FIRST QUARTER TRADING UPDATE 2021

National Australia Bank

The December 2020 quarter results are compared with the quarterly average of the September 2020 half year results for continuing operations (excluding large notable items) unless otherwise stated. Cash and statutory earnings are rounded to the nearest $50 million. Revenue, expenses and asset quality are expressed on a cash earnings basis.

1Q21 FINANCIAL HIGHLIGHTS

$1.70BN
Unaudited statutory net profit

$1.65BN
Unaudited Cash earnings[1]

1.0%
Cash earnings growth Vs 1Q20 (cash earnings before tax and credit impairment charges down 6%)

11.7%
Group Common Equity Tier 1 ratio (CET1)

"Improving economic trends have been a key driver of our 1Q21 result, with cash earnings 47% higher than the 2H20 quarterly average primarily driven by low credit impairment charges. At an underlying level, performance has been sound in the current competitive, low interest rate environment.

Improving economic and health outcomes in Australia and New Zealand are encouraging, as are the reductions we are seeing in deferral balances. However, there are still a number of uncertainties requiring further clarity. These include the impact on customers of ongoing health alerts and measures put in place to contain the spread of COVID-19, and the wind-down of deferral and JobKeeper programs. Supporting customers and keeping the bank safe through this period remain our priorities.

Implementation of our strategy is proceeding well as we invest for the long term and focus on initiatives that make a real difference to our customers and colleagues. While there is still much to do, it is pleasing to see momentum building in our core businesses as we simplify and streamline our processes and policies and enhance our digital offerings."

ROSS MCEWAN - NAB CEO

OPERATING PERFORMANCE

Compared with the 2H20 quarterly average and excluding large notable items, cash earnings rose 47% and cash earnings before tax and credit impairment charges fell 5%:

- Revenue declined 3% reflecting lower Markets & Treasury income mainly due to the non-repeat of mark-to-market loss reversals in 2H20. Excluding Markets & Treasury, revenue grew 1% with higher fees and commissions income benefitting from increased levels of business activity;
- Net interest margin declined but was stable excluding the impact of Markets & Treasury and higher liquids. Competition and the impact of low interest rates were offset by home loan repricing and lower funding and deposit costs;
- Expenses fell 1% with productivity benefits and lower restructuring related costs, partly offset by provisions for higher performance-based compensation. We continue to target FY21 expense growth[2] limited to 0-2%.

SUPPORTING OUR CUSTOMERS & COMMUNITIES

- Strategic Net Promoter Score (NPS)[3] for December up 1 point from September to -10, with NAB ranked second of the major banks
- Investing to serve customers better with approximately 440 new roles added in our Business & Private Banking division, and a further 110 targeted over the remainder of FY21
- Assisted more than 4,000 NAB customers buy their first home as a partner of the Federal Government's First Home Loan Deposit Scheme
- Providing specialist support via our NAB Assist and SBS teams to deferral customers in need with balances of approximately $6 billion
- All Australian branches' energy needs to be fully met via renewable sources by the end of 2021 under an agreement with energy provider ENGIE for the supply of renewable electricity certificates until 2023

[1] Refer note on cash earnings on page 3.
[2] Excluding large notable items
[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. Sourced from DBM Consultants Business and Consumer Atlas, measured on 6 month rolling average. Definition has been updated to give all customers in the Business and Consumer segments equal voice. The overall Strategic NPS result combines the Consumer (18+) and Business segment results using a 50% weighting for each. History has been restated.

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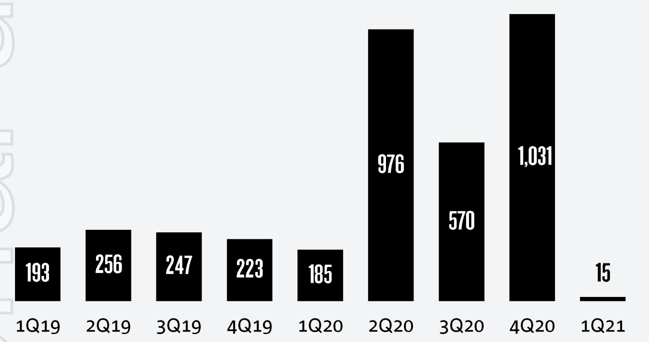
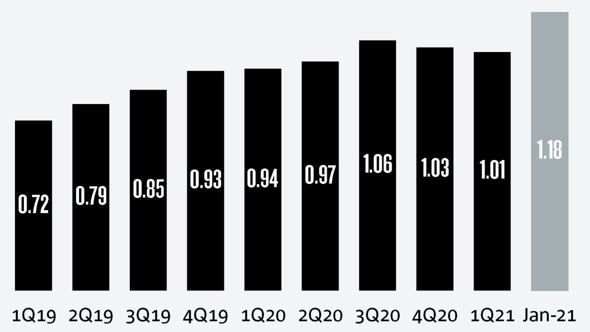
ASSET QUALITY

- Credit impairment charges fell 98% compared with the 2H20 quarterly average to $15 million. This primarily reflects 2H20 top-ups to the Economic Adjustment (EA) and forward looking adjustments (FLAs) which did not reoccur in 1Q21. Lower underlying charges were also an important driver. There has been no change to the EA or FLAs in 1Q21.
- The ratio of collective provisions to credit risk weighted assets reduced 1 basis point (bp) to 155bps from September to December.
- Asset quality remained broadly stable over 1Q21, with the ratio of 90+ days past due and gross impaired assets to gross loans and acceptances declining 2bps to 1.01%. However, the ratio for January 2021 has increased by 17bps, mainly due to missed payments relating to the large cohort of home loan customers exiting deferrals in October 2020.
- As at 31 December 2020, Australian home loan deferral balances[4] have declined to approximately $2 billion and Australian business loan deferral balances[4,5] have declined to approximately $1 billion. These balances compare with peak deferral balances[6] of approximately $38 billion for home loans and approximately $19 billion for business loans.
- Current asset quality trends for customers exiting deferrals are worse than for the total portfolio but better than expected at this stage. Pleasingly, as at 3 February 2021, the bulk of customers exiting deferrals have resumed repayments (greater than 90% by balances), but a small cohort are requiring further assistance.

CREDIT IMPAIRMENT CHARGES ($MILLIONS)

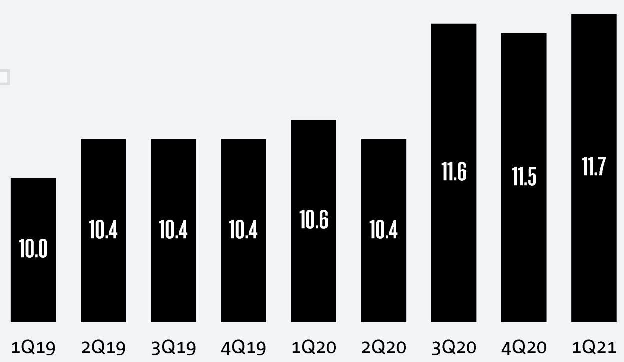


90+ DAYS PAST DUE & GROSS IMPAIRED ASSETS/GROSS LOANS AND ACCEPTANCES (%)



CAPITAL, FUNDING & LIQUIDITY

CET1 RATIO (%)



KEY RATIOS AS AT 31 DECEMBER 2020

- Group CET1 ratio of 11.7%, compared with 11.5% at September 2020, which includes 12bps benefit from FX translation and mark-to-market on the high quality liquids portfolio
- Leverage ratio (APRA basis) of 5.9%
- Liquidity Coverage Ratio (LCR) quarterly average of 147%
- Net Stable Funding Ratio (NSFR) of 127%
- Completion of MLC Wealth sale[7] expected to add ~35bps CET1

[4] Prepared using product based categorisation which differs to APRA reporting based on predominant loan purpose
[5] Excludes corporate and institutional business customers
[6] Based on month end data
[7] ASX announcement on 31 August 2020; purchase price of $1,440m comprises $1,240 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.

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FOR FURTHER INFORMATION

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

There are 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 2020 Annual Financial Report which is available at www.nab.com.au.

NOTE ON CASH EARNINGS

The Group's results are presented on a cash earnings basis unless otherwise stated. Cash earnings is a key financial performance measure used by NAB, the investment community and NAB's Australian peers with a similar business portfolio. NAB also uses cash earnings for its internal management reporting, as it better reflects what NAB considers to be the underlying performance of the Group. It is not a statutory financial measure, is not presented in accordance with Australian Accounting Standards, and is not audited or reviewed in accordance with Australian Auditing Standards. The 2020 Full Year Results Announcement provides details of how cash earnings is defined on page 2 and a discussion of non-cash earnings items and full reconciliation of statutory net profit attributable to owners of NAB on pages 98 to 100. The Group's financial statements, prepared in accordance with the Corporations Act 2001 (Cth) and Australian Accounting Standards, and audited by the auditors in accordance with Australian Auditing Standards, were published in the Group's 2020 Annual Financial Report.

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