



# FULL YEAR RESULTS 2020

**Investor Presentation** 5 November 2020

**Ross McEwan**

Chief Executive Officer

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Chief Financial Officer

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# NAB 2020 FULL YEAR RESULTS INDEX

This presentation is general background information about NAB. It is intended to be used by a professional analyst audience and is not intended to be relied upon as financial advice. Refer to page 120 for legal disclaimer.

Financial information in this presentation is based on cash earnings, which is not a statutory financial measure. Refer to page 118 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 challenging environment**

**Balance sheet strength. Keep the bank safe**

**Supporting customers and colleagues**

**Strategic ambition is clear. Good progress made on execution**

**Focused now on building momentum in our core businesses**

# UNDERLYING RESULTS REFLECT CHALLENGING ENVIRONMENT

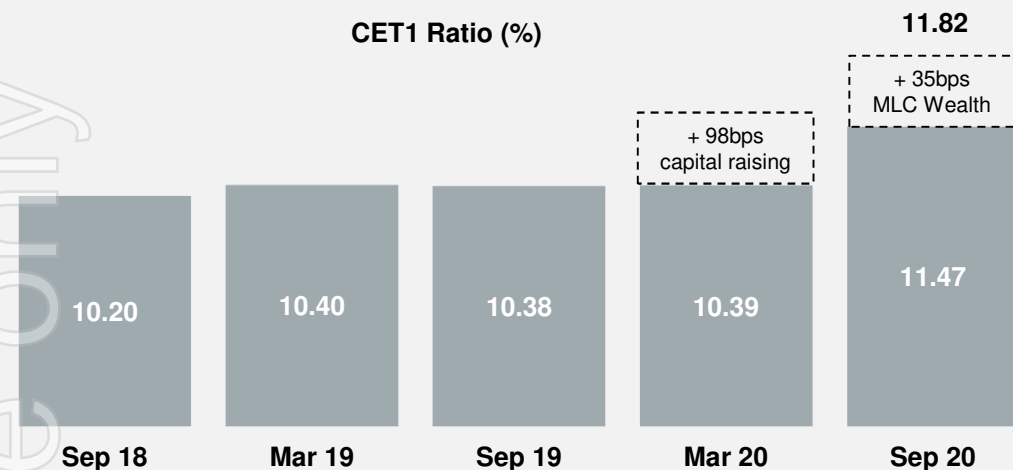
METRIC	FY20	FY19	FY20 VS FY19
Statutory net profit (\$m)	2,559	4,798	(46.7%)
<b>CONTINUING OPERATIONS (EX LARGE NOTABLE ITEMS<sup>1</sup>)</b>			
Cash earnings <sup>2</sup> (\$m)	4,733	6,389	(25.9%)
Underlying profit (\$m)	9,640	10,056	(4.1%)
Cash ROE	8.3%	12.4%	(410 bps)
Diluted Cash EPS (cents)	146.9	219.7	(33.1%)
Dividend (cents)	60	166	(63.9%)

(1) For a full breakdown of large notable items refer to page 5 of the 2020 Results Announcement

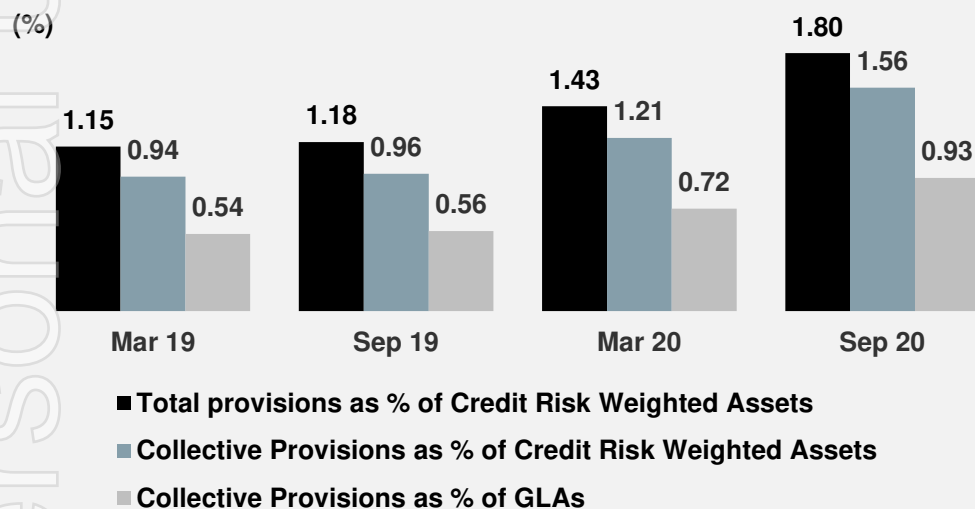
(2) Refer to page 118 for definition of cash earnings and reconciliation to statutory net profit

# BALANCE SHEET STRENGTH

## CAPITAL INCLUDES SUBSTANTIAL BUFFER



## STRENGTHENED PROVISIONING COVERAGE



(1) Completion remains subject to satisfaction of certain conditions, including regulatory approvals

## FUNDING & LIQUIDITY REMAINS STRONG

Metric (%)	Mar 19	Sep 19	Mar 20	Sep 20
LCR (quarterly average)	130	126	136	139
NSFR	112	113	116	127

## COMMENTS



- \$3bn institutional placement and \$1.25bn share purchase plan successfully completed in 2H20
- Sale of MLC Wealth expected to provide additional 35bps of CET1 on completion<sup>1</sup>
- Shareholder dividends of 60cps declared in FY20
- Funding and Liquidity metrics remain well above minimum thresholds
- Further increased provisioning coverage in 2H20 including top up to forward looking provisions – CP/CRWA of 1.56% and CP/GLAs of 0.93%

# SUPPORTING CUSTOMERS AND COLLEAGUES

## OUR CUSTOMERS

### Numerous COVID-19 support initiatives

- Reduced minimum monthly repayments on cards and **waived late payment fees**
- **Waived certain merchant fees** with extended support provided to Victorian customers

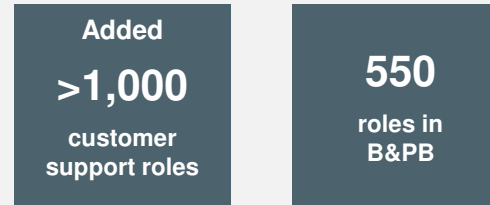
REPAYMENT DEFERRALS	APPROVED TO DATE	\$BN TOTAL APPROVED
 Home loans	>110k	>\$60bn
 Business loans	>38k	\$19bn outstanding late October

**~\$2.4bn** In new lending to SME & sole traders per month

**>\$600m** In Business Support Loans provided to date

## OUR COLLEAGUES

### New roles created



### Increased support and flexibility

- **Cross-skilled service model** rolled out in regional branches
- Completing **regular pulse checks** to get timely feedback on colleague needs

### Increased investment

**\$50m** Investment over 3 years for colleagues to be trained in fundamentals of banking – an industry first

**>1.4k** Colleagues now industry-certified in cloud



Single leadership program

# 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**



**Engagement**



**NPS growth**



**Cash EPS growth**



**ROE**

## MEASURES FOR SUCCESS





# FOCUSED ON EXECUTION WITH GOOD PROGRESS TO DATE



✓ Implemented new customer-centric organisation structure with clear accountabilities



✓ Leadership team largely in place – clear understanding of key strategic priorities



✓ Investing in colleagues – launch of Career Qualified in Banking and single Leadership program



✓ Sale of MLC Wealth to IOOF to simplify business



✓ Strong technology foundations leading to improved resilience, lower cost and enhanced customer experience



✓ Accelerated roll-out of digital tools and new partnerships to enhance data & analytics capabilities

# 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 HNW 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, 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 into micro-business</li> </ul>

# INVESTMENT IS FOCUSED ON OUR KEY STRATEGIC PRIORITIES

Planned FY21  
Investment spend  
~\$1.3bn

Discretionary  
spend

~30%

Other spend

~70%

## DISCRETIONARY INVESTMENT SPEND FOCUSED ON CORE PROJECTS TO SUPPORT GROWTH

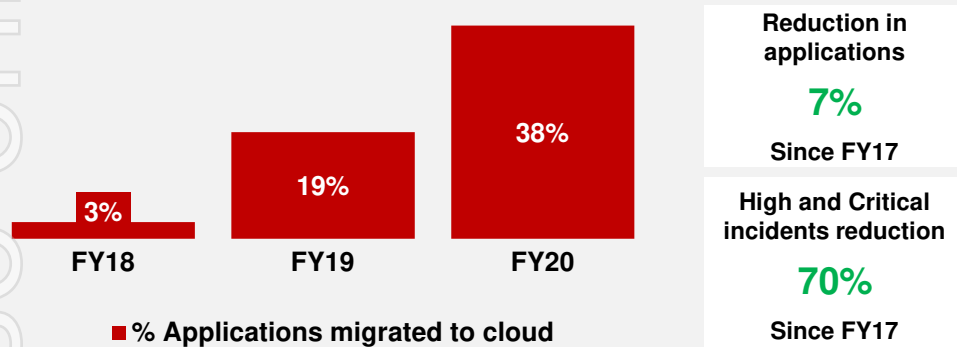
- Simplify business lending processes and policies
- Invest in bankers, processes and technology to improve customer experience
- Simpler and digital transactional banking
- Simplified end to end home lending process – initial focus on proprietary channels
- Grow UBank as a digital attacker with a differentiated proposition
- Enhanced use of data and analytics to deliver customer solutions and improve control environment
- Continue to enhance technology resilience via insourcing and migration of apps to the cloud

- Investment to uplift systems, processes and control environment
- Focus on financial crime detection and prevention, and cyber security capability
- Sydney and Melbourne commercial property fit outs

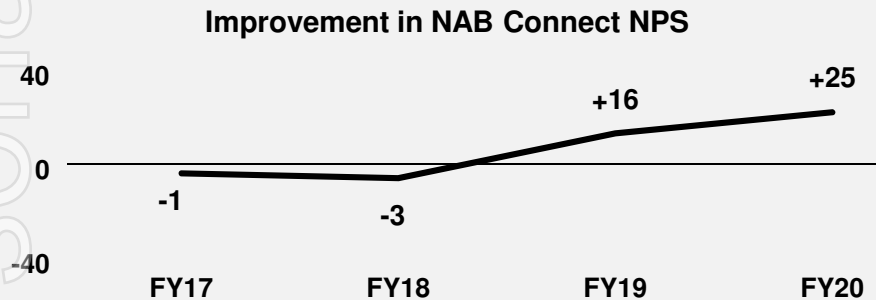
# LEVERAGING STRONG TECHNOLOGY FOUNDATION

## CLOUD MIGRATION, APP REDUCTION & RESILIENCE

- Continuing strategy of cloud migration and reduction in apps
- Announced strategic partnership with Microsoft – plan to migrate 80% of apps to the cloud



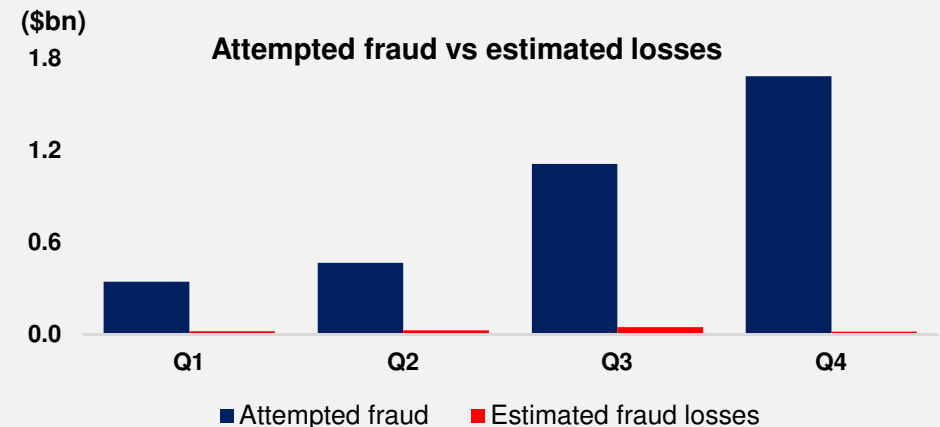
- NAB Connect migrated to the cloud with benefits including secure and scalable capacity and improved platform resilience and reliability for customers



(1) Since June 2017

## CONTINUED FOCUS ON CYBER, FINANCIAL CRIME AND FRAUD

- Investment and continued focus on cyber security and fraud detection has yielded strong outcomes
  - Broadly stable losses despite surge in attempted fraud
  - Achieved 50% faster cyber detection and response capabilities
  - 40x increase in data protection efficacy through preventative control uplifts



- Leading an industry consortium – “**Clean Pipes**”, that seeks to target and filter malicious internet traffic at risk of harming the community
- Invested ~\$300m to uplift financial crime capabilities<sup>1</sup> and now have >1,000 colleagues dedicated to managing financial crime risks

# DIGITAL TOOLS SUPPORT BETTER CUSTOMER OUTCOMES

## SUPPORTING CUSTOMER INTERACTIONS

### Virtual chats



Increase in virtual chats optimised support for customers – only ~15% of chat sessions transferred to contact centres

### Appointment booking tool



Offering customers flexibility to book appointments when and where it suits them – in a branch, on the phone, in their own home, office or virtually

### Goals & needs



Supporting colleagues to capture conversations with customers in a digital and intuitive way

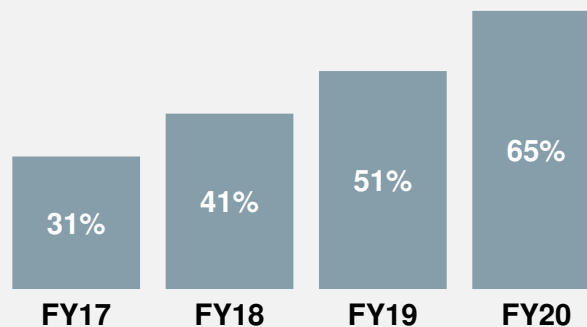
## INCREASING DIGITAL EXECUTION

>95% mortgage documents in broker channel executed digitally with e-signatures



New business accounts have faster set up via e-signature solution<sup>1</sup>

### Simple consumer product sales via digital<sup>2</sup>



## DEVELOPING INNOVATIVE SOLUTIONS

### Partnerships to provide enhanced analytics to business customers

Announced partnerships with Pollinate and Vend to provide enhanced analytics to our business customers



### Simple Home Loans



Re-imagining the application process to help our customers with simple lending needs into their homes as seamlessly as possible

### StraightUp card



NAB's StraightUp Card is Australia's first no interest credit card, providing customers with more control over their finances

(1) Account Authority Card (AAC) and Specimen Signature Card (SSC) processes now completed using e-signature instead of paper based forms  
(2) Simple consumer products refer to transaction accounts, savings accounts, credit cards and personal loans

# WHAT WILL SUCCESS LOOK LIKE?



## KEY MEASURES OF SUCCESS



## OUR AMBITION OVER 3-5 YEARS

### Colleague engagement

- Top quartile engagement

### Customer NPS

- 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>1</sup> (relative to FY20 cost base of \$7.7bn)

### ROE

- Target double digit Cash ROE

(1) Excluding large notable items

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# FY20 FINANCIALS

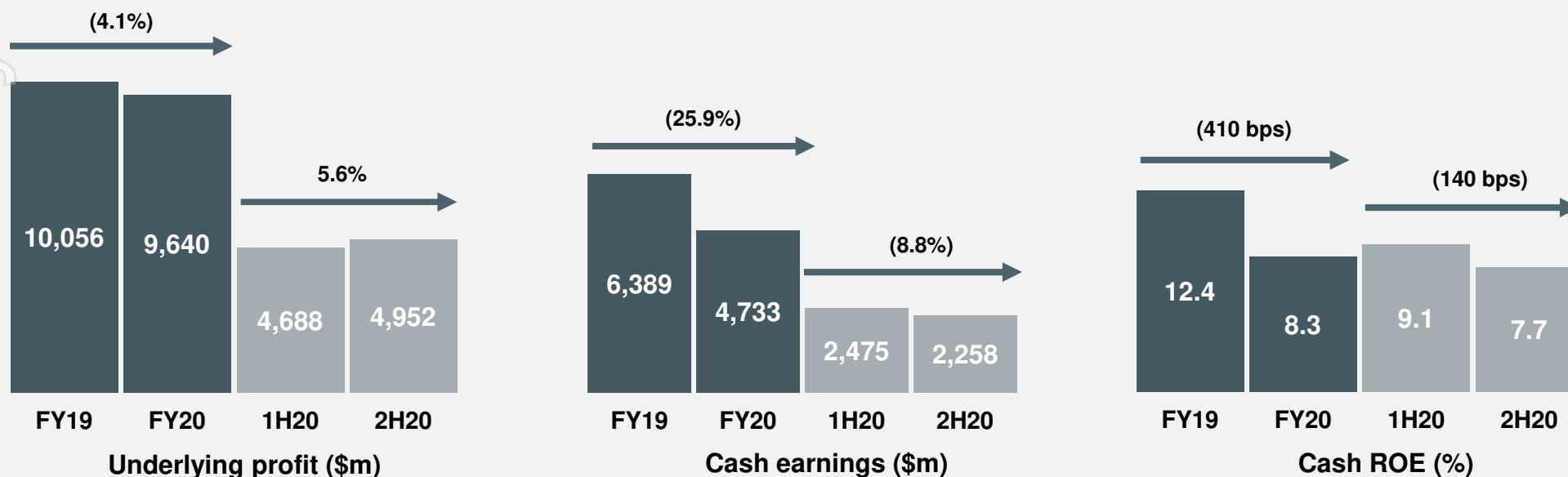
**GARY LENNON**

**Group Chief Financial Officer**



# GROUP FINANCIAL PERFORMANCE

## GROWTH BY KEY FINANCIAL INDICATORS (EX LARGE NOTABLE ITEMS)



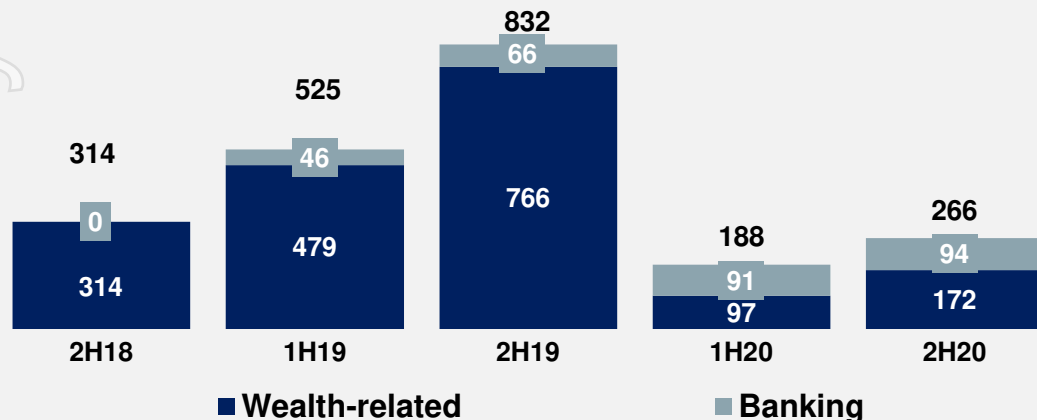
P&L key financial indicators	FY20 (\$m)	FY20 v FY19	2H20 (\$m)	2H20 v 1H20
Net Operating Income	17,319	(1.5%)	8,884	5.3%
Operating Expenses	7,679	2.0%	3,932	4.9%
Credit Impairment Charge	2,762	Large	1,601	37.9%



# REMEDATION AND LARGE NOTABLE ITEMS

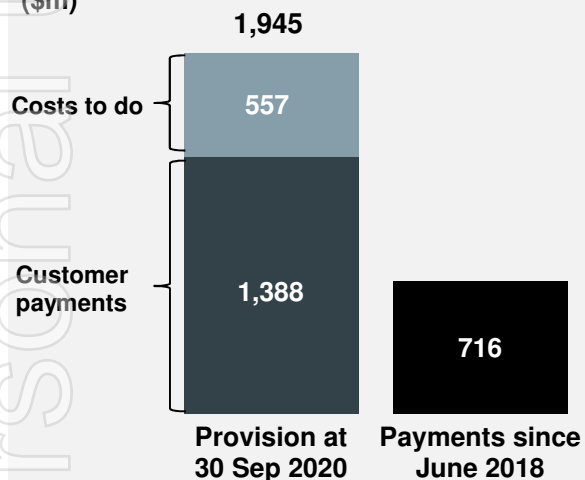
## CUSTOMER-RELATED REMEDIATION PROVISION CHARGES<sup>1</sup>

(\$m)



## PROVISIONING AND UTILISATION

(\$m)



- >1,200 colleagues dedicated to remediation activities across NAB and MLC Wealth
- Salaried planner adviser service fee program substantially complete
- 801k payments made to customers since June 2018 at a total value of \$716m
- Continue to review means of accelerating payments to customers

## PAYROLL REMEDIATION

- Extensive review into payments to both current and former Australian colleagues
- Range of potential payroll under and over payments issues; remediating under payments dating back to 1 October 2012
- 2H20 provisions of \$128m before tax (\$90m after tax) including \$20m before tax (\$14m after tax) in Discontinued Operations

## IMPAIRMENT OF PROPERTY-RELATED ASSETS

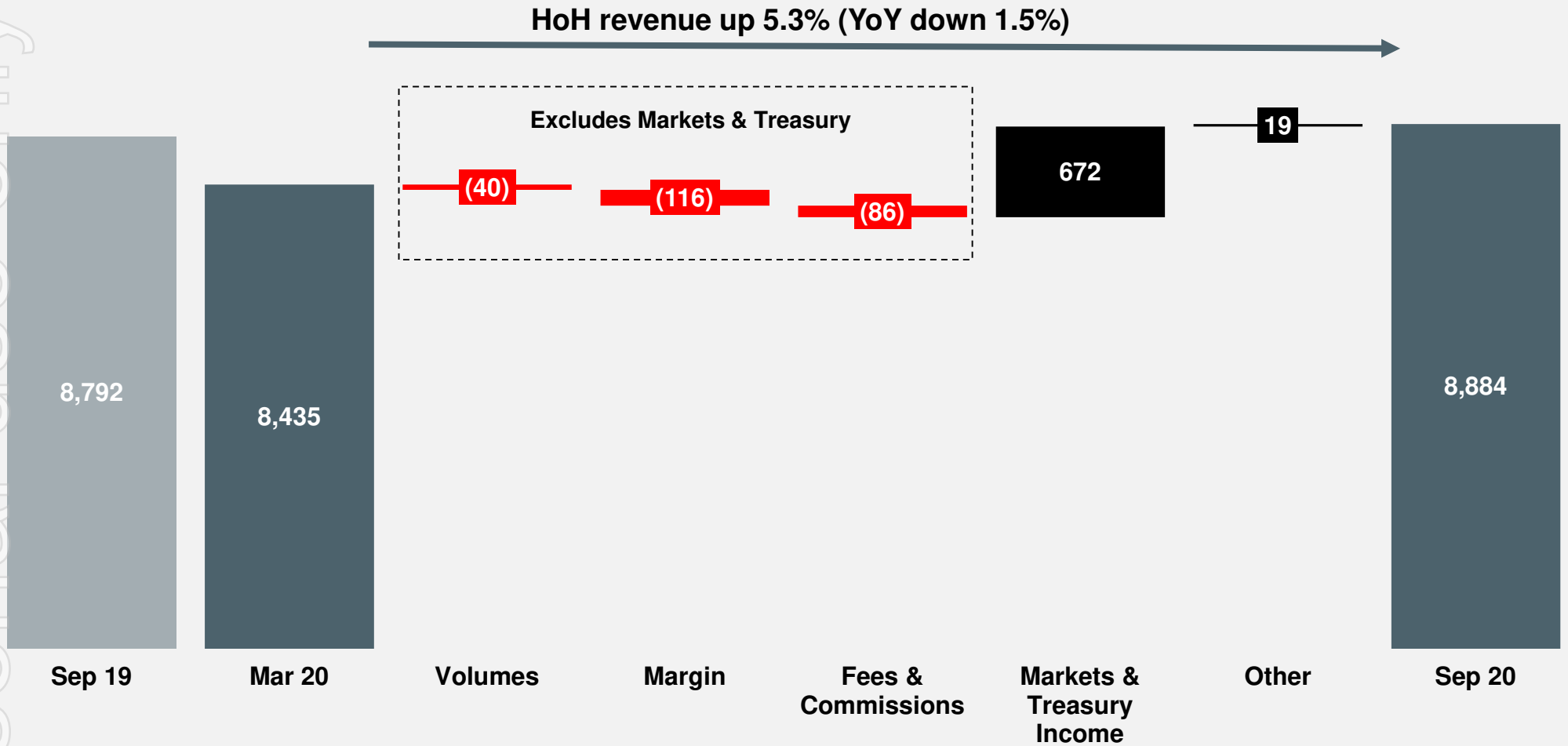
- 2H20 charges of \$134m before tax (\$94m after tax)
- Primarily relates to plans to consolidate NAB's Melbourne office space with more colleagues expected to adopt a flexible and hybrid approach to working over the longer term
- Ongoing cost savings <\$20m p.a reflecting ~7 year lease tail; offset by transitional property costs in FY21

(1) Charges are post-tax and include amounts taken through discontinued operations. Wealth customer-related remediation transferred to Discontinued Operations following the announced agreement to sell 100% of MLC Wealth to IOOF Holdings Ltd (IOOF). Prior periods have been restated to include customer remediation charges for discontinued operations to be consistent with the current period presentation

# REVENUE

## NET OPERATING INCOME (EX LARGE NOTABLE ITEMS)

(\$m)



# MARKETS AND TREASURY INCOME

## GROUP MARKETS & TREASURY INCOME

(\$m)

\$160m mark-to-market losses on the high quality liquids portfolio from 1H20 have fully reversed in 2H20



## GROUP MARKETS & TREASURY INCOME OVER TIME

(\$m)



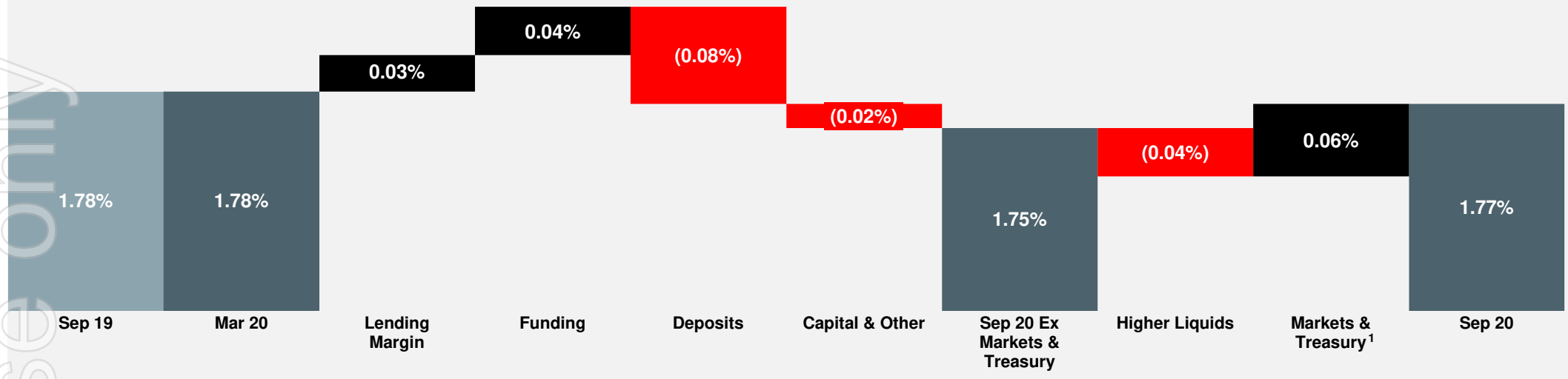
(1) Derivative valuation adjustments include credit valuation adjustments and funding valuation adjustments. In 2H20 the impact of a change in methodology to the credit valuation adjustment reduced income by \$65m

(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, wholesale funding and liquidity requirements and trading market risk to support the Group's franchises

# NET INTEREST MARGIN

## NET INTEREST MARGIN



## KEY CONSIDERATIONS

- FY21 NIM impact from the low rate environment expected to be ~6bps<sup>2</sup>
- Competitive pressures and higher liquidity to remain a headwind, however lower funding costs and deposit mix provide a modest tailwind
- Bills-OIS sensitivity reduced – 17bps of spread<sup>3</sup> = 1bp of NIM (was 13bps spread in June)
- \$84bn replicating portfolio provides 3.5 year average hedge for capital (\$41bn) and low rate deposits (\$43bn)

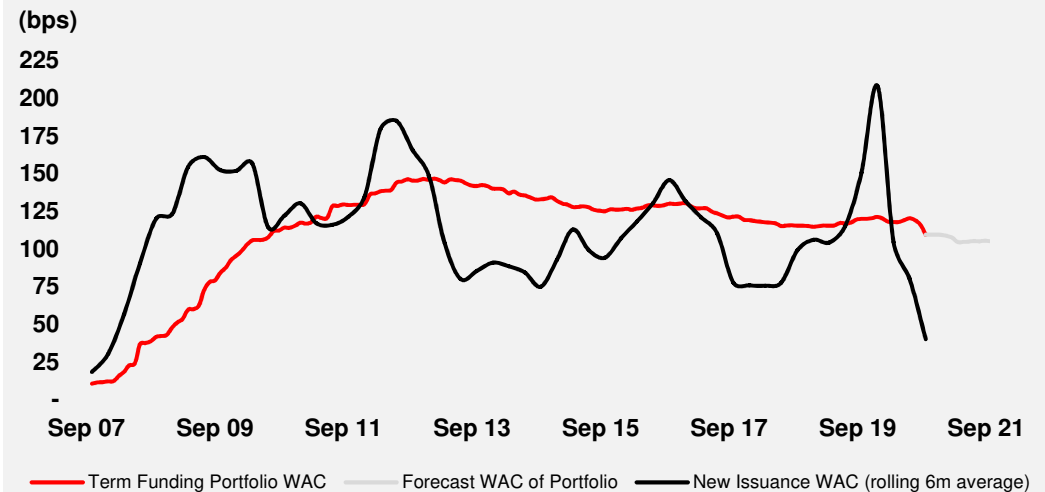
(1) Largely relates to NII/OOI offset

(2) 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

(3) Based on September month average

(4) Term Wholesale Funding Costs (including subordinated debt and TFF drawdowns) >12 Months at issuance (spread to 3 month BBSW). Average cost of new issuance is on a 6 month rolling basis

## AVERAGE LONG TERM WHOLESALE FUNDING COSTS<sup>4</sup>

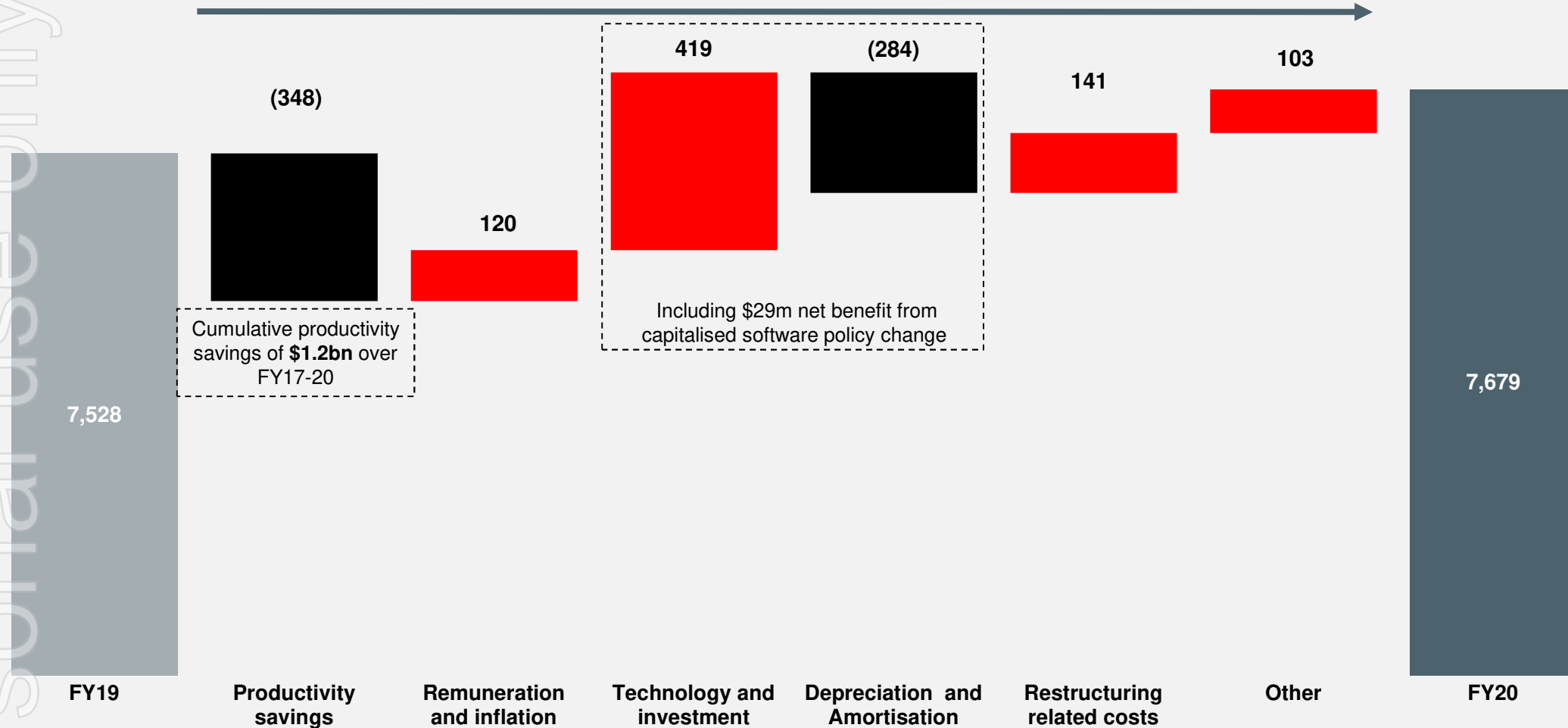


# OPERATING EXPENSES

## OPERATING EXPENSES (EX LARGE NOTABLE ITEMS)

(\$m)

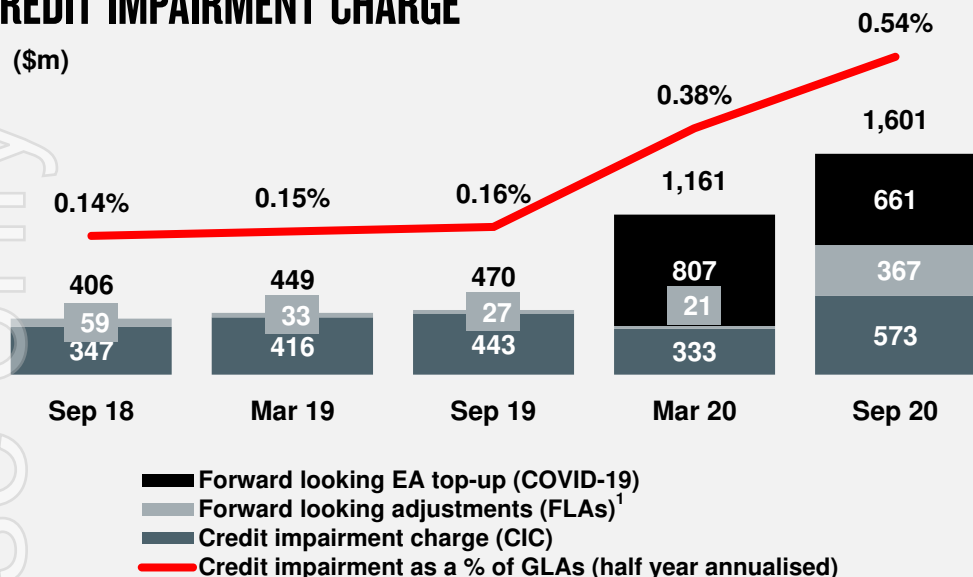
YoY expense growth 2.0% (HoH 4.9%)



# HIGHER CREDIT IMPAIRMENT CHARGE AND PROVISIONS

## CREDIT IMPAIRMENT CHARGE

(\$m)

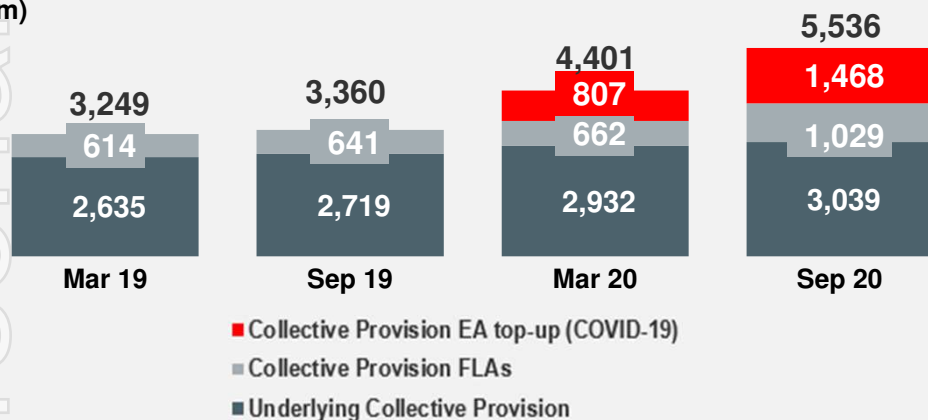


## KEY CONSIDERATIONS 1H20 V 2H20

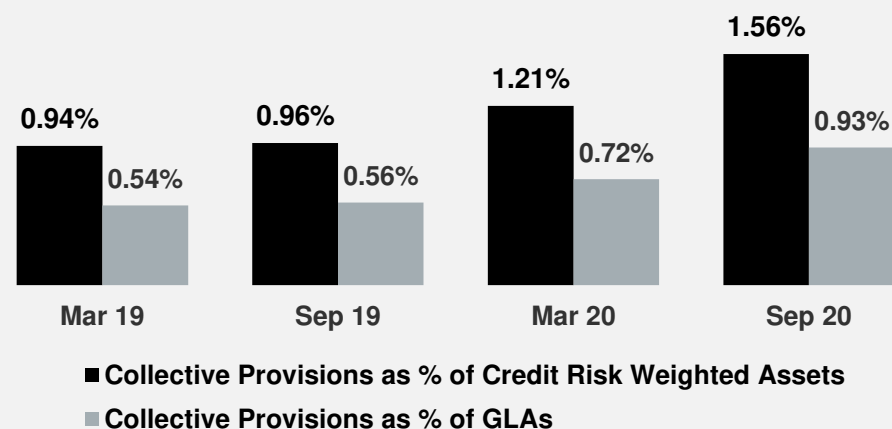
- Underlying CIC<sup>2</sup> of \$573m or 19bps of GLAs, up 8bps from 1H20 reflecting net impact of re-ratings of performing exposures
- Net increase in target sector forward looking adjustment (FLAs) of \$367m for Aviation, Tourism, Hospitality, Entertainment, Retail Trade and Commercial Property
- Increase in forward looking Economic Adjustment (EA) of \$661m reflecting expectations for a more prolonged economic recovery and material uncertainty around the outlook including the shift from support to stimulus

## COLLECTIVE PROVISION BALANCES

(\$m)



## COLLECTIVE PROVISION COVERAGE



(1) Represents collective provision Forward Looking Adjustments (FLAs) for targeted sectors

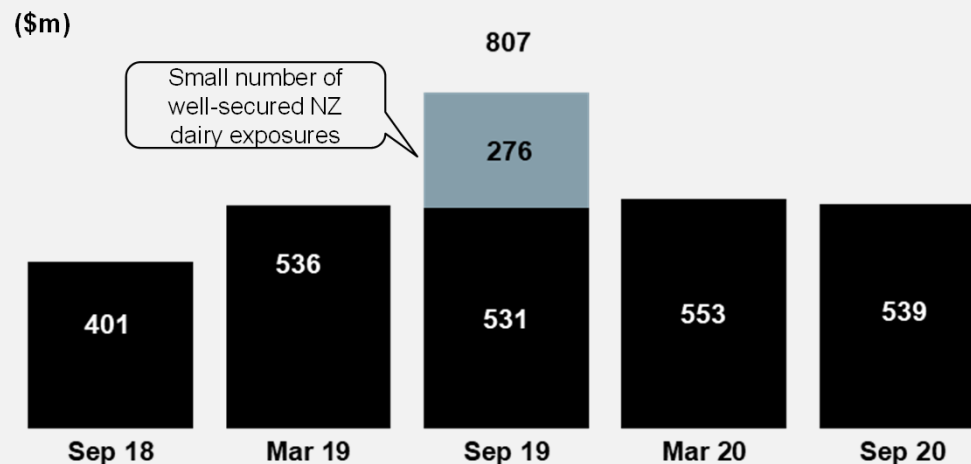
(2) Represents total credit impairment charge less EA top-up and FLA increase as a percentage of GLAs (half year annualised)

# MODEST ASSET QUALITY DETERIORATION BUT WATCH LOANS HIGHER

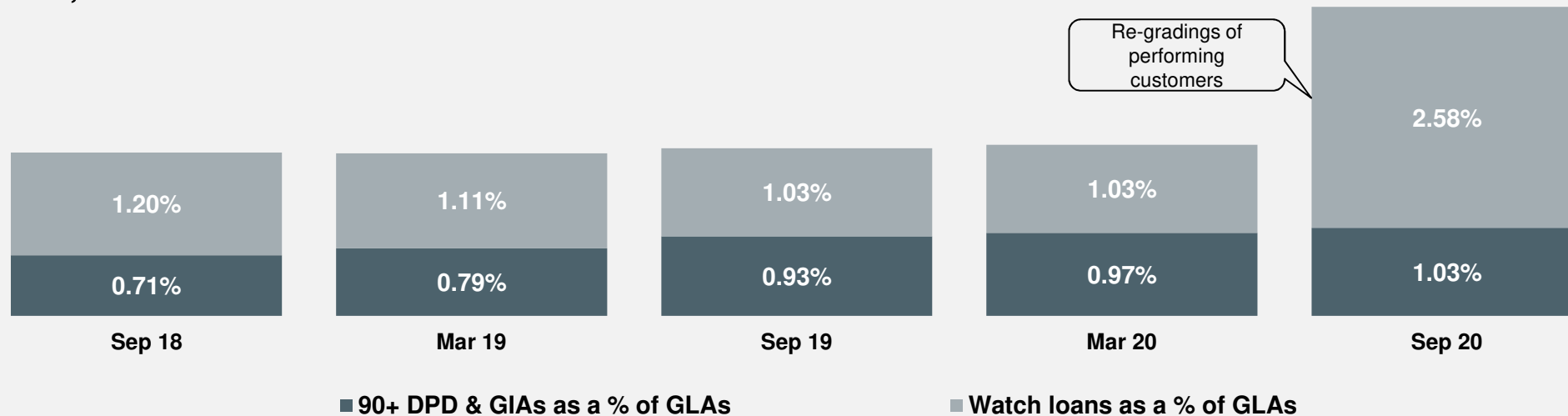
## KEY CONSIDERATIONS

- 90+ DPD & GIA ratio uplift largely reflects increased delinquencies in Australian home loan portfolio where customers not part of deferrals
- Eligible deferral customers treated in accordance with APRA guidance, arrears profile frozen from date of deferral
- Material watch loan ratio uplift mainly reflects re-gradings of performing customers in industries heavily impacted by COVID-19 lockdowns e.g. Aviation
- New impaired assets broadly stable

## NEW IMPAIRED ASSETS



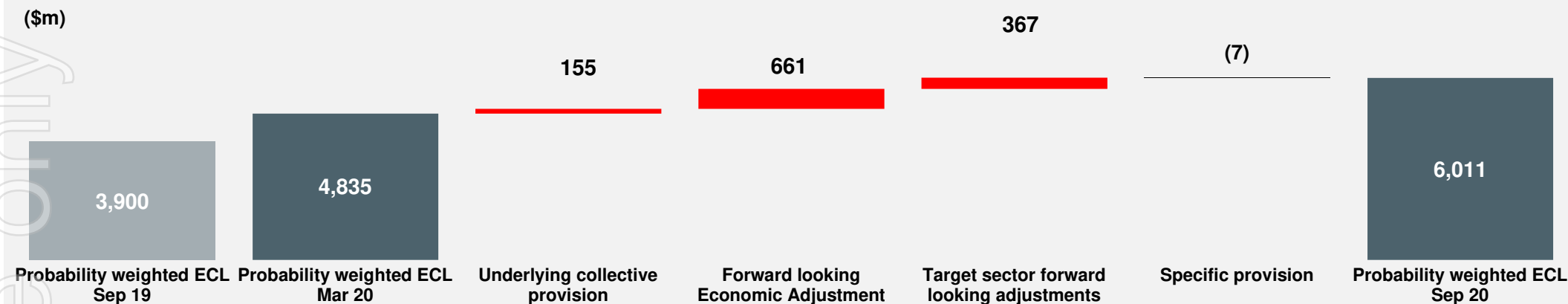
## 90+ DPD, GIAs & WATCH LOANS<sup>1</sup> AS A % OF GLAs



(1) Referral to Watch generally triggered by banker annual reviews through the year or as a result of customers experiencing cashflow pressures

# EXPECTED CREDIT LOSSES (ECL) HIGHER

## EXPECTED CREDIT LOSS (ECL) PROVISIONING PROCESS AND MOVEMENTS<sup>1</sup>



### UNDERLYING CP

- Model outcomes based on point-in-time data
- Forms base-line

### ECONOMIC ADJUSTMENT (EA)

- Minimum 6 monthly reviews
- Forward view of additional stress across portfolio from base-line, according to 3 scenarios (upside, base, downside) which are probability weighted
- 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)

### TARGET SECTOR FLAS

- Considers forward looking stress incremental to EA top-up
- Specific to particular parts of the portfolio e.g. sector or region

(1) Expected credit losses (ECL) excludes collective provisions on fair value loans and derivatives



# ECL ASSESSMENT

## EXPECTED CREDIT LOSS (ECL) SCENARIOS

\$m	Total Provisions for Expected Credit Losses (ECL) <sup>1</sup>		
	2H20 (probability weighted)	100% Base case	100% Downside
Housing	1,245	1,188	1,672
Business	4,252	3,925	5,501
Total Group	6,011	5,611	7,774
<b>Change vs March 20</b>	<b>1,176</b>	<b>1,220</b>	<b>(81)</b>

## KEY CONSIDERATIONS

- Modest underlying CP uplift reflecting material levels of support (e.g. deferrals, JobKeeper etc) and liquidity
- Modest deterioration in economic assumptions – deeper trough in economic activity and slower recovery
- Introduced upside weighting to reflect material uncertainty over economic outlook including impact of stimulus
- Detailed analysis of exposures most at risk driving higher target sector FLAs
- Limited change in exposures (total and mix)

## ECONOMIC ASSUMPTIONS

### Economic assumptions considered in deriving ECL scenarios as at Sep 20

%	Base case			Downside		
	CY20	CY21	CY22	CY20	CY21	CY22
GDP change (Year ended December)	(5.7)	3.1	2.8	(8.0)	1.5	2.5
Unemployment (end of year)	9.2	7.6	6.6	12.0	12.8	9.9
House price change (Peak-to-trough)	(11.6)			(20.7)		

### Scenario weightings applied in probability weighted ECL for the Australian portfolio

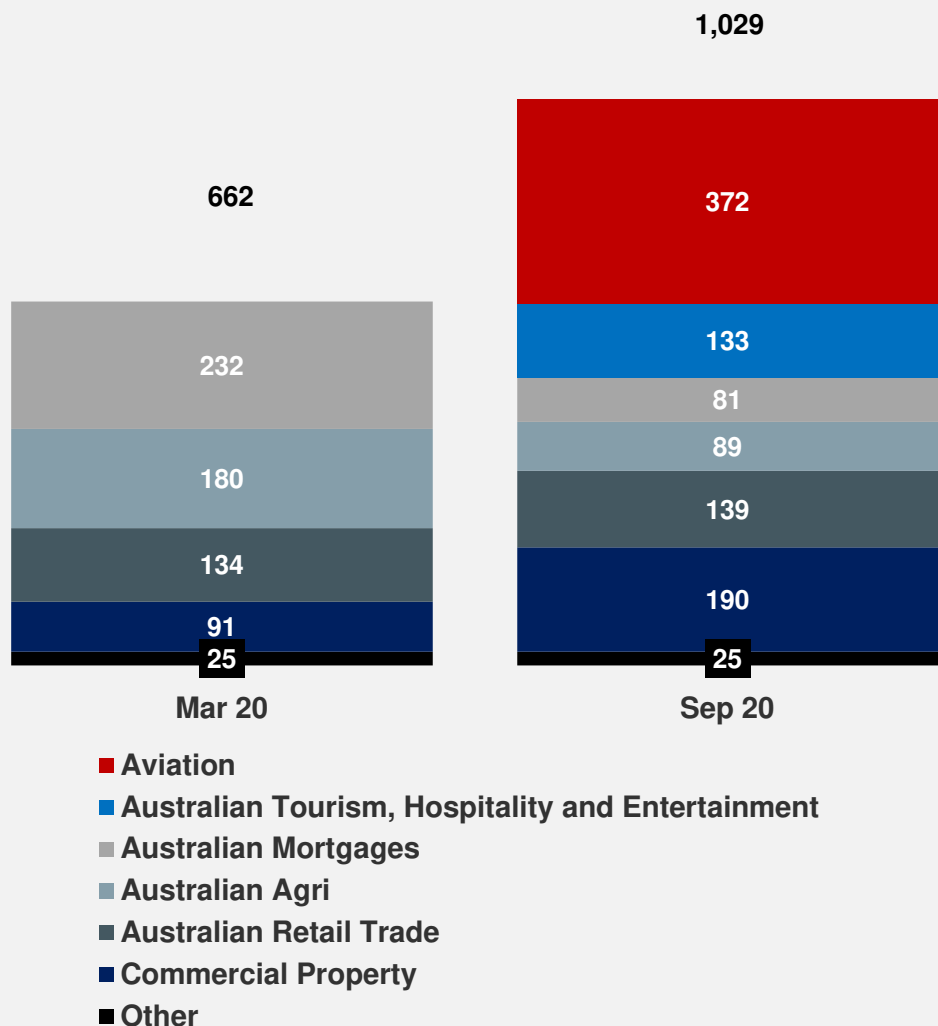
	Upside	Base Case	Downside
%	2H20	2H20	2H20
Housing	15	60	25
Business	15	60	25
Total Group	15	60	25

(1) Expected credit losses (ECL) excludes collective provisions on fair value loans and derivatives. Scenarios, prepared for purposes of informing forward looking provisions, rely on NAB Economics modelling and management judgement

# TARGET SECTOR FORWARD LOOKING ADJUSTMENTS (FLAs) STRENGTHENED

## COLLECTIVE PROVISION TARGET SECTOR FLAs

(\$m)

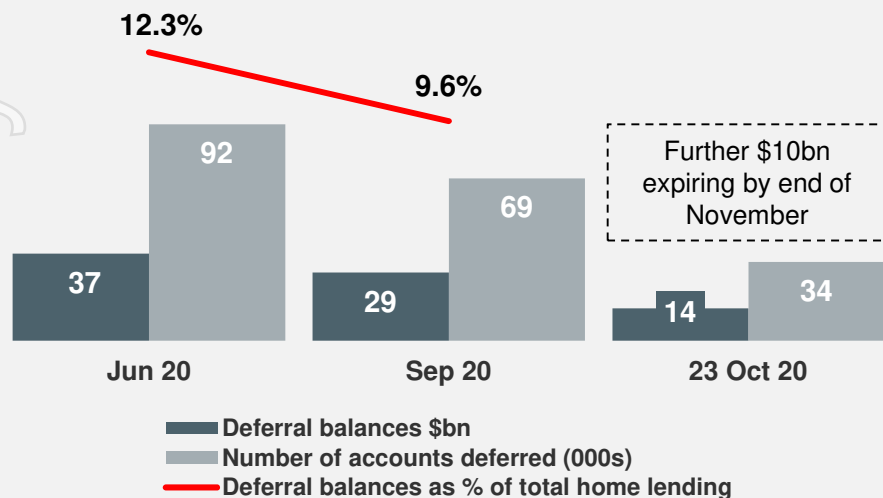


## KEY CONSIDERATIONS

- FLAs capture risks incremental to that captured by broader EA top-up
- New Aviation FLA reflects slower recovery profile than broader economy given international and some domestic border closures
- New FLA for Tourism, Hospitality & Entertainment given COVID-19 restrictions on trade and activity
- Top-up to Commercial Property FLA to reflect potential COVID-19 impacts
- Partial release of Australian High Risk Mortgages FLAs given EA top-up, with an overall increase in the level of coverage for the mortgage portfolio
- Partial release of Australian Agri FLA given easing of drought conditions for the bulk of exposures

# AUSTRALIAN HOME LOAN DEFERRALS

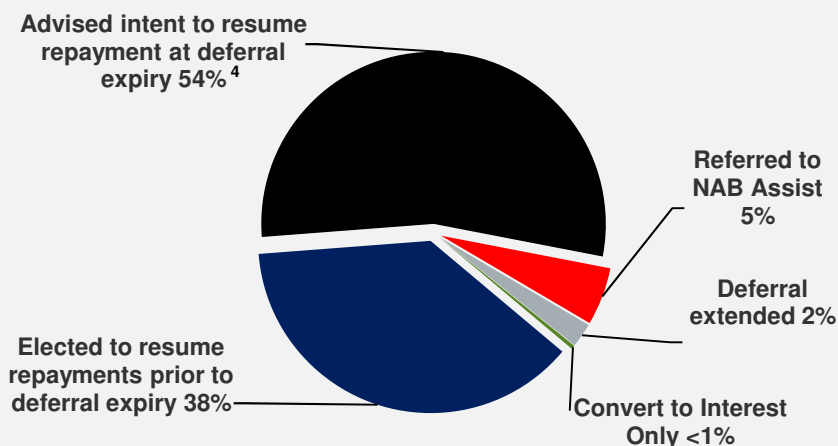
## DEFERRAL BALANCES<sup>1</sup>



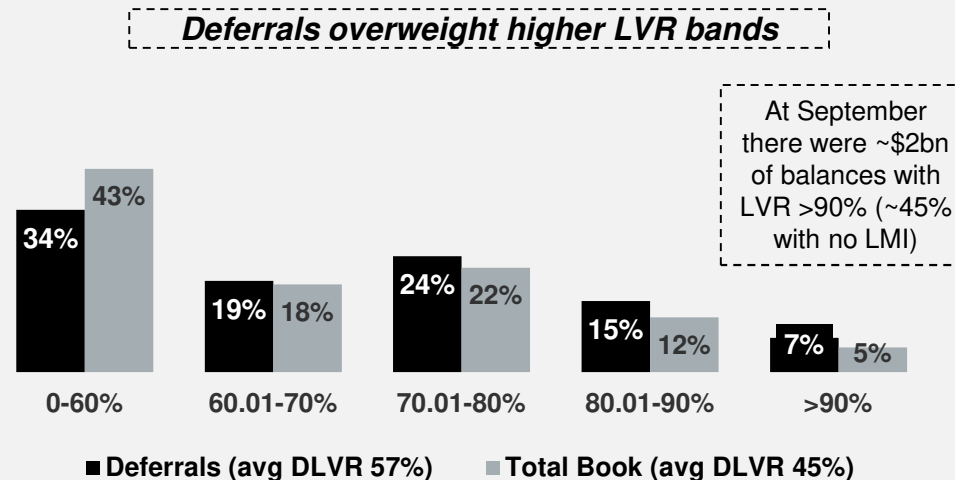
## COMMENTS

- ~110k deferrals have been granted with ~75k no longer on deferral
- Home lending deferral extensions considered by NAB Assist on a case-by-case basis. Other options include 12 months Interest Only or restructure
- ~\$2bn has been referred to NAB Assist of which ~\$0.5bn deferral extensions have been granted (~1.2k accounts)<sup>2</sup>
- Victoria represents 41% of referrals to NAB Assist, 37% of deferral extensions granted and 33% of remaining deferral balances
- Customers referred to NAB Assist have a dynamic LVR of 63% and 9% have a dynamic LVR >90%

## CUSTOMER DEFERRAL OUTCOMES<sup>3</sup>



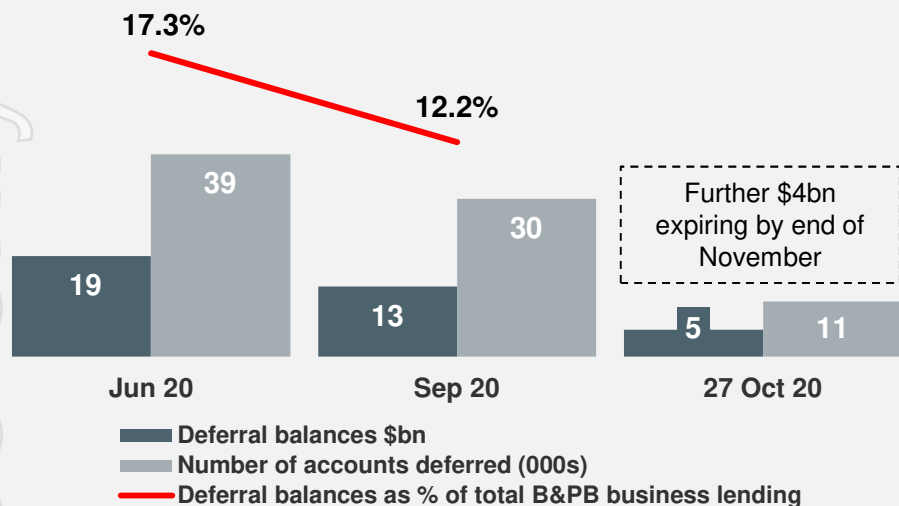
## BALANCES BY DYNAMIC LVR<sup>5</sup>



(1) As at 23 October unless otherwise stated. Prepared using product based categorisation which differs to APRA reporting based on predominant loan purpose  
 (2) NAB branded Principal & Interest home loans only  
 (3) Percentages refer to deferral accounts. Excludes customers where outcome not known  
 (4) Based on customer conversations prior to expiry of deferral  
 (5) Represents balances of deferral customers as at 30 September 2020

# AUSTRALIAN BUSINESS LOAN (B&PB) DEFERRALS<sup>1</sup>

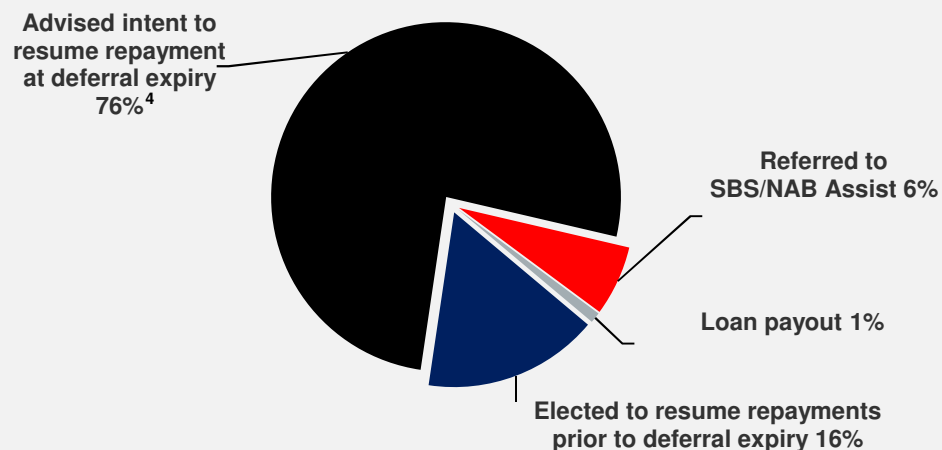
## DEFERRAL BALANCES<sup>2</sup>



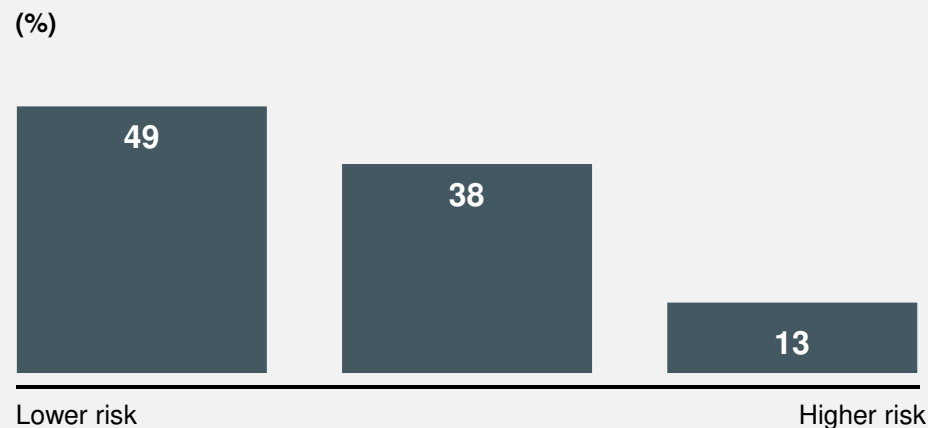
## COMMENTS

- Deferral extensions considered by SBS/NAB Assist on a case-by-case basis. Other options include forbearance or restructure
- ~\$0.8bn has been referred to SBS/NAB Assist and to date ~30% of these have been granted an extension
- Victoria represent >50% of balances referred to SBS/NAB Assist and 30% of remaining deferral balances
- Customers in Retail Trade, Tourism, Hospitality & Entertainment sectors represent 38% of balances referred to SBS/NAB Assist and 16% of remaining deferral balances

## CUSTOMER DEFERRAL OUTCOMES<sup>3</sup>



## RISK CATEGORISATION BY EXPOSURE AT DEFAULT<sup>5</sup>

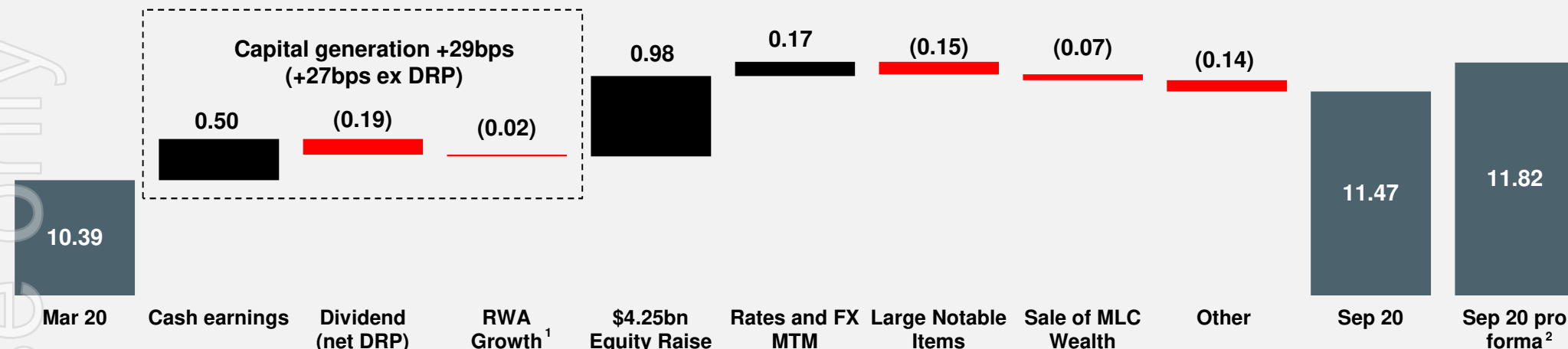


(1) As at 27 October unless otherwise stated. Refers to customers eligible to receive a business loan deferral – excludes institutional and corporate customers. B&PB refers to Business & Private Banking  
 (2) Prepared using product based categorisation which differs to APRA reporting based on predominant loan purpose  
 (3) Percentages refer to balances of deferrals. Excludes customers where outcome not known  
 (4) Based on customer conversations prior to expiry of deferral  
 (5) Categorisation is based on NAB's internal methodology, which considers items viewed as material drivers of risk profiles including industry sectors, turnover, payment behaviour and customer risk scores. Represents exposure of deferral customers as at 30 September 2020

# STRONG CAPITAL POSITION

## GROUP BASEL III COMMON EQUITY TIER 1 CAPITAL RATIO

(%)



## CET1 CONSIDERATIONS

- Strong CET1 of 11.47%, well placed to absorb materially higher RWAs in an economic downturn while continuing to lend and support customers
- 2H20 CET1 benefit of 32bps from FX and MTM on high quality liquids (reflected in cash earnings, reserves & CRWA impacts including derivatives) vs 21bps drag in 1H20
- Completion of MLC Wealth sale<sup>3</sup> expected to add ~35bps CET1 (-7bps impact in 2H20 relating to separation cost provision)

## DIVIDEND AND OTHER CONSIDERATIONS

- Final dividend of 30cps, flat on 1H20 reflecting strong capital position, continuing uncertain outlook for the impacts of COVID-19, and APRA's revised dividend guidance
  - represents 48% of cash earnings (including large notable items), 50% of statutory earnings (continuing operations)
  - DRP will operate with no discount
- NAB is considering an offer of a new ASX listed Additional Tier 1 capital security alongside the repayment of NAB Convertible Preference Shares II (CPS II)<sup>4</sup>

(1) Excludes FX translation

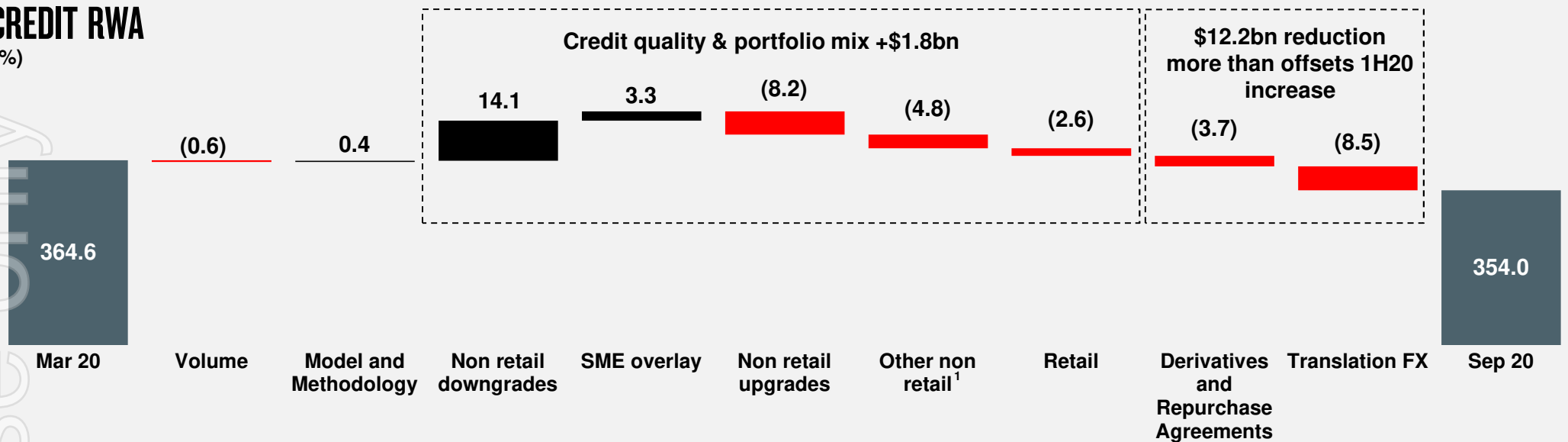
(2) Adjusted for completion of agreed sale of MLC Wealth

(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. Expected completion before middle of calendar year 2021, subject to timing of regulatory approvals

(4) Any offer remains subject to market conditions and all relevant approvals being obtained. Any offer of ASX listed Additional Tier 1 capital securities by NAB will be made under a prospectus that will be available on NAB's website. If an offer is made, any person wishing to apply will need to do so as detailed in the prospectus

# CRWA AND SENSITIVITY

## CREDIT RWA (%)



## CREDIT RWA SENSITIVITY

	Credit EAD \$bn	Sep 20	Credit RWA/EAD (%)	
			Deterioration over 2 yrs under key scenarios	
			Low end	High end
Housing <sup>2</sup>	387	27	31	33
Business <sup>2</sup>	333	57	63	68
<b>Total Group</b>	<b>929</b>	<b>38</b>	<b>43</b>	<b>46</b>
<b>CRWA increase \$bn<sup>3</sup></b>			<b>~37</b>	<b>~65</b>
<b>Pro forma CET1 impact<sup>3</sup></b>			<b>~(80bps)</b>	<b>~(140bps)</b>

- CRWA migration trending towards low end but outlook remains uncertain with impacts delayed by ongoing stimulus and support; 2H20 gross downgrades consumed ~40bps of CET1
- Large and 'high risk' customers reviewed; overlay held for expected deterioration in SME customers not yet reviewed
  - non retail ratings downgrades primarily customers in highly impacted sectors
  - ratings upgrades in retail (particularly mortgages supported by deferrals and higher household savings) and non retail (customers less impacted)

(1) Other includes portfolio mix and other risk factors

(2) Housing includes IRB Residential mortgages asset class. Business includes IRB Corporate (incl. Corporate SME) and Specialised Lending asset classes

(3) Based on capital scenario calculations at the onset of COVID-19 downturn

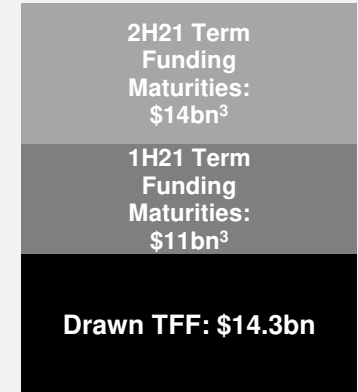
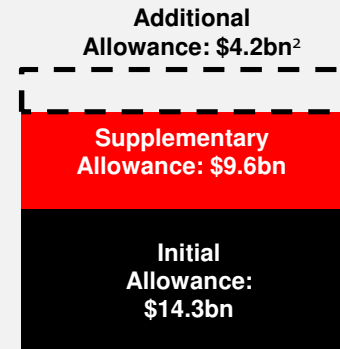
# FUNDING & LIQUIDITY PROFILE

## KEY MESSAGES

- Liquidity remains strong with significant surpluses above regulatory minimums
- Strong deposit inflows continued in line with system trends
- Term Funding Facility (TFF) of \$25.4bn at 30 September, with the full Initial Allowance of \$14.3bn drawn down. Supplementary Allowance of \$9.6bn available from 1 October
- TFF to be utilised to support lending and refinance wholesale funding maturities

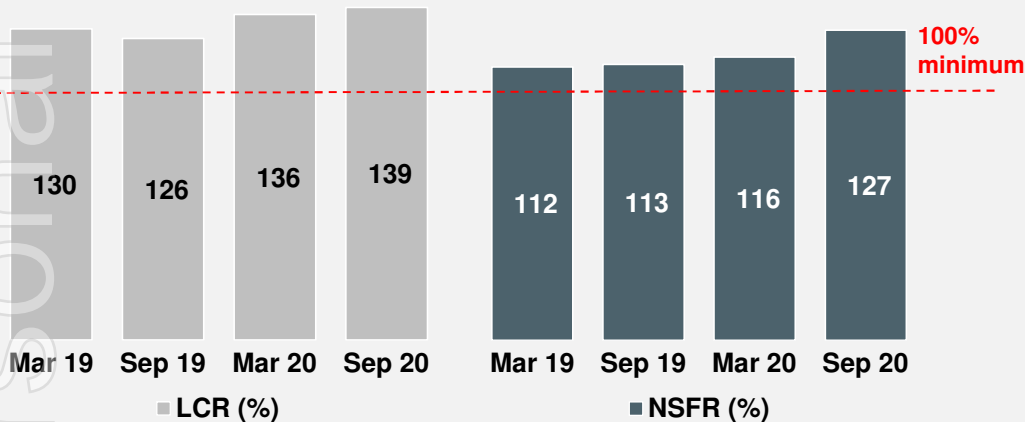
## TERM FUNDING FACILITY

TFF available November 2020



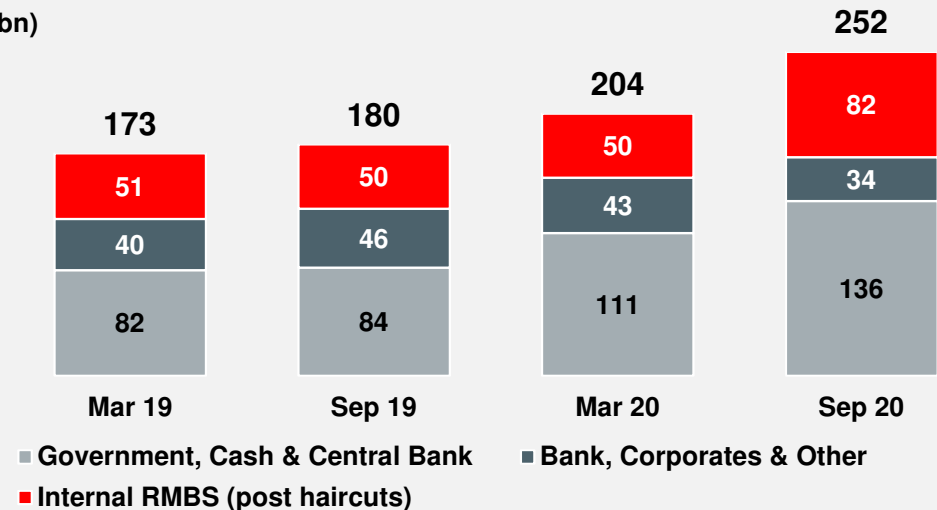
## LCR<sup>1</sup>

## NSFR



## LIQUID ASSET PORTFOLIO

(\$bn)



(1) Quarterly average

(2) At 30 September 2020, NAB's Additional Allowance was \$11.1bn. Available TFF as at September 2020 is used for the purposes of calculating NSFR and LCR, did not include the Supplementary Allowance available from October 2020

(3) Excludes BNZ maturities. Spot FX

# FY21 KEY CONSIDERATIONS

## Revenue headwinds

- Sustained low rate environments in Australia and New Zealand expected to impact Group NIM by ~6bps in FY21
- Subdued demand for credit until confidence returns
  - Australian business system growth expected to be ~2% in FY21
  - Australian housing system growth expected to be <0.5% in FY21

## Our response

- Investment in target segments to achieve growth while managing pricing and risk disciplines
- Targeting FY21 expense growth<sup>1</sup> limited to 0-2% reflecting disciplined approach
- Current provision coverage reflects anticipated underlying deterioration in FY21, but remains subject to uncertainty as government support is withdrawn
- Anticipated completion of MLC Wealth sale in FY21 expected to add ~35bps of CET1

(1) Excluding large notable items



# PRIORITIES IN FY21 TO BUILD MOMENTUM



Balance sheet strength for targeted growth opportunities



Disciplined on costs



Execution of strategic priorities with investment spend managed via clear governance principles



Ongoing investment in our colleagues and support for our customer-facing teams



Continue to invest in risk and control environments



Completion of MLC Wealth sale and significant progress on ongoing remediation

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# **ADDITIONAL INFORMATION**

## **DIVISIONAL PERFORMANCES**

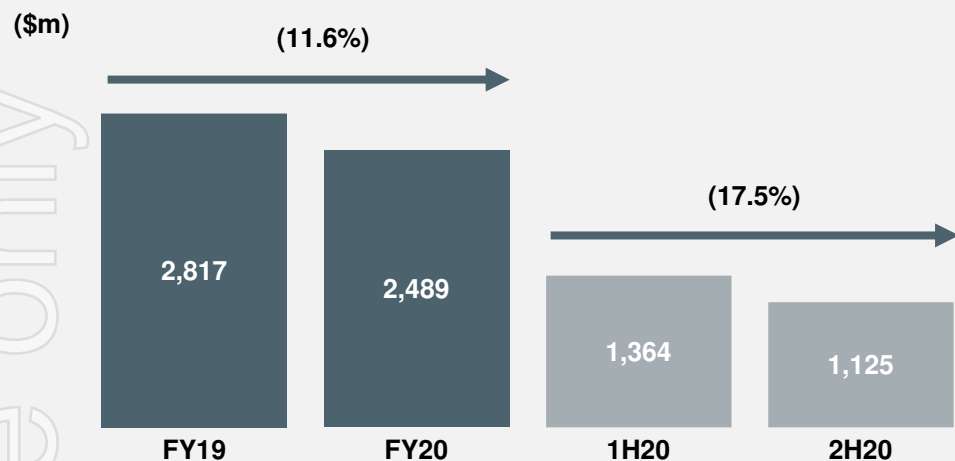
# DIVISIONAL CONTRIBUTIONS

Divisional cash earnings	FY20 (\$m)	FY20 v FY19	2H20 (\$m)	2H20 v 1H20
Business and Private Banking	2,489	(11.6%)	1,125	(17.5%)
Personal Banking	1,380	9.5%	657	(9.1%)
Corporate & Institutional Banking	1,469	(2.6%)	768	9.6%
New Zealand Banking <sup>1</sup>	1,036	(1.8%)	474	(15.7%)

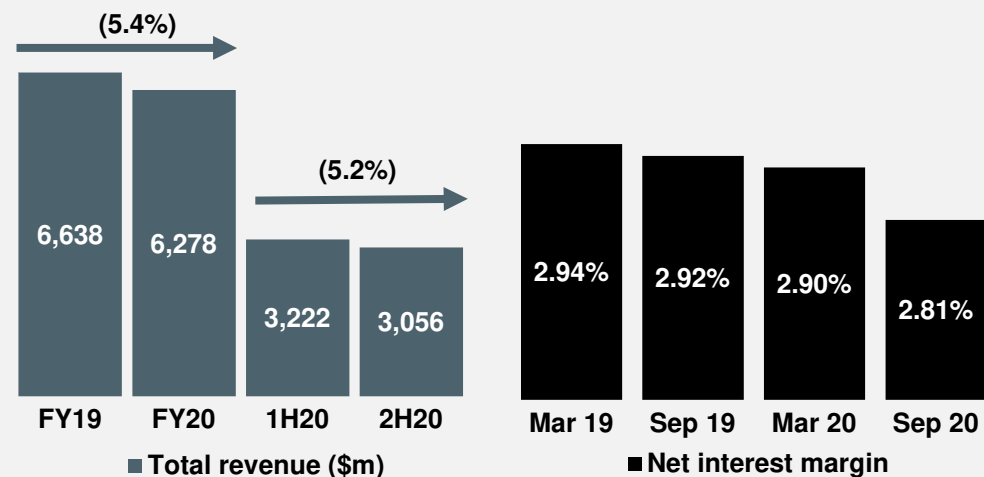
(1) In local currency

# BUSINESS & PRIVATE BANKING

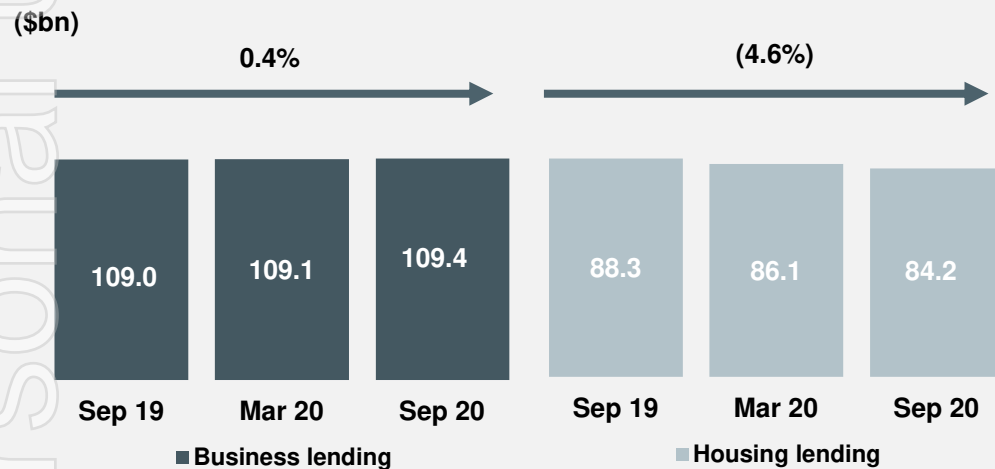
## CASH EARNINGS



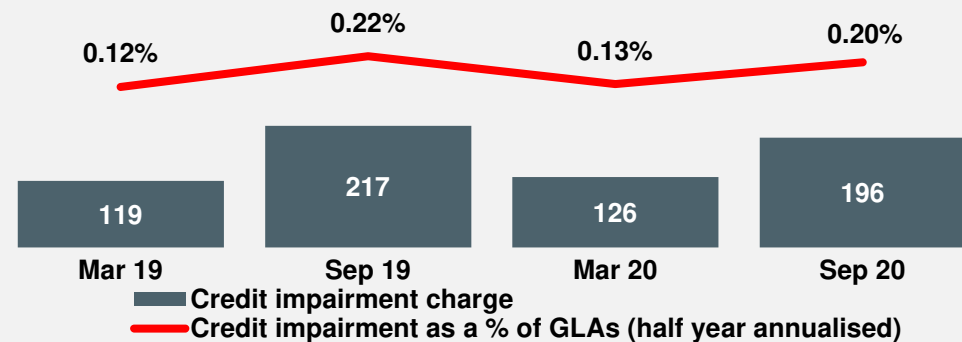
## REVENUE AND MARGIN



## BUSINESS AND HOUSING LENDING GLAs



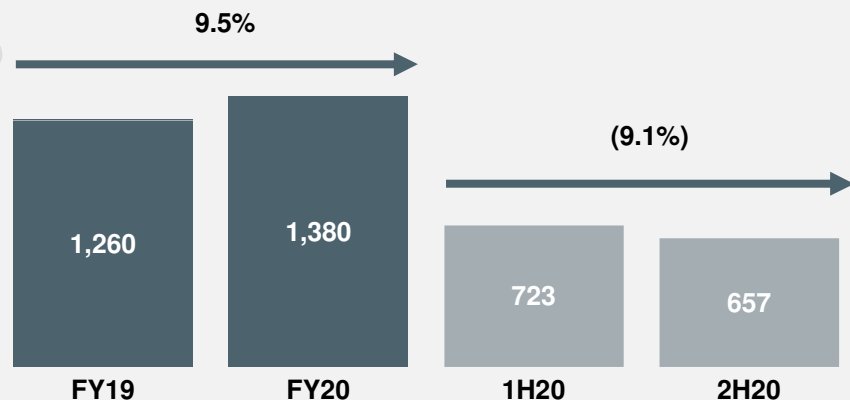
## CREDIT IMPAIRMENT CHARGES AND AS A % OF GLAs



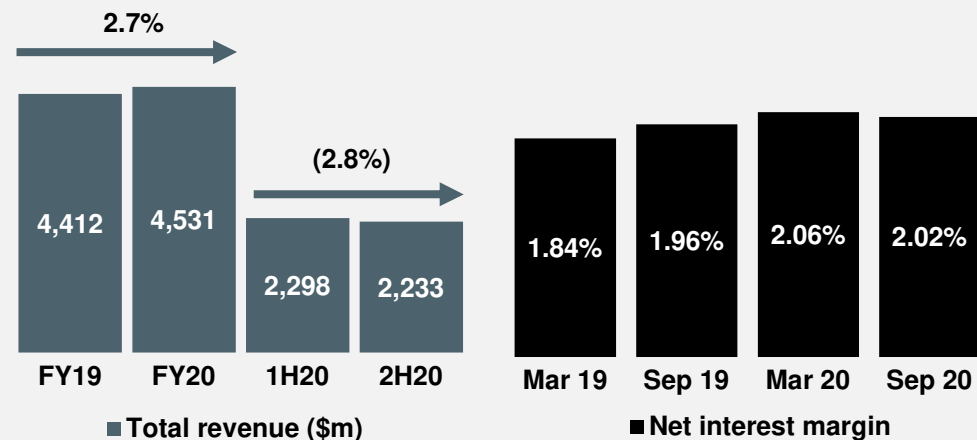
# PERSONAL BANKING

## CASH EARNINGS

(\$m)

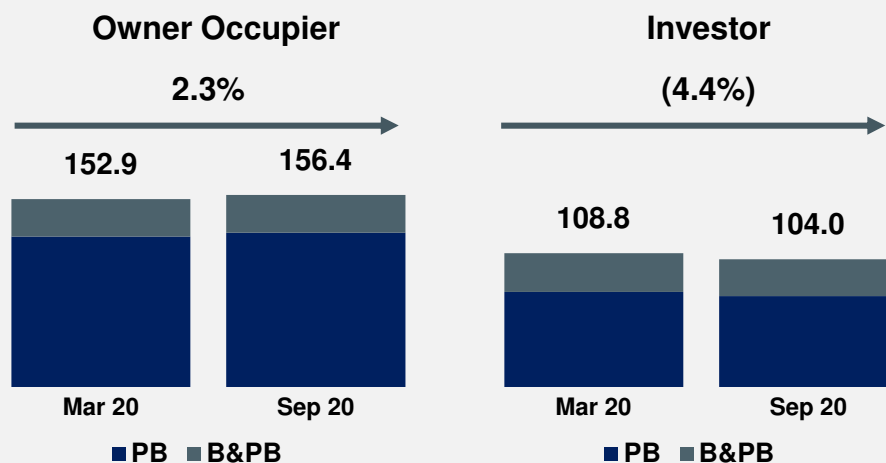


## REVENUE AND MARGIN



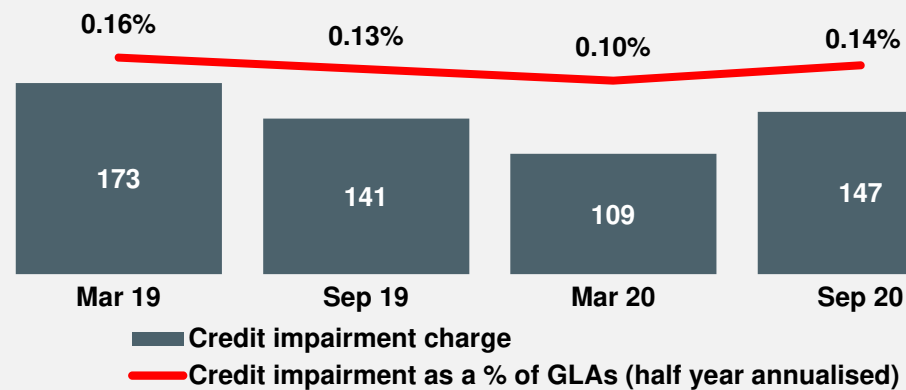
## HOUSING LENDING VOLUME GROWTH<sup>1</sup>

(\$bn)



## CREDIT IMPAIRMENT CHARGES AND AS A % OF GLAs

(\$m)

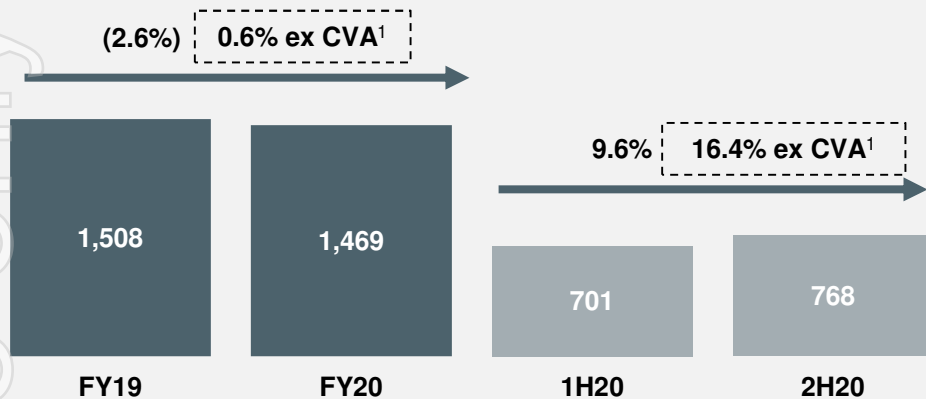


(1) APRA Monthly Authorised Deposit-taking Institution statistics September 2020. UBank included in Personal Banking

# CORPORATE & INSTITUTIONAL BANKING

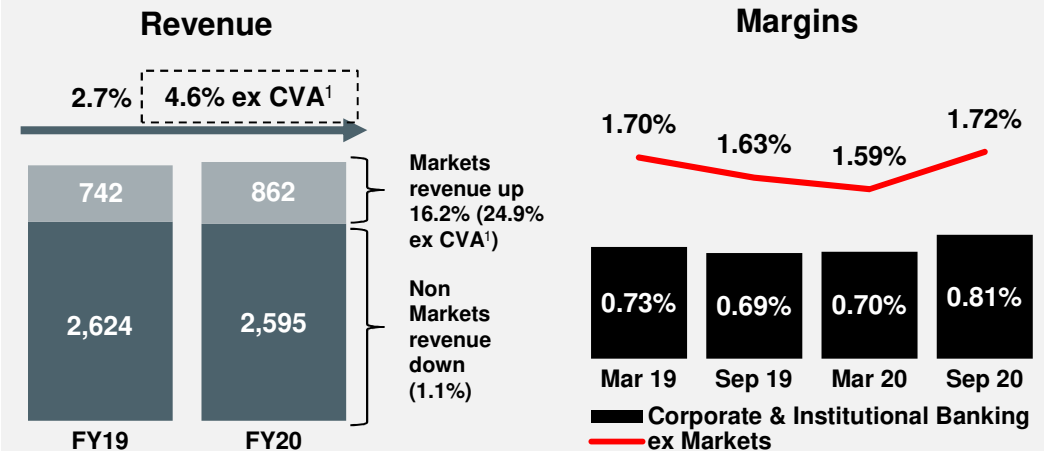
## CASH EARNINGS

(\$m)



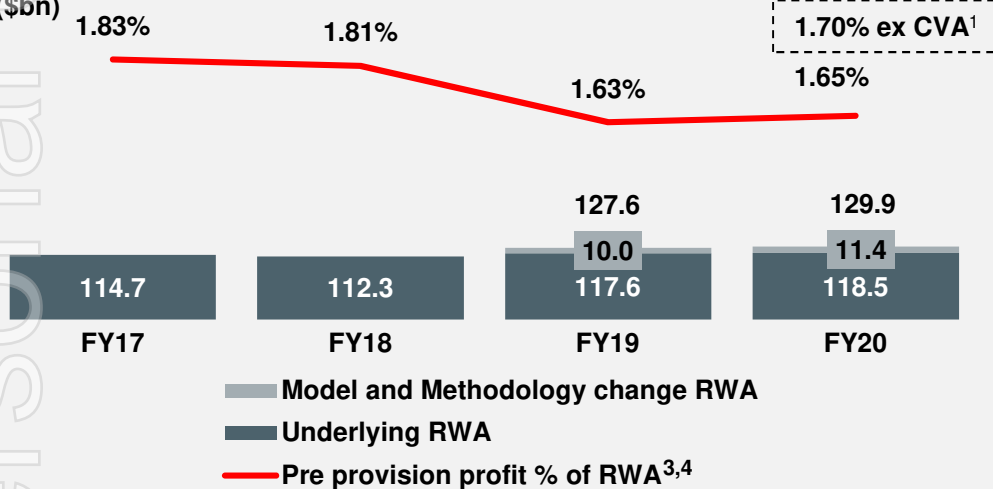
## MARGINS AND REVENUE BREAKDOWN<sup>2</sup>

(\$m)



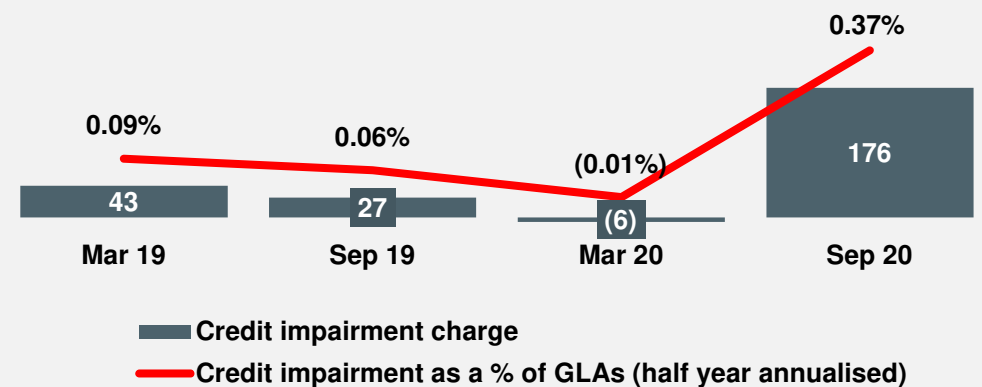
## RETURNS FOCUS

(\$bn)



## CREDIT IMPAIRMENT CHARGES AND AS A % OF GLAs

(\$m)



(1) Excludes CVA model change in 2H20 of \$65m (\$48m after tax)

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

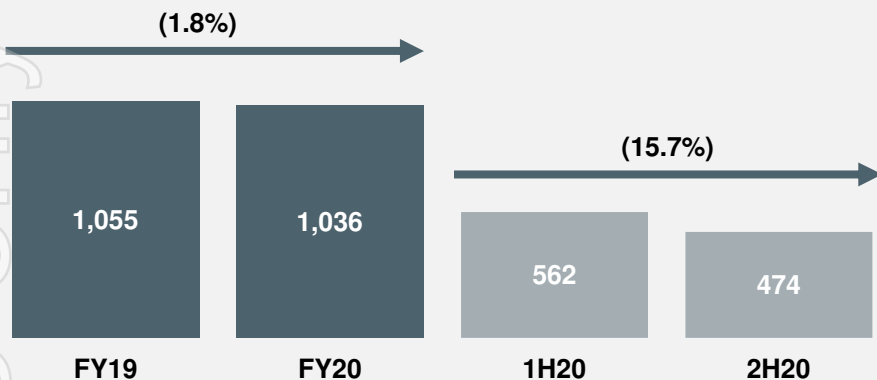
(3) FY19 pre provision profit % of RWA impacted by 14bps due to model and methodology changes increasing RWAs by \$10bn

(4) FY17-19 pre provision profit % of RWA restated to align to FY20 pre provision profit % based on spot RWAs

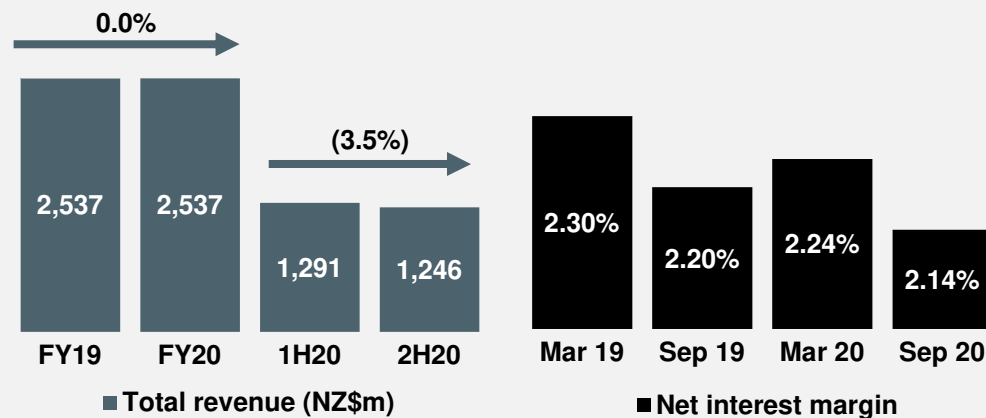
# NEW ZEALAND BANKING

## CASH EARNINGS

(NZ\$m)

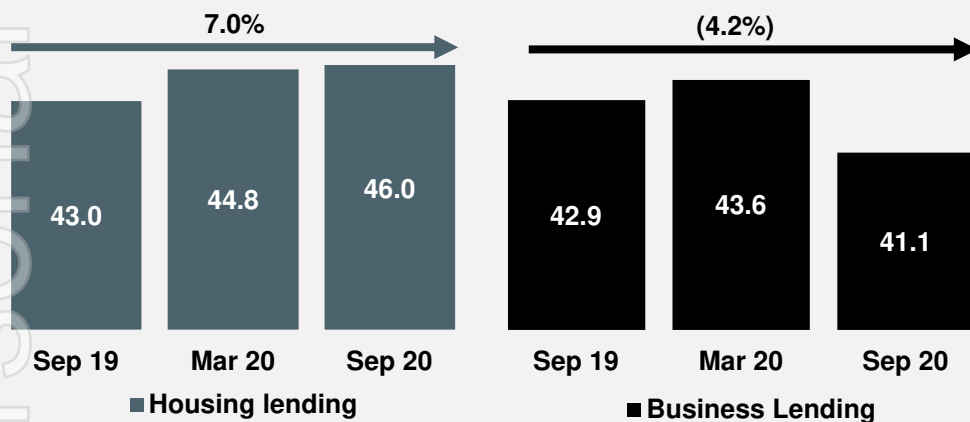


## REVENUE AND MARGIN



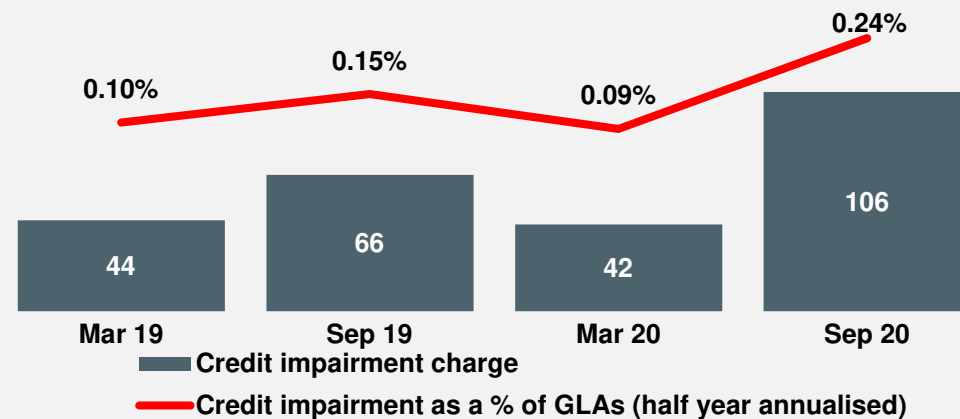
## BUSINESS & HOUSING LENDING GLAs

(NZ\$bn)



## CREDIT IMPAIRMENT CHARGES AND AS A % OF GLAs

(NZ\$m)



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# **ADDITIONAL INFORMATION**

## **NAB AND OUR COMMUNITY**





# NAB AT A GLANCE

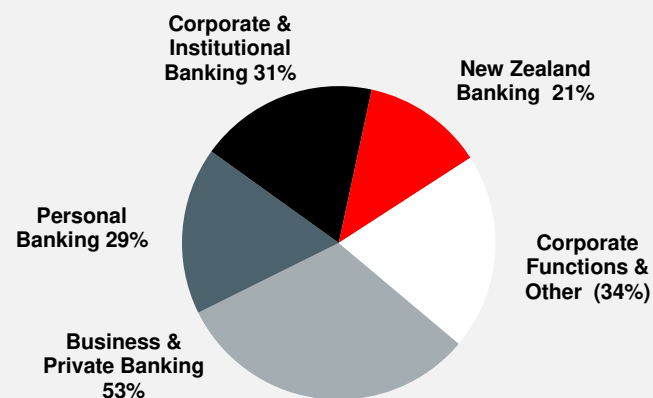
>34,000  
Employees

~9 million  
Customers

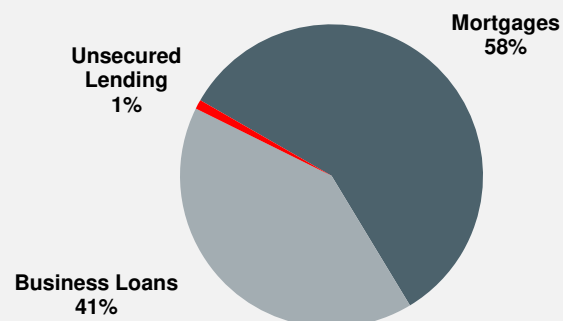
859  
Branches/Business centres

>160 years  
in operation

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



## GROSS LOANS & ACCEPTANCES SPLIT



### Key Financial Data

FY20

Cash Earnings \$3,710m

Cash Earnings<sup>1</sup> \$4,733m

Cash ROE<sup>1</sup> 8.3%

Gross Loans & Acceptances \$594bn

Non-performing loans to GLAs<sup>2</sup> 103bps

CET1 (APRA) 11.47%

NSFR (APRA) 127%

### Australian Market Share

As at September 2020

Business lending<sup>3</sup> 21.5%

Housing lending<sup>3</sup> 14.6%

Personal lending<sup>4</sup> 9.2%

**Credit Ratings**  
NAB Ltd LT/ST

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

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

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

(1) Numbers are shown excluding large notable items. Refer to page 118 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. Market share is at Aug 20

# OUR ECONOMIC VALUE DISTRIBUTED



## SUPPLIERS

Payments made for the provision of utilities, goods and services.

**\$5.1bn**



## COMMUNITY INVESTMENT

Community partnerships, donations, grants, in kind support and volunteering.

**\$42.8m**



## SHAREHOLDERS

\$3.3 billion dollars in dividend payments to more than 641,000 shareholders.

**\$3.3bn**



## COLLEAGUES

Colleague salaries, superannuation contributions and incentives.

**\$4.0bn**



## GOVERNMENTS

Payments made to governments in the form of the Bank Levy (\$412 million) plus \$3.1 billion in income taxes, fringe benefit taxes and payroll taxes among others.

**\$3.5bn**

**▶ Total Economic Value Distributed<sup>1</sup> \$15.9bn**

## OUR INDIRECT ECONOMIC CONTRIBUTION

**\$66bn** in new home lending  
**\$82bn** in new business lending

**\$469bn** in deposits managed for retail and business deposit customers

**>\$60bn** in total deferrals provided during COVID-19

(1) Aligned to the Global Reporting Initiative Standards

# OUR STRATEGY: LONG TERM APPROACH

SUSTAINABILITY IS EMBEDDED EXPLICITLY IN THE LONG-TERM PILLAR OF OUR GROUP STRATEGY, FOCUSED ON

## COMMERCIAL RESPONSES TO SOCIETY'S BIGGEST CHALLENGES



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

### Our priorities:

- Climate change
- Sustainable agriculture
- Financial health and resilience
- Indigenous economic participation
- Infrastructure and urbanisation

## 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:

- Our people
- ESG risk management
- Supply chain management
- Human rights, including modern slavery
- Incentivising sustainable financing

## INNOVATING FOR THE FUTURE



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

### Our priorities:

- Our future core business and market-leading data analytics
- Partnerships that matter
- Natural disaster preparedness, relief and recovery



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)

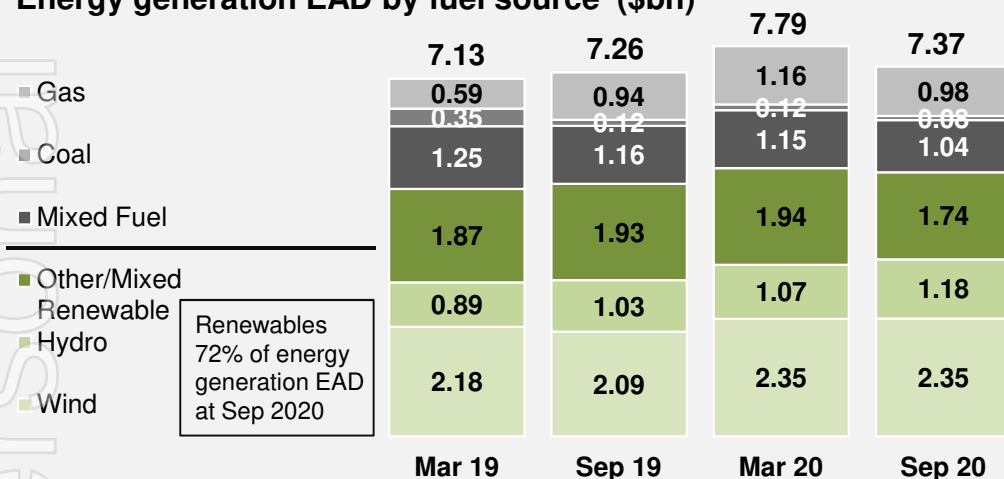
# COMMERCIAL RESPONSES – CLIMATE CHANGE

## OUR COMMITMENTS

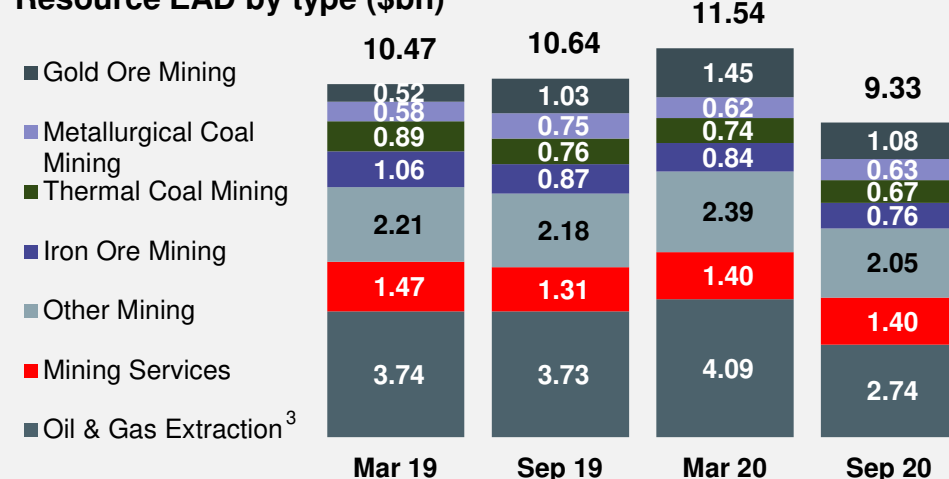
Commitment	Progress
Achieving a Paris Agreement aligned net zero emissions lending portfolio by 2050	Initial financed emissions estimate completed, pathway mapping under way (next slide)
Environmental financing target of \$70bn by 2025	\$42.5bn cumulative progress <sup>1</sup>
Cap thermal coal mining exposures at Sep 2019 levels, reduce thermal coal mining financing by 50% by 2028 to be effectively zero by 2035	11.4% (\$87m) reduction from FY19. Expected 50% reduction by 2026, and effectively zero by 2030
Source 100% of our electricity consumption from renewable sources by 2025	7% of electricity use from renewable sources in FY20   Signed up to RE100
8 Environmental operational performance targets: 2025	Detailed performance in 2020 Sustainability Report

## OUR EXPOSURES

Energy generation EAD by fuel source<sup>2</sup> (\$bn)



Resource EAD by type (\$bn)



(1) Represented as a cumulative amount of new environmental finance since 1 October 2015. Detailed breakdown available in 2020 Sustainability Data Pack, available 11 November.

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

(3) A significant contributor to the reduction of \$1.3bn in the Resources portfolio since Sep-19 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

## SUPPORTING CUSTOMERS' TRANSITION

- Completed initial financed emissions estimate for key Australian customer segments: agribusiness, commercial real estate (office and retail), NGER exposed entities (power generation and resources, including mining, oil and gas) and residential (mortgages)<sup>1</sup>
- Emissions estimate indicates that NAB lends approximately \$23,320 to these sectors in Australia for every tonne of GHG emissions released to atmosphere by customers in these industry segments
- This work provides a baseline for supporting customers' decarbonisation and will help us track decarbonisation of the Group's lending portfolio to net zero by 2050

## FY20 HIGHLIGHTS

- First Australian bank to be a signatory of UN Principles for Responsible Banking Collective Commitment to Climate Action (CCCA) – participating with other member banks to deliver on CCCA commitments
- #1 Australian bank for global renewables transactions, and 20<sup>th</sup> largest lender to renewable energy industry in the world in FY20<sup>2</sup>
- #1 Australian company in *Corporate Knights* 2020 Global 100 Most Sustainable Companies Index

## FINANCED EMISSIONS ESTIMATE<sup>1</sup>

Industry sector	Emissions intensity EAD / tCO <sub>2</sub> -e
Agriculture	\$6,797
Residential (mortgages)	\$46,009
Commercial Real Estate (office and retail)	\$189,600
Power generation	\$554
Resources (including mining, oil and gas)	\$2,164

## TOP RENEWABLE ENERGY PLAYERS – AUSTRALIA<sup>3</sup>

Cumulative value of deals in USDbn (2004 – 2020)

National Australia Bank Ltd	2.7
Clean Energy Finance Corp	1.6
Mitsubishi UFJ Financial Group Inc	1.5
Australia & New Zealand Banking Group Ltd	1.4
Westpac Banking Corp	1.4
Sumitomo Mitsui Financial Group Inc	1.2
Mizuho Financial Group Inc	1.2
Societe Generale SA	1.1
Commonwealth Bank of Australia	1.1
BNP Paribas SA	0.9

(1) Key assumptions and information notes about the methodology used to estimate the financed emissions are available in the Group's [2020 Sustainability Data Pack](#), to be published 11 November

(2) Rankings based on IJGlobal League Table, MLA, Renewables, Last 12 months ending 30 September 2020, Value of Deals (database searched on 16 October 2020)

(3) Data Source: BloombergNEF Country Profile for Australia - Top Renewable Energy Players (2004 to 3Q 2020). Cumulative totals are in USD as at 30 September 2020. Totals do not include large hydro

# COMMERCIAL RESPONSES – SUPPORTING INDUSTRY AND COMMUNITIES

## PROGRESS ON OUR COMMITMENTS

- >\$1.2bn provided to support the growing fintech sector: part of 2020-2025 \$2bn lending commitment to emerging technology companies
- >\$11m lent to not-for-profit groups and other organisations to build affordable and specialist housing: part of 2020-2023 \$2bn financing pledge
- \$2.4m spent with Indigenous businesses: part of \$2.6m by 2021 commitment
- 6,906 microfinance loans provided to Indigenous Australians<sup>1</sup>: part of commitment to provide 19,000 loans by 2021

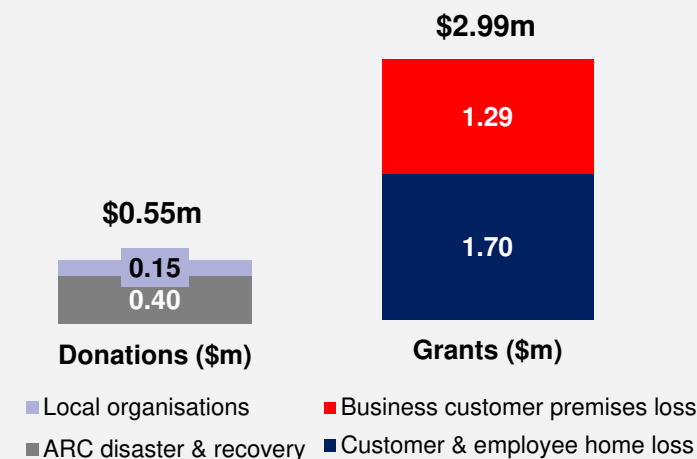
## SUSTAINABLE AGRICULTURE

- Draft sustainable agriculture metrics agreed with ClimateWorks: a key step in NAB's Natural Capital Roadmap. In FY21, we will test with customers, farmers and industry to refine, and embed metrics
- Research project with CSIRO confirmed positive correlation of natural capital measures within Queensland grazing properties with financial performance, testing to explore links with bank data underway
- BNZ, in partnership with AgFirst Consulting, launched a series of natural capital factsheets to support Agribusiness customers with key environmental topics and on-farm impacts

## FINANCIAL HEALTH AND RESILIENCE

- 26,621 Australian customers referred to NAB Assist for hardship assistance, up 35% reflecting bushfires and COVID-19 support<sup>2</sup>
- First Australian bank to offer gambling control via app: >47,000 customers switched on blocks on >64,000 cards
- Expanded Indigenous Customer Service Line capability – can open customer accounts remotely using alternative forms of identification: >2,500 customers served in 2020
- Driving inclusive banking through our Reconciliation Action Plan, Accessibility Action Plan and Customers experiencing Vulnerability Framework

## BUSHFIRE RECOVERY AND ASSISTANCE



>1,500 grants provided  
 >1,700 days of bushfire related annual leave taken  
 ~4,000 volunteering hours contributed  
 ~\$770k also collected via public fundraising for the Australian Red Cross

(1) 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

(2) Note this number reflects customers who have been referred to NAB Assist, and is not inclusive of customers with an active deferral as at 30 September 2020

# RESILIENT AND SUSTAINABLE BUSINESS PRACTICES

## INVESTING IN OUR COLLEAGUES

- In partnership with the Financial Services Institute of Australasia (FINSIA), investing \$50m over three years in NAB workforce to be trained in the fundamentals of banking – an industry first in Australia and New Zealand
- Ongoing focus on upskilling technology capability with >1,400 industry-certified colleagues in Amazon Web Services (AWS), Microsoft Azure and Google Cloud Platform
- >50,000 hours of digital learning completed through deployment of six industry-leading platforms<sup>1</sup>

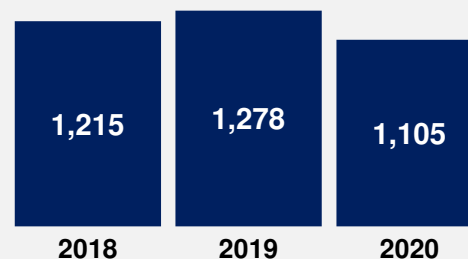
## INCLUSIVE WORKFORCE

- Engagement score of 76 (increase from 66 in 2019)<sup>2</sup>
- Offered 65 traineeships to Indigenous Australians and recruited 40 African-Australians in AAIP<sup>3</sup>
- 40% female representation on NAB Board<sup>4</sup>
- WGEA Employer of Choice for Gender Equality citation, ranked #14 in Equileap Gender Equality Global Report and member of 2020 Bloomberg Gender-Equality Index

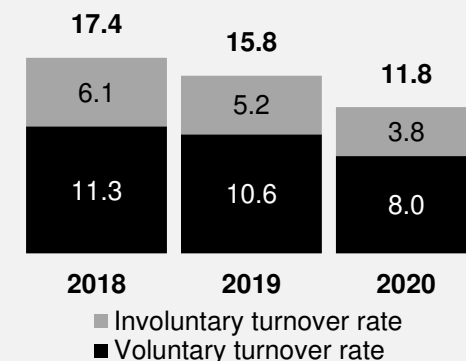


## CODE OF CONDUCT AND TURNOVER

Breaches of Code Of Conduct (Australia)



Employee turnover rate (%) by exit type



## INTEGRATING ESG

- Climate change incorporated in Board development agenda
- Incorporated climate change and modern slavery into Risk Awareness training for colleagues
- Developed a Human Impact Guide to help Financial Crime Operations (FCO) team members understand and recognise the range of situations or sectors which are most susceptible to human impact crimes. Modern slavery and human trafficking are examples of human impact crimes
- Sustainability Risk explicitly included as a Material Risk in NAB's Risk Management Strategy and Framework and further integrated ESG risk considerations within risk appetite statement

(1) NAB employees have access to 250,000 digital learning opportunities through LinkedIn Learning, Coursera, Pluralsight, Udemy, A-Cloud Guru and O'Reilly Safari Books  
 (2) 2020 Employee Engagement Survey conducted by Glint, score based on July 2020 survey. Australia and New Zealand colleagues, population excludes external contractors, consultants and temporary employees. 2020 methodology differs from prior years. The 2019 score has been restated using the updated methodology for comparative purposes. 2019 restatement falls outside the scope of EY assurance  
 (3) African Australian Inclusion Program - 500+ skilled African-Australians have gained paid corporate experience since program inception in 2009, with more than 50% of those who have completed the 6-month program still employed by NAB  
 (4) See 'Towards 2020: NAB's road to gender equality' for more information on our 2020 gender equality targets and commitments



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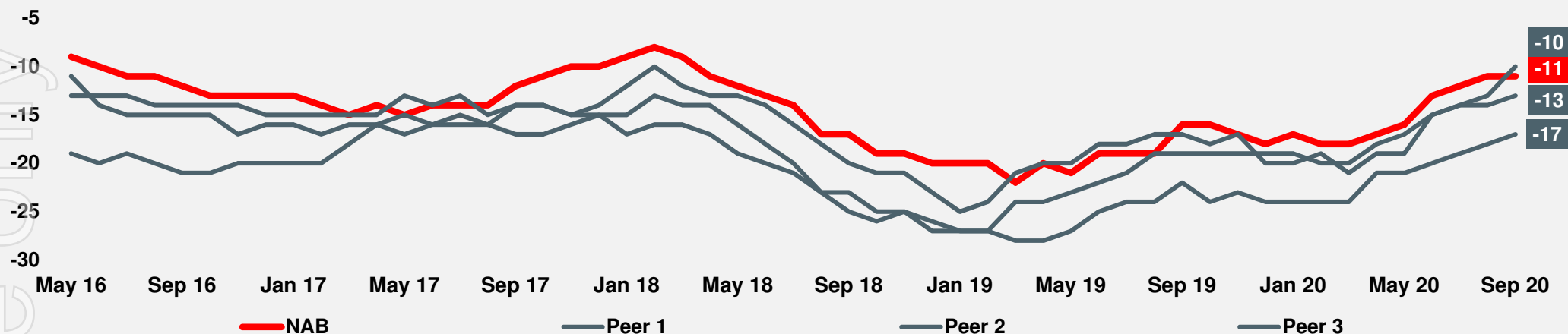
**ADDITIONAL INFORMATION**  
**AUSTRALIAN CUSTOMER EXPERIENCE**



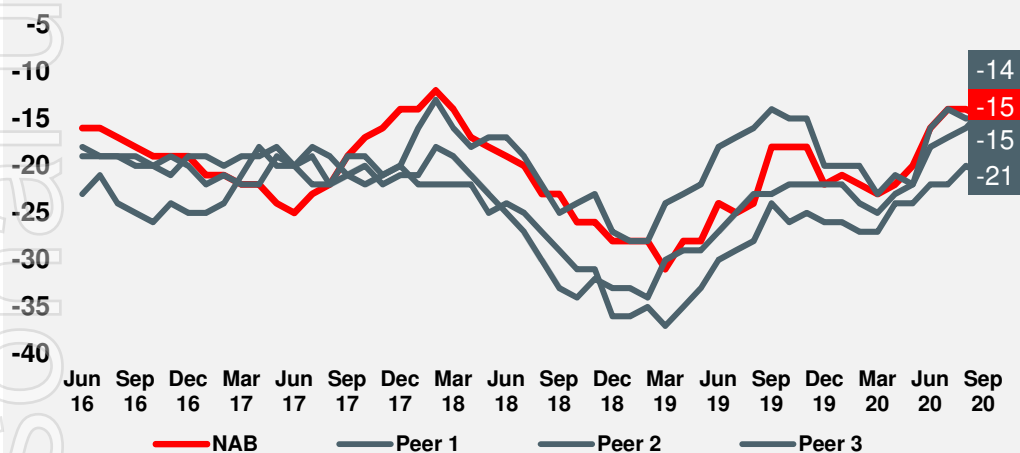


# CUSTOMER EXPERIENCE IMPROVING BUT MORE WORK TO DO

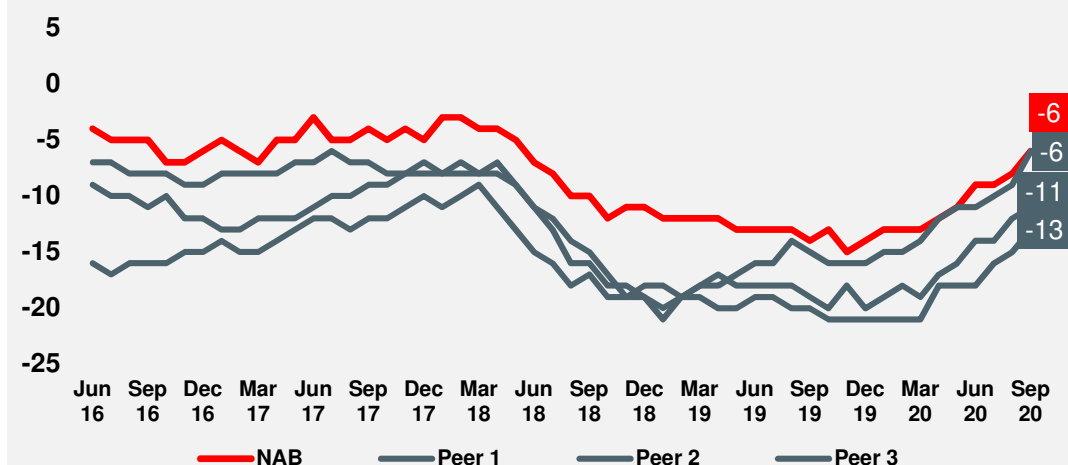
## STRATEGIC NPS<sup>1,2</sup>



## 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. Definition has been updated to give all customers within the Business and Consumer segments equal voice. The overall Strategic NPS result combines the Consumer and Business segment results using a 50% weighting for each. NPS is based on all customers' likelihood to recommend on a scale of 0 to 10 (extremely unlikely to extremely likely). History has been restated

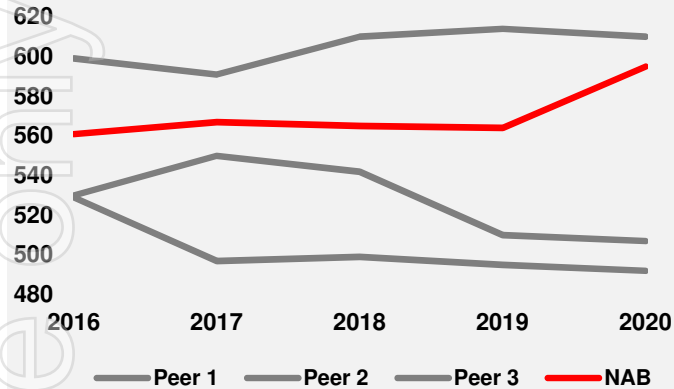
(3) October 2020. Source: DBM Atlas – Business. All Business customers, six month rolling averages

(4) October 2020. Source: DBM Atlas – Consumer. All Consumer customers, Australian population aged 18+, six month rolling averages

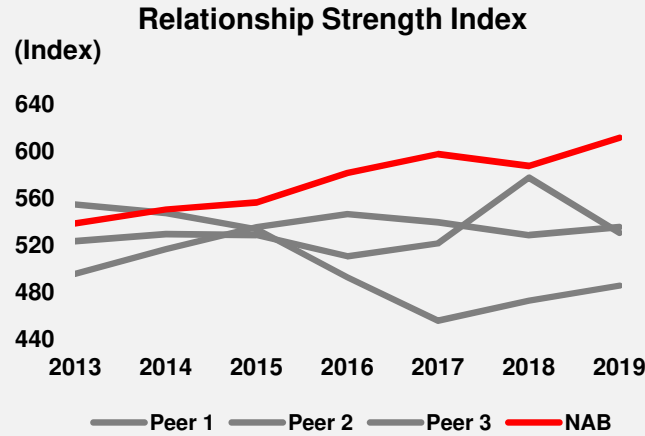


# CORPORATE & INSTITUTIONAL CUSTOMER METRICS

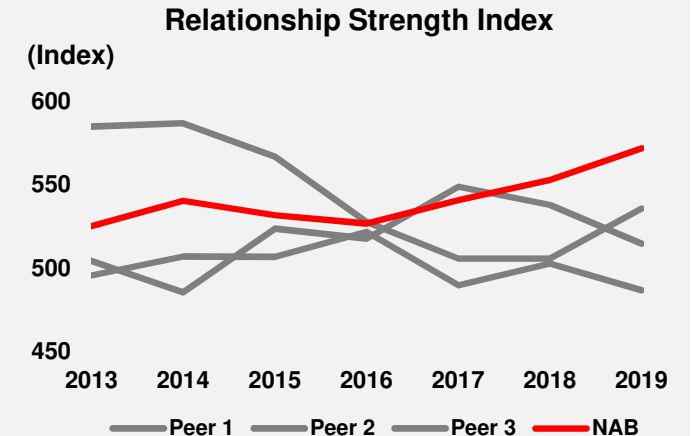
## LARGE CORPORATE & INSTITUTIONAL – RELATIONSHIP STRENGTH INDEX<sup>1</sup>



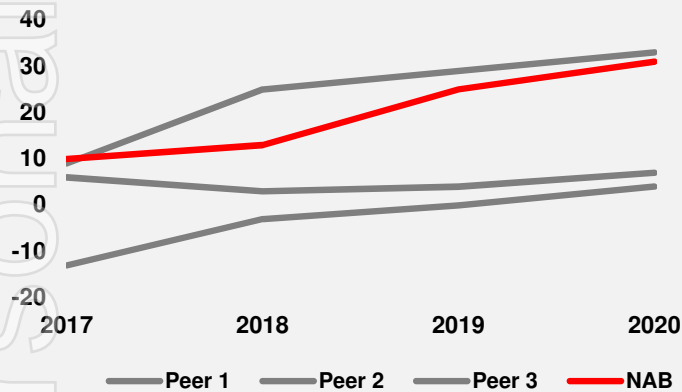
## INTEREST RATE HEDGING<sup>3</sup>



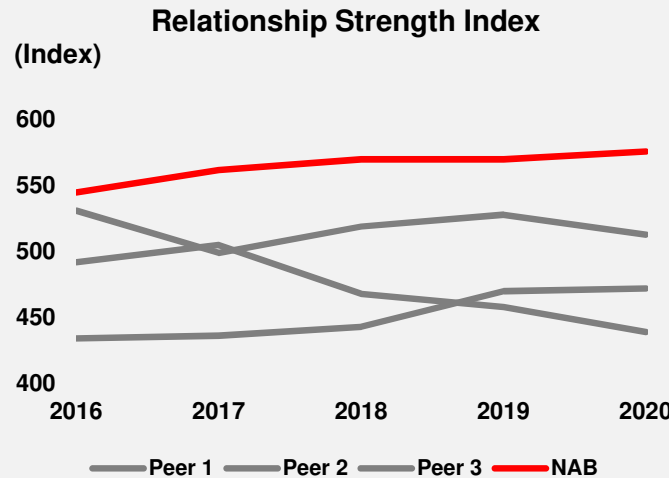
## FOREIGN EXCHANGE<sup>4</sup>



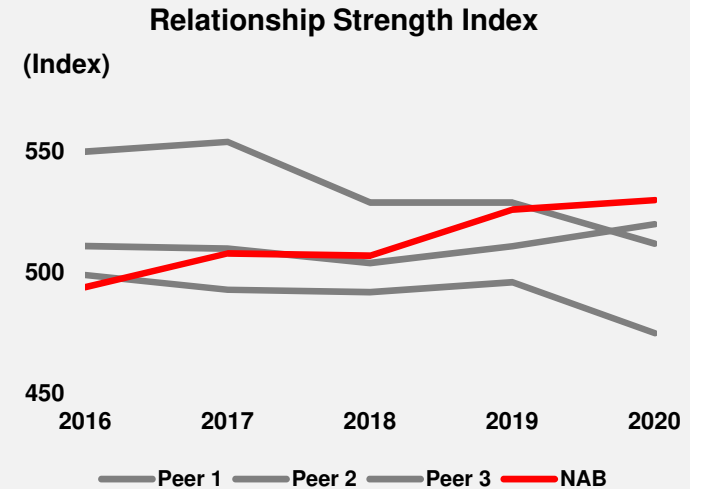
## INSTITUTIONAL NPS<sup>1,2</sup>



## 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 2019 (2020 results due Nov 2020)
- (4) Foreign Exchange Survey 2019 (2020 results due Nov 2020)
- (5) Debt Securities Origination Survey 2020
- (6) Transaction Banking Survey 2020

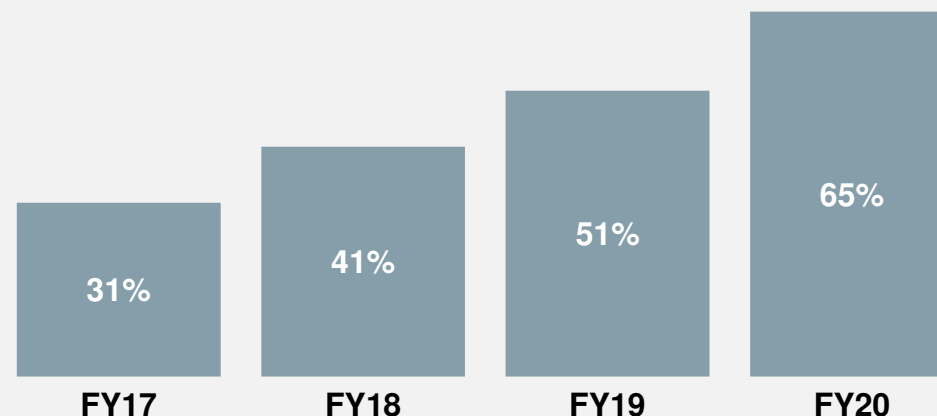
# ENHANCING CONSUMER CUSTOMER EXPERIENCE

## NAB STRAIGHTUP CARD

- Launched the NAB StraightUp Card, Australia's first no-interest credit card, in response to customers wanting access to credit that is simple and easy to understand
- Key card features include
  - No interest, no late payment fees, no foreign currency fees and no use, no pay<sup>1</sup> – all for one simple monthly fee
  - Can be used anywhere Visa is accepted, online or instore
  - Supported by all major digital wallets including Apple Pay, Google Pay, Samsung Pay and NAB Pay
  - Access to \$1k, \$2k or \$3k credit limit

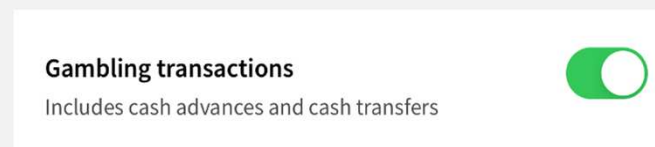


## SIMPLE CONSUMER PRODUCT SALES VIA DIGITAL<sup>2</sup>



## GAMBLING RESTRICTIONS

- Introduced an option for customers to block gambling transactions in the Mobile App for personal debit and credit cards, the first Australian bank to offer the option via app
  - >47k customers switched on blocks on >64k cards



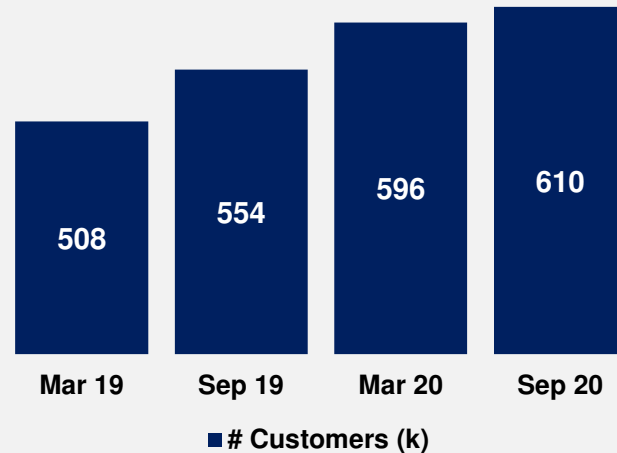
(1) Monthly fee reversed where there is no amount owing and the card has not been used during the relevant statement period

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

# UBANK HIGHLIGHTS

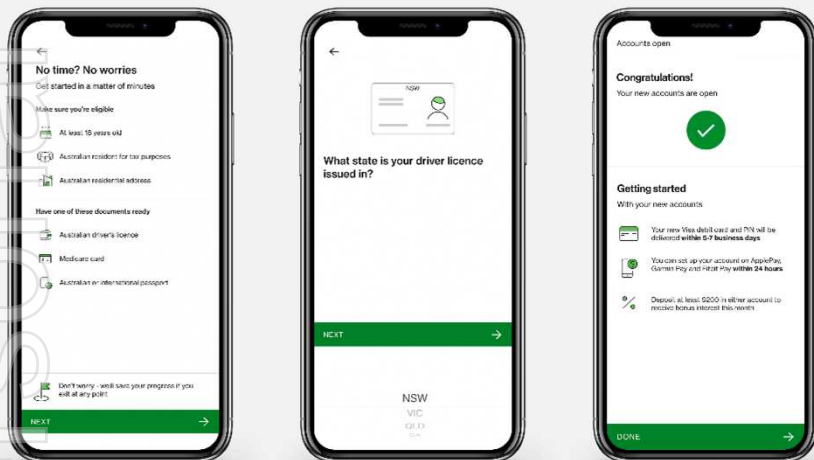
## CUSTOMERS & COLLEAGUES

- 10% growth in customer numbers over FY20
- >5k new home loans provided to customers in FY20
- Re-introduced home loan offering to self-employed applicants
- Won the Canstar Fixed Rate Home Loan of the year for the 3<sup>rd</sup> year in a row
- Named in the Top 25 best places to work<sup>1</sup>



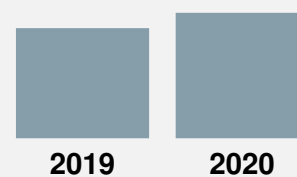
## FASTER, MORE FUNCTIONALITY AND INCREASINGLY DIGITAL

4 min sign-up to UBank via the iOS and Android app



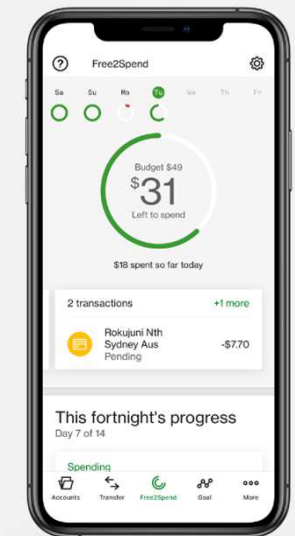
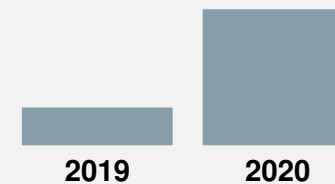
Digitally active customers

14%



Free2Spend<sup>2</sup> usage

361%



Free2Spend tool iOS interface

(1) 13th annual edition of the Best Places to Work benchmarking study in Australia, conducted by Great Place to Work Australia  
 (2) Free2Spend is an in-app tool that works in real-time to provide a daily spend budget based on a savings goal

# NAB CONNECT MOVED TO CLOUD AND ENHANCING CUSTOMER EXPERIENCE

## NAB CONNECT MOVED TO THE CLOUD

- Migration to Amazon Web Services (AWS) cloud enables secure and scalable compute capacity reducing operational risk and cost, while supporting platform resilience.
- Migration has already benefited customers from fewer platform interruptions, allowing NAB to deliver a seamless customer experience through fluctuations in demand

Supported

**+42%**

Increase in usage  
due to EOFY  
transactions

Reduction of

**-60%**

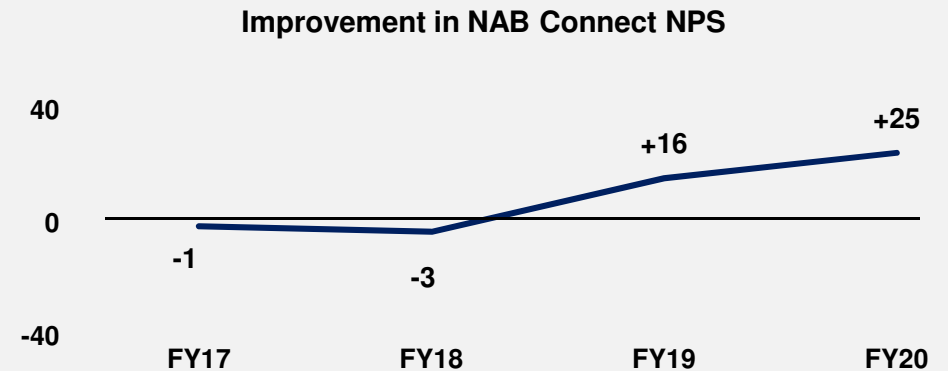
In infrastructure  
maintenance  
times

Ranked

**#1**

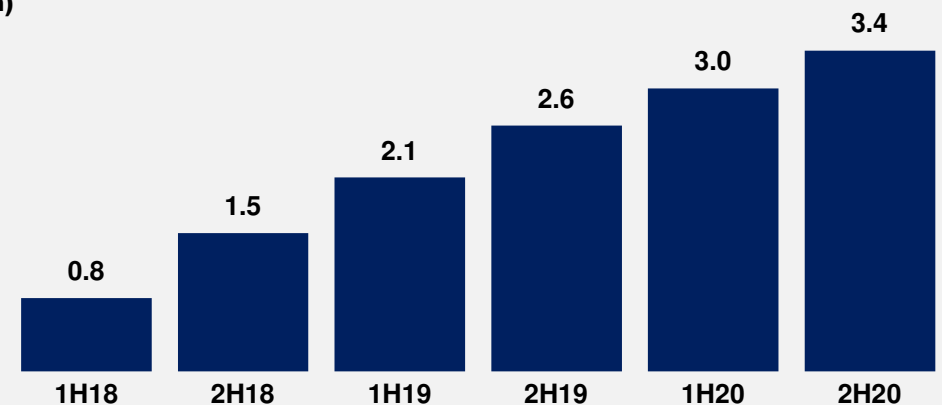
Online Banking  
Platform<sup>2</sup>

## NAB CONNECT NPS<sup>1</sup>



## NAB CONNECT APP LOGINS

(m)



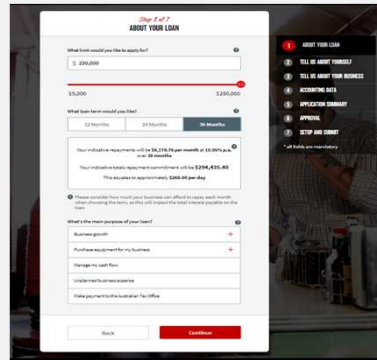
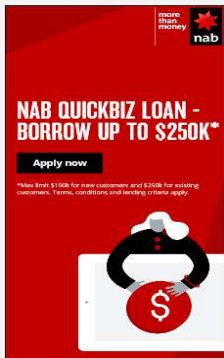
(1) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld

(2) Peter Lee Associates – Transaction Banking Survey Australia 2020. Ranking against the four major domestic banks

# QUICKBIZ FOR SMALL BUSINESS CUSTOMERS

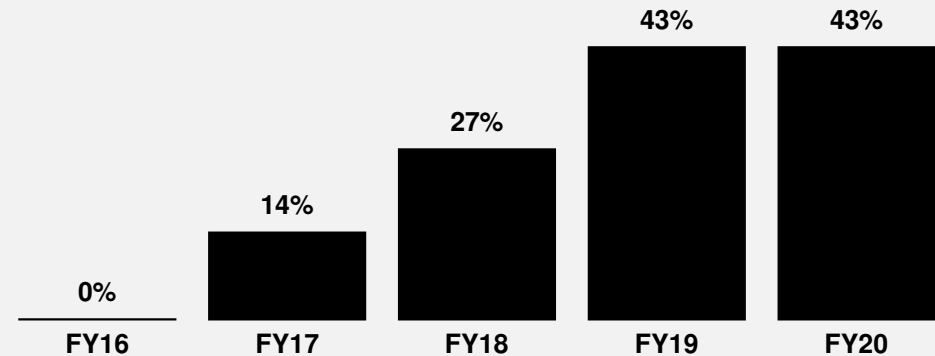
## DIGITAL SMALL BUSINESS UNSECURED LENDING

- 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**
- Expanded QuickBiz offering, increasing unsecured term loan lending limit from \$100k to **up to \$250k for existing customers.**
- Eligible customers can now apply for unsecured term loan and overdrafts directly through Internet Banking, enabling enhanced application experience through pre-population of existing customer information, reducing # of clicks by 100+.
- In response to COVID-19:
  - Introduced a 200-basis point rate cut on new term loans and all overdrafts on QuickBiz effective 30 March, and a further 200-basis point rate cut on new term loans effective 6 November for 3 months
  - Offered 6 month deferrals



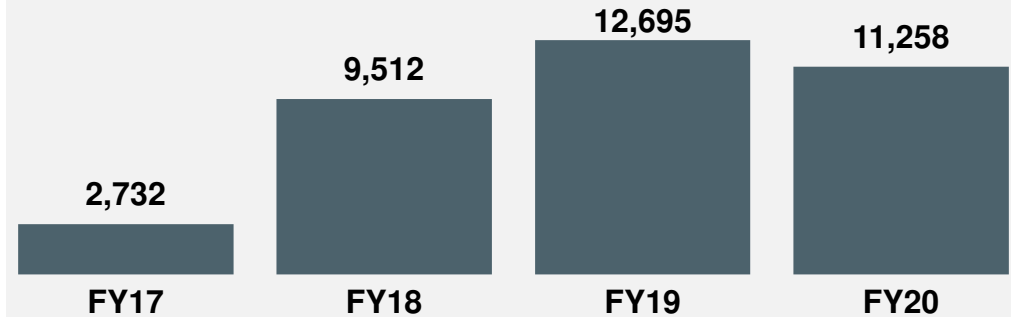
## SMALL BUSINESS UNSECURED LENDING VIA QUICKBIZ

Proportion of new small business lending accounts generated via QuickBiz<sup>1</sup>



## QUICKBIZ APPLICATION GROWTH

# Applications



Reduction in applications in FY20 reflects challenging COVID-19 environment and increased take-up of NAB Business Support Loans

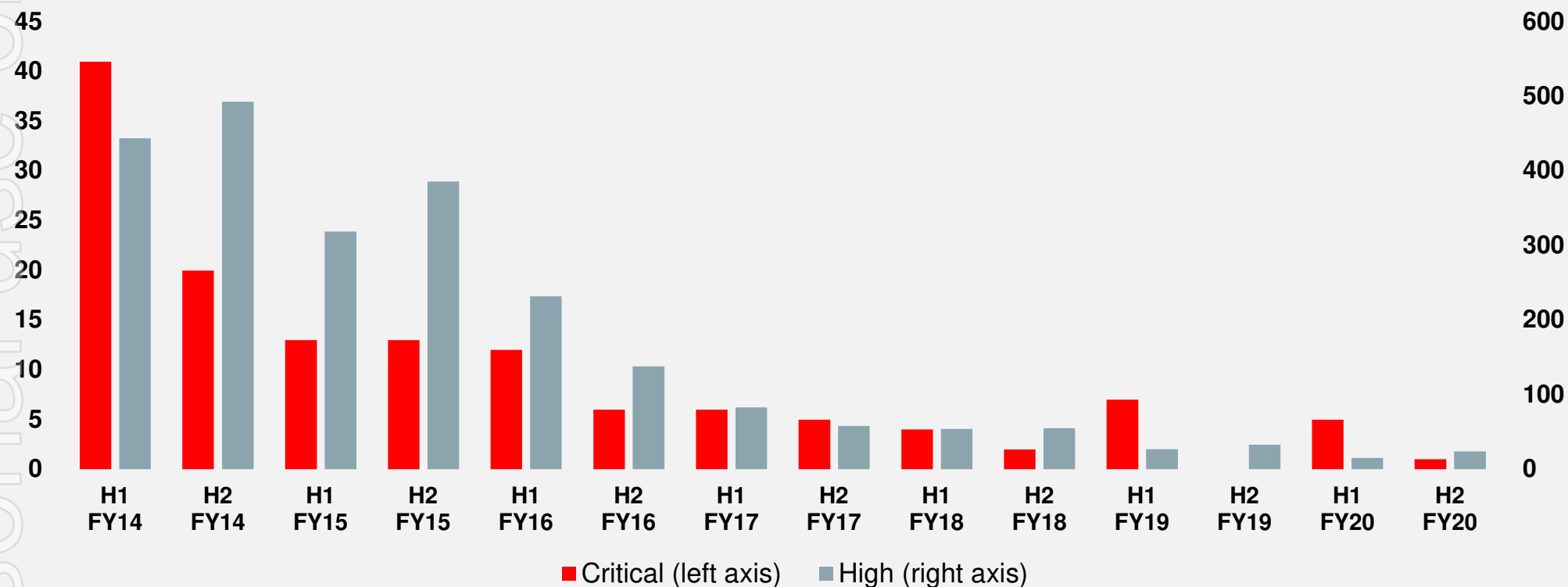
(1) New QuickBiz loan and QuickBiz overdraft accounts as a percentage of total new term lending and overdraft accounts in the Small Business division. Excludes the NAB Business Support Loan, which is provided as part of the Australian Government's Coronavirus SME Guarantee Scheme, and the NAB JobKeeper Overdraft

# REDUCTION IN CRITICAL AND HIGH PRIORITY INCIDENTS

## 'CRITICAL' AND 'HIGH' PRIORITY INCIDENTS<sup>1</sup>

Investment in technology driving lower instance of technology incidents since 1H14

- 95% reduction in "High" priority incidents
- 98% reduction in "Critical" priority incidents



(1) 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

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# **ADDITIONAL INFORMATION**

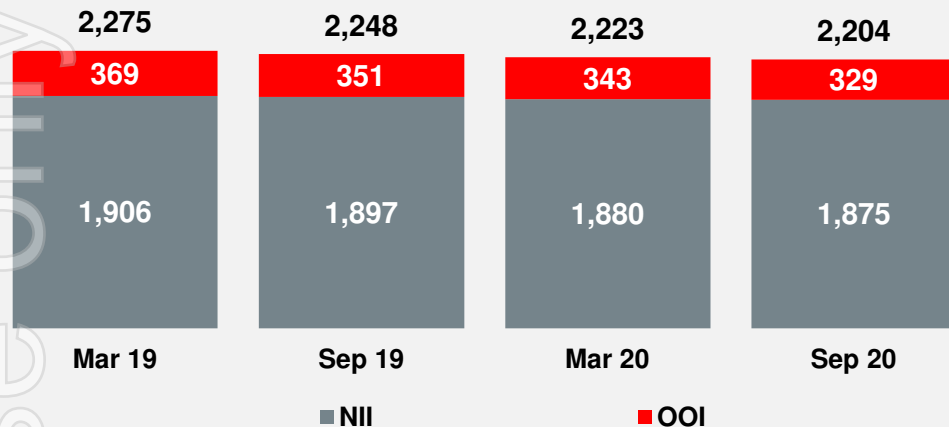
## **AUSTRALIAN BUSINESS LENDING**



# KEY METRICS

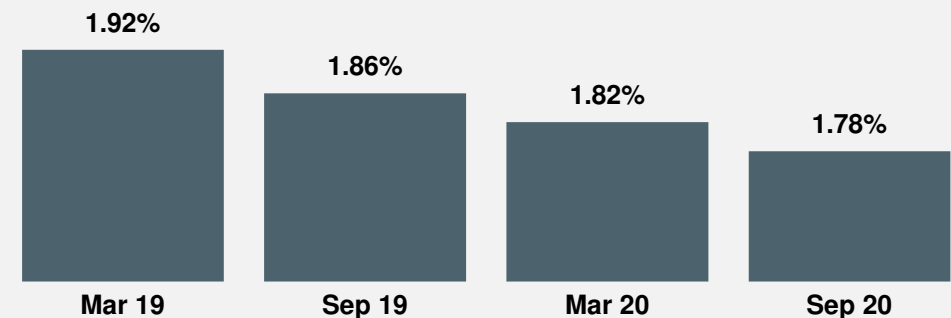
## BUSINESS LENDING REVENUE

(\$m)



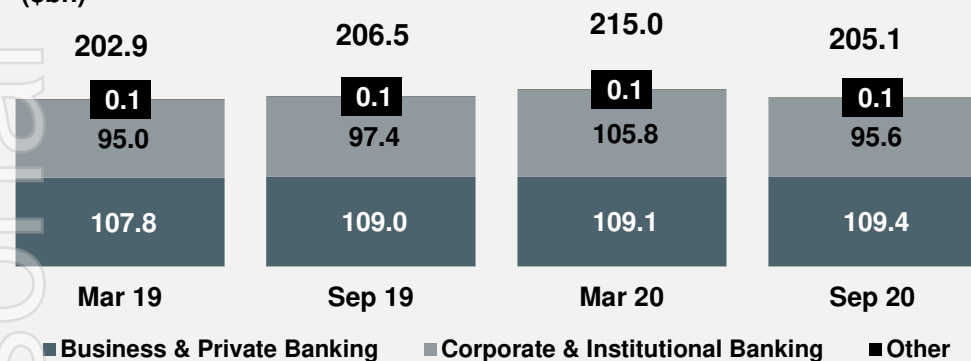
## BUSINESS LENDING NET INTEREST MARGIN

(%)

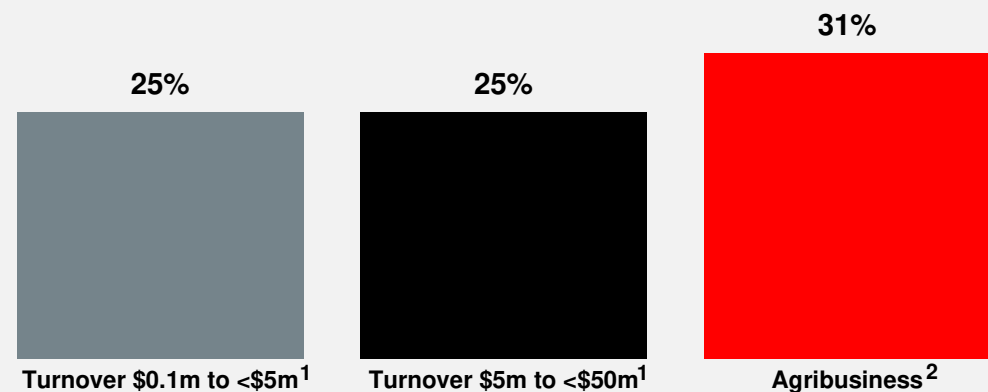


## BUSINESS LENDING GLAs

(\$bn)



## SMALL, MEDIUM AND AGRI BUSINESS LENDING MARKET SHARE

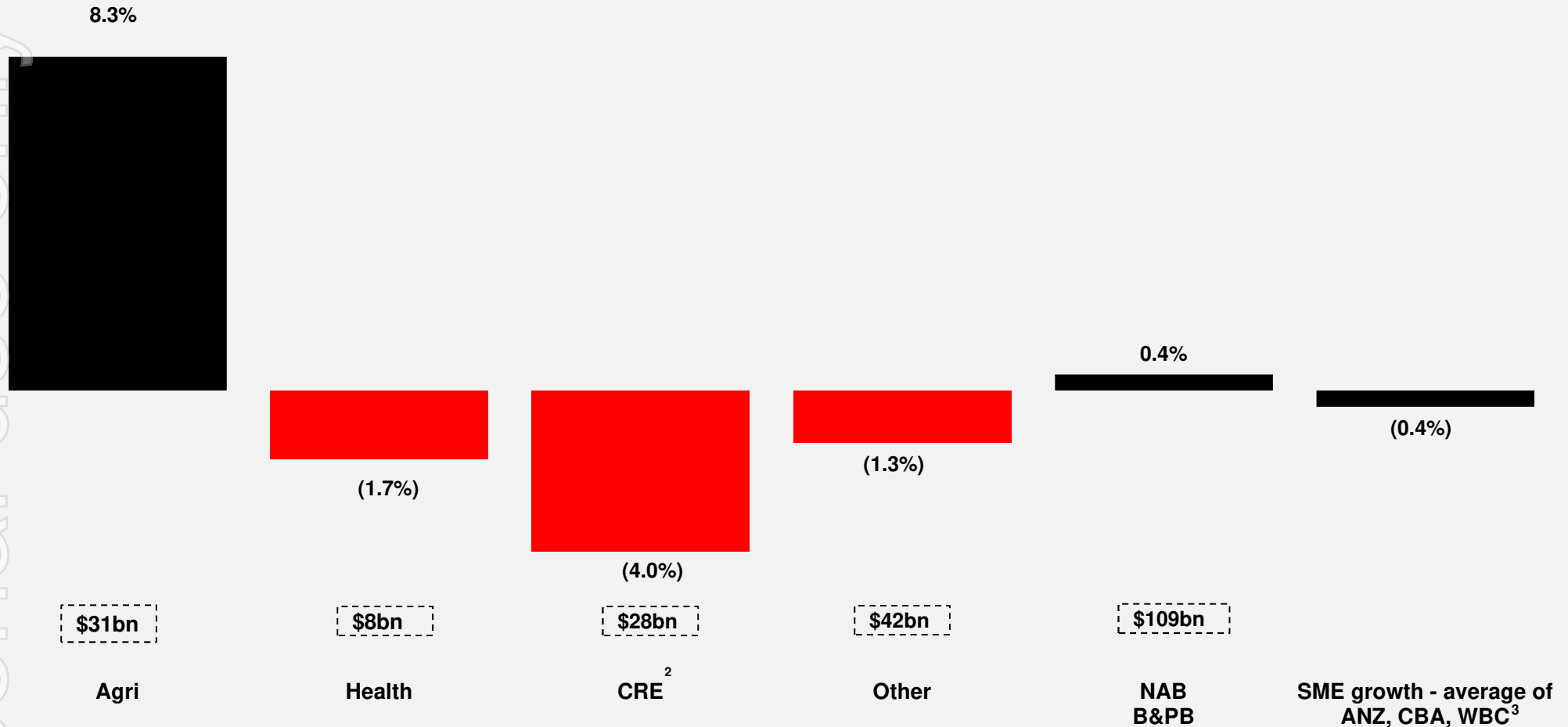


(1) September 2020 DBM Business Financial Services Monitor, APRA Aligned Lending Market Share. Australian businesses with an aligned product, excluding Finance & Insurance and Government. APRA Aligned Lending market share is based on the total lending dollars held at the financial institution, divided by the total lending dollars held at financial institutions reporting to APRA, with products and FIs aligned as closely as possible to APRA definitions and inclusions. Data is on a 12-month roll, weighted to the Australian business population. Small Business (\$0.1m-<\$5m) and Medium Business (\$5m-<\$50m)

(2) July 2020 / NAB APRA submission / RBA Banking System

# BUSINESS & PRIVATE BANKING – SME BUSINESS LENDING GROWTH

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



Denotes lending balance as at 30 September 2020

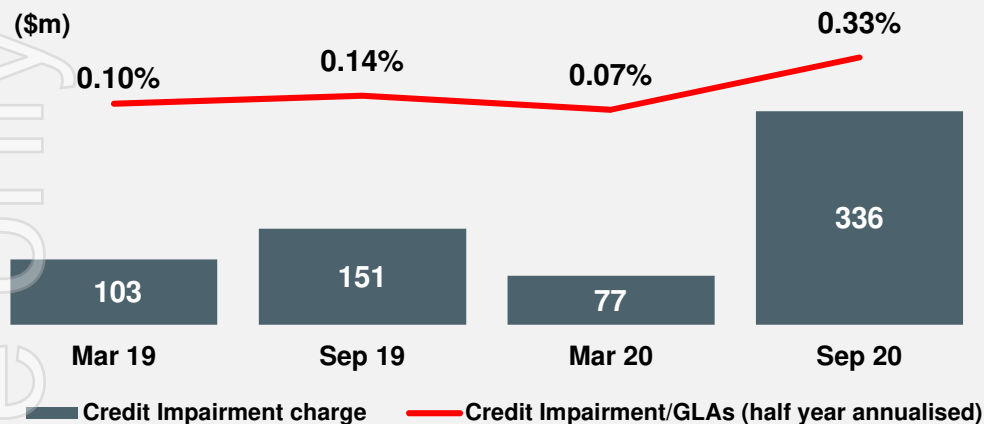
(1) Growth rates are on a customer segment basis and not industry

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

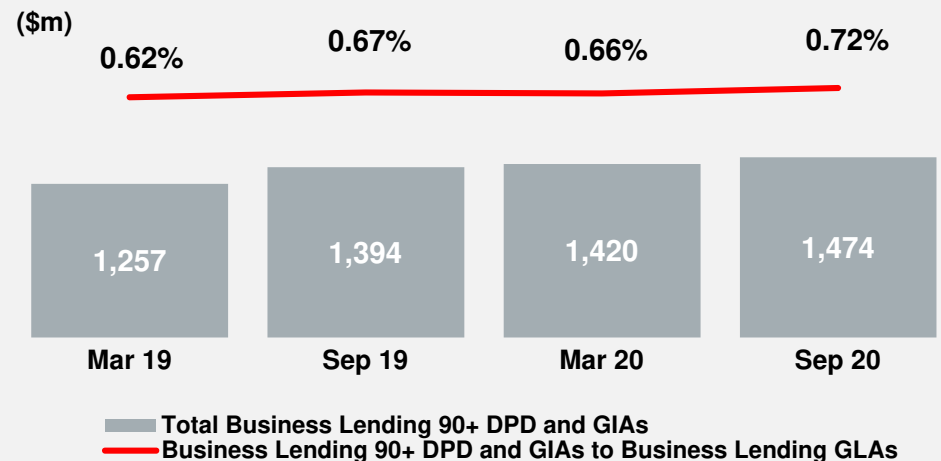
(3) Represents NAB internal estimates of SME business lending growth for ANZ, CBA and WBC based on latest publicly available peer data

# BUSINESS LENDING ASSET QUALITY

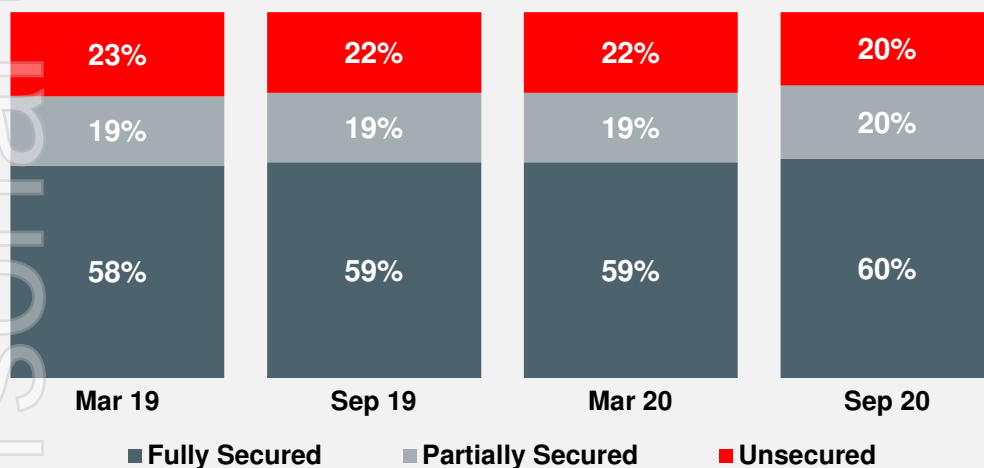
## BUSINESS LENDING CREDIT IMPAIRMENT CHARGE AND AS % OF GLAs



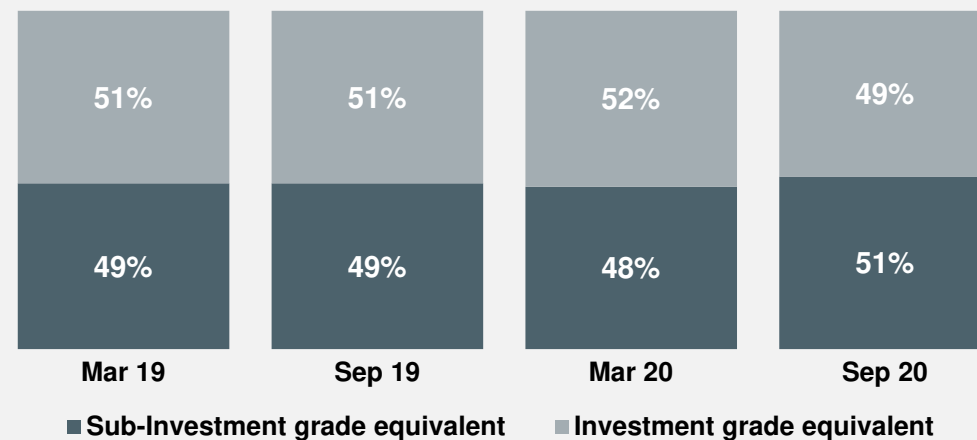
## BUSINESS LENDING 90+ DPD AND GIAs AND AS % OF GLAs



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



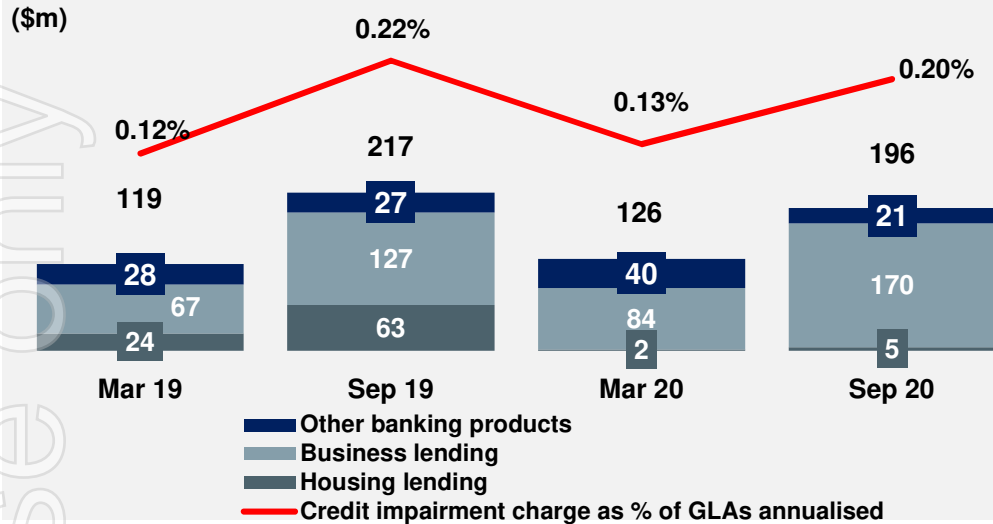
## BUSINESS LENDING PORTFOLIO QUALITY



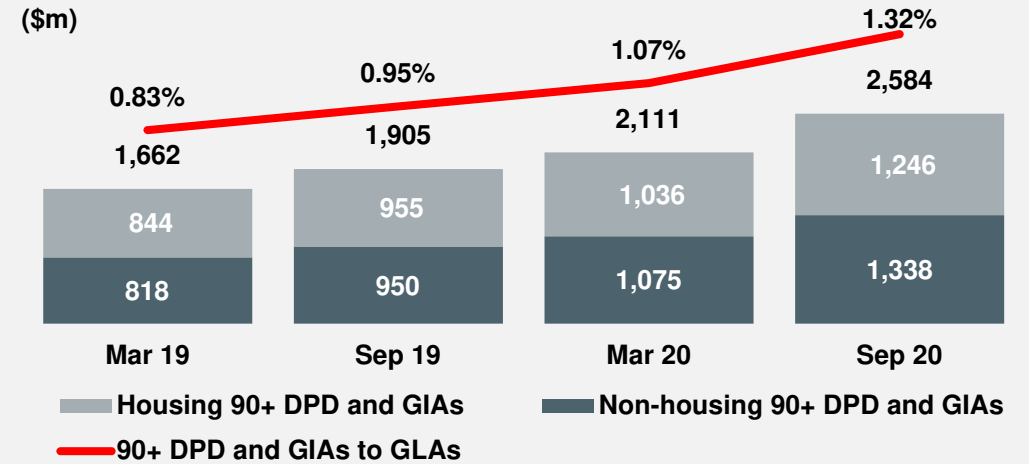
(1) Fully Secured is where the loan amount is less than 100% of the bank extended value of security; Partially Secured is where the loan amount is greater than 100% of the bank extended value of security; Unsecured is where no security is held and/or no value held against the security and negative pledge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

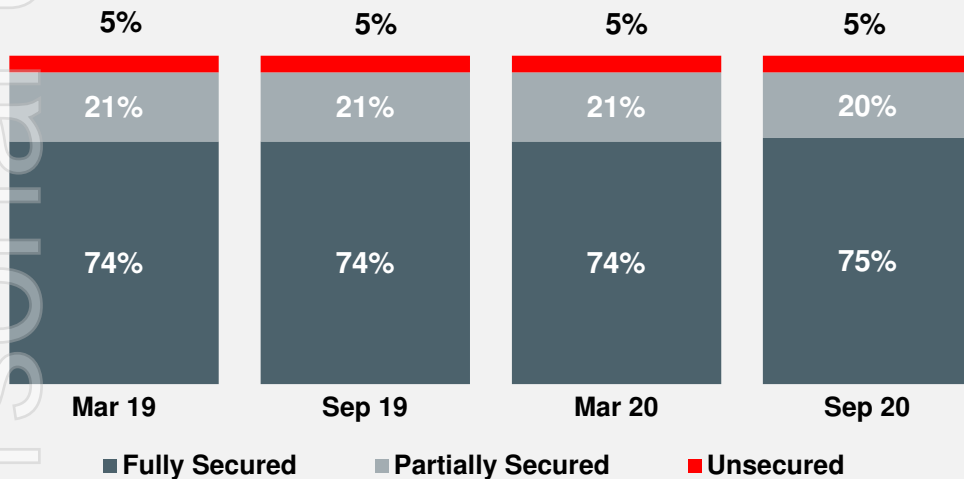
## B&PB CREDIT IMPAIRMENT CHARGE AND AS % OF GLAs<sup>1</sup>



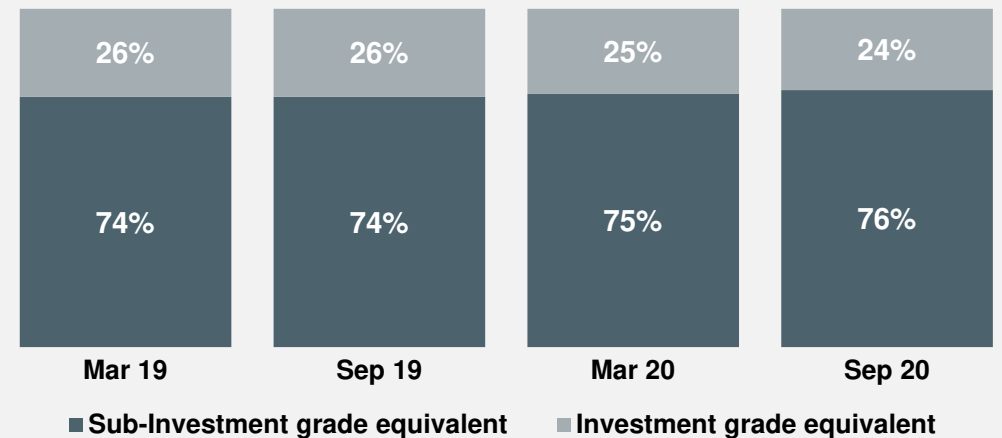
## B&PB 90+ DPD AND GIAs AND AS % OF GLAs<sup>1</sup>



## 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

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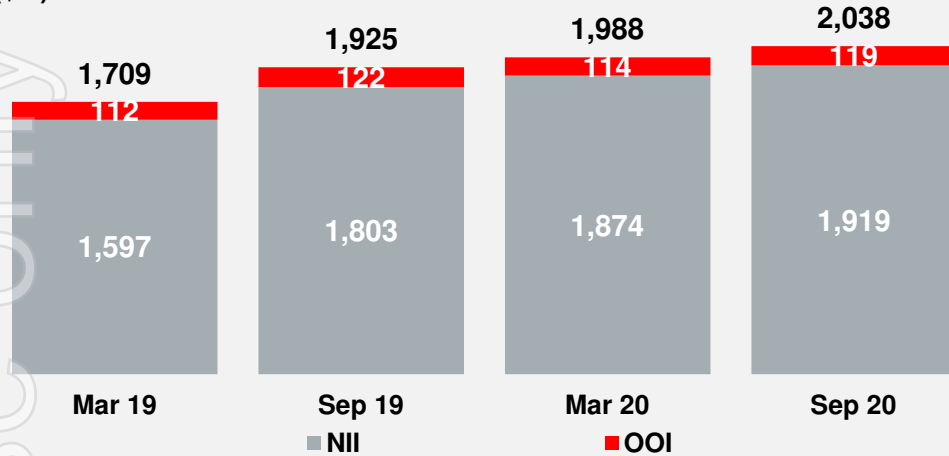
# **ADDITIONAL INFORMATION**

## **AUSTRALIAN HOUSING LENDING**

# KEY METRICS

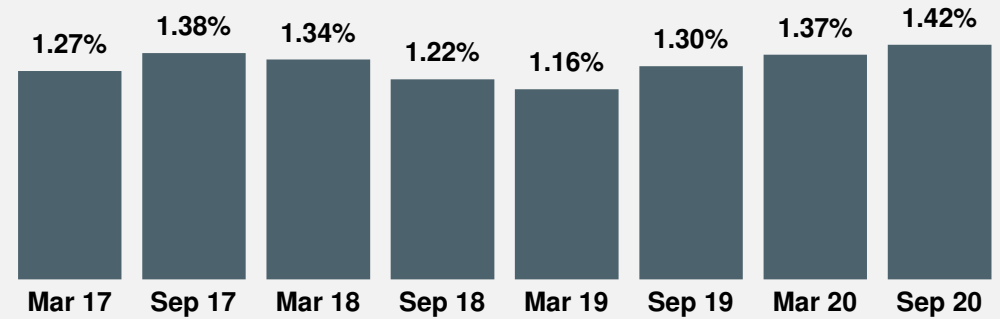
## HOUSING LENDING REVENUE

(\$m)



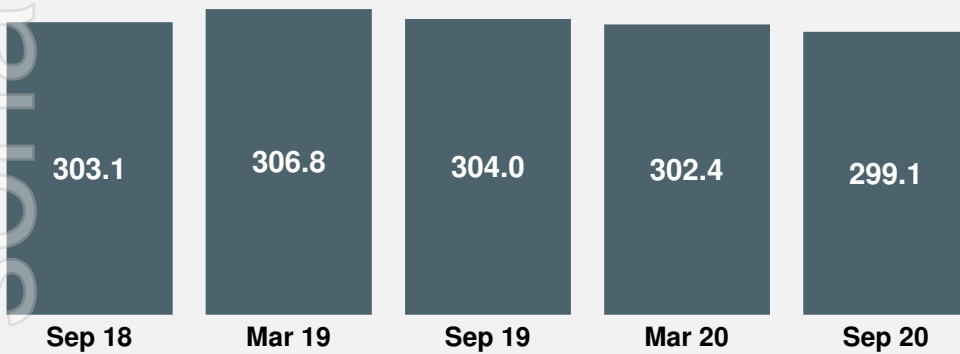
## HOUSING LENDING NET INTEREST MARGIN

(%)

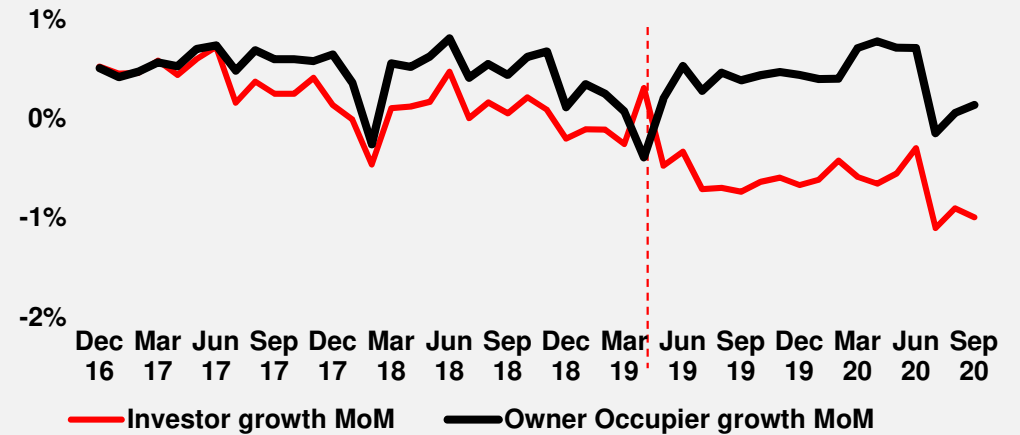


## HOUSING LENDING GLAs

(\$bn)



## INVESTOR AND OWNER OCCUPIER GROWTH MoM<sup>1</sup>

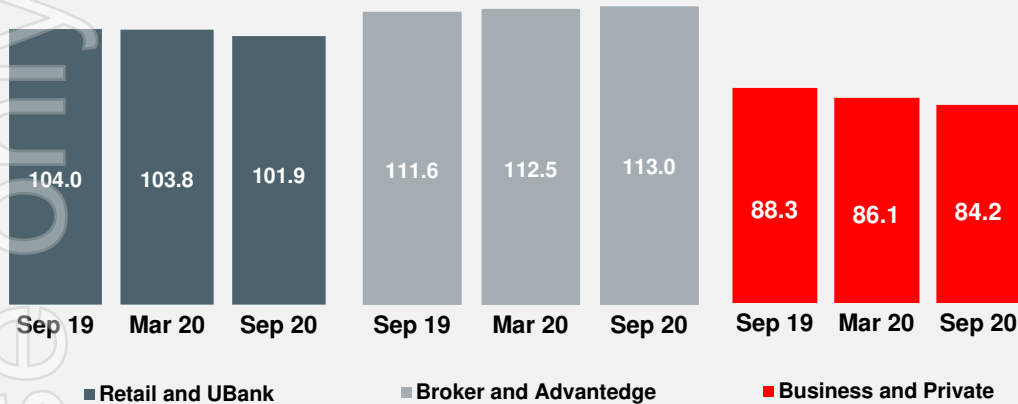


(1) Only includes housing loans to households based on APRA ARF 720.1 reporting definitions. Dec 16 to Mar 19 inclusive chart is prepared using APRA Monthly Banking Statistics. Jun 19 to Sep 20 inclusive are prepared using APRA Monthly Authorised Deposit-taking Institution Statistics

# HOUSING LENDING PORTFOLIO PROFILE

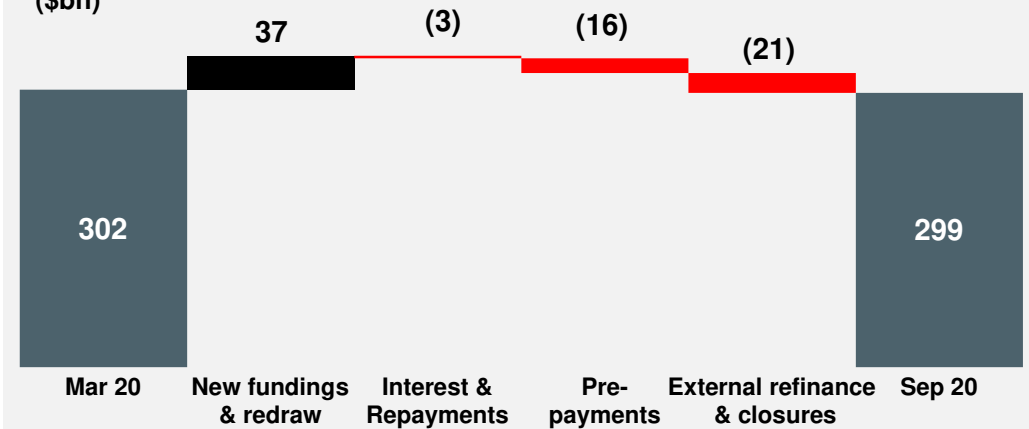
## HOUSING LENDING BY CHANNEL<sup>1</sup>

(\$bn)

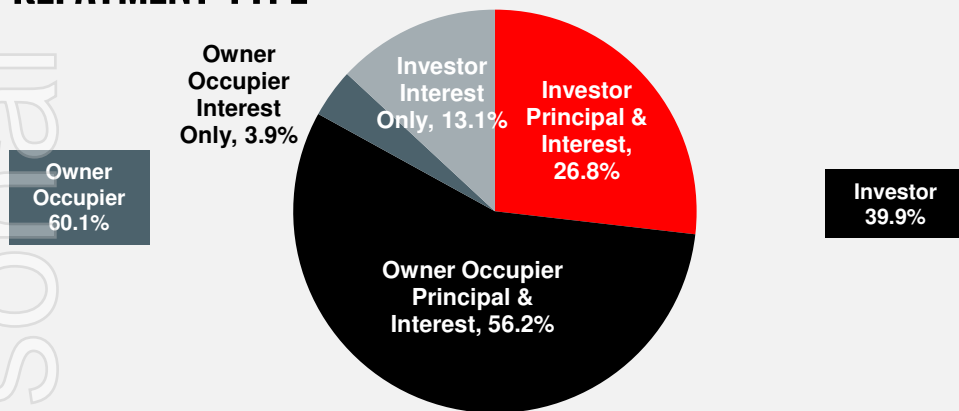


## HOUSING LENDING FLOW MOVEMENTS<sup>1</sup>

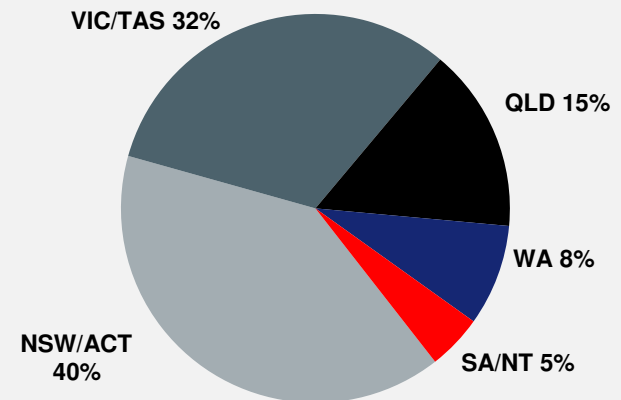
(\$bn)



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



## AUSTRALIAN MORTGAGES STATE PROFILE

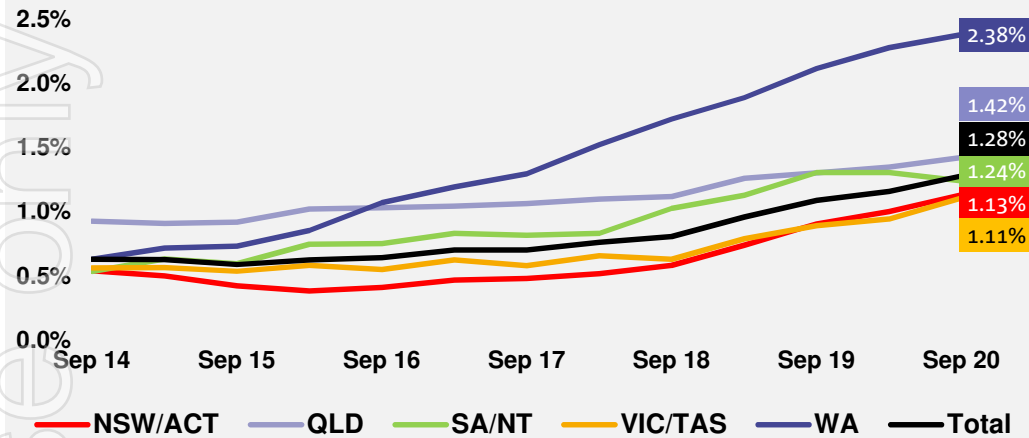


(1) Excludes Asia

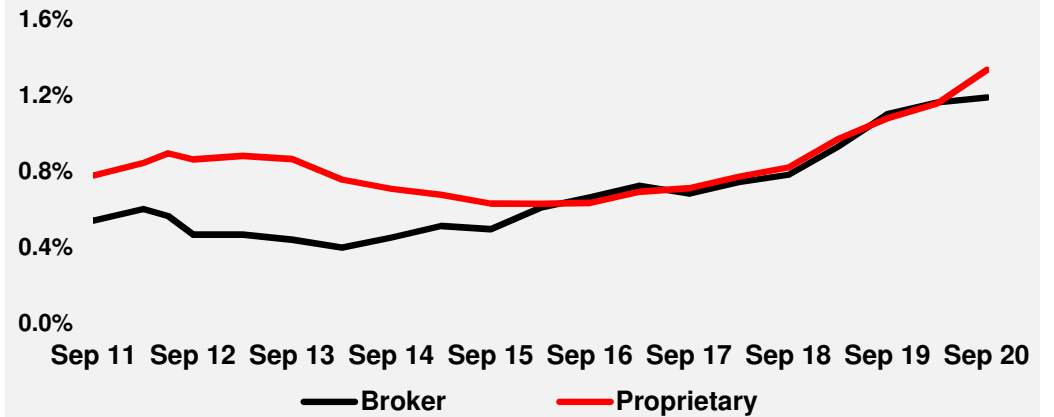
(2) Only includes housing loans to households based on APRA ARF 720.1 reporting definitions, and excludes counterparties such as private trading corporations

# HOUSING LENDING PORTFOLIO PROFILE

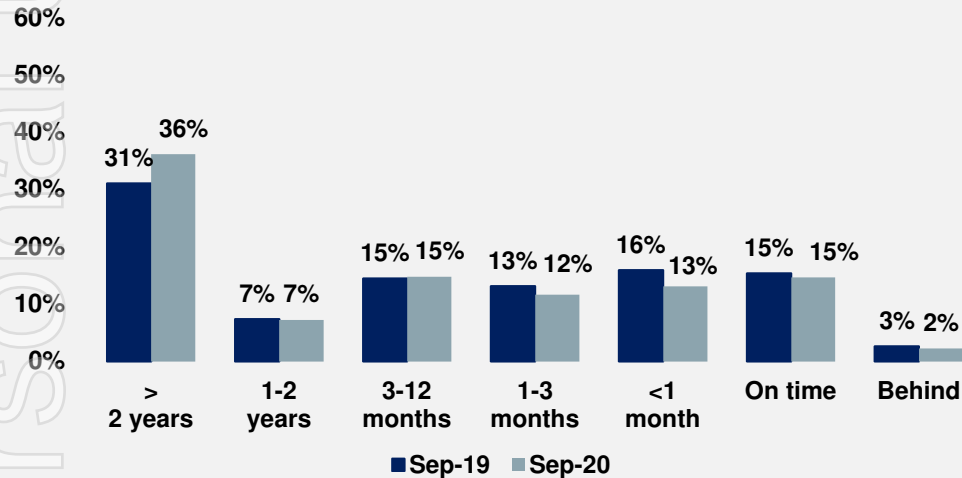
## HOUSING LENDING 90+DPD & GIAs AS % OF GLAs



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

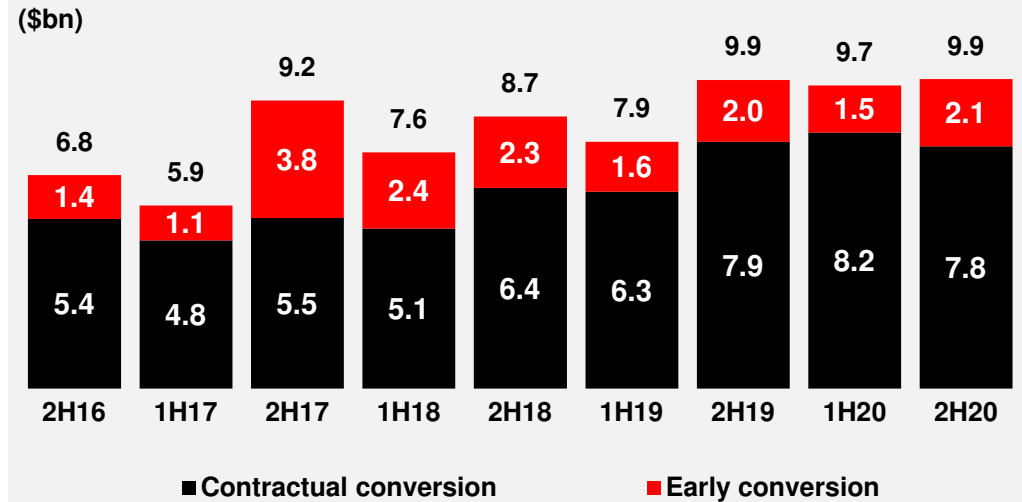


## REPAYMENT BUFFERS<sup>1</sup>



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

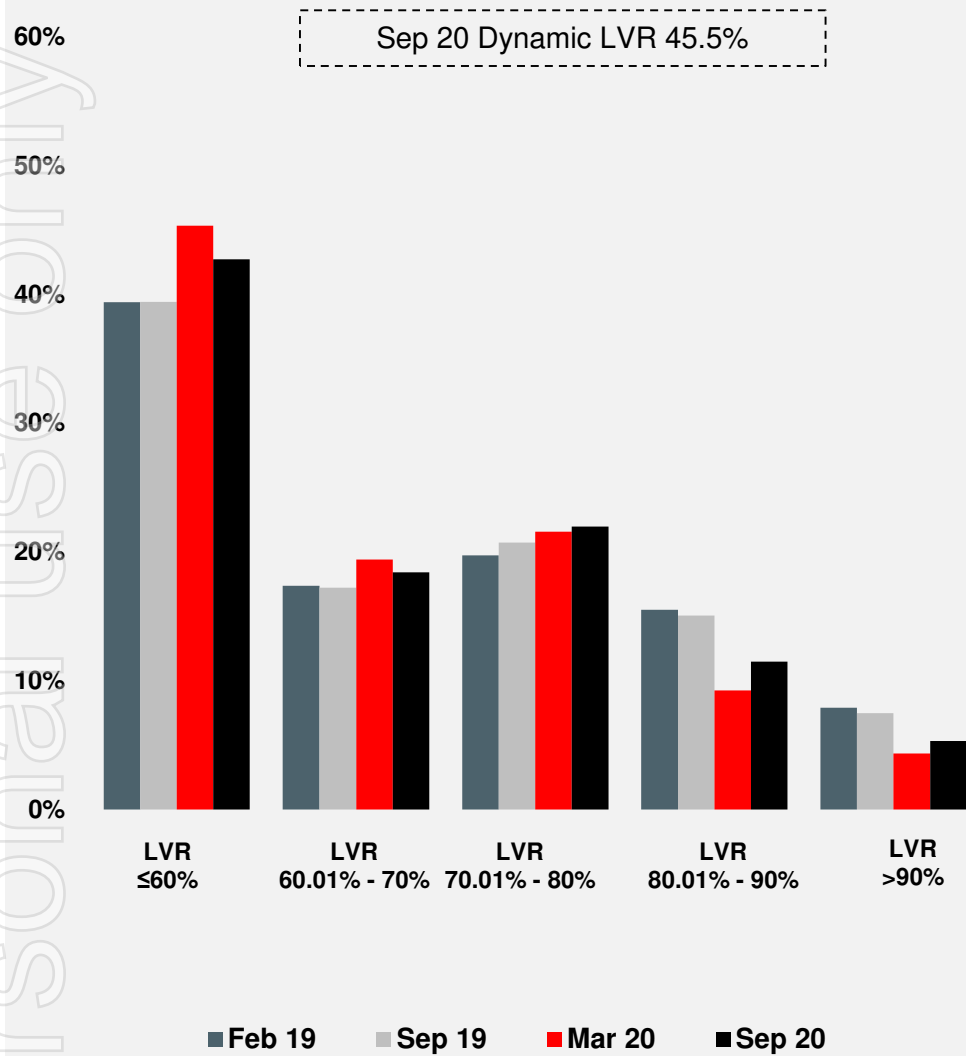
## INTEREST ONLY CONVERSIONS TO P&I



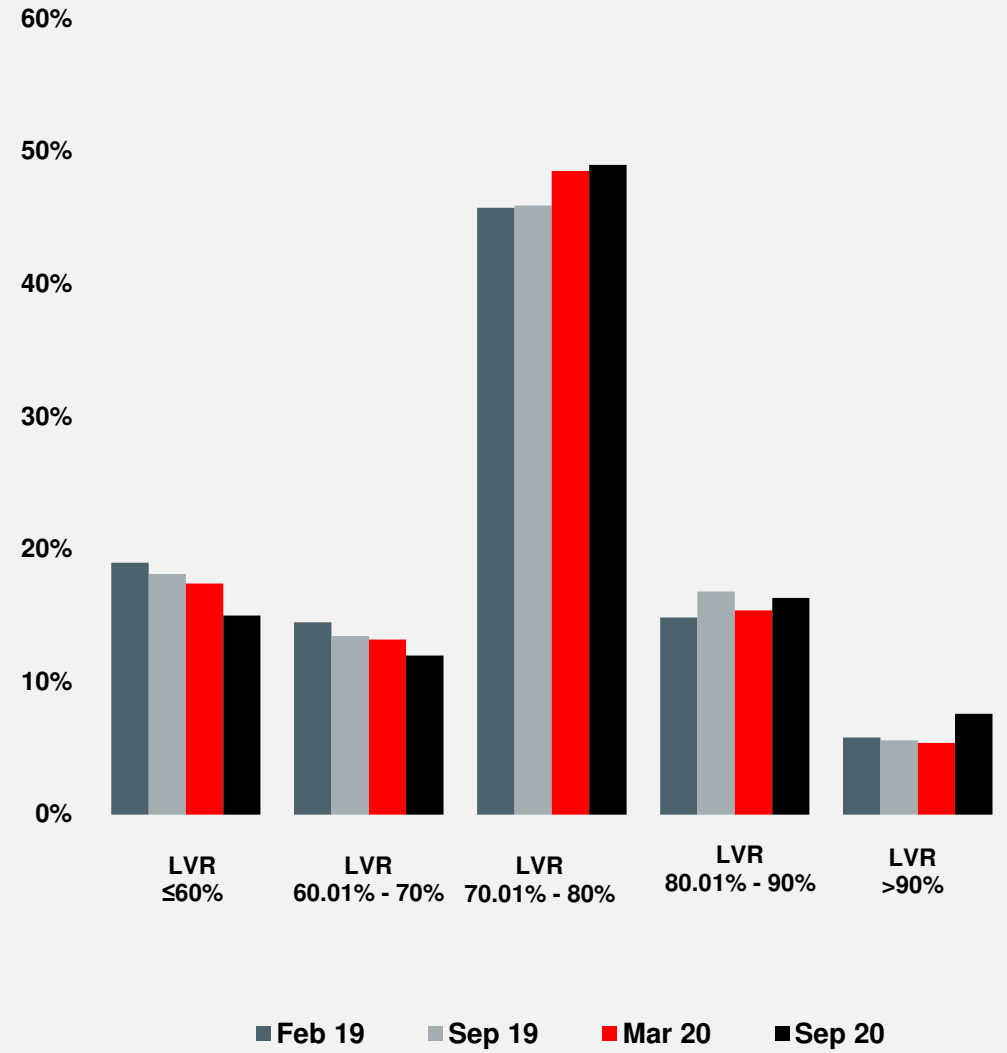


# HOUSING LENDING PORTFOLIO QUALITY

## DYNAMIC LVR BREAKDOWN OF DRAWN BALANCE



## LVR BREAKDOWN AT ORIGINATION



# 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)</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 (5.5%)</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 (5.5%)</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	Mar 19	Sep 19	Mar 20	Sep 20		Sep 19	Mar 20	Sep 20
						<b>Drawdowns<sup>2</sup></b>		
Total Balances (spot) \$bn	307	304	302	299		22	27	29
Average loan size \$'000	307	308	309	309		369	389	383
- Variable rate	72.0%	73.5%	75.9%	71.9%		73.0%	78.5%	64.0%
- Fixed rate	21.6%	20.4%	18.3%	22.8%		25.0%	20.4%	35.0%
- Line of credit	6.5%	6.1%	5.8%	5.3%		1.9%	1.1%	1.1%
By borrower type								
- Owner Occupied <sup>3,4</sup>	59.7%	56.9%	58.4%	60.1%		66.3%	67.7%	70.1%
- Investor <sup>3,4</sup>	40.3%	43.1%	41.6%	39.9%		33.7%	32.3%	29.9%
By channel								
- Proprietary	63.6%	63.3%	62.8%	62.2%		56.6%	54.6%	53.1%
- Broker	36.4%	36.7%	37.2%	37.8%		43.4%	45.4%	46.9%
Interest only <sup>5</sup>	22.4%	19.8%	17.2%	14.8%		19.7%	17.4%	17.9%
Low Documentation	0.5%	0.4%	0.4%	0.4%				
Offset account balance (\$bn)	29.0	29.0	30.0	32.6				
LVR at origination	69.0%	69.0%	69.1%	69.2%				
Dynamic LVR on a drawn balance calculated basis	48.0%	47.6%	44.6%	45.5%				
Customers in advance ≥1 month <sup>6</sup> (including offset facilities)	65.5%	66.1%	66.5%	69.9%				
Avg # of monthly payments in advance <sup>6</sup> (including offset facilities)	33.7	34.3	36.3	43.4				
90+ days past due	0.86%	0.98%	1.04%	1.18%				
Impaired loans	0.09%	0.11%	0.12%	0.10%				
Specific provision coverage ratio	31.1%	33.4%	33.3%	35.4%				
Loss rate <sup>7</sup>	0.02%	0.02%	0.02%	0.02%				
Number of properties in possession <sup>8</sup>	291	320	268	155				
HEM reliance	32%	27%	33%	33%				

(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, Sep-19 restated to align with definitions of the APRA Monthly Authorised Deposit-taking Institution 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 reflects pause in legal activity due to COVID-19

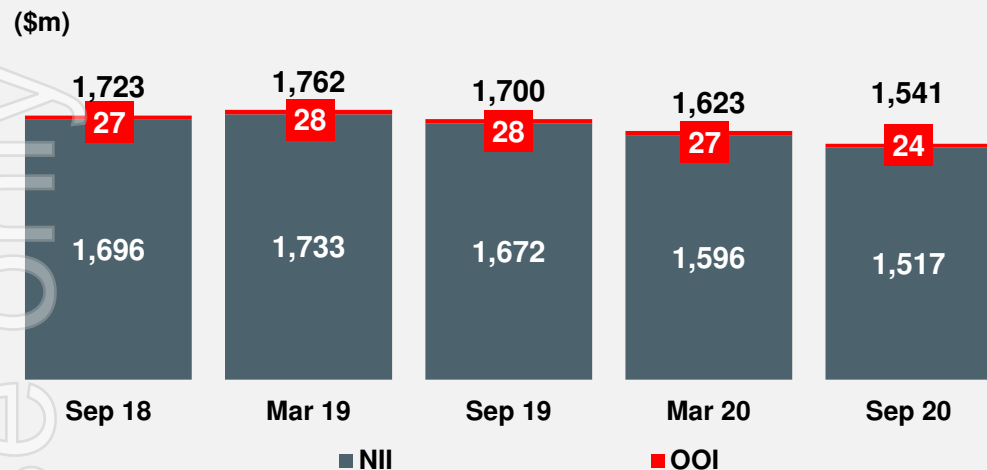
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## **ADDITIONAL INFORMATION**

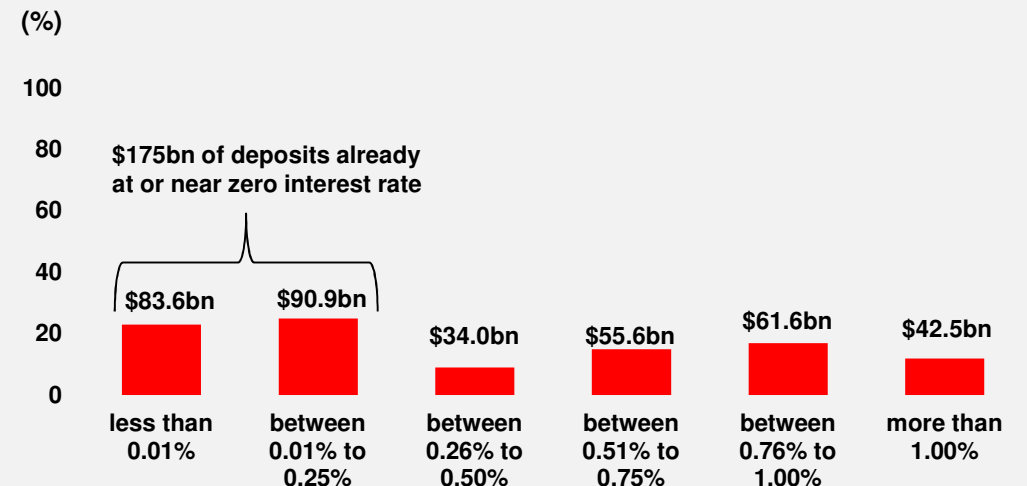
### **OTHER AUSTRALIAN PRODUCTS**

# DEPOSITS & TRANSACTION ACCOUNTS

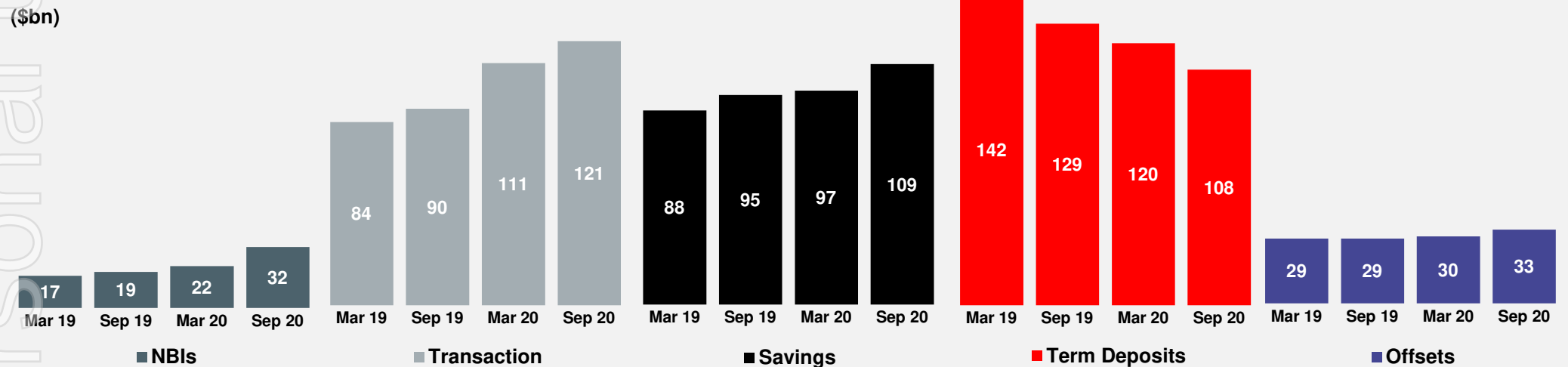
## DEPOSIT REVENUE



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



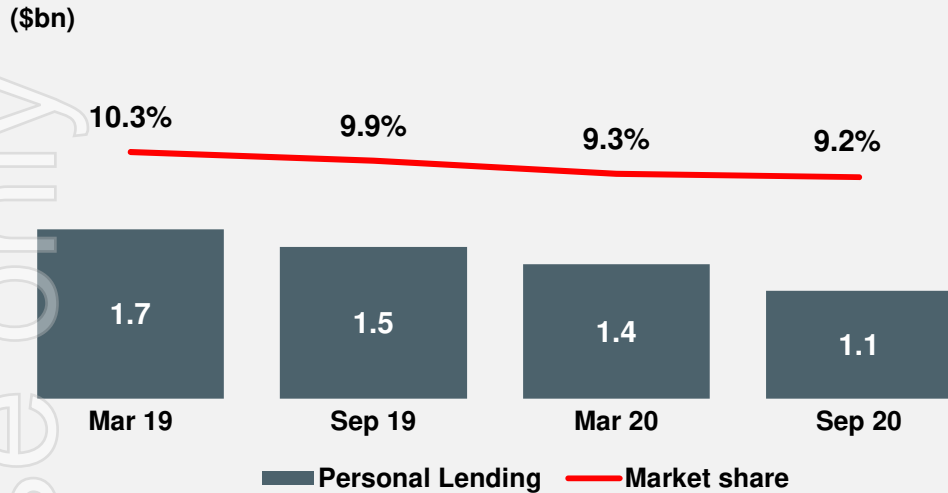
## CUSTOMER DEPOSIT BALANCES BY PRODUCT



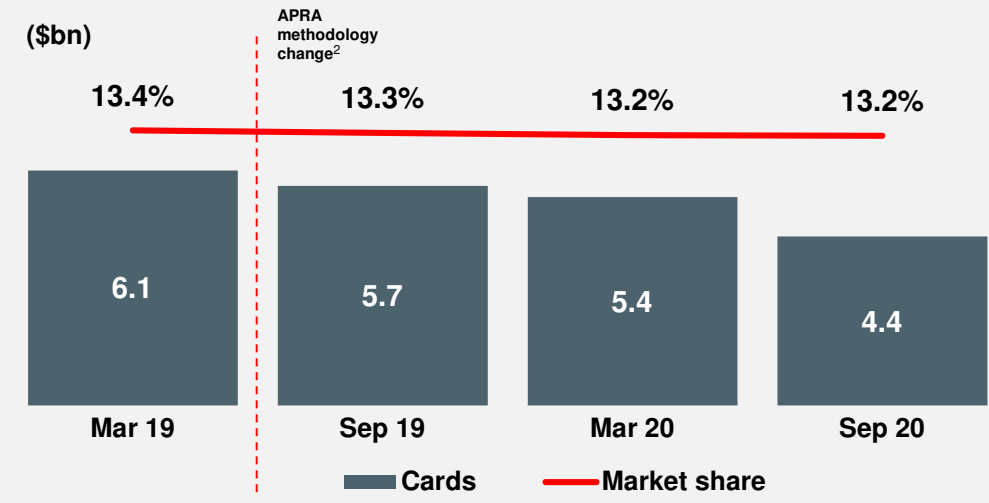
(1) Australia only, as at 30 September 2020. Customer deposits exclude home loan offsets

# OTHER BANKING PRODUCTS

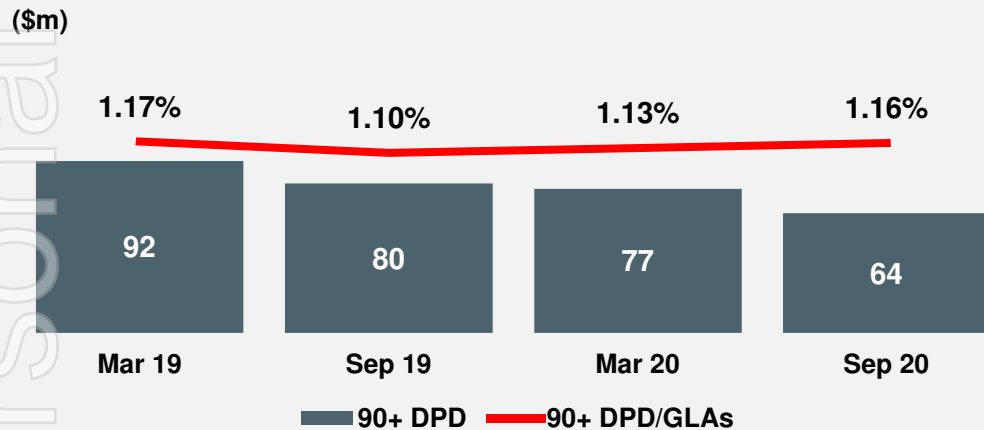
## PERSONAL LENDING BALANCE AND MARKET SHARE<sup>1</sup>



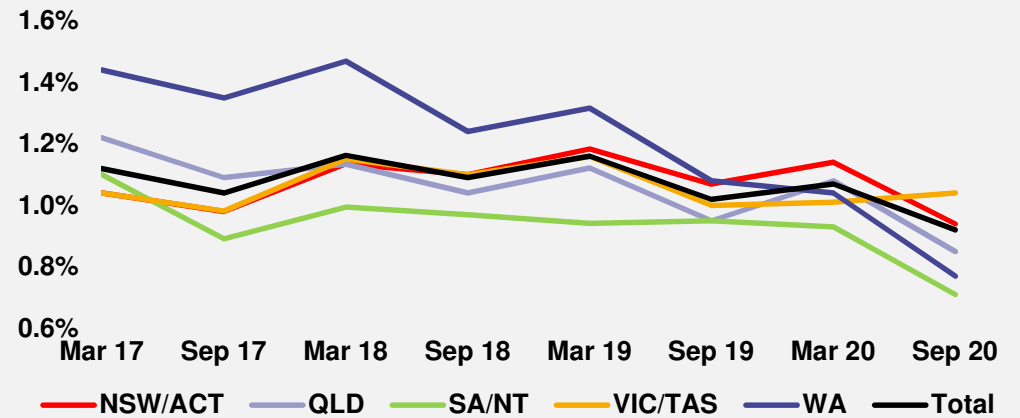
## CARDS BALANCE AND MARKET SHARE<sup>3,4</sup>



## CARDS<sup>3</sup> AND PERSONAL LENDING 90+ DPD AND AS % OF TOTAL CARDS AND PERSONAL LENDING GLAs



## 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. Market share as at Aug 20

(2) APRA Monthly Banking Statistics is used for Mar-19 market share. Sep-19 onwards is prepared using APRA Monthly Authorised Deposit-taking Institution Statistics. Latest market share statistics are as at Sep 20

(3) Includes consumer and commercial cards

(4) Market share refers to consumer cards only

personal use only

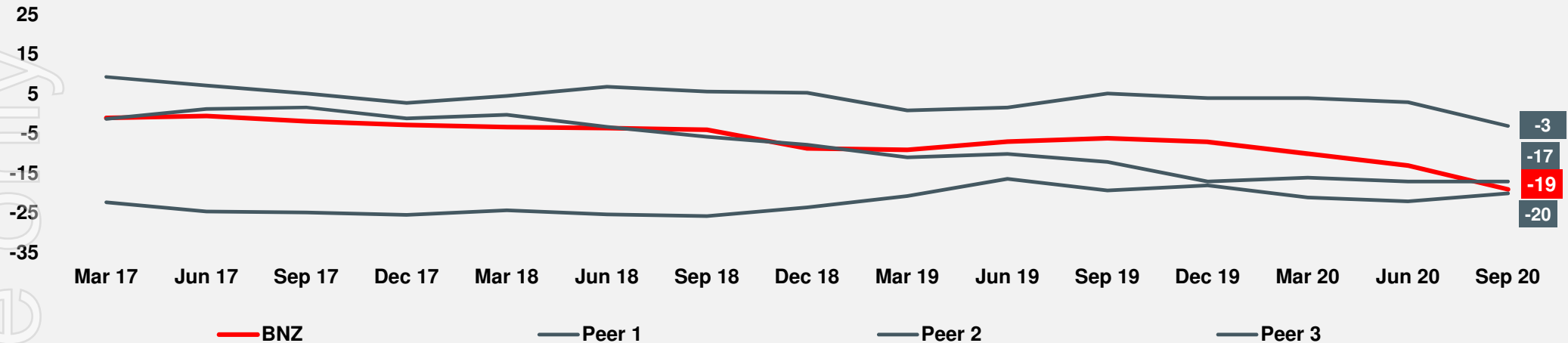
# **ADDITIONAL INFORMATION**

## **NEW ZEALAND BANKING**

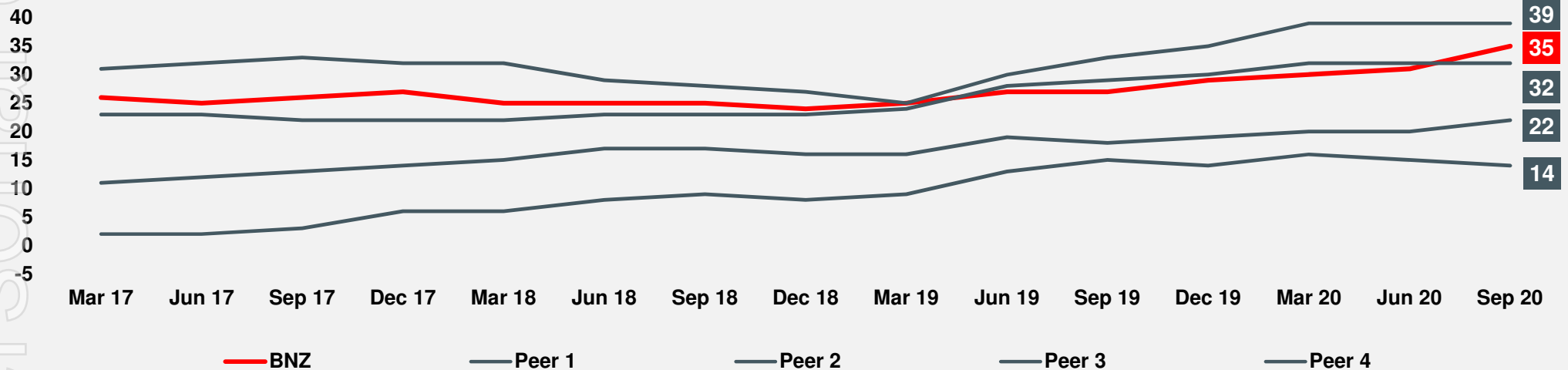


# KEY CUSTOMER METRICS

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



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



(1) Source: Kantar Business Finance Monitor (data on 4 quarter roll)

(2) Source: Camorra Retail Market Monitor (data on 12 month roll) for Consumer Priority segments which include Savers and Starters, Home Owners, Investors & High Net Worth clients

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





# HOUSING LENDING KEY METRICS

New Zealand Housing Lending	Mar 19	Sep 19	Mar 20	Sep 20		Sep 19	Mar 20	Sep 20
	<b>Portfolio</b>					<b>Drawdowns<sup>1</sup></b>		
Total Balances (spot) NZ\$bn	41.3	43.0	44.8	46.0		5.8	5.8	5.1
By product								
- Variable rate	17.7%	15.9%	15.2%	14.1%		15.4%	15.4%	15.1%
- Fixed rate	79.7%	81.7%	82.6%	84.1%		84.0%	84.0%	84.6%
- Line of credit	2.6%	2.4%	2.2%	1.8%		0.6%	0.6%	0.3%
By borrower type								
- Owner Occupied	65.4%	66.2%	66.4%	66.0%		72.0%	70.2%	64.5%
- Investor	34.6%	33.8%	33.6%	34.0%		28.0%	29.8%	35.5%
By channel								
- Proprietary	82.3%	80.0%	77.9%	76.2%		72.9%	70.8%	68.8%
- Broker	17.7%	20.0%	22.1%	23.8%		27.1%	29.2%	31.2%
Low Documentation	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Interest only <sup>2</sup>	21.4%	20.4%	24.4%	25.5%		25.3%	29.2%	28.2%
LVR at origination	66.3%	66.5%	66.7%	66.8%				
90+ days past due	0.10%	0.07%	0.11%	0.13%				
Impaired loans	0.04%	0.03%	0.03%	0.02%				
Specific Impairment coverage ratio	17.9%	17.0%	25.50%	26.3%				
Loss rate <sup>3</sup>	0.01%	0.01%	0.01%	0.00%				

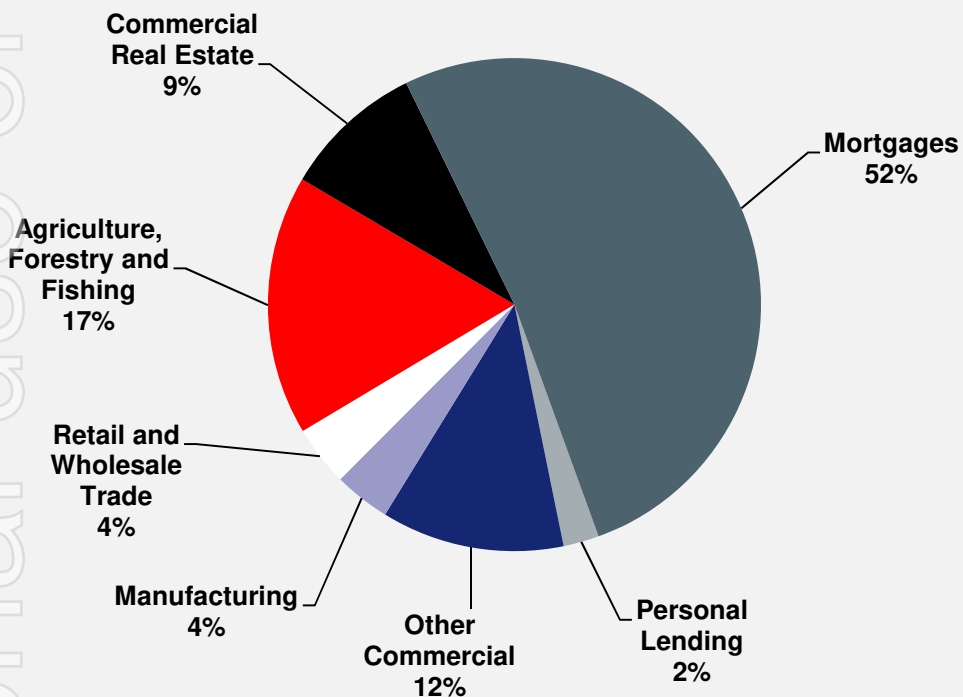
(1) Drawdowns is defined as new lending including limit increases and excluding redraws in the previous six month period

(2) Excludes line of credit products

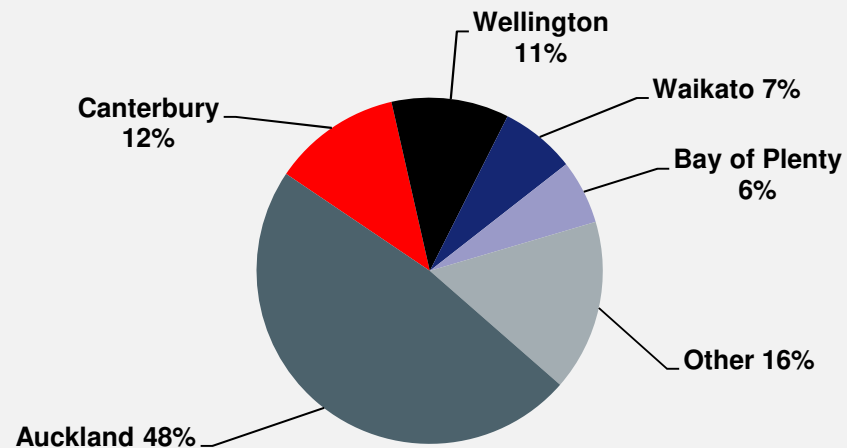
(3) 12 month rolling Net Write-offs / Spot Drawn Balances

# NEW ZEALAND LENDING MIX

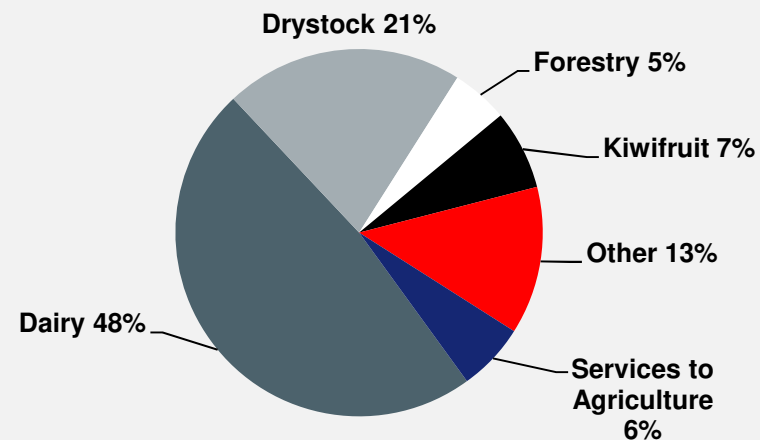
PORTFOLIO BREAKDOWN – TOTAL NZ\$88.1BN



MORTGAGE PORTFOLIO BREAKDOWN BY GEOGRAPHY – TOTAL MORTGAGE NZ\$46.0BN

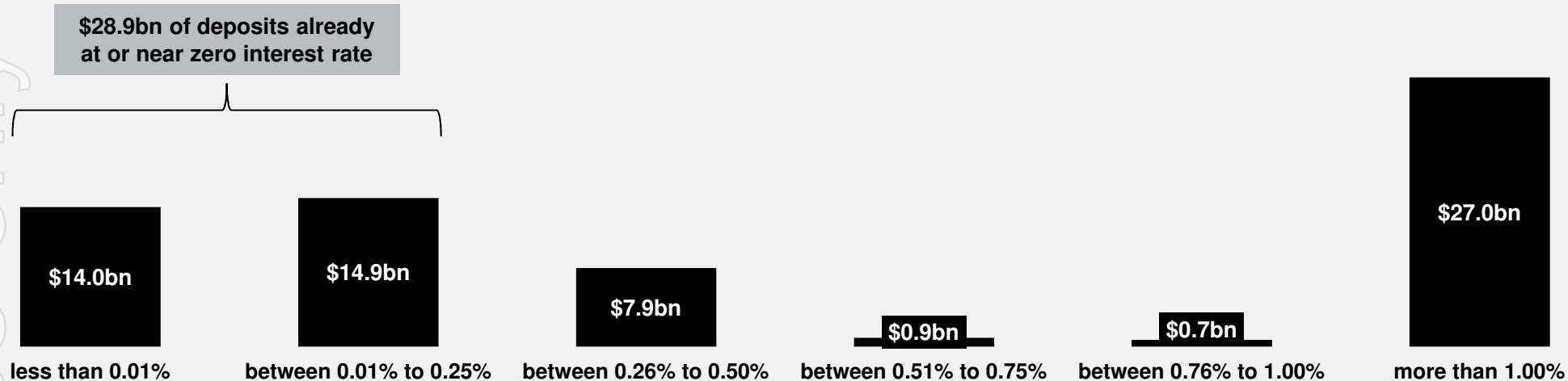


AGRIBUSINESS PORTFOLIO BREAKDOWN BY INDUSTRY – TOTAL AGRI NZ\$14.9BN



# NZ CUSTOMER DEPOSITS BY INTEREST RATE

## NZ CUSTOMER DEPOSITS BY INTEREST RATE (NZD)



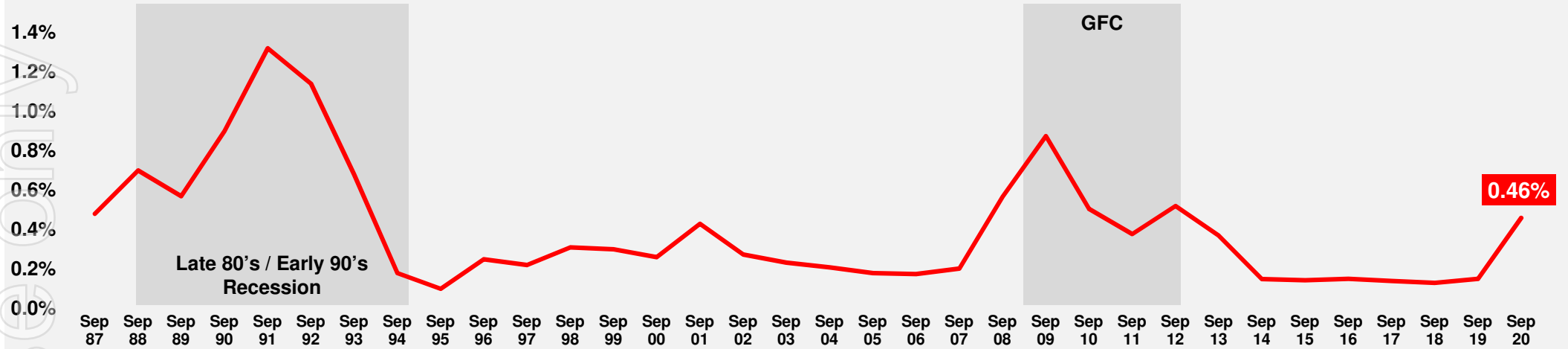
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# **ADDITIONAL INFORMATION**

## **GROUP ASSET QUALITY**

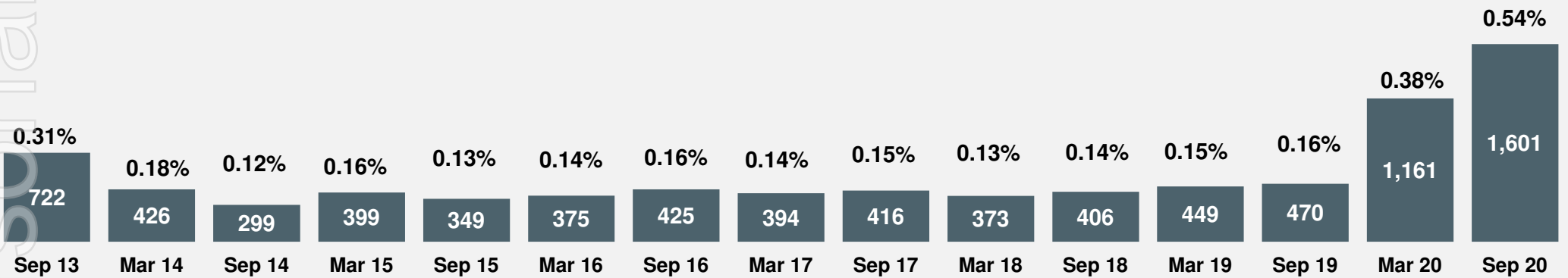
# GROUP CREDIT IMPAIRMENT CHARGE

## CREDIT IMPAIRMENT CHARGE AS % OF GLAs



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

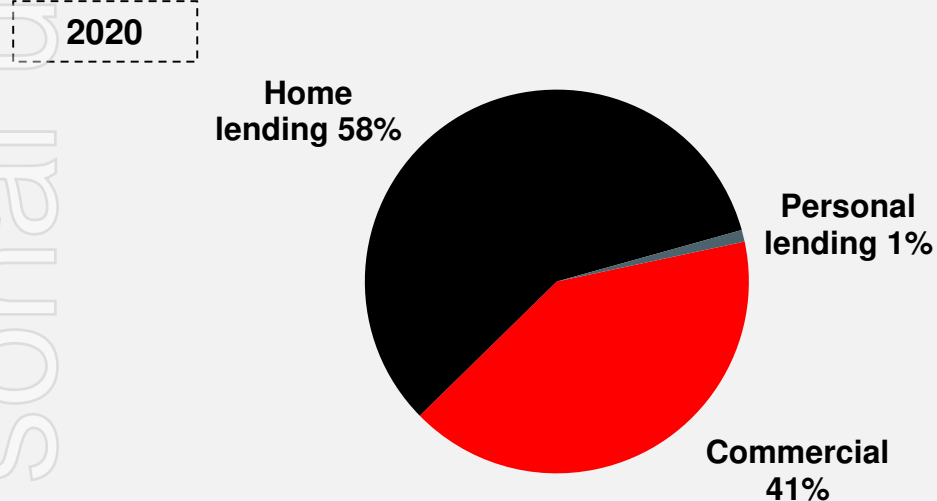
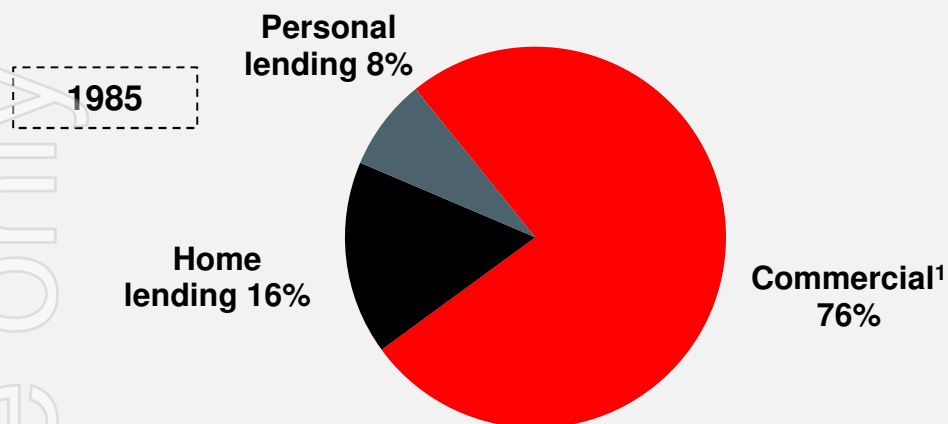
(\$m)



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

# GROUP ESTIMATED LONG RUN LOAN LOSS RATE 1985 TO 2020

## 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 2020 business mix</b>	<b>0.25%</b>
<b>Group average<sup>4</sup> based on 2020 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

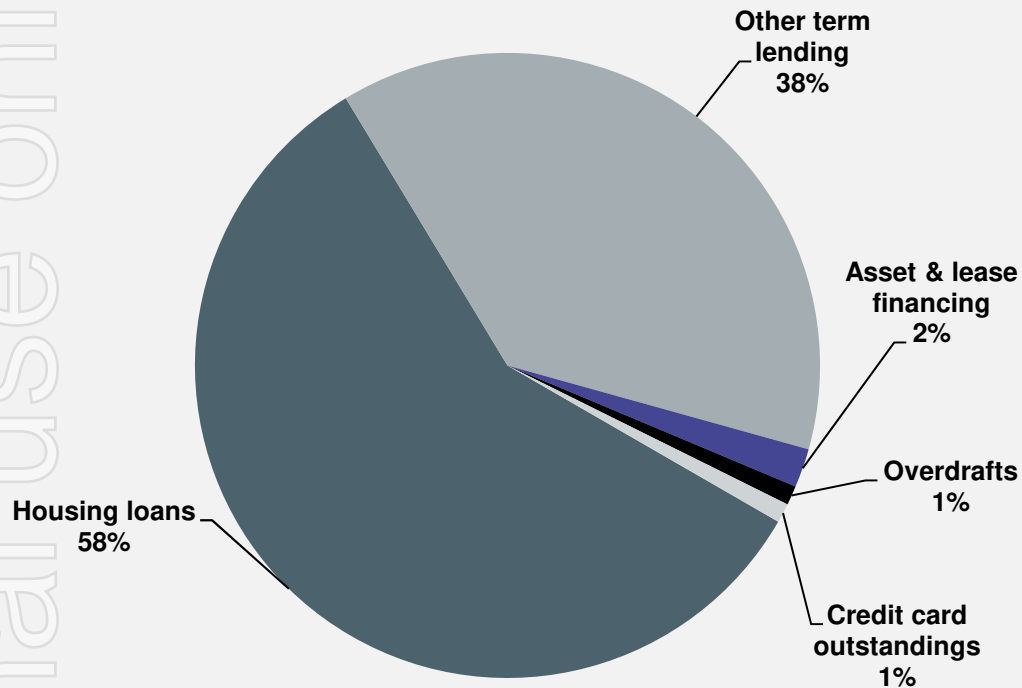
(2) Data used in calculation of net write off rate as a % of GLAs is based on NAB's Australian geography and sourced from NAB's Supplemental Information Statements (2007 - 2019) and NAB's Annual Financial Reports (1985 - 2006). 2020 net write off rates is based on NAB unaudited results

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

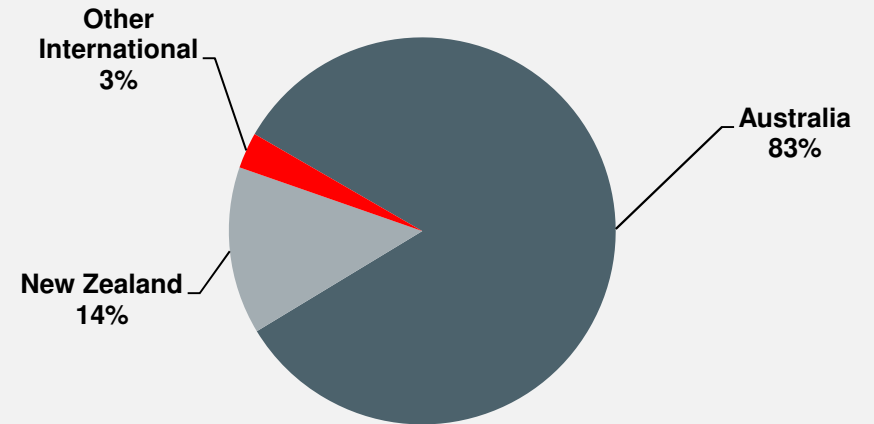
(4) Group average is calculated by applying each of the Australian geography long run average net write off rates by product to the respective percentage of Group GLAs by product as at 30 September 2020. Commercial long run average net write off rate has been applied to acceptances

# GROUP LENDING MIX

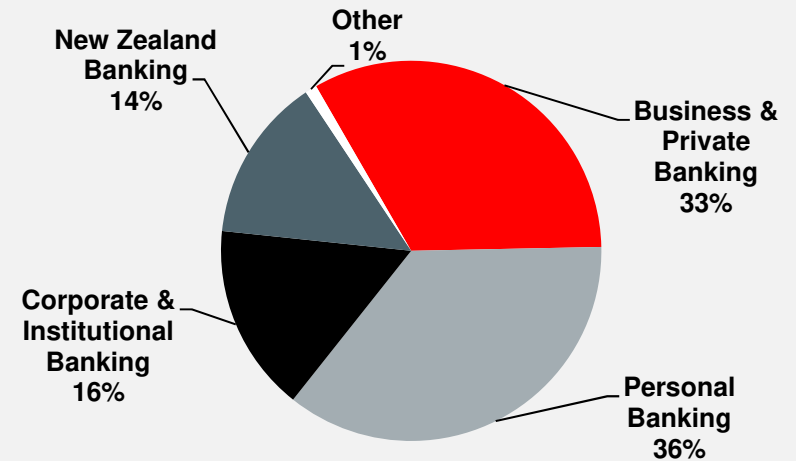
## GROSS LOANS AND ACCEPTANCES BY PRODUCT



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



## GROSS LOANS AND ACCEPTANCES BY BUSINESS UNIT

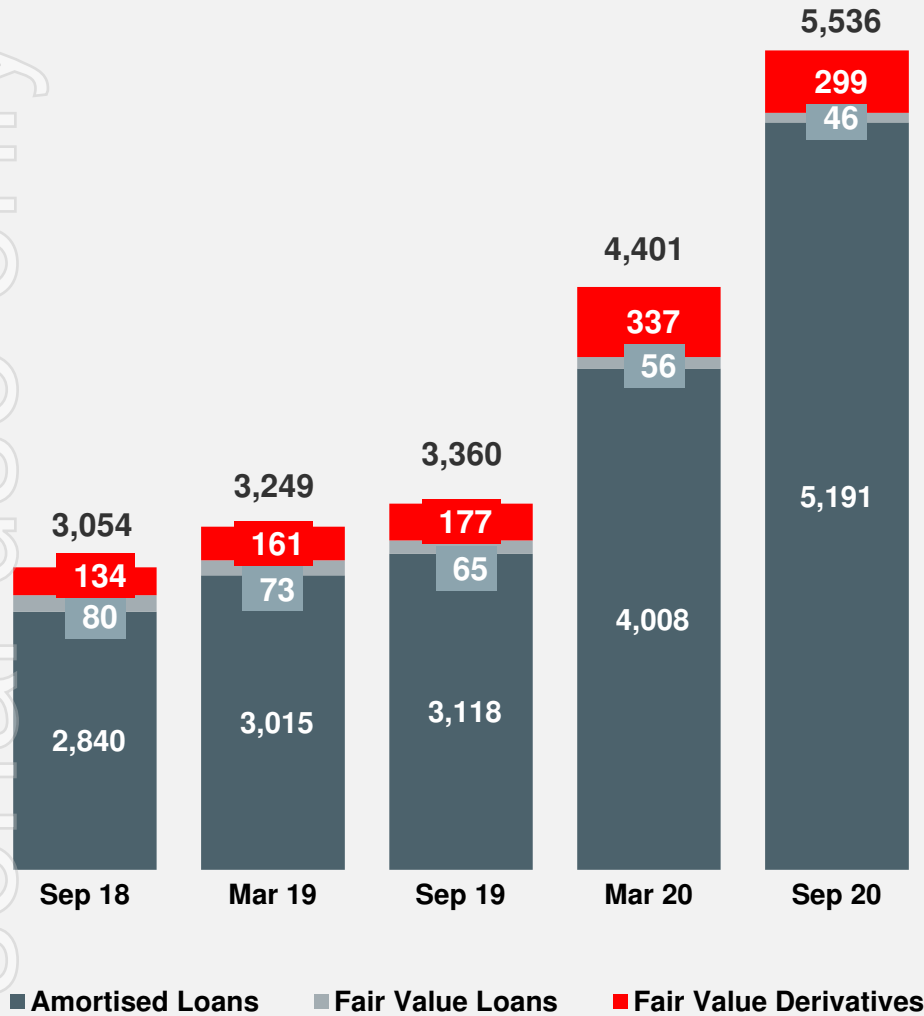


(1) Based on booking office where transactions have been recorded

# GROUP PROVISIONS

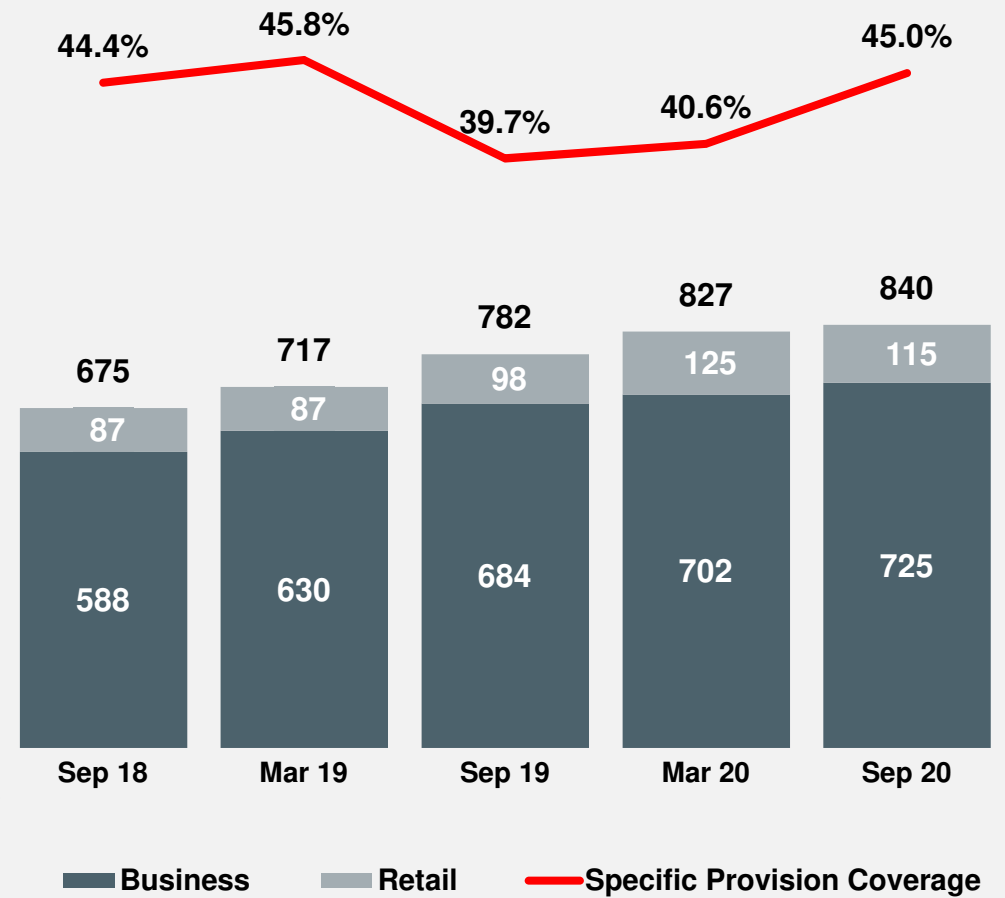
## COLLECTIVE PROVISION BALANCE

(\$m)



## SPECIFIC PROVISIONS

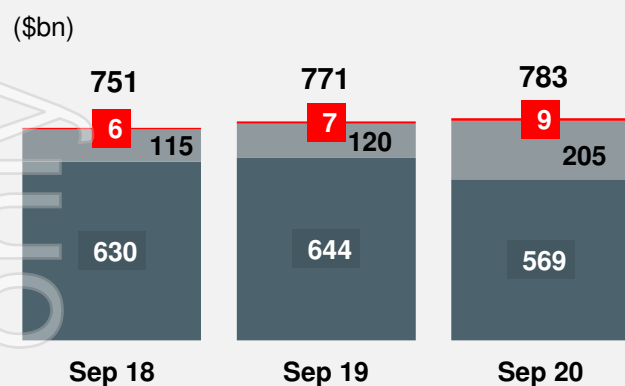
(\$m)



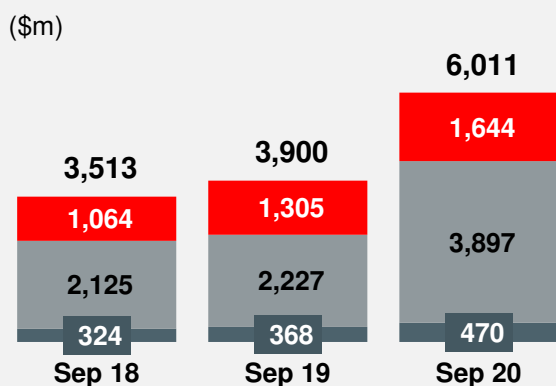


# ECL PROVISIONING BY STAGES

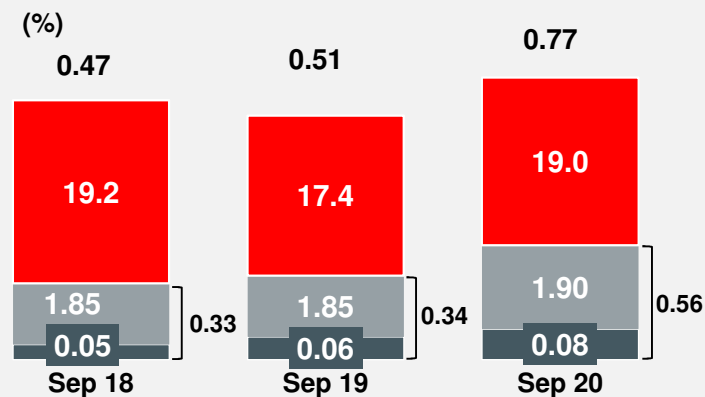
## LOANS AND ADVANCES<sup>1</sup>



## 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 (SICR) 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

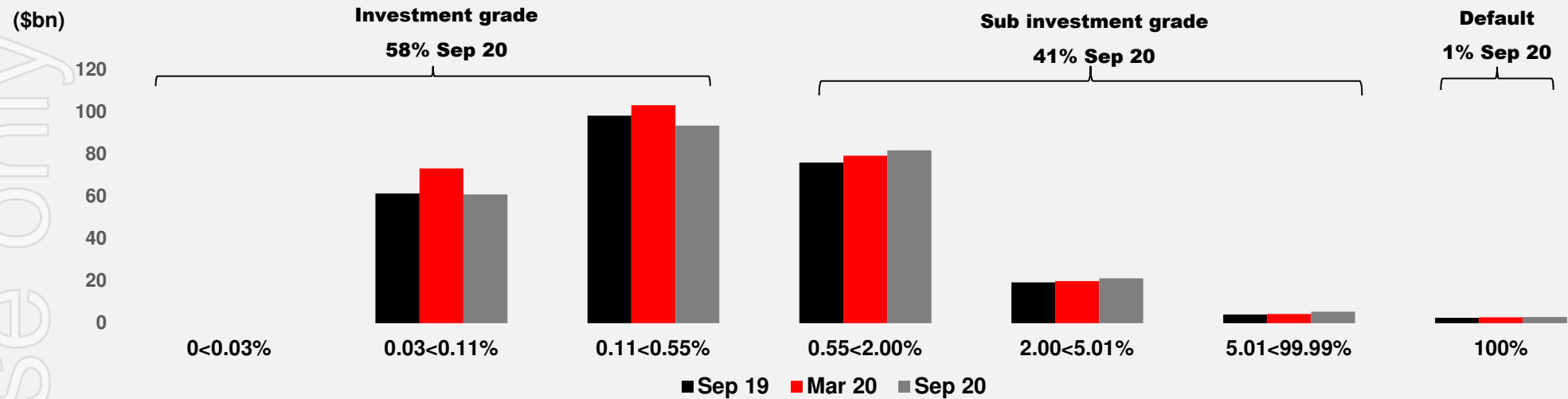
(1) Notional staging of loans and advances incorporates forward looking stress applied in the expected credit loss model

(2) Excludes Collective Provision on loans at fair value and derivatives which are not allocated to a stage under the Expected Credit Loss (ECL) model

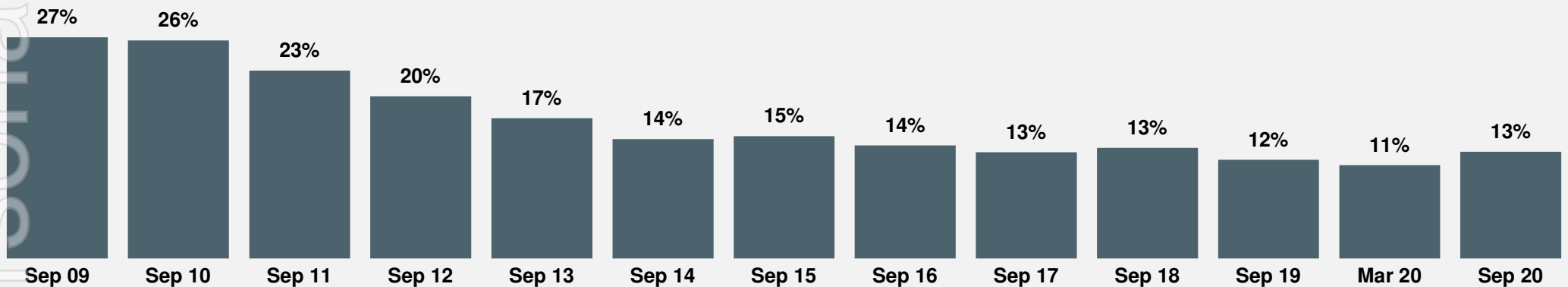
(3) Provision coverage: provisions as a percentage of loans and advances including contingent liabilities and credit-related commitments

# PROBABILITY OF DEFAULT (PD) ANALYSIS

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



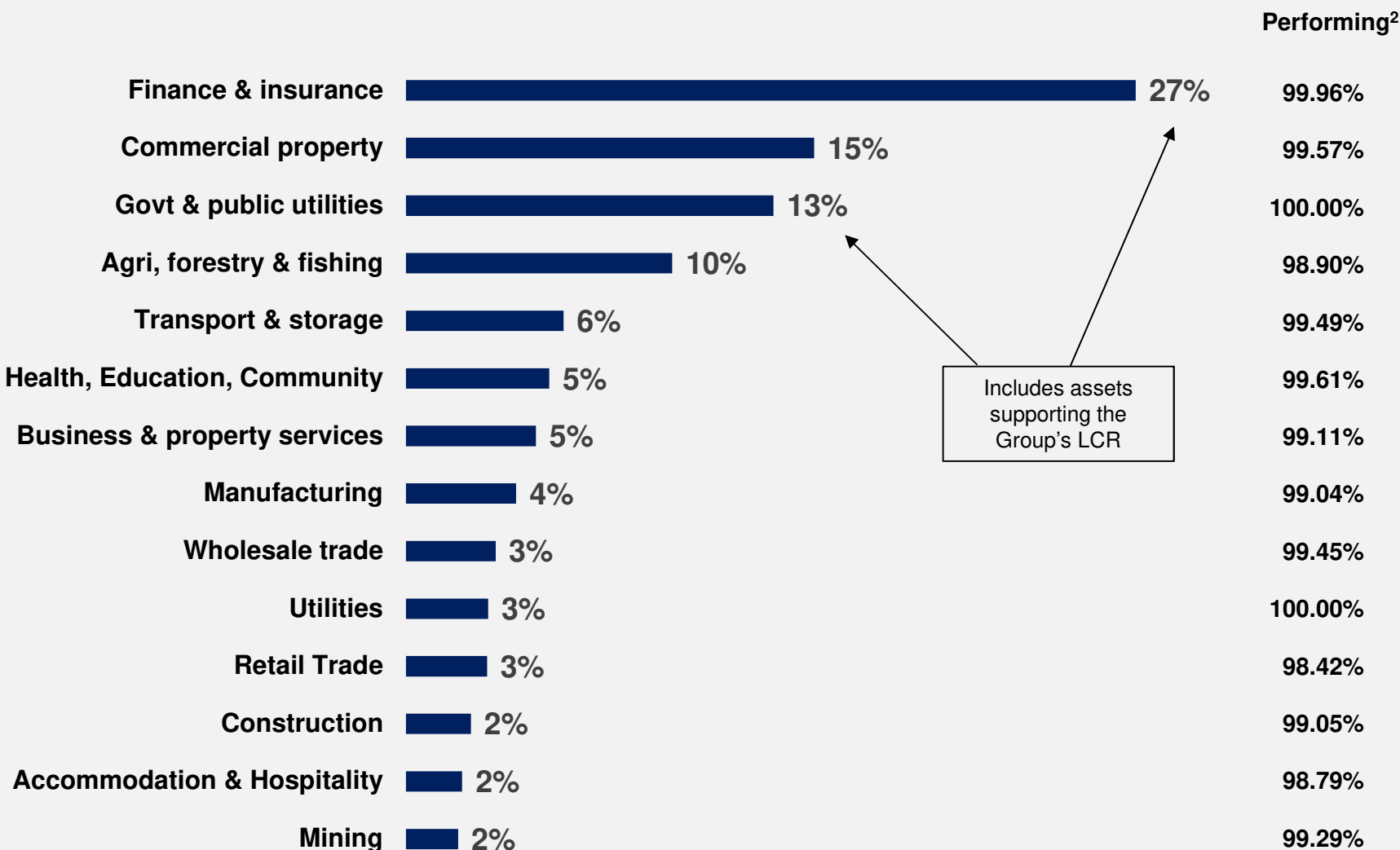
## AUSTRALIAN AND NEW ZEALAND BUSINESS EXPOSURES PD ≥ 2%



(1) For internal ratings based portfolios. Excluding Bank and Sovereign exposures. Total \$266bn at Sep-20, \$283bn at Mar-20, \$262bn at Sep-19

# BUSINESS LENDING CONSIDERATIONS

## NON RETAIL EAD BY INDUSTRY<sup>1</sup> - \$490BN

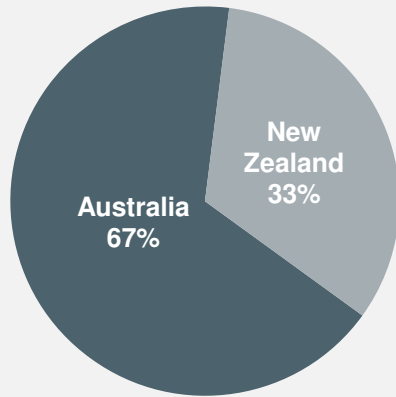


(1) Industry classifications are aligned to those disclosed in the 30 September 2020 Pillar 3 report – Table 5.1D

(2) Performing reflects all exposures except those which are 90+ days past due or Impaired

# GROUP AGRICULTURE, FORESTRY & FISHING EXPOSURES

## GROUP EAD \$47.7BN SEPTEMBER 2020

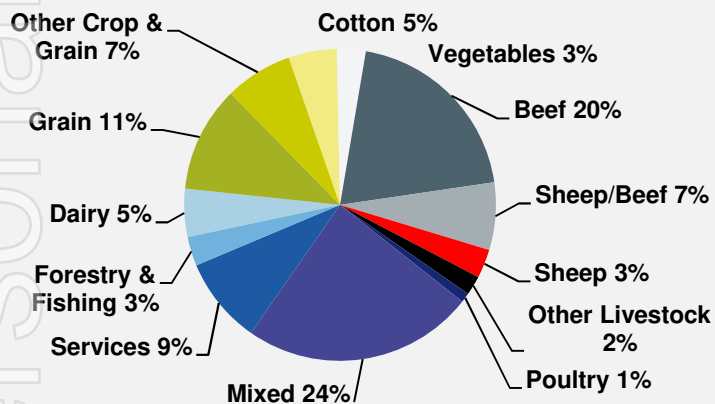


## AUSTRALIAN DROUGHT CONSIDERATIONS

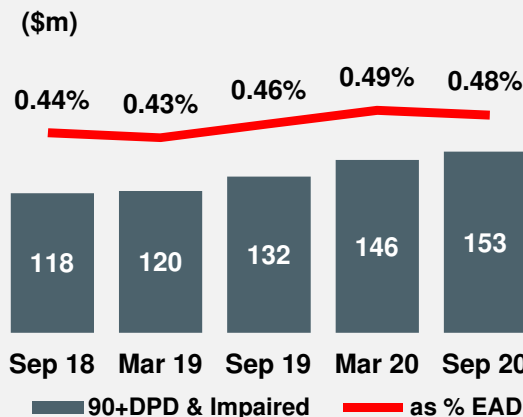
- Most drought-affected regions have seen good rainfall throughout 2020, which has improved the outlook for the sector
- Asset quality remains sound, noting that the sector faces some uncertainty due to of falling commodity prices and the potential impact from geopolitical tensions
- NAB continues supporting farming customers through disaster relief packages and a moratorium on branch closures in affected regions
- Collective provision forward looking adjustment reduced by \$91m to \$89m at 30 September 2020, reflecting easing of drought conditions for the bulk of exposures

## AUSTRALIAN AGRICULTURE, FORESTRY & FISHING

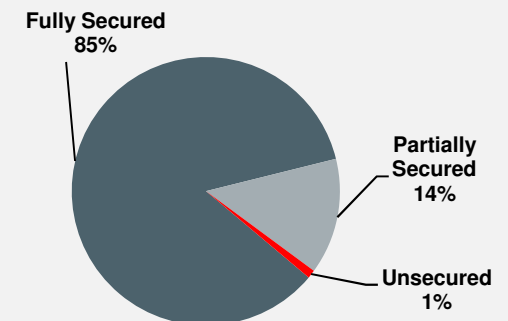
### Diverse Portfolio EAD \$31.8bn September 2020



### 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

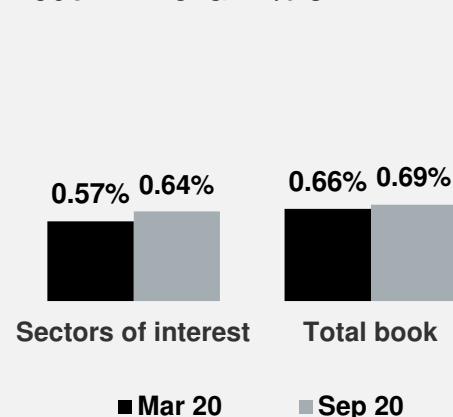
# COVID-19 SECTORS OF INTEREST

## KEY CONSIDERATIONS

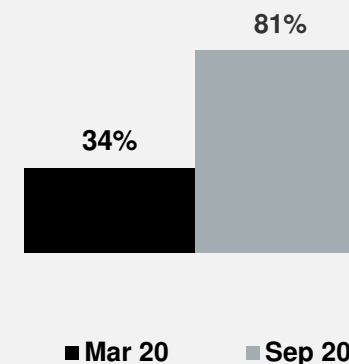
- Continued close monitoring of exposures to sectors significantly impacted by COVID-19
- EAD broadly stable vs 1H20
- Asset quality deterioration worse than overall portfolio
- Additional FLAs vs 1H20 reflect incremental forward looking stress beyond that captured for total portfolio in EA top-up based on granular, bottom-up analysis

## SECTORS OF INTEREST VS TOTAL BOOK

90+ DPD & GIA % of EAD



Sector of interest FLAs % of total FLAs



## KEY METRICS SUMMARY

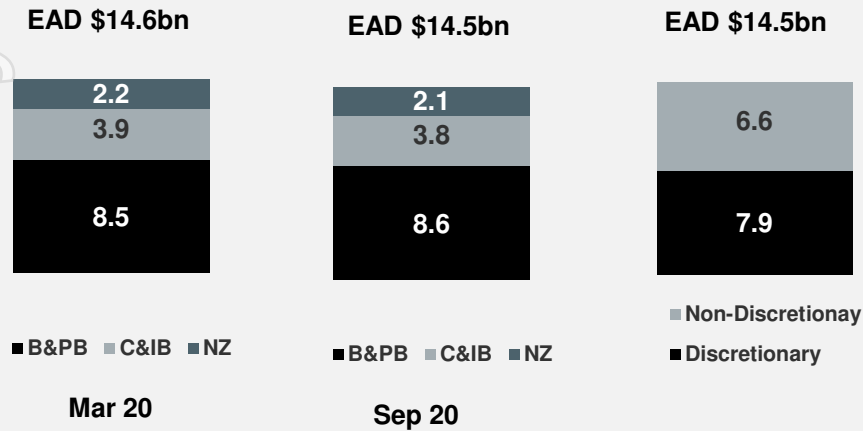
	EAD \$bn		% of 90+DPD and GIA to EAD		Target sector FLAs \$m	
	Mar 20	Sep 20	Mar 20	Sep 20	Mar 20	Sep 20
Retail trade	14.6	14.5	1.45	1.58	134	139
Tourism, hospitality and entertainment <sup>1</sup>	13.6	14.1	1.13	1.07	NIL	133
Air travel and related services	11.7	11.3	0.40	0.43	NIL	372
Office, retail, tourism and leisure CRE <sup>2</sup>	42.0	41.9	0.14	0.22	91	190
<b>Total</b>	<b>81.9</b>	<b>81.8</b>	<b>0.57</b>	<b>0.64</b>	<b>225</b>	<b>834</b>

(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

# RETAIL TRADE<sup>1</sup>

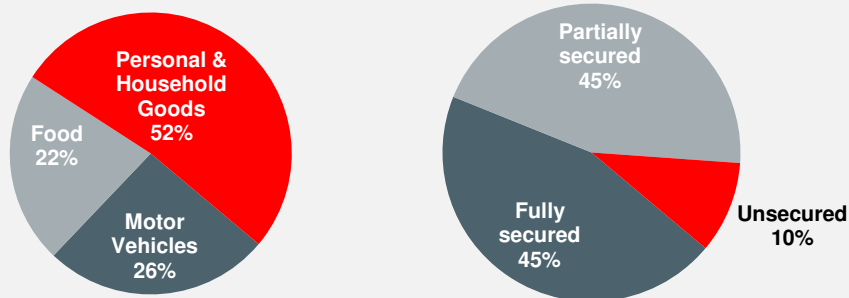
## EXPOSURE AT DEFAULT



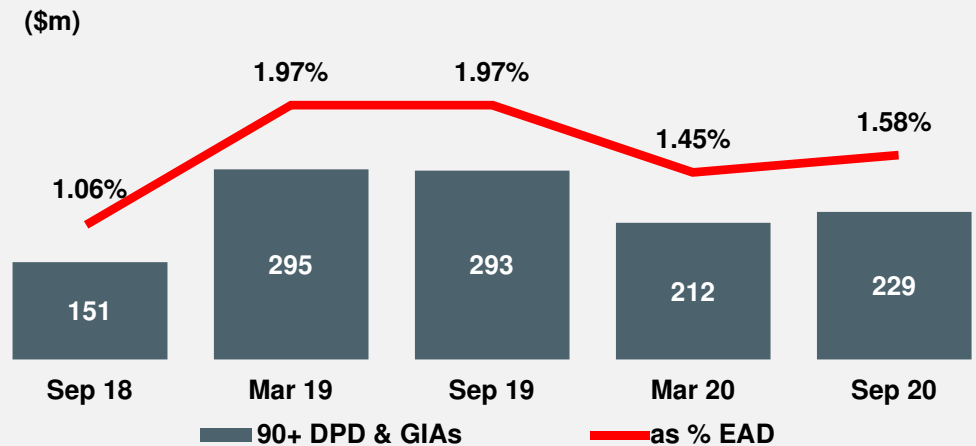
## KEY CONSIDERATIONS

- ~3% of non retail EAD
- Retail Trade portfolio experience is mixed: ~46% is non-discretionary retail and likely to be less impacted
- Household consumption growth was already at slowest pace since 1990s recession pre COVID-19
- Provisioning includes \$139m target sector FLA
- Personal & Household Goods includes: Pharmacy Retailers (41%), Apparel (13%), Furniture & Homewares (19%)
- Department store exposure ~\$140m

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



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



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

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

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

## EXPOSURE AT DEFAULT

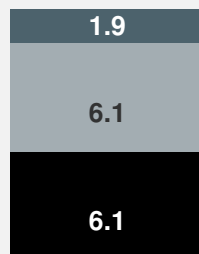
EAD \$13.6bn



■ B&PB ■ C&IB ■ NZ

Mar 20

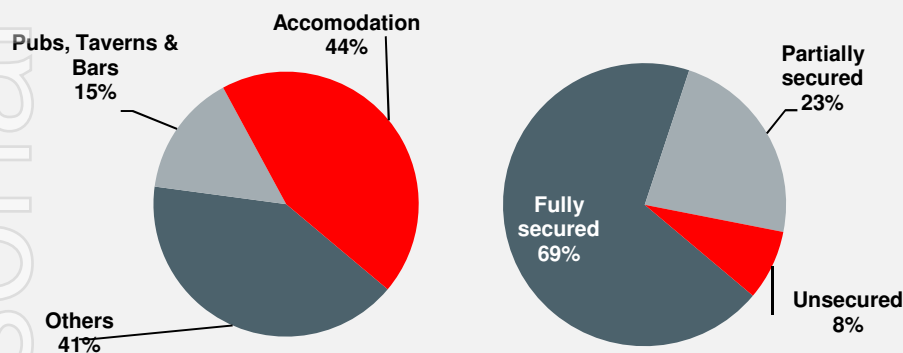
EAD \$14.1bn



■ B&PB ■ C&IB ■ NZ

Sep 20

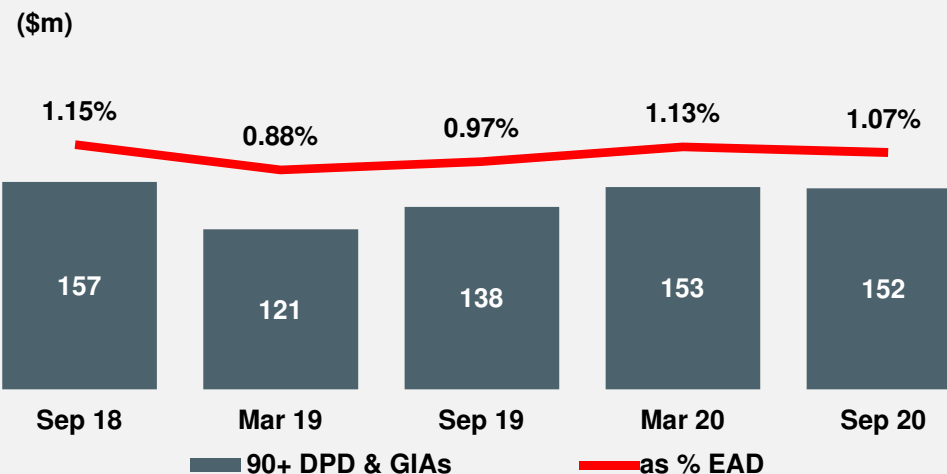
## EAD PORTFOLIO BY SECTOR AND SECURITY<sup>2</sup>



## KEY CONSIDERATIONS

- ~3% of non retail EAD
- Industry outlook uncertain, with credit outcomes likely to be dependant on specific client-level circumstances including location and target market. Industry facing both short term impacts of COVID-19 restrictions on operations and capacity, and potential longer term structural change
- Extent of COVID-19 impacts dependent on location; for B&PB exposures<sup>3</sup>:
  - 13% in CBD
  - 23% in Victoria
- Collective provision coverage includes \$133m of forward looking adjustments

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



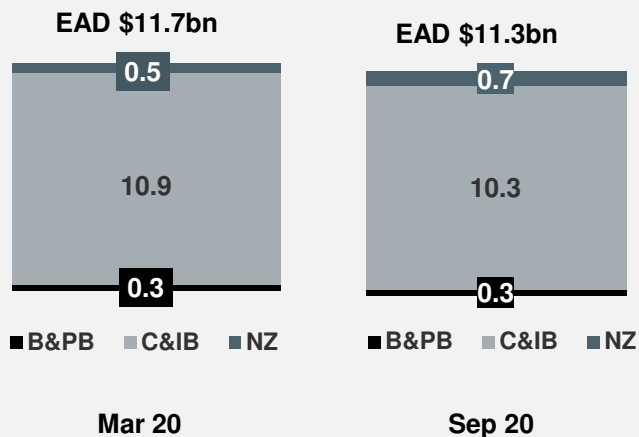
(1) Tourism, hospitality and entertainment include regulatory industry classification of accommodation and hospitality, plus cultural and recreational services

(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

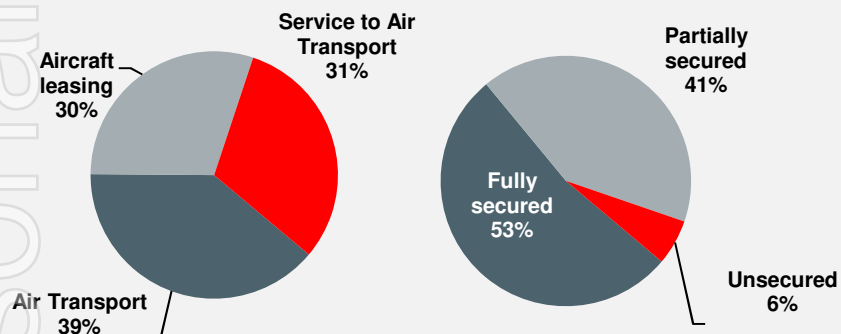
## EXPOSURE AT DEFAULT



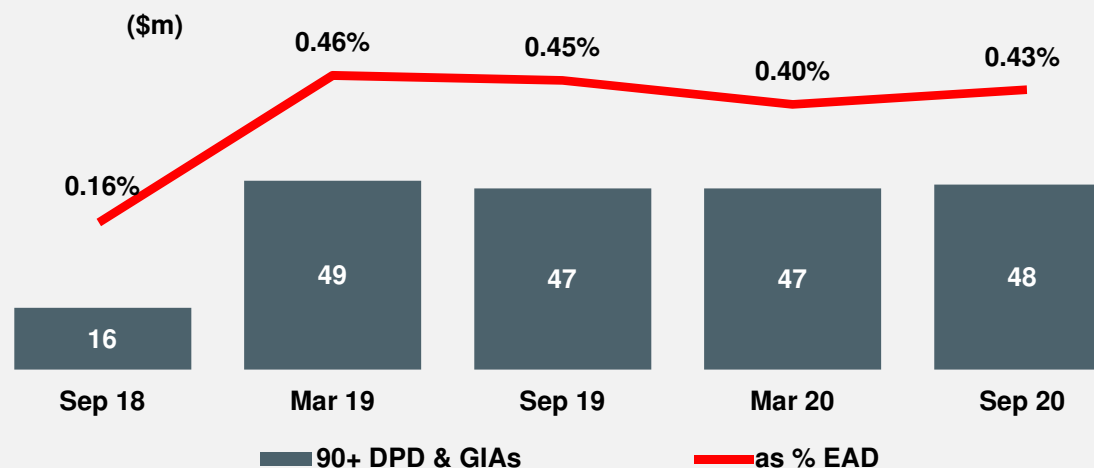
## KEY CONSIDERATIONS

- ~2% of non retail EAD
- Ongoing disruption caused by COVID-19 related travel restrictions, with length and severity unknown
- Portfolio comprises of airlines which are usually national carriers and sovereign owned, airports, lessors and service companies supporting the aviation industry
- EAD reduction driven by FX movements partially offset by liquidity support provided to domestic airports
- Customer re-rating resulted in the Investment Grade proportion of the total portfolio decreasing from 82% to 50% over 2H20
- Collective provision coverage now includes \$372m for the Aviation portfolio raised in 2H20

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



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

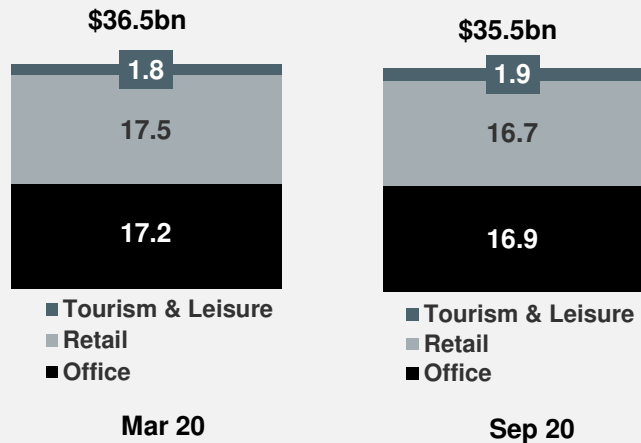


(1) Fully Secured is where the loan amount is less than 100% of the bank extended value of security; Partially Secured is where the loan amount is greater than 100% of the bank extended value of security; Unsecured is where no security is held and/or no value held against the security and negative pledge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

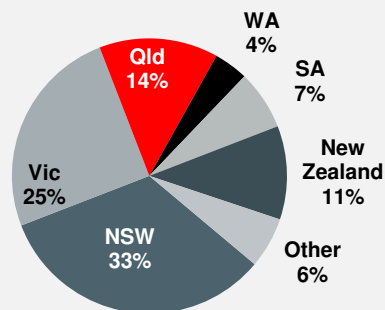


## KEY CONSIDERATIONS

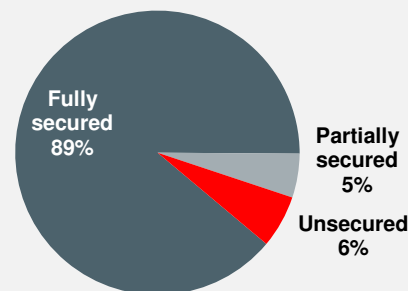
- Office, Retail and Tourism & Leisure CRE viewed as most impacted parts of the Group CRE portfolio by COVID-19
- Borrower breakdown: Investor 96%, Developer 4%
- 90+ DPD and impaired assets collectively represent 0.22% (\$91m) of limits, up from 0.14% at Mar 20
- Collective provision FLA increased by \$99m to \$190m<sup>3</sup>
- Retail, Tourism & Leisure face near term challenges related to lock-down and travel restrictions. A higher incidence of P&I deferral was observed for Australian Tourism & Leisure exposures relative to the broader Australian CRE portfolio
- Office faces more medium term uncertainties, dependent on timing and level of return to work and ultimate demand
  - ~50% of Australian portfolio is CBD based
  - ~60% of the Australian Corporate & Institutional Banking portfolio secured by premium and A-Grade offices

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

### Geographic breakdown



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



(1) Measured as balance outstanding as at 30 September 2020 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.

(3) FLAs relate to the whole CRE portfolio with Office, Retail, Tourism and Leisure CRE most impacted by COVID-19 stress

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

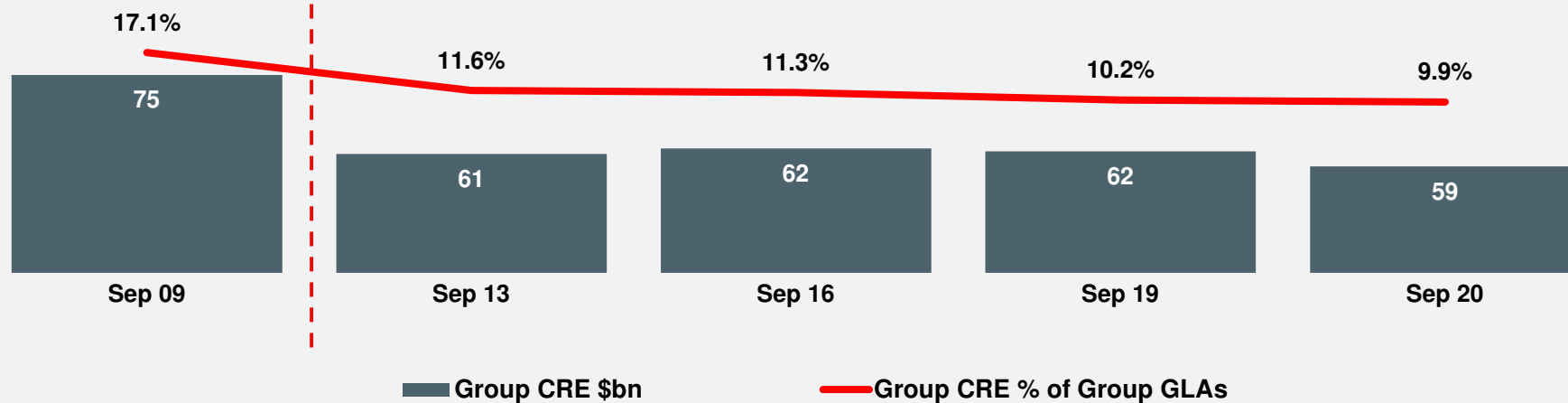
## GROSS LOANS & ACCEPTANCES

	Aust	New Zealand	Other International	Total
TOTAL CRE (A\$bn)	51.2	7.5	0.1	58.8
Increase/(decrease) on September 2019 (A\$bn)	(2.0)	(0.7)	-	(2.7)
% of geographical GLAs	10.3%	9.1%	0.3%	9.9%
Change in % on September 2019	(0.3%)	(0.9%)	(0.2%)	(0.3%)

## ASSET QUALITY

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

## BALANCES OVER TIME

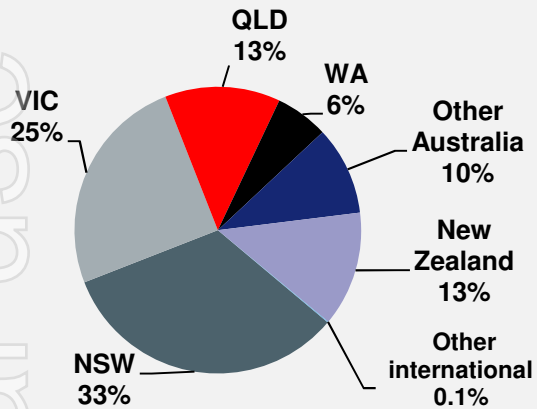


(1) Measured as balance outstanding as at 30 September 2020 per APRA Commercial Property ARF 230 definitions

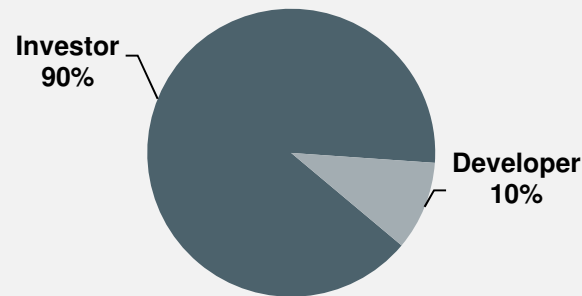
# GROUP COMMERCIAL REAL ESTATE<sup>1</sup>

## BREAKDOWN BY GROSS LOANS & ACCEPTANCES

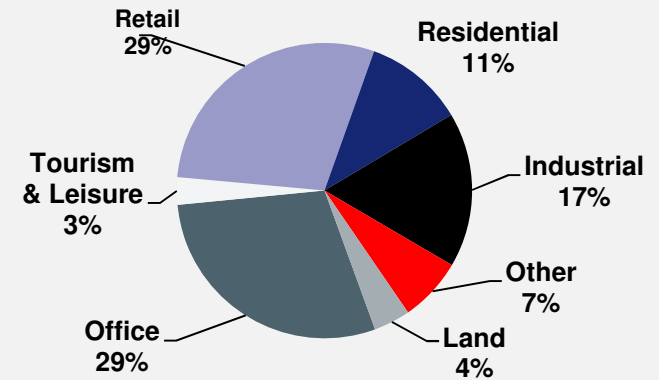
Geographic breakdown



Borrower breakdown



Sector breakdown

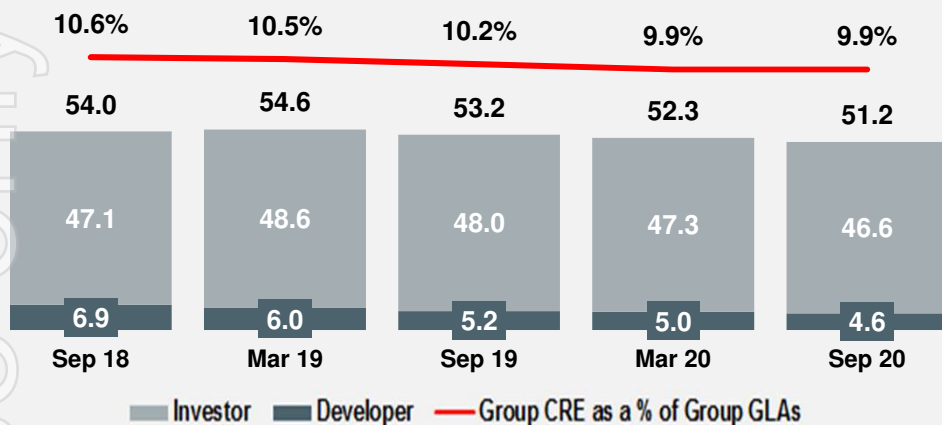


(1) Measured as balance outstanding as at 30 September 2020 per APRA Commercial Property ARF 230 definitions

# AUSTRALIAN COMMERCIAL REAL ESTATE

## AUSTRALIAN COMMERCIAL REAL ESTATE (CRE) PORTFOLIO<sup>1</sup>

(\$bn)



## AUSTRALIAN CRE RESIDENTIAL DEVELOPER

- Developer drawn balance includes \$1.1bn for land development and \$2.0bn for residential development
- Residential development apartment exposure<sup>2</sup> ~11% lower since September 2019, however marginally higher (~7%) on March 2020
- ~95% of apartment developer exposure amortises within 2 years<sup>2</sup>
- NSW and VIC account for ~75% of apartment developer exposure<sup>2</sup>
- Inner city postcodes<sup>2</sup> account for ~26% of total residential apartment developer exposure
- No material settlement defaults have impacted the scheduled repayment of apartment development exposures during 2H20

(1) Measured as drawn balance outstanding per APRA Commercial Property ARF 230 definitions

(2) Transactions >\$2m (limit), including those that are well advanced but yet to draw-down. Inner-City includes CBD and adjoining postcodes, along with Waterloo/Zetland in Sydney. Greater Brisbane and Greater Perth based on Greater Capital City Statistical Area as defined by ABS

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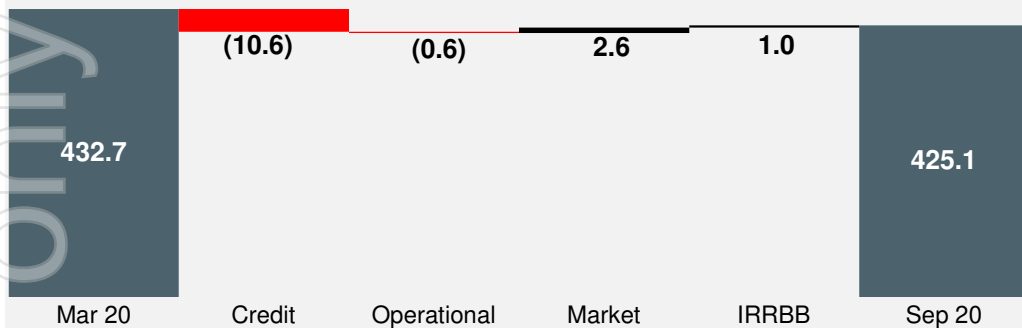
# **ADDITIONAL INFORMATION**

## **CAPITAL & FUNDING**

# CAPITAL AND RWA MOVEMENTS

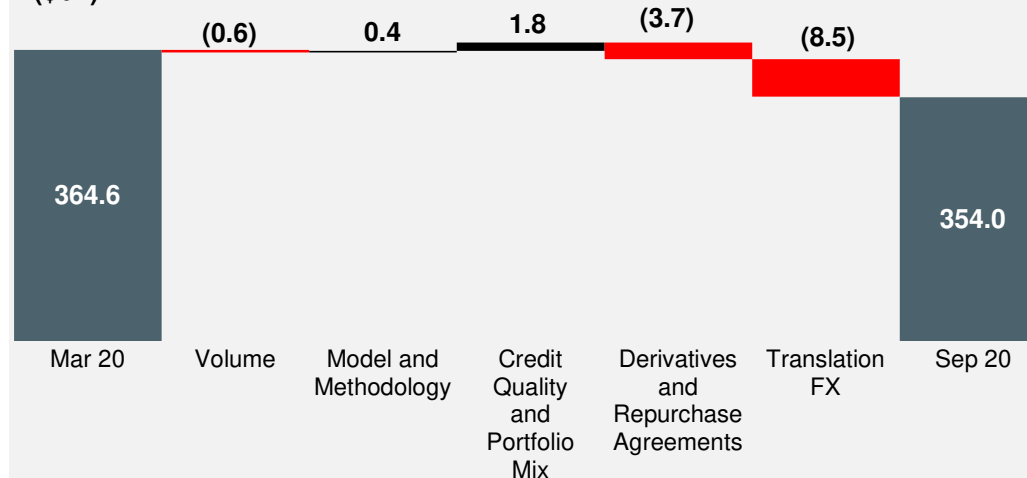
## GROUP RWA

(\$bn)



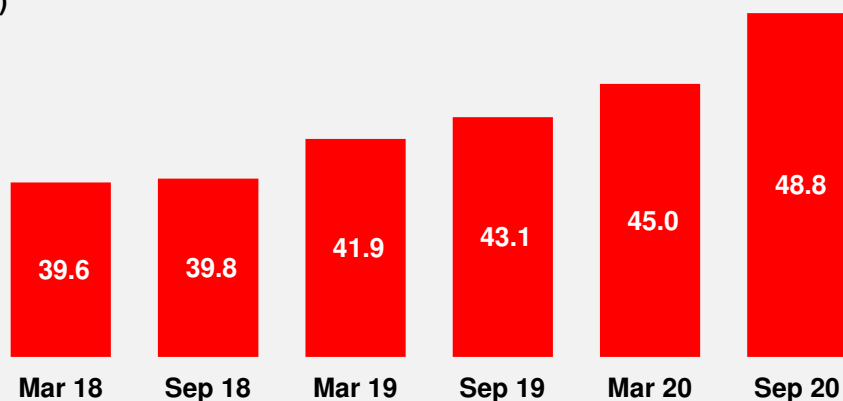
## CREDIT RWA

(\$bn)



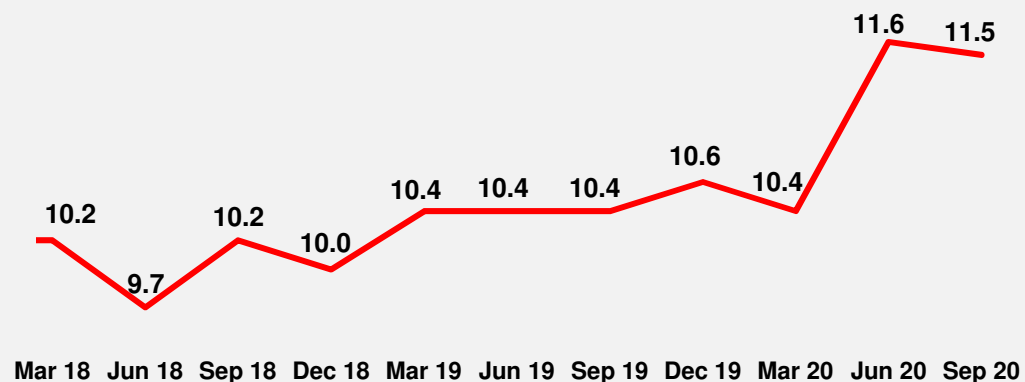
## GROUP CET1

(\$bn)

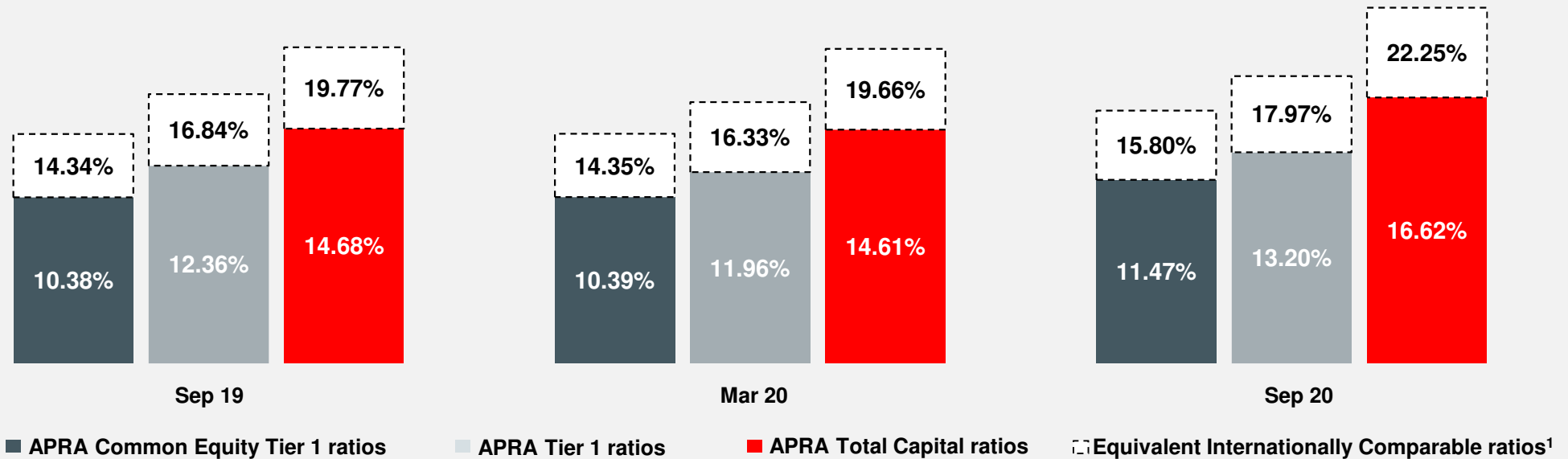


## GROUP CET1 RATIO

(%)



# GROUP BASEL III CAPITAL RATIOS



## APRA to Internationally Comparable CET1 Ratio Reconciliation

	CET1
Group CET1 ratio under APRA	11.47%
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	+84bps
Mortgages – reduction in Loss given Default floor from 20% to 15% and adjustment for correlation factor	+165bps
Interest rate risk in the banking book (IRRBB) – removal of IRRBB risk weighted assets from Pillar 1 capital requirements	+31bps
Other adjustments including corporate lending adjustments and treatment of specialised lending	+153bps
Group Internationally Comparable CET1	15.80%

(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

## REGULATORY CHANGE DATES

Change	Original date	Amended date
APS 110 Capital Adequacy	1 Jan 2022	1 Jan 2023
APS 111 Measurement of Capital	1 Jan 2021	1 Jan 2022 <sup>1</sup>
APS 112 Capital Adequacy: Standardised Approach to Credit Risk	1 Jan 2022	1 Jan 2023
APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk	1 Jan 2022	1 Jan 2023
APS 115 Capital Adequacy: Standardised Measurement Approach to Operational Risk	1 Jan 2021 (AMA banks)	1 Jan 2023
APS 116 Capital Adequacy: Market Risk	1 Jan 2023	1 Jan 2024
APS 117 Capital Adequacy: Interest Rate Risk in the Banking Book	1 Jan 2022	1 Jan 2023
APS 330 Public Disclosures	1 Jan 2022	1 Jan 2023
Loss Absorbing Capacity	1 Jan 2024	No change

(1) While not announced, APS111 expected to be delayed until January 2022

## DEFERRAL OF REGULATORY CHANGE

- APRA has deferred its scheduled implementation of the Basel III reforms in Australia by one year, consistent with international implementation
- The deferral supports ADIs in maintaining operations and supporting customers in response to COVID-19
- APRA has reiterated its view that ADIs currently hold sufficient capital to meet the new requirements
- NAB remains committed to progressing APRA's regulatory change agenda

## APRA'S GUIDANCE ON CAPITAL MANAGEMENT

- On 7 April 2020, APRA announced its expectation that ADIs will seriously consider deferring decisions on the appropriate level of dividends until the outlook is clearer
- Subsequently on 29 July 2020, APRA has advised that it expects that ADIs will retain at least half of their earnings for 2020
- APRA has also confirmed that ADIs should utilise management buffers and stress testing to inform its capital management actions, and actively use capital management initiatives to at least partially offset any diminution in capital from distributions



# LOSS ABSORBING CAPACITY

## LOSS ABSORBING CAPACITY

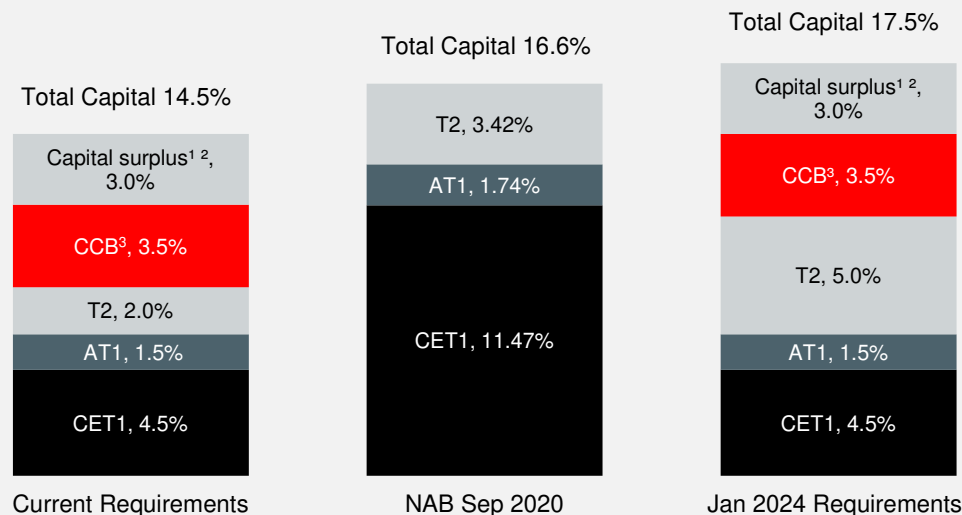
- In July 2019, APRA announced a 3% increase to the Total Capital requirement for all domestic systemically important banks (D-SIBs) by 1 January 2024
- Based on NAB's 30 September 2020 RWA of A\$425bn, this represents an incremental Group Total Capital requirement of approximately A\$6.7bn prior to January 2024

	Sep 20 (\$bn)
Group RWA	425.1
T2 Requirement (5% by Jan-24)	21.3
Existing Tier 2 Capital (3.42%) <sup>4</sup>	14.5
Current Shortfall	6.8

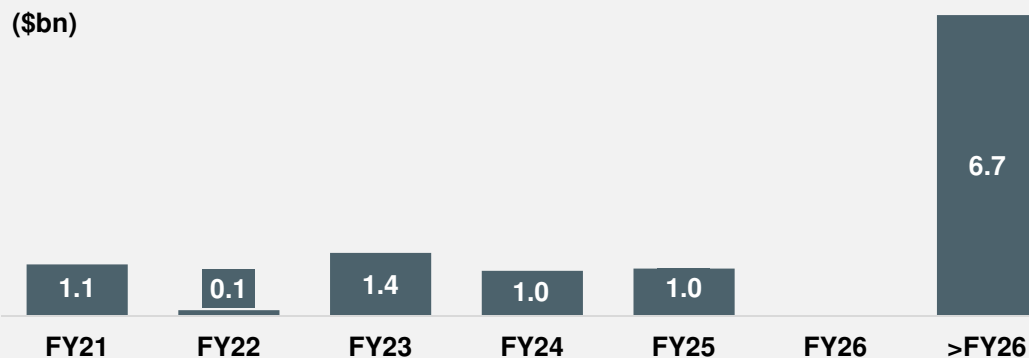
- In FY20 NAB issued \$5.3bn of Tier 2
- FY21 Tier 2 issuance expected to be ~\$5bn
- Ahead of January 2024 APRA will consider "feasible alternative methods" for raising an additional 1% to 2% of RWA in loss-absorbing capacity, in consultation with industry and other interested stakeholders

(1) Capital surplus of 3% is generally higher than the normal level for D-SIBs, as a result of the 'unquestionably strong' capital benchmarks  
 (2) Excludes any Pillar 2 requirements and additional 1%-2% RWA requirement through "feasible alternative methods"  
 (3) CCB is the Capital Conservation Buffer  
 (4) Includes \$2.0bn provisions eligible for inclusion in Tier 2 Capital

## APRA CHANGES TO MAJOR BANKS' CAPITAL STRUCTURES

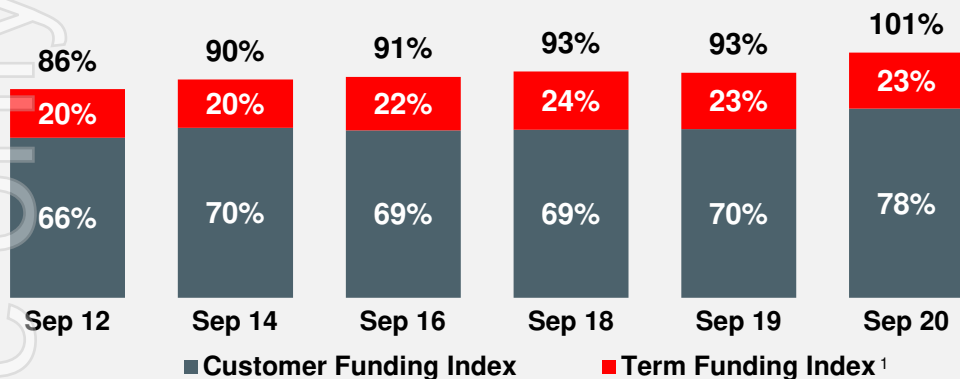


## NAB TIER 2 MATURITIES (TO FIRST CALL)

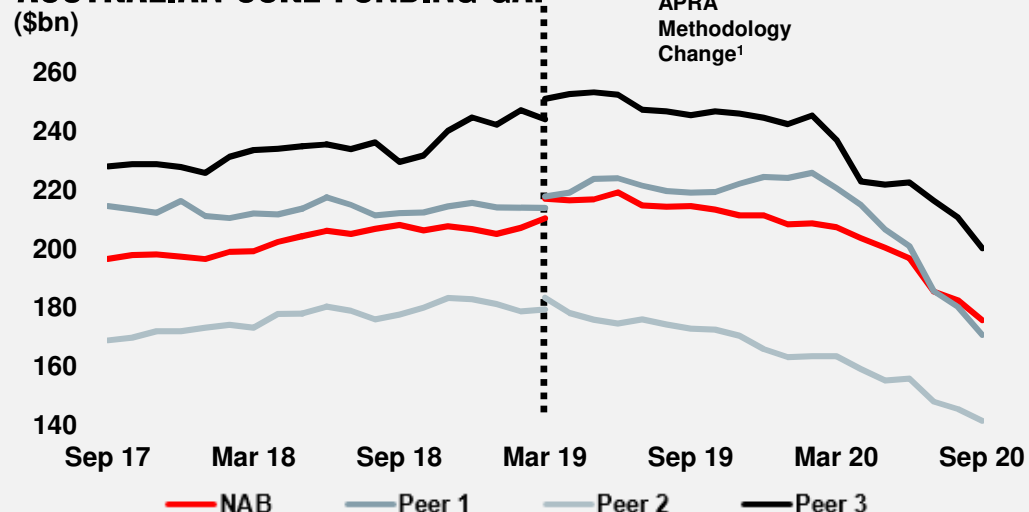


# FUNDING PROFILE

## GROUP STABLE FUNDING INDEX (SFI)

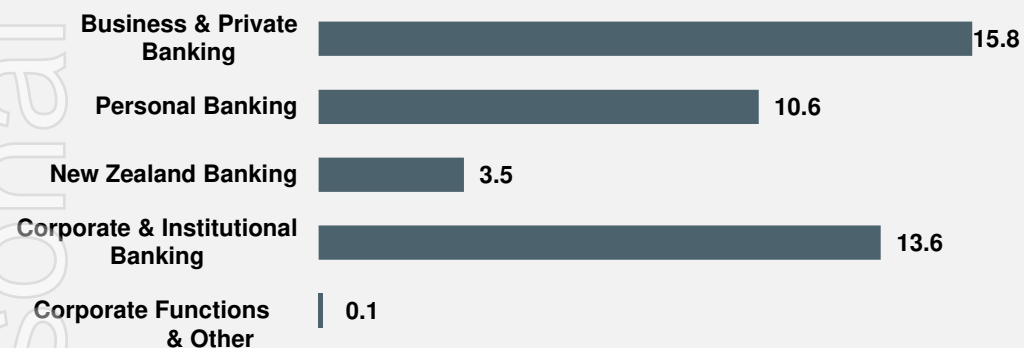


## AUSTRALIAN CORE FUNDING GAP<sup>2</sup>



## DEPOSIT GROWTH

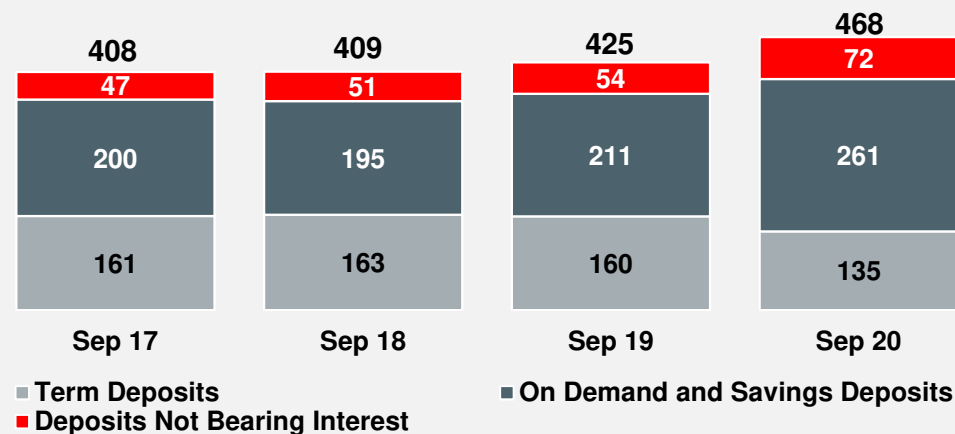
(\$bn)



12 months to 30 September 2020

## DEPOSIT PORTFOLIO

(\$bn)



(1) The Term Funding Index includes Term Funding Facility (TFF) drawdowns.

(2) Australian core funding gap = Gross loans and advances plus Acceptances less Total deposits (excluding financial institution deposits and certificates of deposit). APRA Monthly Banking Statistics are used from Sep 17 to Mar 19. Apr 19 onwards is prepared using APRA Monthly Authorised Deposit-taking Institution Statistics as at September 2020

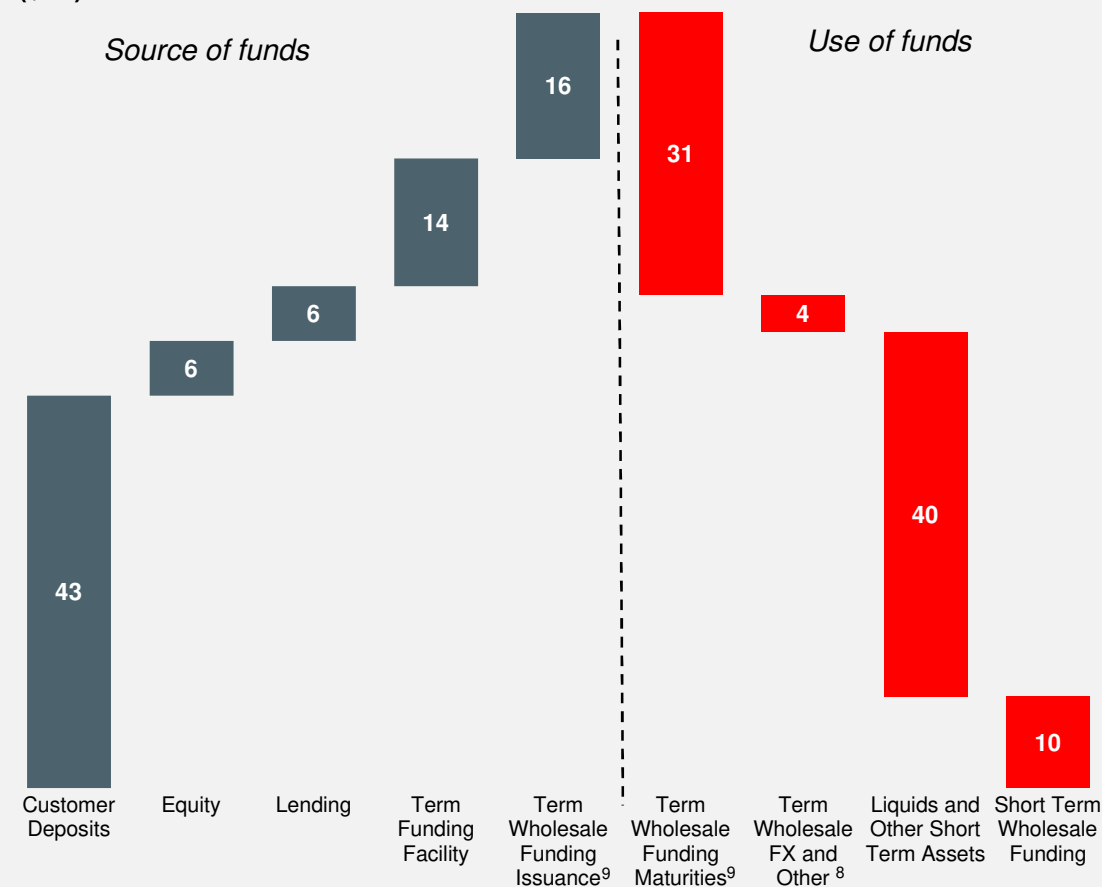
# ASSET FUNDING

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



## SOURCE AND USE OF FUNDS

(\$bn)



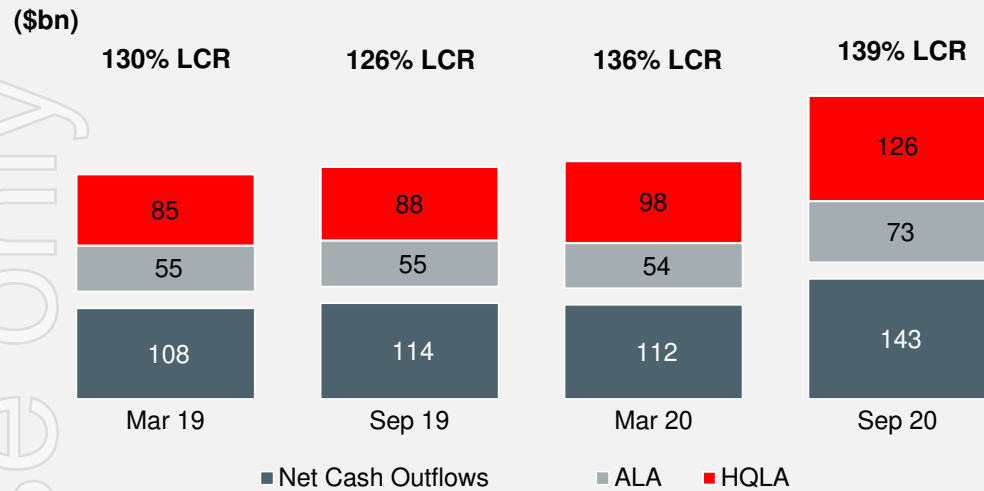
12 months to 30 September 2020

- (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 liquid assets including HQLA, non-HQLA and securities that are central bank repo-eligible

- (5) Includes trade finance loans
- (6) Excludes trade finance loans
- (7) Includes net derivatives, goodwill, property, plant and equipment and net of accruals, receivables and payables
- (8) Includes the net movement of other assets and other liabilities
- (9) Includes Additional Tier 1 instruments

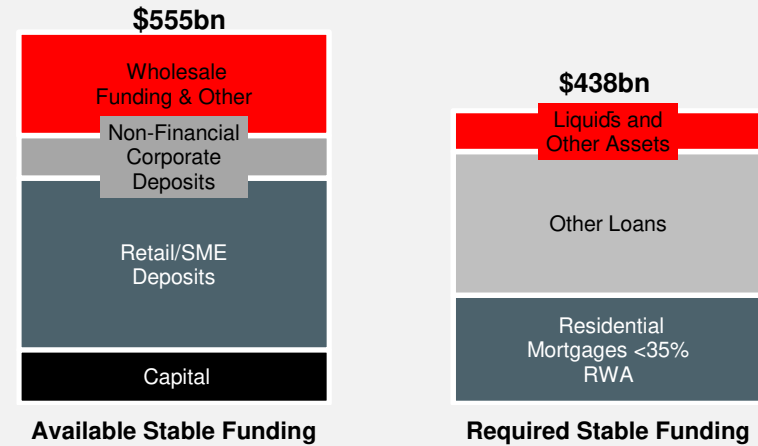
# LIQUIDITY

## LIQUIDITY COVERAGE RATIO (QUARTERLY AVERAGE)



## NET STABLE FUNDING RATIO COMPOSITION

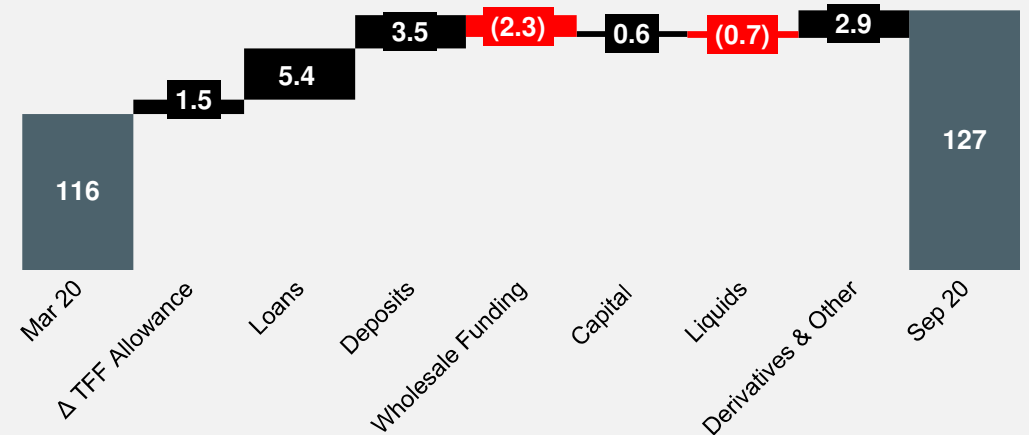
Group NSFR 127% as at 30 September 2020



## LIQUIDITY OVERVIEW

Quarterly Average (\$bn)	Mar 19	Sep 19	Mar 20	Sep 20
High quality liquid assets	85	88	98	126
Alternative liquid assets <sup>1</sup>	52	52	51	71
RBNZ Securities	3	3	3	2
<b>Total LCR Liquid Assets</b>	<b>140</b>	<b>143</b>	<b>152</b>	<b>199</b>
<i>Net outflows due to</i>				
Customer Deposits	72	76	80	92
Wholesale funding	15	13	15	15
Other	21	25	17	36
<b>Net cash outflows</b>	<b>108</b>	<b>114</b>	<b>112</b>	<b>143</b>
<b>Quarterly average LCR</b>	<b>130%</b>	<b>126%</b>	<b>136%</b>	<b>139%</b>

## NET STABLE FUNDING RATIO MOVEMENT<sup>2</sup>

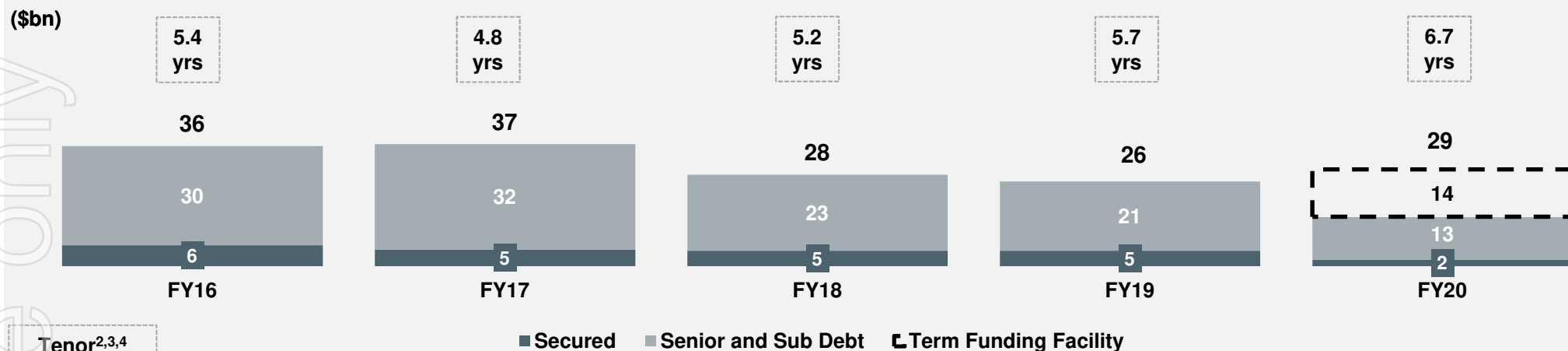


(1) Committed Liquidity Facility (CLF) and Term Funding Facility (TFF) value used in LCR calculation is the undrawn portion of the facility. Approved CLF of \$55.1bn for 2020, \$55.9bn for 2019 and \$59.3bn for 2018. The average amount of TFF included in the LCR was \$20bn for the September Quarter

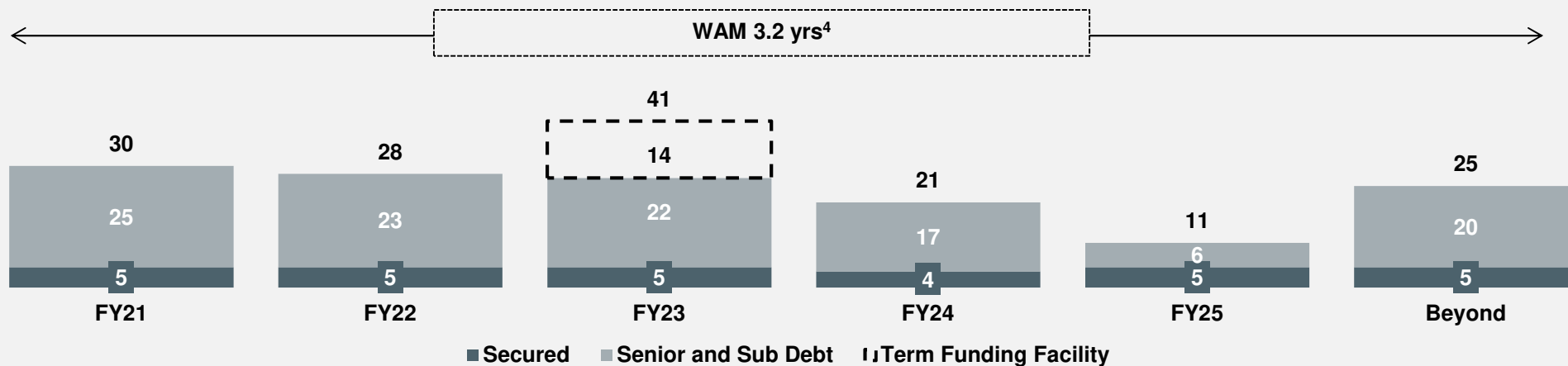
(2) Wholesale funding includes available stable funding benefits from drawn down amounts of the TFF

# TERM WHOLESALE FUNDING PROFILE

## HISTORIC TERM 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

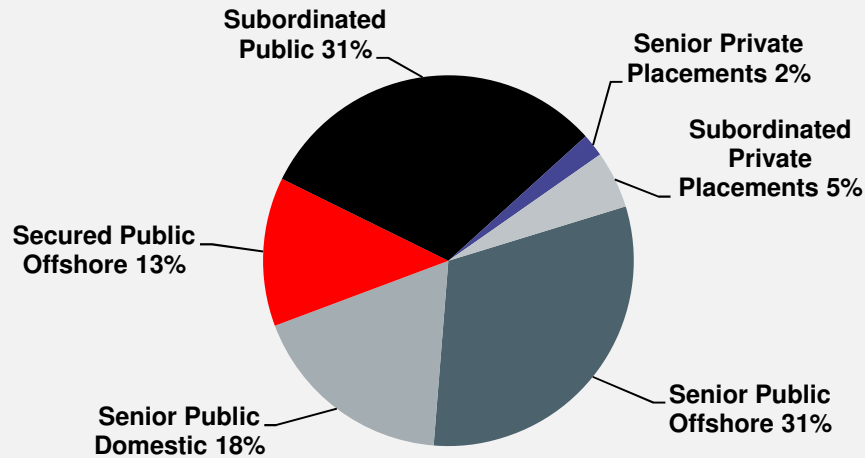
(2) Weighted average maturity (years) of funding issuance with an original term to maturity greater than 12 months

(3) Weighted average maturity and maturity profile excludes RMBS

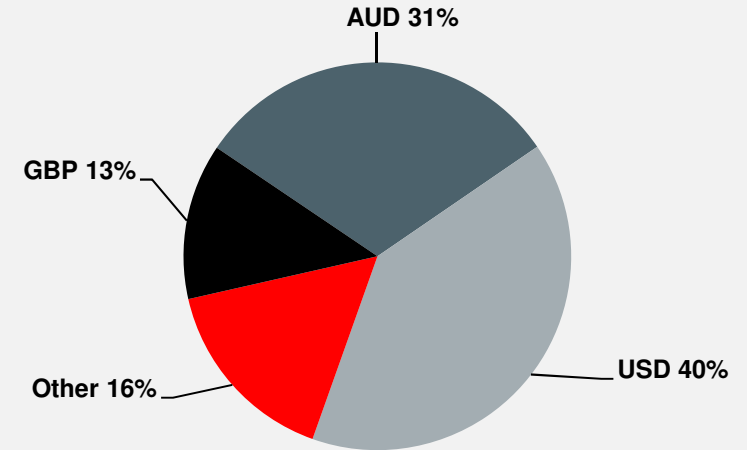
(4) Weighted average maturity excludes TFF drawdowns

# DIVERSIFIED AND FLEXIBLE TERM WHOLESALE FUNDING PORTFOLIO

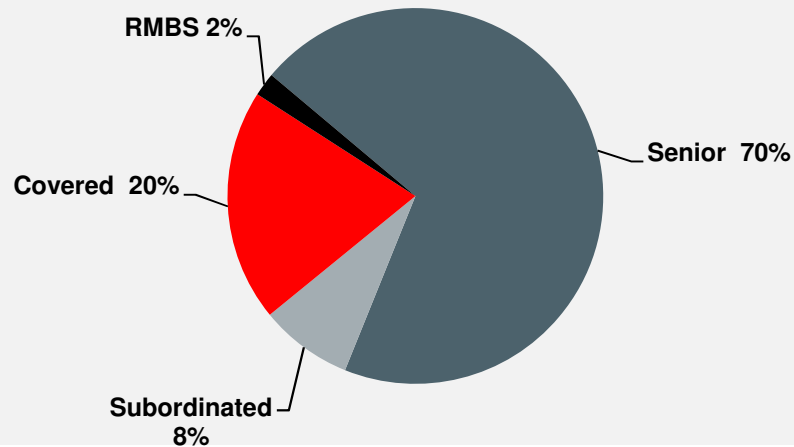
## FY20 ISSUANCE BY PRODUCT TYPE



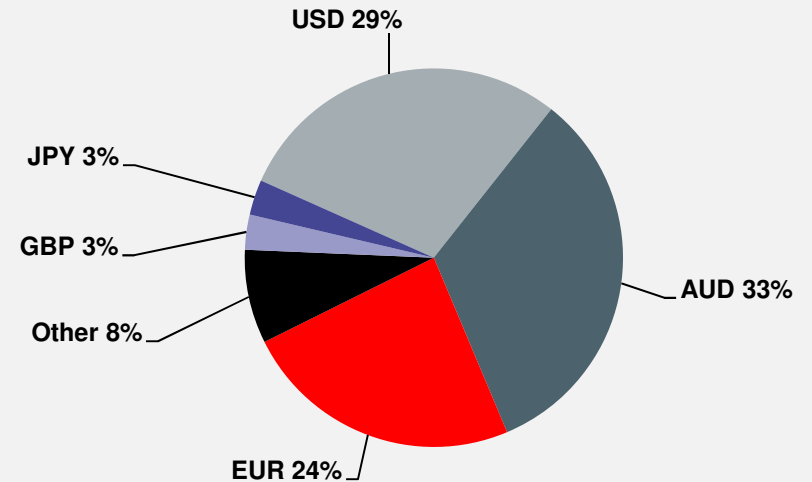
## FY20 ISSUANCE BY CURRENCY



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



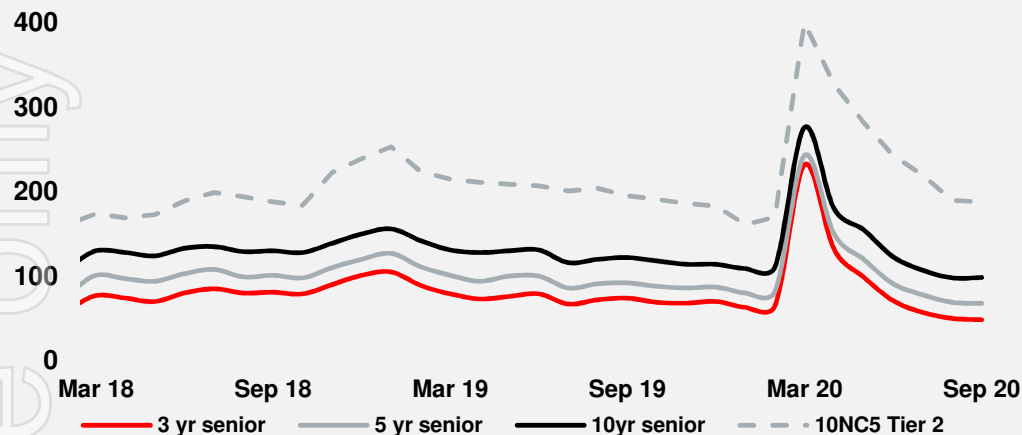
## OUTSTANDING ISSUANCE BY CURRENCY



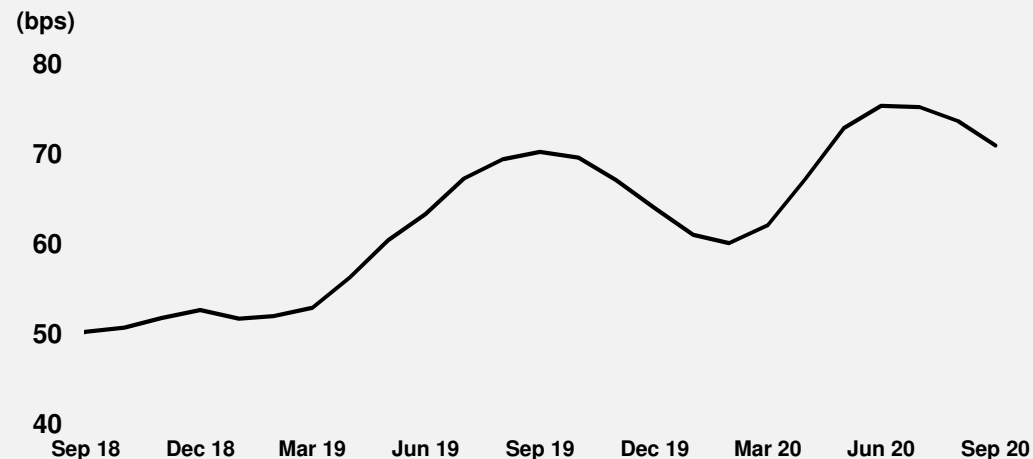
(1) At 30 September 2020, NAB has utilised 39% of its covered bond capacity. Capacity based on current rating agency over collateralisation (OC) and legislative limit

# FUNDING COSTS AND REPLICATING PORTFOLIO

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



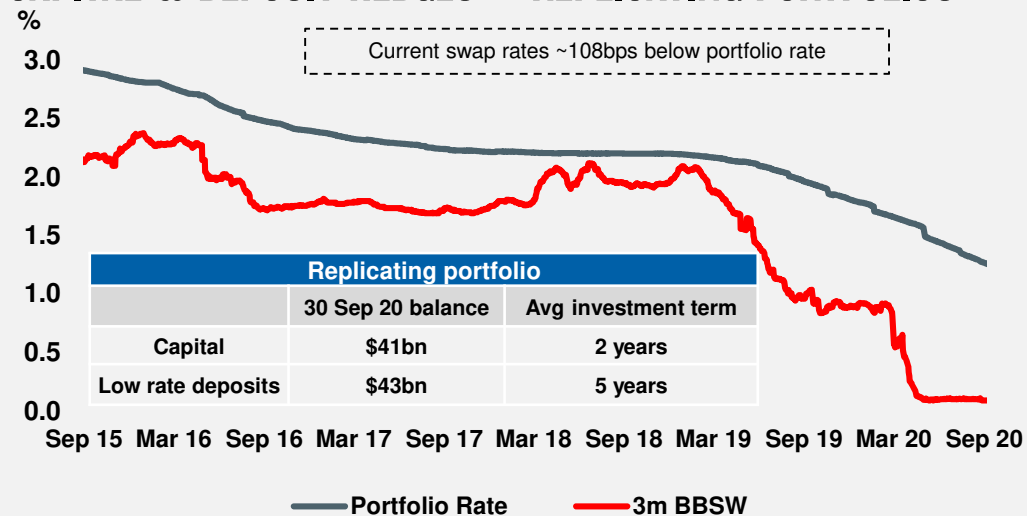
## TERM DEPOSIT PORTFOLIO COSTS<sup>2</sup>



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



## CAPITAL & DEPOSIT HEDGES — REPLICATING PORTFOLIOS<sup>4</sup>



- (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. Term 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.
- (4) Blended replicating portfolio earnings rate (Australia only). Replicating portfolio includes capital and non-interest bearing deposits

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# **ADDITIONAL INFORMATION**

## **ECONOMICS**



# AUSTRALIA AND NZ KEY ECONOMIC INDICATORS

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

	CY18	CY19	CY20(f)	CY21(f)	CY22(f)
GDP growth <sup>2</sup>	2.2	2.3	-4.7	4.6	2.9
Unemployment <sup>3</sup>	5.0	5.2	7.6	6.9	5.9
Core Inflation <sup>4</sup>	1.7	1.4	1.2	1.4	1.7
Cash rate target <sup>3</sup>	1.50	0.75	0.10	0.10	0.10

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

	CY18	CY19	CY20(f)	CY21(f)	CY22(f)
GDP growth <sup>2</sup>	3.3	1.8	-5.7	3.2	4.2
Unemployment <sup>3</sup>	4.4	4.1	6.6	6.4	4.6
Inflation <sup>4</sup>	1.9	1.9	0.8	0.9	1.6
Cash rate (OCR) <sup>3</sup>	1.75	1.0	0.25	-0.50	-0.25

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

	FY18	FY19	FY20	FY21(f)	FY22(f)
Housing	5.3	3.0	3.3	0.3	3.2
Personal	-1.4	-4.4	-12.5	-1.5	0.0
Business	4.5	3.3	2.0	1.8	4.2
Total lending	4.6	2.7	2.0	0.7	3.4
System deposits	2.1	3.8	11.7	0.7	3.4

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

	FY18	FY19	FY20	FY21(f)	FY22(f)
Housing	6.0	6.5	6.8	4.0	4.0
Personal	4.7	0.1	-11.7	2.0	4.0
Business	4.1	4.8	-1.1	-3.0	3.5
Total lending	5.2	5.6	3.1	1.3	3.8
Household retail deposits	6.9	5.1	9.4	3.0	3.8

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

(2) December quarter on December quarter of previous year

(3) As at December quarter

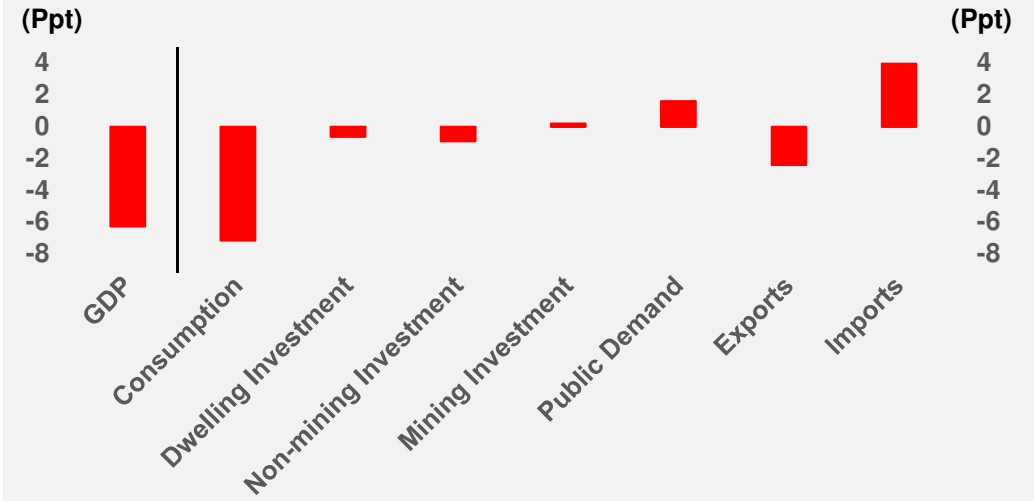
(4) December quarter on December quarter of previous year. For Australia, average of trimmed mean and weighted median indices

(5) Source: RBA, RBNZ, NAB. Bank fiscal year-ended (September)

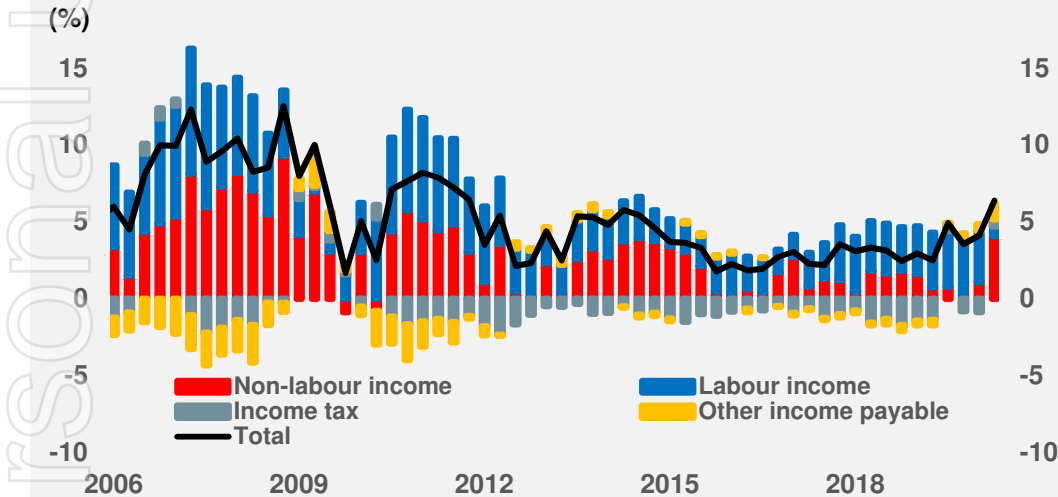
# ACTIVITY IMPACTS OF COVID-19

- COVID-19 has caused significant disruptions to economic activity and weighed on household and business confidence. The weakness in activity has been broad-based across the private sector – with an outsized impact on services consumption
- While Australia has passed the trough in activity and will likely see growth in the September quarter, areas of stress remain
- Policy support via wage subsidies have been a key support to household income. With spending having been curtailed, the savings rate has increased sharply
- While unemployment has not risen as sharply as initially feared, broader measures of underutilisation hours and hours worked show a more significant deterioration
- Fiscal policy will need to play a key role in the low rates environment

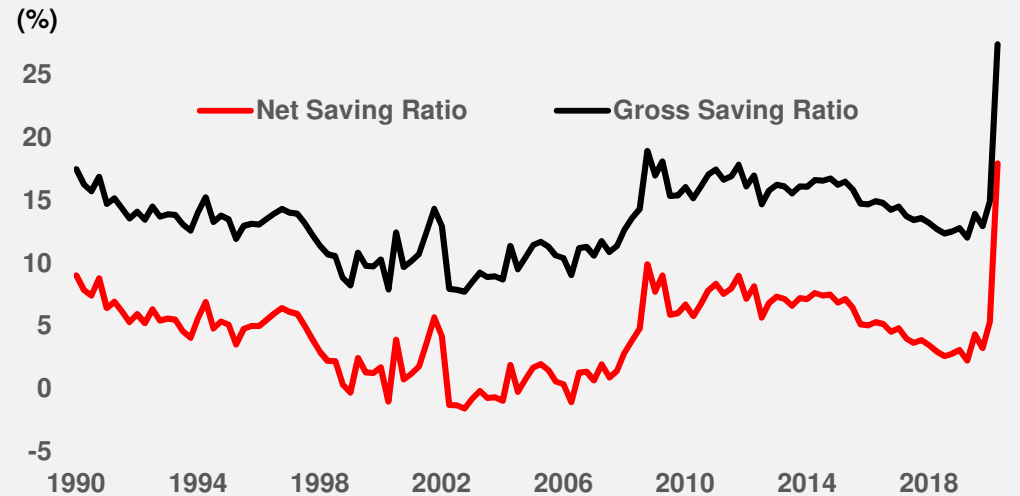
## CONSUMPTION DRIVEN FALL IN OUTPUT<sup>1</sup>



## HOUSEHOLD INCOMES HAVE BEEN SUPPORTED BY POLICY<sup>2</sup>



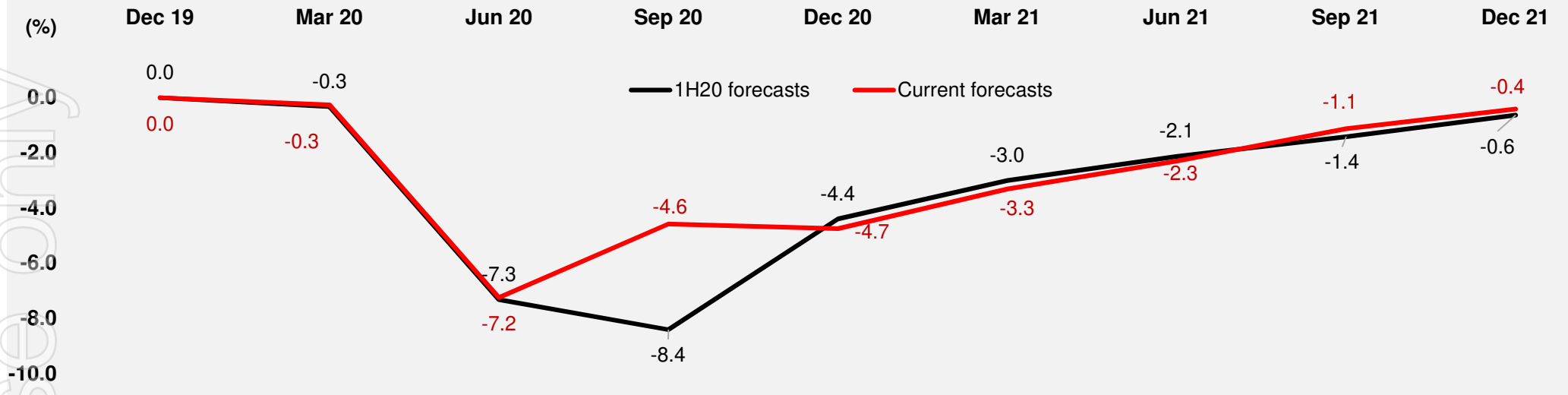
## SUPPORT FOR HOUSEHOLDS HAS SEEN SAVINGS INCREASE<sup>3</sup>



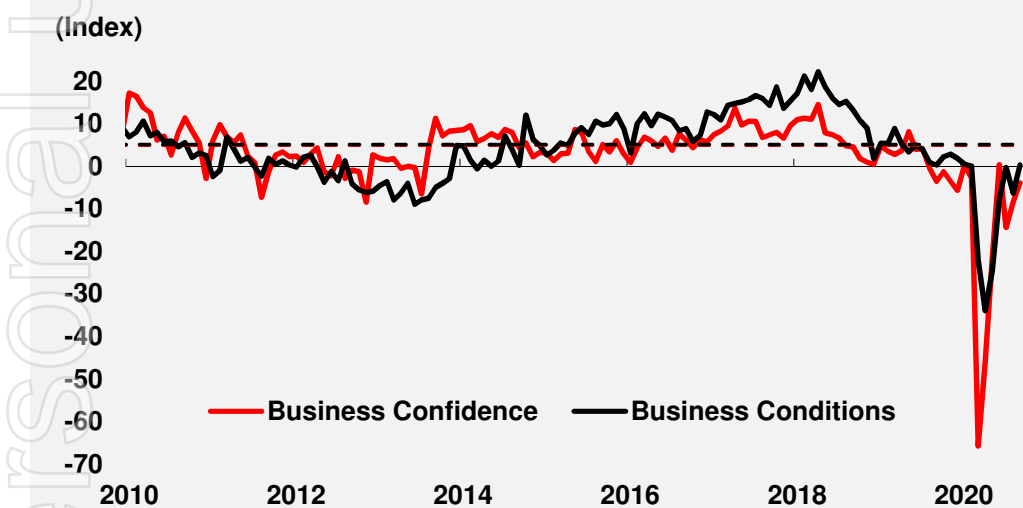
(1) Source: ABS, NAB. Data shows year-ended contributions to June quarter 2020  
 (2) Source: ABS, NAB. Year-ended growth. Data to June quarter 2020  
 (3) Source: ABS, NAB. Data to June quarter 2020

# AUSTRALIA HAS PASSED THE TROUGH IN ACTIVITY

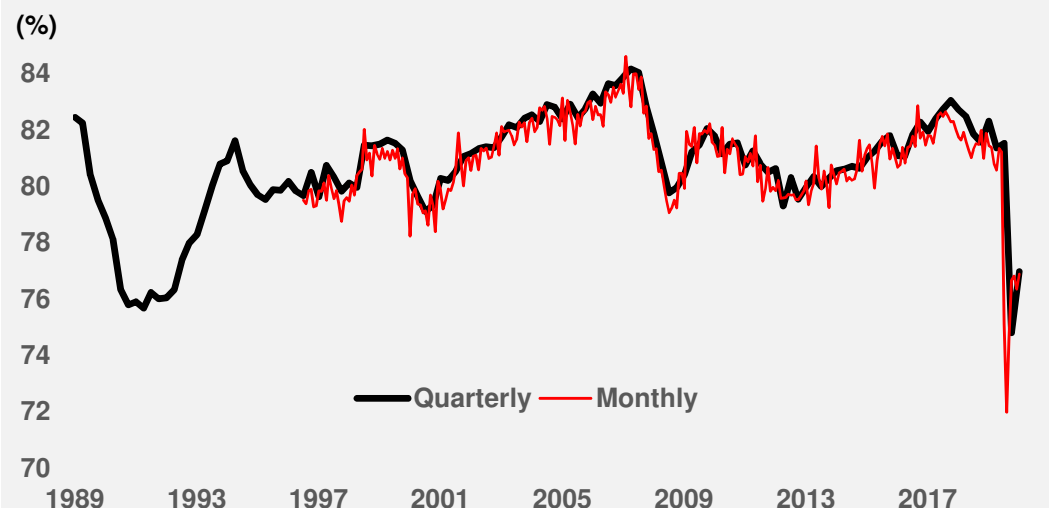
## GDP TO GRADUALLY RECOVER FROM HERE<sup>1</sup>



## CONFIDENCE AND CONDITIONS STILL BELOW AVERAGE<sup>2</sup>



## CAPACITY UTILISATION REMAINS LOW<sup>2</sup>

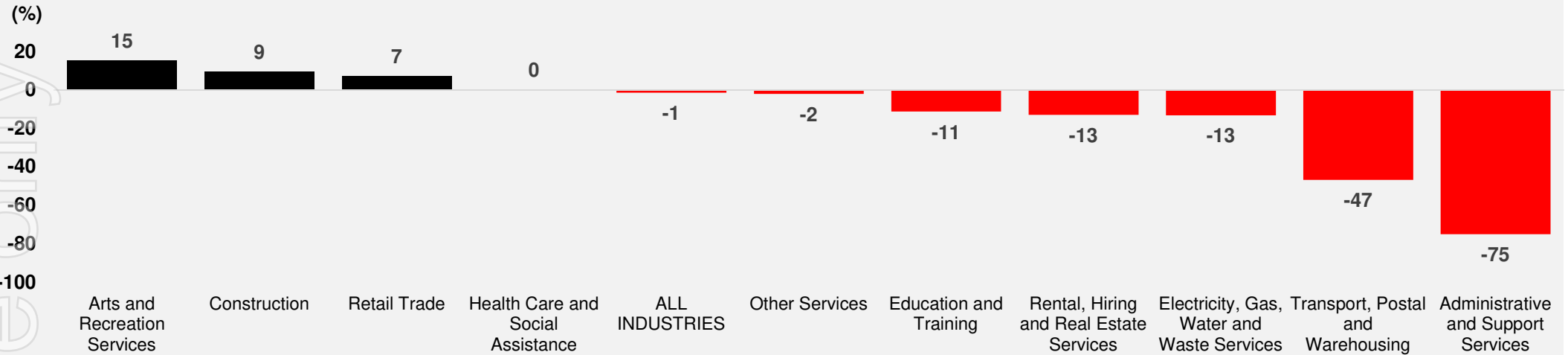


(1) Source: ABS, NAB. Percentage deviation from December 2019 level.

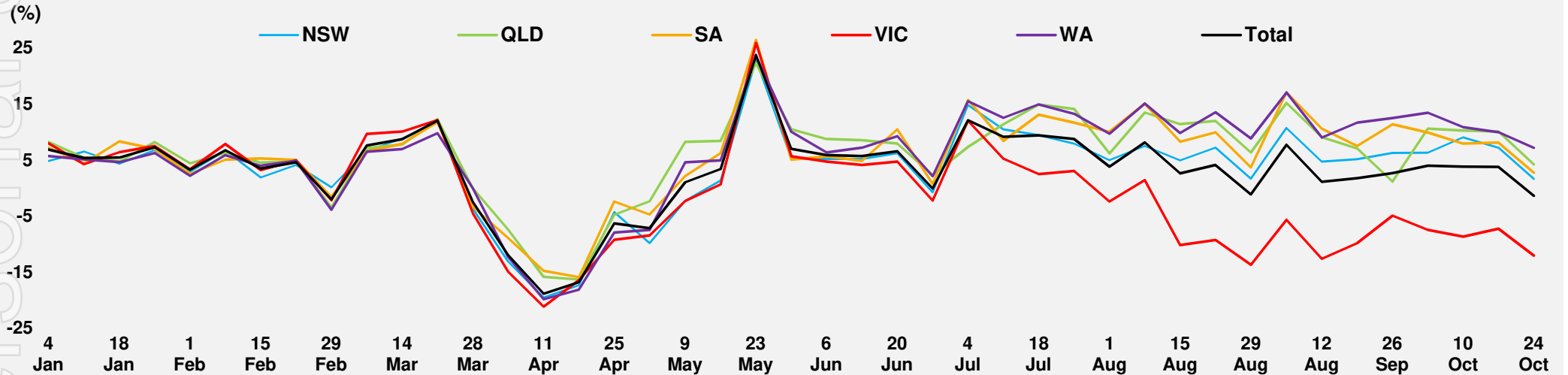
(2) Source: NAB. Data to September 2020

# ALTHOUGH AREAS OF STRESS REMAIN

## CHANGE IN CONSUMPTION SPEND BY INDUSTRY<sup>1</sup>



## CONSUMER SPEND DATA BY STATE – VICTORIA LAGGING<sup>2</sup>

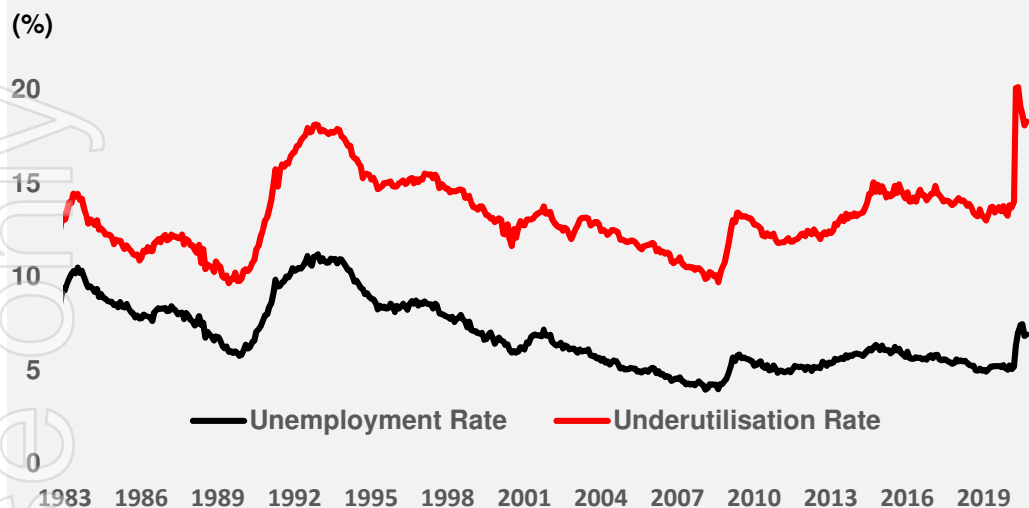


(1) Chart shows change in consumption spending on same week in the previous year by industry (Week ended 24 October 2020)

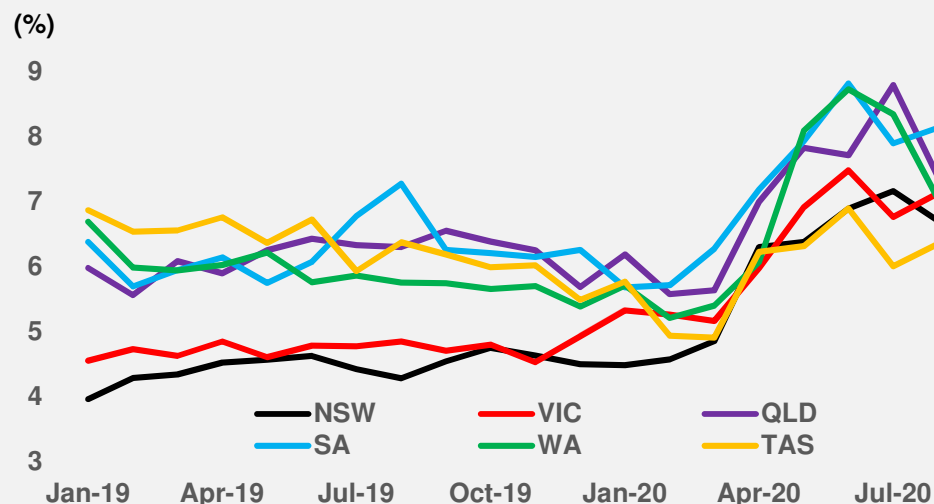
(2) Chart shows change in consumption spending on same week in the previous year by state (Week ended 24 October 2020)

# LABOUR MARKET IMPACTS OF COVID-19

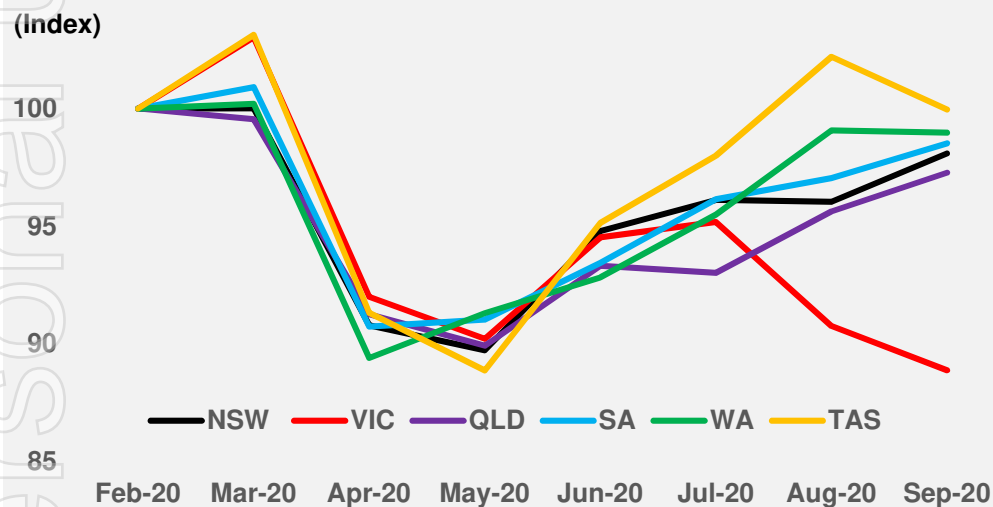
## UNEMPLOYMENT AND UNDERUTILISATION HAVE RISEN<sup>1</sup>



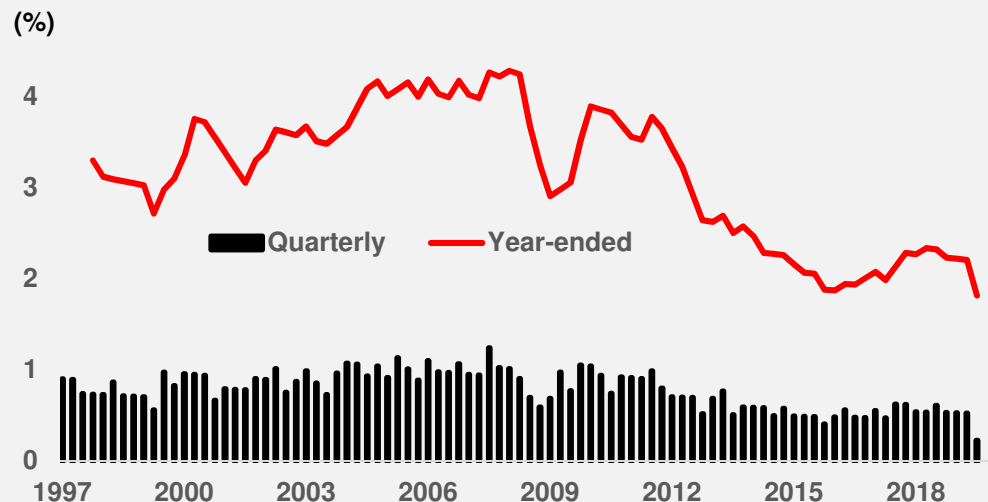
## UNEMPLOYMENT HAS DETERIORATED ACROSS STATES<sup>1</sup>



## HOURS WORKED HAVE REBOUNDED IN SOME STATES<sup>2</sup>



## WAGE GROWTH HAS SLOWED SHARPLY<sup>3</sup>



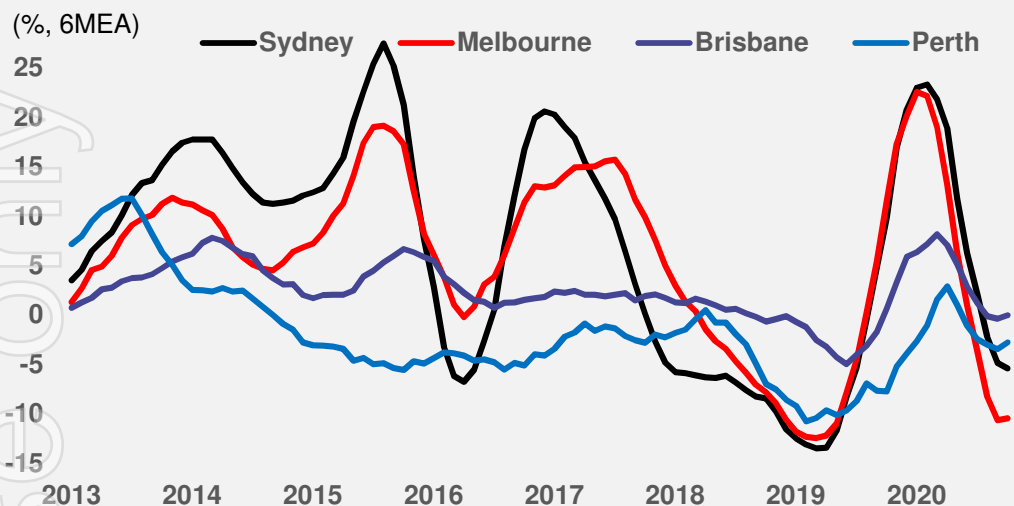
(1) Source: ABS. Data to September 2020

(2) Source: ABS, NAB. February 2020 = 100, data to September 2020

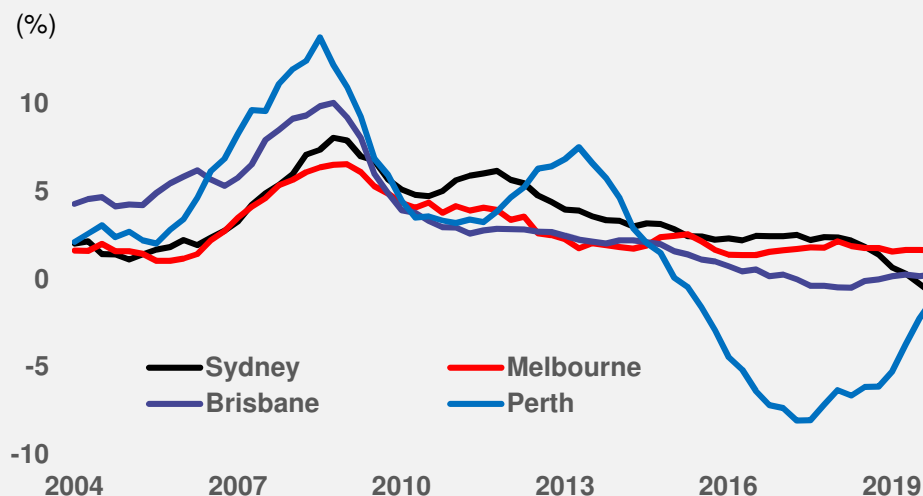
(3) Source: ABS. Data to June quarter 2020

# HOUSING MARKET HAS SOFTENED

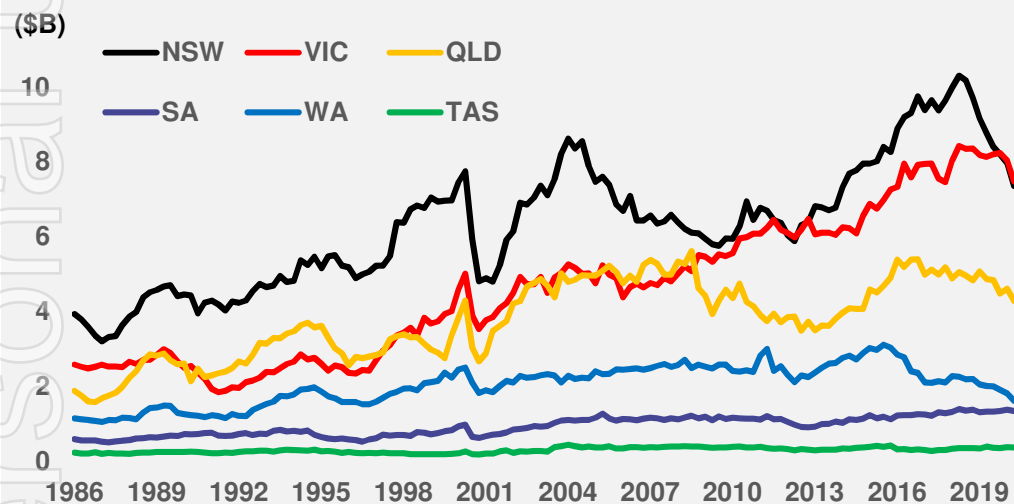
## HOUSE PRICE GROWTH HAS SLOWED<sup>1</sup>



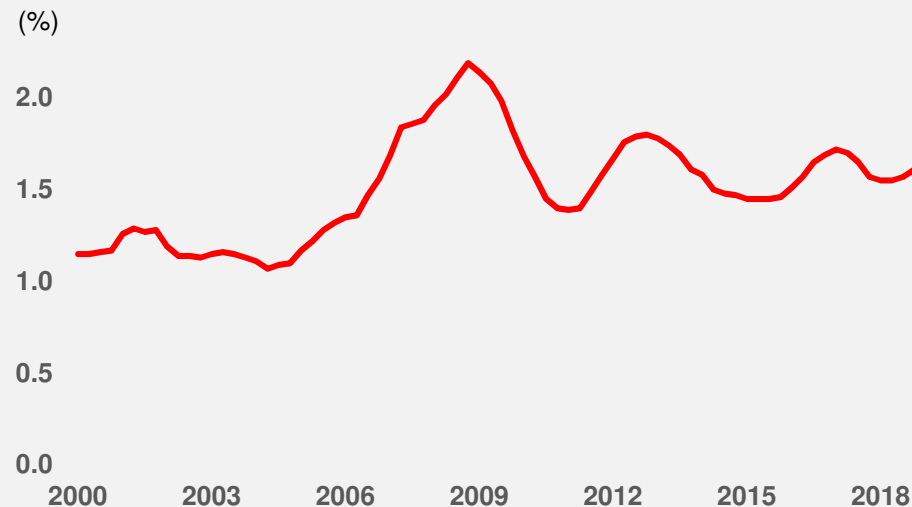
## RENTS GROWTH CONTINUES TO BE WEAK<sup>2</sup>



## DWELLING INVESTMENT IS FALLING<sup>3</sup>



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



(1) Source: CoreLogic. 6-month-ended-annualised growth. Data to 31 October 2020

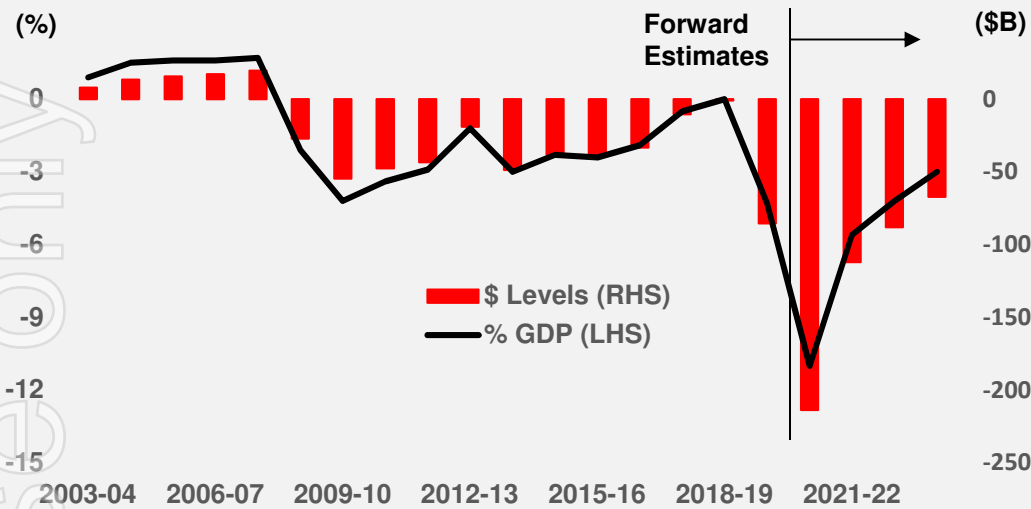
(2) Source: ABS

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

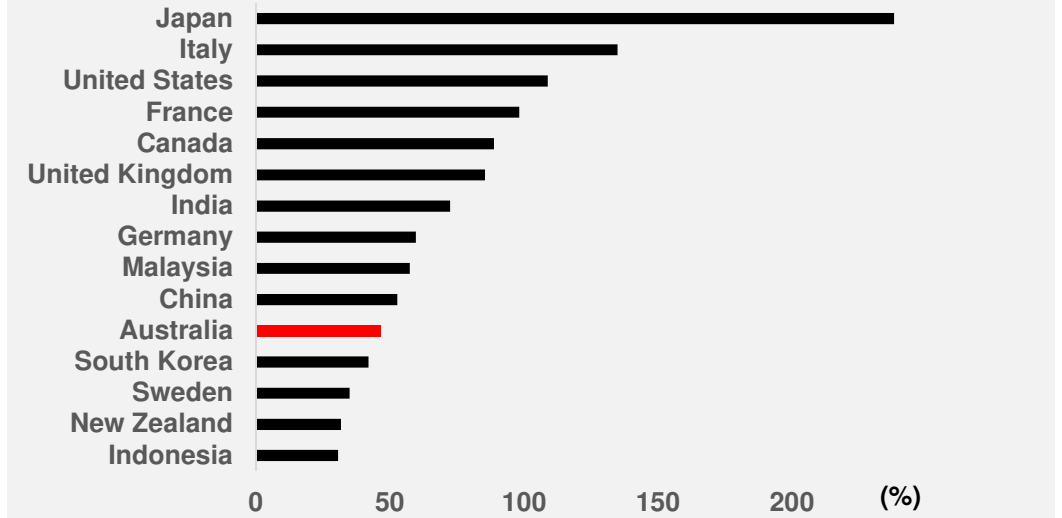
(4) Source: ABS. Year-ended growth. Data to Q1 2020

# SIGNIFICANT POLICY SUPPORT DURING THE PANDEMIC

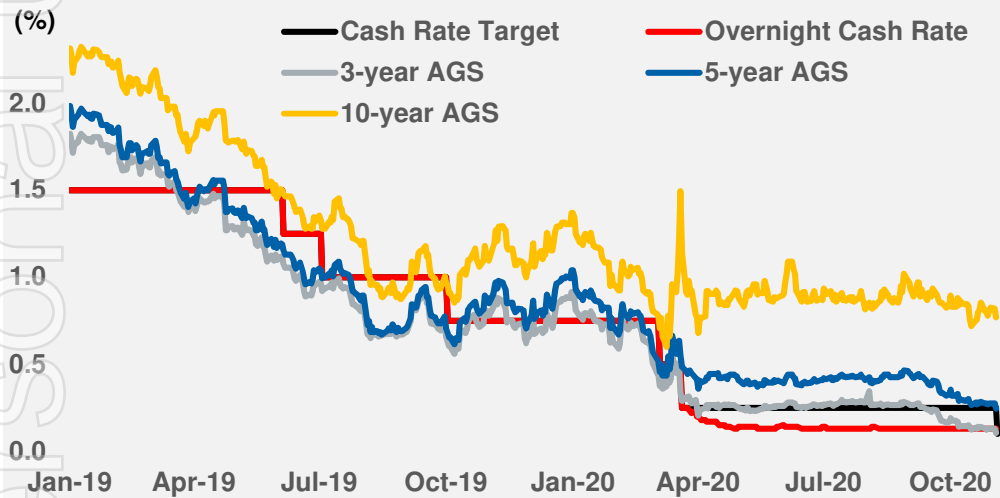
## LARGE BUDGET DEFICITS EXPECTED IN THE NEAR TERM<sup>1</sup>



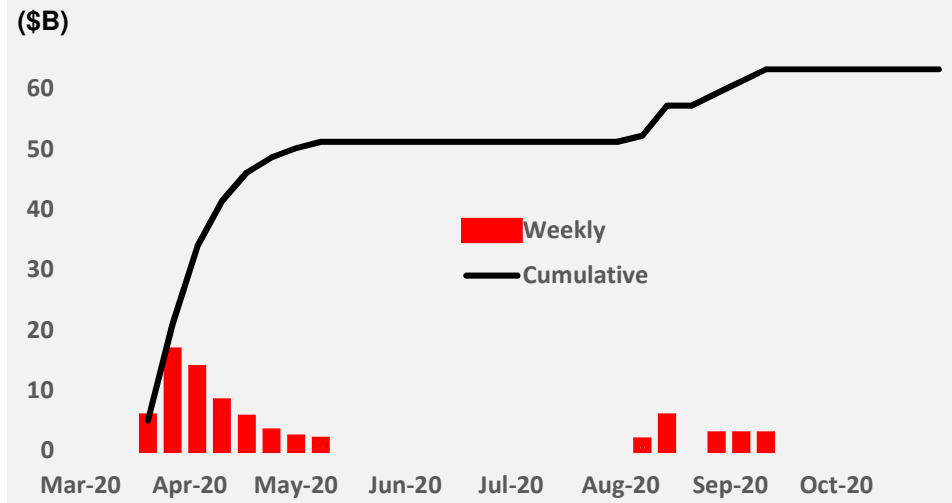
## AUSTRALIA GOVERNMENT DEBT IS AT A LOW STARTING POINT<sup>2</sup>



## CASH RATE AND BOND YIELDS ARE AT LOW LEVELS<sup>3</sup>



## RBA HAS BEGUN BOND PURCHASES<sup>4</sup>



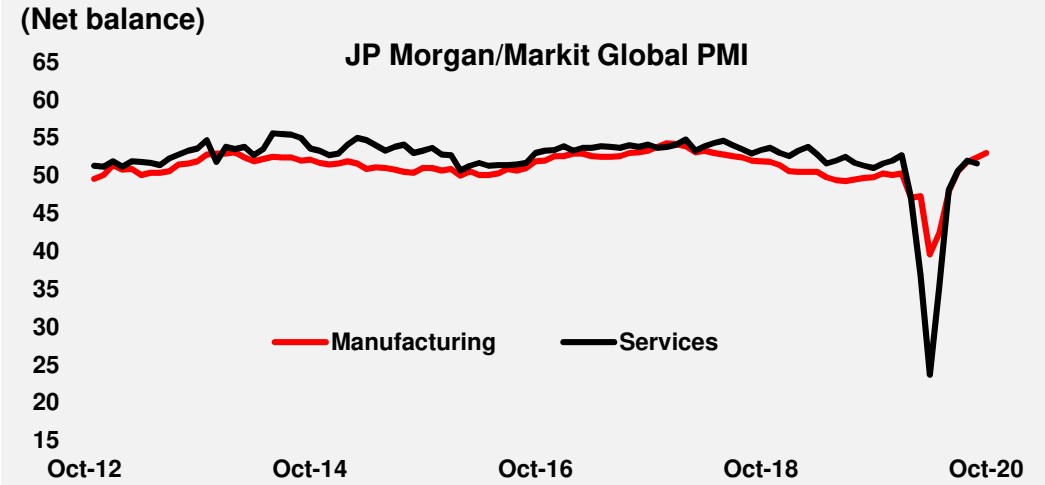
(1) Source: Commonwealth Treasury  
 (2) Source: IMF. Data are for 2019 shown as a share of GDP for each country  
 (3) Source: Macrobond. Data to 3 November 2020  
 (4) Source: RBA, NAB. Data to 3 November 2020

# GLOBAL RECOVERY UNDERWAY

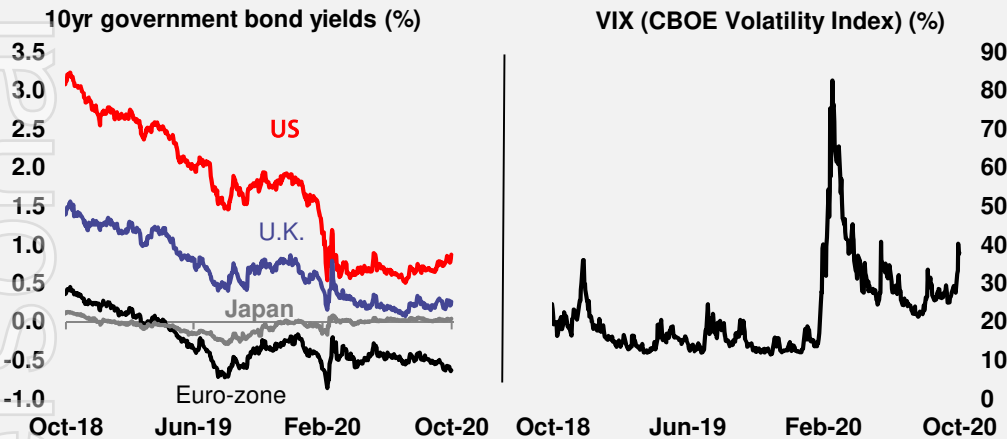
## CHINA'S RECOVERY OVER Q2 AND Q3<sup>1</sup>



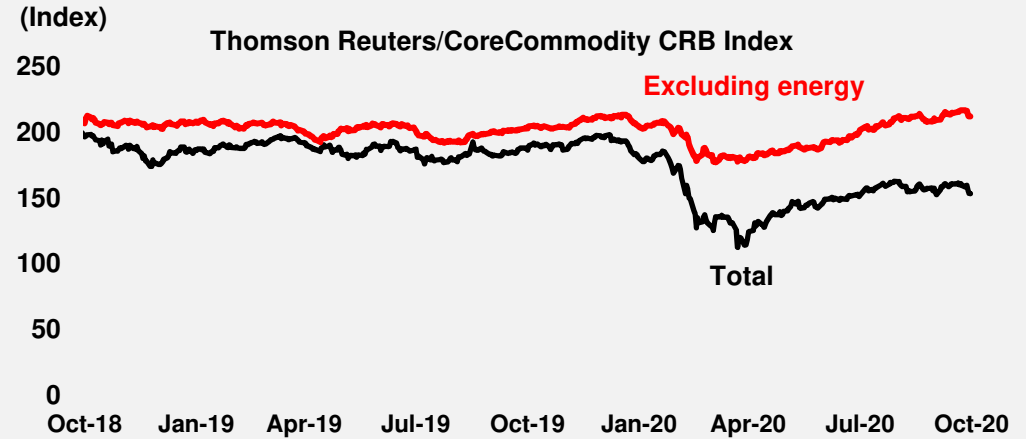
## BROADER GLOBAL RECOVERY ALSO UNDERWAY<sup>1</sup>



## INTEREST RATES VERY LOW; MARKETS STILL VOLATILE AS COVID-19 CONTINUES TO DISRUPT ECONOMIES<sup>2</sup>



## COMMODITY PRICES MOVED LOWER DUE TO GLOBAL DOWNTURN BUT HAVE PARTIALLY RECOVERED<sup>1</sup>

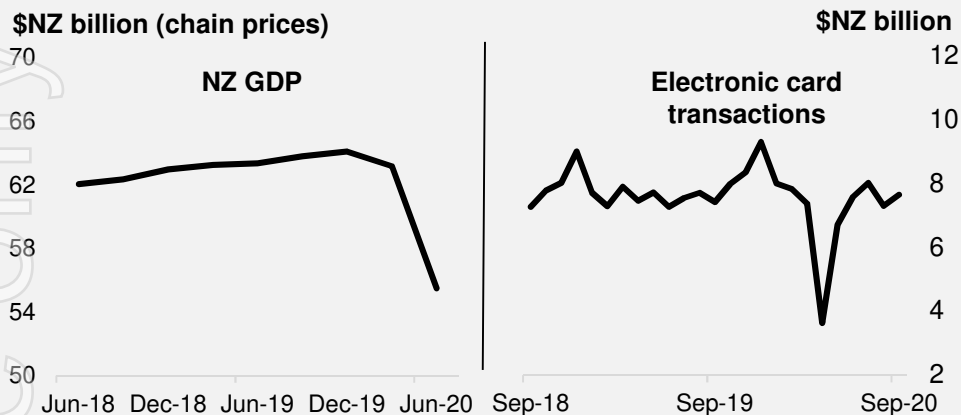


(1) Source: Refinitiv; Commodity price data to 30 October  
 (2) Source: Bloomberg; data to 30 October

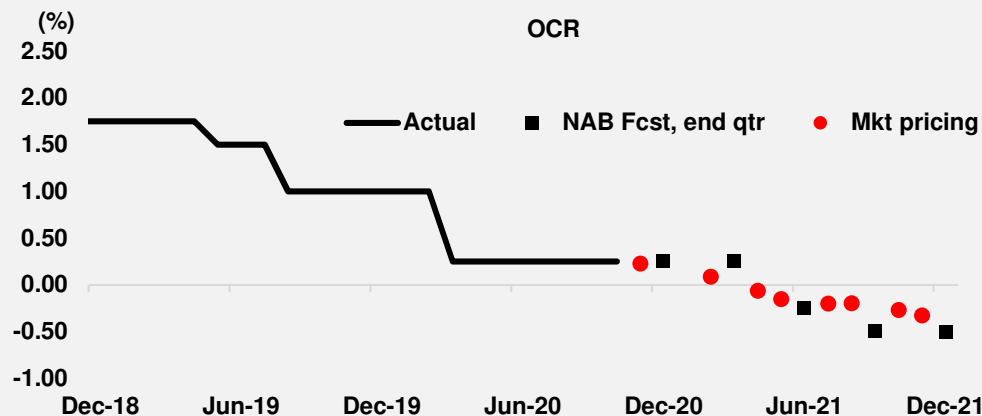


# NEW ZEALAND

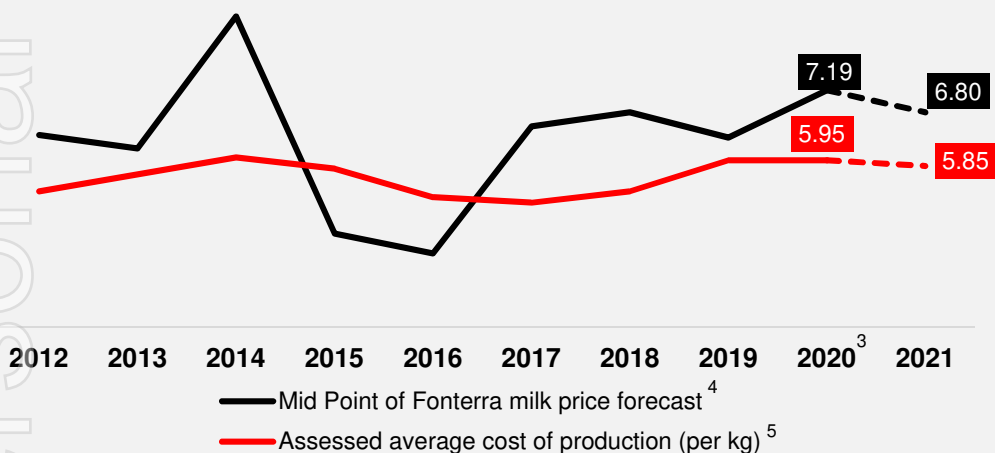
## BIG FALL IN NZ GDP IN FIRST HALF OF CALENDAR 2020, RECOVERY UNDERWAY<sup>1</sup>



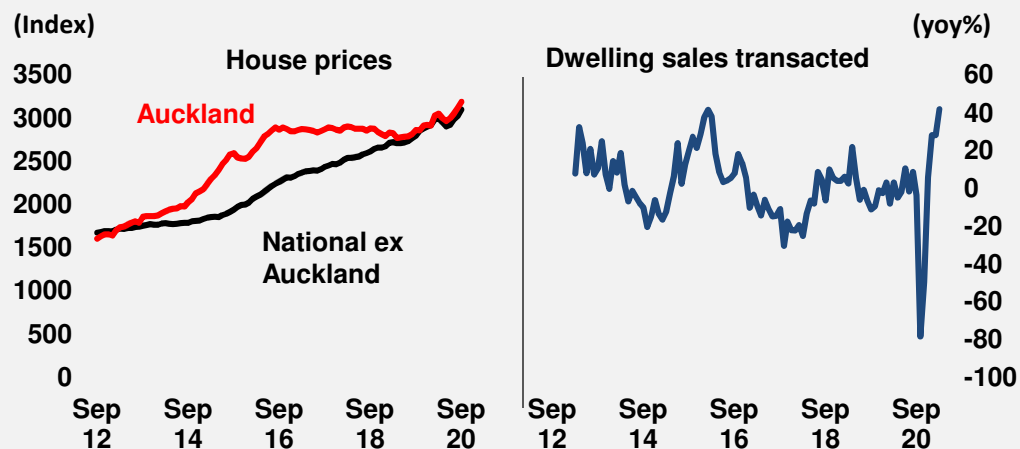
## RBNZ EXPECTED TO MOVE TO NEGATIVE RATES<sup>2</sup>



## DAIRY FARM VIABILITY



## HOUSING MARKET BOUNCED BACK QUICKLY FROM IMPACT OF EARLY COVID-19 RESTRICTIONS<sup>6</sup>



(1) Source: Refinitiv, Statistics NZ. GDP data to Q2 2020, Electronic card transaction all industry data to September 2020  
 (2) Source: Refinitiv, NAB, OCR Market pricing from Refinitiv Eikon Interest Rate Probability as at 3 November 2020  
 (3) 2020 figure includes Milk Price of \$7.14 and Dividend of \$0.05  
 (4) Source: Fonterra (milk price)  
 (5) Source: Dairy NZ (Forecast cost of production)  
 (6) Source: Refinitiv, REINZ

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## **OTHER INFORMATION**



# OPERATING EXPENSES – HALF ON HALF

## OPERATING EXPENSES (EX LARGE NOTABLE ITEMS)

(\$m)

HoH expense growth 4.9% (PCP 3.7%)

YoY expense growth 2.0%

FY19: \$7,528m

FY20: \$7,679m

3,792

Sep 19

3,747

Mar 20

(84)

Productivity savings

48

Remuneration and inflation

119

Including \$57m net impact of capitalised software policy change

Technology and investment

(58)

Depreciation and Amortisation

141

Restructuring related costs

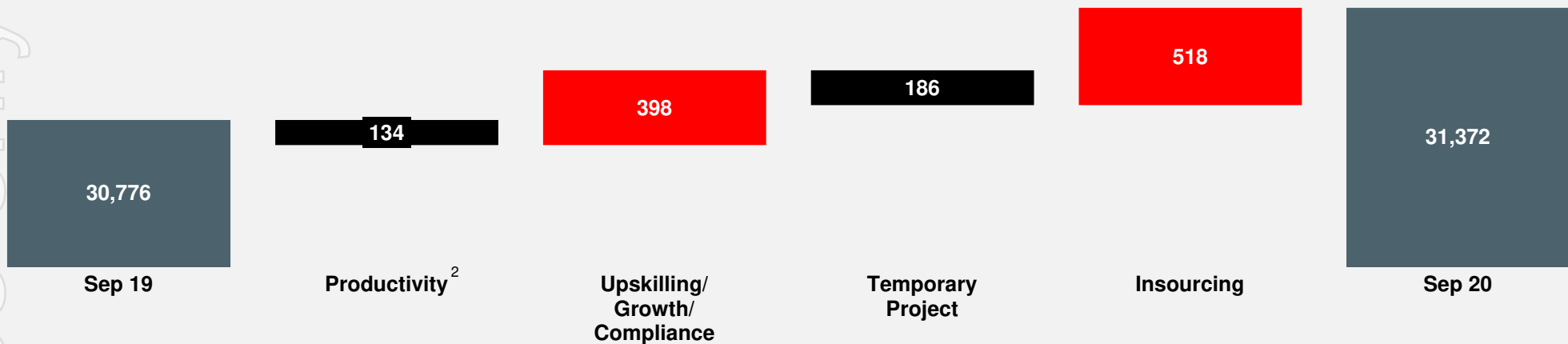
19

Other

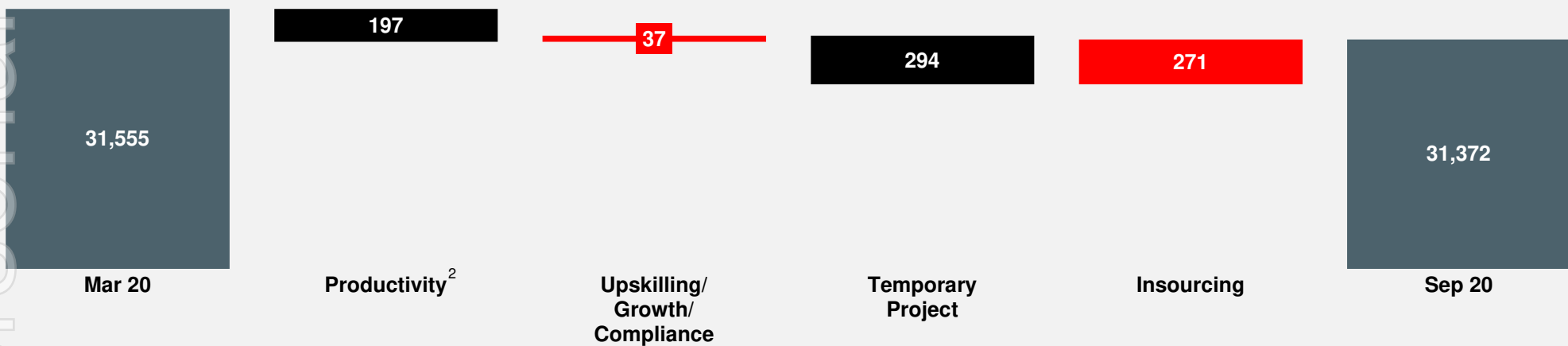
3,932

Sep 20

## FTE CHANGE YOY<sup>1</sup>



## FTE CHANGE HOH<sup>1</sup>



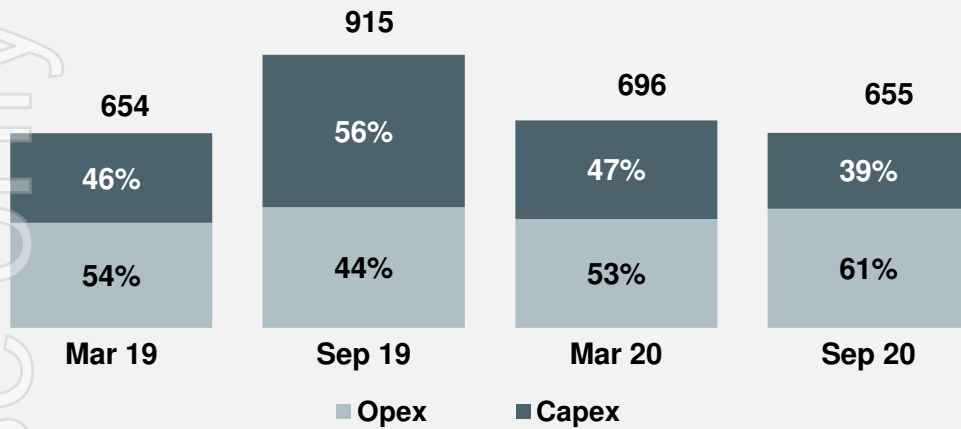
(1) Restated for MLC FTE impacts

(2) Represents net of FTE simplification offset by BAU hires

# INVESTMENT SPEND AND CAPITALISED SOFTWARE

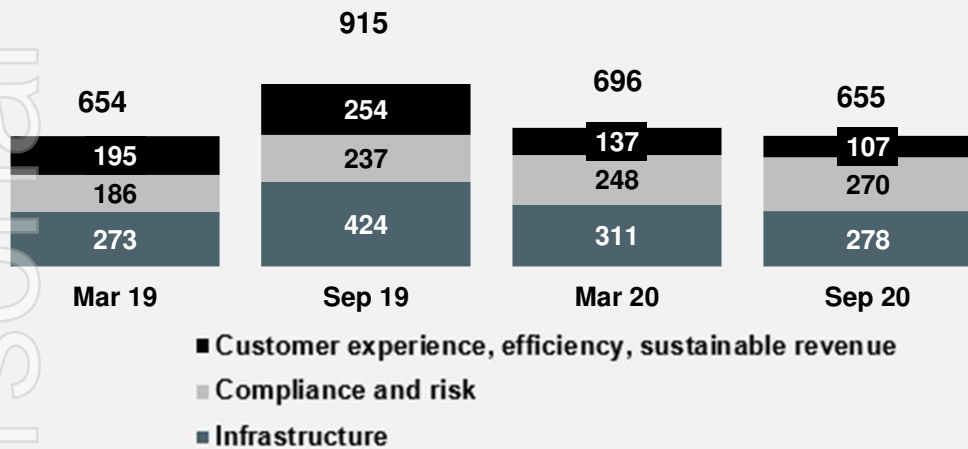
## INVESTMENT SPEND – OPEX AND CAPEX

(\$m)



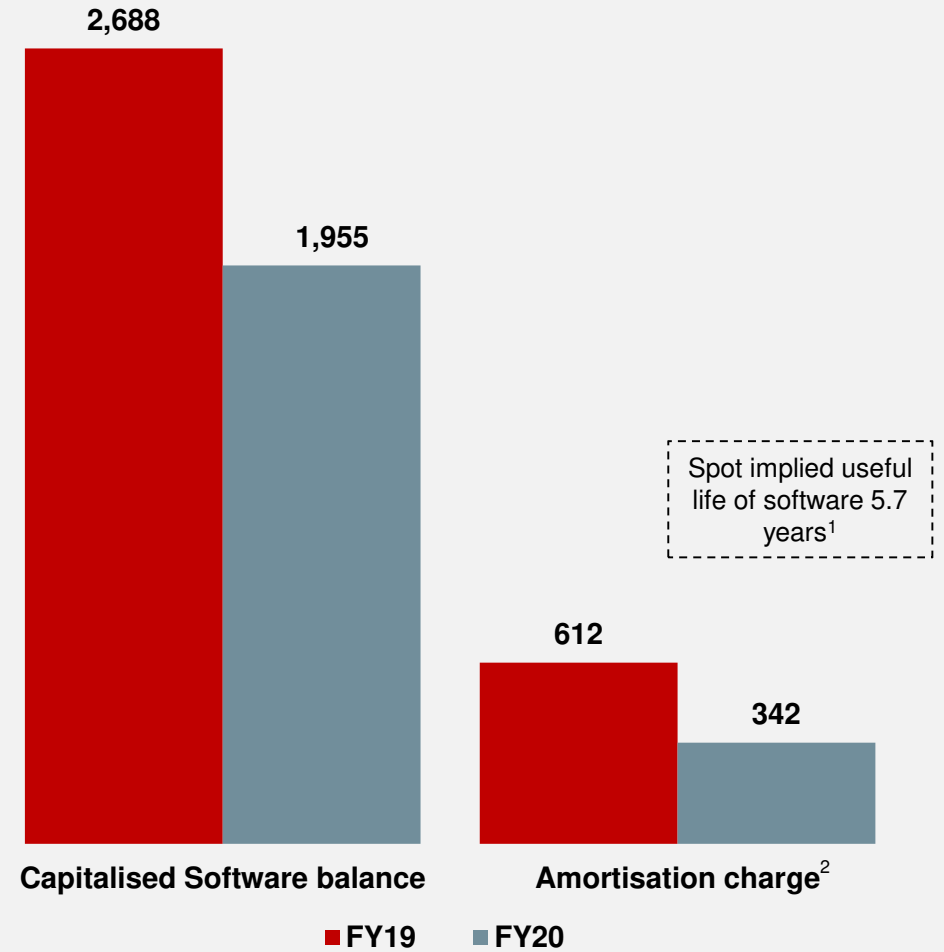
## INVESTMENT SPEND – TYPE

(\$m)



## CAPITALISED SOFTWARE

(\$m)



(1) Calculated using the capitalised software balance for the period divided by the FY20 amortisation charge excluding accelerated amortisation

(2) Excludes accelerated amortisation charges

# 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. Prior period non-cash earnings have been restated to exclude discontinued operations.
- The definition of cash earnings is set out on page 2 of the Full 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 98 - 100 of the 2020 Full 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 2020 Full Year Results Announcement.

	FY20 (\$m)	FY20 v FY19	2H20 (\$m)	2H20 v 1H20
<b>Cash earnings</b>	<b>3,710</b>	<b>(36.6%)</b>	<b>1,994</b>	<b>16.2%</b>
Non-cash earnings items (after tax)				
Distributions	39	(53.0%)	17	(22.7%)
Fair value and hedge ineffectiveness	(34)	41.7%	(54)	Large
Amortisation and impairment of acquired intangible assets	(217)	Large	-	Large
<b>Net profit from continuing operations</b>	<b>3,498</b>	<b>(40.8%)</b>	<b>1,957</b>	<b>27.0%</b>
Net loss after tax from discontinued operations	(939)	(15.2%)	(711)	Large
<b>Statutory net profit attributable to owners of NAB</b>	<b>2,559</b>	<b>(46.7%)</b>	<b>1,246</b>	<b>(5.1%)</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>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>NGER</b>	National Greenhouse and Energy Reporting
<b>NII</b>	Net Interest Income
<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 5 November 2020. 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 2020 Full 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”, “target”, “project”, “anticipate”, “expect”, “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 many factors that could cause actual results to differ materially from those projected in such statements, including (without limitation) the risks and uncertainties associated with the ongoing impacts of COVID-19, changes to the Australian and global economic environment and capital market conditions, changes to the operating and regulatory environment of the Group and changes to the financial position or performance of the Group. Further information is contained in the Group’s Luxembourg Transparency Law disclosures released to the ASX on 27 April 2020 and the Group’s Annual Financial Report for the 2020 financial year, which will be available at [www.nab.com.au](http://www.nab.com.au) on 11 November 2020.

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

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