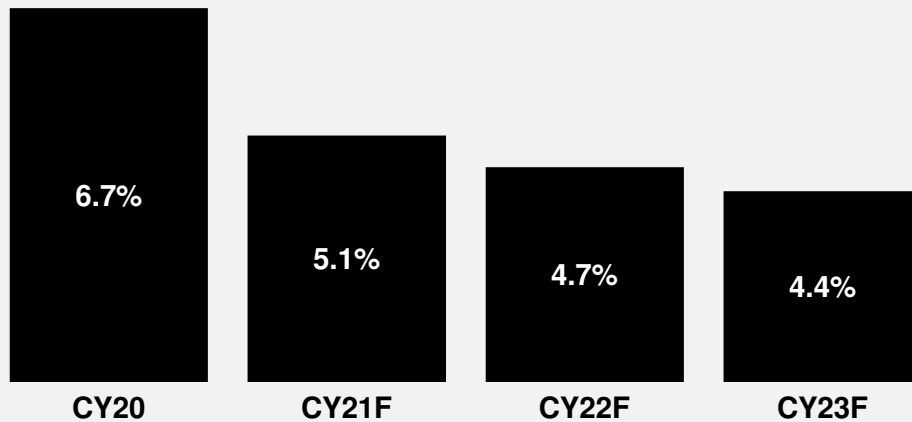
- Strong economic recovery forecast to continue in 2021 – GDP growth<sup>1</sup> of 3.7% and unemployment<sup>1</sup> to reduce to 5.1%
- Record high business conditions driven by substantial improvement across all leading indicators<sup>2</sup>
- Customers generally have shown high degree of resilience
- However some customers continue to be impacted by COVID-19 related restrictions or changes in consumer behaviour and face a more uncertain recovery

## GDP BACK TO PRE-COVID LEVELS AND EXPECTED TO IMPROVE<sup>3</sup>



## UNEMPLOYMENT TO TREND LOWER

(%) Unemployment rate<sup>1</sup>



## SOME SECTORS REMAIN HEAVILY IMPACTED BY COVID-19

Australian non-retail categorised assets<sup>4</sup>



(1) NAB economic forecasts for the period to December  
 (2) NAB Business Survey March 2021  
 (3) Source: ABS, NAB. Percentage deviation from December 2019 level  
 (4) Includes: Watch, 90+ DPD and Impaired Loans

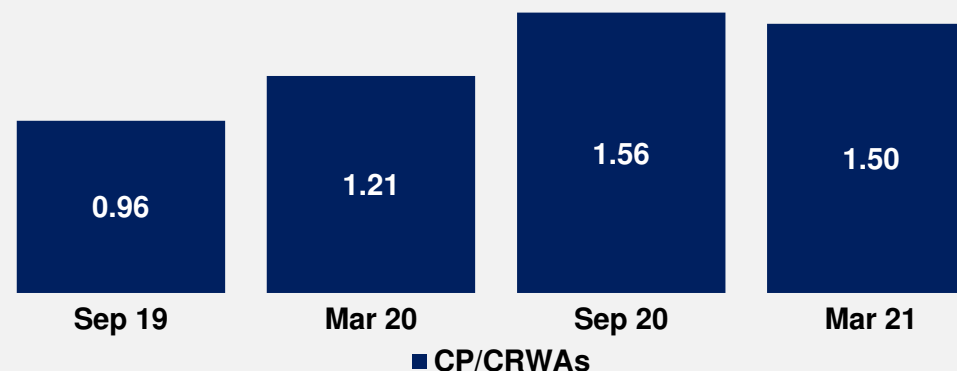
# BALANCE SHEET STRENGTH REMAINS A KEY PRIORITY

## COMMENTS

- Balance sheet strength and supporting customers are key strategic priorities
- Expect to reset capital and dividends for more normal operating environment as greater clarity over recovery emerges
- Revised settings will reflect a balance between:
  - retaining a strong balance sheet through the cycle;
  - supporting growth; and
  - recognising importance of capital discipline to shareholder returns
- CET1 to be managed towards target range of 10.75-11.25%
- Bias to reducing share count to drive sustainable ROE benefits
- Future dividends to be guided by a payout ratio range of 65-75% of cash earnings, subject to Board determination based on circumstances at the relevant time
- DRP for 1H21 dividend to be neutralised

## COLLECTIVE PROVISION COVERAGE

(%)



## CET1 RATIO

(%)



(1) Adjusted for estimated impacts from agreed sale of MLC Wealth (~35bps) and BNZ Life (~7bps) less acquisition of 86 400 (~4bps). Sale of MLC Wealth and acquisition of 86 400 expected to complete in 2H21, and sale of BNZ Life expected to complete in 1H22, in each case subject to relevant approvals. Final capital impact will be determined following completion

# WE HAVE A CLEAR STRATEGIC AMBITION



## 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 WILL DELIVER RESULTS



## KEY MEASURES OF SUCCESS



## OUR AMBITION OVER FY23-25

### Colleague engagement

- Top quartile engagement

### Customer NPS<sup>1</sup>

- Strategic NPS positive and #1 of majors

### Cash EPS growth

- Focus on growing share in target segments, while managing risk and pricing disciplines
- Disciplined approach to costs and investment – target lower absolute costs<sup>2</sup> (relative to FY20 cost base of \$7.7bn)

### 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

(2) Excluding large notable items

# CULTURAL CHANGE TO DRIVE EXECUTION THROUGH FOCUS AND CLARITY

KEY AREAS OF FOCUS	PROGRESS	ENGAGEMENT								
GREAT LEADERS WHO INSPIRE	<ul style="list-style-type: none"> <li>✓ Implemented clear <b>customer centric operating model</b> with <b>end to end accountability</b></li> <li>✓ <b>Leadership team appointments completed</b></li> <li>✓ <b>Distinctive Leadership Program</b> launched for all people leaders – a single, consistent program to build leadership and strategy execution discipline across NAB</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Quarterly employee ‘Heartbeat’ engagement surveys</b> – continuing to listen and respond to colleague feedback, with more work to do to reach top quartile</li> </ul> <div data-bbox="1653 785 2145 1276"> <p style="text-align: center;"><b>Engagement score<sup>1</sup></b></p> <table border="1"> <thead> <tr> <th>Year/Category</th> <th>Engagement Score</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td>66</td> </tr> <tr> <td>Apr 21</td> <td>75</td> </tr> <tr> <td>Top Quartile</td> <td>77</td> </tr> </tbody> </table> </div>	Year/Category	Engagement Score	2019	66	Apr 21	75	Top Quartile	77
Year/Category	Engagement Score									
2019	66									
Apr 21	75									
Top Quartile	77									
MOTIVATED TO PERFORM AND GROW	<ul style="list-style-type: none"> <li>✓ Progress towards a <b>simplified business</b> (MLC Wealth, broker aggregation, BNZ Life transactions)</li> <li>✓ Focus on <b>fewer projects</b> supported by differential investment</li> <li>✓ <b>Transparent reporting and measurement</b> against targets</li> </ul>									
TALENT TO CHANGE THE FUTURE OF BANKING	<ul style="list-style-type: none"> <li>✓ <b>Delivered Career Qualified in Banking</b> to &gt;2,000 colleagues – a unique program; aiming to have all colleagues trained by FY24</li> <li>✓ Launched a program to <b>skill a group of C&amp;IB bankers in climate change</b></li> </ul>									

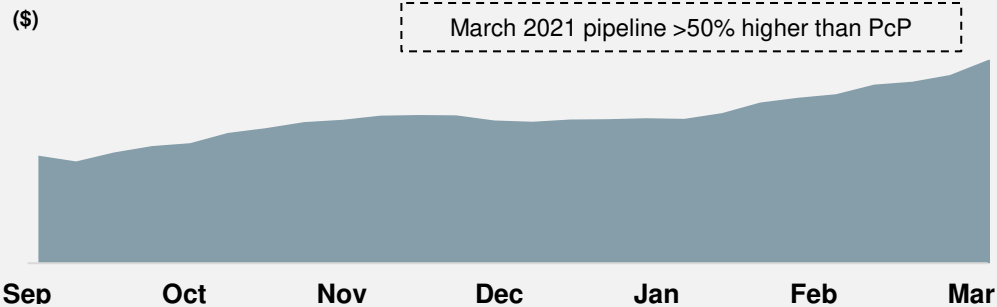
(1) Apr 21 and Top Quartile refer to Glint ‘Heartbeat’ engagement scores which differ in methodology to the 2019 AON survey. The 2019 score of 66 represents a restated score of the AON survey into a Glint ‘Heartbeat’ score methodology

# REINVIGORATING OUR LEADING BUSINESS & PRIVATE BANKING FRANCHISE

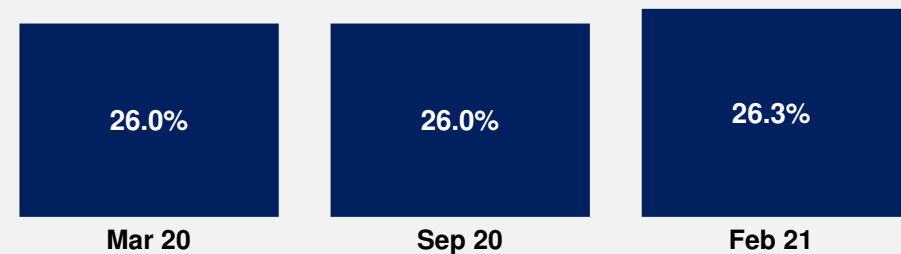
## BUILDING MOMENTUM IN AN IMPROVING ENVIRONMENT

- Improving economic environment, strong business confidence and conditions, and elevated capacity utilisation
- New leadership with heightened focus on performance disciplines
- Addition of ~490 new roles in B&PB, against a target of ~550 in FY21
- Continuing to progress simplification, automation and digitisation

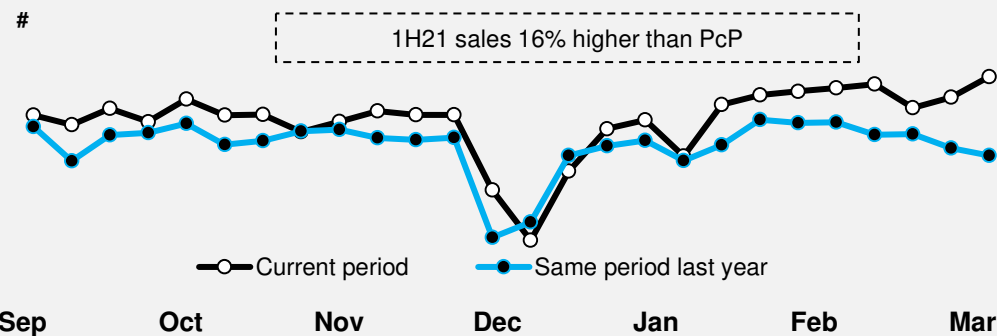
### Business and home lending pipeline<sup>1</sup>



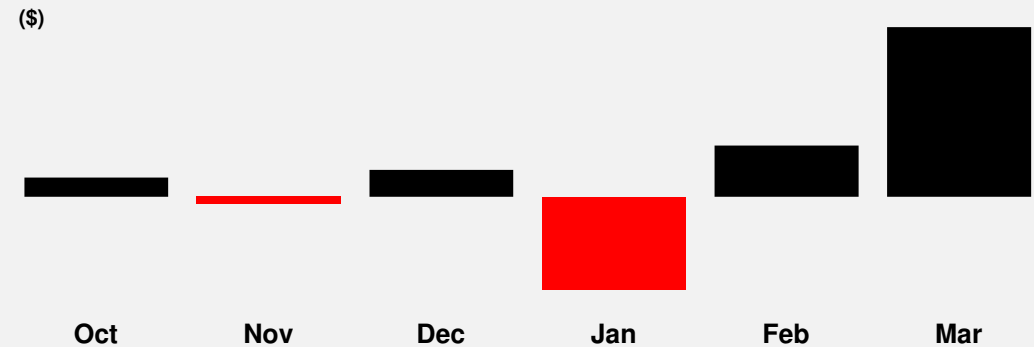
### RBA SME Business Lending Market Share



### Business transaction account sales<sup>2</sup>



### Business lending growth – monthly change

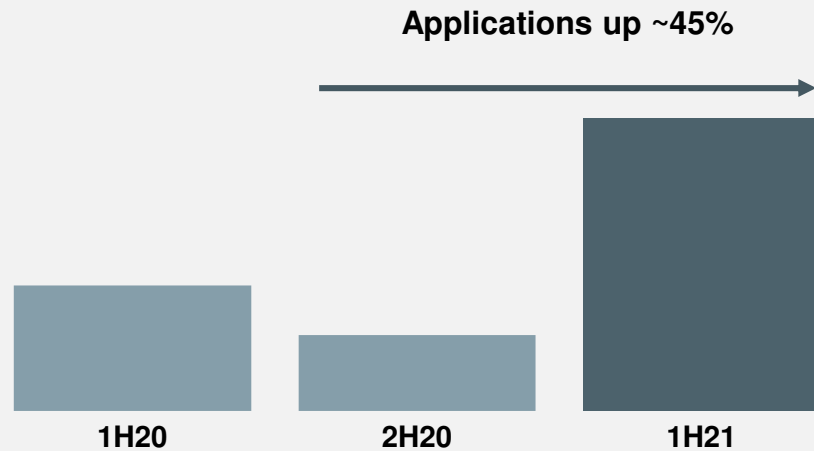


(1) Pipeline refers to value of applications, approvals and acceptances. Based on unaudited management information

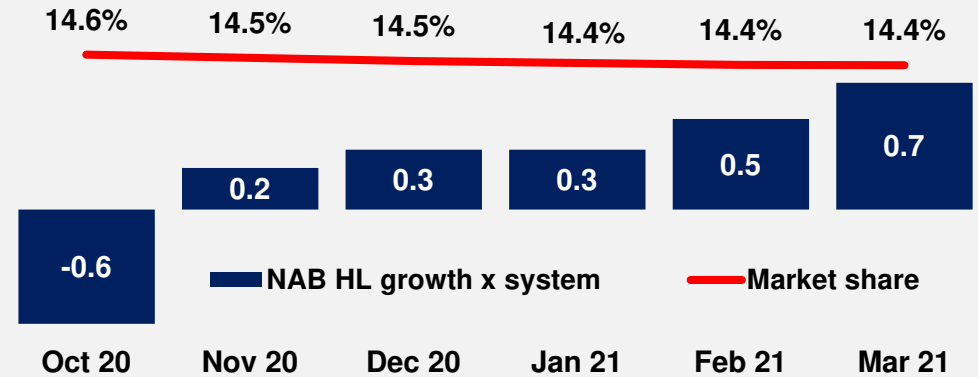
(2) Weekly count of new Business Everyday Accounts

# BUILDING MOMENTUM IN PERSONAL BANKING

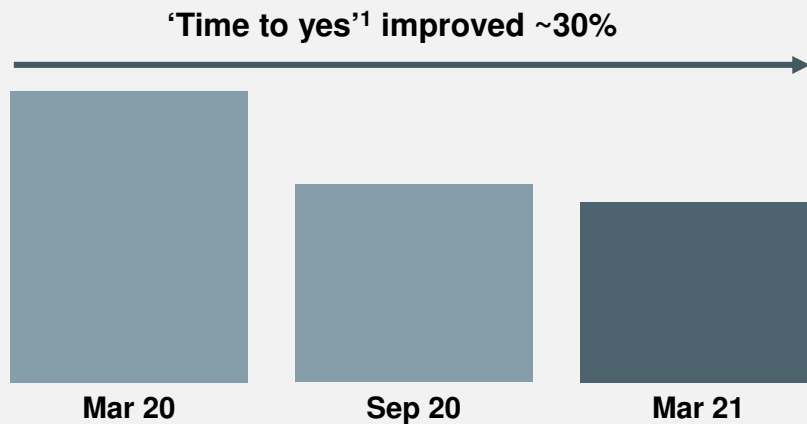
## HOME LOAN APPLICATIONS UP AND GROWTH CLOSER TO SYSTEM



## System growth multiple improving and market share stabilising



## TURNAROUND TIMES IMPROVING



## SUPPORTED BY SIMPLE HOME LOANS

- A digital home loan application tool simplifying the application experience for bankers and customers
- ~60% of proprietary applications currently eligible
- Continue to expand eligible customers and progressively rollout to B&PB and Broker in 2H21

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

**~50%**  
**In <1 day**

(1) Monthly median days to unconditional approval measured from time of a customer's application

# EXECUTING WELL IN C&IB, BNZ & UBANK

<b>C&amp;IB</b> <i>Disciplined growth</i>	<b>BNZ</b> <i>Growth in personal and SME</i>	<b>UBANK</b> <i>New customer acquisition</i>																											
<ul style="list-style-type: none"> <li>Highly professional relationship managers and specialists</li> <li>GLAs 3%<sup>1</sup> up on HoH including 7%<sup>1</sup> lift in lending to target growth sectors (Infrastructure<sup>2</sup>, Investor, Securitisation)</li> <li>#1 provider of renewable energy finance in Australia<sup>3</sup></li> <li>Accelerating distribution activity with 2H21 pipeline &gt;20% up on PcP including underwriting and arranging transactions</li> </ul> <div data-bbox="123 957 716 1356"> <p><b>Returns focus</b></p> <table border="1"> <tr> <th>Period</th> <th>Spot RWA (\$bn)</th> <th>Ex Markets pre provision profit % of RWA</th> </tr> <tr> <td>Sep 19</td> <td>127.6</td> <td>1.99%</td> </tr> <tr> <td>Mar 20</td> <td>137.8</td> <td>1.90%</td> </tr> <tr> <td>Sep 20</td> <td>129.9</td> <td>1.91%</td> </tr> <tr> <td>Mar 21</td> <td>125.7</td> <td>1.95%</td> </tr> </table> <p> <span style="color: red;">■</span> Spot RWA (\$bn)  <span style="color: grey;">- -</span> Ex Markets pre provision profit % of RWA         </p> </div>	Period	Spot RWA (\$bn)	Ex Markets pre provision profit % of RWA	Sep 19	127.6	1.99%	Mar 20	137.8	1.90%	Sep 20	129.9	1.91%	Mar 21	125.7	1.95%	<div data-bbox="786 430 1473 491"> <p><i>Growth in home lending</i></p> </div> <div data-bbox="985 539 1270 769"> <p><b>1.2x</b>              system growth in housing lending in 1H21</p> </div> <div data-bbox="786 805 1473 901"> <p><i>Business lending tilt away from lower returning segments</i></p> </div> <div data-bbox="786 949 1473 1364"> <p><b>(\$) 1H21 movement in business lending</b></p> <table border="1"> <tr> <th>Segment</th> <th>1H21 Movement (\$)</th> </tr> <tr> <td>SME</td> <td>Positive</td> </tr> <tr> <td>Agri</td> <td>Negative</td> </tr> <tr> <td>Corporate</td> <td>Negative</td> </tr> <tr> <td>IB</td> <td>Negative</td> </tr> <tr> <td>Property Finance</td> <td>Negative</td> </tr> </table> </div>	Segment	1H21 Movement (\$)	SME	Positive	Agri	Negative	Corporate	Negative	IB	Negative	Property Finance	Negative	<ul style="list-style-type: none"> <li>Announced acquisition of 86 400 in Jan 21 – received ACCC and APRA approval<sup>4</sup></li> </ul> <div data-bbox="1545 630 2072 726"> </div> <ul style="list-style-type: none"> <li>✓ Consistent with NAB's long-term strategy and growth plans to develop a leading digital bank</li> <li>✓ Combines UBank's established customer base and brand with 86 400's technology and innovation capability</li> <li>✓ NAB balance sheet strength and investment to support accelerated growth and continued innovation</li> </ul>
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Corporate	Negative																												
IB	Negative																												
Property Finance	Negative																												

(1) Growth rates excluding FX  
 (2) Infrastructure includes Renewables  
 (3) BloombergNEF Country Profile for Australia - Top Renewable Energy Players (2004 to 31 March 2021)  
 (4) Acquisition of 86 400 expected to complete in 2H21, subject to obtaining approval of the scheme by the Federal Court



# TECHNOLOGY INVESTMENT UNDERPINS REVENUE AND COST TARGETS

## SUPPORTING PRODUCTIVITY, COST REDUCTION AND REVENUE GROWTH



Faster speed to market



NPS<sup>1</sup> uplift for platforms on cloud



Insourcing key technology functions



Customer & colleague digital tools



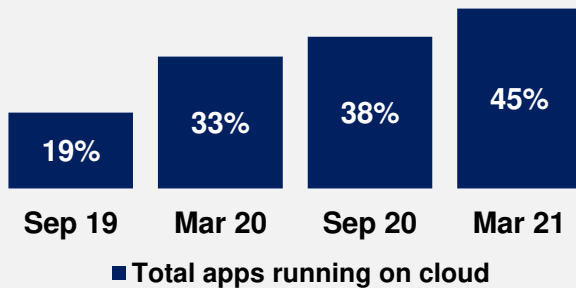
Leveraging Data & Analytics



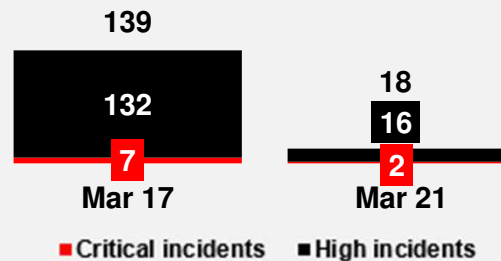
Deep investment in cloud and data skills

## Building on strong technology foundations

### Leveraging the Cloud



### Improved Resilience<sup>2</sup>



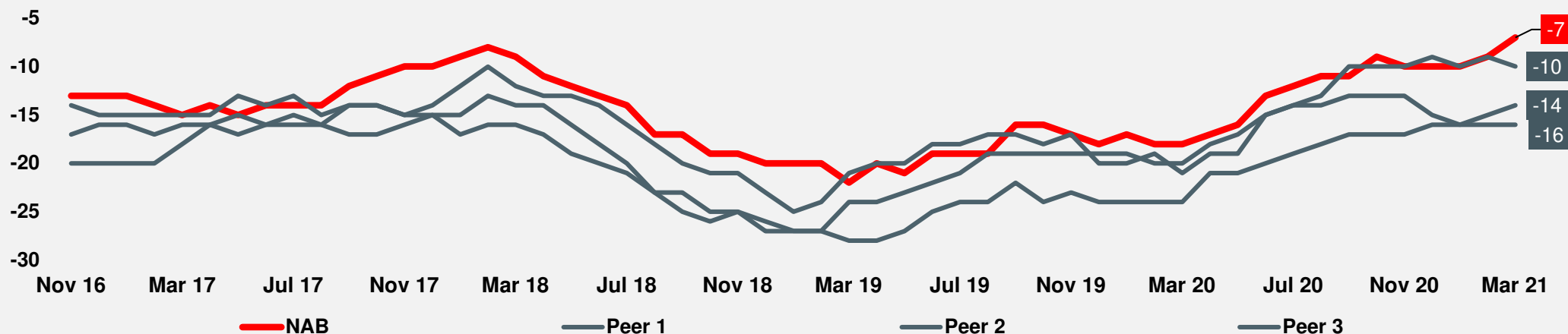
### Reduced fraud losses



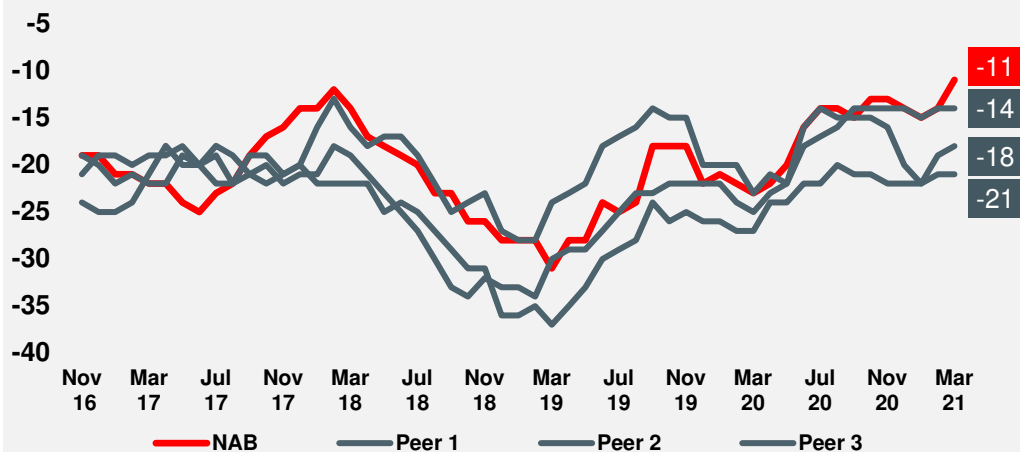
(1) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld  
 (2) Critical Incidents – Significant impact or outages to customer facing service or payment channels. High Incidents – Functionality impact to customer facing service or impact/outage to internal systems. Numbers include BNZ incidents  
 (3) 1H21 vs 2H20

# CUSTOMER EXPERIENCE LEADING PEERS BUT MORE WORK TO DO

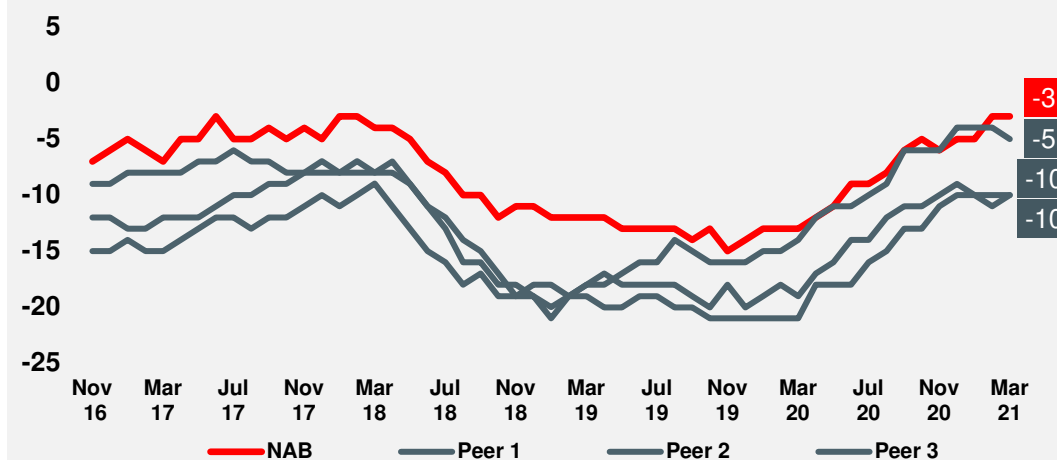
## STRATEGIC NPS<sup>1,2</sup>



## 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 to 10 (extremely unlikely to extremely likely)
- (3) March 2021. Source: DBM Atlas – Business. All Business customers, six month rolling averages
- (4) March 2021. Source: DBM Atlas – Consumer. All Consumer customers, Australian population aged 18+, six month rolling averages





# 1H21 FINANCIALS

**GARY LENNON**

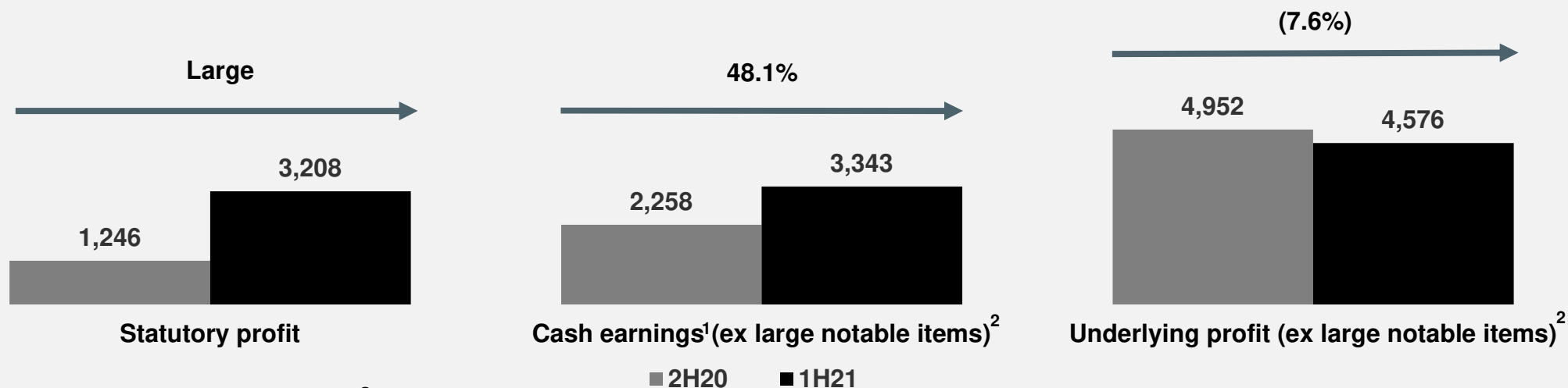
**Group Chief Financial Officer**



# GROUP AND DIVISIONAL PERFORMANCES

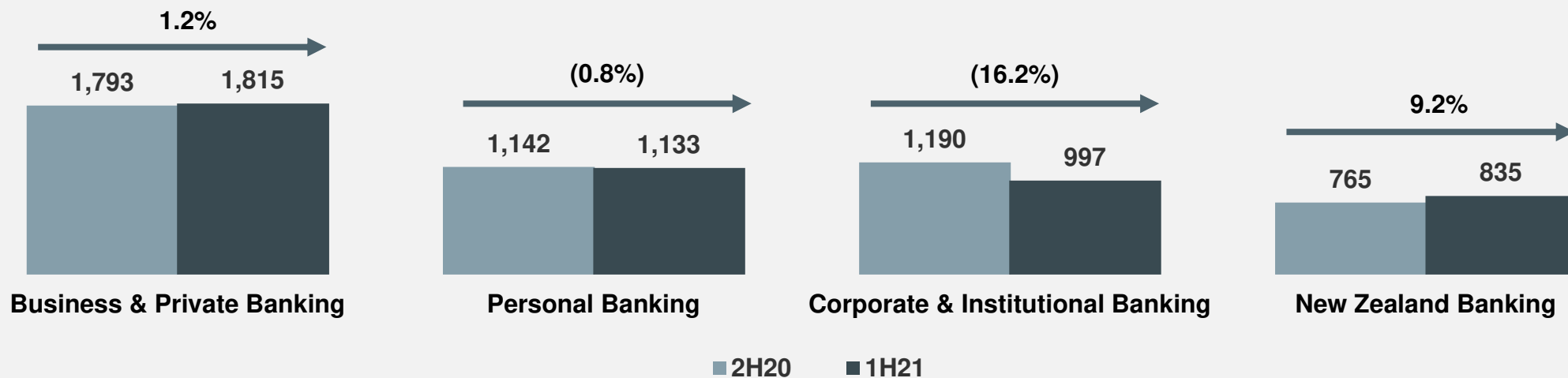
## GROUP EARNINGS

(\$m)



## UNDERLYING DIVISIONAL PROFIT<sup>3</sup>

(\$m)



(1) Refer to page 114 for definition of cash earnings and reconciliation to statutory profit

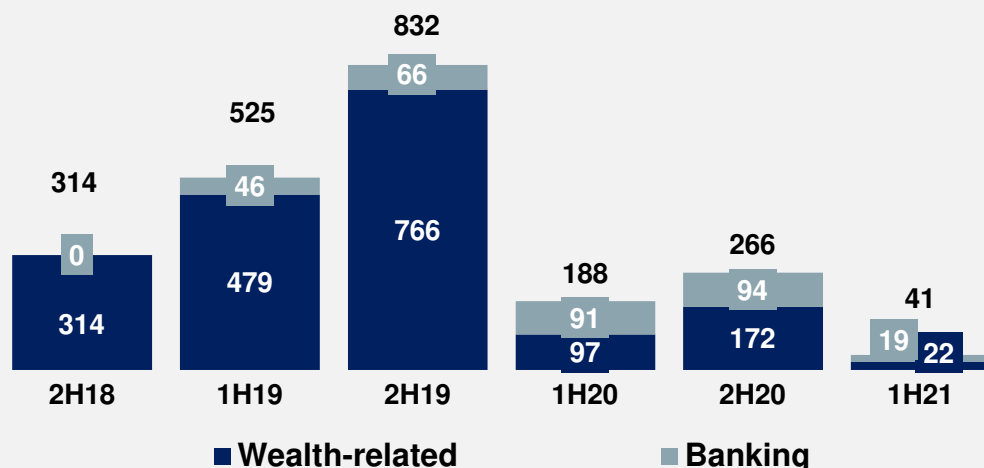
(2) Refers to large notable items in 2H20. No notable items in 1H21

(3) Results in local currency

# REMEDIATION WORK PROGRESSING

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

(\$m)

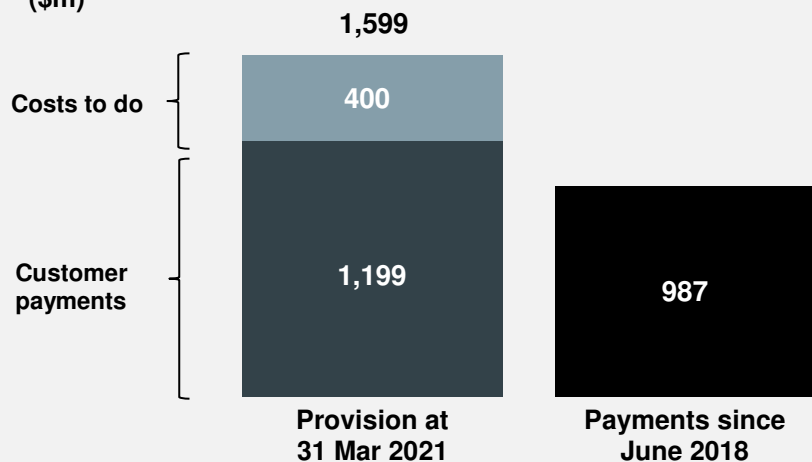


## PAYROLL REMEDIATION

- Extensive review into payments to both current and former Australian colleagues
- Range of potential payroll under and over payment issues; remediating under payments dating back to 1 October 2012
- \$40m has been paid
- Additional 1H21 provision charge of \$51m before tax (\$36m after tax) including \$25m before tax (\$18m after tax) in Discontinued Operations

## CUSTOMER-RELATED REMEDIATION PROVISIONING AND UTILISATION

(\$m)



- >1,300 colleagues dedicated to remediation activities across NAB and MLC Wealth
- More than one million payments made to customers since June 2018 at a total value of \$987m – up 38% from FY20
- Commenced accelerated payments to customers for advice partnership fee for no service program

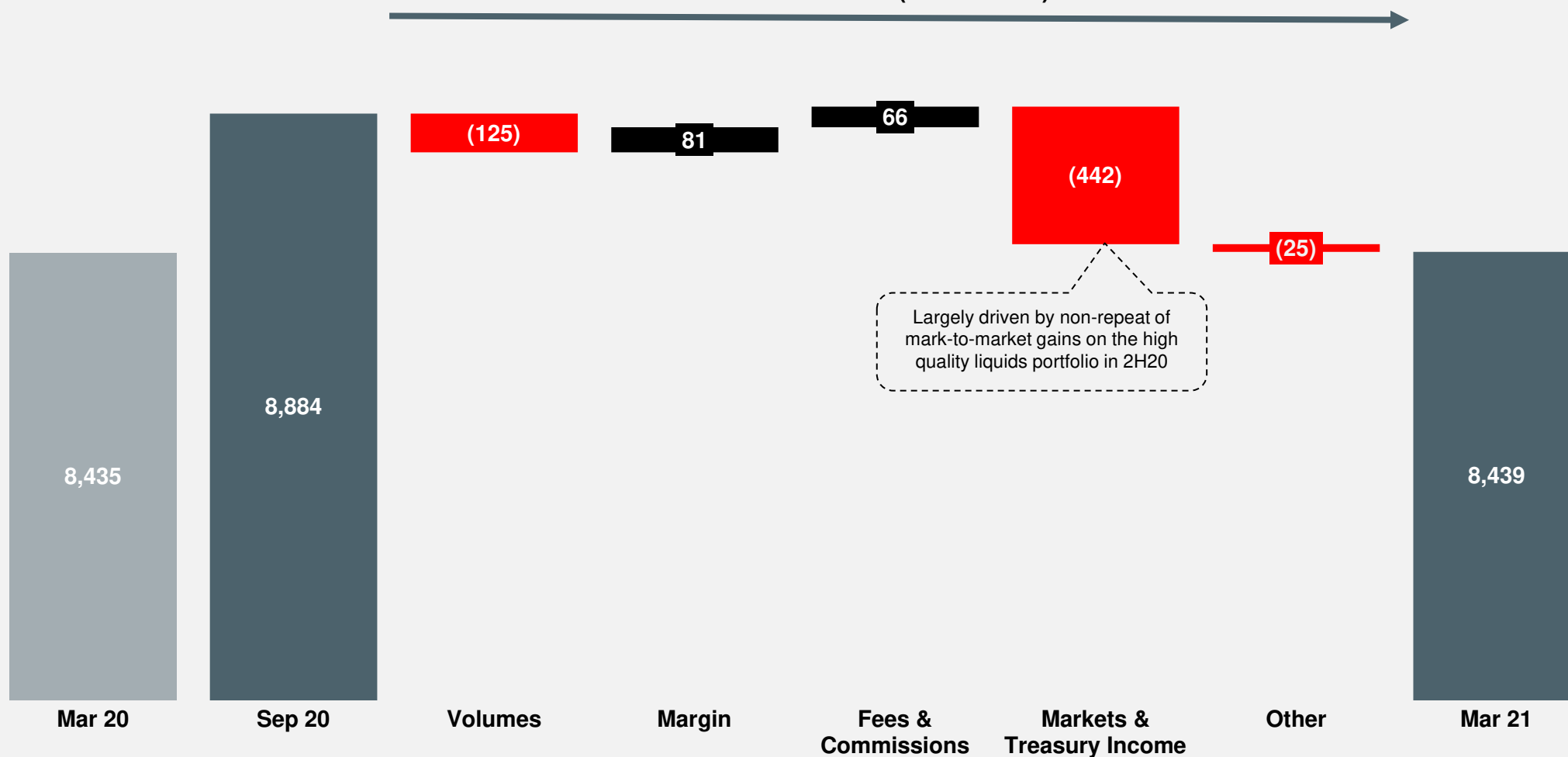
(1) Charges are post-tax and include amounts taken through discontinued operations. As part of the sale of MLC Wealth to IOOF Holdings Ltd (IOOF), NAB has agreed to retain all customer-related remediation liabilities associated with the conduct of the Wealth Advice business pre-completion

# REVENUE STABLE EX MARKETS & TREASURY

## NET OPERATING INCOME (EX LARGE NOTABLE ITEMS)

(\$m)

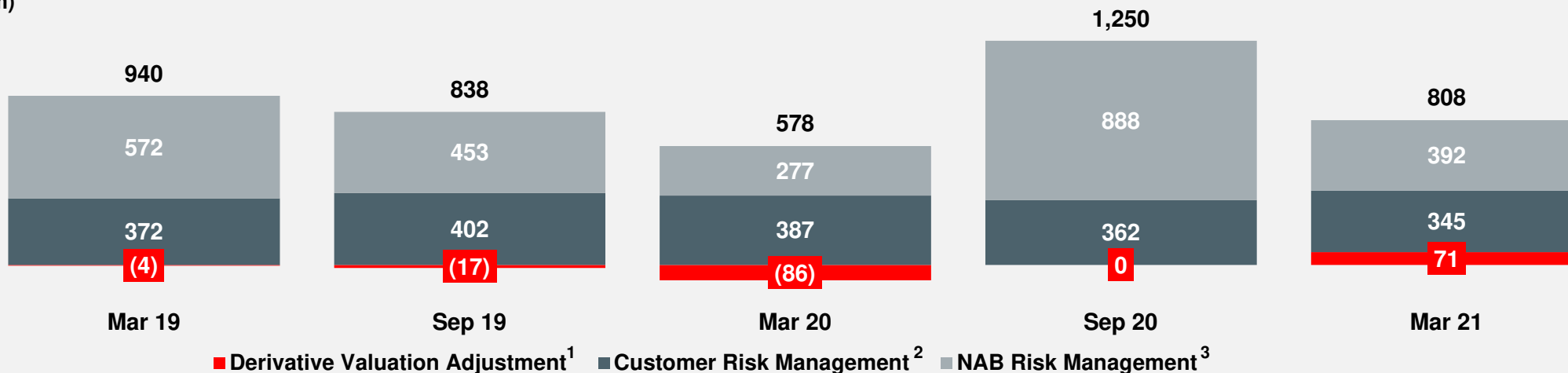
HoH revenue decline 5.0% (Flat on PcP)



# MARKETS & TREASURY INCOME LOWER

## GROUP MARKETS & TREASURY INCOME

(\$m)



## GROUP MARKETS & TREASURY INCOME

(\$m)



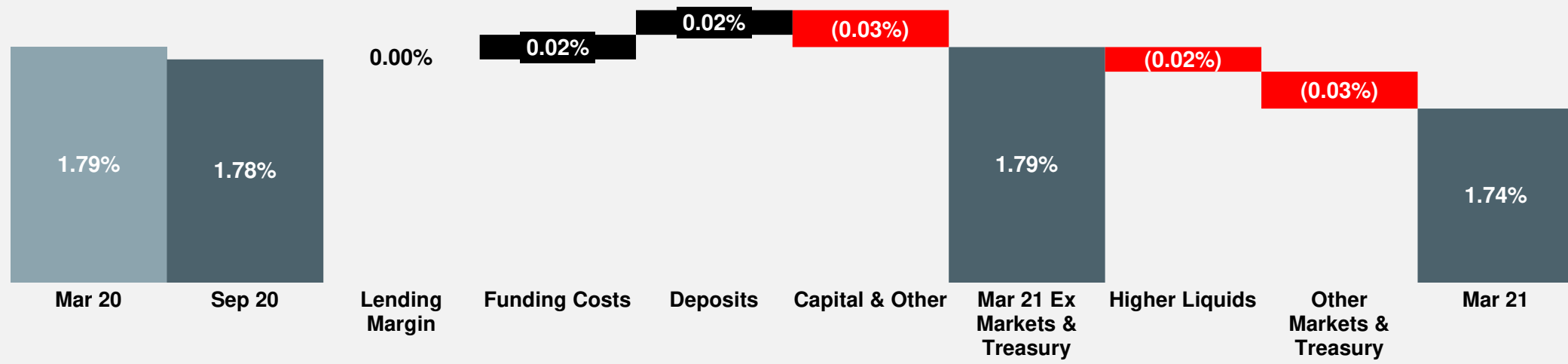
(1) Derivative valuation adjustments include credit valuation adjustments and funding valuation adjustments

(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 BENEFITING FROM LOWER FUNDING COSTS

## NET INTEREST MARGIN (EX LARGE NOTABLE ITEMS)

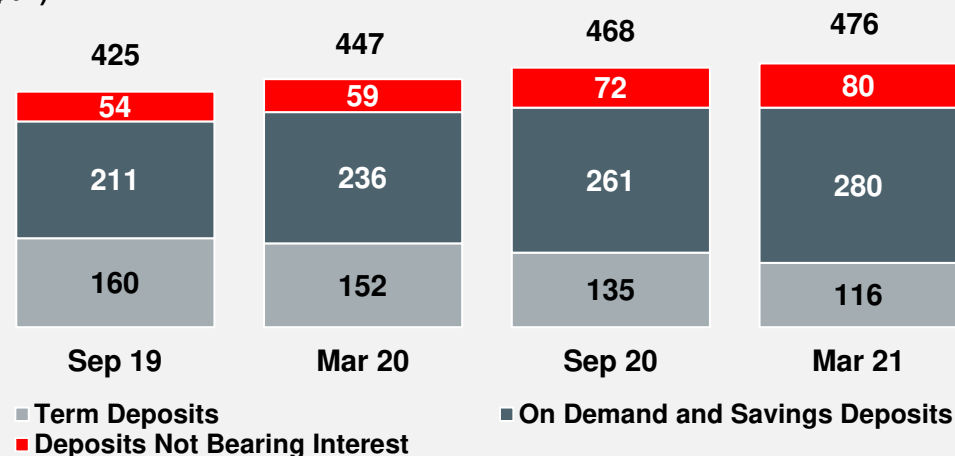


## KEY CONSIDERATIONS

- 2H21 NIM drag from low rate environment expected to be ~3bps<sup>1</sup> but impact to moderate into FY22
- Competitive pressures and housing lending product mix expected to remain as headwinds, along with higher liquids
- Lower funding costs and deposit mix expected to remain a modest tailwind in 2H21
- \$98bn replicating portfolio comprises \$41bn of capital (2 year avg investment term) and \$57bn of deposits (5 year avg investment term)

## CHANGING DEPOSIT MIX

(\$bn)



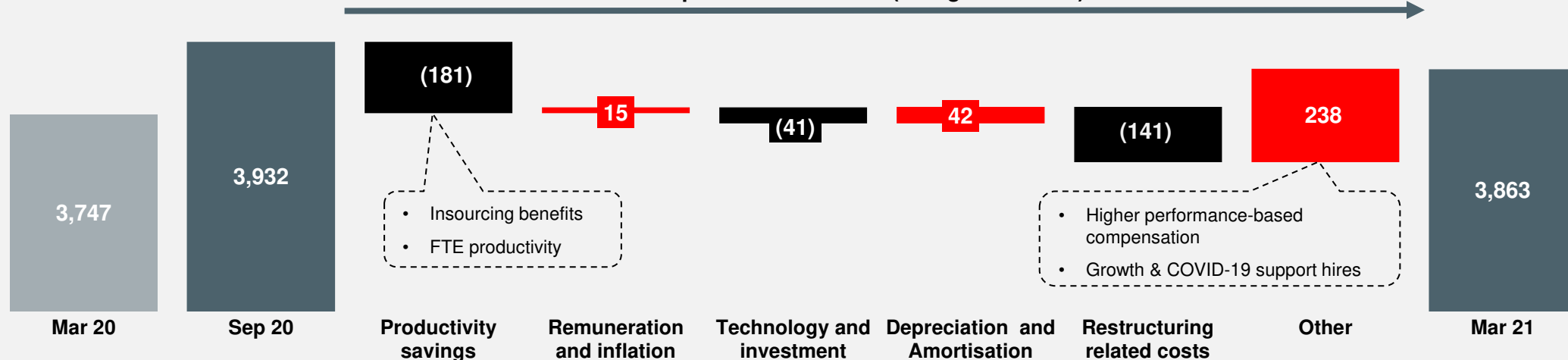
(1) Estimated impact of previously announced RBA and RBNZ cash rate cuts on Group NIM, including the deposits impact, lower expected replicating portfolio benefits, and impact of announced repricing. Excludes the impact of any future cash rate movements. 2H21 impact consistent with expected FY21 impact of ~6bps

(2) Includes \$235bn in Australian customer deposits at or near 0% rate and NZ\$42.5bn in New Zealand deposits at or near 0% rate

# LOWER OPERATING EXPENSES AND INVESTMENT SPEND

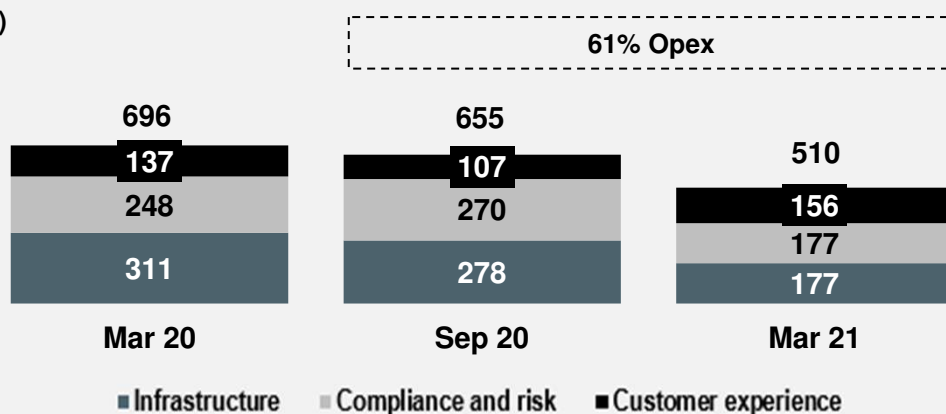
## OPERATING EXPENSES (EX LARGE NOTABLE ITEMS)

(\$m) HoH expense decline 1.8% (PcP growth 3.1%)



## INVESTMENT SPEND

(\$m)

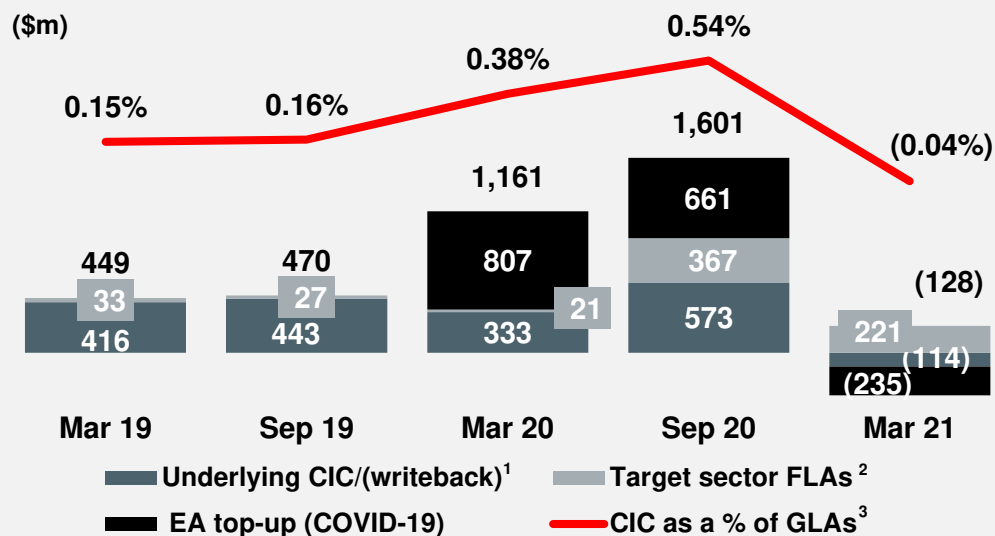


## COMMENTS

- HoH expense decline compared to PcP increase primarily reflects non-repeat of restructuring related costs in 2H20
- Investment spend expected to increase in 2H21 to ~\$700-750m. Relative to FY20, the mix of spend is shifting from Infrastructure and Compliance & Risk towards Customer Experience
- Re-affirming 0-2% cost growth guidance for FY21

# CREDIT IMPAIRMENT WRITEBACK, PROVISIONS MODESTLY LOWER

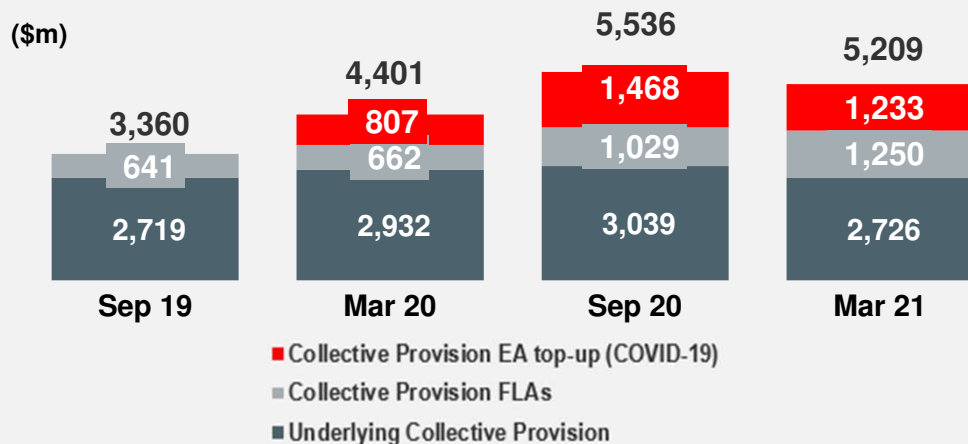
## CREDIT IMPAIRMENT CHARGE (CIC)



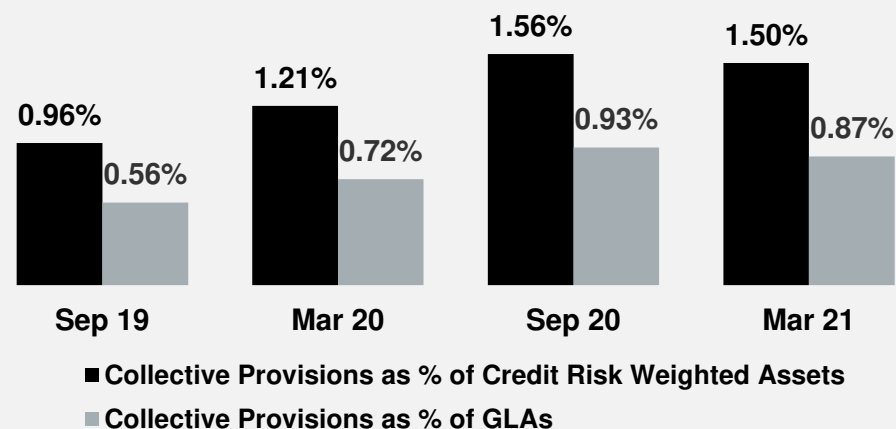
## KEY CONSIDERATIONS 1H21

- Underlying CIC writeback of \$114m, including a low level of individual impairments and improved delinquencies for the unsecured retail portfolio
- Release of Economic Adjustment (EA) of \$235m reflecting improved economic outlook
- Net increase in target sector forward looking adjustments (FLAs) of \$221m mostly reflecting aviation and mortgages

## 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

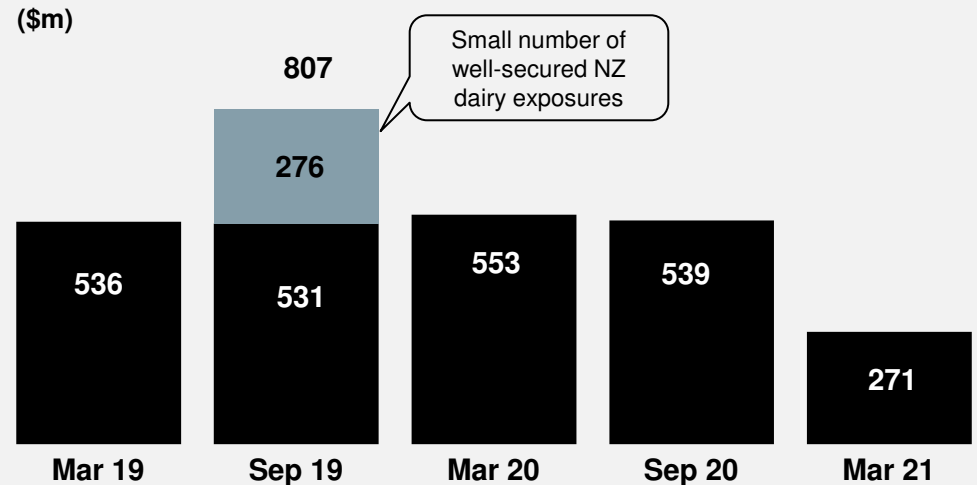
(3) Half year annualised

# ASSET QUALITY

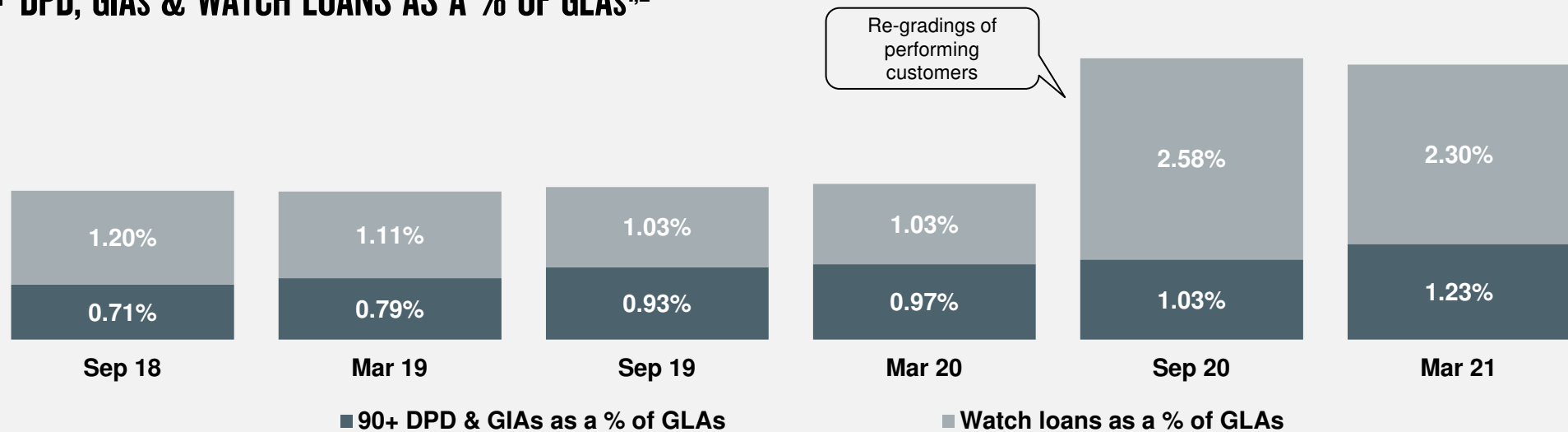
## KEY CONSIDERATIONS

- 90+ DPD & GIA ratio uplift mainly due to missed payments for a portion of the cohort of Australian home loan customers exiting deferrals
- Modest reduction in Watch loans post Sep 20 mainly reflects reassessment of deferral customers previously classified as Watch and FX impacts
- New impaired assets lower due to a lower level of single larger name impairments during 1H21

## NEW IMPAIRED ASSETS



## 90+ DPD, GIAs & WATCH LOANS AS A % OF GLAs<sup>1,2</sup>



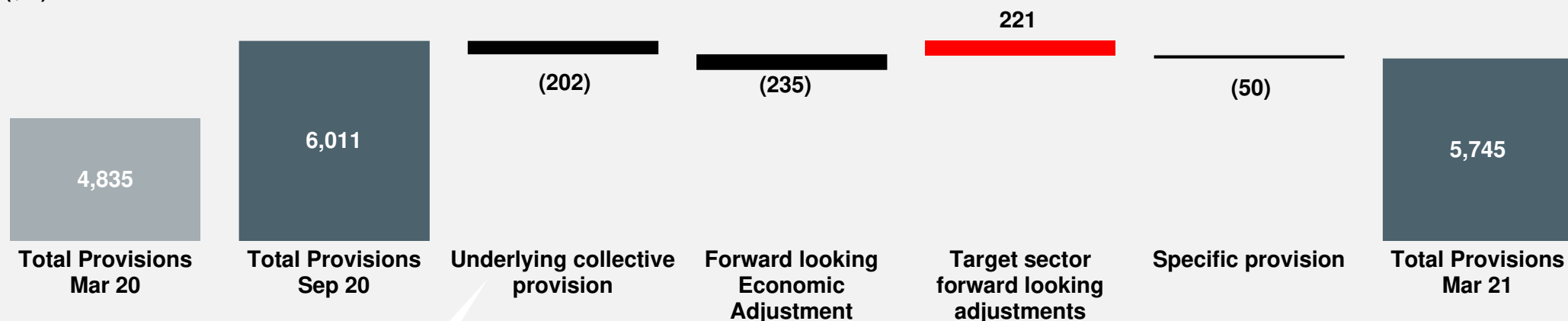
(1) Referral to Watch generally triggered by banker annual reviews through the year or as a result of performing customers experiencing cashflow pressures  
 (2) Eligible deferral customers treated in accordance with APRA guidance, with arrears profile frozen for period of deferral (up to 31 March 2021)



# PROVISIONS

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

(\$m)



### UNDERLYING CP

- Model outcomes based on point-in-time data
- Forms baseline
- 1H21 release reflects improved environment and customer positions

### ECONOMIC ADJUSTMENT (EA)

- Forward view of additional stress across portfolio from baseline, according to 3 probability weighted scenarios (upside, base case & downside)
- Scenarios based on forward looking macro economic data and granular PD and LGD assumptions
- EA top-up required where probability weighted EA higher over the period (and vice versa)
- 1H21 EA release of \$235m reflects improved economic outlook partly offset by changes to scenario weightings including reduced upside weighting (15% to 5%) given some upside now captured in base case<sup>2</sup>

### TARGET SECTOR FLAS

- Considers forward looking stress incremental to EA changes
- \$221m increase mostly reflects additional stress in aviation & mortgage exposures

(1) Excludes provisions on fair value loans and derivatives

(2) Base case weighting now 65% (from 60% at FY20) and Downside weighting now 30% (from 25% at FY20)

# COVID-19 NON-RETAIL SECTORS OF INTEREST DETERIORATING

## KEY CONSIDERATIONS

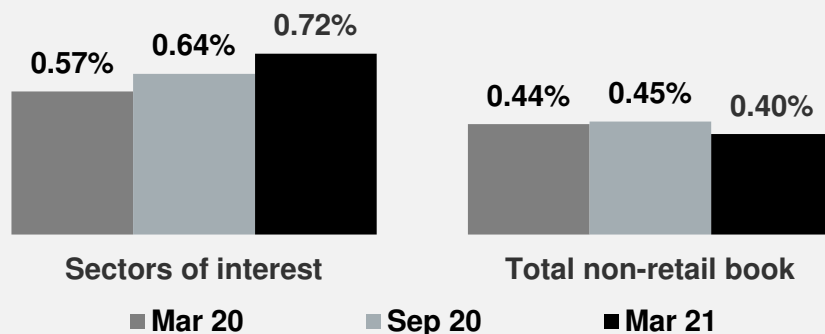
- Continued close monitoring of exposures to sectors significantly impacted by COVID-19
- Sectors of interest have experienced asset quality deterioration, against improved asset quality for the total non-retail book
- EAD broadly stable vs 2H20
- Additional FLAs vs 2H20 reflect incremental forward looking stress beyond that captured for total portfolio in EA top-up based on granular, bottom-up analysis

## SECTORS OF INTEREST – KEY METRICS SUMMARY

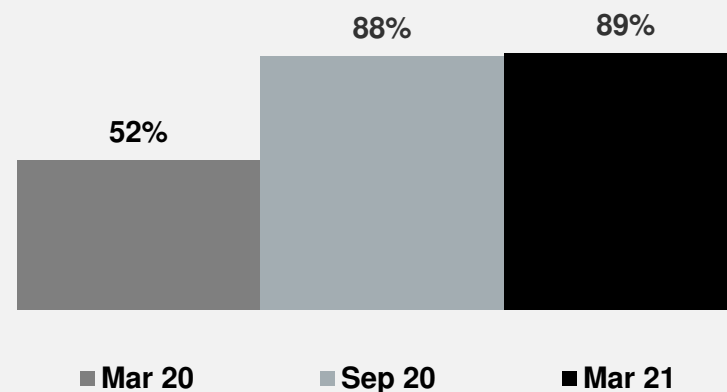
	EAD \$bn		% of 90+ DPD and GIA to EAD	
	Sep 20	Mar 21	Sep 20	Mar 21
Retail Trade	14.5	14.5	1.58	1.71
Tourism, Hospitality & Entertainment <sup>1</sup>	14.1	13.5	1.07	1.23
Air travel and related services	11.3	10.1	0.43	0.77
Office, retail tourism and leisure CRE <sup>2</sup>	41.9	41.6	0.22	0.21
<b>Total non-retail sectors of interest</b>	<b>81.8</b>	<b>79.7</b>	<b>0.64</b>	<b>0.72</b>

## SECTORS OF INTEREST VS TOTAL NON-RETAIL BOOK

90+ DPD & GIA % of EAD



## SECTORS OF INTEREST 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 79 for a breakdown of target sector FLAs

# SOME DEFERRAL CUSTOMERS EXPERIENCING STRESS

## HOME LOAN CUSTOMERS EXITED DEFERRALS<sup>1</sup>

- ~\$4.9bn (~10% of total deferral balances) of exited deferral customers are behind on repayments and being managed on a case-by-case basis in NAB Assist
- Of the ~\$4.9bn balances, \$2.4bn are 90+ DPD, including over representation from Victoria and IO conversions

Dynamic LVR profile of ~\$4.9bn past due balances	\$m
90.01% - 100% DLVR, no LMI	~60
>100% DLVR, no LMI	~55

## SME BUSINESS LOAN CUSTOMERS EXITED DEFERRALS<sup>2</sup>

- ~\$2bn (~9% of deferral EAD) of exited deferral customers being managed by SBS<sup>3</sup>, of which \$0.2bn are 90+ DPD
- Relatively low level of 90+ DPD reflects customers' strong cash buffers, including as a result of our continuing support to customers and government stimulus
- Key industries being managed by SBS include Accommodation & Hospitality, Transport & Storage and Property & Business Services

Category	SBS business deferrals ~\$2bn
Watch loan	~1.1
In Default	~0.9
- of which 90+ DPD	~0.2

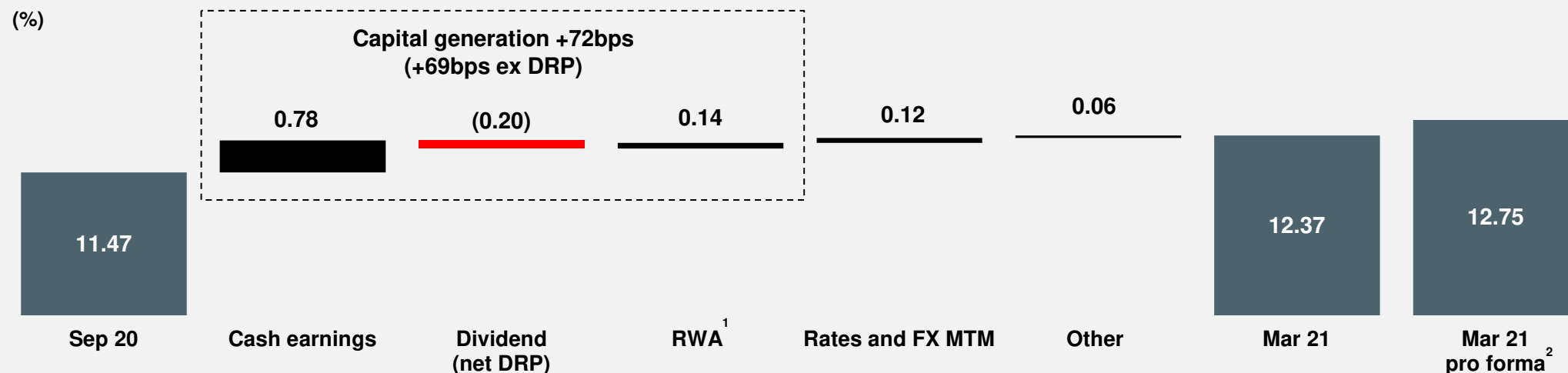
(1) All data as at 19 April 2021

(2) All data as at 31 March 2021

(3) Strategic Business Services team (SBS) assists our non-retail customers in financial difficulty and seeks to minimise the risk of loss to the bank

# STRONG CAPITAL POSITION

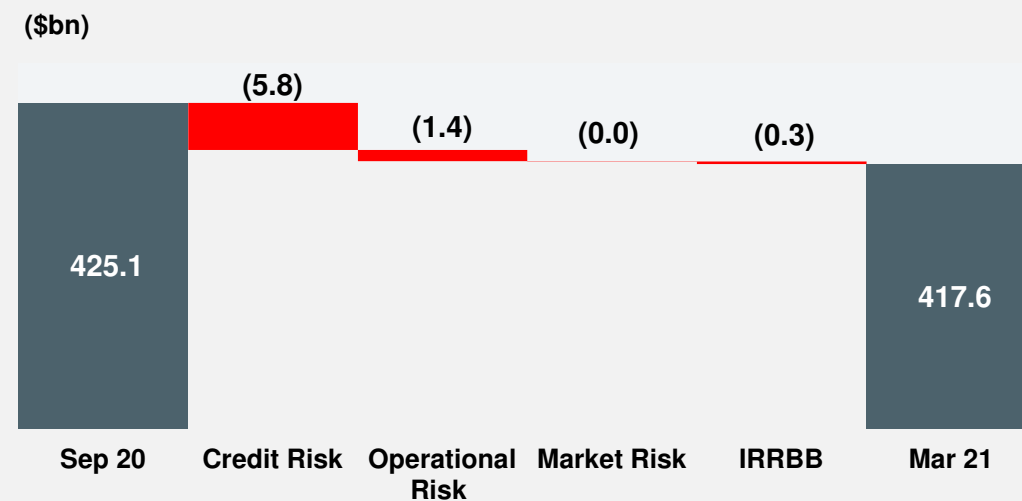
## GROUP BASEL III COMMON EQUITY TIER 1 CAPITAL RATIO (%)



## CET1 CONSIDERATIONS

- Strong organic capital generation over the period, with low CICs, asset quality impacts and asset growth
- Completion of MLC Wealth sale<sup>3</sup> estimated to add ~35bps CET1, expected to complete in 2H21 subject to timing of regulatory approvals
- If current economic conditions continue, material credit risk migration is not expected
- Level 1 CET1 ratio of 12.40%
- DRP for 1H21 dividend to be neutralised

## GROUP RWA (\$bn)



(1) Excludes FX translation

(2) Adjusted for estimated impacts from agreed sale of MLC Wealth (~35bps) and BNZ Life (~7bps) less acquisition of 86 400 (~4bps). Sale of MLC Wealth and acquisition of 86 400 expected to complete in 2H21, and sale of BNZ Life expected to complete in 1H22, in each case subject to relevant approvals. Final capital impact of each transaction will be determined following completion.

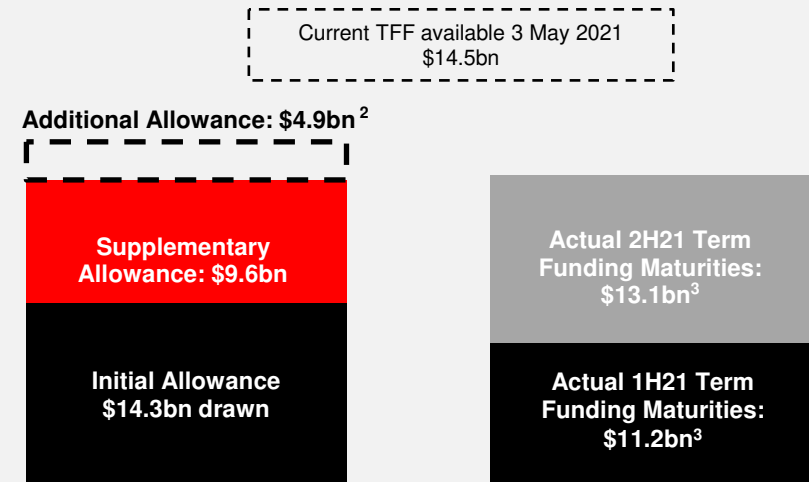
(3) ASX announcement on 31 August 2020; the purchase price of \$1,440m comprises \$1,240m in cash proceeds from IOOF and \$200m in the form of a 5-year structured subordinated note in IOOF

# FUNDING & LIQUIDITY

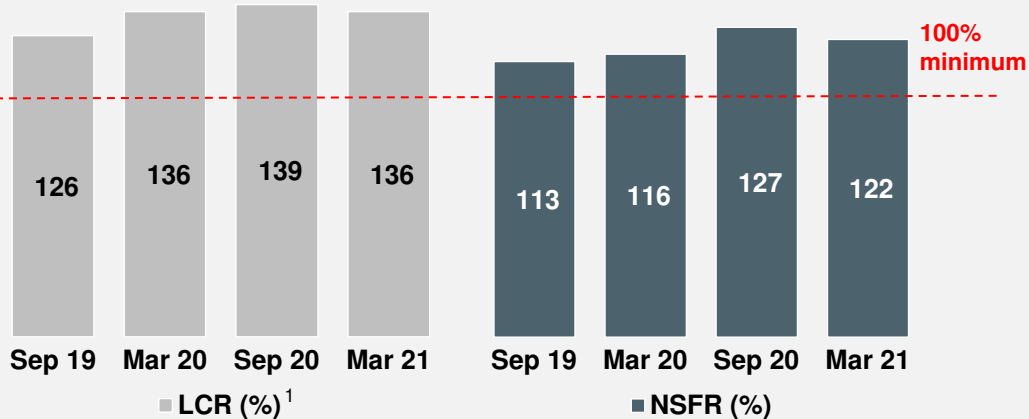
## KEY MESSAGES

- Funding and liquidity position remains strong with significant surpluses above regulatory minimums
- System liquidity remains high due to continued deposit inflows, central bank and government stimulus measures
- Strong liquidity position has allowed for a reduction in the RBA's Committed Liquidity Facility (CLF) from \$55.1bn to \$31.0bn
- Term Funding Facility (TFF) capacity of \$14.5bn is available to be drawn up to 30 June 2021

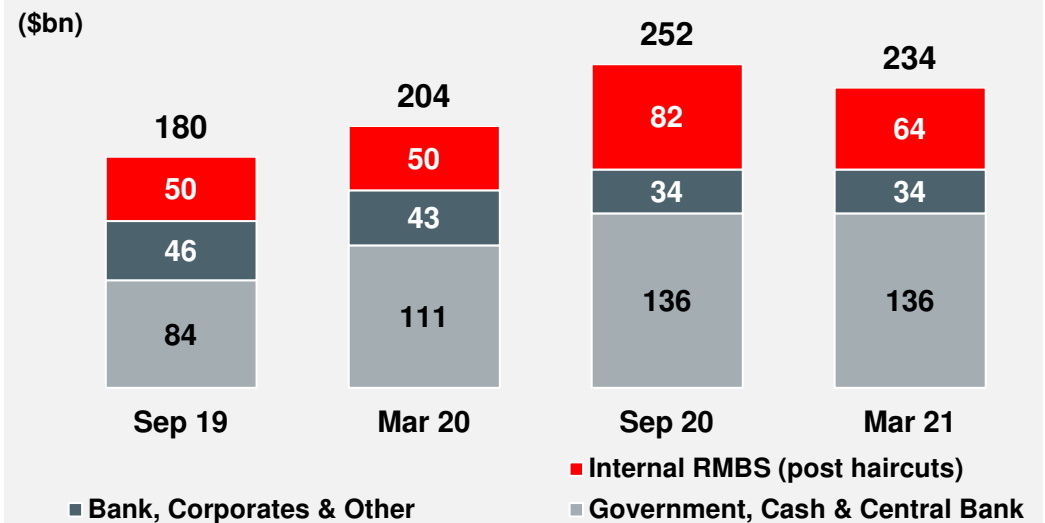
## TERM FUNDING FACILITY



## LIQUIDITY REMAINS ABOVE REGULATORY MINIMUMS



## LIQUID ASSETS<sup>4</sup>



(1) Average LCR for the quarter

(2) The Additional Allowance allocation remains static from 1 June 2021. The Additional and Supplementary Allowances are available to be drawn down until 30 June 2021

(3) Excludes BNZ, hybrids and RMBS maturities

(4) Spot Liquid Assets as at end of each period



# OUTLOOK

**ROSS McEWAN**

**Group Chief Executive Officer**

# OUTLOOK

**Defined and clear strategy, making progress with more to do**

**Focus and discipline key to execution**

**Optimistic about the outlook for Australia and New Zealand**

**Well positioned to grow with customers**

# 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	42
New Zealand Banking	44



# NAB AT A GLANCE

**>31,000  
Employees**

**~8 million  
Customers**

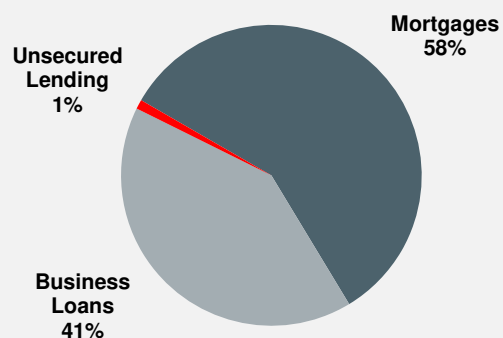
**814  
Branches/Business centres**

**>160 years  
in operation**

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

Division	% of Cash Earnings
Business & Private Banking	36%
Personal Banking	26%
Corporate & Institutional Banking	24%
New Zealand Banking	17%
Corporate Functions & Other	(3%)
Cash Earnings	100%

## GROSS LOANS & ACCEPTANCES SPLIT



### Key Financial Data

1H21

Cash Earnings <sup>1</sup>	\$3,343m
Cash ROE	11.1%
Gross Loans & Acceptances	\$599bn
Non-performing loans to GLAs <sup>2</sup>	123 bps
CET1 (APRA)	12.37%
NSFR (APRA)	122%

### Australian Market Share

As at March 21

Business lending <sup>3</sup>	21.6%
Housing lending <sup>3</sup>	14.4%
Personal lending <sup>4</sup>	8.9%
Cards <sup>3</sup>	13.3%

**Credit Ratings  
NAB Ltd LT/ST**

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

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

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

- (1) Refer to page 114 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

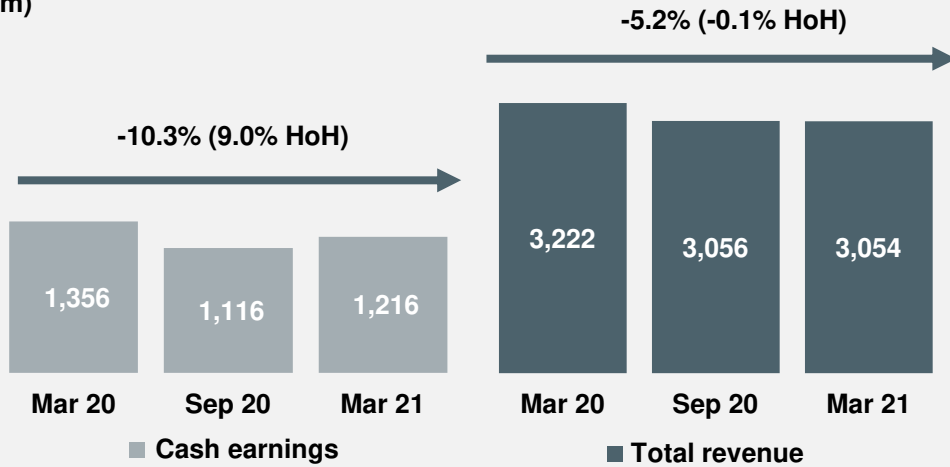
Division	Cash Earnings		Underlying Profit	
	1H21 (\$m)	1H21 v 2H20	1H21 (\$m)	1H21 v 2H20
Business and Private Banking	1,216	9.0%	1,815	1.2%
Personal Banking	859	24.7%	1,133	(0.8%)
Corporate and Institutional Banking	782	5.7%	997	(16.2%)
New Zealand Banking <sup>1</sup>	616	30.0%	835	9.2%

(1) In local currency

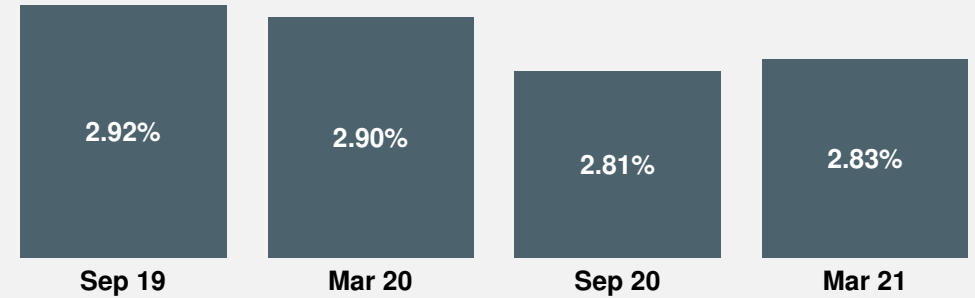
# BUSINESS & PRIVATE BANKING

## CASH EARNINGS AND REVENUE

(\$m)

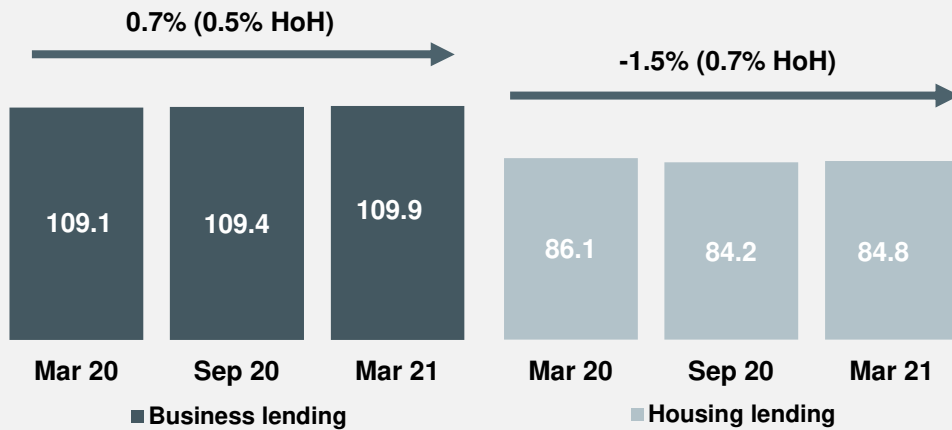


## NET INTEREST MARGIN



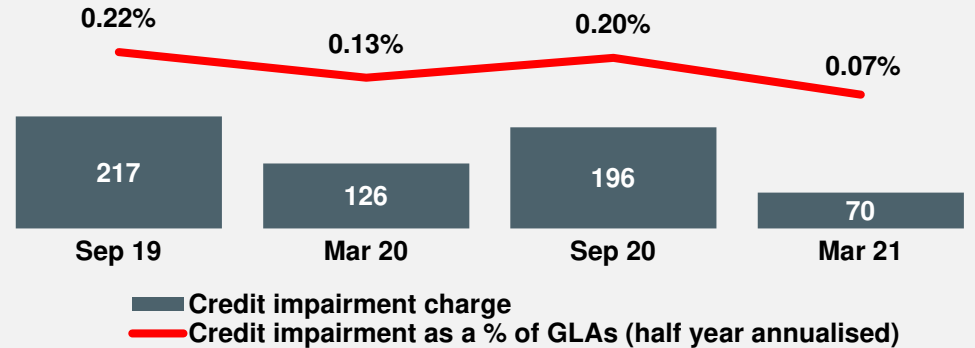
## BUSINESS AND HOUSING LENDING GLAs

(\$bn)



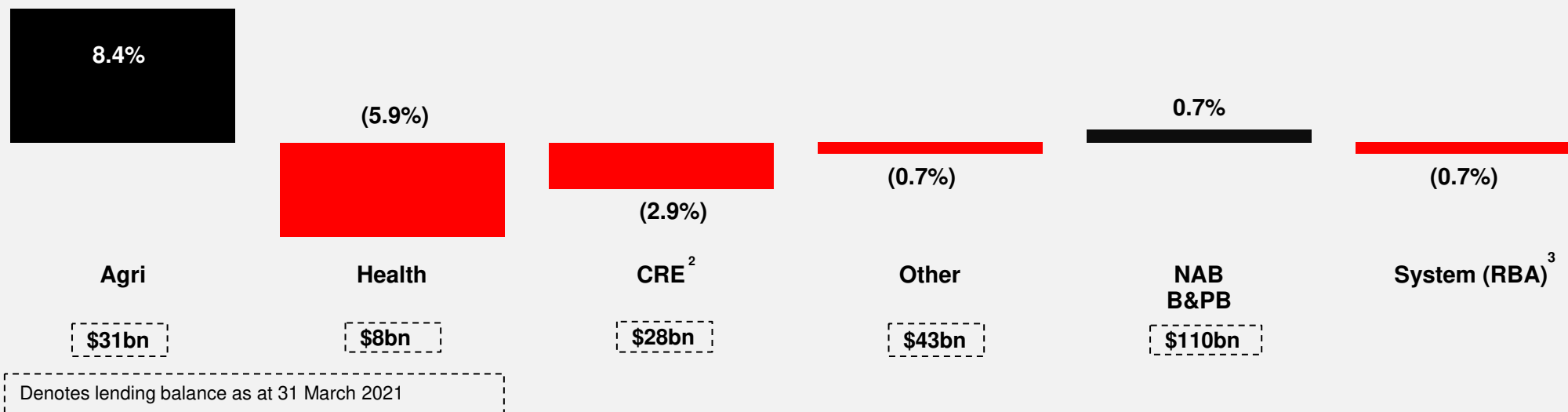
## CREDIT IMPAIRMENT CHARGES AND AS A % OF GLAs

(\$m)



# BUSINESS LENDING GROWTH & MARKET SHARE

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



## 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) RBA published Small and Medium banking market share (D14.1) as at Feb 21

## DIGITAL SMALL BUSINESS UNSECURED LENDING

- Access to unsecured finance for term loan, overdraft, business cards, equipment loan and broker assisted customers
- Application and decisioning in **as little as 20 minutes**
- Unsecured term loan lending limit **up to \$250k for existing customers**
- Eligible customers can apply for unsecured term loan and overdrafts directly through Internet Banking, with pre-population of existing customer information reducing number of clicks by 100+

## KEY CONSIDERATIONS

- Applications growth in 2H20 and 1H21 has been impacted by:
  - challenging COVID-19 environment
  - from April 2020, active marketing of regular Quickbiz offers ceased in favour of the NAB Business Support Loan<sup>1</sup> offered via the Quickbiz platform

## QUICKBIZ APPLICATION GROWTH

# Applications

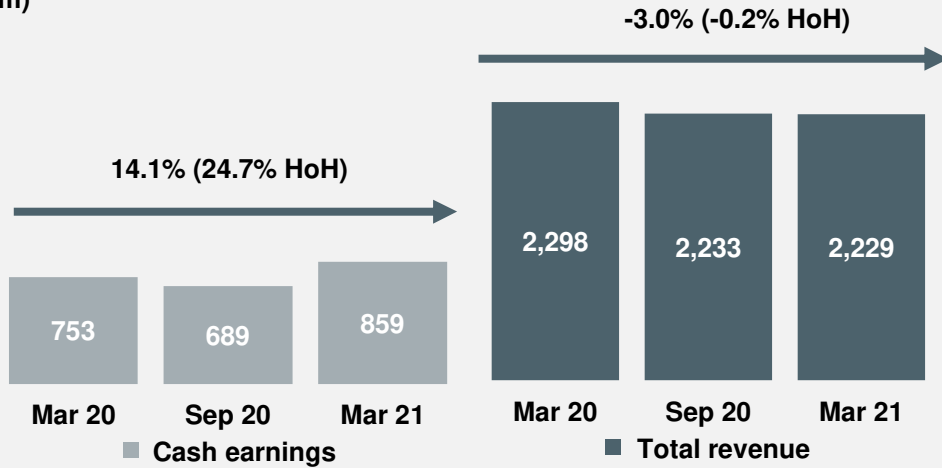


(1) NAB Business Support Loan is provided as part of the Australian Government's Coronavirus SME Guarantee Scheme

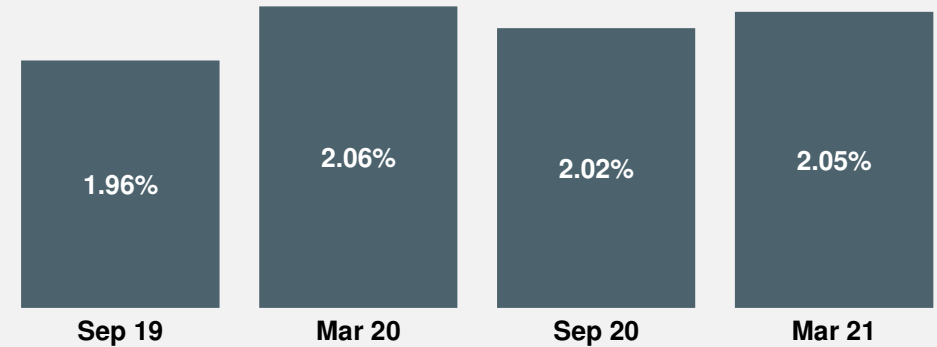
# PERSONAL BANKING

## CASH EARNINGS AND REVENUE

(\$m)

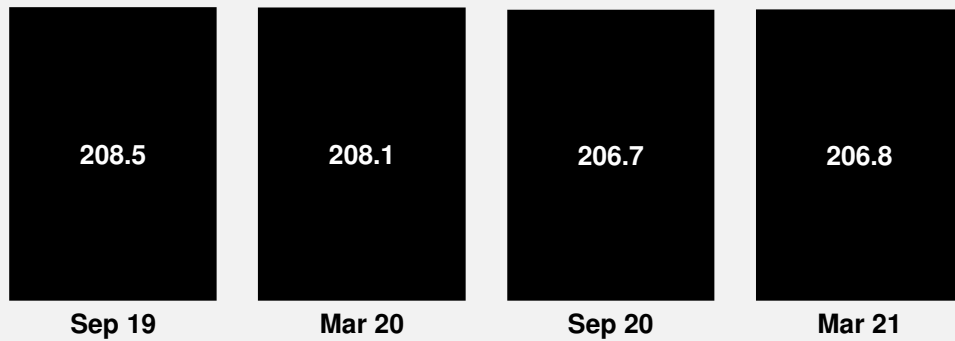


## NET INTEREST MARGIN



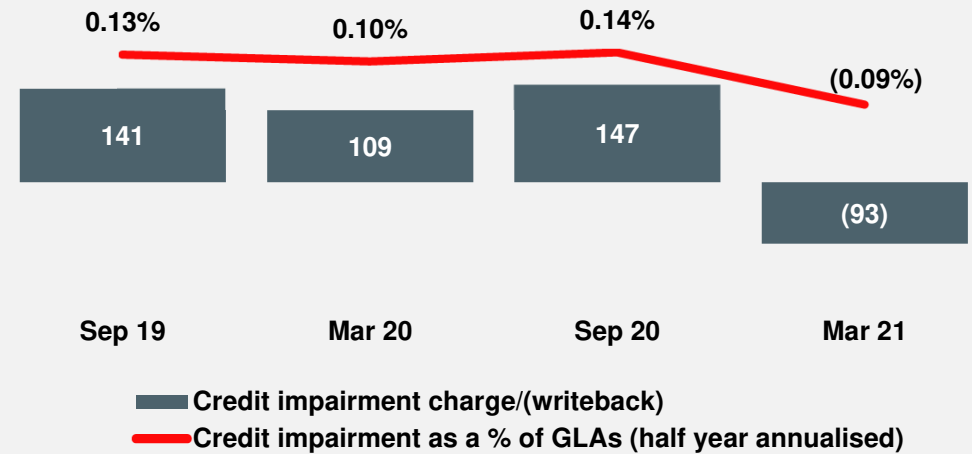
## HOUSING LENDING GLAs

(\$bn)



## CREDIT IMPAIRMENT CHARGES AND AS A % OF GLAs

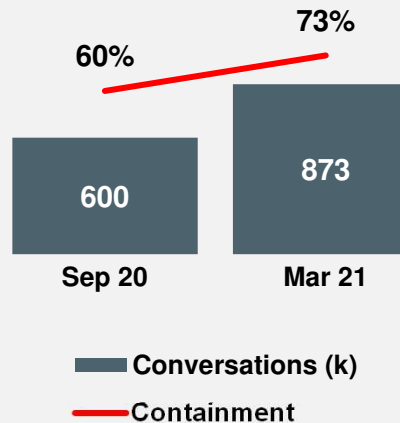
(\$m)



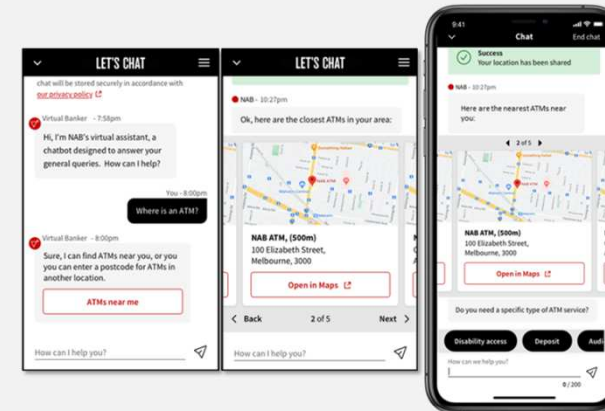
## VIRTUAL ASSISTANT

Growing use of the Virtual Assistant has resulted in call reductions to the call centre through

- Increasing number of virtual interactions
- Increasing containment<sup>1</sup> of interactions within the Virtual Assistant
- Increasing automation – ATM & Branch locator, complaint submission



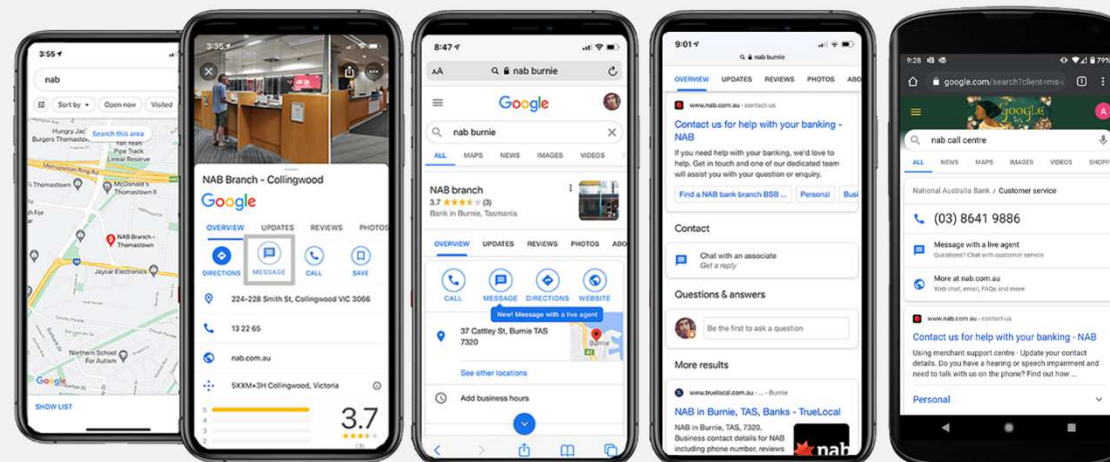
## Virtual Assistant



## GOOGLE MESSAGING

Launched Google messaging in Nov 20 – enabling chat and messaging services to show up across key Google assets (maps, search & feature snippets)

- First bank in APAC to launch service
- >3,000 enquiries serviced since launch
- 80% of enquiries are able to be resolved first time in-channel



(1) Containment occurs when the Virtual Assistant successfully answers a customer's query without the need to include or hand over to a colleague



## STRAIGHTUP CARD

- Launched the NAB StraightUp Card in 2H20, Australia's first no-interest credit card
- Providing a response to customers wanting access to credit that is simple and easy to understand



*NAB's most popular credit card product*

33%

of NAB's credit card applications in 1H21

*Millennial appeal*

37%

more applicants under 35 years old vs other cards

*Award winning*

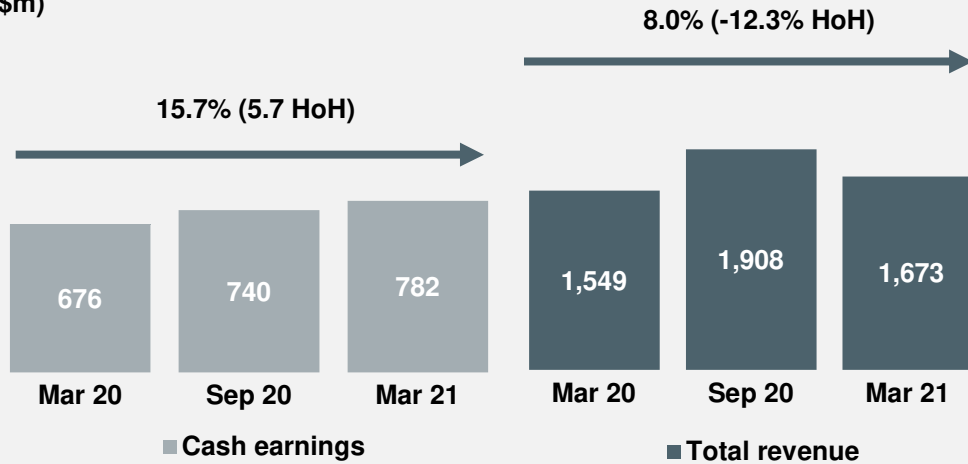


2021 RFi Best Lending Innovation Award winner

# CORPORATE & INSTITUTIONAL BANKING

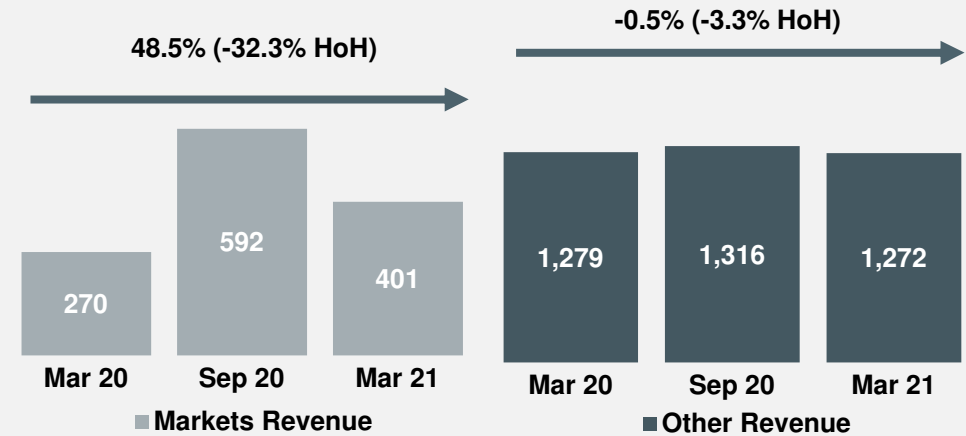
## CASH EARNINGS AND REVENUE

(\$m)

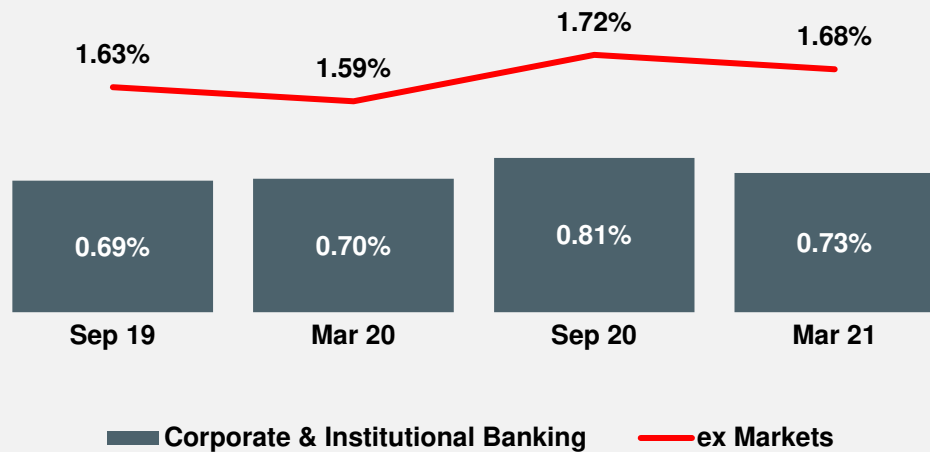


## REVENUE BREAKDOWN<sup>1</sup>

(\$m)

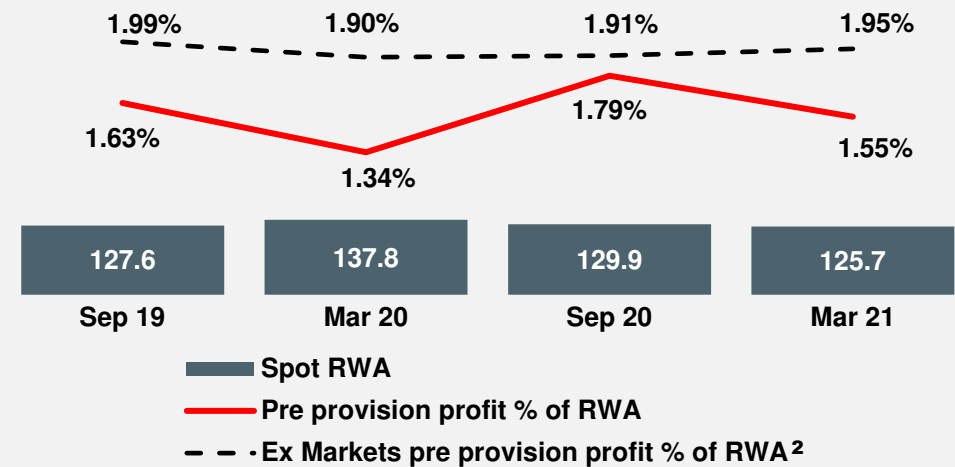


## NET INTEREST MARGIN



## RETURNS FOCUS

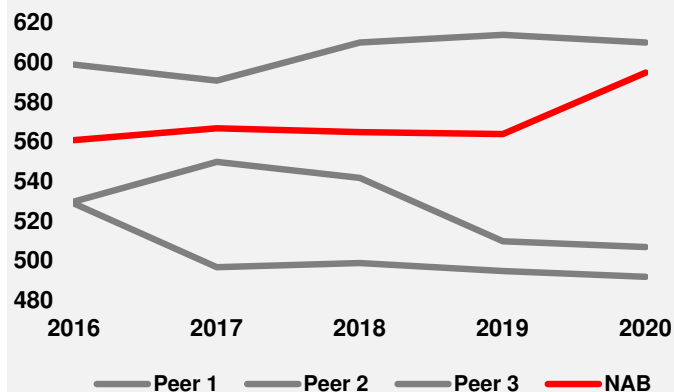
(\$bn)



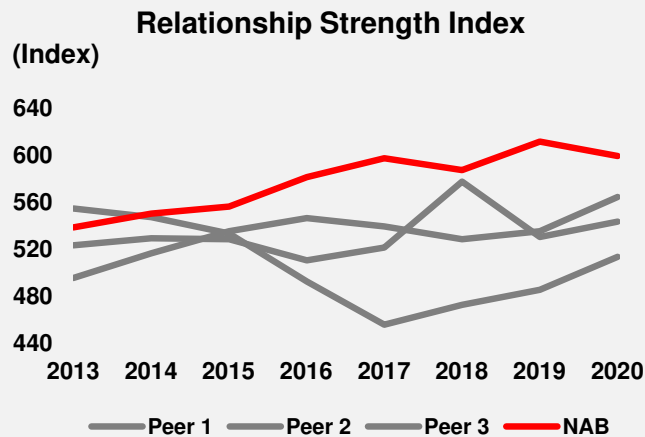
(1) Markets revenue represents Customer Risk Management revenue and NAB Risk Management Revenue. Includes derivative valuation adjustments

(2) Ex Markets pre provision profit % of RWA excludes Markets pre provision profit and average RWAs

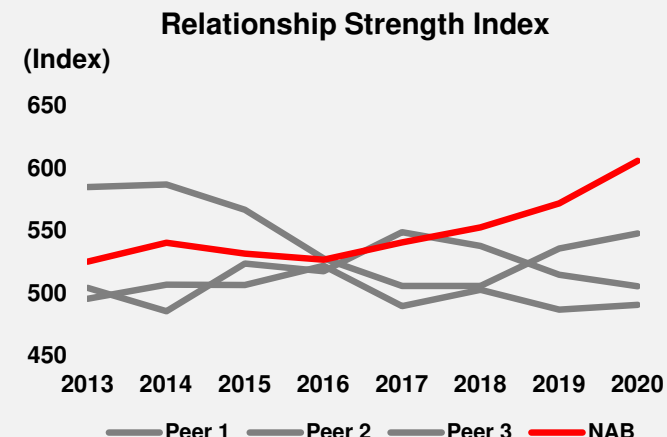
## LARGE CORPORATE & INSTITUTIONAL – RELATIONSHIP STRENGTH INDEX<sup>1</sup>



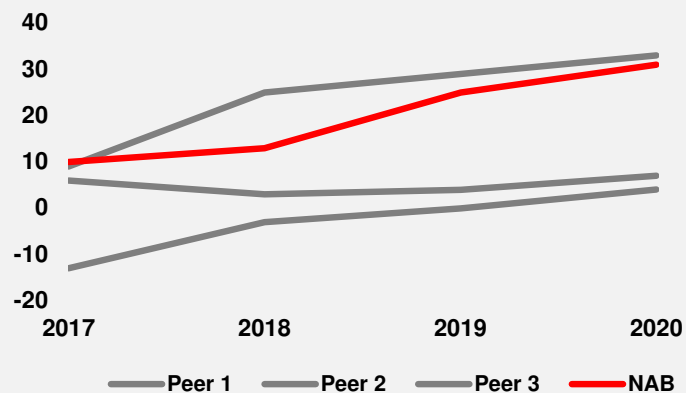
## INTEREST RATE HEDGING<sup>3</sup>



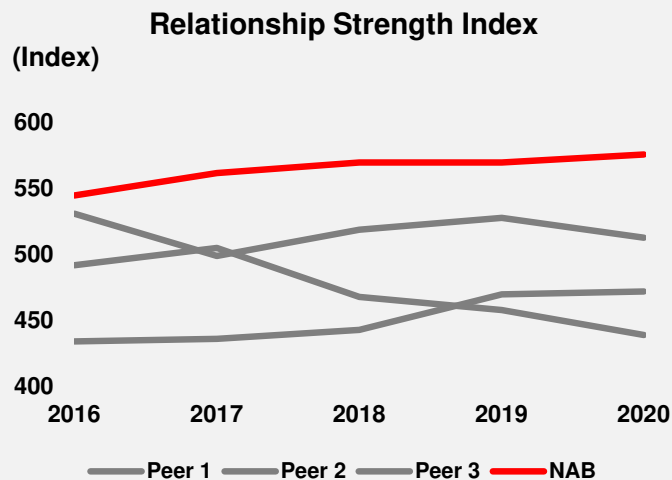
## FOREIGN EXCHANGE<sup>4</sup>



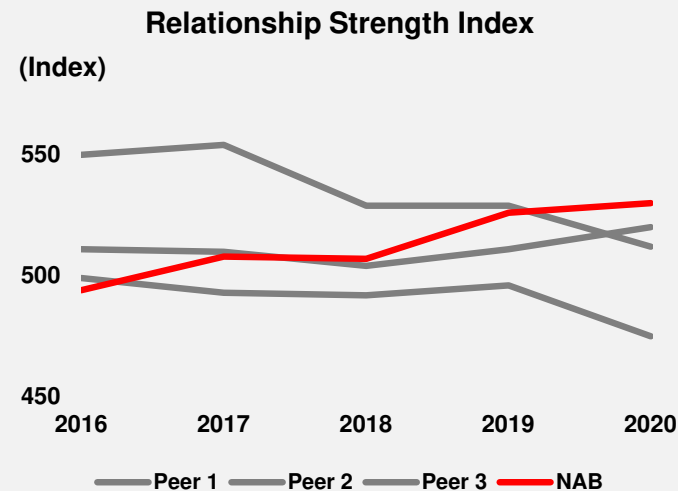
## INSTITUTIONAL NPS<sup>1,2</sup>



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



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



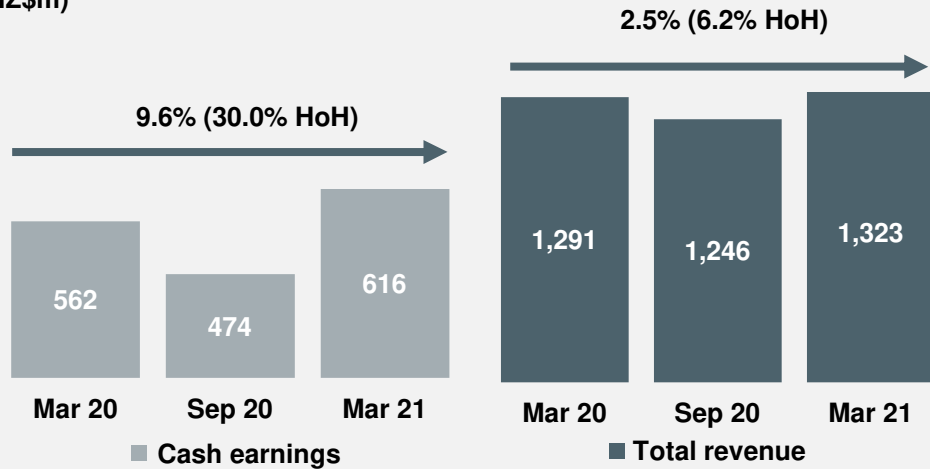
All data from Peter Lee Associates, Australia. Based on top four banks by penetration. Relationship Strength Index (RSI) is based on a combined measure of most qualitative evaluations.

- (1) Corporate and Institutional Relationship Banking Survey 2020
- (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 2020
- (4) Foreign Exchange Survey 2020
- (5) Debt Securities Origination Survey 2020
- (6) Transaction Banking Survey 2020

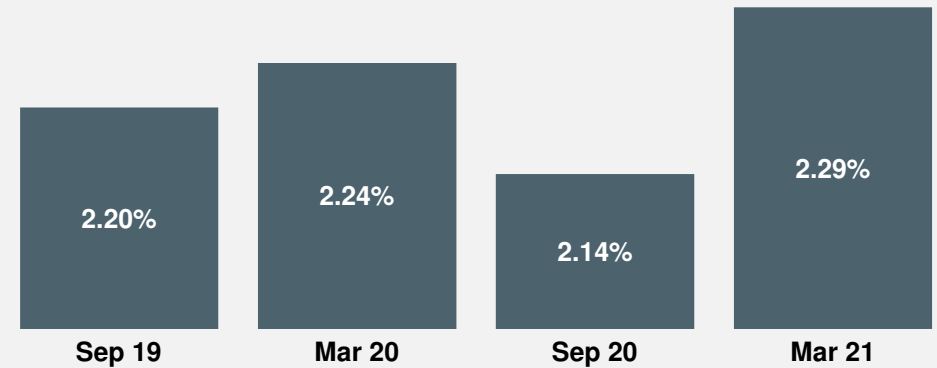
# NEW ZEALAND BANKING

## CASH EARNINGS AND REVENUE

(NZ\$m)

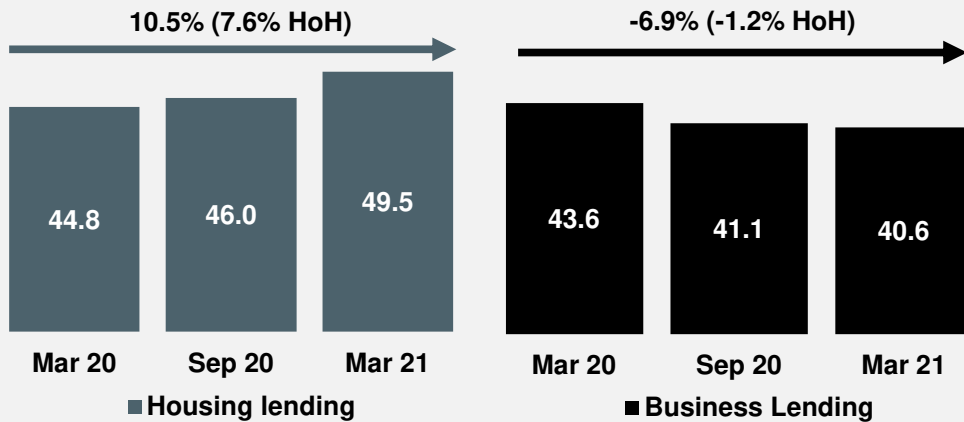


## NET INTEREST MARGIN



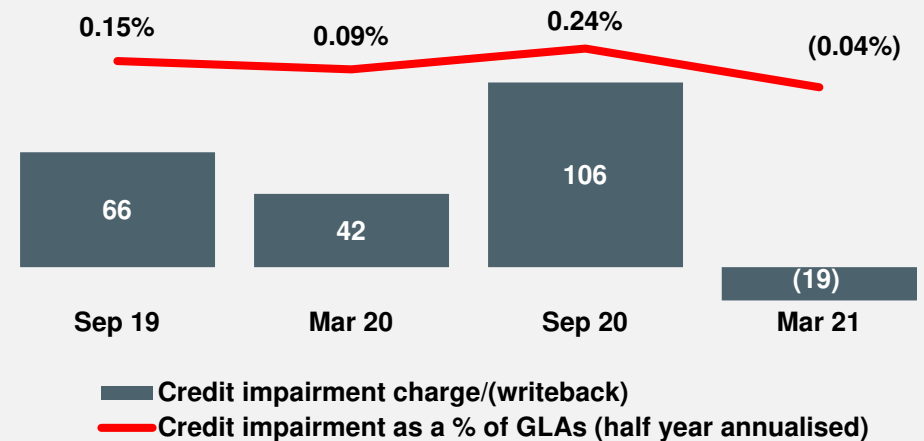
## BUSINESS & HOUSING LENDING GLAs

(NZ\$bn)



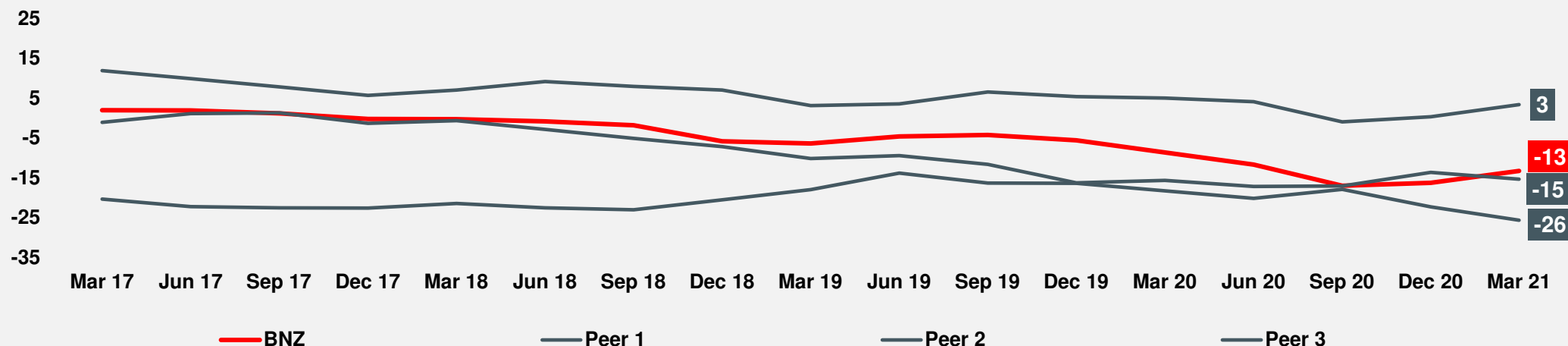
## CREDIT IMPAIRMENT CHARGES AND AS A % OF GLAs

(NZ\$m)

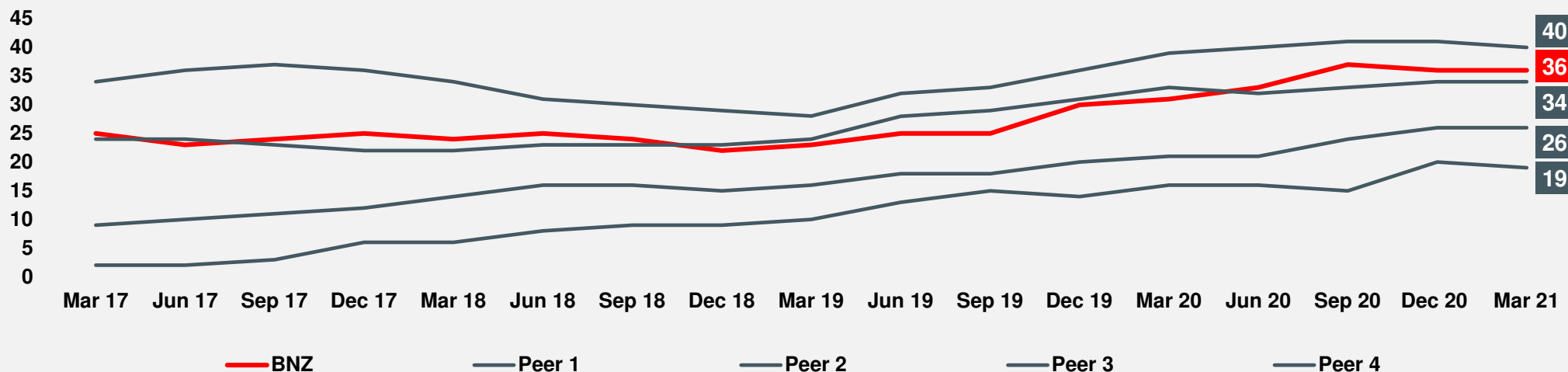


# KEY CUSTOMER METRICS

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



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

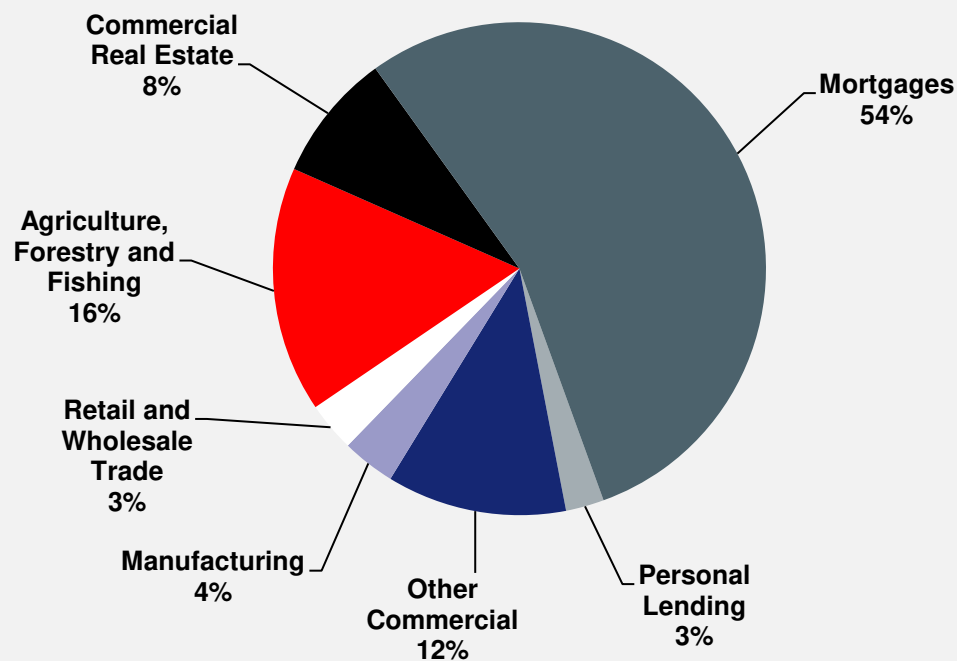
(2) Source: Camorra Retail Market Monitor (data on 12 month roll). There has been a change in NPS used for BNZ reporting, to reflect the total Consumer market, rather than Combined Priority Segments (which include Starters and Savers, Home Owners and Investors and High Net Worth)

(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

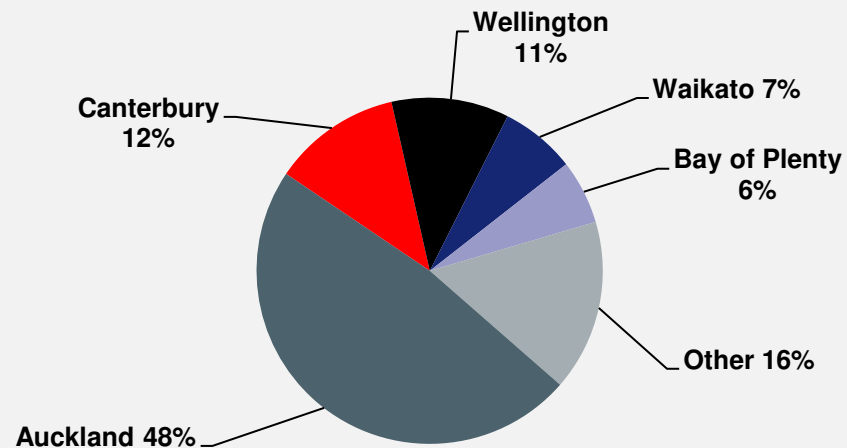
(4) In 2019, a change in Retail Market Monitor methodology led to a re-set of NPS for the consumer market for all five major banks. The use of a 12 month rolling average in BNZ reporting smoothed the transition (we used data that was collected in parallel from May 2019 to September 2019), but a methodology-driven increase in NPS for all banks is visible during this period of transition. The new methodology has been fully embedded since October 2019



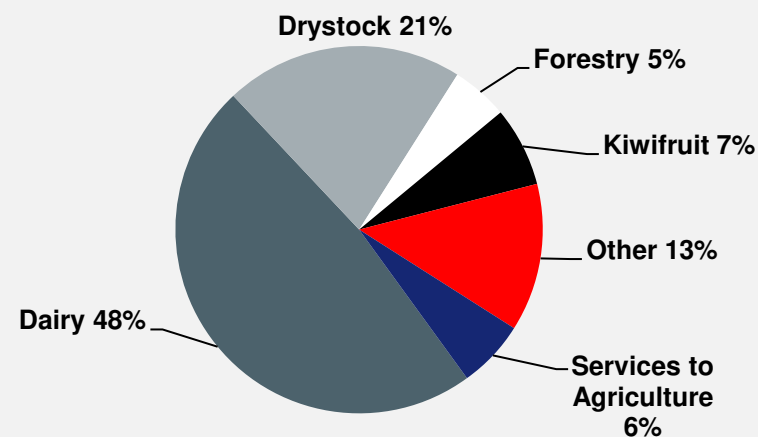
## PORTFOLIO BREAKDOWN – TOTAL NZ\$91.1BN



## MORTGAGE PORTFOLIO BREAKDOWN BY GEOGRAPHY – TOTAL MORTGAGE NZ\$49.5BN



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



# NEW ZEALAND HOUSING LENDING KEY METRICS

NEW ZEALAND BANKING

New Zealand Housing Lending	Sep 19	Mar 20	Sep 20	Mar 21		Mar 20	Sep 20	Mar 21
	<b>Portfolio</b>					<b>Drawdowns<sup>1</sup></b>		
Total Balances (spot) NZ\$bn	43.0	44.8	46.0	49.5		5.8	5.1	9.5
By product								
- Variable rate	15.9%	15.2%	14.1%	12.9%		15.4%	15.1%	11.2%
- Fixed rate	81.7%	82.6%	84.1%	85.5%		84.0%	84.6%	88.2%
- Line of credit	2.4%	2.2%	1.8%	1.6%		0.6%	0.3%	0.6%
By borrower type								
- Owner Occupied	66.2%	66.4%	66.0%	64.5%		70.2%	64.5%	60.1%
- Investor	33.8%	33.6%	34.0%	35.5%		29.8%	35.5%	39.9%
By channel								
- Proprietary	80.0%	77.9%	76.2%	73.7%		70.8%	68.8%	67.9%
- Broker	20.0%	22.1%	23.8%	26.3%		29.2%	31.2%	32.1%
Low Documentation	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Interest only <sup>2</sup>	20.4%	24.4%	25.5%	20.2%		29.2%	28.2%	28.5%
LVR at origination	66.5%	66.7%	66.8%	66.0%				
90+ days past due	0.07%	0.11%	0.13%	0.14%				
Impaired loans	0.03%	0.03%	0.02%	0.01%				
Specific Impairment coverage ratio	17.0%	25.5%	26.3%	20.8%				
Loss rate <sup>3</sup>	0.01%	0.01%	0.00%	0.00%				

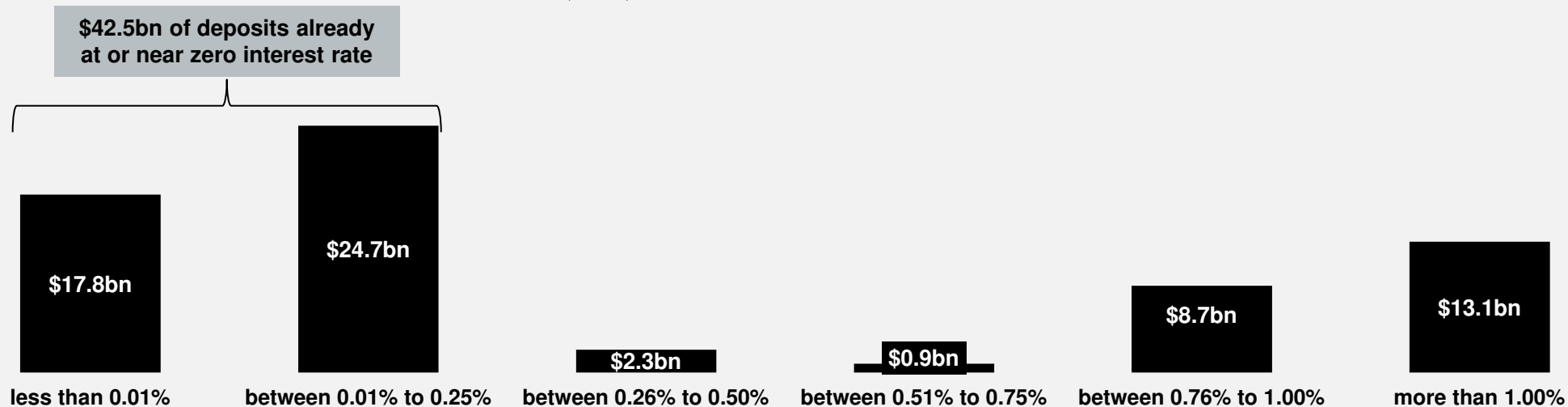
(1) Drawdowns is defined as new lending including limit increases and excluding redraws in the previous six month period

(2) Excludes line of credit products

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

# NZ CUSTOMER DEPOSITS BY INTEREST RATE

## NZ CUSTOMER DEPOSITS BY INTEREST RATE (NZD)













# **ADDITIONAL INFORMATION**

## **TECHNOLOGY & OPERATIONS UPDATE**

# SOLID PROGRESS MADE ON OUR TECHNOLOGY TRANSFORMATION

## KEY AREAS OF FOCUS

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

<b>Leverage the Cloud, Microservices and APIs</b>	<ul style="list-style-type: none"> <li>45% of total apps running on the cloud – with no downtime from infrastructure issues</li> <li>Built &gt;120 microservices and &gt;1,600 APIs – increasing efficiency of new feature delivery</li> </ul>	
<b>Simplify legacy technology</b>	<ul style="list-style-type: none"> <li>Reduced the number of applications by 7%, reducing complexity</li> <li>Simplified and modernised workplace technology for colleagues</li> <li>87% reduction in High and Critical rated incidents<sup>2</sup></li> </ul>	
<b>Embracing Data &amp; Analytics</b>	<ul style="list-style-type: none"> <li>Delivered data use cases covering at-risk potential lending to customers, payroll fraud, fraud analysis, call centre volumes, financial crime, among others</li> </ul>	
<b>World class cyber security</b>	<ul style="list-style-type: none"> <li>40x increase in data protection efficacy by implementing preventative tools<sup>3</sup></li> <li>Kept losses broadly stable despite significant surge in attempted fraud</li> <li>Achieved a 12% increase in NIST<sup>4</sup> score</li> </ul>	
<b>Culture of high speed delivery</b>	<ul style="list-style-type: none"> <li>Significant reduction in average time to deliver change</li> <li>Generated 11% improvement in developer productivity<sup>5</sup></li> </ul>	
<b>Insourcing key technology functions &amp; uplifting skills</b>	<ul style="list-style-type: none"> <li>Insourcing of major contracts mostly completed, or winding down</li> <li>Tech and Ops insourced component of workforce now 68% from 30%</li> <li>&gt;2,200 industry recognised cloud certifications (#5 of all non-cloud companies globally)</li> </ul>	

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

**Cost reduction**

**NPS<sup>6</sup> increase**

**Improved resilience**

**Faster time to market**

**Safe growth**

**Uplifting colleague skills**

(1) Using 2018 as baseline

(2) Incidents include NAB and BNZ

(3) Representing 40x reduction in actual losses from data breaches since 2018

(4) The NIST Cybersecurity Framework provides cyber security guidance for how organisations can assess and improve their ability to prevent, detect, and respond to cyber attacks.

(5) Based on number of features delivered per engineering FTE since October 2018

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# STRONG TECH FOUNDATIONS ENABLING FASTER SPEED TO MARKET

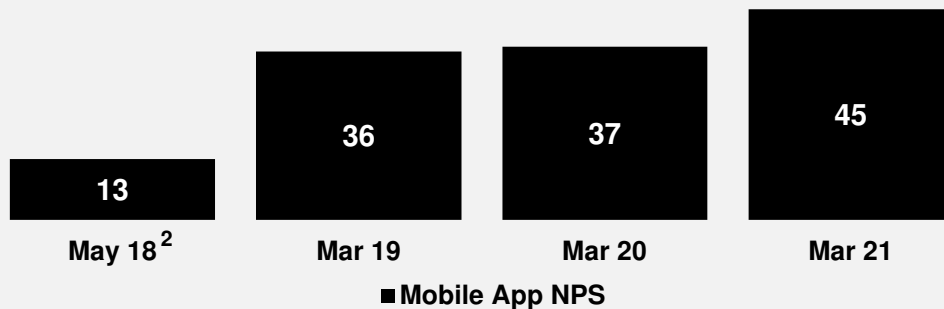
Investment in technology infrastructure and architecture (Cloud, Microservices, APIs) over time has increased speed of delivery for colleagues and customers

## NAB APP – MORE FUNCTIONALITY AND RECORD HIGH NPS<sup>1</sup>

Continued focus on increasing Mobile App functionality

- **Fix rate for home loan** – ability to fix home loan rate through the app, option now also available to joint account holders
- **Start credit card and personal loan account applications from the app**
- **First bank to integrate** with Splyp to provide a digital smart receipting capability – 2021 Canstar Innovation Excellence Award winner

Continued investment in Mobile App generating record high NPS



## IB & NAB CONNECT PLATFORMS MOVED TO CLOUD

After NAB Connect in 2H20, Internet Banking platform infrastructure moved to the cloud in 1H21. Benefits include:

- ✓ *Faster platform performance*
- ✓ *Reduction in deployment times*
- ✓ *Improved monitoring for quicker incident recovery*
- ✓ *Increased platform security*
- ✓ *Auto-scaling capabilities to support high demand periods*
- ✓ *Significantly reduced risk of platform outages*

(1) 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  
(2) Started NPS tracking for the NAB App in May 18



# **ADDITIONAL INFORMATION**

**LONG-TERM: A SUSTAINABLE APPROACH**

# SUSTAINABILITY IS EMBEDDED IN THE LONG-TERM PILLAR OF OUR GROUP STRATEGY

## COMMERCIAL RESPONSES TO SOCIETY'S BIGGEST CHALLENGES



Supporting a low-carbon economy, driving investment in natural assets, helping people reduce financial stress and supporting more sustainable and inclusive communities

### Our priorities:

- Climate change
- Affordable and specialist housing
- Financial health and resilience
- Sustainable agriculture
- Indigenous economic participation

## RESILIENT AND SUSTAINABLE BUSINESS PRACTICES



Managing our environmental, social and governance (ESG) risks and opportunities responsibly, and creating Australia's leading ESG risk capability

### Our priorities:

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

## 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)

# COMMERCIAL RESPONSES – CLIMATE CHANGE

- NAB is the only Australian bank to have signed the United Nations' Collective Commitment to Climate Action
- Focused on supporting customers with their transition plans, aligning our portfolio to net zero emissions by 2050
- Continued drive for opportunities in sustainable financing
- Carbon neutral in operations for over a decade, with ongoing work to drive further efficiencies

Commitments	1H21 Progress
Achieve a Paris Agreement aligned net zero emissions lending portfolio by 2050	<ul style="list-style-type: none"> <li>• Sector specific pathway mapping work is underway and target-setting is on track for completion and disclosure by 2022</li> <li>• Commenced engagement with 100 of our largest GHG-emitting customers on their low-carbon transition pathways</li> <li>• Review of oil &amp; gas sector underway</li> </ul>
Provide \$70bn in environmental financing by 2025	<ul style="list-style-type: none"> <li>• \$47.6bn cumulative progress, \$5.1bn delivered in 1H21<sup>1</sup></li> </ul>
Cap thermal coal mining exposures at Sep 2019 levels, reduce thermal coal mining financing by 50% by 2028 and effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets	<ul style="list-style-type: none"> <li>• 14.7% (\$112.0m) reduction from FY19 including 3.7% (\$24.9m) reduction from FY20. Expected 50% reduction by 2026, and effectively zero by 2030</li> </ul>
Source 100% of our electricity consumption from renewable sources by 2025	<ul style="list-style-type: none"> <li>• 30% of electricity use from renewable sources in 1H21, increase from 6% in 1H20<sup>2</sup></li> <li>• All branches in Australia expected to be powered by 100% renewable energy by the end of 2021</li> </ul>
Reduce operational GHG emissions (tCO <sub>2</sub> -e) by 51% from 2019 levels by 2025 (Science-based target)	<ul style="list-style-type: none"> <li>• 64% reduction in GHG emissions (tCO<sub>2</sub>-e)<sup>2</sup> from FY19<sup>3</sup></li> </ul>
Reduce operational energy use (GJ) by 30% from 2019 levels by 2025	<ul style="list-style-type: none"> <li>• 23% reduction in energy use (GJ)<sup>2</sup> from FY19</li> </ul>

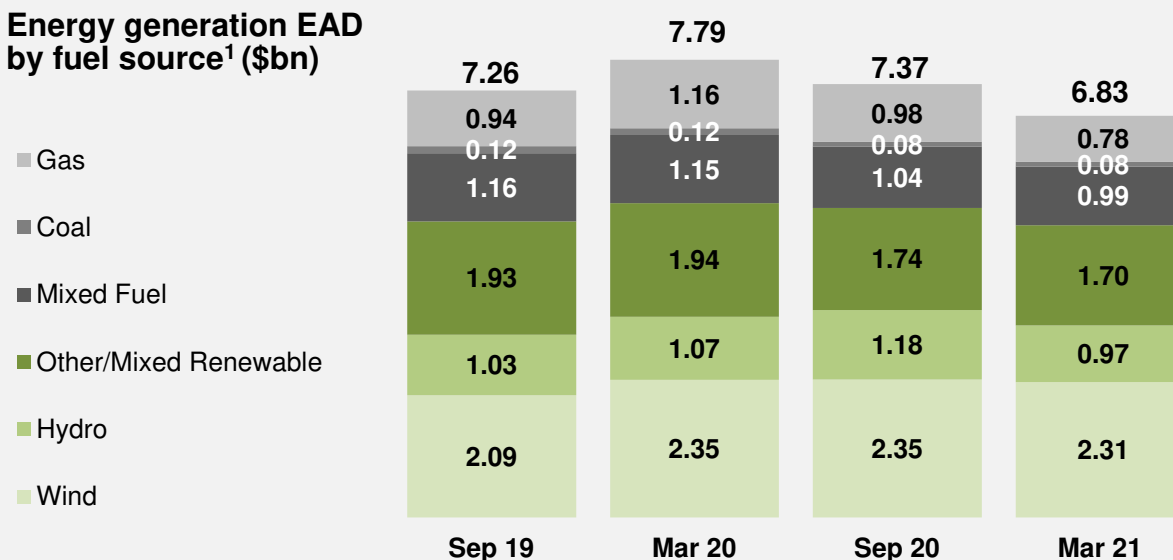
(1) Represents total cumulative new flow of environmental financing from 1 October 2015. Our [2020 Sustainability Data Pack](#) provides a breakdown of what this target includes and how the progress is calculated.

(2) NAB's operational environment numbers, are reported on a July-June performance period, therefore H1 figures refer to 1 July 2020 – 31 December 2020.

(3) The significant progress towards NAB's GHG and energy reductions targets has been influenced by COVID-19 impacts, we do not expect all of the reductions achieved to date to be permanent.

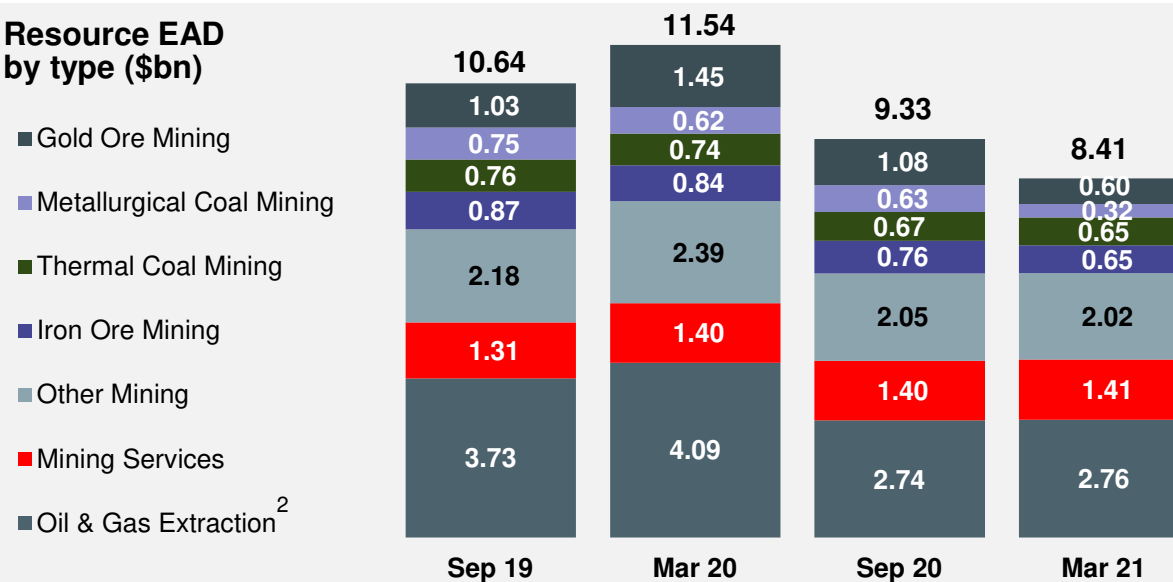
# COMMERCIAL RESPONSES – CLIMATE CHANGE

## Energy generation EAD by fuel source<sup>1</sup> (\$bn)



- Renewables comprise 72.8% of energy generation EAD at 1H21, compared to 68.8% at 1H20
- Longer-term trajectory: renewables have steadily increased from 43.5% of energy generation portfolio at 1H16

## Resource EAD by type (\$bn)



- Thermal coal exposures decreased 12.4% from 1H20, and 3.7% from FY20
- ~36% of thermal coal mining EAD is for performance guarantees to rehabilitate existing coal mine 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.

# COMMERCIAL RESPONSES – CLIMATE CHANGE

## SUSTAINABLE FINANCING

- #10 in Climate Bond Initiative's list of largest cumulative global issuers of certified climate bonds<sup>1</sup>
- Led issuance of 12 green, social, sustainability and sustainability-linked (GSS) bonds raising over \$5bn for customers, including:
  - Australian-first: Arranged and led \$190 million Climate Bond certified 100% green asset-backed securitisation from Brighte, to help Australian families save on energy bills
  - New Zealand-first: BNZ led the first on-farm sustainability-linked loan, a three-year \$50m loan set to deliver water, emissions and biodiversity benefits
- Together with Melbourne Business School, we are raising the bar on Climate Banking professionalisation, having highly skilled bankers work with customers on their transition planning



**Green bonds - asset-backed/asset-based bond of the year:**  
**Brighte Green Trust**



**Best Sustainable Finance House**



**Best Refinancing of the Year –€100m incorporating a sustainability linked loan. NAB acted as Joint Lead Sustainability Arranger**

## TOP RENEWABLE ENERGY PLAYERS – AUSTRALIA<sup>2</sup>

Cumulative value of deals in US\$bn (2004 – 31 March 2021)

<b>National Australia Bank Ltd</b>	<b>2.7</b>
Clean Energy Finance Corp	1.6
Mitsubishi UFJ Financial Group Inc	1.6
Westpac Banking Corp	1.5
Australia & New Zealand Banking Group Ltd	1.4
Sumitomo Mitsui Financial Group Inc	1.4
Mizuho Financial Group Inc	1.2
Societe Generale SA	1.2
Commonwealth Bank of Australia	1.2
BNP Paribas SA	0.9

## DISASTER RESILIENCE

- >1,700 grants worth over >\$3m provided to support customers and colleagues whose homes and business' are affected by NSW floods and WA Cyclone Seroja<sup>3</sup>
- \$100,000 committed to each of NSW SES and GIVIT's Severe Storms and Flooding relief package<sup>3</sup>
- Launched \$1.2m NAB Foundation Community Grants program to help customers prepare for and recover from natural disasters, as well as building resilience against future disasters
- Committed \$10m over the next ten years as part of NAB's Environmental Resilience Fund for regional projects that improve resilience to natural disasters

(1) Ranking as at October 2020

(2) BloombergNEF Country Profile for Australia - Top Renewable Energy Players (2004 to 1Q 2021). Cumulative totals are in USD as at 31 March 2021. Totals do not include large hydro

(3) Support provided for customers and colleagues affected by natural disasters will cover payments made after 31 March 2021



# COMMERCIAL RESPONSES – SUPPORTING INDUSTRY AND COMMUNITIES

## FINANCIAL HEALTH AND INCLUSION

- Implemented measures to block descriptions in transfers made via internet banking that contain abusive, threatening or explicit language to further our work in addressing financial abuse
- Ongoing capital commitment of \$130 million to support microfinance initiatives, including >\$1m worth of NILS loans provided to support customers affected by COVID-19
- Australian Network on Disability Access and Inclusion Index score of 71, compared with an average of 44 from participating organisations
- Rolling out Portable Hearing Loop devices across all branches to support customers who are hard of hearing

## INDIGENOUS ECONOMIC PARTICIPATION

- Progressed key NAB Elevate Reconciliation Action Plan<sup>1</sup> commitments:
  - \$1.5m spent with Indigenous businesses in NAB's supply chain
  - 3,443 microfinance loans provided to Indigenous Australians<sup>2</sup>
- Increased calls to the Indigenous Customer Service Line, with >1,880 customers served during 1H21
- Released our first radio advertising campaign available in seven First Nations languages

## SUSTAINABLE AGRICULTURE

- Progressed NAB's Natural Capital Roadmap through continued collaboration with ClimateWorks, presenting the Natural Capital Metric Catalogue to a range of advisory industry bodies, technology, research, financial institutions and government stakeholders
- Supported a CSIRO research project to develop and apply a framework for natural capital risk assessment in the Australian forestry industry

## AFFORDABLE AND SPECIALIST HOUSING

- Financed ~240 affordable and environmentally sustainable dwellings with Nightingale Housing across multiple projects; Nightingale Village, Terrace House & Ballarat. These contribute towards NAB's goal of \$2bn in financing for affordable and specialist housing by FY23
- Closed GBP 212.5m deals to English Regulated Housing Associations, over 50% structured on a sustainability-linked basis<sup>3</sup>
- Joint-lead manager and ESG Structuring Bank for Kensington Mortgage Company's world-first social GBP 472m RMBS, improving access to finance for buyers with non-traditional incomes

(1) NAB's Elevate Reconciliation Action Plan (2019-2021) outlines our commitments to support Indigenous Australians, available at <http://nab.com.au/indigenous>

(2) Microfinance loans provided in partnership with Good Shepherd Australia and New Zealand (GSANZ), loans provided to Indigenous Australians are reported aligned to GSANZ's July-June reporting year. 1H21 numbers therefore reflect 1 July 2020 – 31 December 2020

(3) Deals lead by NAB London Branch, an "Early adopter" to the Sustainability Reporting Standard for Social Housing in the UK

# RESILIENT AND SUSTAINABLE BUSINESS PRACTICES

## INCLUSIVE CULTURE

- Belonging for all: additional gender marker and salutation options added to our systems
- NAB CEO committed to stand against gendered harassment and violence by signing Diversity Council Australia's #IStandForRespect pledge, committing to continue to address sexual and sex-based harassment in the workplace
- Offered 41 traineeships to Indigenous Australians and offered 10 virtual Summer Internship for Indigenous Australians<sup>1</sup>
- Supported the 'Gari Yala' research into the experiences of First Nations employees in workplaces across Australia, incorporating key findings into NAB's employment strategies
- WGEA Employer of Choice for Gender Equality citation, ranked #14th Globally in Equileap's 2021 Gender Equality Global Report and Ranking and included in the 2021 Bloomberg Gender-Equality Index



## SUSTAINABLE PROPERTY PORTFOLIO

- Upon completion, all new commercial buildings are expected to achieve a 5 Star Green rating
- Our new commercial buildings are designed to be intuitive and adaptive spaces for colleagues to connect in the office and virtually



## PRINCIPLES FOR RESPONSIBLE BANKING

- NAB driving progress to align to Principles<sup>2</sup> with a focus on:
  - **Impact analysis:** Piloting the Portfolio Impact Analysis tool, assessing environmental and social impacts of our product portfolio. Disclosure on this process to take place in NAB's FY21 reporting
  - **Target-setting:** Contributing to member sub-groups to develop guidance for consistent, appropriate target setting with regards to biodiversity and financial inclusion
  - **Collective progress:** Supporting and aligning activities across banks for the measurement of collective progress

(1) Data is as at 31 March 2021. Active recruitment for Traineeships will continue throughout 2021

(2) The United Nations Principles for Responsible Banking are a unique framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement. Banks representing one third of the global banking sector have committed to the Principles



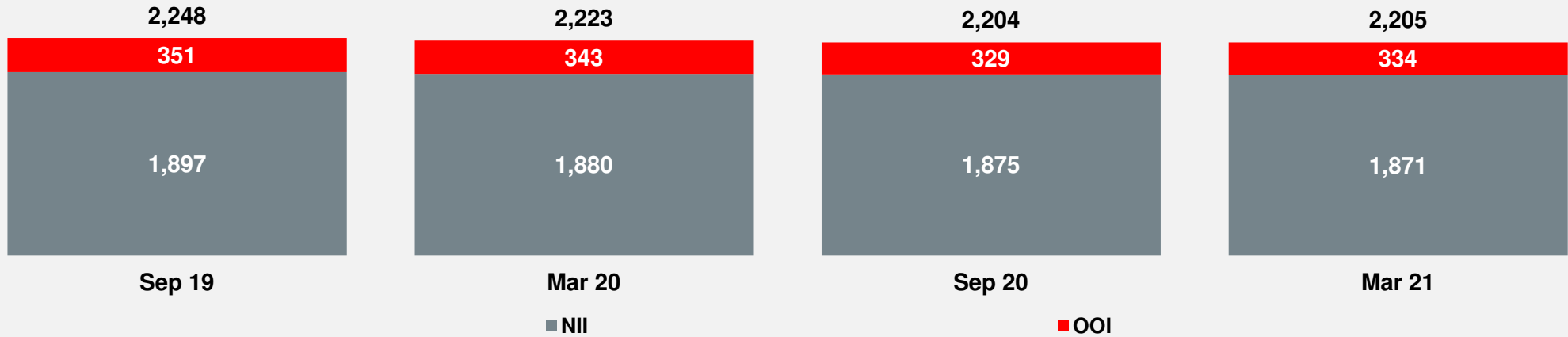
# **ADDITIONAL INFORMATION**

## **AUSTRALIAN BUSINESS LENDING**

# KEY METRICS

## BUSINESS LENDING REVENUE

(\$m)



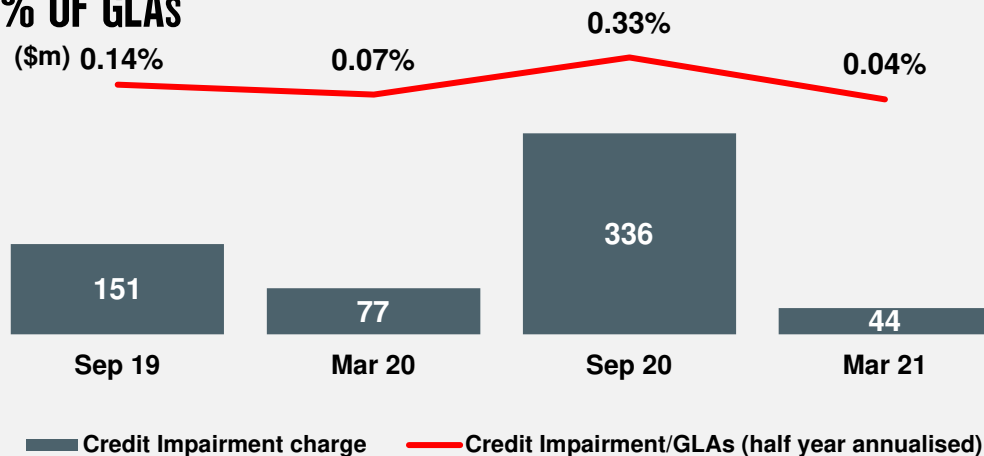
## BUSINESS LENDING GLAs

(\$bn)

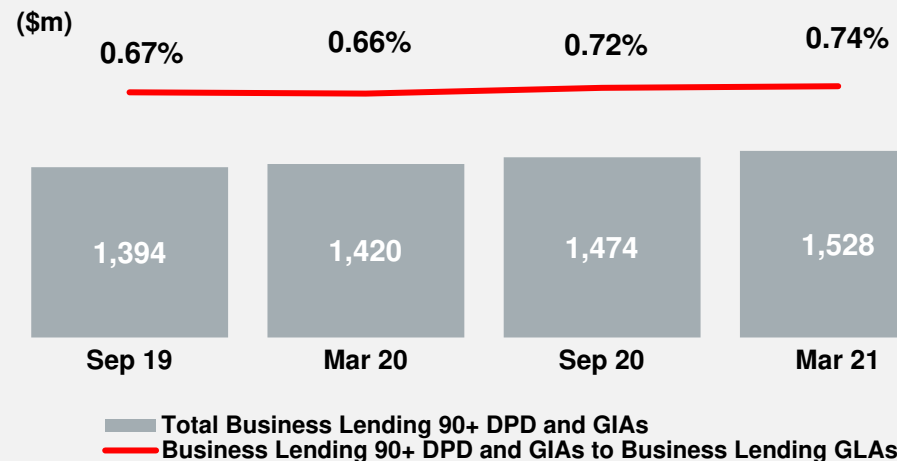


# BUSINESS LENDING ASSET QUALITY

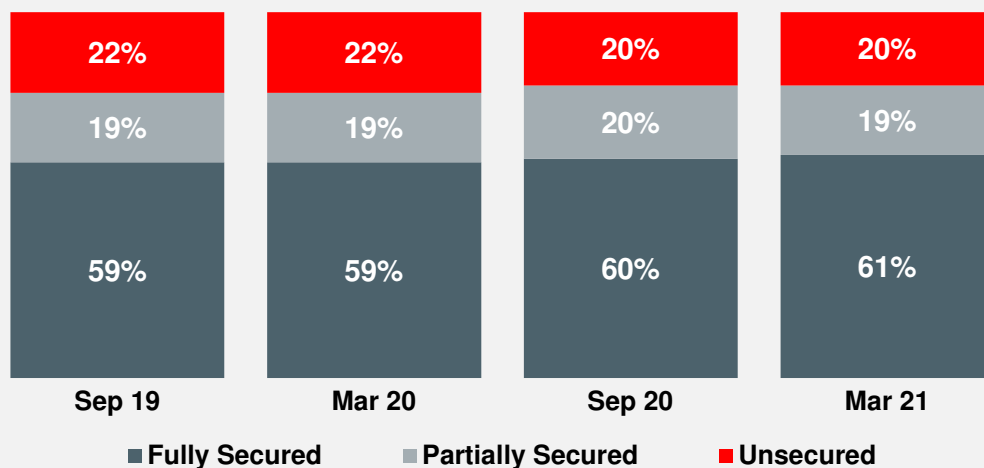
## BUSINESS LENDING CREDIT IMPAIRMENT CHARGE AND AS % OF GLAs



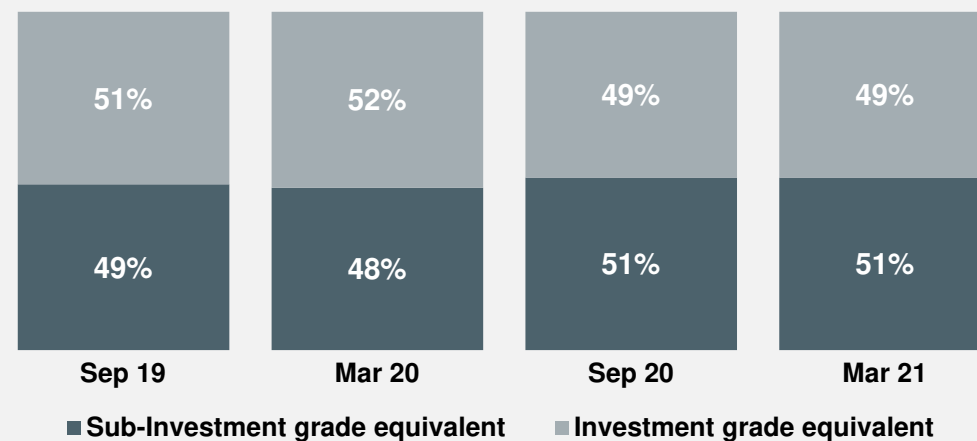
## BUSINESS LENDING 90+ DPD AND GIAs AND AS % OF GLAs



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



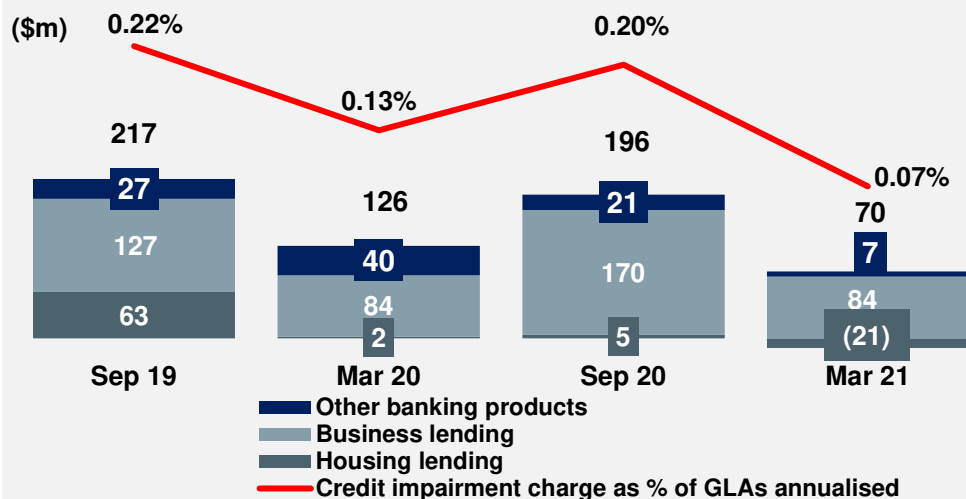
## BUSINESS LENDING PORTFOLIO QUALITY



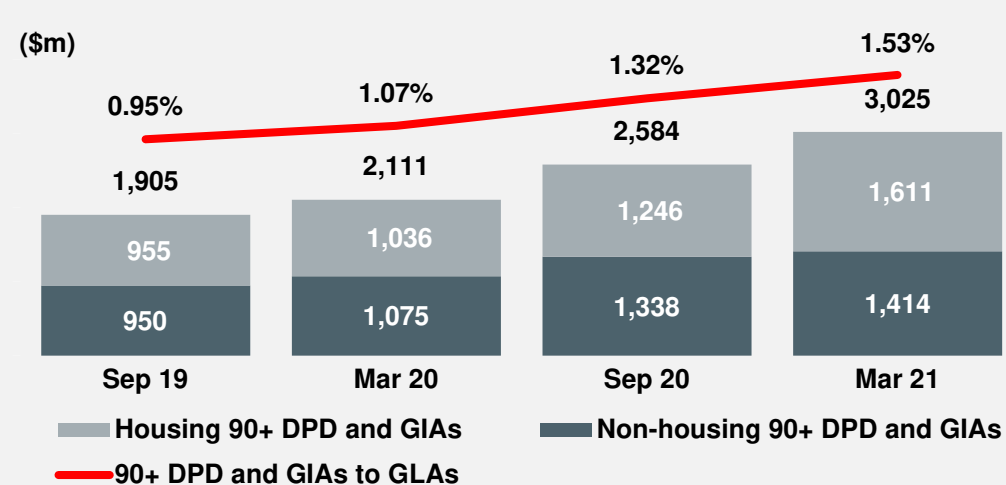
(1) Fully Secured is where the loan amount is less than 100% of the bank extended value of security; Partially Secured is where the loan amount is greater than 100% of the bank extended value of security; Unsecured is where no security is held and/or no value held against the security and negative pledge 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

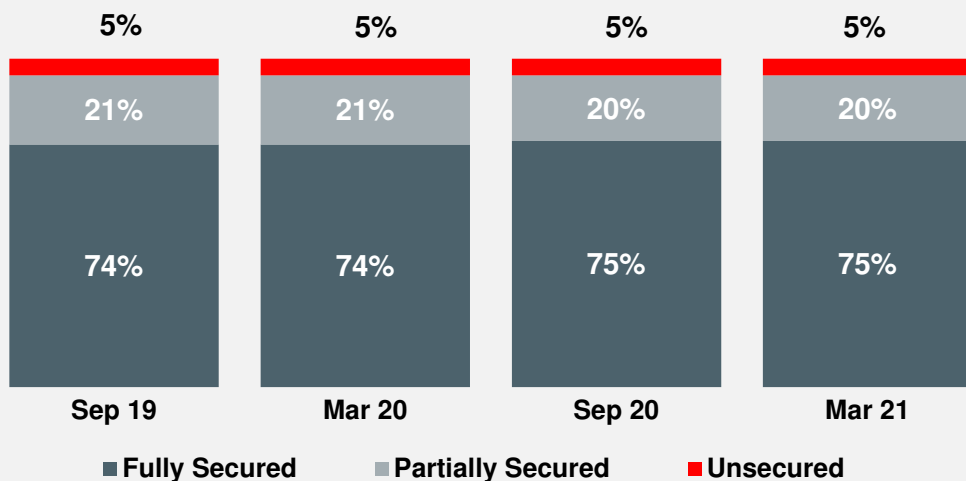
## B&PB CREDIT IMPAIRMENT CHARGE AND AS % OF GLAs<sup>1</sup>



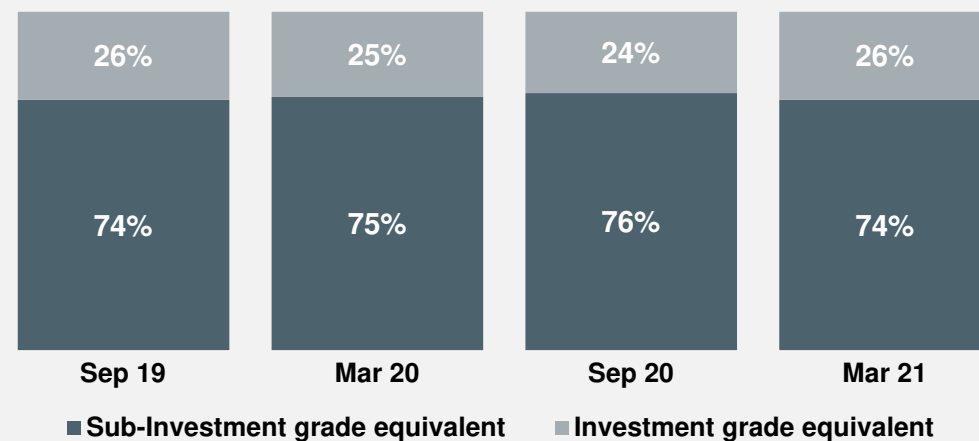
## B&PB 90+ DPD AND GIAs AND AS % OF GLAs<sup>1</sup>



## 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

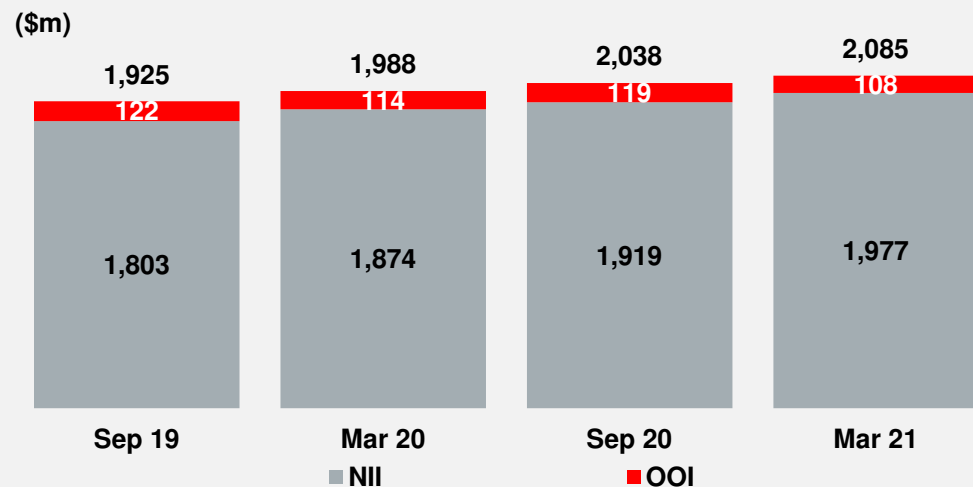


# **ADDITIONAL INFORMATION**

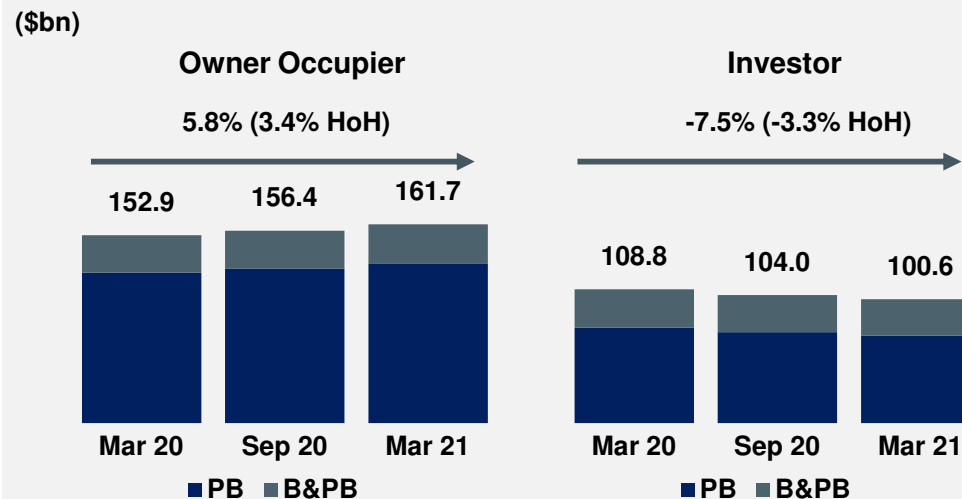
## **AUSTRALIAN HOUSING LENDING**

# HOUSING LENDING PORTFOLIO PROFILE

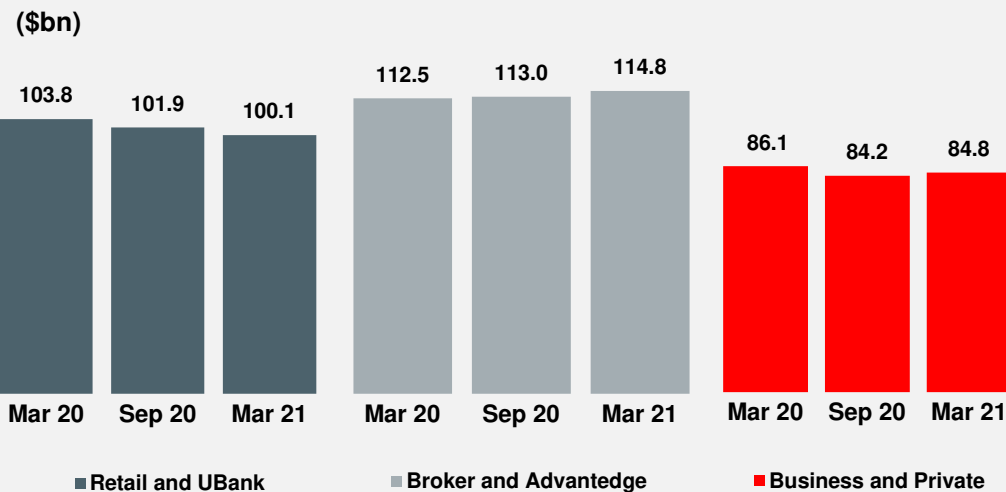
## HOUSING LENDING REVENUE



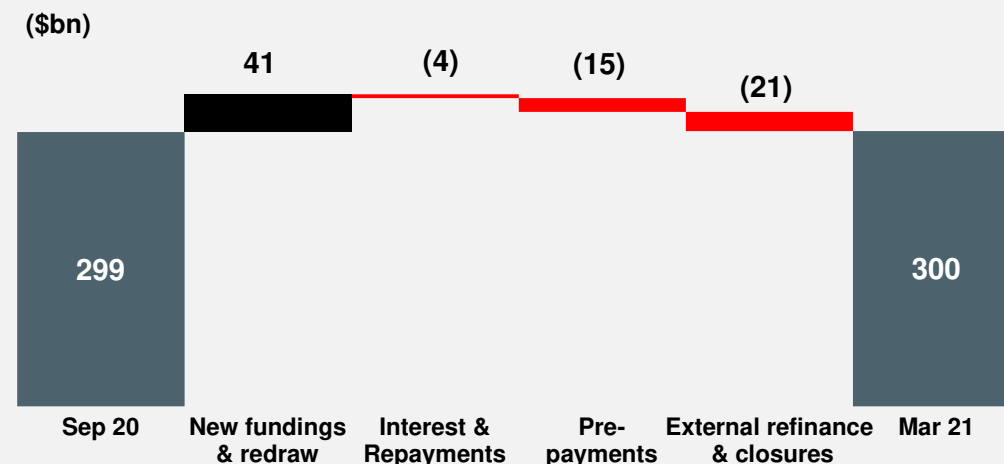
## HOUSING LENDING VOLUME GROWTH<sup>1</sup>



## HOUSING LENDING BY CHANNEL



## HOUSING LENDING FLOW MOVEMENTS

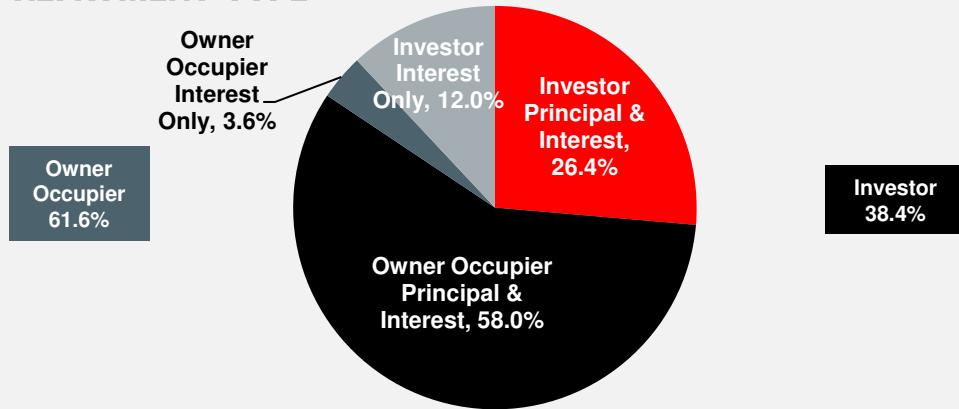


(1) APRA Monthly Authorised Deposit-taking Institution statistics March 2021. UBank included in Personal Banking

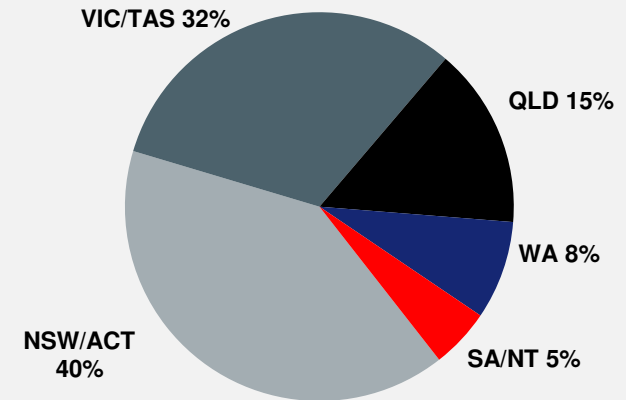


# HOUSING LENDING PORTFOLIO PROFILE

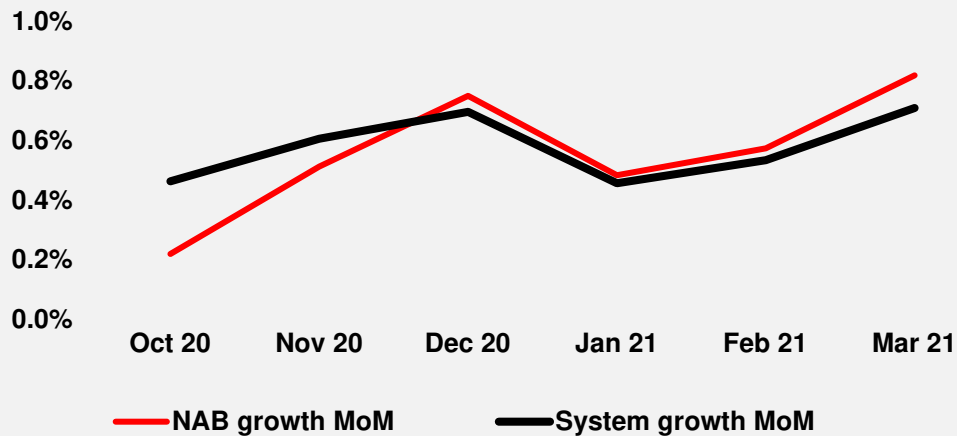
## HOUSING LENDING VOLUME BY BORROWER AND REPAYMENT TYPE<sup>1</sup>



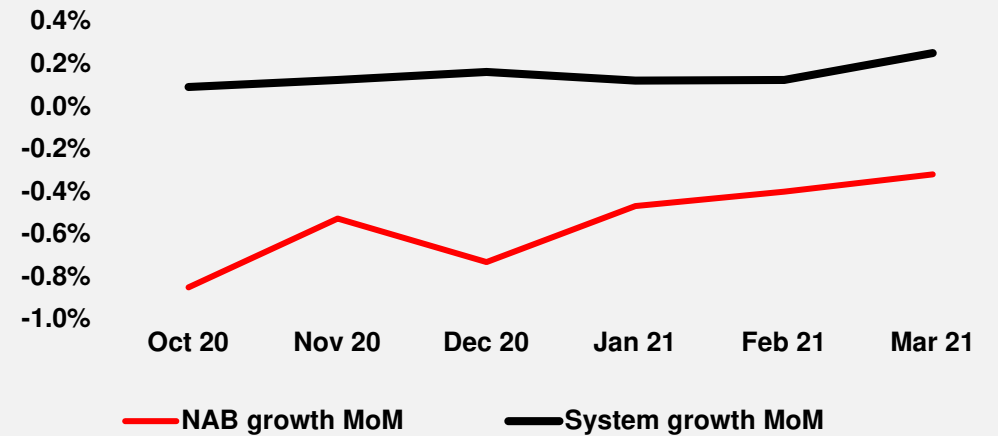
## AUSTRALIAN MORTGAGES STATE PROFILE



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



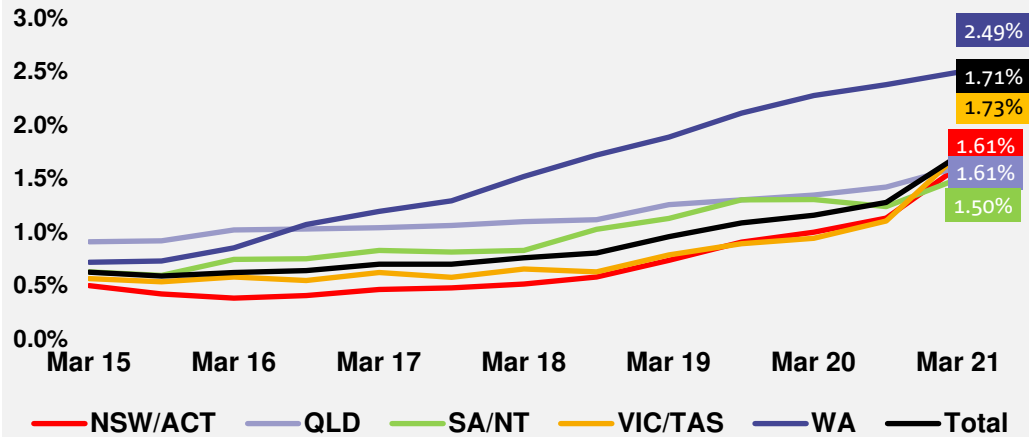
## INVESTOR MONTHLY GROWTH<sup>1</sup>



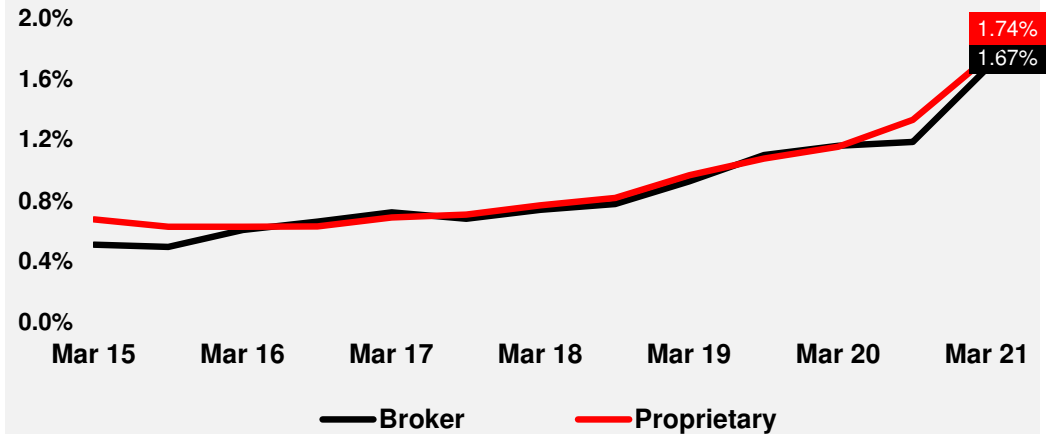
(1) Only includes housing loans to households based on APRA ARF 720.1 reporting definitions, and excludes counterparties such as private trading corporations

# HOUSING LENDING PORTFOLIO PROFILE

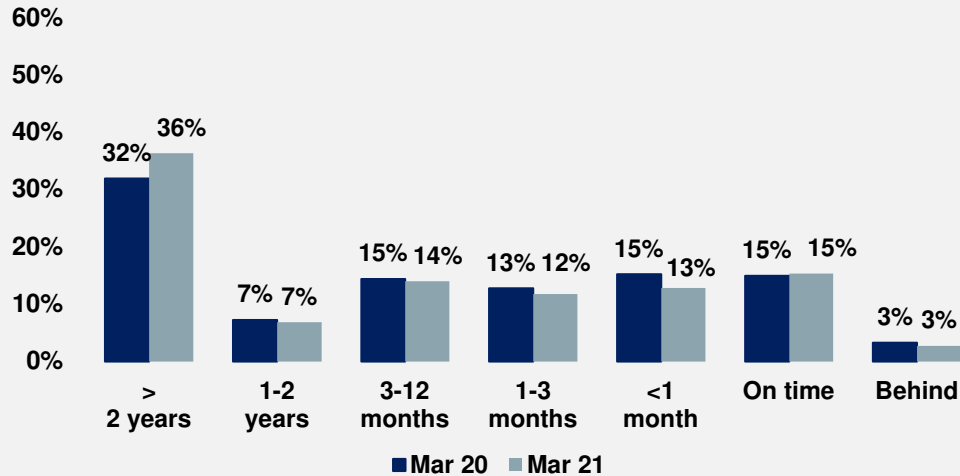
## HOUSING LENDING 90+ DPD & GIAs AS % OF GLAs



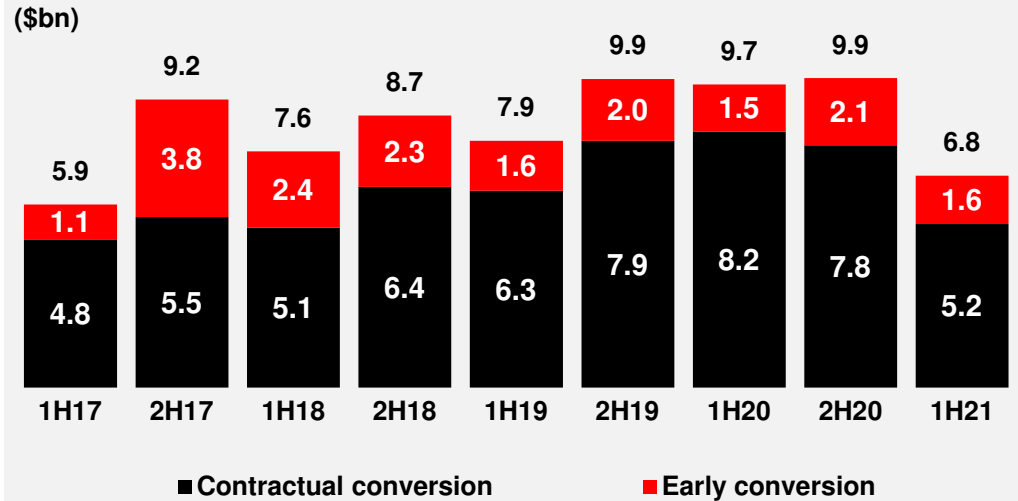
## 90+ DPD & GIAs AS % OF TOTAL HOUSING LENDING GLAs – BY CHANNEL



## REPAYMENT BUFFERS<sup>1</sup>



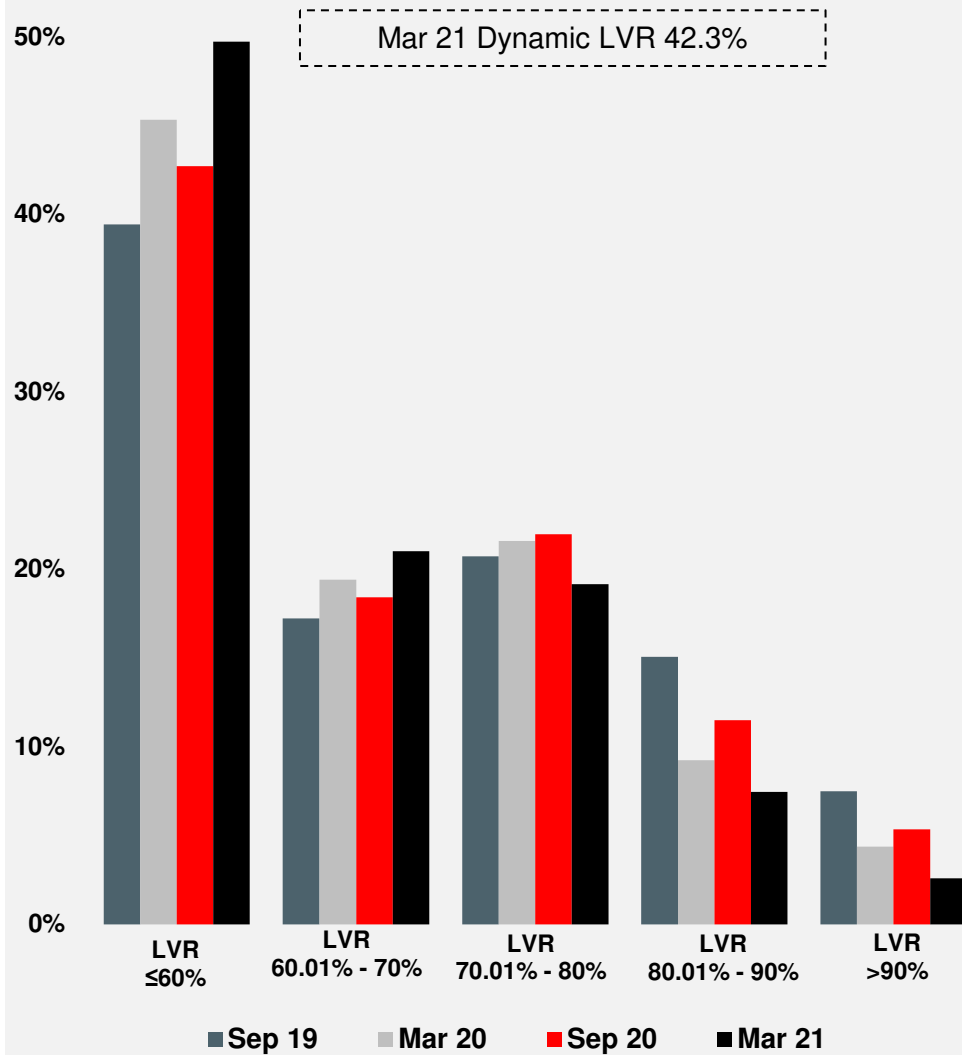
## INTEREST ONLY CONVERSIONS TO P&I



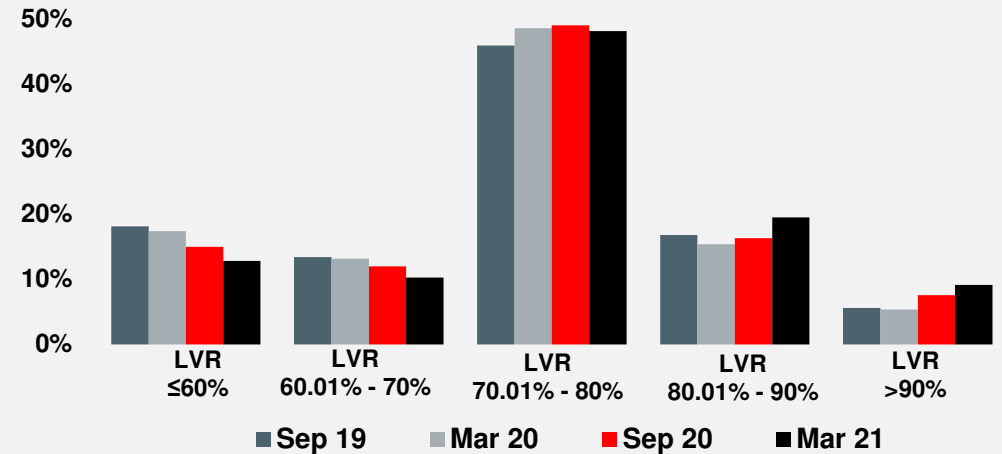
(1) Represents payments in advance by accounts. Includes offsets. Excludes Advantedge book and line of credit

# HOUSING LENDING PORTFOLIO QUALITY

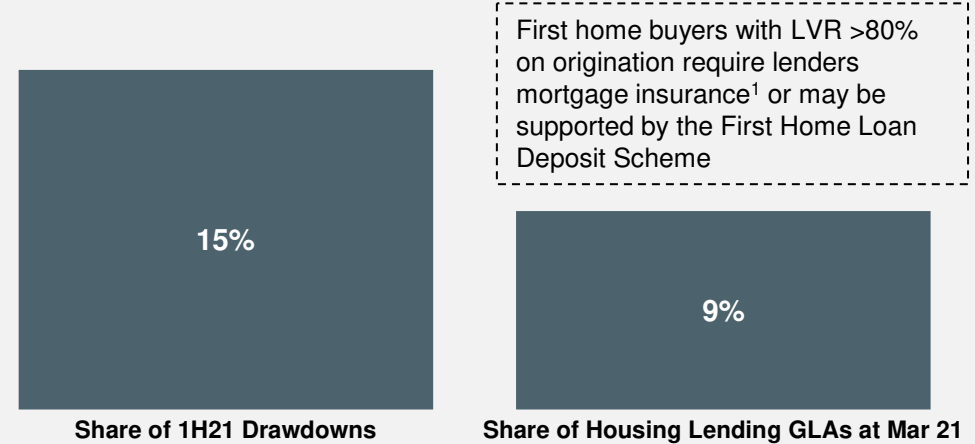
## DYNAMIC LVR BREAKDOWN OF DRAWN BALANCE



## LVR BREAKDOWN AT ORIGINATION



## INCREASED FIRST HOME BUYER ACTIVITY



(1) LMI may be waived in certain limited scenarios, subject to meeting eligibility criteria

# 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 (2.5%) 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 (2.5%) 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>

## 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	Sep 19	Mar 20	Sep 20	Mar 21		Mar 20	Sep 20	Mar 21
	<b>Portfolio</b>					<b>Drawdowns<sup>2</sup></b>		
Total Balances (spot) \$bn	304	302	299	300		27	29	32
Average loan size \$'000	308	309	309	310		389	383	401
- Variable rate	73.5%	75.9%	71.9%	67.8%		78.5%	64.0%	53.2%
- Fixed rate	20.4%	18.3%	22.8%	27.3%		20.4%	35.0%	45.8%
- Line of credit	6.1%	5.8%	5.3%	4.9%		1.1%	1.1%	1.0%
By borrower type								
- Owner Occupied <sup>3,4</sup>	56.9%	58.4%	60.1%	61.6%		67.7%	70.1%	71.3%
- Investor <sup>3,4</sup>	43.1%	41.6%	39.9%	38.4%		32.3%	29.9%	28.7%
By channel								
- Proprietary	63.3%	62.8%	62.2%	60.0%		54.6%	53.1%	52.1%
- Broker	36.7%	37.2%	37.8%	40.0%		45.4%	46.9%	47.9%
Interest only <sup>5</sup>	19.8%	17.2%	14.8%	13.6%		17.4%	17.9%	17.3%
Low Documentation	0.4%	0.4%	0.4%	0.3%				
Offset account balance (\$bn)	29.0	30.0	32.6	33.3				
LVR at origination	69.0%	69.1%	69.2%	69.5%				
Dynamic LVR on a drawn balance calculated basis	47.6%	44.6%	45.5%	42.3%				
Customers in advance ≥1 month <sup>6</sup> (including offset facilities)	66.1%	66.5%	69.9%	69.1%				
Avg # of monthly payments in advance <sup>6</sup> (including offset facilities)	34.3	36.3	43.4	45.1				
90+ days past due	0.98%	1.04%	1.18%	1.61%				
Impaired loans	0.11%	0.12%	0.10%	0.10%				
Specific provision coverage ratio	33.4%	33.3%	35.4%	32.8%				
Loss rate <sup>7</sup>	0.02%	0.02%	0.02%	0.01%				
Number of properties in possession <sup>8</sup>	320	268	155	113				
HEM reliance	27%	33%	33%	35%				

(1) Excludes Asia

(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

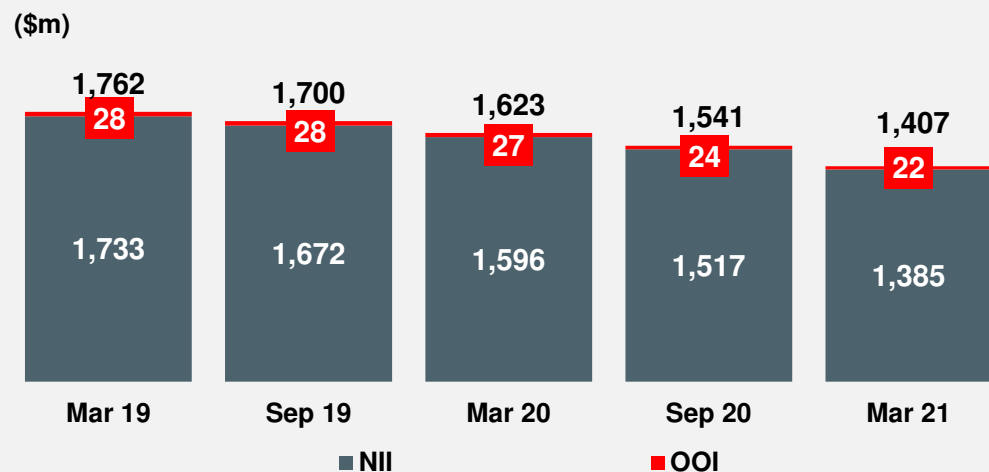


# **ADDITIONAL INFORMATION**

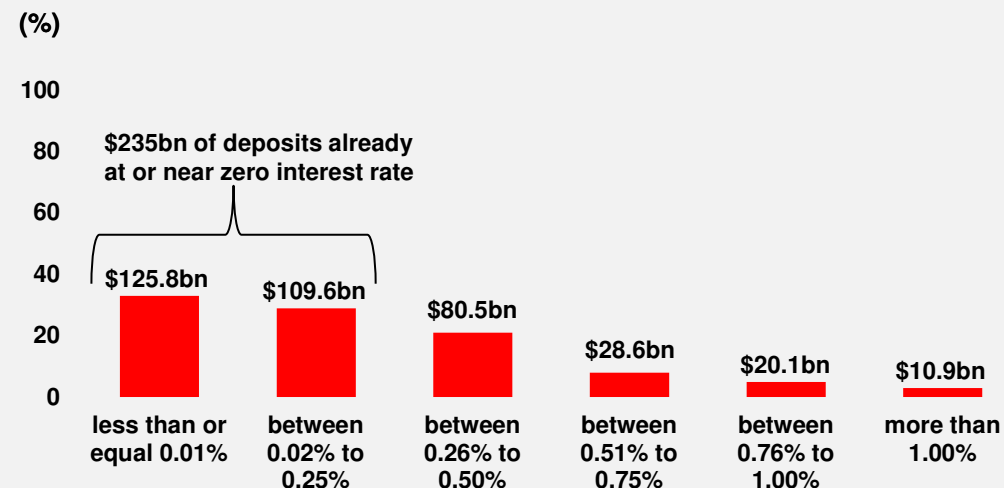
**OTHER AUSTRALIAN PRODUCTS**

# DEPOSITS & TRANSACTION ACCOUNTS

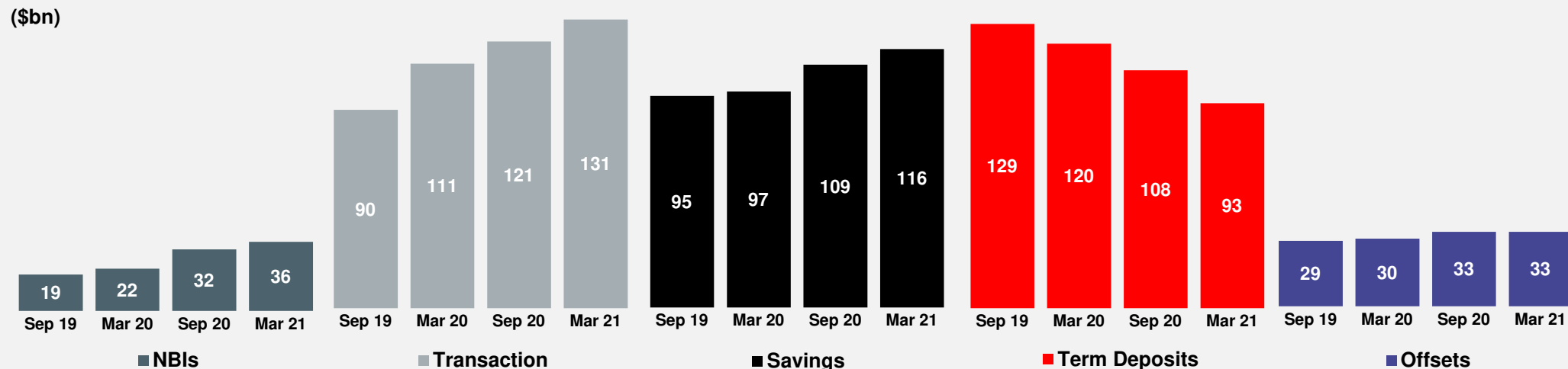
## DEPOSIT REVENUE



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



## CUSTOMER DEPOSIT BALANCES BY PRODUCT

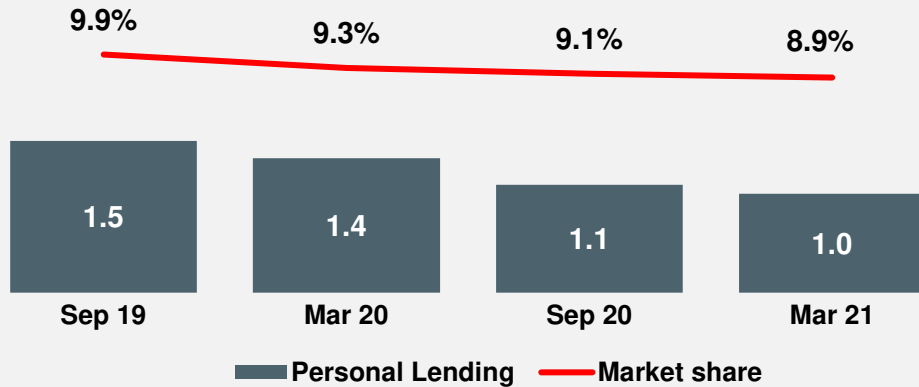


(1) Australia only, as at 31 March 2021. Customer deposits exclude home loan offsets

# OTHER BANKING PRODUCTS

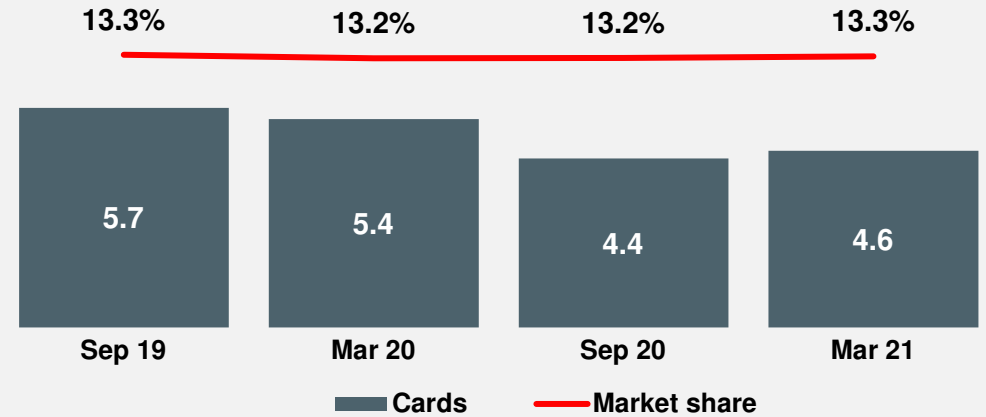
## PERSONAL LENDING BALANCE AND MARKET SHARE<sup>1</sup>

(\$bn)



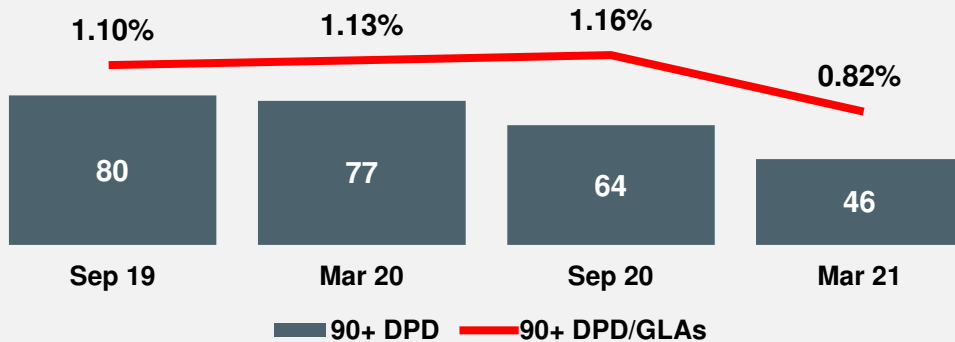
## CARDS BALANCE AND MARKET SHARE<sup>2,3</sup>

(\$bn)

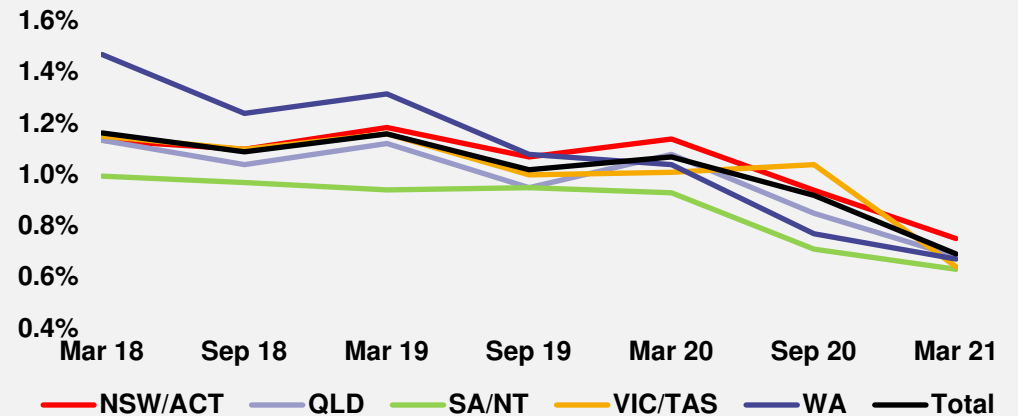


## CARDS<sup>2</sup> AND PERSONAL LENDING 90+ DPD AND AS % OF TOTAL CARDS AND PERSONAL LENDING GLAs

(\$m)



## CONSUMER CARDS 90+ DPD AS % OF OUTSTANDINGS



(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



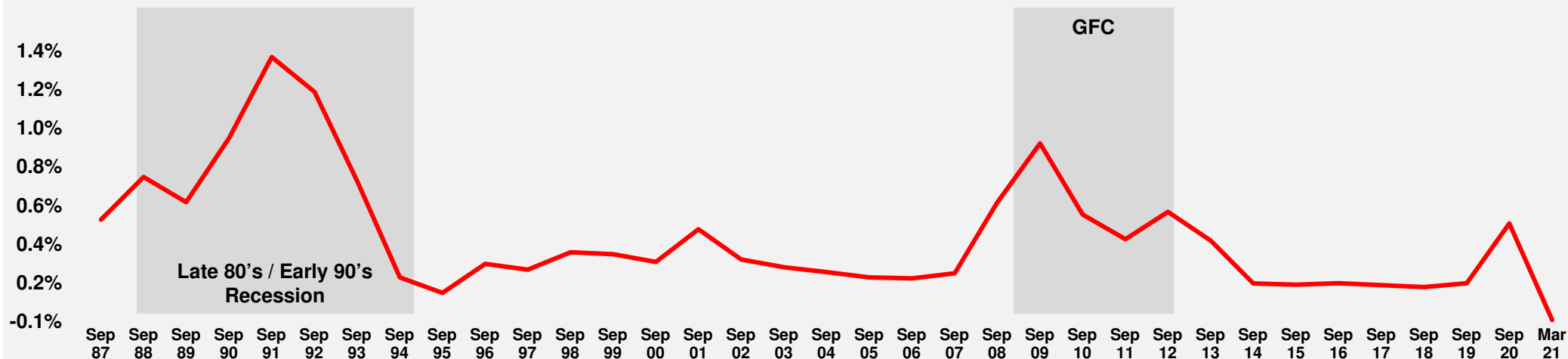


# **ADDITIONAL INFORMATION**

## **GROUP ASSET QUALITY**

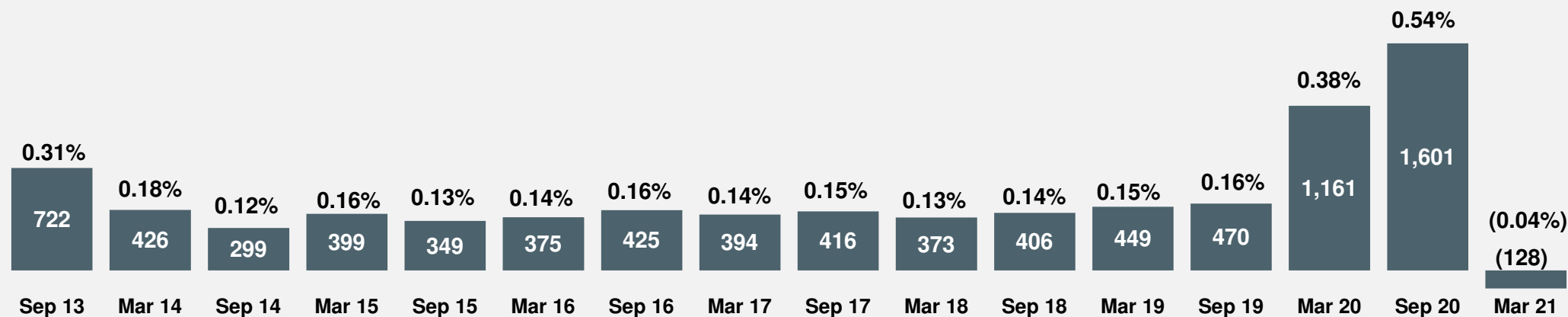
# GROUP CREDIT IMPAIRMENT CHARGE

## CREDIT IMPAIRMENT CHARGE AS % OF GLAs



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

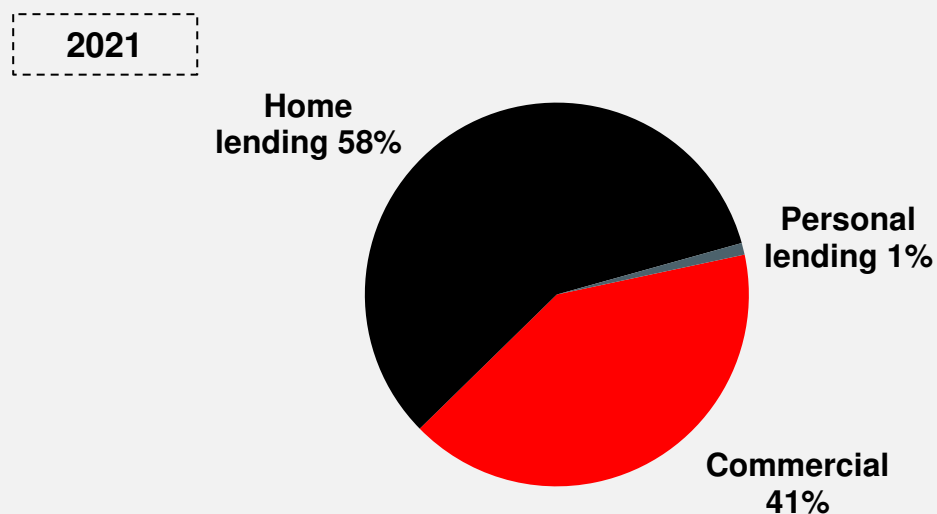
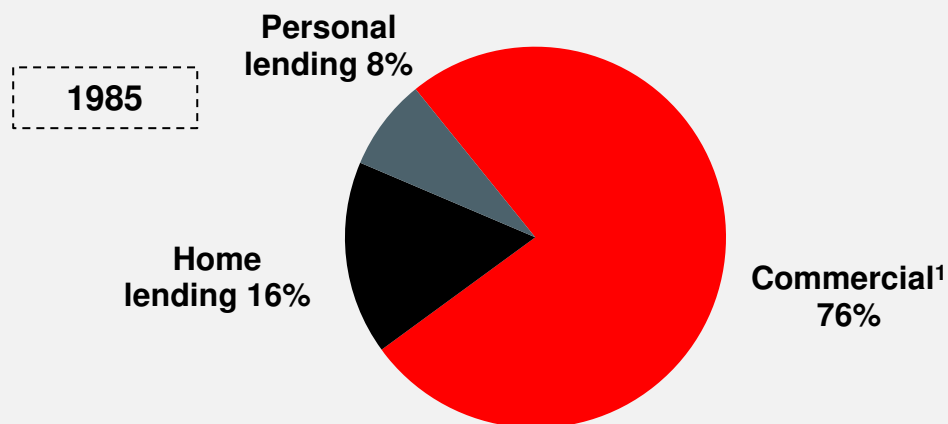
(\$m)



(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 - 2020 <sup>2</sup>	Long run average
Home lending <sup>3</sup>	0.03%
Personal lending <sup>3</sup>	1.55%
Commercial <sup>3</sup>	0.53%
Australian average (1985-2020)	0.33%
<b>Group average<sup>4</sup> based on 2021 business mix</b>	<b>0.25%</b>
<b>Group average<sup>4</sup> based on 2021 business mix excluding 1991-1993 and 2008-2010</b>	<b>0.18%</b>

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

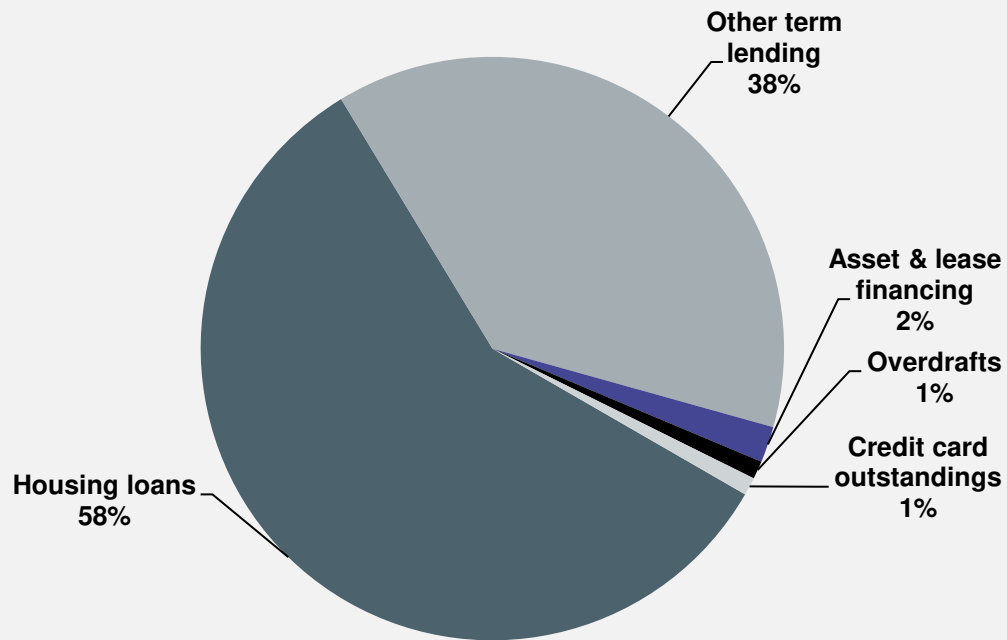
(2) Data used in calculation of net write off rate as a % of GLAs is based on NAB's Australian geography and sourced from NAB's Supplemental Information Statements (2007 - 2020) and NAB's Annual Financial Reports (1985 - 2006)

(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

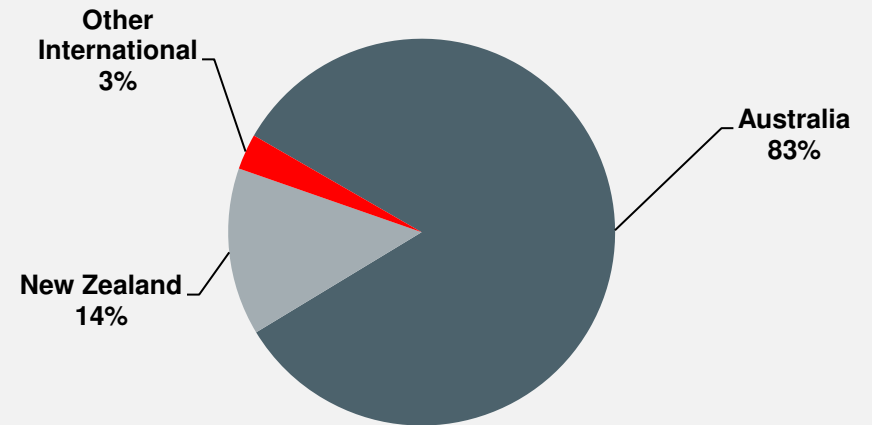
(4) Group average is calculated by applying each of the Australian geography long run average net write off rates by product to the respective percentage of Group GLAs by product as at 31 March 2021. Commercial long run average net write off rate has been applied to acceptances

# GROUP LENDING MIX

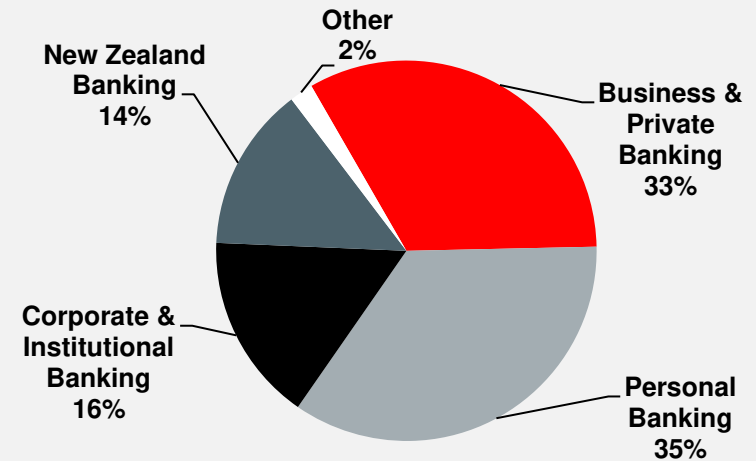
## GROSS LOANS AND ACCEPTANCES BY PRODUCT - \$599BN



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



## GROSS LOANS AND ACCEPTANCES BY BUSINESS UNIT

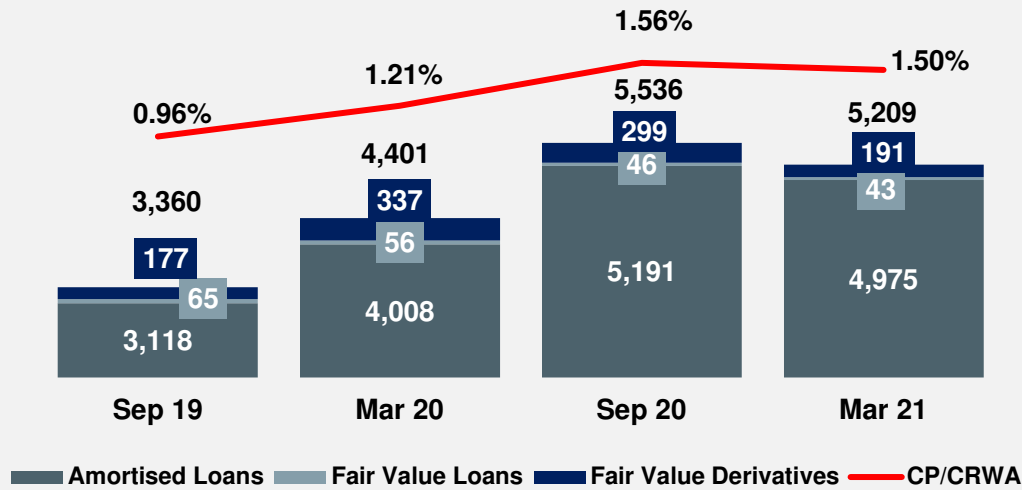


(1) Based on booking office where transactions have been recorded

# GROUP PROVISIONS

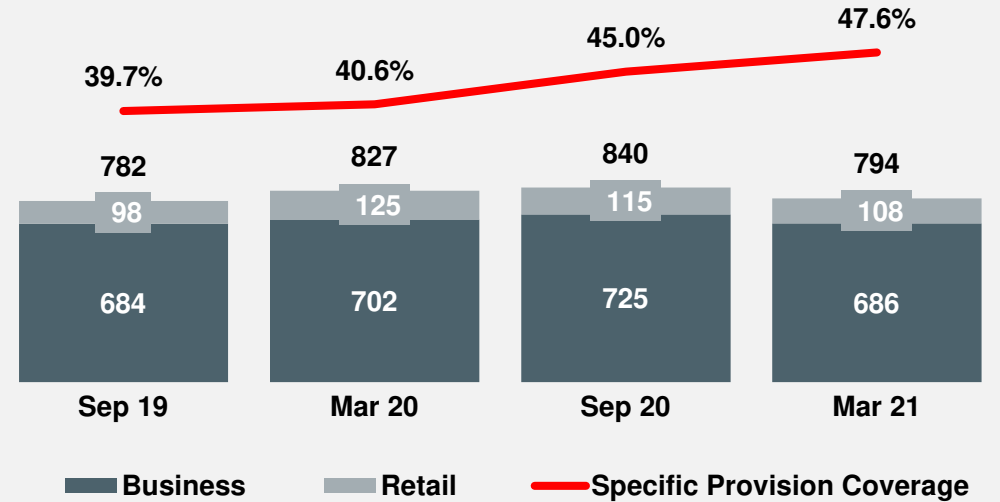
## COLLECTIVE PROVISIONS

(\$m)



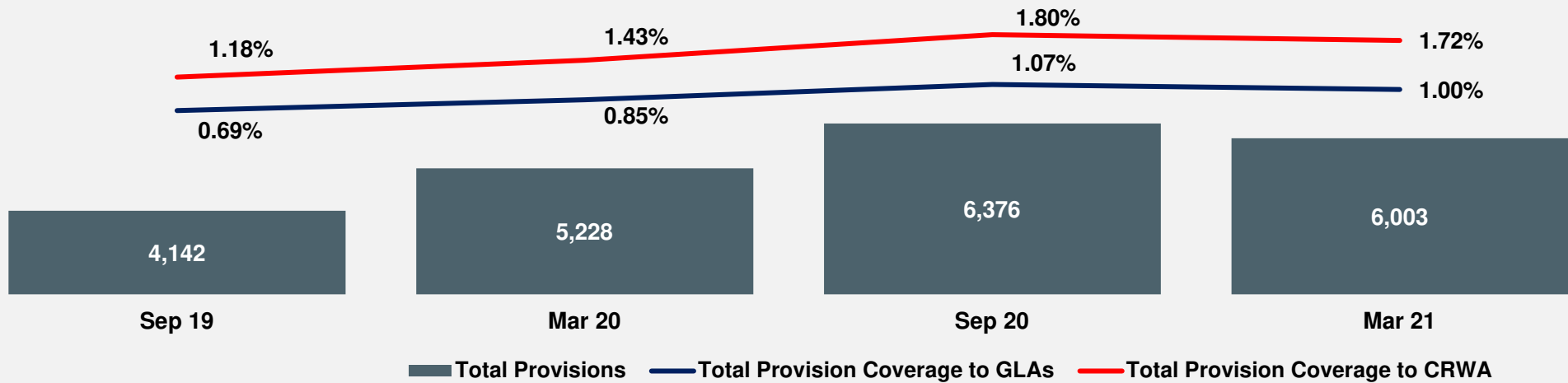
## SPECIFIC PROVISIONS

(\$m)



## TOTAL PROVISIONS

(\$m)



# ECL ASSESSMENT

## ECL SCENARIOS

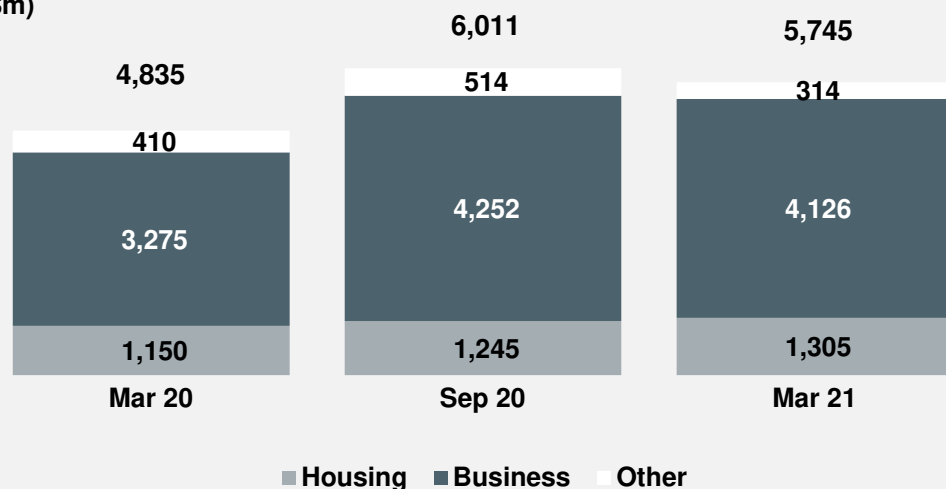
	Total Provisions for ECL <sup>1,2</sup>		
\$m	1H21 (probability weighted)	100% Base case	100% Downside
Total Group	5,745	4,904	7,330
Change vs Sep 20	(266)	(707)	(444)

## KEY CONSIDERATIONS

- Modest underlying CP release reflecting improved environment and customer positions
- Modest EA release reflecting upgraded economic assumptions partly offset by changes to scenario weightings including reduced upside weighting (15% to 5%) with base case now capturing part of previously assumed upside
- Detailed analysis of exposures most at risk driving higher target sector FLAs
- Limited change in exposures (total and mix)

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

(\$m)



## ECONOMIC ASSUMPTIONS

Economic assumptions considered in deriving ECL scenarios as at Mar 21						
	Base case			Downside		
%	2021	2022	2023	2021	2022	2023
GDP change (Year ended September)	5.3	2.6	2.5	(0.1)	(4.7)	2.8
Unemployment (as at 30 September)	6.2	5.5	5.0	7.5	9.5	9.0
House price change (Year ended September)	7.7	6.5	3.5	(5.7)	(9.6)	(5.4)

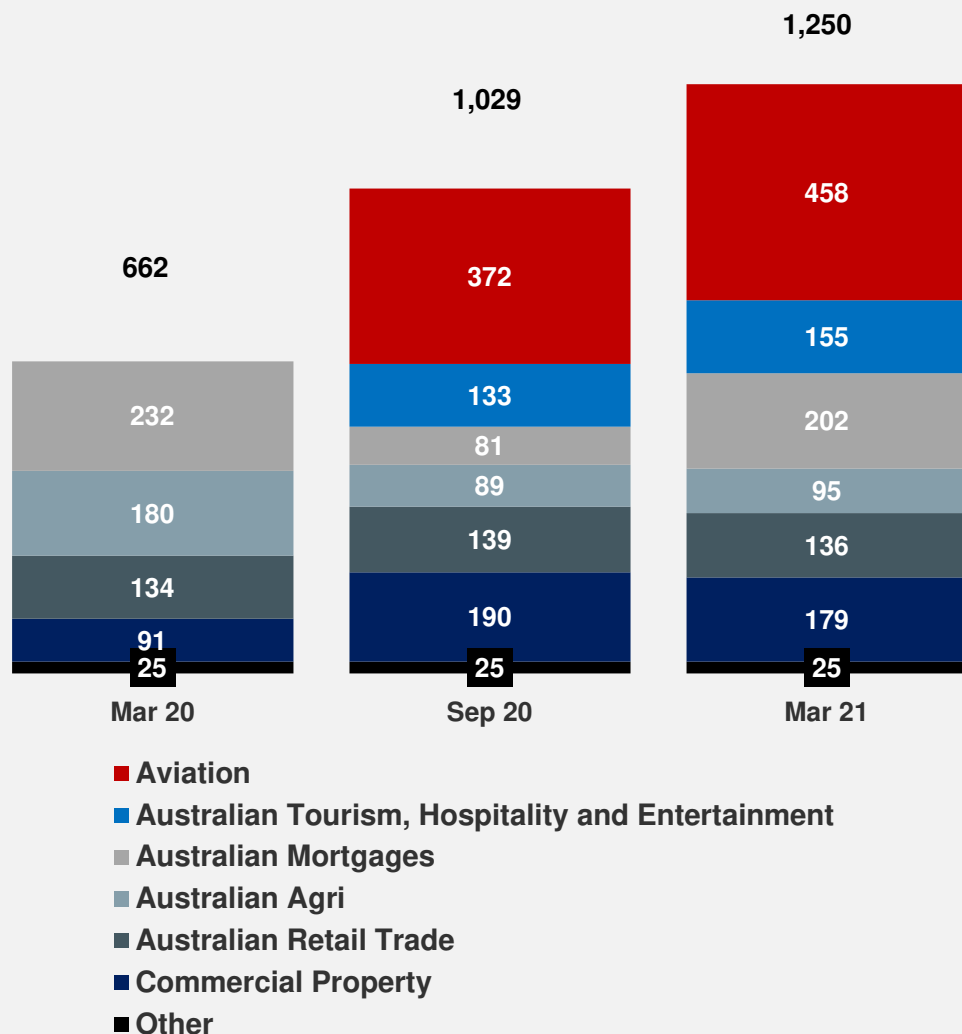
(1) ECL excludes provisions on fair value loans and derivatives

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

# TARGET SECTOR FLAs STRENGTHENED

## COLLECTIVE PROVISION TARGET SECTOR FLAs

(\$m)

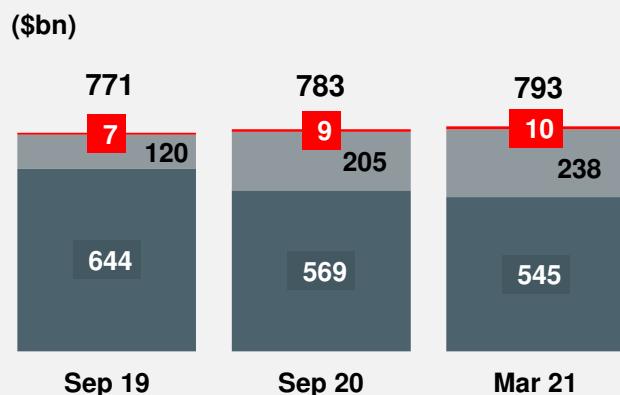


## KEY COMMENTS

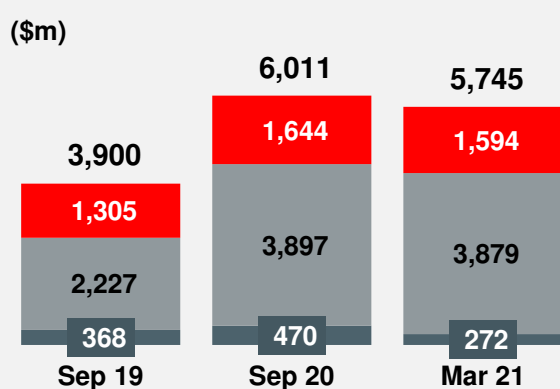
- Additional FLAs vs 2H20 reflect incremental forward looking stress beyond that captured for total portfolio in EA top-up based on granular, bottom-up analysis
- Top-up to aviation FLA reflects slower recovery profile than previously assumed given continued international border closures
- Top-up to Australian High Risk Mortgage FLA, reflecting emerging stress on a cohort of expired deferral customers and the potential impacts from the removal of government support measures
- Movement in other FLAs reflects refresh of underlying inputs

# ECL PROVISIONING BY STAGES

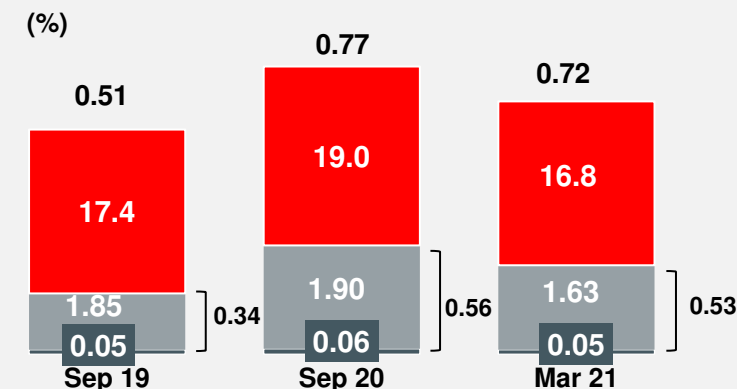
## LOANS AND ADVANCES BY STAGE<sup>1</sup>



## 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 incorporates forward looking stress applied in the ECL model

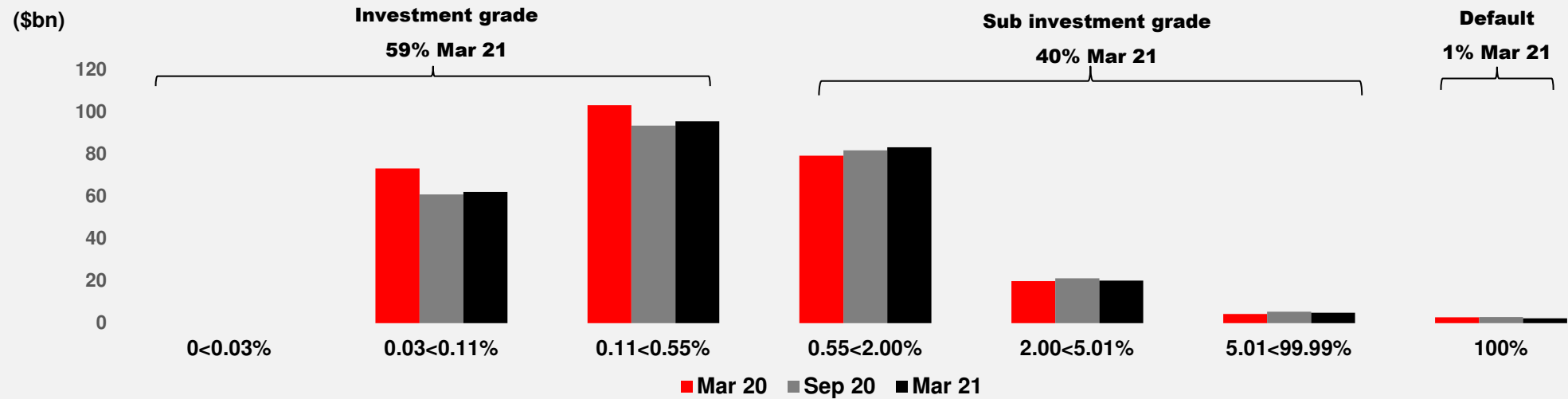
(2) Excludes collective provision on loans at fair value and derivatives which are not allocated to a stage under the ECL model

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

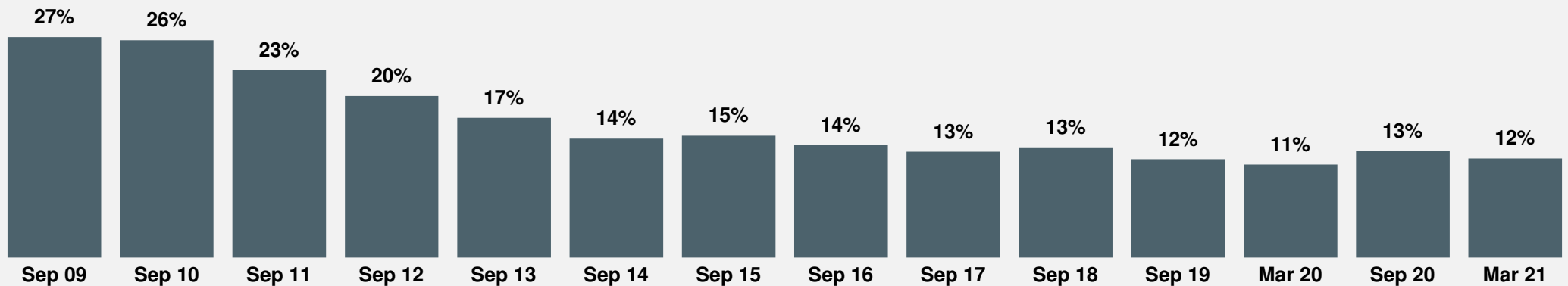


# PROBABILITY OF DEFAULT (PD) ANALYSIS

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



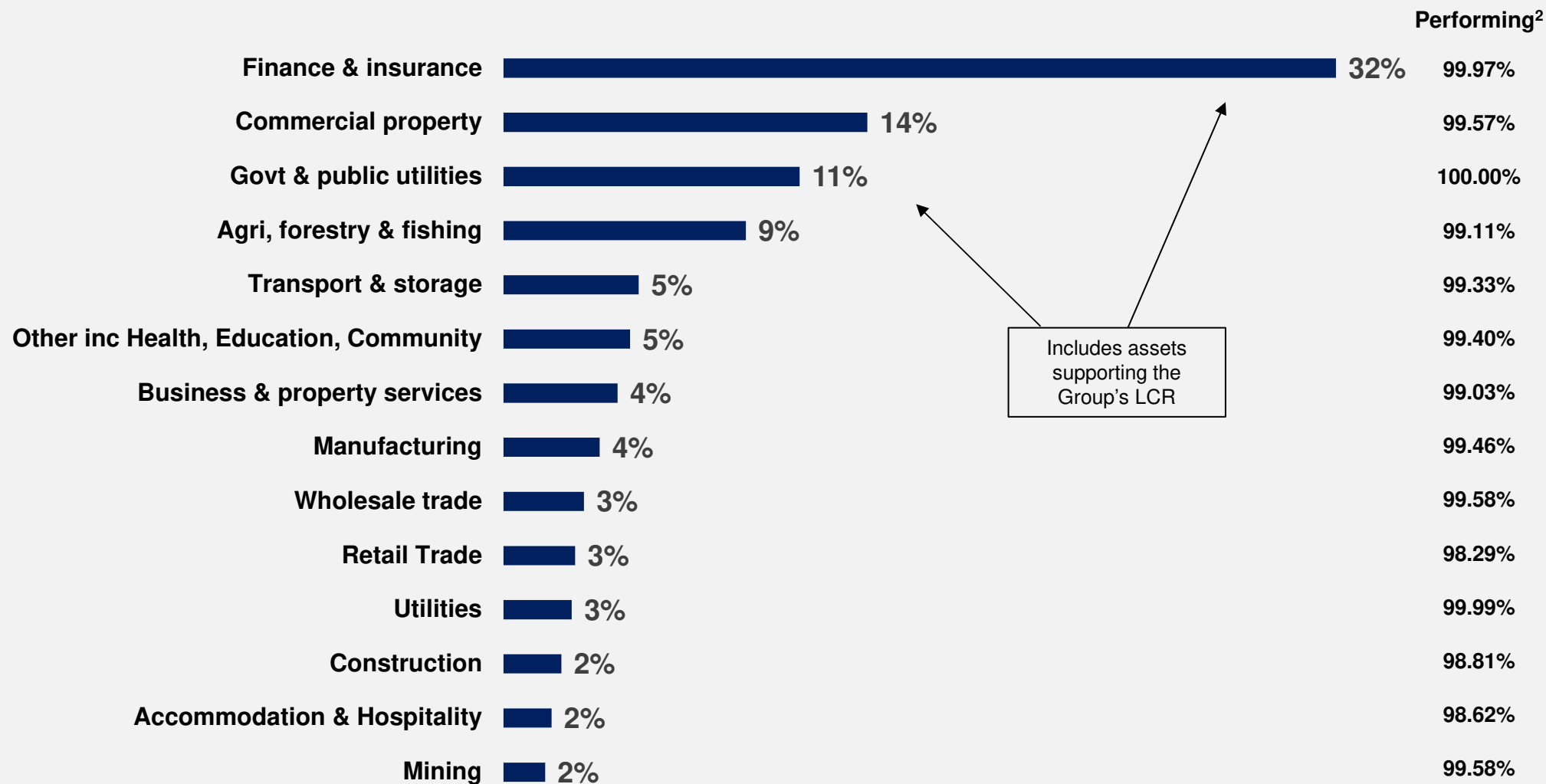
## AUSTRALIAN AND NEW ZEALAND BUSINESS EXPOSURES PD ≥ 2%



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

# BUSINESS LENDING CONSIDERATIONS

## NON RETAIL EAD BY INDUSTRY<sup>1</sup> - \$520BN

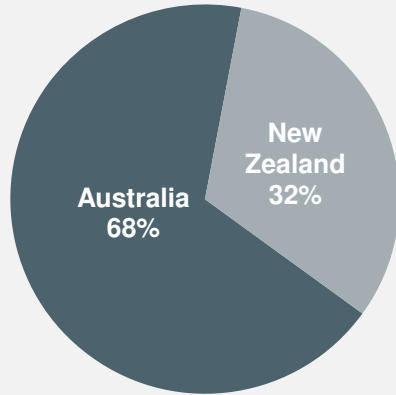


(1) Industry classifications are aligned to those disclosed in the 31 March 2021 Pillar 3 report – Table 4.1D

(2) Performing reflects all exposures except those which are 90+ DPD or Impaired

# GROUP AGRICULTURE, FORESTRY & FISHING EXPOSURES

## GROUP EAD \$49.0BN MARCH 2021

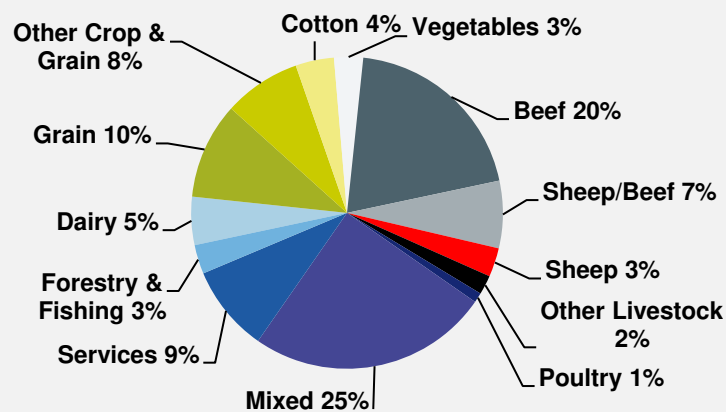


## KEY CONSIDERATIONS

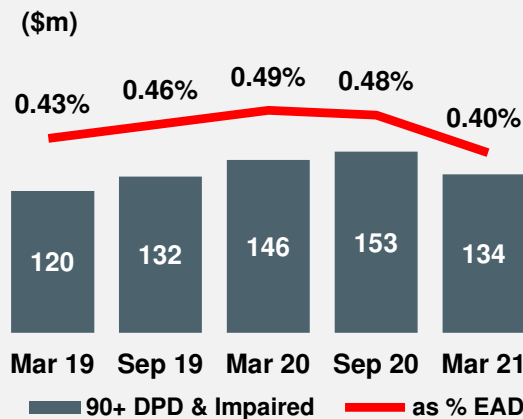
- The sector outlook continues to improve amid recent good rainfall and stronger than predicted commodity prices
- Asset quality remains sound with 90+ DPD and impaired rate improved over the half

## AUSTRALIAN AGRICULTURE, FORESTRY & FISHING

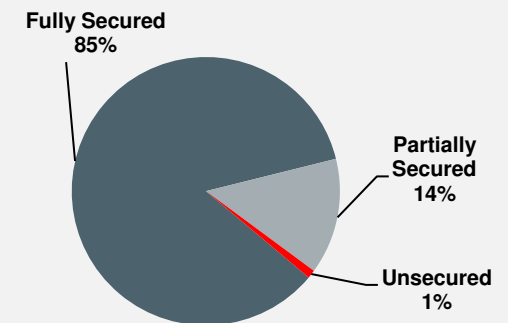
### Diverse Portfolio EAD \$33.2bn Mar 21



### 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>

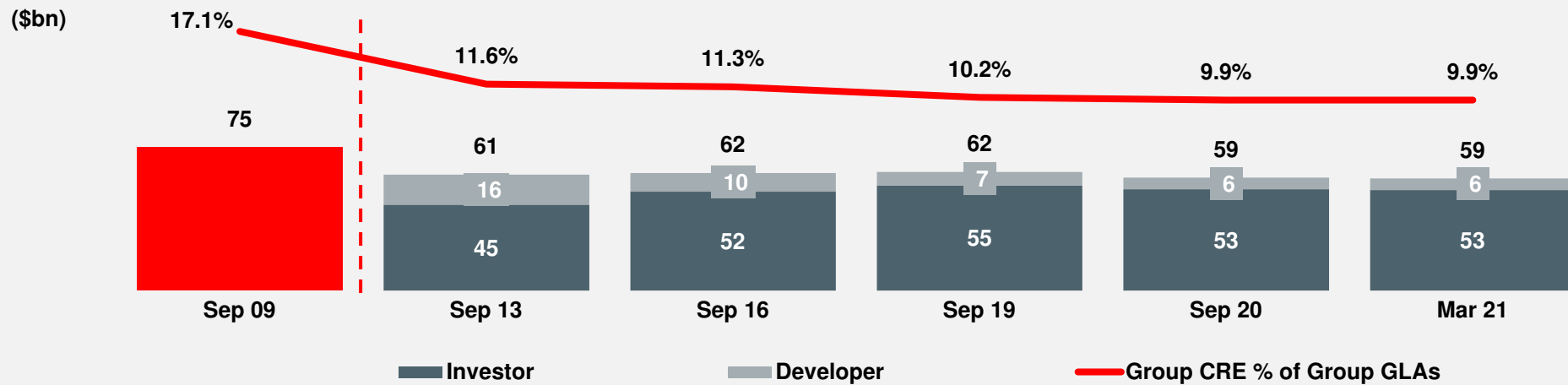
## GROSS LOANS & ACCEPTANCES

	Aust	New Zealand	Total
TOTAL CRE (A\$bn)	51.6	7.1	58.7
Increase/(decrease) from Sep 20 (A\$bn)	0.4	(0.4)	(0.1)
% of geographical GLAs	10.5%	8.5%	9.9%
Change in % from Sep 20	0.2%	(0.6%)	-

## ASSET QUALITY

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

## BALANCES OVER TIME

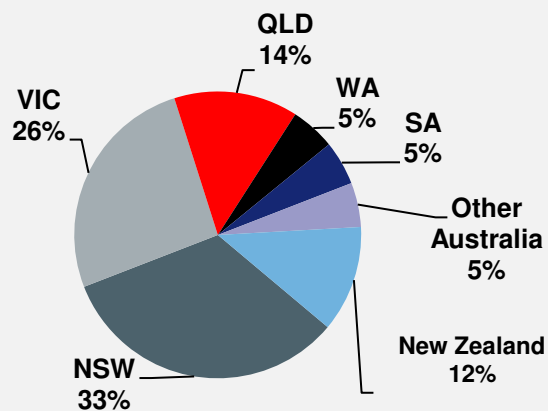


(1) Measured as balance outstanding as at 31 March 2021 per APRA Commercial Property ARF 230 definitions

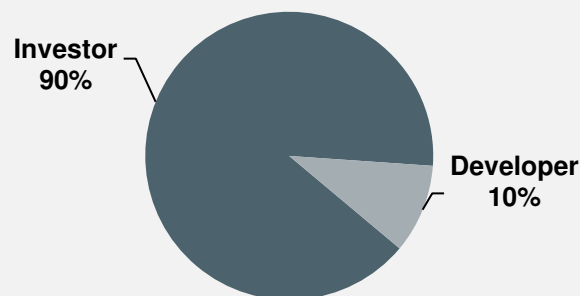
# GROUP COMMERCIAL REAL ESTATE<sup>1</sup>

## BREAKDOWN BY TOTAL GROSS LOANS & ACCEPTANCES (\$58.7BN)

Geographic breakdown

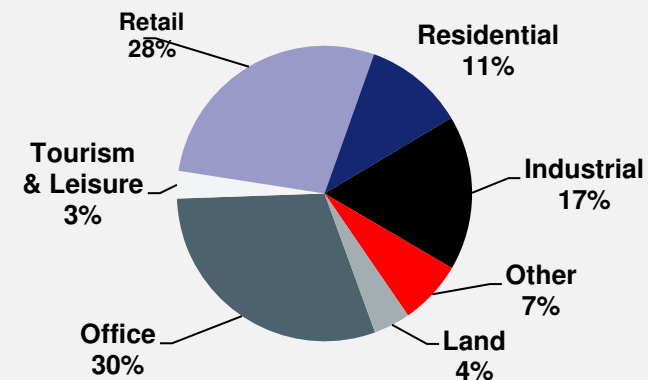


Borrower breakdown



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

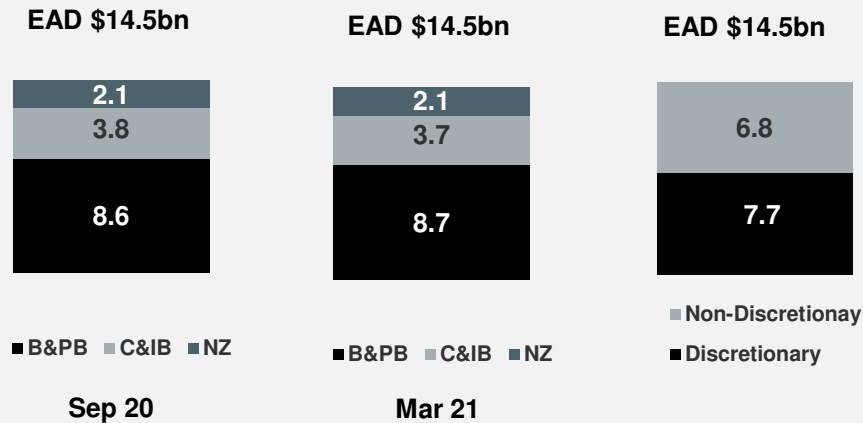
Sector breakdown



(1) Measured as balance outstanding as at 31 March 2021 per APRA Commercial Property ARF 230 definitions

# RETAIL TRADE<sup>1</sup>

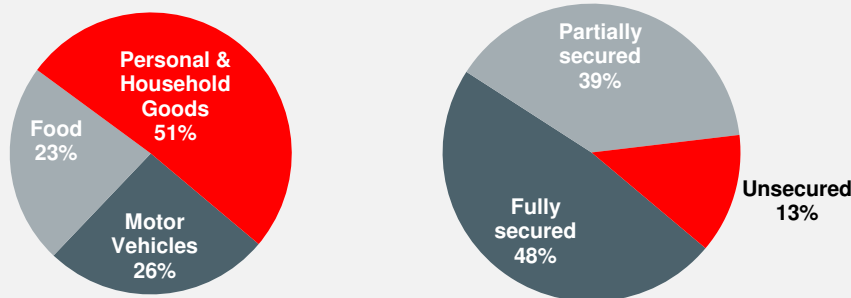
## EXPOSURE AT DEFAULT



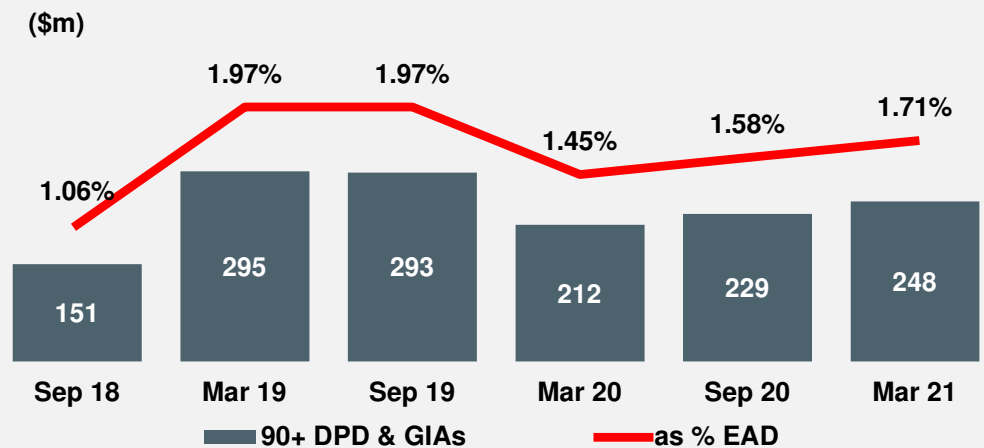
## KEY CONSIDERATIONS

- ~3% of non retail EAD
- Notwithstanding structural problems, the Retail Trade sector performed relatively well during COVID-19, as consumers continued spending. Though some parts of sector have performed better than others
- Retail Trade portfolio experience is mixed: ~47% is non-discretionary retail
- Personal & Household Goods includes: Pharmacy Retailers (42%), Apparel (14%), Furniture & Homewares (19%)
- Department store exposure ~\$100m

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



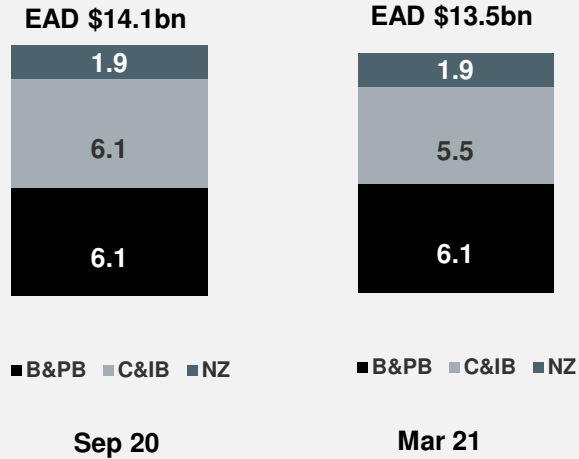
## 90+ DPD AND GIAs AND AS % OF SECTOR EAD



(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>

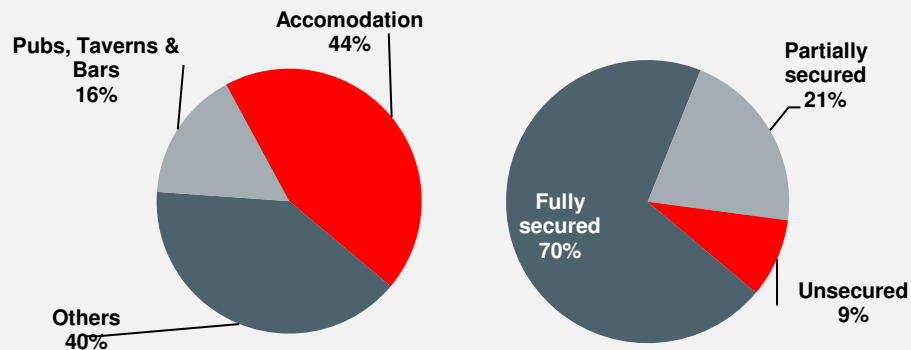
## EXPOSURE AT DEFAULT



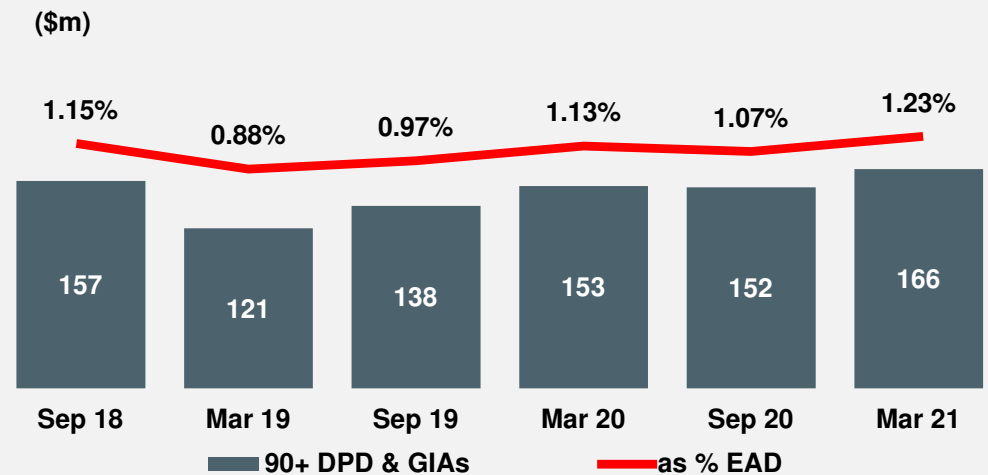
## KEY CONSIDERATIONS

- ~3% of non retail EAD
- Industry outlook for Hospitality & Entertainment sectors continues to improve, reflecting growing confidence in COVID-19 tracking and controls. The outlook for the Tourism and Accommodation sectors is less certain for those exposed to international visitors
- Extent of COVID-19 impacts dependent on location. For B&PB exposures<sup>3</sup>:
  - 18% in CBD
  - 20% in Victoria

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



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



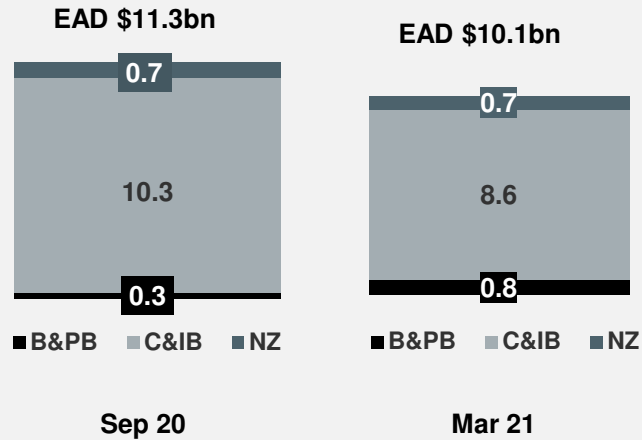
(1) Tourism, hospitality and entertainment include regulatory industry classification of accommodation and hospitality, plus cultural and recreational services

(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

(3) Corporate & Institutional Banking exposures have been excluded from location analysis given many involve a range of post codes

# AIR TRAVEL AND RELATED SERVICES

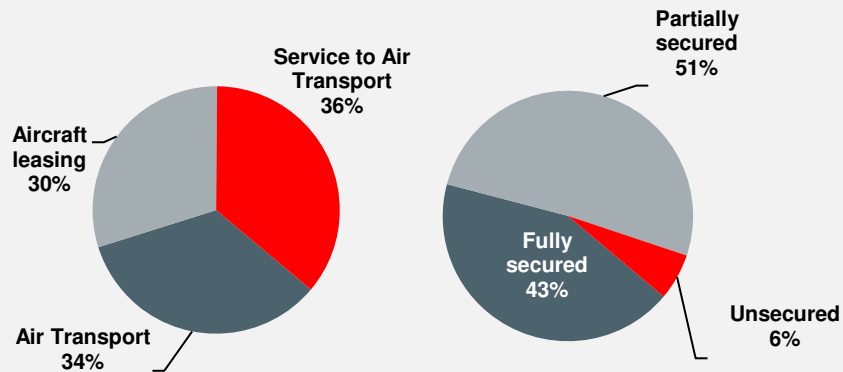
## EXPOSURE AT DEFAULT



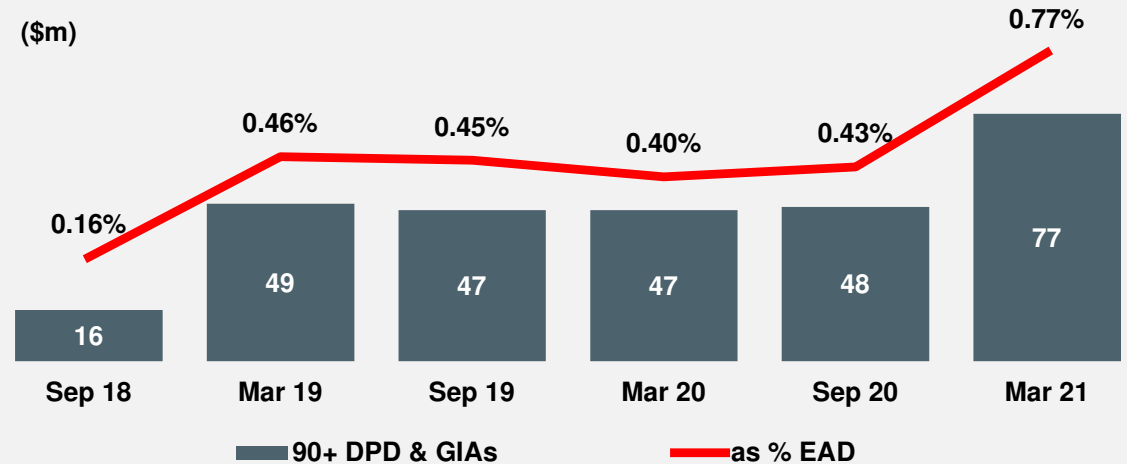
## KEY CONSIDERATIONS

- ~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. However, sovereign support and access to capital markets remain
- EAD reduction Sep 20 vs Mar 21 driven by FX movements and reduction in derivative exposures

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



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

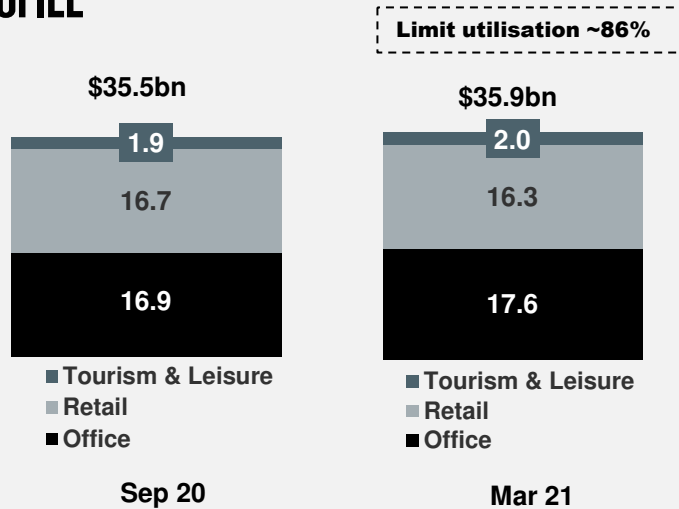


(1) Fully Secured is where the loan amount is less than 100% of the bank extended value of security; Partially Secured is where the loan amount is greater than 100% of the bank extended value of security; Unsecured is where no security is held and/or no value held against the security and negative pledge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



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

## GLA PROFILE

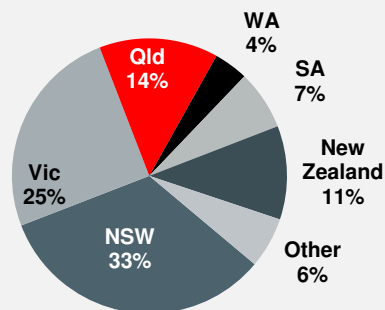


## KEY CONSIDERATIONS

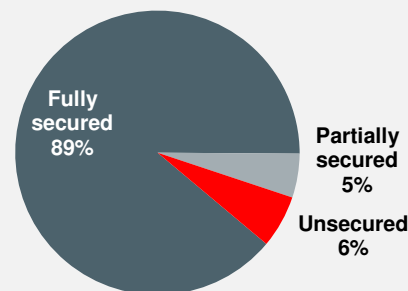
- Office, Retail and Tourism & Leisure (T&L) viewed as most impacted by COVID-19 across Group CRE portfolio
- 90+ DPD and impaired assets collectively represent 0.24% (\$85m) of GLA, down from 0.26% at Sep 20
- Borrower breakdown: Investor 95%, Developer 5%
- Office faces more medium term uncertainties, dependent on the extent and timing of return to work and asset-specific lease expiries
- ~51% of Australian Office balances are CBD based, ~89% relating to Corporate & Institutional exposures
- Retail assets with a stronger bias towards non-discretionary tenants remain resilient and sought after. T&L to benefit from recently announced government stimulus
- Retail and T&L assets located in CBD locations continue to be most impacted, as CBD office occupancy levels remain below pre-pandemic levels and international borders remain shut. The end of JobKeeper presents an additional headwind
  - 6% of Australian Retail balances are CBD based, ~51% relating to Corporate & Institutional exposures
  - 27% of Australian T&L balances are CBD based

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

### Geographic breakdown



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



(1) Measured as balance outstanding as at 31 March 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.



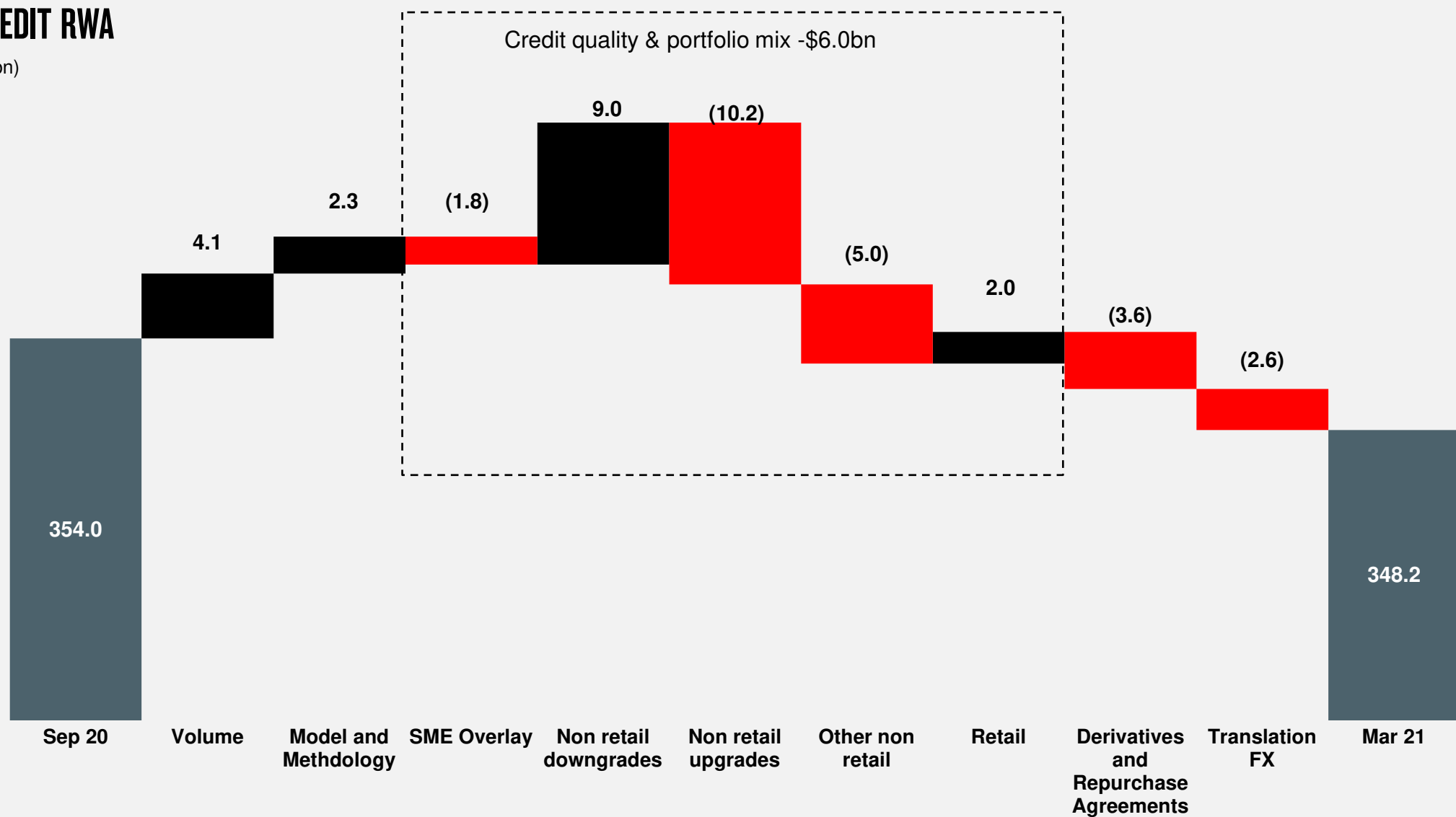
# **ADDITIONAL INFORMATION**

## **CAPITAL & FUNDING**

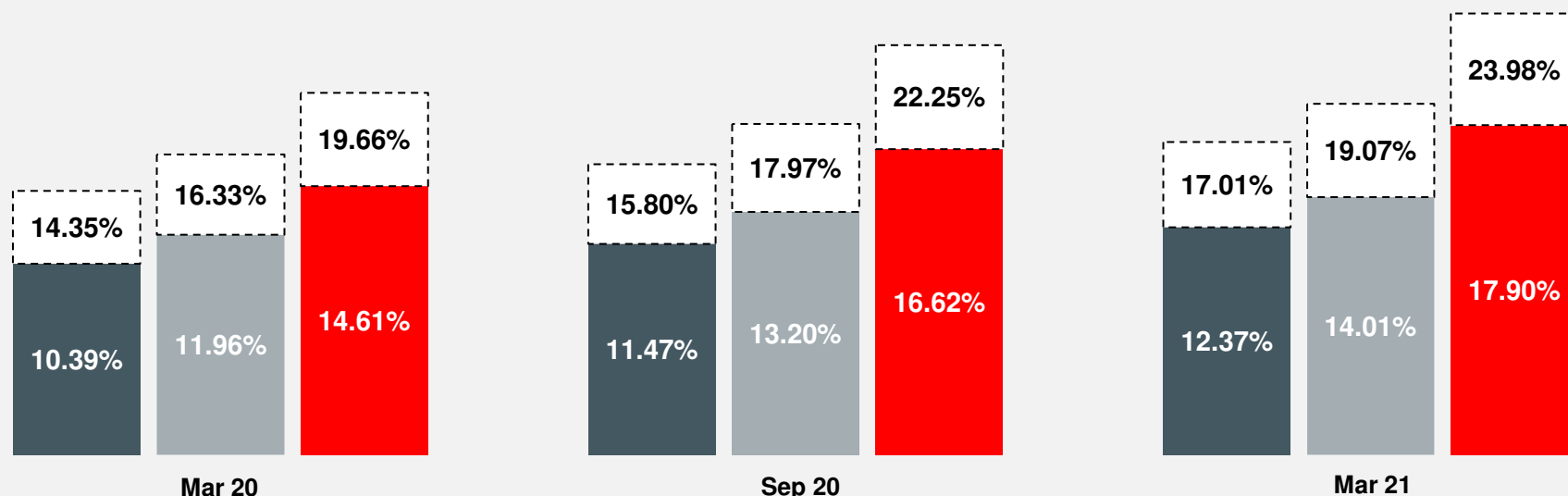
# CRWA AND SENSITIVITY

## CREDIT RWA

(\$bn)



# GROUP BASEL III CAPITAL RATIOS



■ APRA Common Equity Tier 1 ratios    ■ APRA Tier 1 ratios    ■ APRA Total Capital ratios    □ Equivalent Internationally Comparable ratios<sup>1</sup>

## APRA to Internationally Comparable CET1 Ratio Reconciliation

	CET1
Group CET1 ratio under APRA	12.37%
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	+79bps
Mortgages – reduction in loss given default floor from 20% to 15% and adjustment for correlation factor	+184bps
Interest rate risk in the banking book (IRRBB) – removal of IRRBB risk weighted assets from Pillar 1 capital requirements	+32bps
Other adjustments including corporate lending adjustments and treatment of specialised lending	+169bps
Group Internationally Comparable CET1	17.01%

(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	2020	1H21	2H21	2022	2023	2024
Capital Adequacy	Consult		Finalise		Implementation	
Measurement of Capital		Consult	Finalise	Implementation		
Credit Risk	Consult		Finalise		Implementation	
Operational Risk					Implementation	
Market Risk			Consult			Implementation
Interest Rate Risk in the Banking Book			Finalise		Implementation	
Public Disclosures			Consult	Finalise	Implementation	
Loss Absorbing Capacity						Implementation
Recovery and Resolution	<i>Consultation and implementation date not yet advised</i>					

## APRA POLICY PRIORITIES

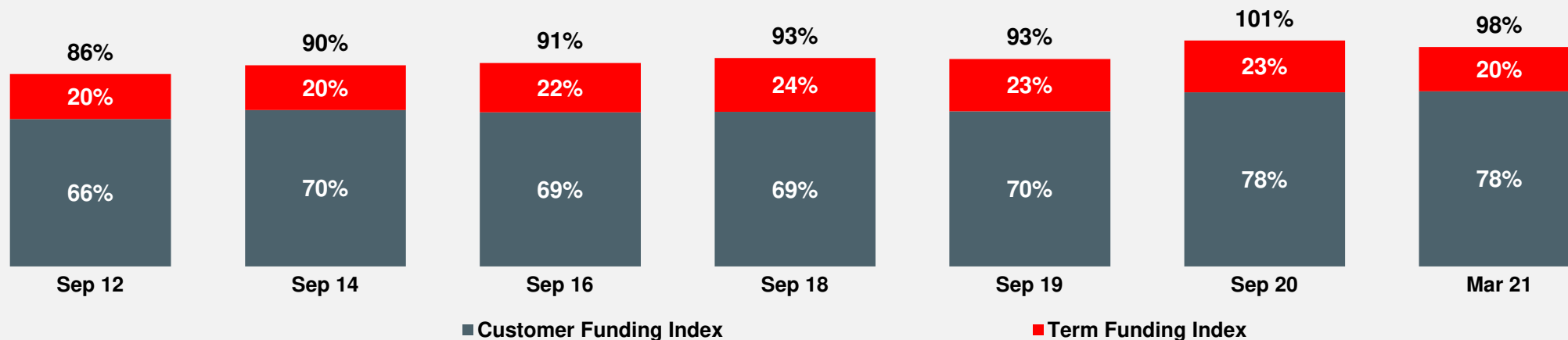
- APRA's consultation on 'a more flexible and resilient capital framework for ADIs' released in December 2020
  - Follows the 2017 APRA benchmark of 'unquestionably strong' capital ratios.
  - Includes revisions to the capital adequacy framework
  - Overall level of capital in the banking system is not proposed to change
- APRA's active 2021 policy development also includes proposed consultations for Interest Rate Risk, Remuneration and Public disclosure

## RBNZ UPDATE

- The RBNZ has eased restrictions on dividend payments, allowing banks to pay up to 50% of their earnings as dividends to shareholders
- The 50% restriction will remain in place until 1 July 2022, at which point the RBNZ intends to remove the restrictions entirely, subject to economic conditions
- The RBNZ has also lifted the restriction on redeeming non-CET1 capital instruments

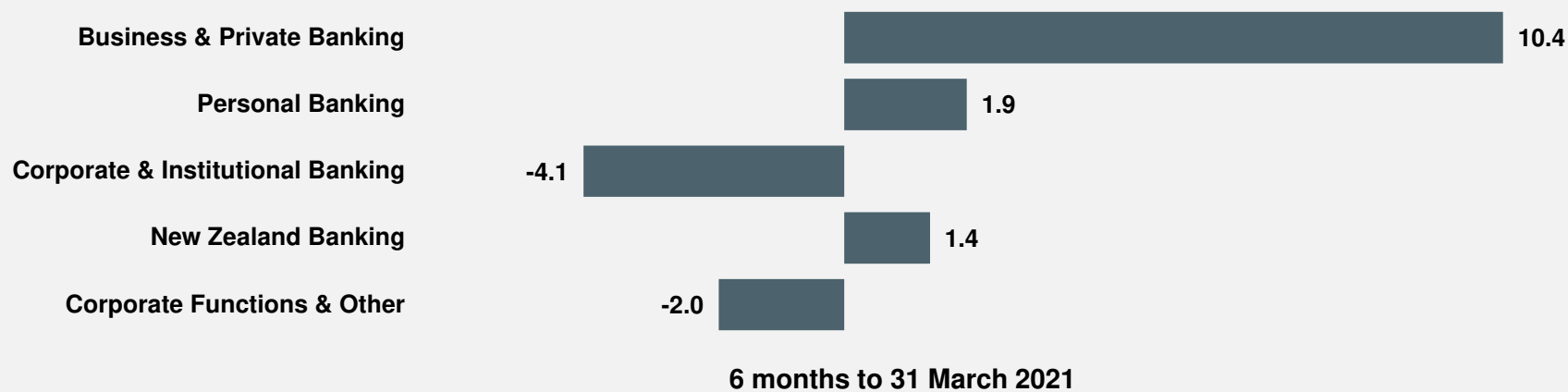
# FUNDING PROFILE

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



## DEPOSIT GROWTH<sup>2</sup>

(\$bn)



(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

(2) Includes mortgage offset accounts

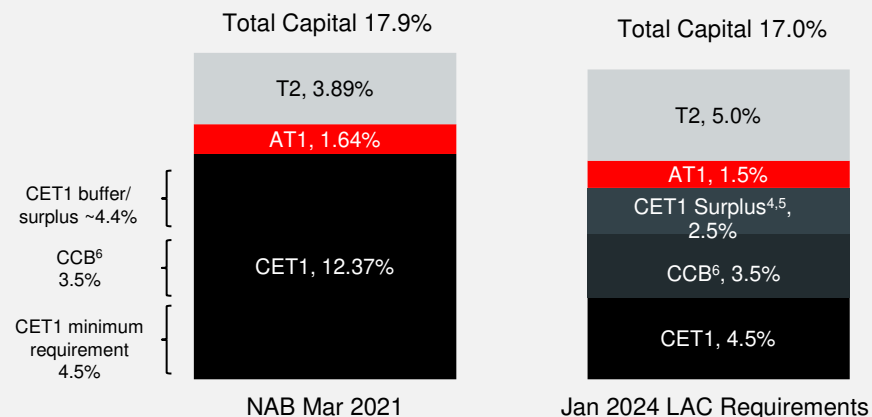
# LOSS ABSORBING CAPACITY

## LOSS ABSORBING CAPACITY

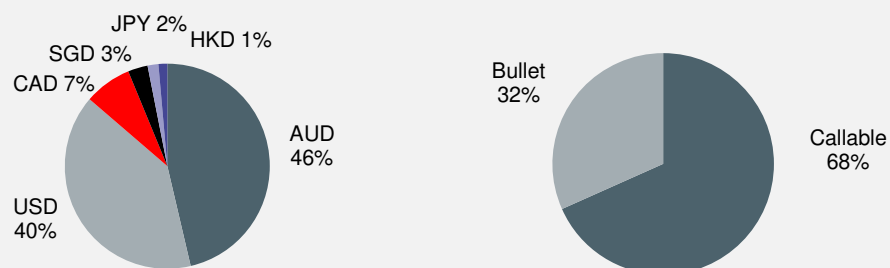
- Based on the Group's RWA and Total Capital position as at 31 March 2021, the incremental Group Total Capital requirement prior to January 2024 is approximately \$4.6bn.
- \$2bn of surplus provisions are eligible for inclusion in Tier 2 Capital.
- \$2.6bn of NAB's existing Tier 2 Capital has optional redemption dates prior to January 2024<sup>1</sup>.

	Mar-21 (\$bn)
Group RWA	417.6
Tier 2 Requirement (5% by Jan-24)	20.9
Existing Tier 2 Capital (3.89%)	16.3
Current Shortfall <sup>2</sup>	4.6

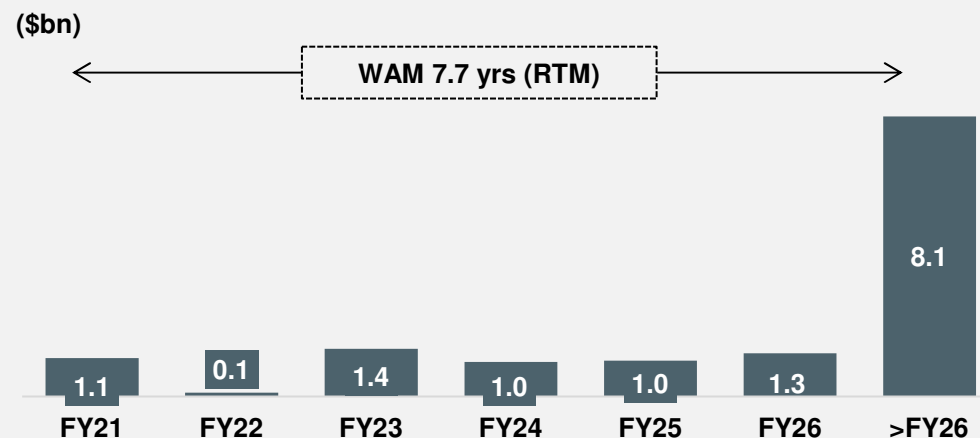
## APRA CHANGES TO MAJOR BANKS' CAPITAL STRUCTURES<sup>3</sup>



## NAB TIER 2 PORTFOLIO BY CURRENCY AND FORMAT



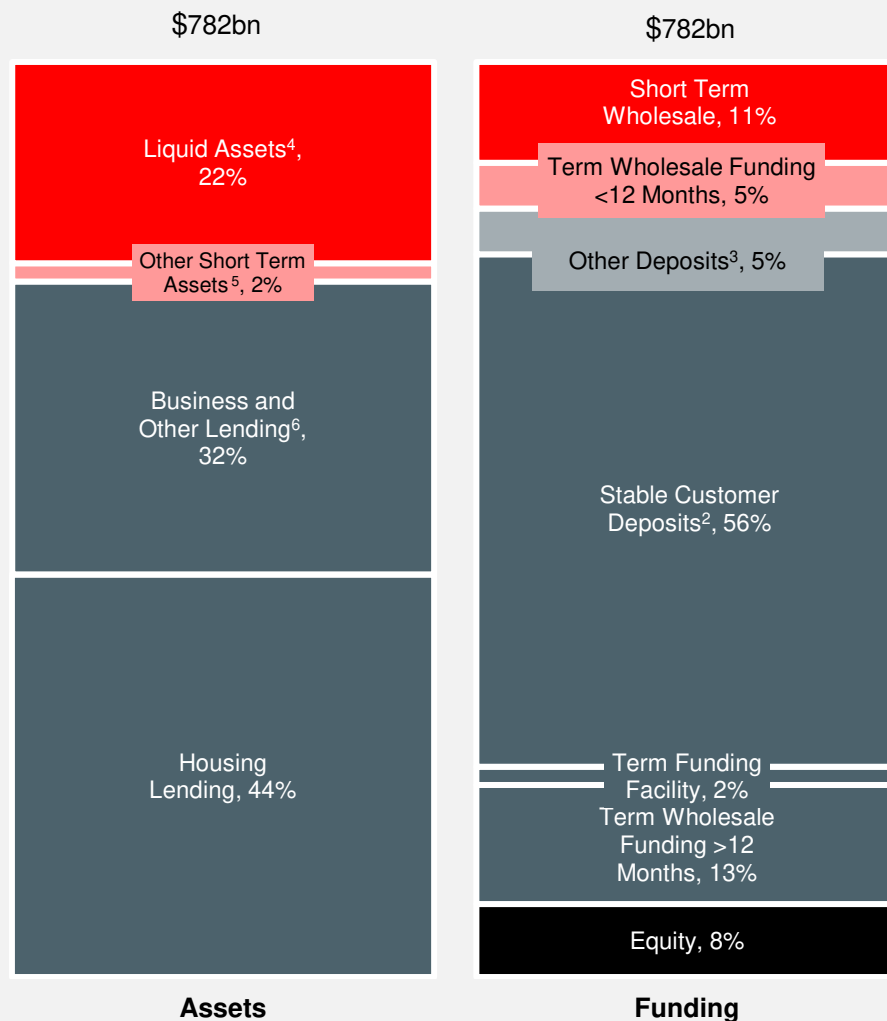
## NAB TIER 2 MATURITIES (TO FIRST CALL)



- Subject to the prior written approval of APRA
- Ahead of January 2024 APRA will consider "feasible alternative methods" for raising an additional 1% to 2% of RWA in loss-absorbing capacity, in consultation with industry and other interested stakeholders
- APRA's proposed revisions to Unquestionably Strong framework (released December 2020) not reflected
- Capital surplus of 2.5% is generally higher than the normal level for D-SIBs, as a result of the 'unquestionably strong' capital benchmarks
- Excludes any Pillar 2 requirements and additional 1-2% RWA requirement through "feasible alternative methods"
- CCB is the Capital Conservation Buffer

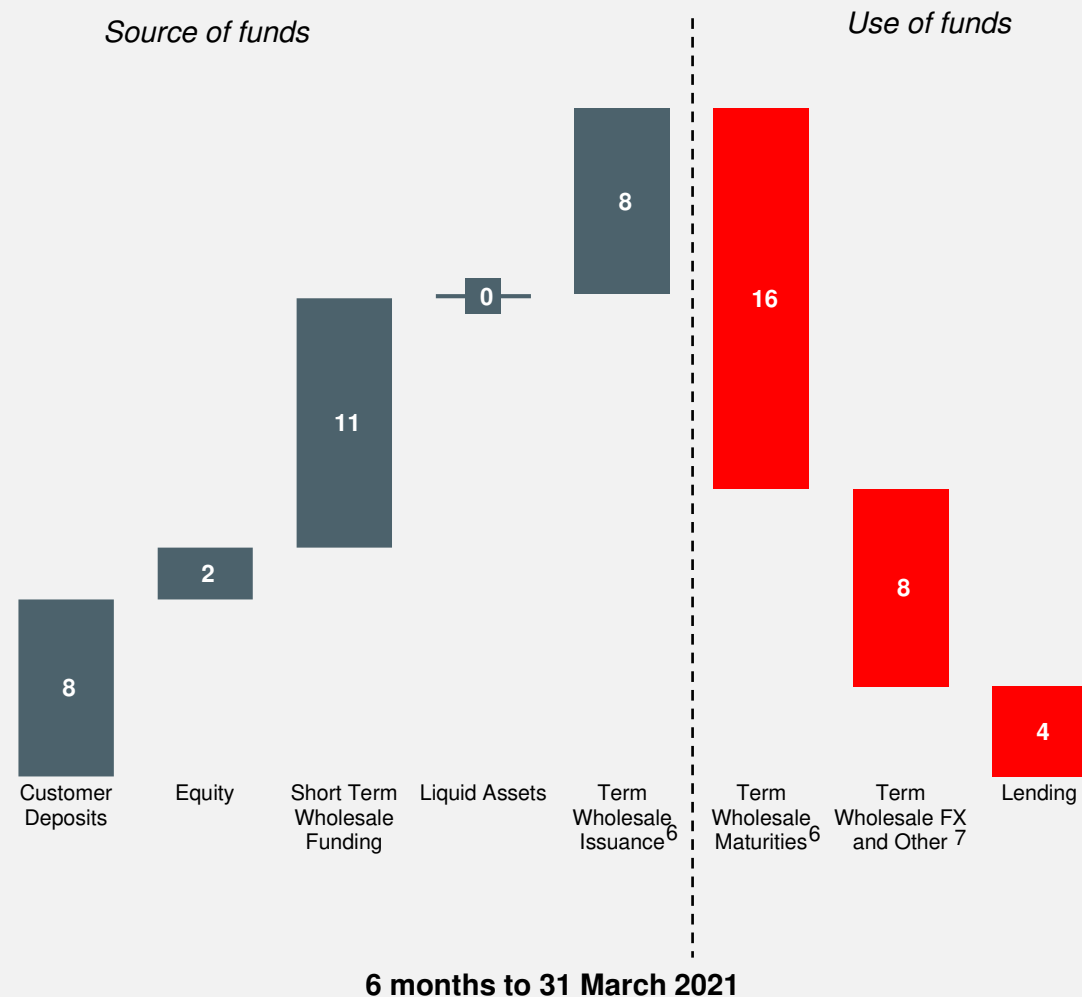
# ASSET FUNDING

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



## SOURCE AND USE OF FUNDS

(\$bn)



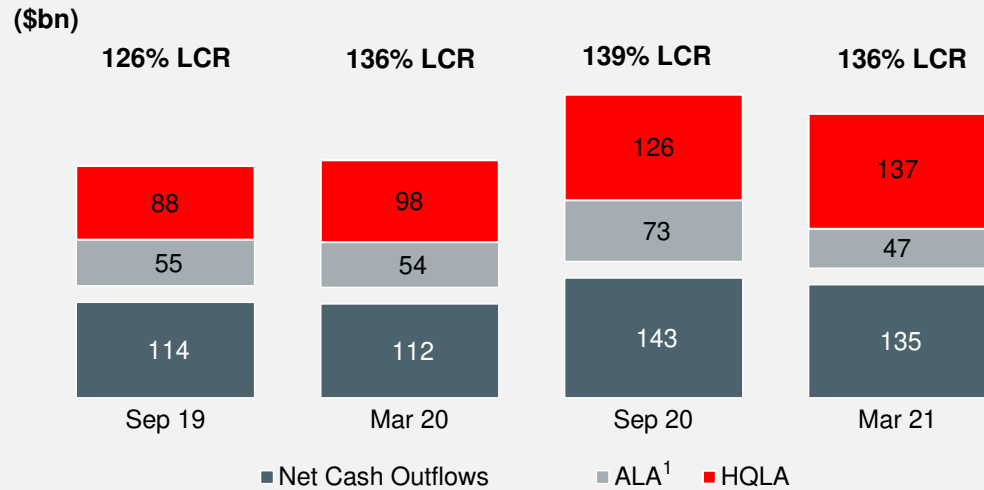
- (1) Excludes repurchase agreements, trading and hedging derivatives, and any accruals, receivables and payables that do not provide net funding.
- (2) Includes operational deposits, non-financial corporate deposits and retail / SME deposits. Excludes certain offshore deposits.
- (3) Includes non-operational financial institution deposits and certain offshore deposits.
- (4) Market value of marketable securities including HQLA, non-HQLA securities and commodities.

- (5) Trade finance loans are included in other short-term assets, instead of business and other lending.
- (6) Includes Additional Tier 1 and RBNZ funding facility drawdowns.
- (7) Includes the net movement of other assets and other liabilities.

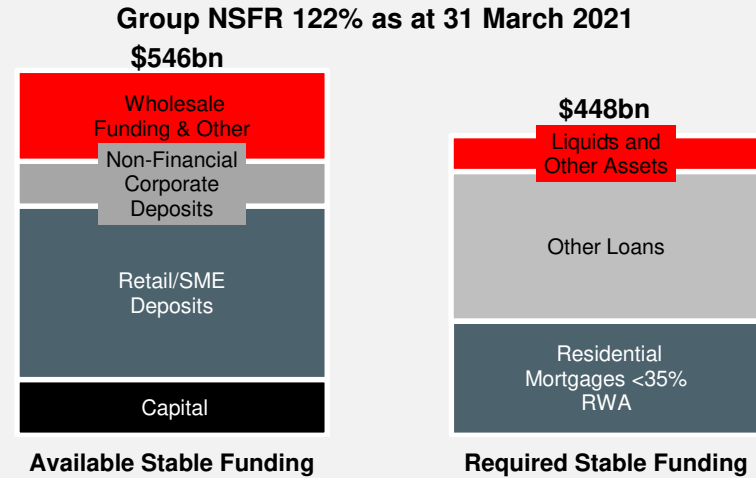


# LIQUIDITY

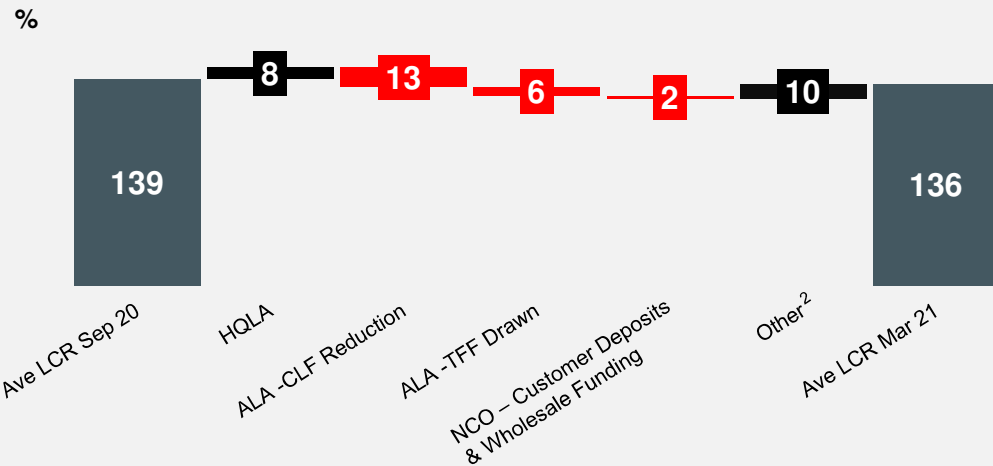
## LIQUIDITY COVERAGE RATIO (QUARTERLY AVERAGE)



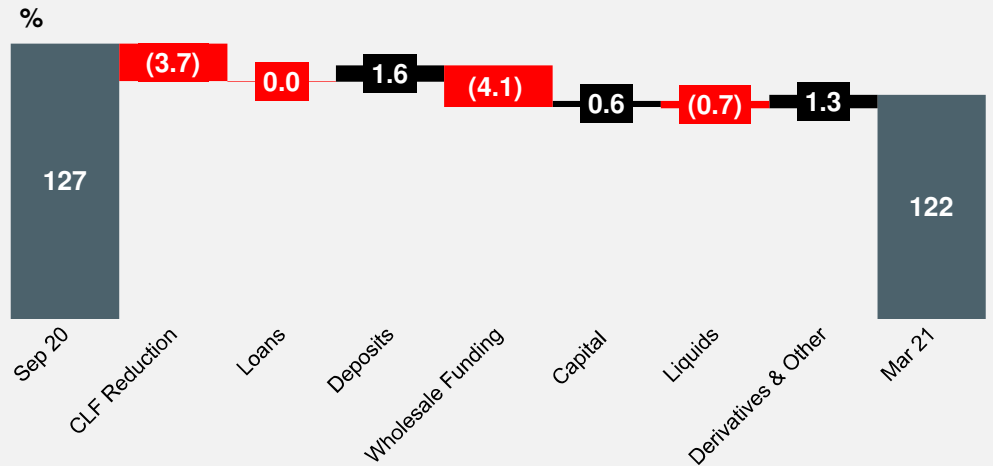
## NET STABLE FUNDING RATIO COMPOSITION



## LCR MOVEMENT



## NET STABLE FUNDING RATIO MOVEMENT



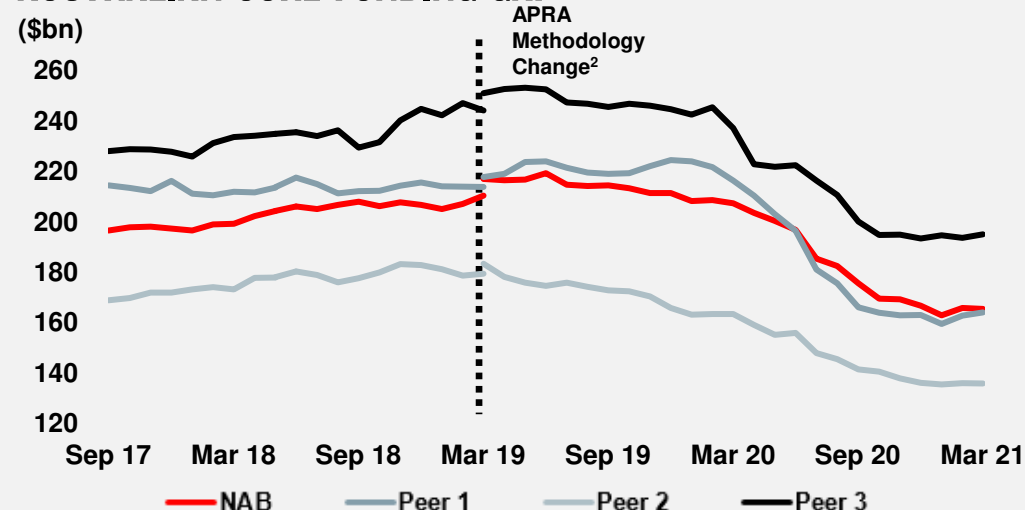
- (1) Committed Liquidity Facility (CLF) and Term Funding Facility (TFF) value used in LCR calculation is the undrawn portion of the facility. NAB's approved CLF was reduced to \$31bn from February 2021, down from \$55.1bn in 2020 and \$55.9bn for 2019. The average amount of undrawn TFF included in the LCR was \$12bn for the March Quarter
- (2) Other includes reduction in contingent funding obligations as a result of updates to documentation relating to NAB's secured funding programmes

# LIQUIDITY CONSIDERATIONS

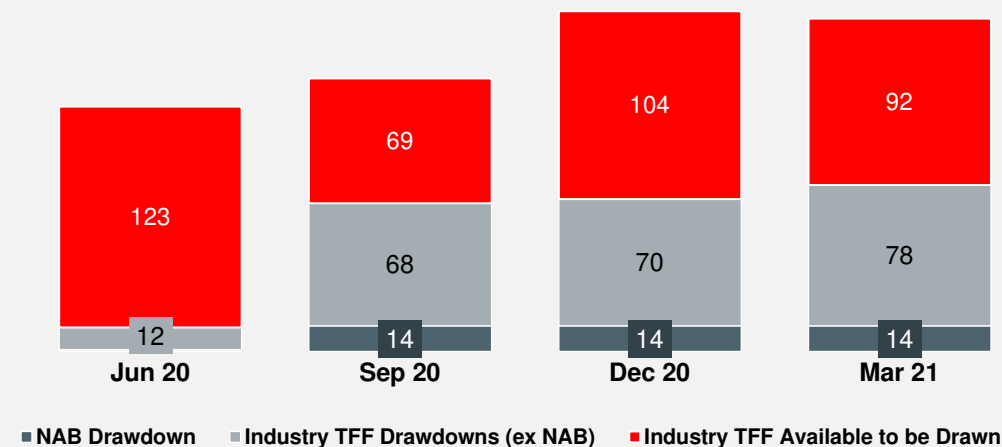
## INCREASED SYSTEM LIQUIDITY

- Deposits increasing due to central bank and government response to COVID-19
- Term Funding Facility provides a significant stable funding source
- Low rate environment encouraging migration from term deposits to at-call deposits
- CLF reduced from \$55.1bn in 2020 to \$31.0bn for 2021
- Implications for NAB include:
  - Reduced wholesale funding requirement
  - Liquids drag on margins

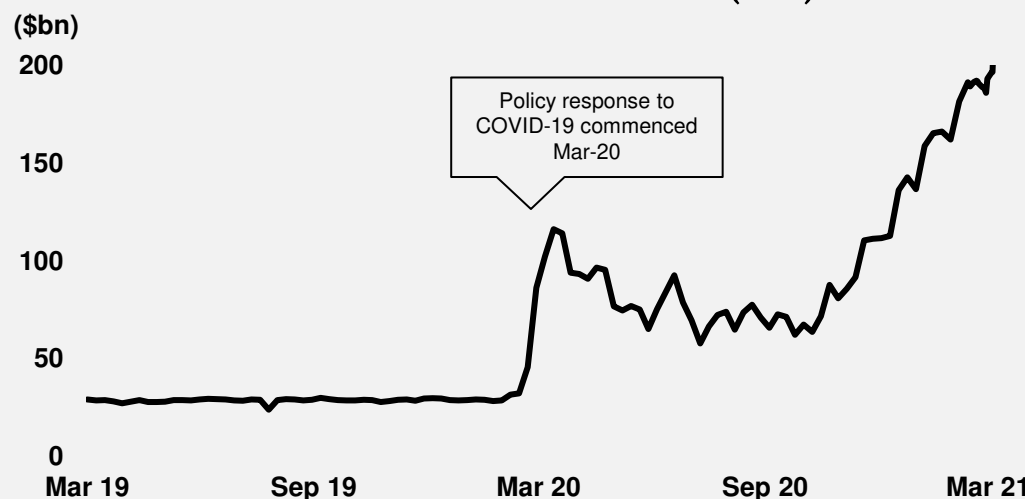
## AUSTRALIAN CORE FUNDING GAP<sup>1</sup>



## TFF DRAWDOWNS VS AVAILABLE ALLOWANCE<sup>3</sup>



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



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

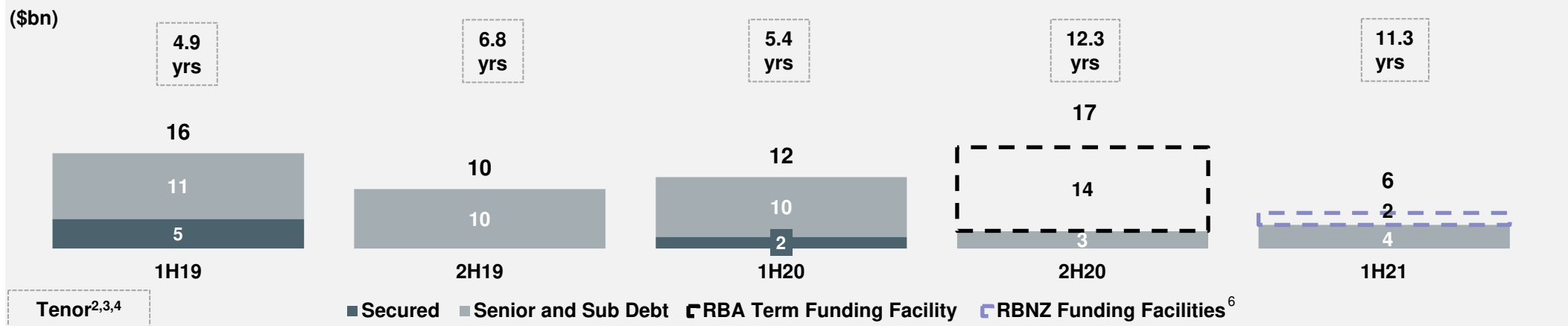
(2) APRA Monthly Banking Statistics are used from September 2017 to March 2019. April 2019 onwards is prepared using APRA Monthly Authorised Deposit-taking Institution Statistics. Statistics as at March 2021

(3) RBA and NAB data

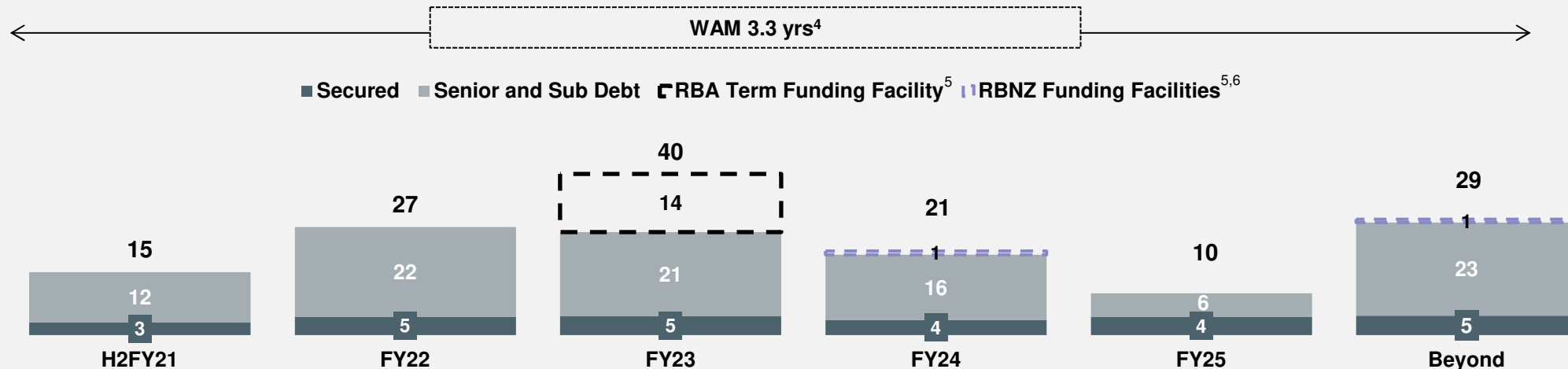
(4) ESAs are the means by which providers of payments services settle obligations that have accrued in the clearing process, operated through the Reserve Bank Information and Transfer System (RITS). Effective 4 November 2020, the interest rate on surplus ESA balances set by the RBA is 0.00%, with any shortfall in ESA balances attracting 25bps above the cash rate target. RBA data

# TERM WHOLESALE FUNDING PROFILE

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



## TERM FUNDING MATURITY PROFILE<sup>3</sup>



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

(2) Weighted average maturity (years) of funding issuance with an original term to maturity greater than 12 months

(3) Weighted average maturity and maturity profile excludes RMBS

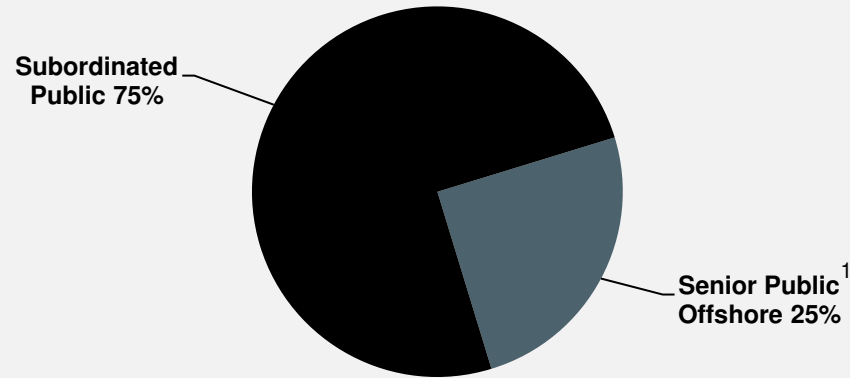
(4) Weighted average maturity excludes Additional Tier 1, Residential Mortgage Backed Securities, RBA Term Funding Facility and RBNZ funding facilities

(5) Drawdowns treated at contractual maturity

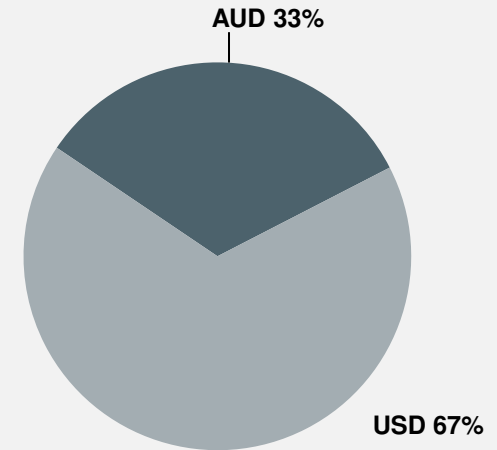
(6) Includes RBNZ's Term Lending Facility (TLF) and Funding for Lending Programme (FLP)

# DIVERSIFIED AND FLEXIBLE TERM WHOLESALE FUNDING PORTFOLIO

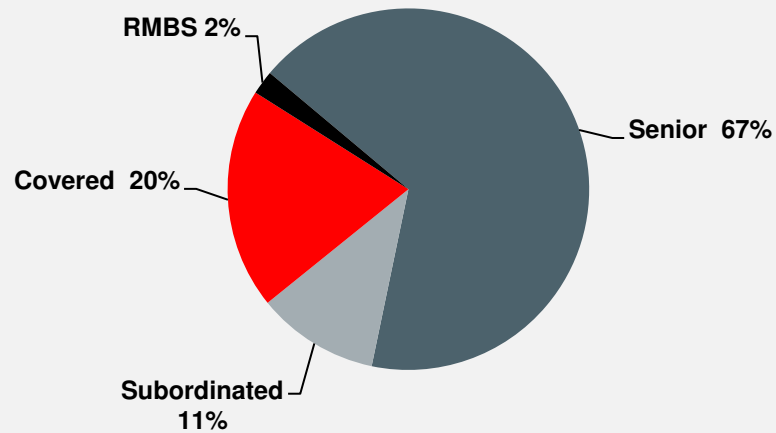
## 1H21 ISSUANCE BY PRODUCT TYPE



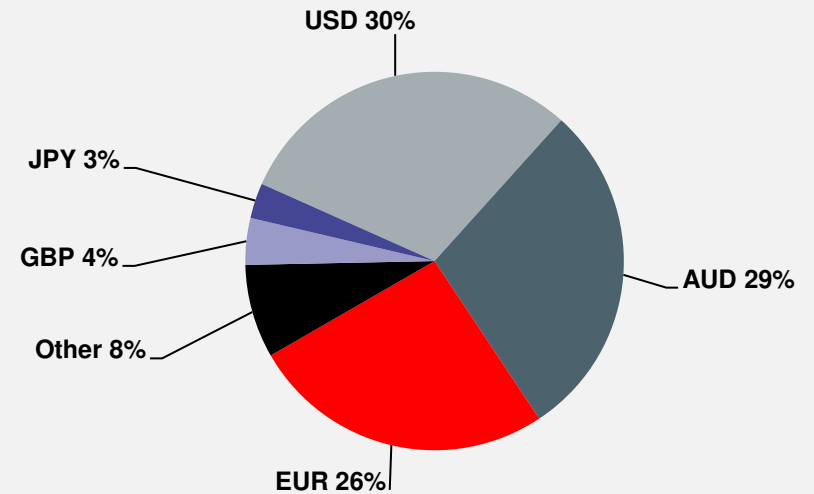
## 1H21 ISSUANCE BY CURRENCY



## OUTSTANDING ISSUANCE BY PRODUCT TYPE<sup>2</sup>



## OUTSTANDING ISSUANCE BY CURRENCY<sup>2</sup>

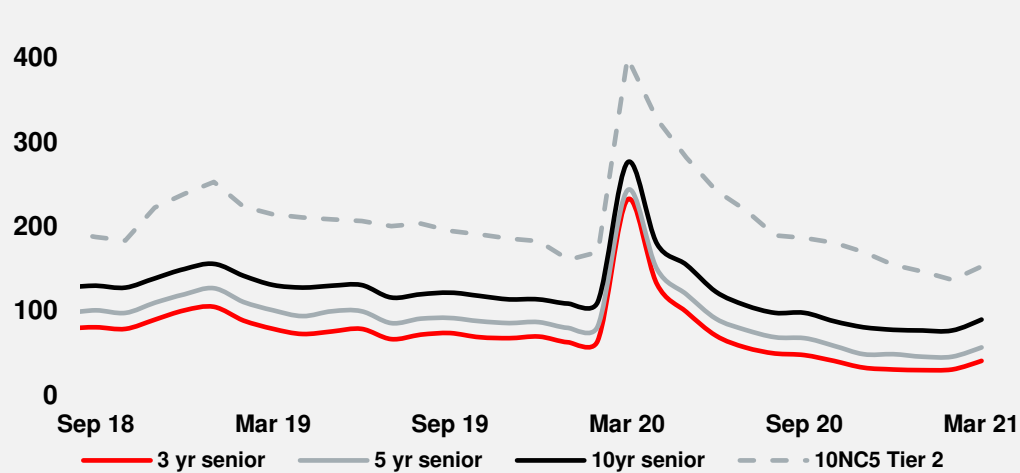


(1) Issued by BNZ

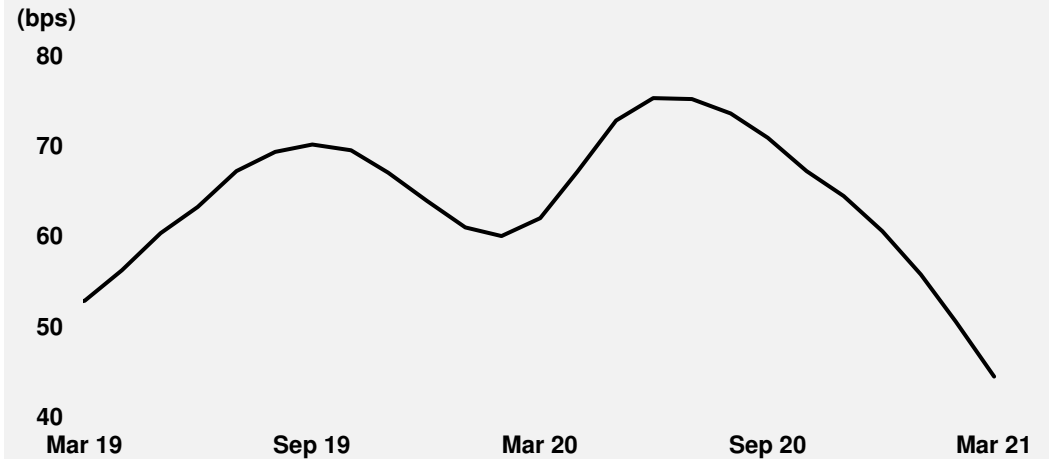
(2) Excludes Additional Tier 1, RBA Term Funding Facility and RBNZ funding facilities

# FUNDING COSTS

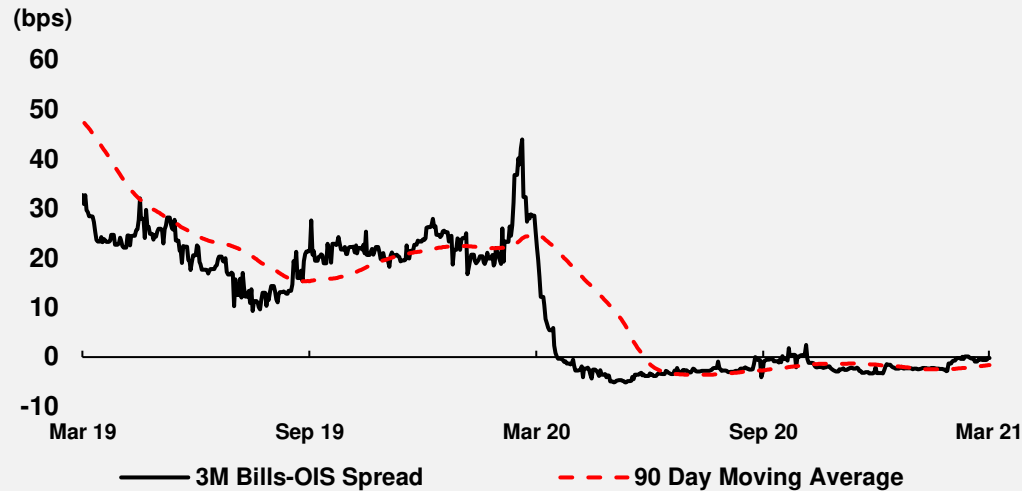
## INDICATIVE TERM WHOLESALE FUNDING ISSUANCE COSTS<sup>1</sup>



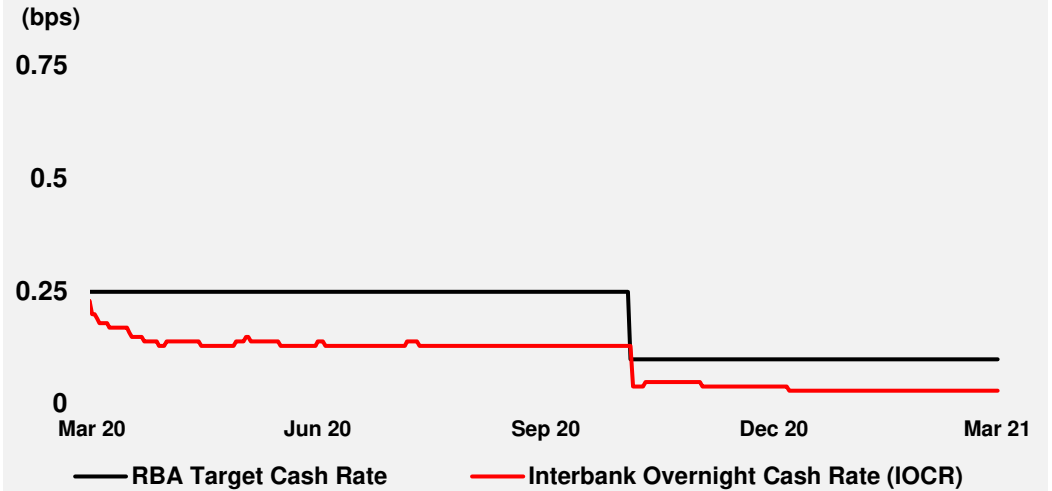
## TERM DEPOSIT PORTFOLIO COSTS<sup>2</sup>



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



## CASH RATES



- (1) Indicative Major Bank Wholesale Tier 2 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

## REPLICATING PORTFOLIO

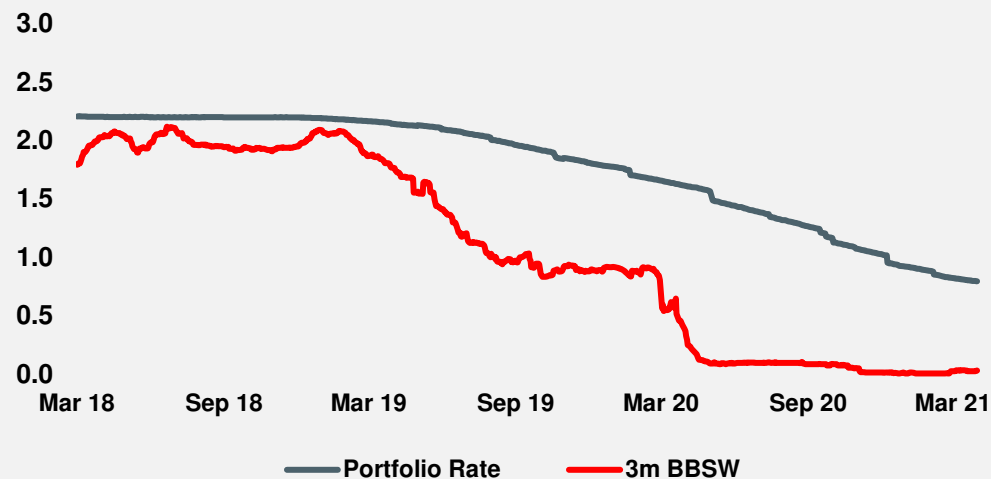
### Replicating portfolio

	31 Mar 21 balance	Avg investment term
Capital	\$41bn	2 years
Low rate deposits	\$57bn	5 years

### Ave return of replicating portfolio

FY18	FY19	FY20	1H21
2.21%	2.12%	1.57%	0.95%

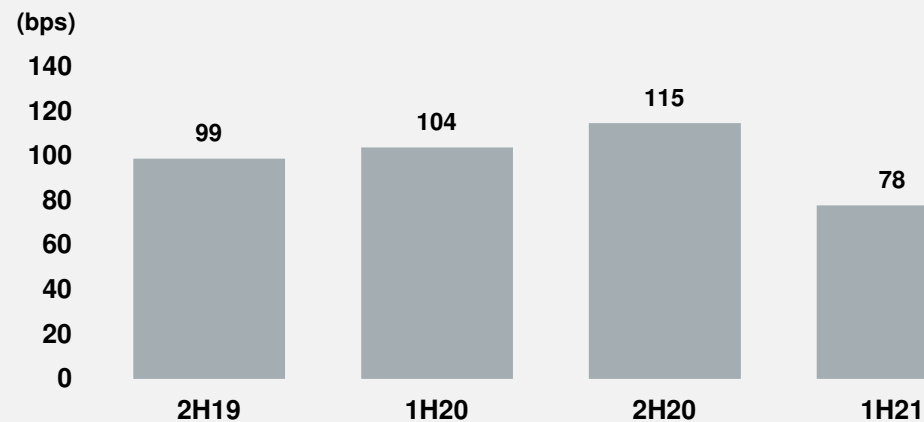
## CAPITAL & DEPOSIT HEDGES — REPLICATING PORTFOLIOS<sup>1</sup>



## 2 YEAR AND 5 YEAR SWAP RATES<sup>3</sup>



## SPREAD BETWEEN AVERAGE SWAP RATE VS AVERAGE PORTFOLIO RATE<sup>2</sup>



(1) Blended replicating portfolio earnings rate (Australia only). Replicating portfolio includes capital and non-interest bearing deposits (incl. lower tiers in Retirement account)

(2) Average rates during the reporting period

(3) Source: Bloomberg



# **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>	2.3	-1.1	3.7	1.7	2.6
Unemployment <sup>3</sup>	5.2	6.7	5.1	4.7	4.4
Core Inflation <sup>4</sup>	1.4	1.3	1.4	1.8	2.0
Cash rate target <sup>3</sup>	0.75	0.10	0.10	0.10	0.10

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

	FY19	FY20	FY21(f)	FY22(f)	FY23(f)
Housing	3.0	3.3	5.2	4.4	5.0
Personal	-4.3	-12.9	-3.1	0.0	1.5
Business	3.3	1.9	0.6	4.2	4.5
Total lending	2.7	1.9	3.2	4.1	4.7
System deposits	3.8	11.7	7.6	5.6	3.4

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

	CY19	CY20	CY21(f)	CY22(f)	CY23(f)
GDP growth <sup>2</sup>	1.7	-0.9	2.3	4.0	1.6
Unemployment <sup>3</sup>	4.1	4.9	4.6	3.9	4.6
Inflation <sup>4</sup>	1.9	1.4	2.9	1.6	2.5
Cash rate (OCR) <sup>3</sup>	1.0	0.25	0.25	1.00	2.00

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

	FY19	FY20	FY21(f)	FY22(f)	FY23(f)
Housing	6.5	6.8	11.6	3.5	3.6
Personal	0.1	-11.7	-2.9	3.6	3.7
Business	4.8	-1.4	0.3	4.0	5.7
Total lending	5.6	3.0	6.9	3.7	4.3
Household retail deposits	5.1	9.4	5.8	4.6	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

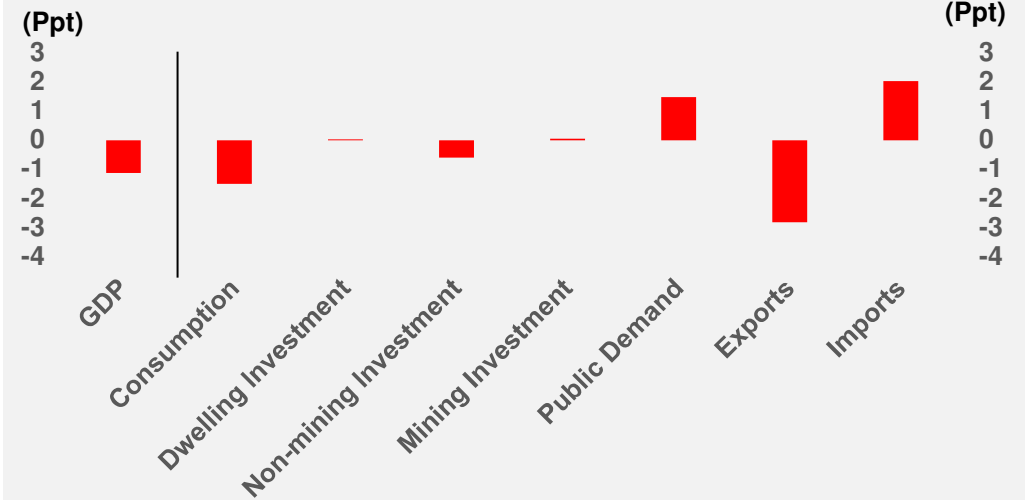
(5) Source: RBA, RBNZ, NAB. Bank fiscal year-ended (September). NZ business credit includes credit to Agriculture



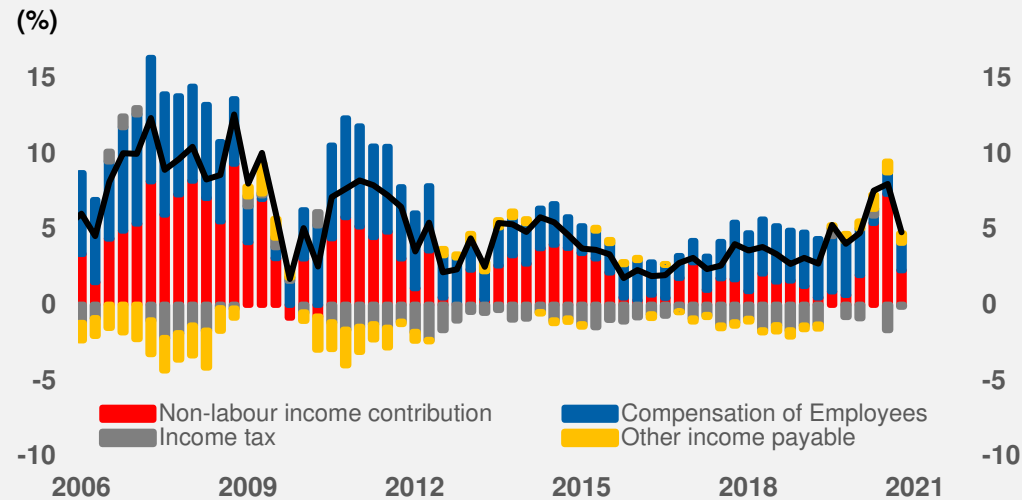
# ACTIVITY CONTINUES TO RECOVER FROM THE IMPACT OF COVID-19

- Economic activity and the labour market have rebounded relatively quickly from the COVID-19 related fall in June 2020. GDP ended the year 1% lower, and is now expected to return to pre-COVID levels by Q1 2021.
- Relatively good health outcomes alongside significant support have aided the rebound – though intermittent localised shutdowns and a closed international border have led to elevated uncertainty.
- While in aggregate the recovery has been strong, areas of stress remain, particularly in sectors which see impact from travel restrictions or changes to spending patterns.
- Interest rates remain low but some fiscal support will wind back. Offsetting some of the pull-back in support to households will be the savings buffers built up with earlier support.

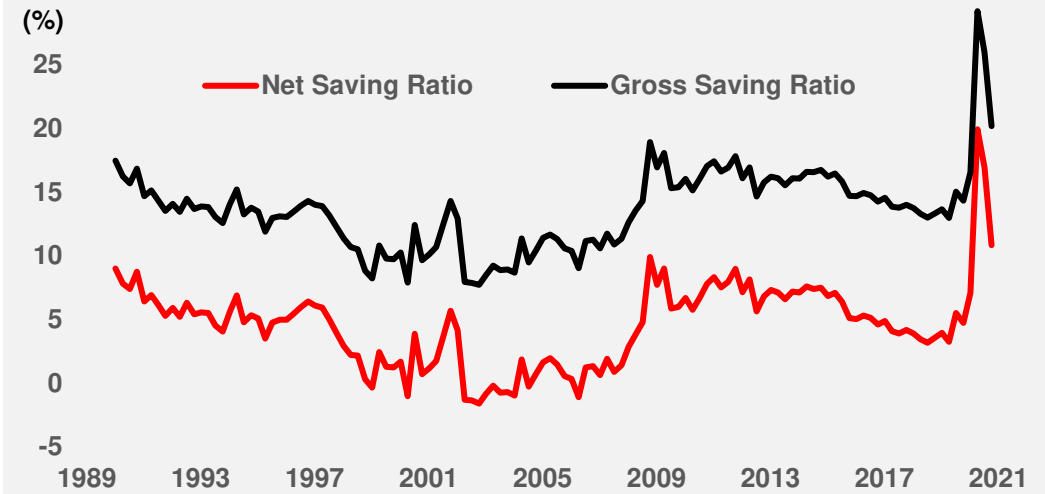
## GDP ENDED THE YEAR 1% LOWER<sup>1</sup>



## INCOMES HAVE SEEN SIGNIFICANT POLICY SUPPORT<sup>2</sup>



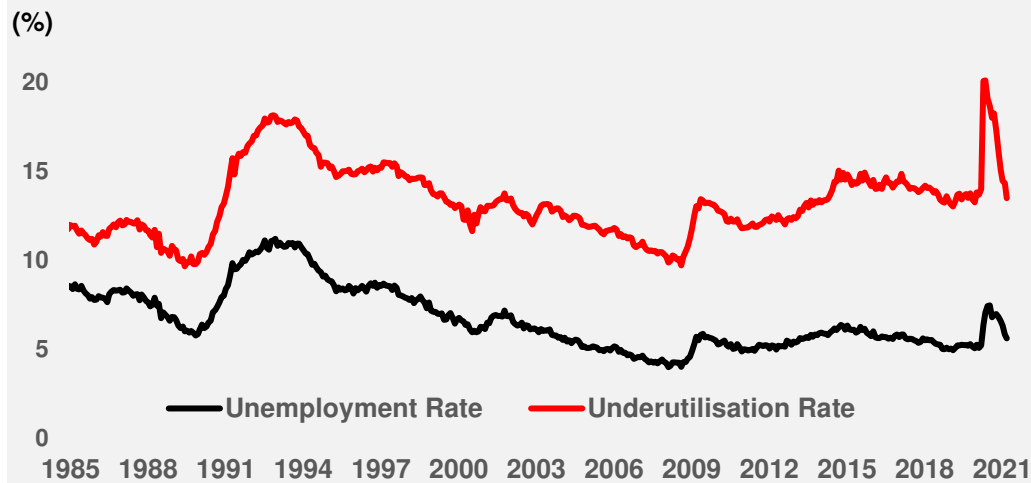
## INCREASED SAVINGS HAVE BUILT A BUFFER<sup>3</sup>



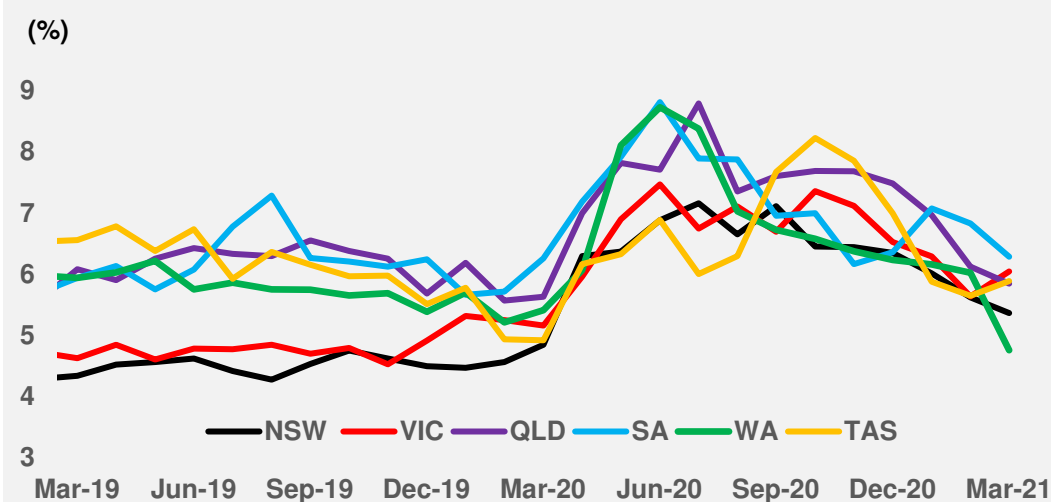
(1) Source: ABS, NAB. Data shows year-ended contributions to December quarter 2020  
 (2) Source: ABS, NAB. Year-ended growth. Data to December quarter 2020  
 (3) Source: ABS, NAB. Data to December quarter 2020

# THE LABOUR MARKET HAS RECOVERED AT A RELATIVELY QUICK PACE

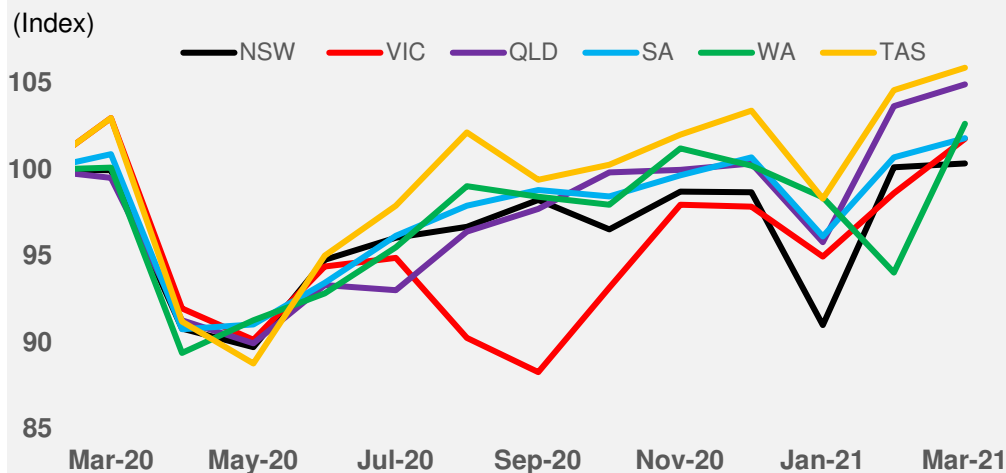
## UNEMPLOYMENT HAS RECOVERED QUICKLY<sup>1</sup>



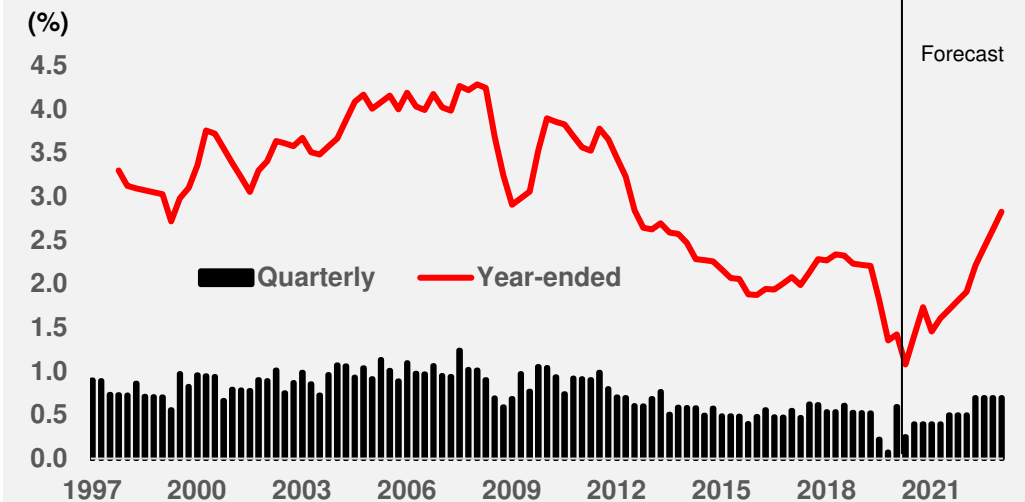
## UNEMPLOYMENT HAS FALLEN ACROSS STATES<sup>1</sup>



## HOURS WORKED HAVE REBOUNDED ACROSS STATES<sup>2</sup>



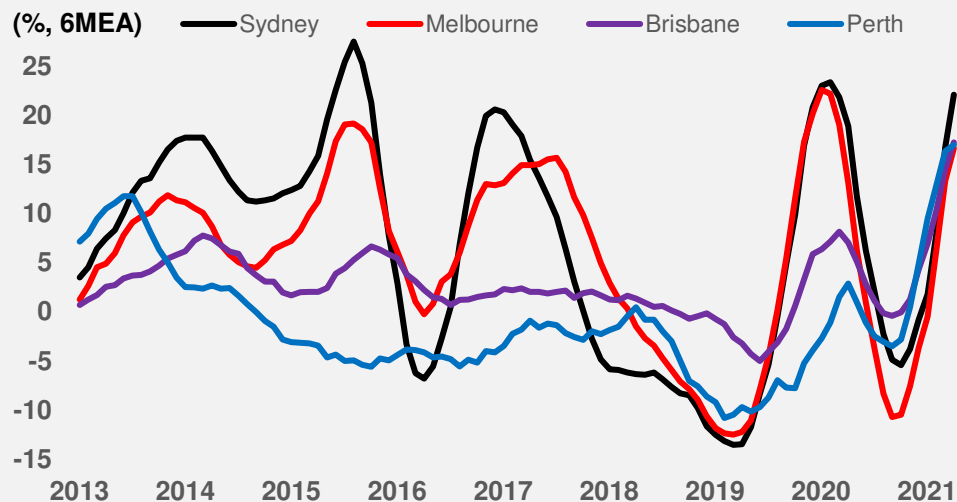
## WAGE GROWTH IS SOFT<sup>3</sup>



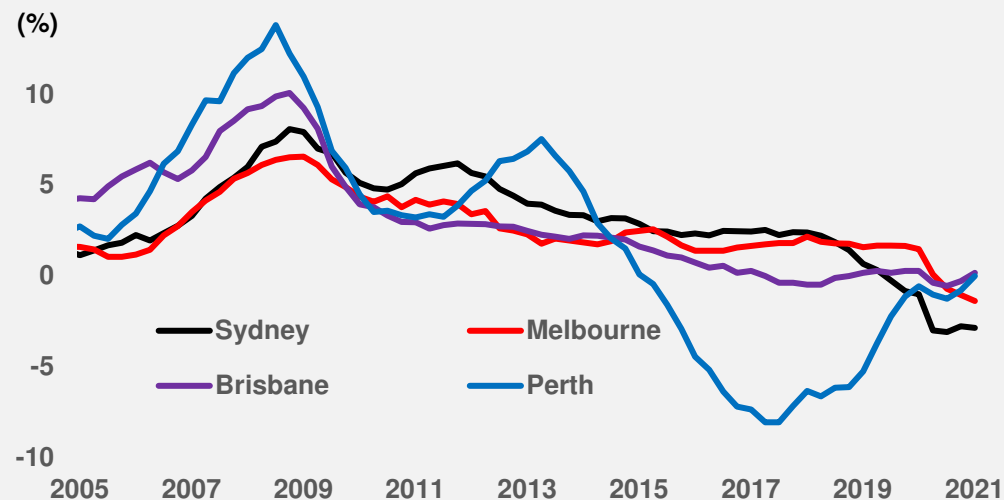
- (1) Source: ABS. Data to March 2021
- (2) Source: ABS, NAB. February 2020 = 100, data to March 2021
- (3) Source: ABS. Data to December quarter 2020, NAB forecasts thereafter

# THE HOUSING MARKET HAS STRENGTHENED

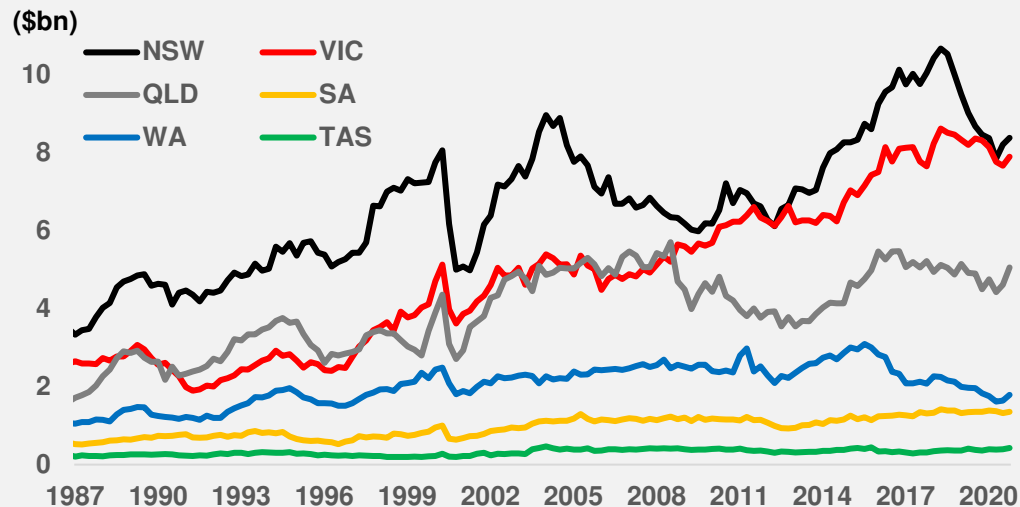
## HOUSE PRICE GROWTH HAS BEEN STRONG<sup>1</sup>



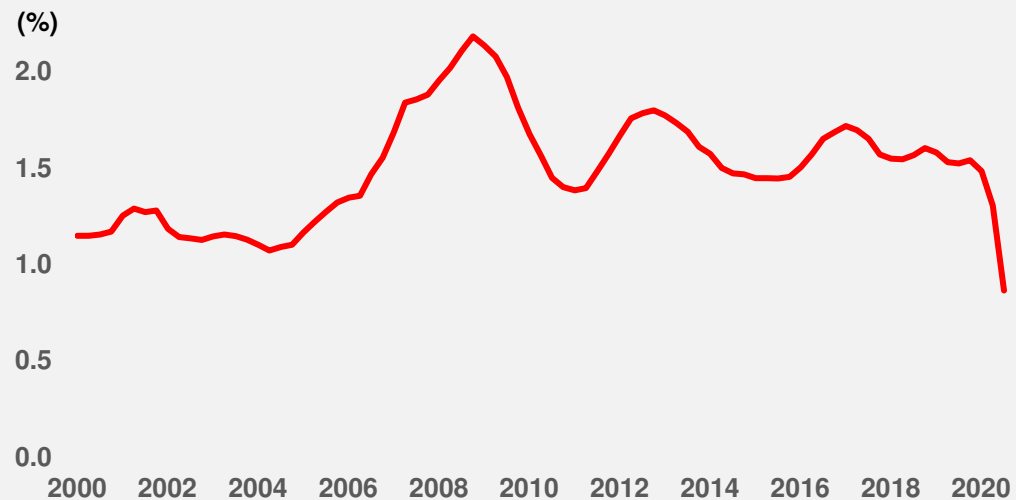
## RENTS GROWTH CONTINUES TO BE WEAK<sup>2</sup>



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



## POPULATION GROWTH IS SLOWING<sup>4</sup>



(1) Source: CoreLogic. 6-month-ended-annualised growth. Data to 30 April 2021

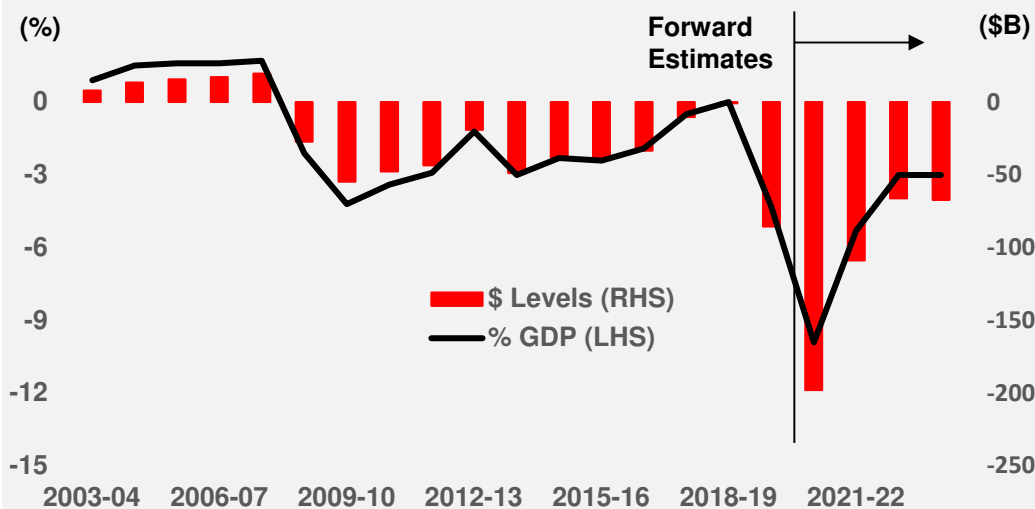
(2) Source: ABS. Year-ended growth in CPI rents. Data to March quarter 2021

(3) Source: ABS. Chain volume measure (reference year 2017-18)

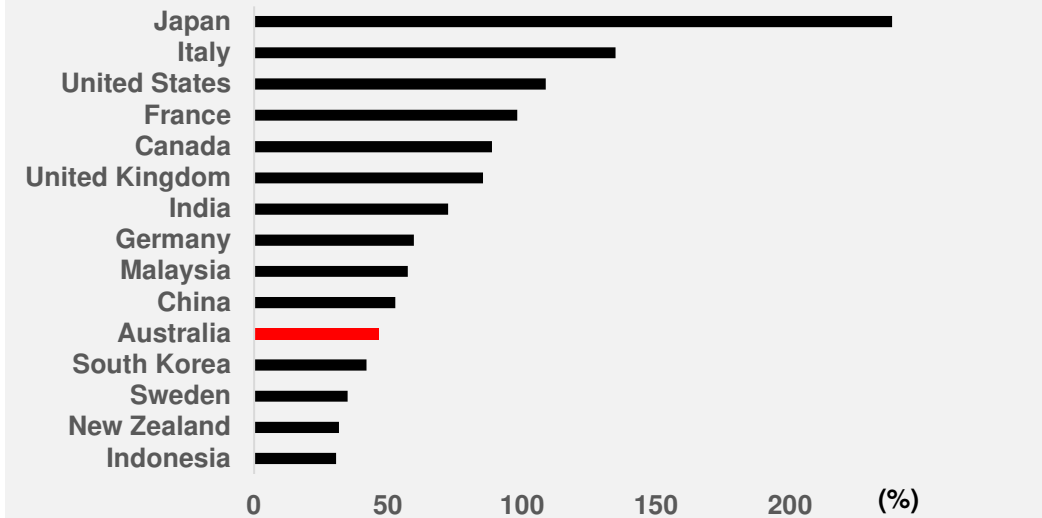
(4) Source: ABS. Year-ended growth. Data to Q3 2020

# SIGNIFICANT POLICY SUPPORT DURING THE PANDEMIC

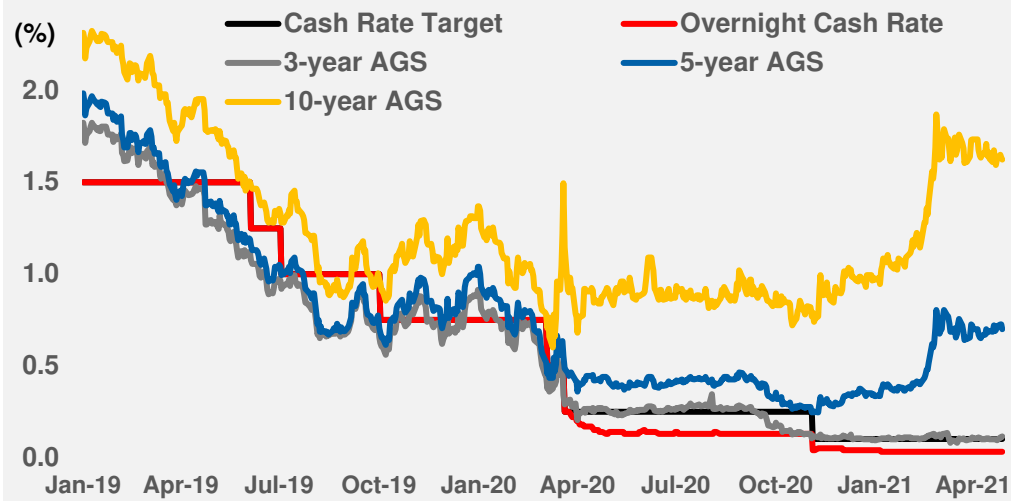
## LARGE BUDGET DEFICITS EXPECTED IN THE NEAR TERM<sup>1</sup>



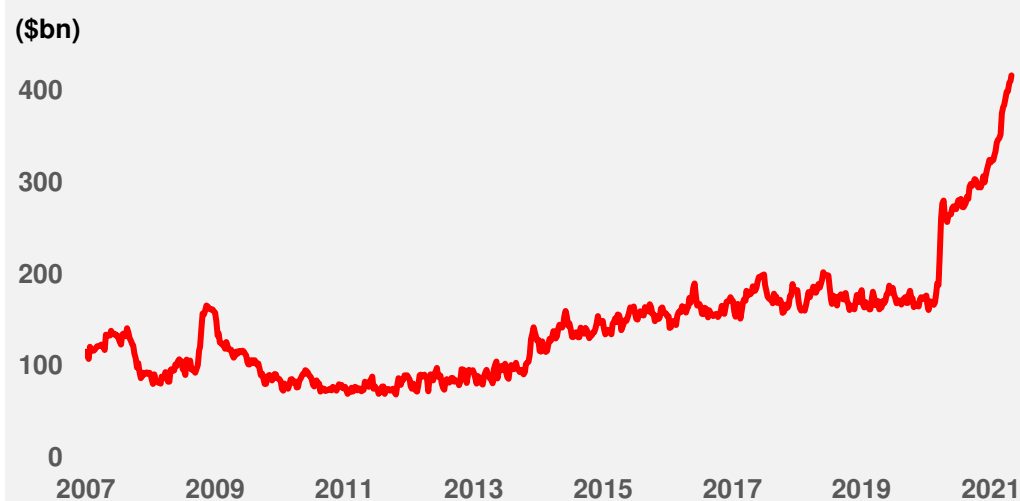
## GOVERNMENT DEBT AT A LOW STARTING POINT<sup>2</sup>



## THE CASH RATE REMAINS LOW<sup>3</sup>



## RBA HAS CONTINUED UNCONVENTIONAL POLICY<sup>4</sup>



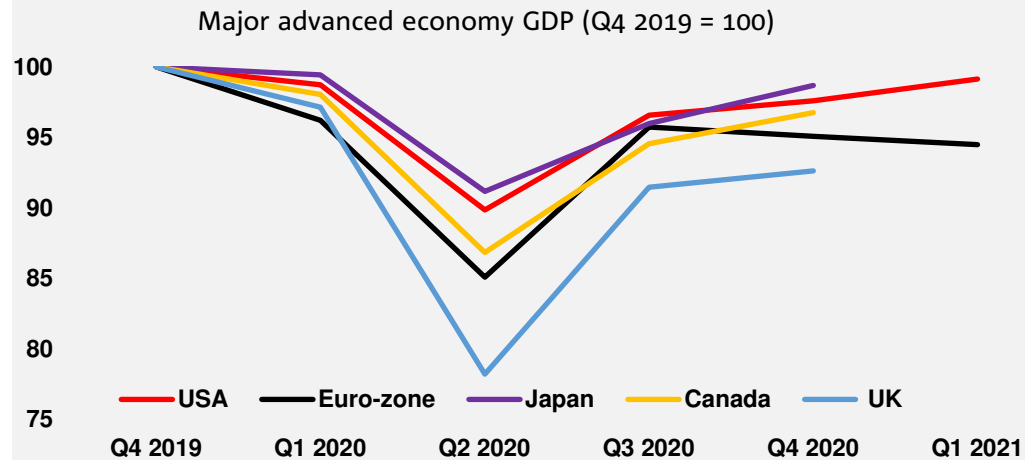
- (1) Source: Commonwealth Treasury. MYEFO Estimates
- (2) Source: IMF. Data are for 2019 shown as a share of each country's GDP
- (3) Source: Macrobond. Data to 28 April 2021
- (4) Source: RBA, NAB. Data to 26 April 2021. Total Assets on the RBA's Balance Sheet

# GLOBAL RECOVERY UNDERWAY

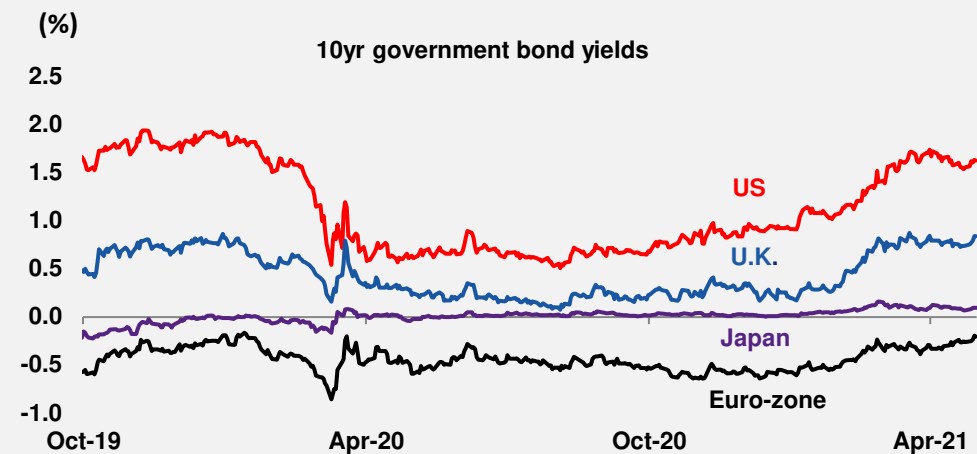
## CHINA'S ECONOMY BACK ON TRACK BY END 2020<sup>1</sup>



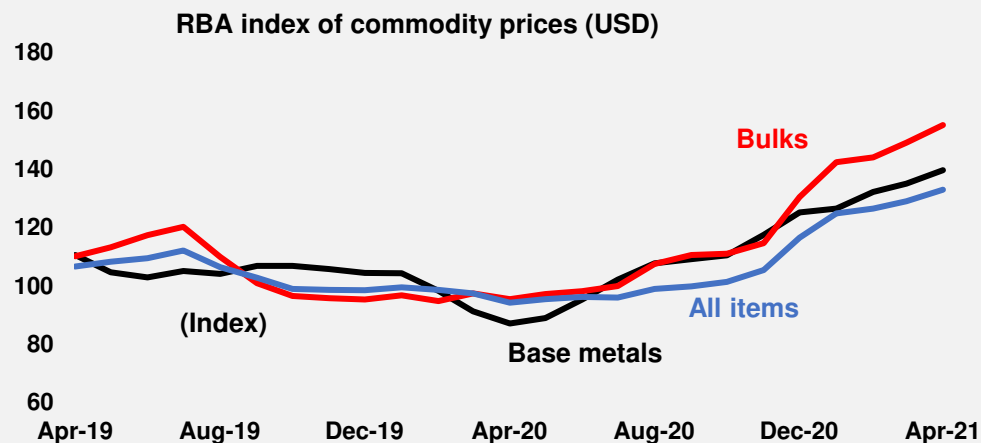
## BROADER GLOBAL RECOVERY CONTINUES BUT NOT SMOOTHLY DUE TO FURTHER COVID WAVES<sup>1</sup>



## YIELDS UP AS VACCINE ROLL OUT AND US FISCAL STIMULUS BOOST GROWTH & INFLATION EXPECTATIONS<sup>2</sup>



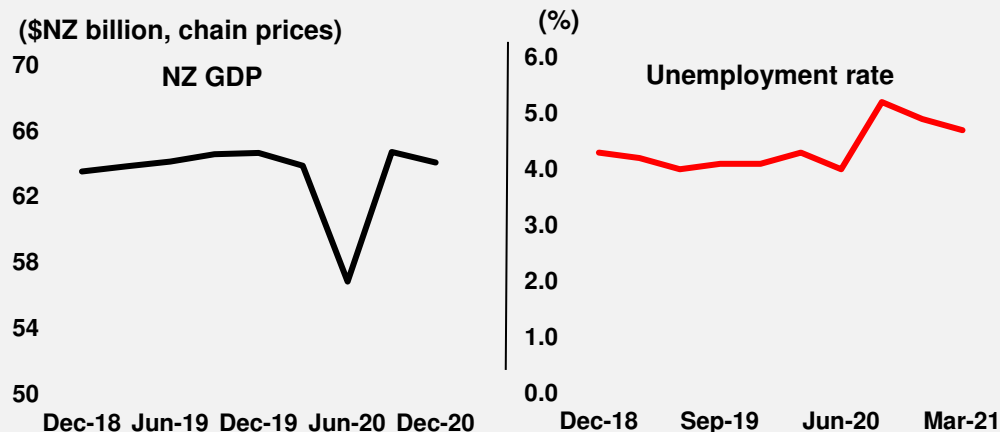
## COMMODITY PRICES HAVE RISEN SUPPORTED BY RAPID CHINA RECOVERY AND IMPROVED OUTLOOK<sup>3</sup>



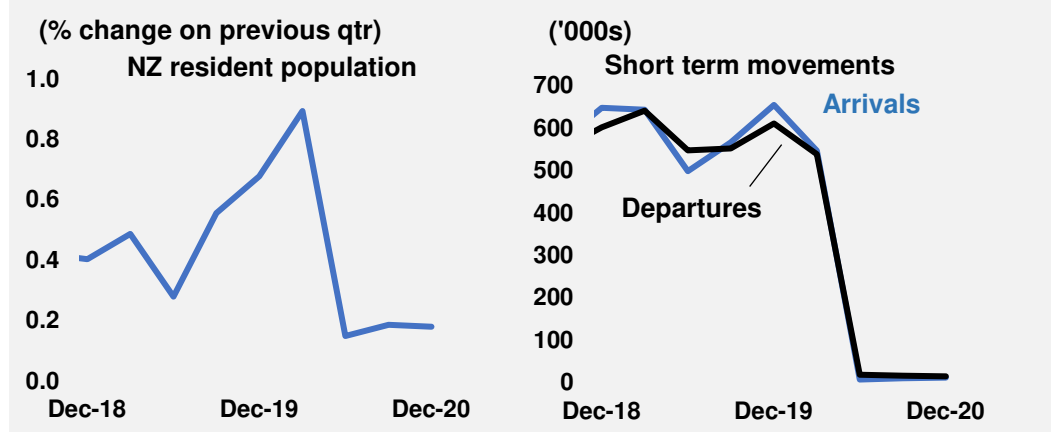
- (1) Source: Refinitiv; Commodity price data to 30 April 2021
- (2) Source: Bloomberg; data to 30 April 2021
- (3) Source: Econdata DX

# NEW ZEALAND

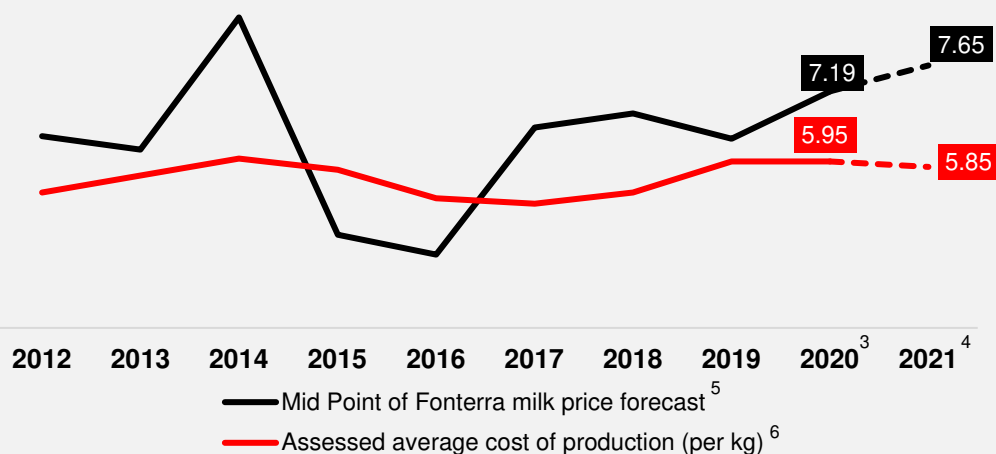
## NZ GDP RECOVERY RELATIVELY RAPID BUT Q420 WEAK AND LABOUR MARKET RECOVERY SLOW<sup>1</sup>



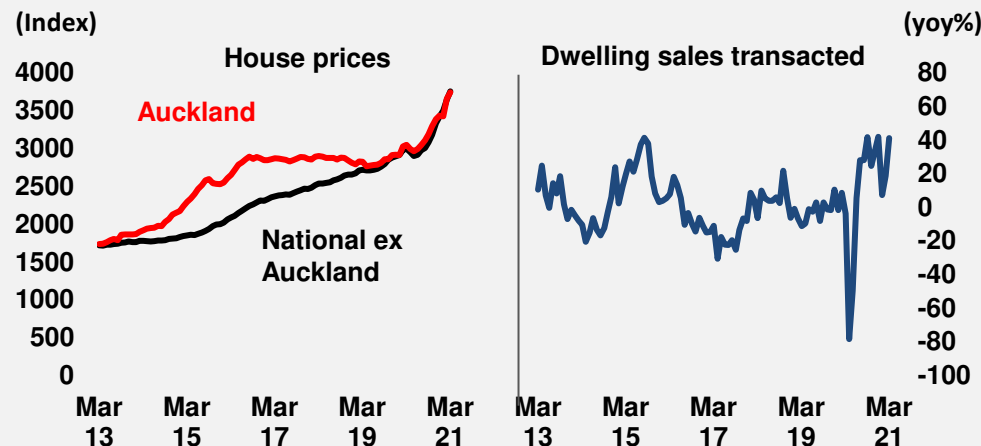
## AGGREGATE MEASURES HIDE CHANGES – POPN GROWTH WELL DOWN AND INTERNATIONAL TOURISM DEPRESSED<sup>2</sup>



## DAIRY FARM VIABILITY



## HOUSING MARKET VERY STRONG; GOVT RESPONDING BY SEEKING TO CURB HOUSE PRICE GROWTH<sup>7</sup>



(1) Source: Refinitiv, Statistics NZ  
 (2) Source: Econdata DX, NAB  
 (3) 2020 figure includes Milk Price of \$7.14 and Dividend of \$0.05  
 (4) 2021 figure includes Milk Price of \$7.60 and Dividend of \$0.05  
 (5) Source: Fonterra (milk price)  
 (6) Source: Dairy NZ (Forecast cost of production)  
 (7) Source: Refinitiv, REINZ

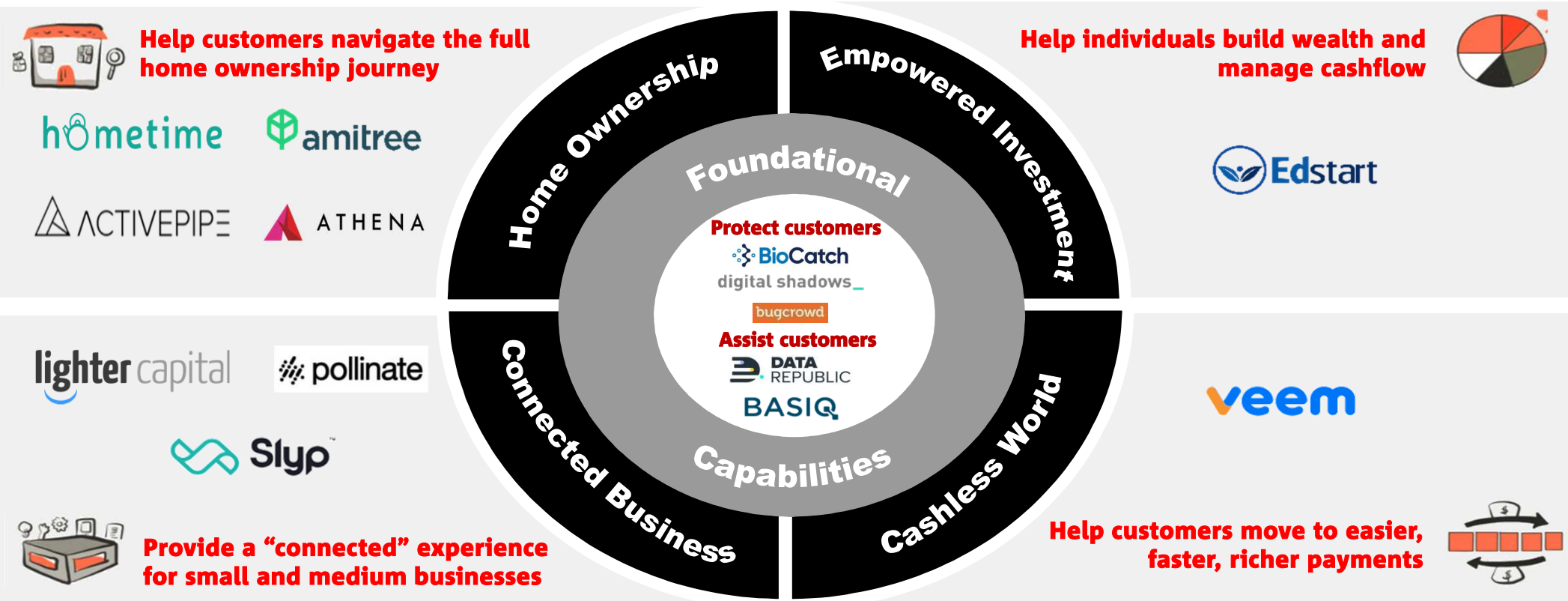


# OTHER INFORMATION

# NAB VENTURES AND INNOVATION

NAB Ventures is NAB's venture capital arm within the Strategy and Innovation division that makes investments to promote strategic priorities

- Accelerates access to new innovative technology, intellectual property and business models, enhance insight and connectivity with market disruptors and reinforce NAB's innovation capabilities for our customers
- Pursues partnership and integration initiatives with our investment companies, including co-developing customer propositions and enhancing our foundational capabilities, in order to create value for NAB and realise the strategic rationale of each investment

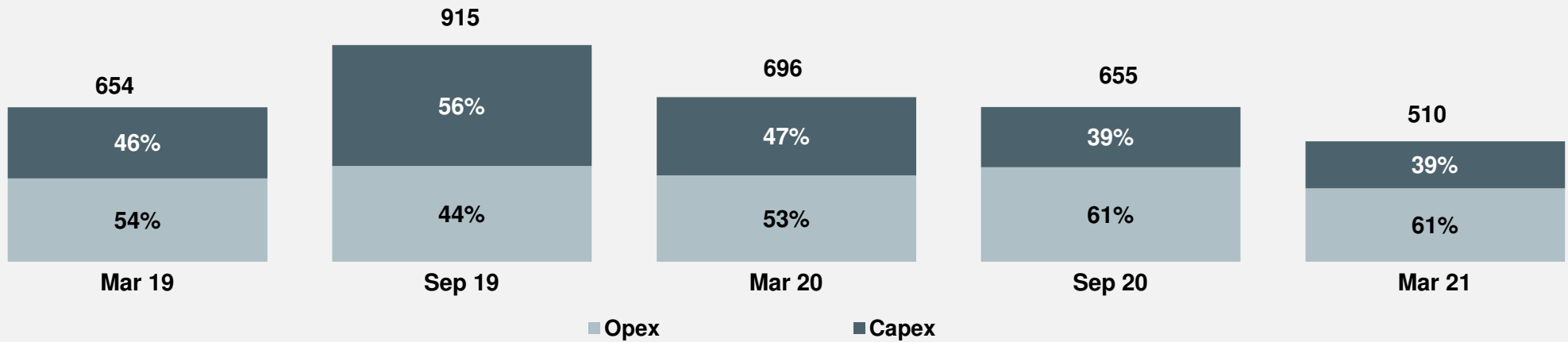




# INVESTMENT SPEND & CAPITALISED SOFTWARE

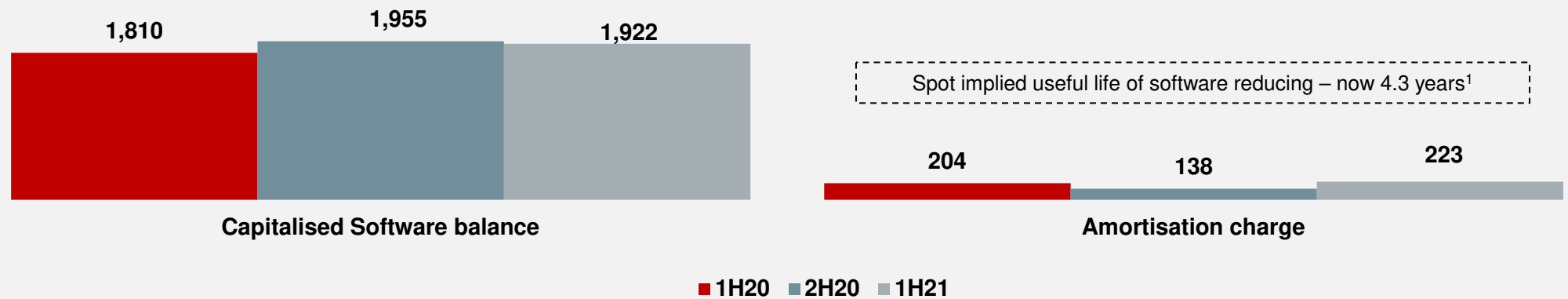
## INVESTMENT SPEND – OPEX AND CAPEX

(\$m)



## CAPITALISED SOFTWARE – BALANCE AND AMORTISATION PROFILE

(\$m)



(1) Calculated using the capitalised software balance for the period divided by the annualised 1H21 amortisation charge

# 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 2 of the 2021 Half Year Results Announcement, 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 91 - 93 of the 2021 Half Year Results Announcement. The Group's financial statements, prepared in accordance with the Corporations Act 2001 (Cth) and Australian Accounting Standards, and reviewed by the auditors in accordance with Australian Auditing Standards, are set out in the 2021 Half Year Results Announcement.

	1H21 (\$m)	1H21 v 2H20	1H21 v 1H20
<b>Cash earnings</b>	<b>3,343</b>	<b>67.7%</b>	<b>94.8%</b>
Non-cash earnings items (after tax)			
Distributions	13	(23.5%)	(40.9%)
Fair value and hedge ineffectiveness	(126)	Large	Large
<b>Net profit from continuing operations</b>	<b>3,230</b>	<b>65%</b>	<b>Large</b>
Net loss attributable to owners of NAB from discontinued operations	(22)	(96.9%)	(90.4%)
<b>Statutory net profit attributable to owners of NAB</b>	<b>3,208</b>	<b>Large</b>	<b>Large</b>

# ABBREVIATIONS

<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>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>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 6 May 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 Half Year Results Announcement (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 Luxembourg Transparency Law disclosures released to the ASX on 6 May 2021 and the Group's Annual Financial Report for the 2020 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:**

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