

First Quarter Trading Update

national
australia
bank



2023

The December 2022 quarter results are compared with the quarterly average of the September 2022 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. All figures include the impact of Citigroup's Australian consumer business (the Citi consumer business), acquired by the Group on 1 June 2022 unless otherwise stated.

1Q23 FINANCIAL HIGHLIGHTS

\$2.05BN

Unaudited statutory
net profit

\$2.15BN

Unaudited
Cash earnings¹

18.7%

Cash earnings growth
Vs 1Q22
(cash earnings before tax and
credit impairment charges
up 27%)

11.3%

Group Common Equity
Tier 1 ratio (CET1)

“We have started FY23 with a strong financial performance and our strategy is continuing to drive targeted growth across our business. Lending and deposits both increased by 1% over the December quarter including above system growth in Australian SME business lending².

1Q23 cash earnings rose 18% compared with the 2H22 quarterly average. The higher interest rate environment, resulting from central bank actions to curb inflation, has benefitted our revenue this period. But this is also causing economic growth and house prices to soften, and loan repayments to increase. We know these changing circumstances, combined with cost of living pressures, will create difficulties for some of our customers, and we have a range of options available for those needing support. Overall though, continued strong employment conditions and healthy savings buffers mean most customers look well placed to manage through this period.

Our business is in good shape for this environment. Capital and provisioning remain strong and we are well advanced on our FY23 term wholesale funding task with \$20 billion issued by 10 February. We are investing to deliver simpler, more digital experiences for customers and colleagues and continue to target productivity benefits of approximately \$400 million³ in FY23.

Executing our strategy remains our key priority. We are focused on getting the basics right, maintaining cost discipline, managing our bank safely and improving customer and colleague outcomes to deliver sustainable growth and improved shareholder returns. ”

ROSS MCEWAN – NAB CEO

OPERATING PERFORMANCE

Compared with the 2H22 quarterly average, cash earnings before tax and credit impairment charges increased 23%. Key drivers include:

- Revenue increased 15% reflecting higher margins, stronger Markets & Treasury income and volume growth. Excluding Markets & Treasury, revenue rose 12%;
- Net interest margin (NIM) rose 12 basis points (bps) to 1.79%. Excluding Markets & Treasury and the impact of liquids, NIM rose 15 bps to 1.82% benefitting from the rising interest rate environment partly offset by home lending competition;
- Expenses rose 4%, or 3% excluding the Citi consumer business, with higher staff-related costs partly offset by productivity and lower remediation charges.

SUPPORTING OUR CUSTOMERS & COMMUNITIES

- Strategic Net Promoter Score (NPS)⁴ from September 2022 to December 2022 increased 9 points for Business NPS to +4 (ranked equal 1st of major banks) and fell 3 points for Consumer NPS to -3 (ranking 2nd of major banks)
- Supporting customers manage higher interest rates and cost of living pressures with extra resourcing for NAB Assist and ongoing expansion of ways for customers to receive alerts, self serve and access help including online and in-app
- Accelerating our efforts to protect customers against frauds and scams with new online educational content and tools, security alerts, awareness campaigns and seminars, and arrangements with telecommunication providers to help limit NAB-related spoofing calls and messages
- Supporting customers affected by severe weather and flooding in New Zealand with access to temporary overdrafts with fee waivers and the ability to review home lending facilities on a case-by-case basis, and in Australia's Kimberly region with emergency grants

¹ Refer note on cash earnings on page 3.

² SME business lending refers to business lending in NAB's Business & Private Banking division. Market share derived from RBA statistics as at December 2022. A business is classified as SME under the RBA if NAB has exposure to the business and the business has turnover of less than \$50m.

³ Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 3.

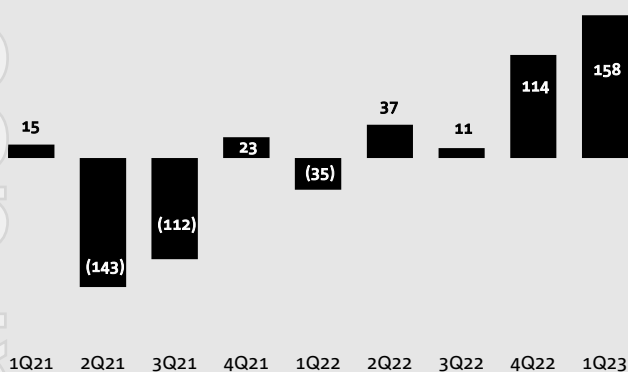
⁴ Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Sourced from DBM Consultants Business and Consumer Atlas, measured on 6 month rolling average. A number of changes have been made to our Strategic NPS measure to align more closely to the Group Strategy. Business NPS is now based on equal (25:25:25:25) 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+. September 2021 and prior has been restated. Ranking based on absolute scores, not statistically significant differences.

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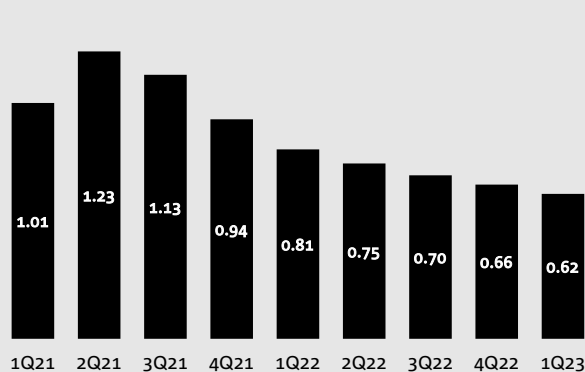
ASSET QUALITY

- Credit impairment charge (CIC) was \$158 million reflecting the impact of lower house prices and business lending volume growth. Specific charges remain at low levels. There has been no impact on CICs from changes to assumptions used in the Economic Adjustment or Forward Looking Adjustments during the quarter.
- Compared with September 2022, the ratio of collective provisions to credit risk weighted assets increased 2 bps to 1.33%.
- The ratio of 90+ days past due and gross impaired assets to gross loans and acceptances decreased 4 bps to 0.62%. This mainly reflects continued improvement across the Australian home loan portfolio, along with a continued low level of impaired assets in the business lending portfolio.

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

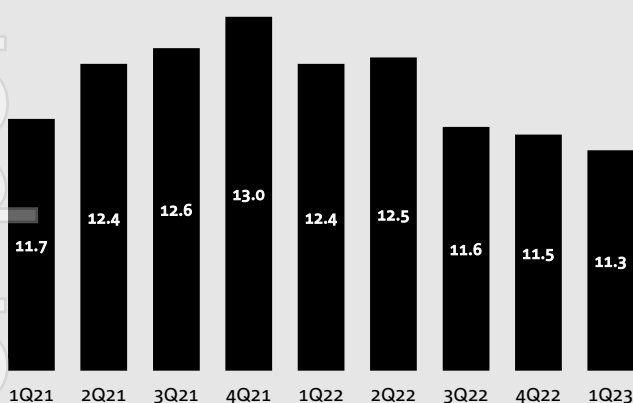


90+ DAYS PAST DUE & GROSS IMPAIRED ASSETS/GROSS LOANS AND ACCEPTANCES (%)



CAPITAL, FUNDING & LIQUIDITY

GROUP CET1 RATIO (%)



KEY RATIOS AS AT 31 DECEMBER 2022

- Group Common Equity Tier 1 (CET1) ratio of 11.3% compared with 11.5% at September 2022, including 55 bps impact from payment of the 2022 final dividend, modest underlying RWA growth and 2 bps impact from the ongoing on-market buy-back in 1Q23⁵
- Estimated proforma Group CET1 ratio of 11.6% includes the impact of the \$0.5 billion balance of the shares to be acquired under the on-market buy-back (~11 bps)⁵ and the estimated uplift for the impact of APRA's revised capital framework effective from 1 January 2023 of approximately 40 bps⁶
- Leverage ratio (APRA basis) of 5.0%
- Liquidity Coverage Ratio (LCR) quarterly average of 134%⁷
- Net Stable Funding Ratio (NSFR) of 118%

⁵ On 24 March 2022 NAB announced the completion of its \$2.5 billion on-market share buy-back (announced on 30 July 2021), and a further on-market buy-back of up to \$2.5 billion. The further buy-back commenced on 6 May 2022 and is expected to be undertaken over approximately 12 months. As at 31 December 2022 \$2.0 billion (68.7 million shares) had been acquired under the further buy-back.

⁶ The impact of APRA's revised capital framework is an estimate only and may be subject to change based on NAB's final implementation of the revised APRA standards.

⁷ Historical LCR quarterly average has been restated for 2021 and 2022 financial years. Refer to the 31 December 2022 Pillar 3 Report for details.

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FOR FURTHER INFORMATION

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This announcement has been authorised for release by Gary Lennon, Group Chief Financial Officer

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) a significant change in the Group's financial performance or operating environment; a material change to law or regulation or changes to regulatory policy or interpretation; and risks and uncertainties associated with the ongoing impacts of the COVID-19 pandemic, the conflict between Russia and Ukraine and other geopolitical tensions, the Australian and global economic environment and capital market conditions. Further information is contained in the Group's 2022 Annual 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 the Group and the investment community. The Group 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 2022 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 a full reconciliation to statutory net profit attributable to owners of NAB on pages 72 to 74. 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 2022 Annual Report.