

First Quarter Trading Update

2024

national
australia
bank



The December 2023 quarter results are compared with the quarterly average of the September 2023 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.

1Q24 FINANCIAL HIGHLIGHTS

\$1.70BN

Unaudited statutory net profit

\$1.80BN

Unaudited Cash earnings¹

(16.9%)

Cash earnings change Vs 1Q23 (cash earnings before tax and credit impairment charges down 13.3%)

12.0%

Group Common Equity Tier 1 ratio (CET1)

OPERATING PERFORMANCE

Compared with the 2H23 quarterly average, cash earnings before tax and credit impairment charges were broadly stable. Key drivers include:

- Revenue increased 1%. Excluding Markets & Treasury (M&T) income, revenue was broadly flat with lower margins (ex M&T) offset by volume growth;
- Net interest margin (NIM) was slightly higher. Excluding M&T and the impact of liquids, NIM declined modestly with higher deposit costs and competitive lending pressures (mostly relating to Australian home lending), partly offset by higher earnings on capital;
- Expenses rose 2%. Excluding the impact of the one-off CSLR provision in 2H23⁴, expenses rose 3% reflecting higher performance-based compensation and leave provisions, higher technology costs and investment in financial crime capability, partly offset by productivity. For FY24 we continue to target productivity savings of approximately \$400m⁵ and for expense growth to be lower than FY23 growth of 5.6%⁶.

“We have started FY24 well. Our 1Q24 financial performance is sound and there is good, targeted momentum across our bank.

Over the December quarter lending balances rose 1%. This includes 2% growth in Australian SME business lending² and 1% growth in Australian home lending. Customer deposit balance growth of 2% across both Business & Private Banking and Personal Banking is also pleasing.

1Q24 cash earnings declined 3% compared with the 2H23 quarterly average but were broadly stable excluding the impact of a higher effective tax rate of 30%. This reflects a continued disciplined approach to growth during what remained a highly competitive period, combined with a focus on productivity to help offset cost pressures.

Strong balance sheet settings were maintained over the December quarter. Our Group CET1 ratio remains above our target range of 11-11.5% even after allowing for completion of our current on-market share buy-back. Collective provisions as a ratio of credit risk weighted assets increased, and our term wholesale funding task is well progressed with \$20 billion issued as at 9 February.

While economic growth has slowed, the Australian economy remains resilient and the majority of our customers are faring well. We continue to be optimistic about the outlook and our bank is in good shape as Andrew Irvine transitions to CEO over coming months³. Improving customer and colleague outcomes remains our key focus to deliver sustainable growth and improved shareholder returns. ”

ROSS MCEWAN – NAB CEO

SUPPORTING OUR CUSTOMERS & COMMUNITIES

- Improving access to capital for First Nations businesses through the development of an Indigenous Business Guarantee in conjunction with Indigenous Business Australia (IBA) – an Australian Government entity - with IBA guaranteeing a portion of the security required for NAB to meet responsible lending requirements
- Supporting customers affected by severe weather and flooding in Queensland and Victoria with \$1,000 grants and additional financial relief to eligible customers
- Partnering with fintech lender Plenti Group Limited to support the purchase of environmentally sustainable products for households including the planned launch of a co-branded secured electric vehicle loan
- Helping small businesses to improve their cyber security capability by partnering with Microsoft to deliver a free, self-assessment tool that provides tailored advice on potential gaps and risks

¹ Refer note on cash earnings on page 3.

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

³ On 7 February 2024, NAB announced the appointment of Andrew Irvine as Group Chief Executive Officer and Managing Director. Mr Irvine will succeed Mr McEwan on 2 April 2024.

⁴ 2H23 expenses included a provision of \$40 million in respect of a one-off levy for the Compensation Scheme of Last Resort (CSLR).

⁵ Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 3.

⁶ Excluding any large notable items. Refer to key risks, qualifications and assumption in relation to forward looking statements on page 3.

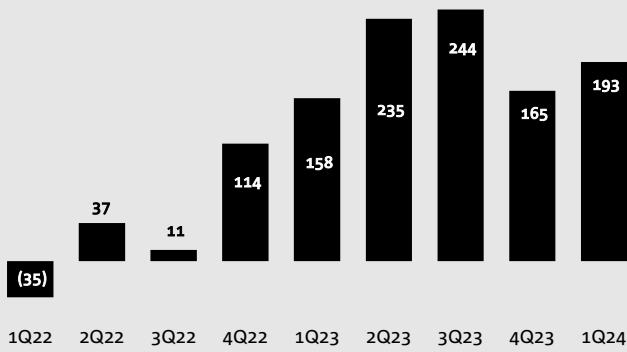
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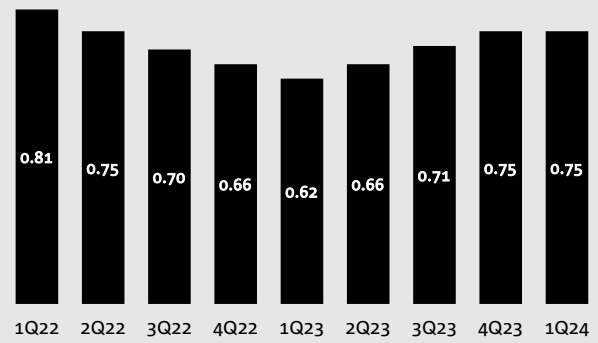
ASSET QUALITY

- Credit impairment charge (CIC) was \$193 million reflecting higher arrears in Australian home lending combined with business lending volume growth. Specific charges remain at low levels. There have been no changes to assumptions used in the Economic Adjustment or Forward Looking Adjustments during the quarter.
- Compared with September 2023, the ratio of collective provisions to credit risk weighted assets increased 2 basis points (bps) to 1.49%.
- The ratio of 90+ days past due and gross impaired assets to gross loans and acceptances was stable at 0.75%. This mainly reflects an increase in arrears in the Australian home loan portfolio, offset by improved performance in the New Zealand business lending portfolio.

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

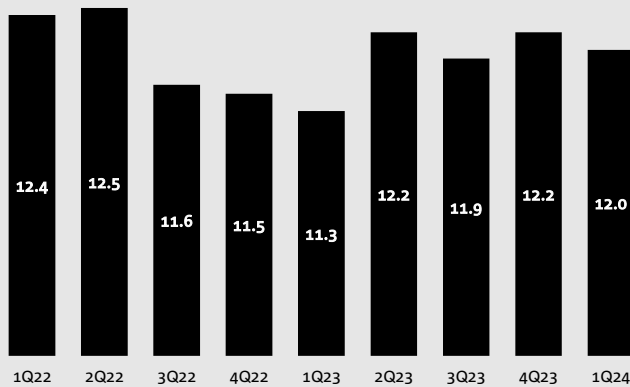


90+ DAYS PAST DUE & GROSS IMPAIRED ASSETS/GROSS LOANS AND ACCEPTANCES (%)



CAPITAL, FUNDING & LIQUIDITY

GROUP CET1 RATIO (%)⁷



KEY RATIOS AS AT 31 DECEMBER 2023

- Group Common Equity Tier 1 (CET1) ratio of 12.0% compared with 12.2% at September 2023, which includes a 60 bps impact from payment of the 2023 final dividend, 7 bps impact from the ongoing on-market buy-back in 1Q24⁸ and a decrease in risk weighted assets relating to Interest Rate Risk in the Banking Book (IRRBB)
- Estimated proforma Group CET1 ratio of 11.7% reflects the impact of the remaining \$0.9 billion balance of the shares to be acquired under the on-market buy-back (~21 bps)⁸
- Leverage ratio of 5.1%
- Liquidity Coverage Ratio (LCR) quarterly average of 140%
- Net Stable Funding Ratio (NSFR) of 117%

⁷ CET1 capital ratio on a Level 2 basis. Ratios from 2Q23 calculated under APRA's revised capital framework effective from 1 January 2023.

⁸ On 15 August 2023 the Group announced its intention to acquire up to \$1.5 billion of ordinary shares via an on-market buyback. \$0.6 billion (20.4 million ordinary shares) have been acquired as at 31 December 2023.

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FOR FURTHER INFORMATION

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This announcement has been authorised for release by Nathan Goonan, Group Chief Financial Officer

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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) 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 conflict between Russia and Ukraine, conflict in the Middle East and other geopolitical tensions, the Australian and global economic environment and capital market conditions. Further information is contained in the Group's Annual Report for the 2023 financial year, 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 2023 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 70 to 72. The Group's financial statements, prepared in accordance with the Corporations Act 2001 (Cth) and Australian Accounting Standards, and audited by the Group's auditors in accordance with Australian Auditing Standards, were published in the Group's 2023 Annual Report.