

# 2022 FIRST QUARTER TRADING UPDATE



The December 2021 quarter results are compared with the quarterly average of the September 2021 half year results for continuing operations 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.

## 1Q22 FINANCIAL HIGHLIGHTS

**\$1.80<sup>BN</sup>**

Unaudited statutory  
net profit

**\$1.80<sup>BN</sup>**

Unaudited  
Cash earnings<sup>1</sup>

**9.1%**

Cash earnings growth  
Vs 1Q21  
(cash earnings before tax and  
credit impairment charges  
up 6%)

**12.4%**

Group Common Equity  
Tier 1 ratio (CET1)

“NAB has started the 2022 financial year well. Cash earnings increased 12% compared with the quarterly average of 2H21, asset quality remained benign and good momentum has continued across our business despite the environment remaining competitive.

Volumes have been strong over the quarter with lending and deposits each up \$18 billion. In Australia, over the three months to December 2021, home lending grew 2.6% and SME business lending increased 3.4%<sup>2</sup>, and we gained market share across our core lending and deposit products<sup>3</sup>. New Zealand loan growth was also strong at 2.2% over the same period.

These results reflect an ongoing focus on executing our strategy, making the bank simpler for customers and colleagues. This is evident in our improving customer net promoter scores<sup>5</sup> in consumer and business over 1Q22, which are pleasingly no longer negative. There is more work to do but we are moving in the right direction.

Disruptions to supply chains and labour markets caused by the recent spread of Omicron present challenges for some of our customers. While this creates uncertainty, we remain optimistic about the outlook for Australia and New Zealand and are well positioned to continue to grow with a strong balance sheet and disciplined execution of a clear strategy.”

**ROSS MCEWAN - NAB CEO**

## SUPPORTING OUR CUSTOMERS & COMMUNITIES

- Strategic Net Promoter Scores (NPS)<sup>5</sup> continued to improve from September to December 2021, with Consumer NPS up 2 points to +1 (ranked 1<sup>st</sup> of major banks) and Business NPS up 3 points to 0 (ranked 2<sup>nd</sup> of major banks)
- More customers can now access Simple Home Loans with the rollout underway in Business & Private Banking. Planned extension to broker customers commencing in 2Q22
- Provided over \$130k in disaster relief grants to customers impacted by the NSW and Queensland floods in November 2021
- Joined the UN-convened Net Zero Banking Alliance, further demonstrating NAB's commitment to support our customers and communities as they transition to net-zero emissions by 2050

## OPERATING PERFORMANCE

Compared with the 2H21 quarterly average, cash earnings increased 12% and cash earnings before tax and credit impairment charges increased 13%. Key drivers include:

- Revenue increased 8% reflecting higher volumes across housing and business lending, increased fees and commissions and a recovery in Markets & Treasury (M&T) income. Excluding M&T, revenue rose 5%;
- Net interest margin (NIM) declined 5 basis points (bps) to 1.64% including a modest negative impact from M&T and higher liquids. Excluding these impacts, NIM declined 2 bps due to competitive pressures and housing lending mix, partly offset by lower funding and deposit costs;
- Expenses increased 2% mainly reflecting higher salaries and leave costs, combined with investment to support growth, partly offset by productivity benefits. While the level of growth and emerging inflationary pressures present challenges, we continue to target broadly flat expenses in FY22<sup>4</sup>.

<sup>1</sup> Refer note on cash earnings on page 3.

<sup>2</sup> SME business lending refers to business lending in NAB's Business & Private Banking division.

<sup>3</sup> Based on APRA Monthly Authorised Deposit-Taking Institution statistics as at December 2021 compared with September 2021 for housing, credit cards, lending to non-financial businesses, household deposits and business deposits.

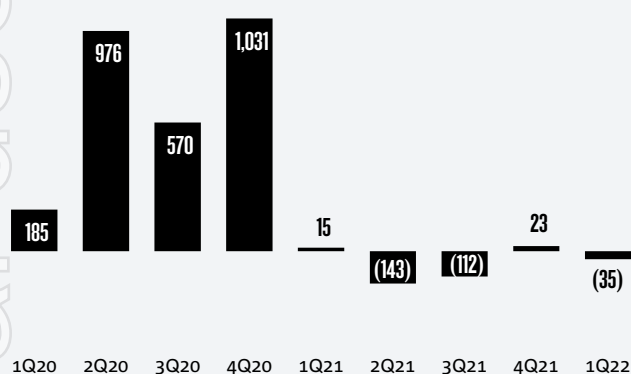
<sup>4</sup> Excluding large notable items, the impact of the proposed acquisition of Citigroup's Australian consumer business and any potential non-recurring AML/KYC related costs including those incurred in addressing the issues subject to investigation by AUSTRAC, such as file remediation and other associated costs. Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 3.

<sup>5</sup> 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. A number of changes have been made to our Strategic NPS measure to align more closely to the Group Strategy. Business NPS is now based on equal (25:25:25) combined weighting of NAB turnover segments: Micro (Up to \$100k turnover), Small (\$100k-\$5m turnover), Medium (\$5m-\$50m turnover), Large (\$50m+). Consumer NPS now excludes consumers with Personal income of \$260k+ and/or investible assets \$1m+. History has been restated. Ranking based on absolute scores, not statistically significant differences.

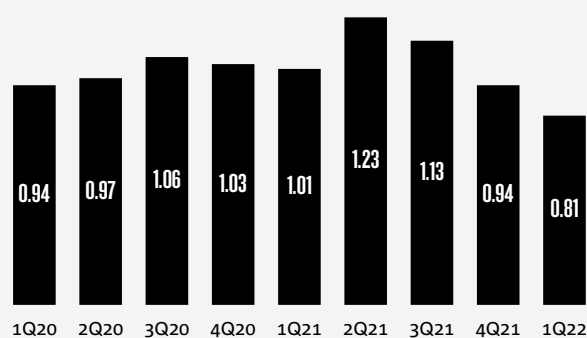
## ASSET QUALITY

- Credit impairment charge (CIC) was a write-back of \$35 million reflecting the impact of higher house prices and improving asset quality across both housing and business lending and continued low specific charges. There has been no change to assumptions used in the Economic Adjustment or Forward Looking Adjustments in 1Q22.
- The ratio of collective provisions to credit risk weighted assets reduced 6 bps to 1.29% from September to December 2021, reflecting the improvement in credit quality in the Australian home loan portfolio and higher volumes.
- The ratio of 90+ days past due and gross impaired assets to gross loans and acceptances decreased 13 bps to 0.81%. The key driver was the continued improvement across the Australian home loan portfolio.

CREDIT IMPAIRMENT CHARGES/(WRITE-BACKS) (\$MILLIONS)

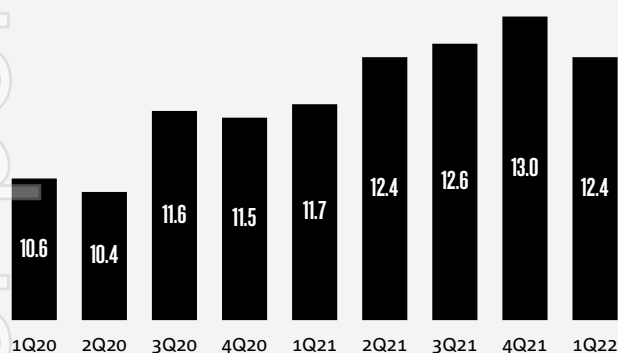


90+ DAYS PAST DUE & GROSS IMPAIRED ASSETS/GROSS LOANS AND ACCEPTANCES (%)



## CAPITAL, FUNDING & LIQUIDITY

CET1 RATIO (%)



### KEY RATIOS AS AT 31 DECEMBER 2021

- Group Common Equity Tier 1 (CET1) ratio of 12.4%, compared with 13.0% at September 2021, including 53 bps impact from payment of the 2021 final dividend and 15 bps impact of shares acquired under the ongoing on-market buy-back
- Pro forma CET1 ratio of 11.9% includes the estimated impacts of the proposed acquisition of the Citigroup Australian consumer business<sup>6</sup> (~31 bps) and the \$1.4 billion balance of the shares to be acquired under the buy-back (~32 bps) less proceeds from the BNZ Life divestment (~6 bps)<sup>7</sup>
- Leverage ratio (APRA basis) of 5.6%
- Liquidity Coverage Ratio (LCR) quarterly average of 132%
- Net Stable Funding Ratio (NSFR) of 122%

<sup>6</sup> The proposed acquisition of the Citigroup Australian consumer business is expected to complete in 1HCY2022, subject to relevant regulatory approvals. Final capital impact of the transaction will be determined following completion.

<sup>7</sup> Sale of BNZ Life is expected to complete in 2022 subject to relevant approvals. Final capital impact of the transaction will be determined following completion.

### FOR FURTHER INFORMATION

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### DISCLAIMER – FORWARD LOOKING STATEMENTS

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 2021 Annual Financial Report which is available at [www.nab.com.au](http://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 2021 Full Year Results – Management Discussion and Analysis provides details of how cash earnings is defined on page 10 and a discussion of non-cash earnings items and full reconciliation of statutory net profit attributable to owners of NAB on pages 75 to 77. 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 2021 Annual Financial Report.