

# Debt Investor Update

March 2024

This presentation is general background information about the NAB Group. 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. Refer to pages 55-57 for legal disclaimer.

Financial information in this presentation is based on cash earnings, which is not a statutory financial measure. Refer to page 169 of NAB's 2023 Annual Report for a definition of cash earnings and reconciliation to statutory net profit, or, for US investors, to NAB's 2023 Full Year U.S. Disclosure Document.

# Australia and NZ key economic indicators

## Australian economic indicators (%)<sup>1</sup>

	CY20	CY21	CY22	CY23(f)	CY24(f)
GDP growth <sup>2</sup>	-0.1	4.6	2.7	1.4	1.7
Unemployment <sup>3</sup>	6.8	4.7	3.5	3.9	4.5
Trimmed-mean inflation <sup>4</sup>	1.2	2.7	6.9	4.2	3.1
Cash rate target <sup>3</sup>	0.10	0.10	3.10	4.35	4.1

## NZ Economic indicators (%)<sup>1</sup>

	CY20	CY21	CY22	CY23(f)	CY24(f)
GDP growth <sup>2</sup>	1.4	2.5	2.3	-0.1	0.8
Unemployment <sup>3</sup>	4.9	3.2	3.4	4.0	5.5
Inflation <sup>4</sup>	1.4	5.9	7.2	4.7	2.9
Cash rate (OCR) <sup>3</sup>	0.25	0.75	4.25	5.50	5.25

## Australian system growth (%)<sup>5</sup>

	FY20	FY21	FY22	FY23	FY24(f)
Housing	3.3	6.4	7.3	4.0	4.0
Personal	-12.9	-5.4	-0.2	1.4	0.1
Business	1.0	4.1	13.3	6.5	3.3
Total lending	1.6	5.1	8.9	4.7	3.6
System deposits	11.8	8.2	7.7	5.3	3.7

## NZ System growth (%)<sup>5</sup>

	FY20	FY21	FY22	FY23	FY24(f)
Housing	6.8	11.6	5.7	3.0	3.4
Personal	-11.5	-7.7	1.9	4.9	-2.1
Business	-1.5	1.5	5.7	1.1	0.7
Total lending	2.9	7.3	5.6	2.4	2.3
Household retail deposits	9.4	4.5	7.7	5.3	3.3

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

(2) December quarter on December quarter of previous year

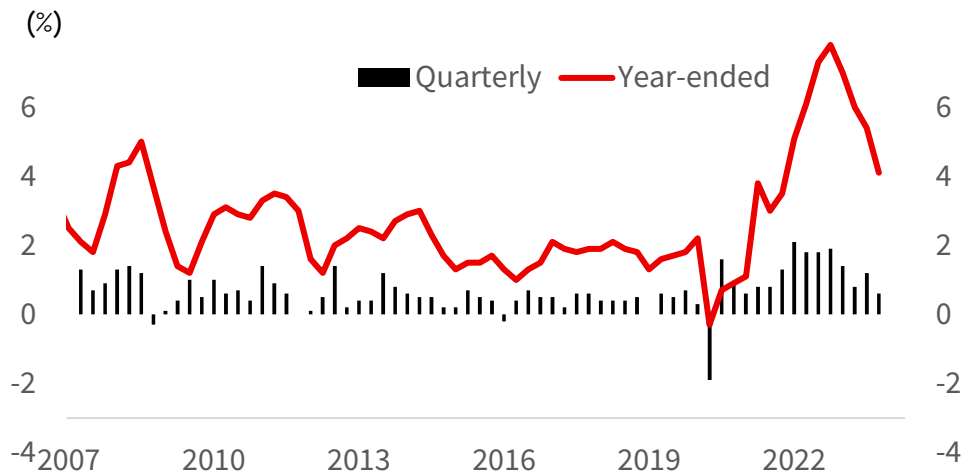
(3) As at December quarter

(4) December quarter on December quarter of previous year. For Australia, trimmed-mean measure of underlying inflation

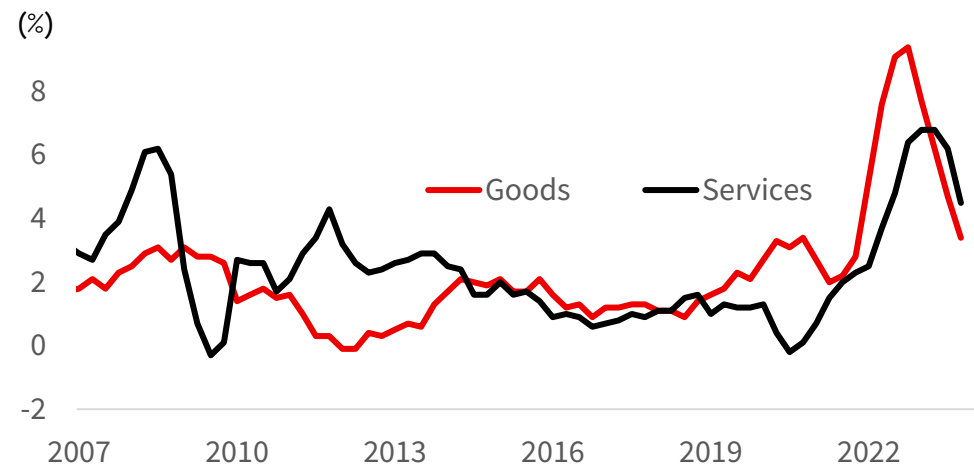
(5) Source: RBA, RBNZ, NAB. Bank fiscal year-ended (September). NZ business credit includes credit to Agriculture and is calculated from break adjusted data

# Inflation is high but moderating and the labour market has held up

## Inflation has moderated<sup>1</sup>



## Services inflation has been more persistent<sup>2</sup>



## The unemployment rate is low<sup>3</sup>



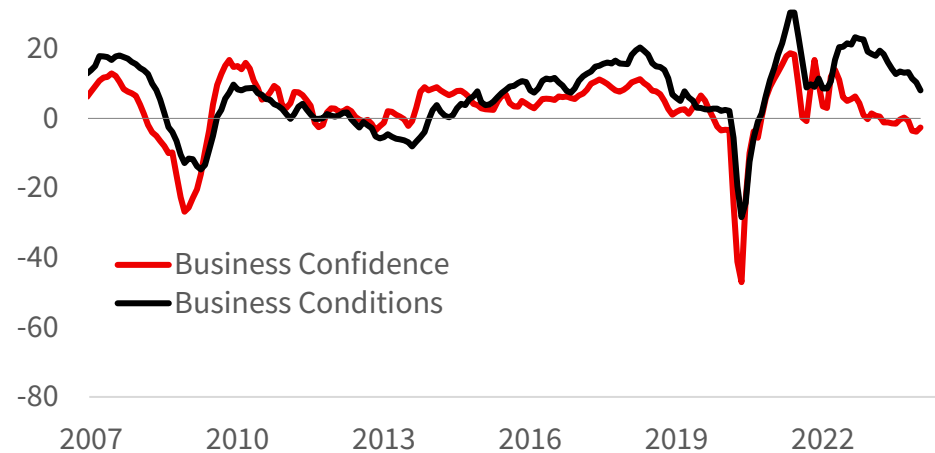
## Job vacancies remain elevated<sup>4</sup>



(1) Source: ABS, Macrobond. Headline, non-seasonally adjusted quarterly CPI. Data to Q4 2023  
(2) Source: ABS, Macrobond. Market goods and services measures from the Quarterly CPI release. Data to Q4 2023  
(3) Source: ABS, Macrobond. Data to January 2024  
(4) Source: ABS, Macrobond. Australia-wide job vacancies. Data to Q4 2023

# The business sector has remained resilient, and consumers are adjusting

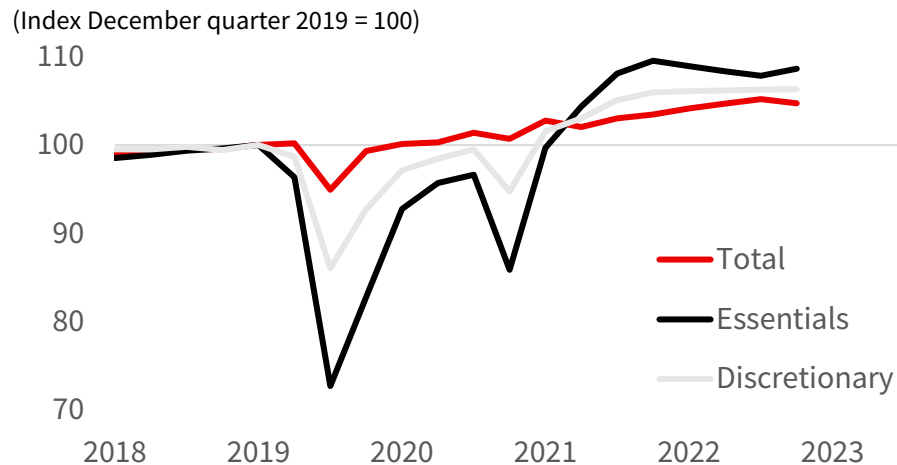
Confidence and conditions have eased<sup>1</sup>



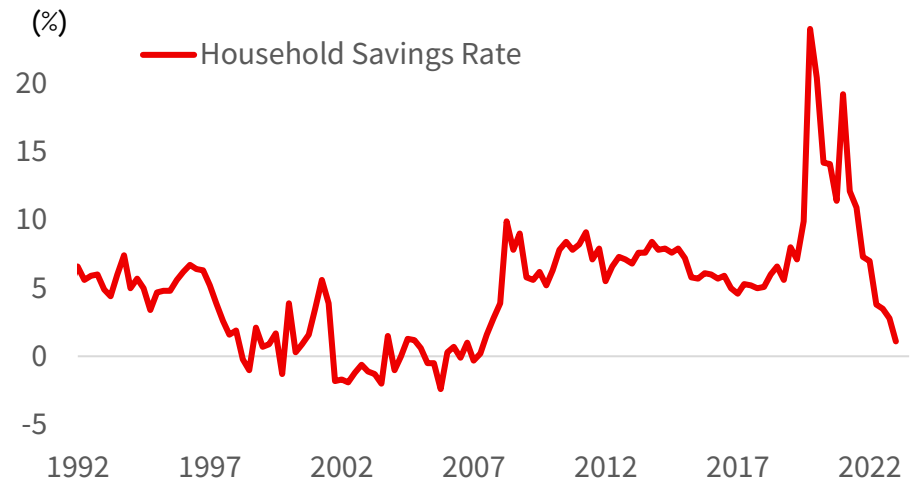
Capacity utilisation is high<sup>2</sup>



Discretionary spending had declined slightly<sup>3</sup>



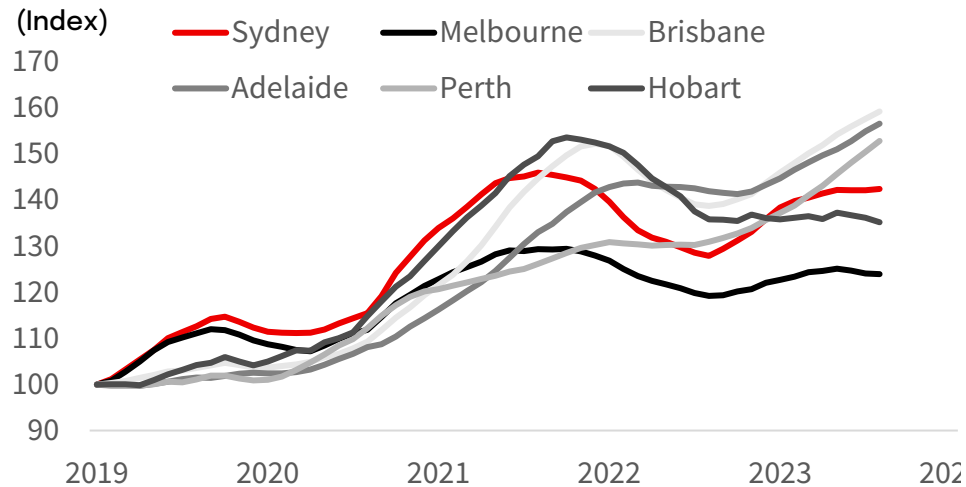
The household savings rate is now below pre-COVID levels<sup>4</sup>



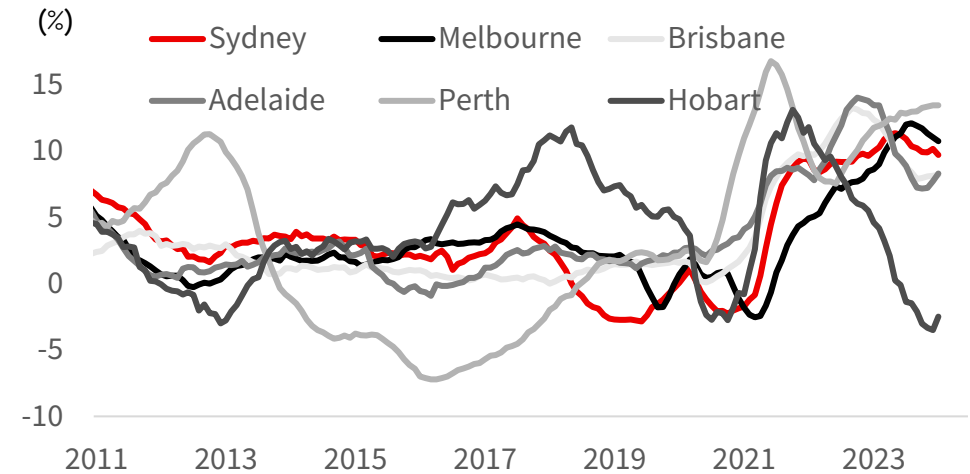
(1) Source: NAB Economics. Three-month moving average of all industry measures from the NAB Monthly Business Survey. Ppt deviation in the Net Balance from average since March 1997. Data to January 2024  
 (2) Source: NAB Economics. Data to January 2024  
 (3) Source: ABS, Macrobond. Analytical measures of consumption from the quarterly national accounts release. Data to Q3 2023  
 (4) Source: ABS, Macrobond. Net savings rate from the quarterly national accounts release. Data to Q3 2023

# House prices have rebounded and rents remain strong

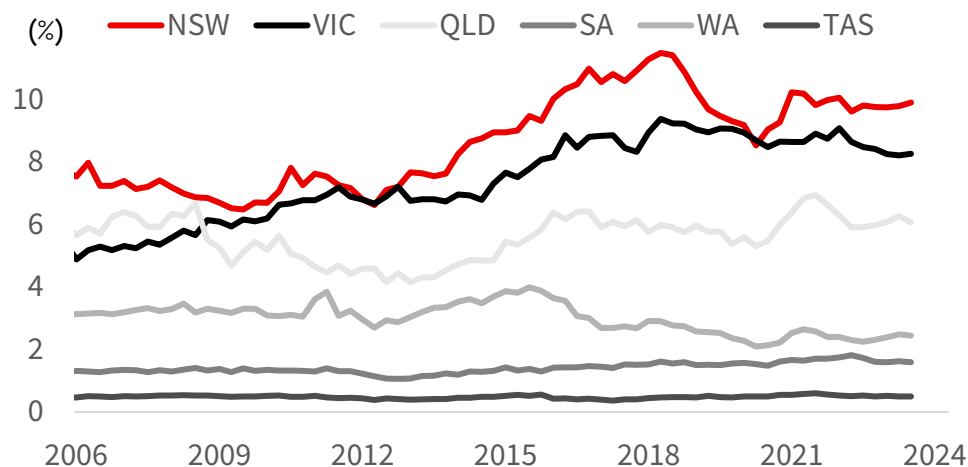
## House prices have rebounded<sup>1</sup>



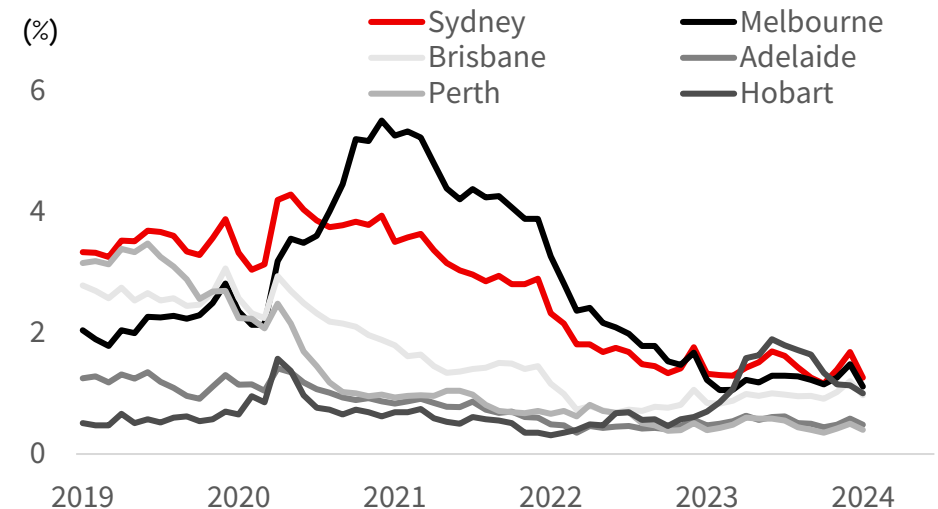
## Rents growth is strong across most capital cities<sup>2</sup>



## Dwelling investment has levelled off<sup>3</sup>



## Rental vacancy rates are low<sup>4</sup>



(1) Source: CoreLogic. Greater Capital City Hedonic Dwelling Price Index, Index June 2019 = 100. Data to 31 January 2024

(2) Source: CoreLogic. Hedonic measure of advertised rents. Data to 31 January 2024

(3) Source: ABS, Macrobond. Chain volume measure (reference year 2019-20). Data to Q3 2023

(4) Source: SQM Research, Macrobond. Data to 31 January 2024

# We have a clear long term 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

Personal & SME

### ubank

Customer acquisition

## How we work



Excellence for customers



Grow together



Be respectful



Own it

## Measures for success



Engagement



NPS growth



Cash EPS growth



Return on Equity

# 1Q24 Trading Update<sup>1</sup>

As at 31 December 2023

## 1Q24 FINANCIAL HIGHLIGHTS

**\$1.70**BN

Unaudited statutory  
net profit

**\$1.80**BN

Unaudited  
Cash earnings<sup>2</sup>

**(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

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 offset by volume growth
- **Net interest margin (NIM)** was slightly higher. Excluding M&T and the impact of liquids, NIM declined modestly with higher deposits 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 2H23<sup>3</sup>, expenses rose 3% reflecting higher performance-based compensation and leave provisions, higher technology costs and investment in financial crime capability, partly offset by productive. For FY24 we continue to target productivity savings of approximately \$400m<sup>4</sup> and for expense growth to be lower than FY23 growth of 5.6%<sup>5</sup>

(1) 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 \$50m. Revenue, expenses and asset quality are expressed on a cash earnings basis.

(2) Refer to note on cash earnings in disclaimer on page 55

(3) 2H23 expenses included a provision of \$40m in respect of a one-off levy for the Compensation Scheme of Last Resort (CSLR)

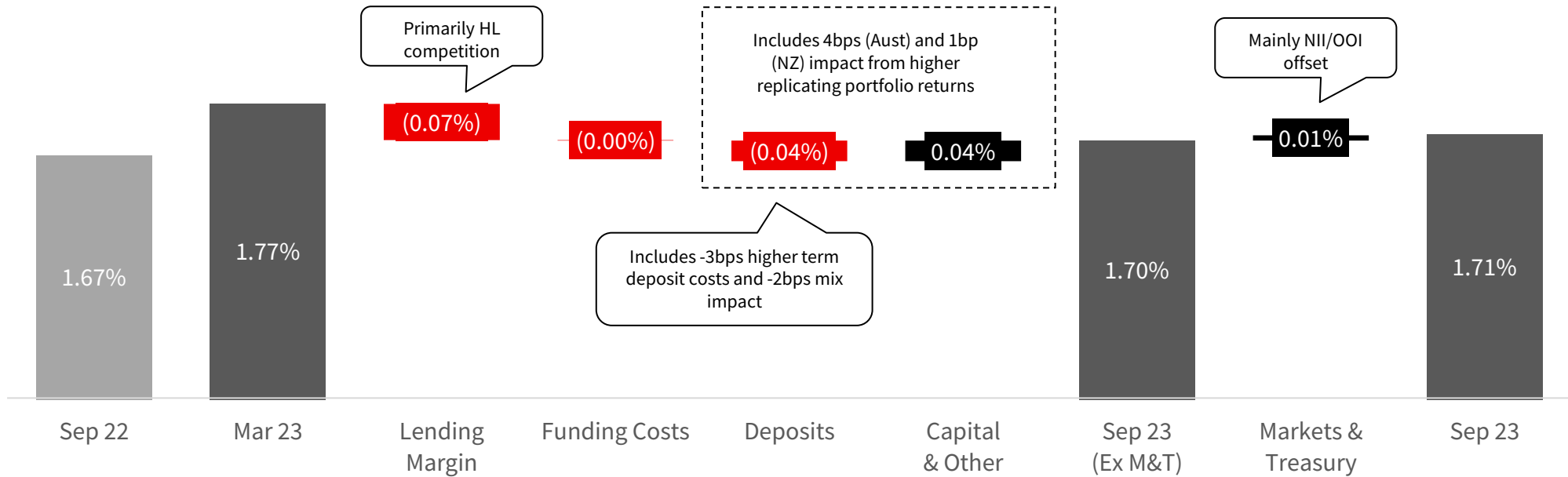
(4) Refer to key risk, qualifications and assumptions in relation to forward looking statements on page 55

(5) Excluding any large notable items

# Net interest margin

As at 30 September 2023

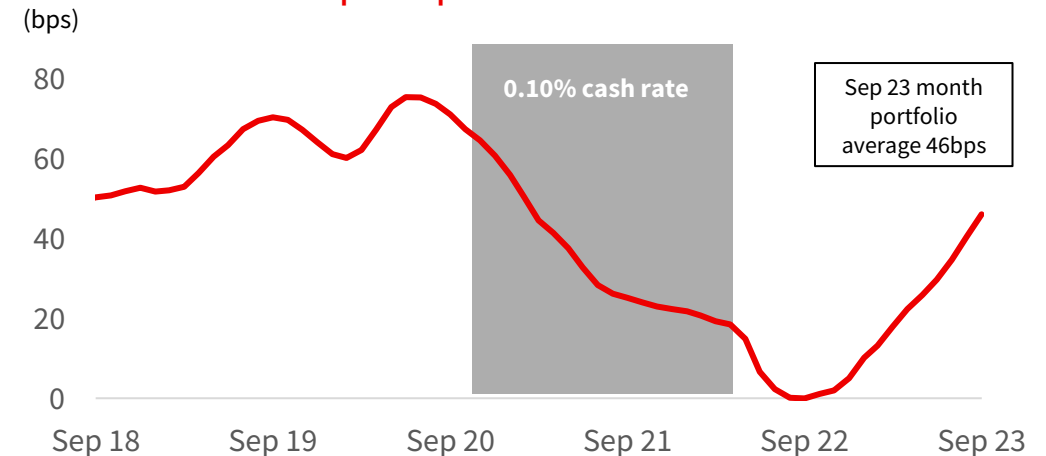
## Net interest margin (HoH)



## Key considerations for 1H24 NIM<sup>1</sup>

- Home lending (HL) competition headwinds expected to continue
- Ongoing deposit headwinds, primarily from higher term deposit costs
- Funding costs to include ~1bps impact of TFF refinancing
- Benefit of higher swap rates on deposit and capital replicating portfolios of ~4bps<sup>2</sup>

## Australian term deposit portfolio costs<sup>3</sup>



(1) Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 55

(2) Based on current market implied 3 and 5 year swap rates trajectory as of 30 September 2023 for the Australian and New Zealand capital and deposit replicating portfolios respectively

(3) Monthly management data. Total deposit portfolio cost over relevant market reference rate

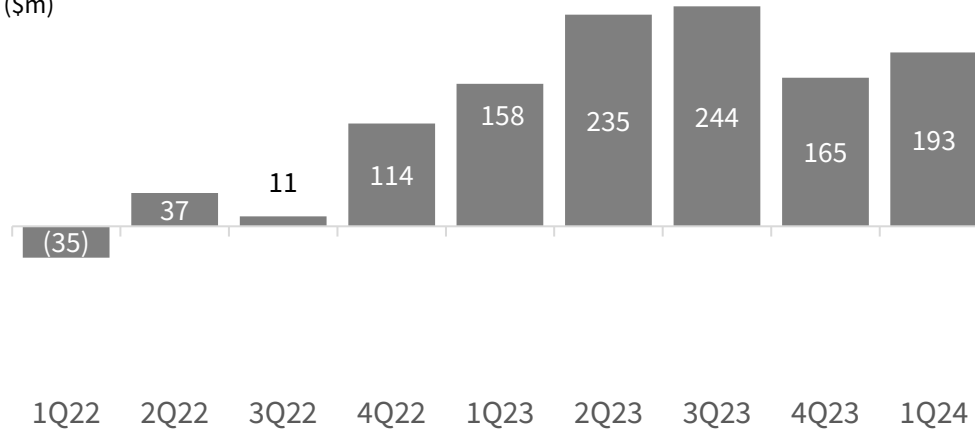


# Asset quality

As at 31 December 2023

## Credit Impairment Charges/(Writebacks)

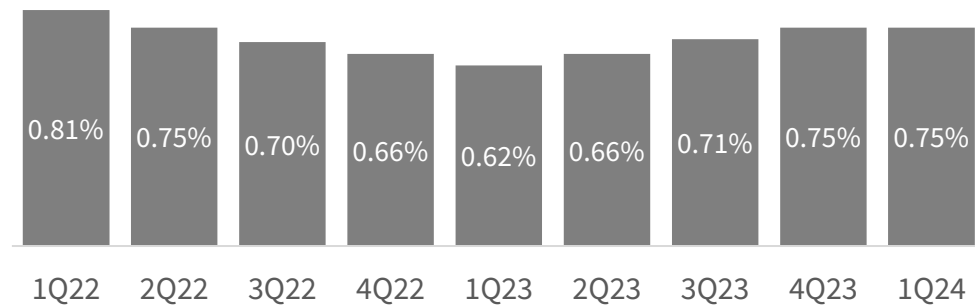
(\$m)



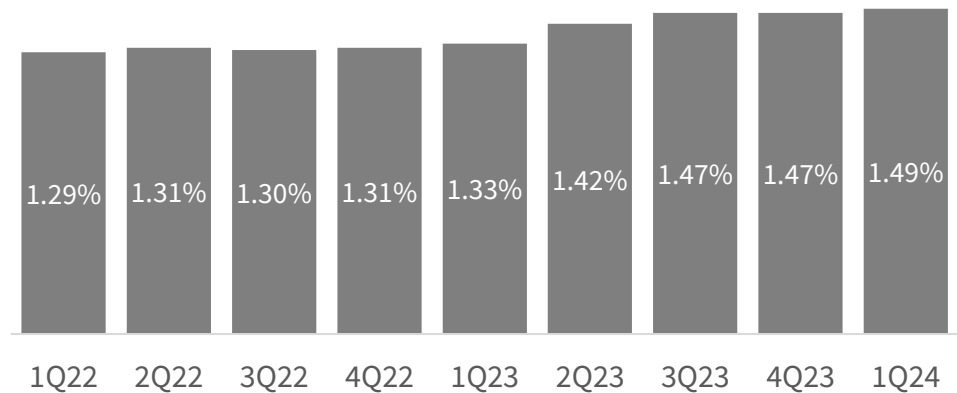
## 1Q24 Key Considerations

- Credit impairment charge (CIC) of \$193m reflecting higher arrears in Australian home lending combined with business lending volume growth
- Specific charges remain at low levels
- Collective provisions to credit RWA increased 2bps to 1.47%
- 90+ days past due and gross impaired assets to gross loans and acceptances of 0.75% reflecting an increase in arrears in the Australian home loan portfolio, offset by improved performance in the New Zealand business lending portfolio

## 90+DPD and Gross impaired assets as a % of GLAs



## Collective Provision Coverage/Credit Risk Weighted Assets

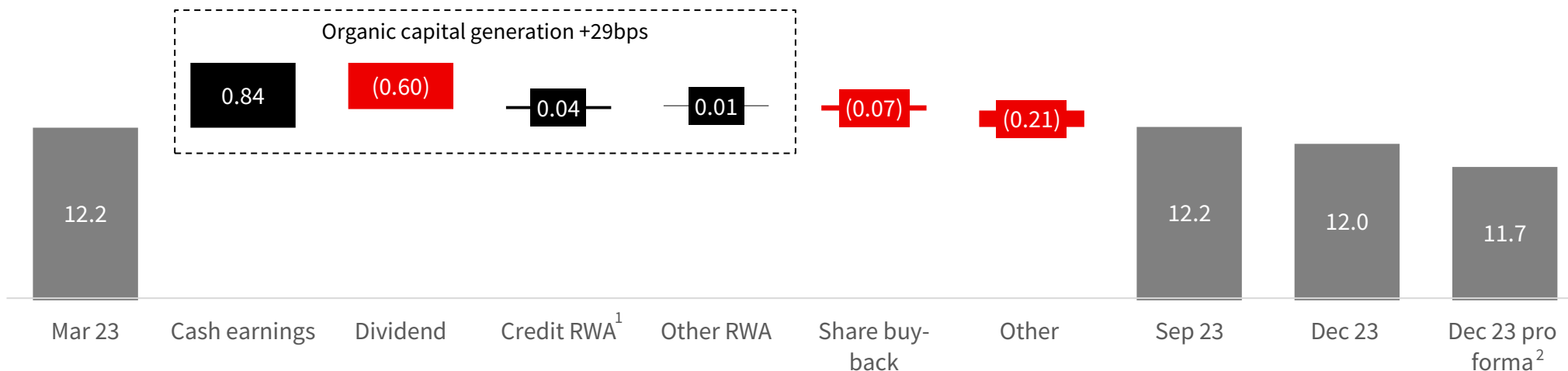


# Capital remains above target range

As at 31 December 2023

## Level 2 Basel III CET1 capital ratio

(%)



## Risk-weighted assets

(\$bn)



(1) Excludes FX translation

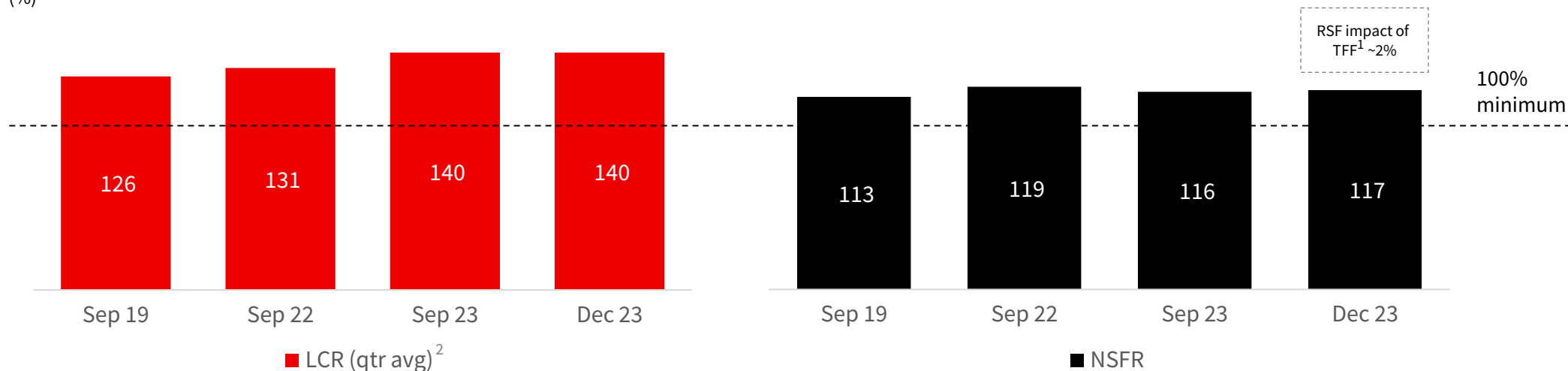
(2) On 15 August 2023 the Group announced its intention to acquire up to \$1.5bn of ordinary shares via an on-market buyback. \$0.6bn (20.4m ordinary shares) have been acquired as at 31 December 2023. Pro forma capital reflects the impact of the remaining \$0.9bn balance of the shares to be acquired under the on-market buyback (~21bps)

# Strong funding and liquidity metrics

As at 31 December 2023

## Liquidity position well above regulatory minimums

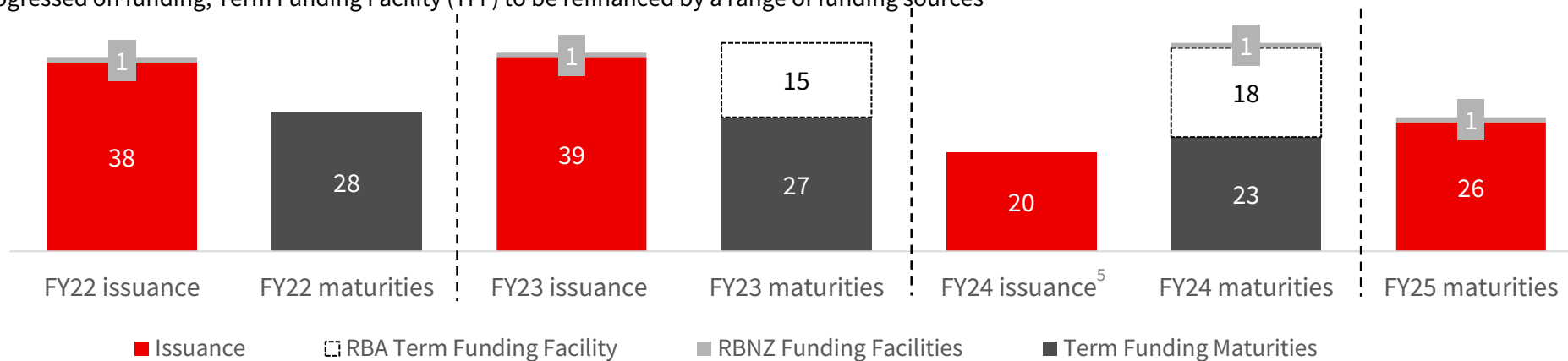
(%)



## Term funding issuance<sup>3</sup> & maturity profile<sup>4</sup>

Well progressed on funding, Term Funding Facility (TFF) to be refinanced by a range of funding sources

(\$bn)



(1) Group NSFR at Dec 2023 includes a 2.0% benefit from the Required Stable Funding (RSF) treatment of TFF collateral. This will no longer be available following the repayment of the TFF  
 (2) Average LCR for the three months ended 30 September 2022 has been restated from that previously disclosed. Details of the restatement are outlined in the Appendix to the December 2022 Pillar 3 Report  
 (3) Includes senior unsecured, secured (covered and RMBS) and subordinated debt with an original term to maturity or call date greater than 12 months, excludes AT1 instruments. FX rate measured at time of issuance  
 (4) Maturity profile of funding with an original term to maturity greater than 12 months, excludes AT1 and RMBS. Spot FX rate at 30 September 2023  
 (5) As at 9 February 2024

# Short Term Wholesale Funding

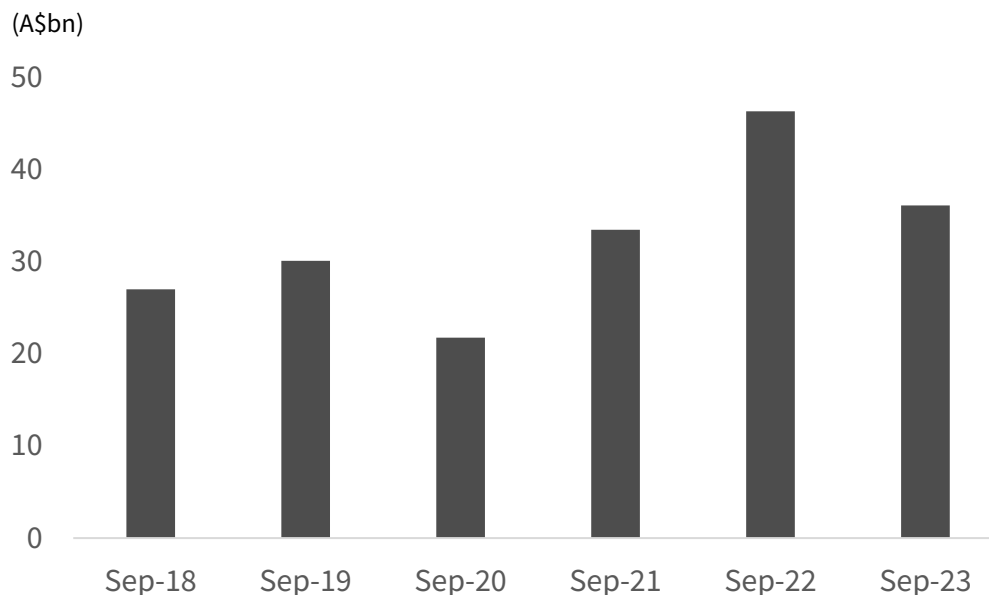
As at 30 September 2023

- NAB raises short term wholesale funding globally to support funding and liquidity requirements
- Short term wholesale volumes have been relatively stable over time
- Significant capacity relative to programme size
- Tenor has been extended in recent years to support balance sheet structure and refinancing profile

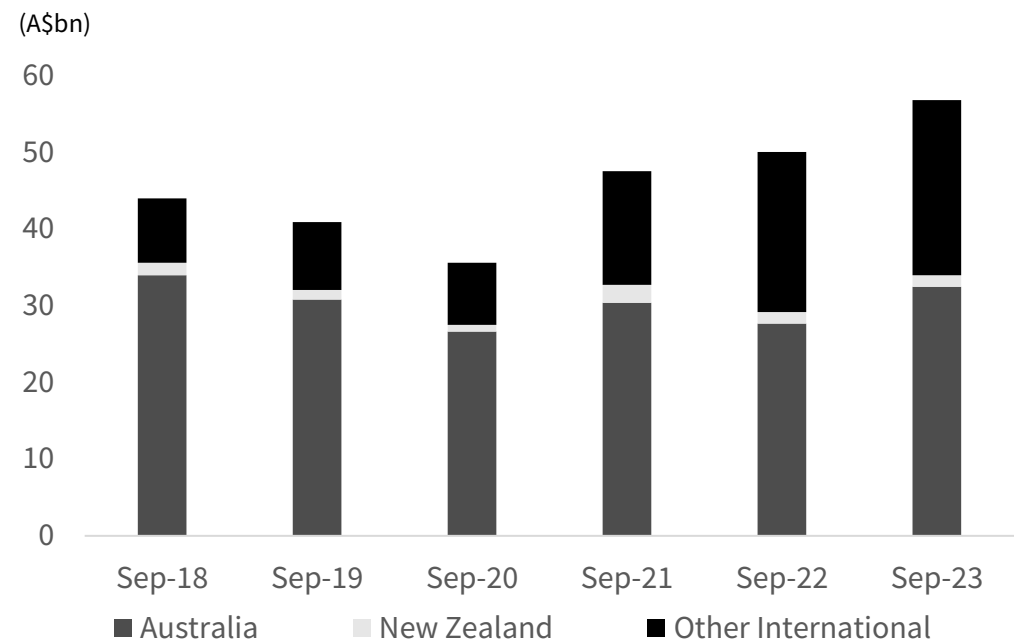
## NAB short-term funding instruments

Location	Limit	Type	Issuer
Europe	US\$20bn	Euro Commercial Paper	National Australia Bank Limited
United States	US\$45bn	Commercial Paper Programme	National Australia Bank Limited
United States	US\$10bn	Commercial Paper Programme	National Australia Funding (Delaware) Inc. (guaranteed by National Australia Bank Limited)
Global	Not issued from program	Negotiable Certificates of Deposit (NCDs) and Certificates of Deposit (CDs)	National Australia Bank Limited, NAB London and New York Branches, Bank of New Zealand

## Commercial paper and other borrowings<sup>1</sup>



## Certificates of deposits by geographic location<sup>1</sup>



(1) Group numbers. Refer to page 54 of NAB's 2023 Full Year Results disclosures

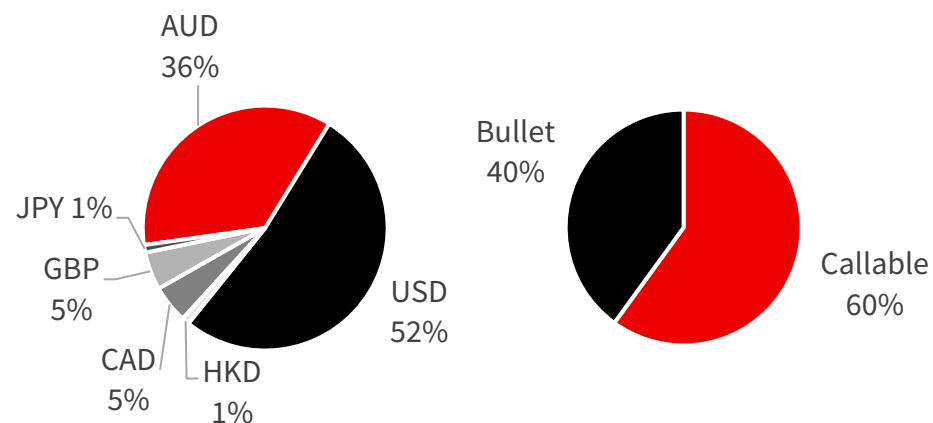
# Loss-absorbing capacity

As at 31 December 2023

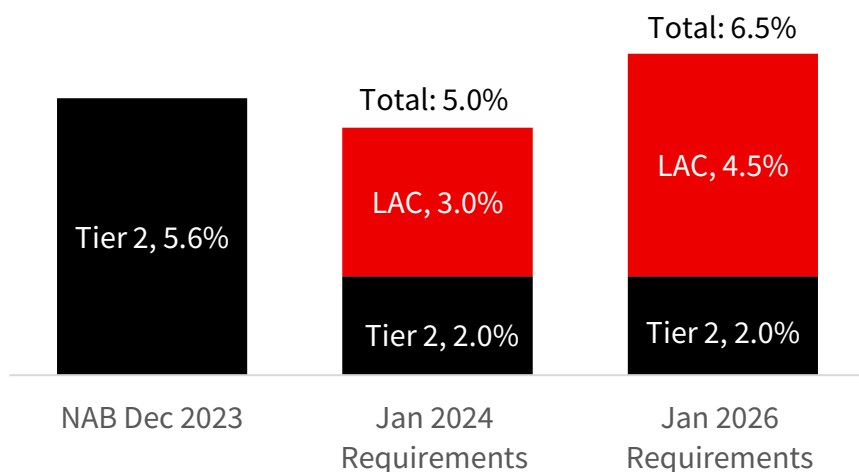
- Based on the Group's RWA and Total Capital position as at 31 Dec 23, NAB has met the interim Group Total Capital requirement for Jan 24, and has an incremental \$3.8bn requirement by Jan 26
- \$3.4bn of NAB's existing Tier 2 Capital has optional redemption dates prior to Jan 26<sup>1</sup>

(\$bn)	Jan 24	Jan 26
Group RWA (at Dec 23)	431.5	431.5
Total Tier 2 Requirement (5.0% by Jan 24, 6.5% by Jan 26) <sup>2</sup>	21.6	28.0
Existing Tier 2 at Dec 23 (5.6%)	24.2	24.2
Current Shortfall	-	3.8

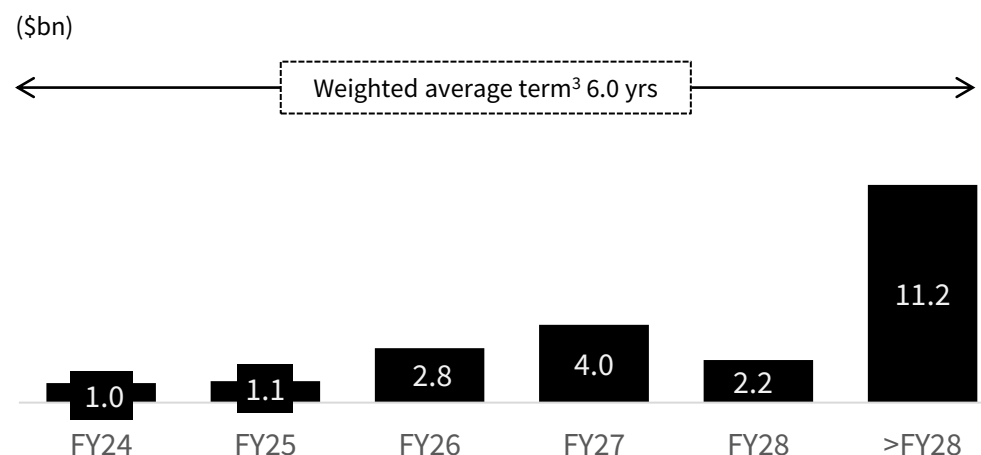
## NAB Tier 2 outstanding issuance



## APRA changes to major banks' capital structures



## NAB Tier 2 runoff<sup>2</sup>



(1) Any early redemption would be subject to prior written approval from APRA (which may or may not be provided)

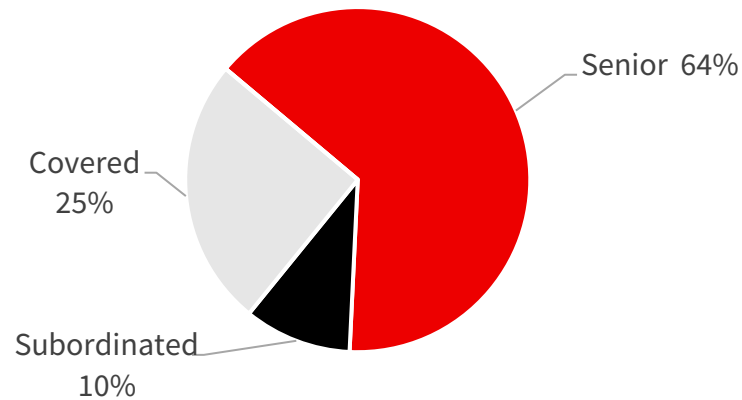
(2) Based on remaining term to maturity (adjusted for any capital amortisation) or to first optional call date (subject to APRA approval)

(3) Based on capital value, including adjustments for any capital amortisation

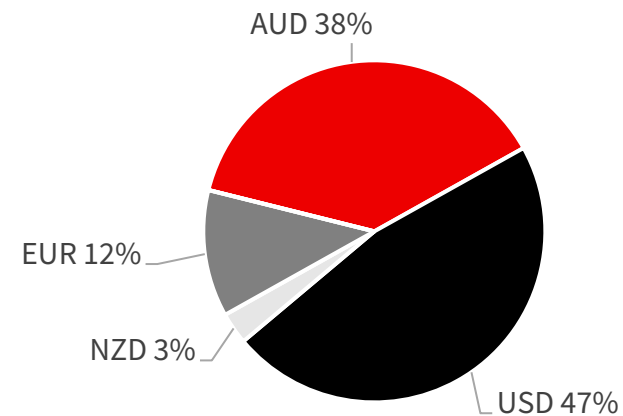
# Diversified & flexible term wholesale funding portfolio

As at 9 February 2024

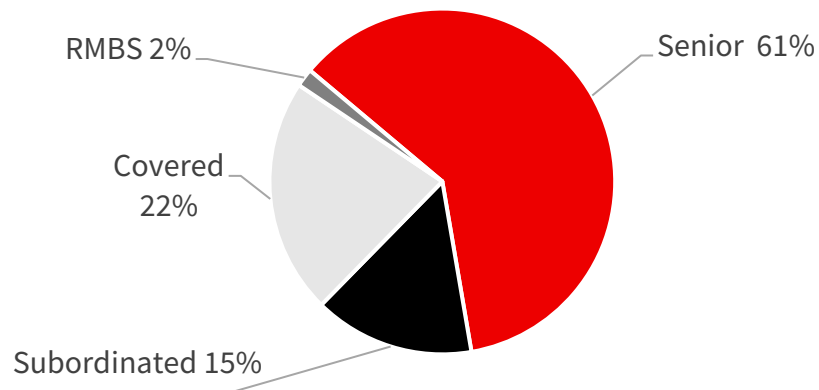
## YTD Issuance by product type<sup>1</sup>



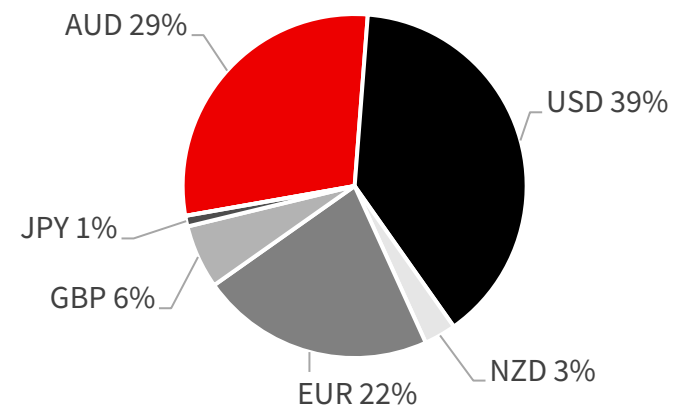
## YTD Issuance by currency<sup>1</sup>



## Outstanding issuance by product type<sup>1, 2</sup>



## Outstanding issuance by currency<sup>1</sup>



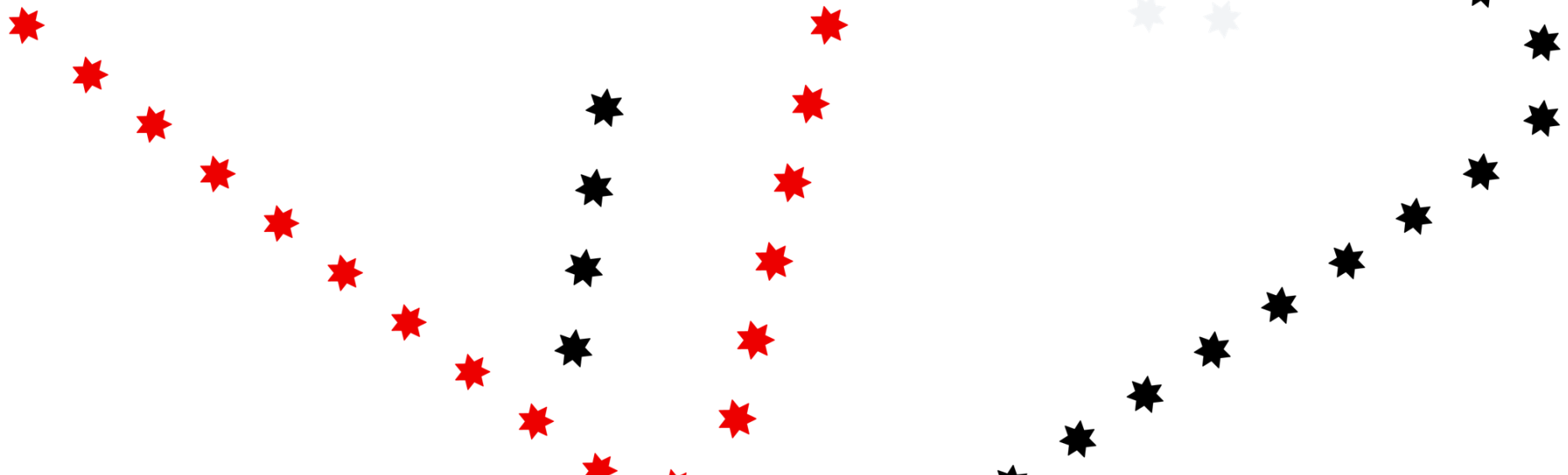
(1) Excludes Additional Tier 1, RBA Term Funding Facility and RBNZ funding facilities

(2) At 31 January 2024, NAB has utilised 45% of its covered bond capacity. Capacity based on current rating agency over collateralisation (OC) and legislative limit



# Additional information

FY23 Results: Financials



# Strong financial results in FY23

Metric	FY23	FY22	FY23 v FY22
Statutory net profit (\$m)	7,414	6,891	7.6%
<b>Continuing operations<sup>1</sup></b>			
Net operating income (\$m)	20,654	18,296	12.9%
Operating expenses (\$m)	(9,023)	(8,274)	9.1% (5.6% ex Citi and CSLR <sup>2</sup> )
Underlying profit (\$m)	11,631	10,022	16.1%
Cash earnings <sup>3</sup> (\$m)	7,731	7,104	8.8%
Cash ROE <sup>4</sup>	12.9%	11.7%	120bps
Dividend (cents)	167	151	16
Cash payout ratio <sup>5</sup>	67.7%	68.4%	(70 bps)

(1) Includes the impact of Citi Consumer Business

(2) CSLR - Compensation Scheme of Last Resort

(3) Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners of NAB is set out in Note 2 Segment information of the Financial Report on page 169 of NAB's 2023 Annual Report, or for US investors, in NAB's 2023 Full Year U.S. Disclosure Document

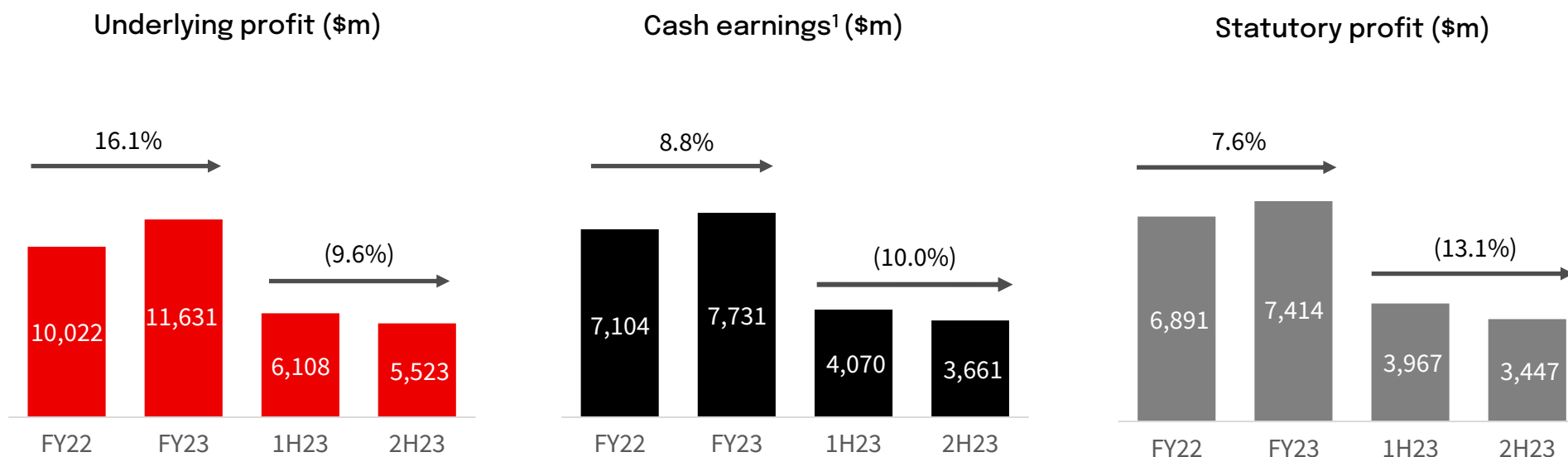
(4) FY19 and FY20 ROE exclude large notable items. Statutory return on equity and statutory earnings per share (EPS) are presented on page 106 of the 2023 Annual Report, or for US investors, in NAB's 2023 Full Year U.S. Disclosure Document

(5) Based on basic cash earnings per share (EPS)



# Group Financial Results

As at 30 September 2023



P&L key financial indicators	FY23 (\$m)	FY23 v FY22	2H23 (\$m)	2H23 v 1H23
Net operating income	20,654	12.9%	10,125	(3.8%)
<i>ex Markets &amp; Treasury</i>	18,981	12.2%	9,363	(2.7%)
Operating expenses	(9,023)	9.1%	(4,602)	4.1%
Credit impairment charge	(802)	Large	(409)	4.1%

(1) Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners of NAB is set out in Note 2 Segment information of the Financial Report on page 169 of NAB's 2023 Annual Report, or for US investors, in NAB's 2023 Full Year U.S. Disclosure Document

# Divisional contributions

Divisional cash earnings <sup>1</sup>	FY23 (\$m)	FY23 v FY22	2H23 (\$m)	2H23 v 1H23
Business and Private Banking	3,318	10.1%	1,604	(6.4%)
Personal Banking	1,446	(9.1%)	661	(15.8%)
Corporate and Institutional Banking	1,870	14.9%	930	(1.1%)
New Zealand Banking <sup>2</sup>	1,522	8.5%	697	(15.5%)

(1) Refer to page 169 of NAB's 2023 Annual Report for definition of cash earnings and reconciliation to statutory net profit, or for US investors, to NAB's 2023 Full Year U.S. Disclosure Document

(2) New Zealand Banking in local currency

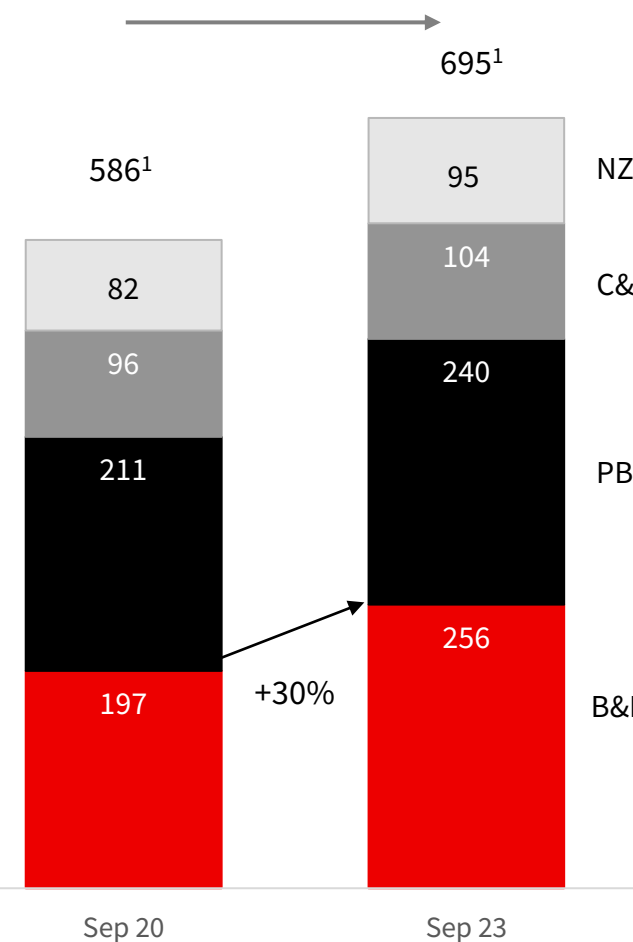
# Portfolio tilt and strategic execution driving returns

Portfolio mix increasingly tilted to high returning B&PB

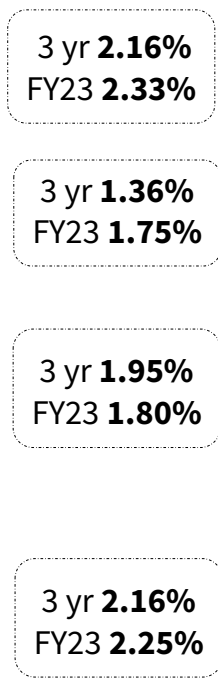
Delivering a higher ROE, while maintaining a strong balance sheet

GLAs by division (\$bn)

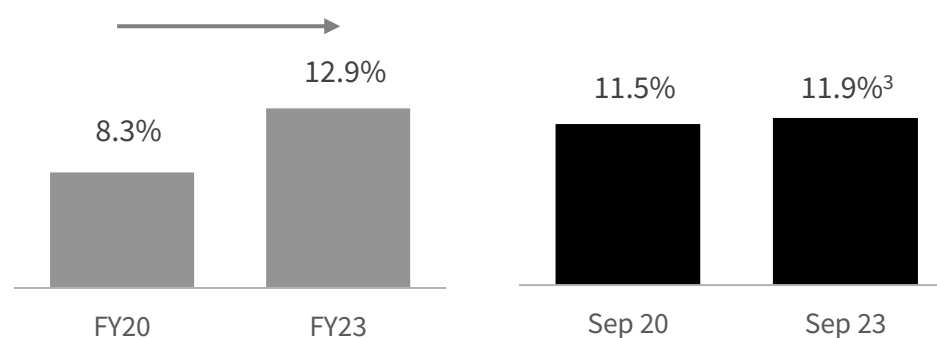
19%



RoRWA<sup>2</sup>



ROE up 4.6%



## Executing our strategy

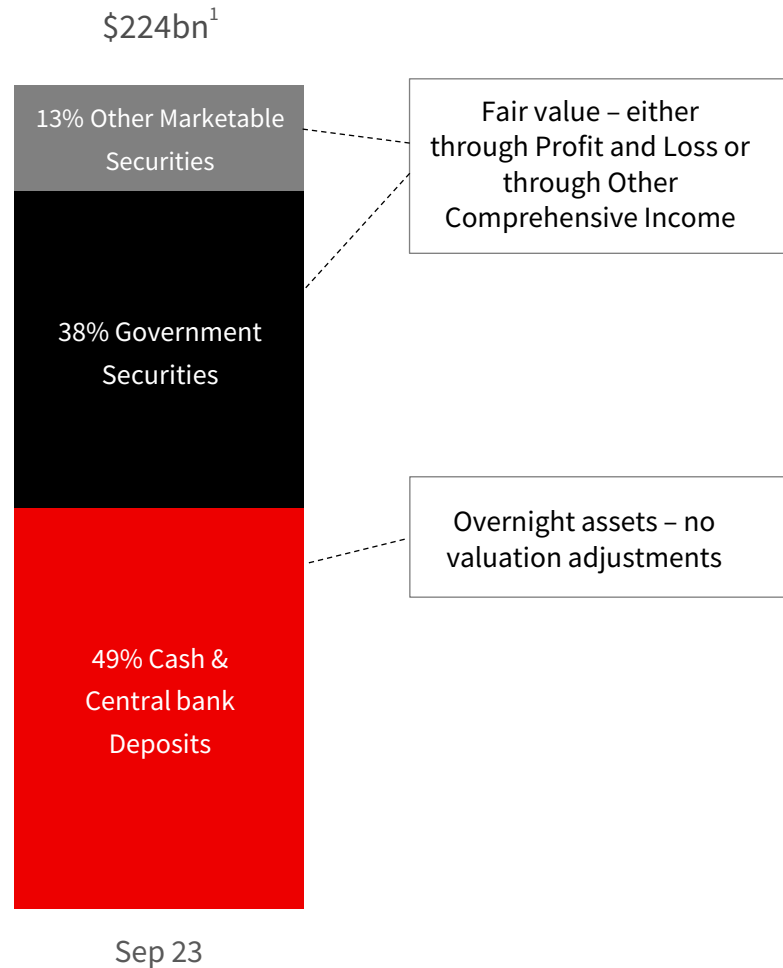
- **Increasing deposit quality** over the long term
- **Disciplined approach to lending** – investing to grow in high returning B&PB segment with more selective approach in other divisions
- **Managing costs** while continuing to invest to support long term growth and productivity
- Maintaining **prudent balance sheet settings** through the cycle
- **Good organic capital** generation

(1) Total GLAs exclude balances in the Corporate Functions and Other (\$8bn at Sep 20 and \$13bn at Sep 23)

(2) Average divisional return on risk-weighted assets in FY21, FY22 and FY23. NZ Banking RoRWA relates to CET1 requirements in NZ which will ultimately be higher than Group as RBNZ capital reform is phased in

(3) Pro forma CET1 including the remaining \$1.2bn of the \$1.5bn buy-back announced in Aug 2023 (-28bps at Level 2)

# Treatment of marketable securities and cash



- NAB's marketable securities and cash of \$224bn are largely regulatory compliant HQLA with small holdings for customer activities
- Over half of the regulatory compliant HQLA are held in cash or overnight deposits at central banks resulting in no interest rate risk
- Marketable securities are hedged with derivatives to manage interest rate risk with any residual risk largely credit spread related
- All marketable securities and associated derivatives are:
  - Marked to market in Profit and Loss (P&L) or in Other Comprehensive Income (OCI)<sup>2</sup>
  - Recognised at fair value in regulatory capital metrics
- APRA's APS 117 IRRBB standard requires additional IRRBB capital to be held against any residual interest rate exposures and credit spread risk

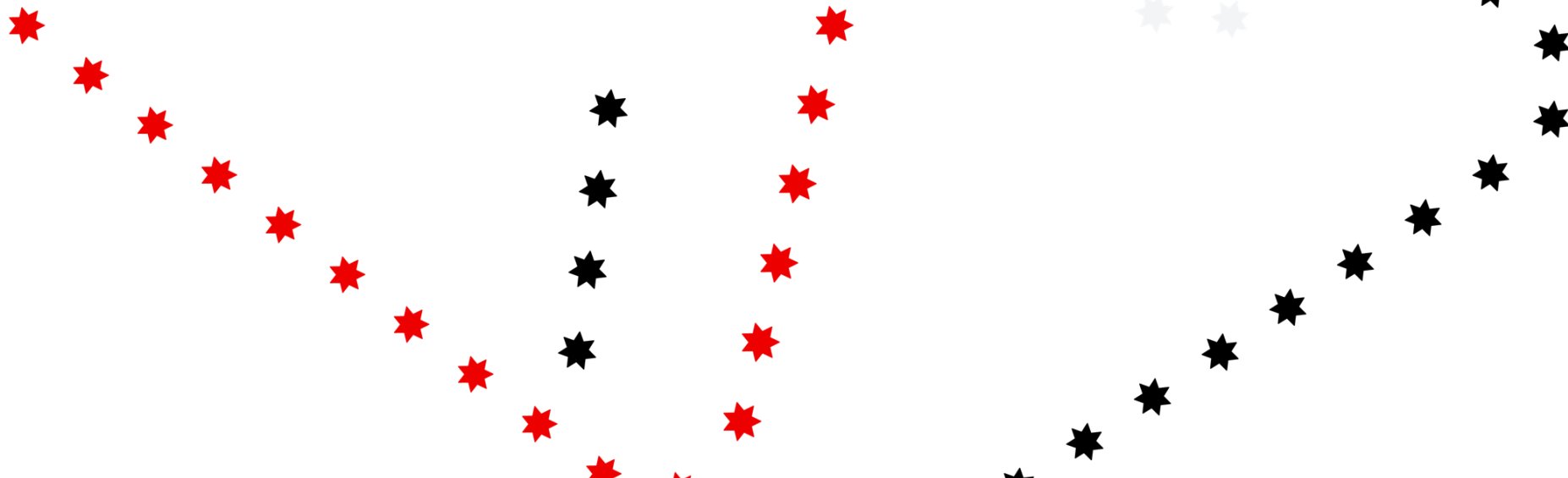
(1) Marketable securities and cash as per NAB's Funded Balance Sheet (refer to slide 112 of NAB's FY23 Investor Presentation)

(2) Treatment is determined under NAB's Accounting Policy with trading securities measured at fair value through profit and loss and debt instruments measured at fair value through other comprehensive income



# Additional information

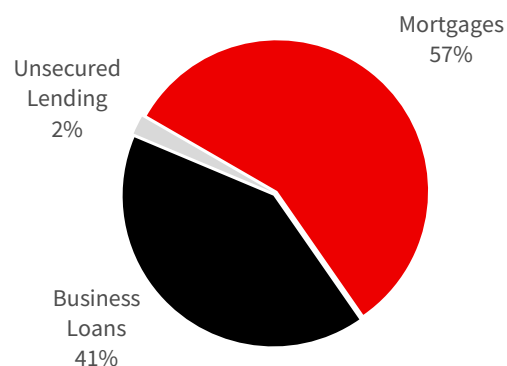
FY23 Results: Asset Quality



Cash earnings divisional split <sup>1</sup>	% of FY23 Cash Earnings
Business and Private Banking	43%
Personal Banking	19%
Corporate and Institutional Banking	24%
New Zealand Banking	18%
Corporate Functions & Other	(4%)
Cash earnings	100%

Key Financial Data	FY23
Cash Earnings <sup>1</sup>	\$7,731m
Cash ROE	12.9%
Gross Loans & Acceptances	\$708.5bn
Customer deposits	\$587.4bn
90+ DPD and gross impaired loans as % of GLAs	75 bps
CET1 (APRA)	12.22%
NSFR (APRA)	116%
Australian Market Share	As at Sep 23
Business lending <sup>2</sup>	21.7%
Housing lending <sup>2</sup>	14.7%
Cards <sup>2</sup>	26.4%
Key Non-Financial Data	FY23
# FTE <sup>3</sup>	38,128
# Branches / Business Centres	643

## Gross loans & acceptances split

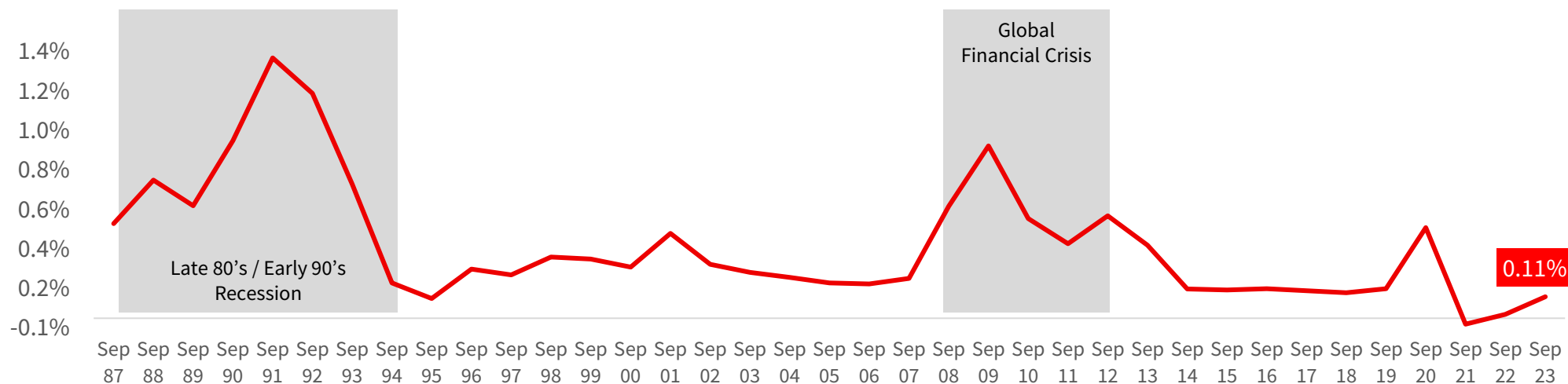


Credit Ratings NAB Ltd LT/ST	S&P AA-/A-1+ (Stable)	Moody's Aa2/P-1 <sup>4</sup> (Stable)	Fitch A+/F1 (Stable)
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- (1) Refer to page 169 of NAB's 2023 Annual Report for definition of cash earnings and reconciliation to statutory net profit, or for US investors, to NAB's 2023 Full Year U.S. Disclosure Document
- (2) APRA Monthly ADI statistics. Business lending represents non-financial business lending
- (3) From continuing operations
- (4) On 6 March 2024, Moody's revised ratings for NAB as a result from the application of Moody's Advanced Loss Given Failure analysis to certain Australian banks. This included ratings revisions to Senior Unsecured Debt and Subordinated Debt

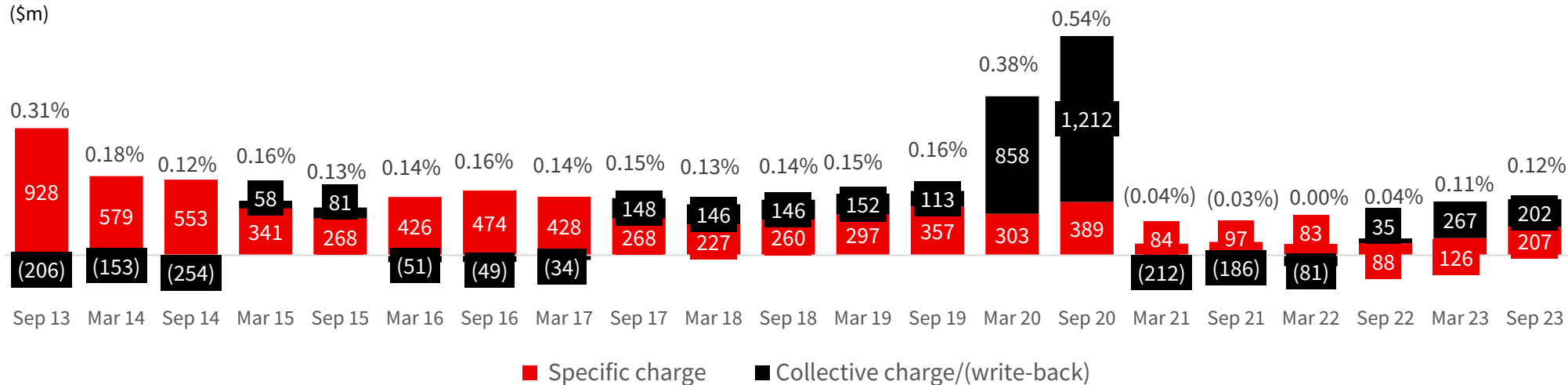
# Group credit impairment charge

## Credit impairment charge as % of GLAs



## Credit impairment charge and as a % of GLAs<sup>1</sup>

(\$m)



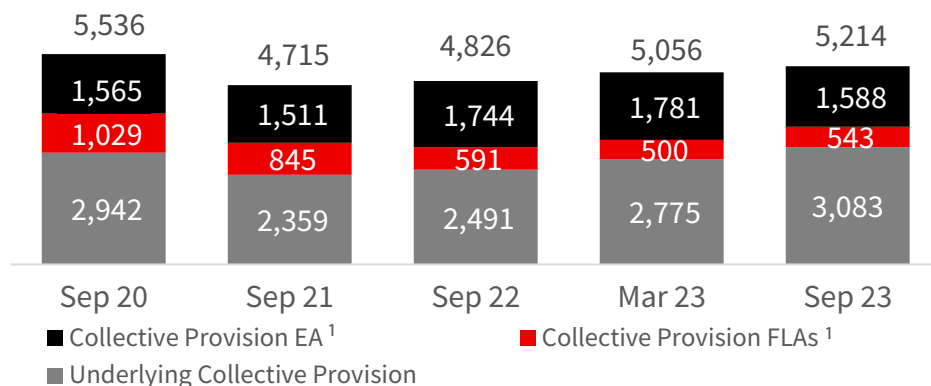
(1) Ratios for all periods refer to the half year ratio annualised

# Strong provisioning maintained

## Collective provision balances

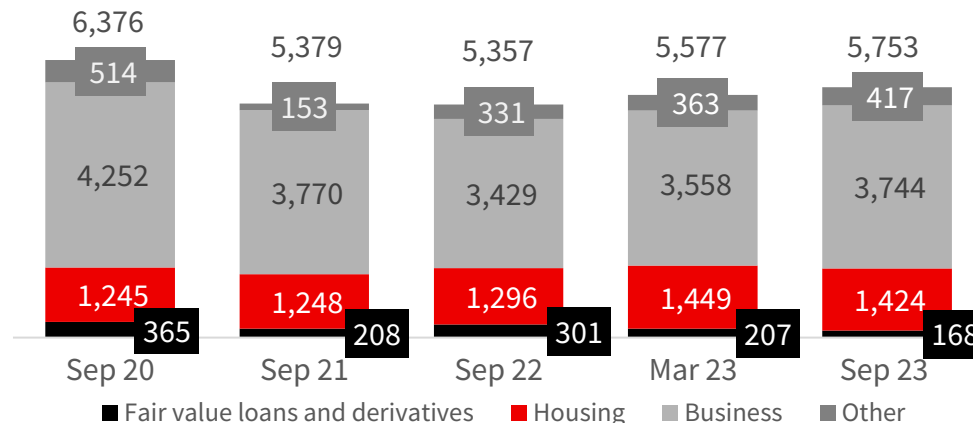
(\$m)

Sep 23 includes \$1.4bn of additional forward looking provisions vs Sep 19

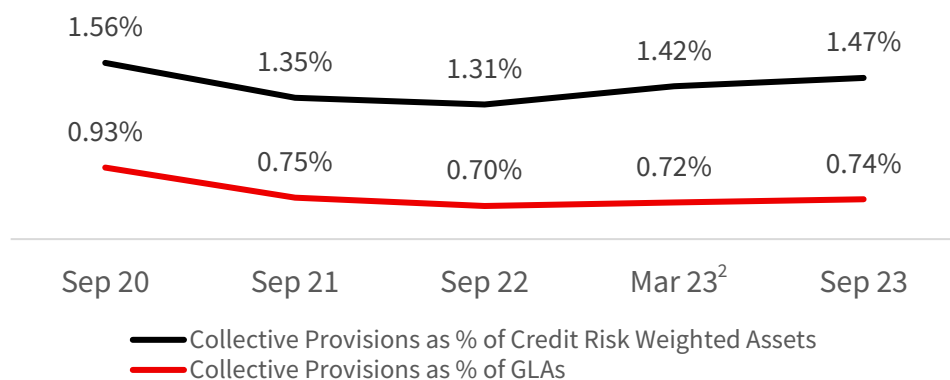


## Total provisions for expected credit losses

(\$m)



## Collective provision coverage



## Key Australian economic assumptions considered in deriving ECL<sup>3</sup>

%	Base case (52.5%)			Downside (45%)		
	FY24	FY25	FY26	FY24	FY25	FY26
GDP change YoY	0.8	2.0	2.6	(1.2)	(2.6)	2.8
Unemployment	4.7	4.7	4.5	4.7	7.9	9.1
House price change YoY	4.1	3.3	3.0	(24.5)	(20.3)	5.5

- ECL scenario weightings unchanged since Mar 23
- Improvement in base case (particularly house prices) since Mar 23, partly offset by weaker downside scenario
- Net FLA increase \$43m including new NZ Agri FLA

(1) Collective provision FLAs/EA Sep 2022, Mar 2023 and Sep 2023 figures include \$10m, \$14m and \$nil movements respectively due to foreign exchange

(2) Includes 7bps impact from reduction in CRWA as a result of the implementation of the revised capital framework from 1 January 2023. Refer NAB's March 2023 Pillar 3 Report for further details

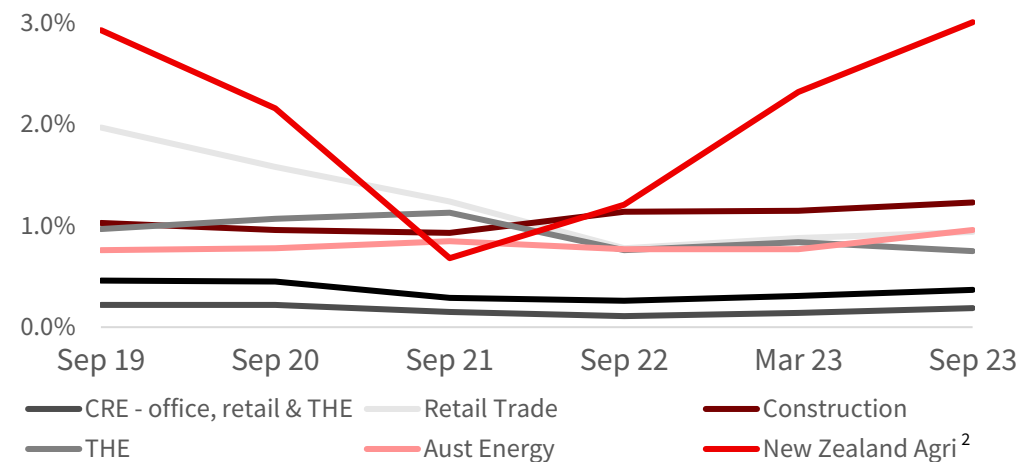
(3) Scenarios prepared for purposes of informing forward looking provisions rely on NAB Economics modelling and management judgement. The base case macro-economic variables are based on NAB Economics forecasts as at 30 September 2023



# Sectors of interest

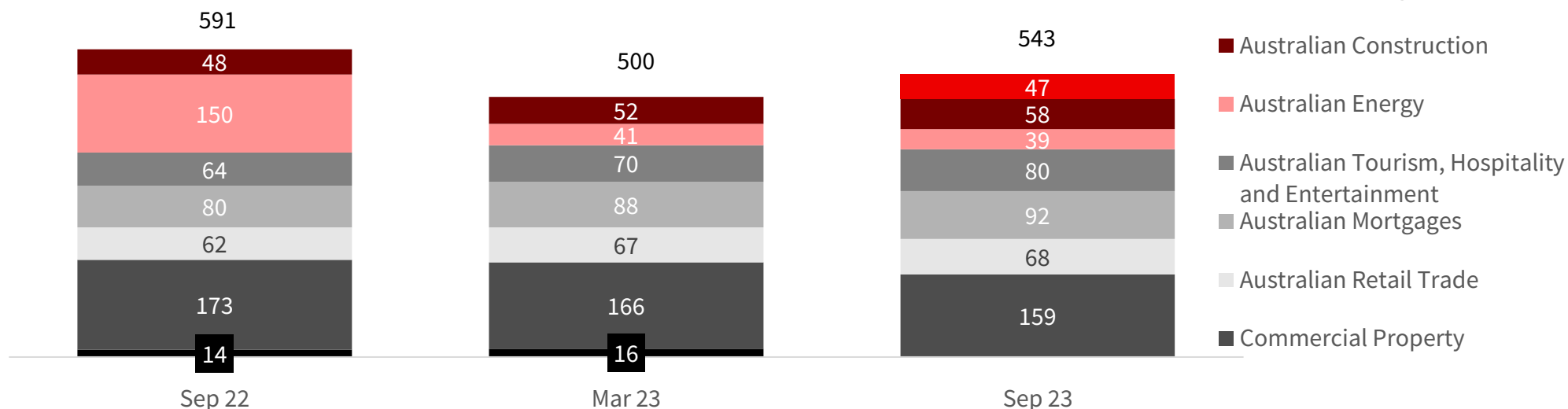
Sep 23	EAD \$bn <sup>1</sup>	EAD <sup>1</sup> change since Sep 20	90+ DPD and GIAs as % EAD
Retail Trade	15.0	3.4%	0.94%
Tourism, Hospitality & Entertainment (THE)	14.3	1.4%	0.75%
Construction	13.0	12.1%	1.23%
Australian Energy	29.6	8.8%	0.96%
New Zealand Agri	16.2	3.2%	3.01% <sup>2</sup>
CRE - Office, retail & THE <sup>3</sup>	44.4	6.0%	0.19%
<b>Non retail sectors of interest</b>	<b>132.5</b>	<b>6.0%</b>	<b>0.95%</b>
<b>Total non retail book</b>	<b>597</b>	<b>21.8%</b>	<b>0.37%</b>

Non retail sectors of interest 90+ DPD and GIAs as % of EAD



## Collective provision target sector FLAs

(\$m)

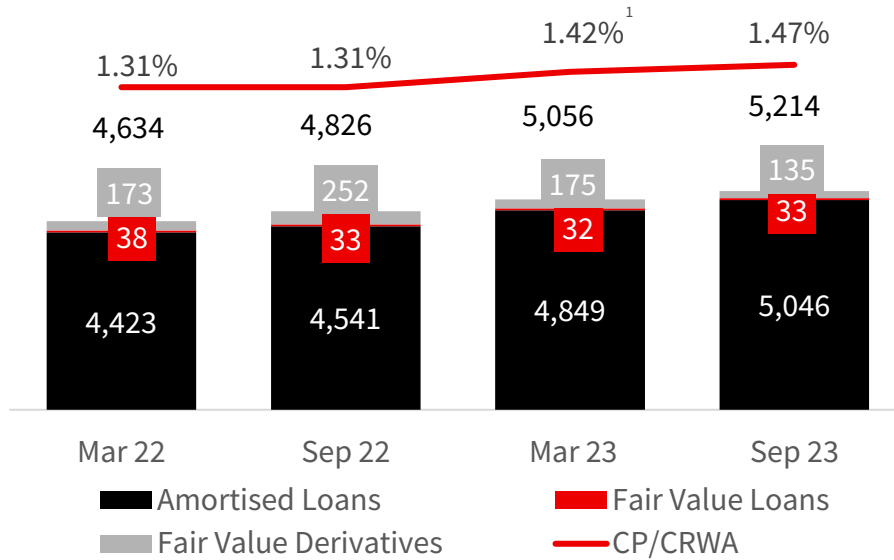


(1) Mar 2023 and beyond include the impact of changes to the calculation of EAD as a result of the implementation of the revised capital framework from 1 January 2023. Refer NAB's March 2023 Pillar 3 Report for further details  
 (2) Mar 2023 and Sep 2023 include NZ\$195m and NZ\$270m respectively relating to a portfolio of New Zealand customers affected by severe weather events. These customers have been classified as "Restructured loans" in accordance with APS 220 Credit Risk Management. Excluding the impact of the restructured loans, 90+DPD and impaired ratio would be 1.19% at Mar 23 and 1.46% at Sep 23  
 (3) CRE EAD figures are limits based on ARS 230 definitions and CRE FLAs relate to total CRE portfolio with Office, Retail and THE CRE viewed as most at risk

# Group provisions

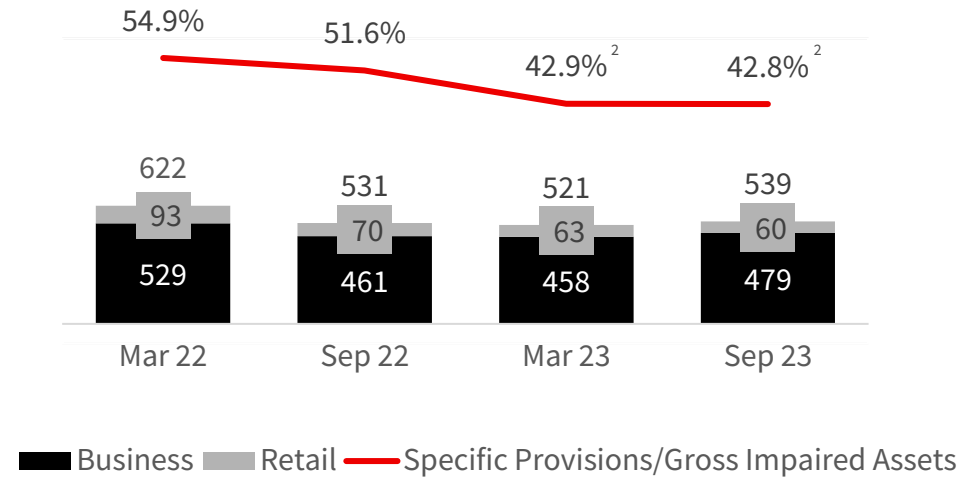
## Collective provisions

(\$m)



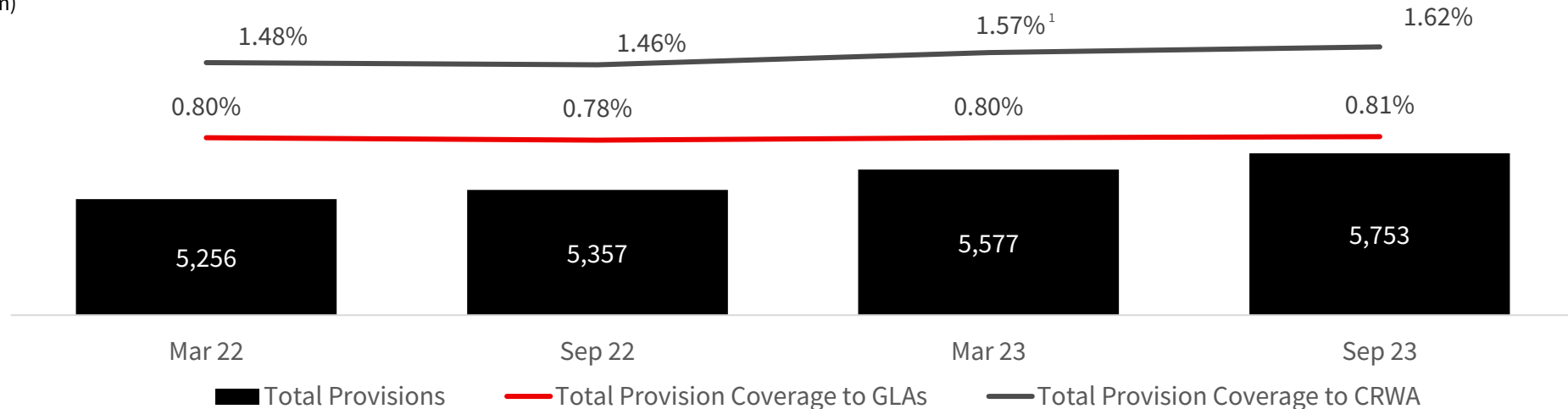
## Specific provisions

(\$m)



## Total provisions

(\$m)

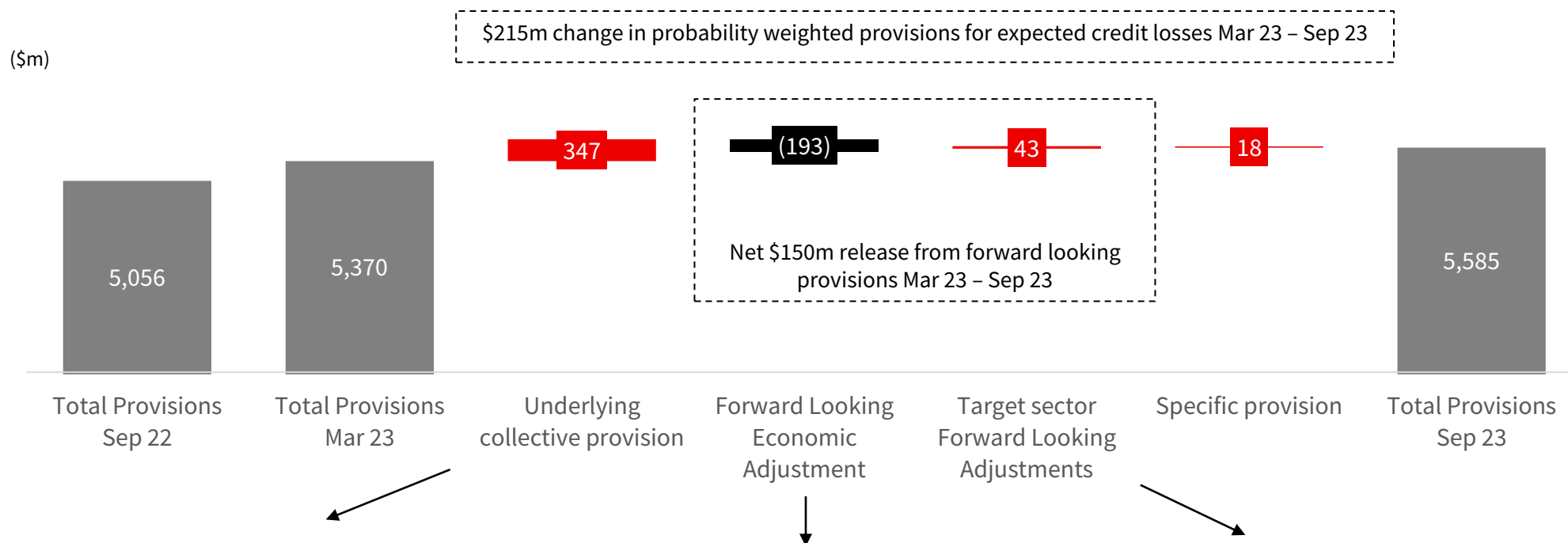


(1) March 2023 figures include the impact of a reduction in credit risk-weighted assets as a result of the implementation of the revised capital framework from 1 January 2023

(2) Excluding the impact of NZ exposures affected by severe weather events classified as "Restructured loans" these ratios would be 54.4% at September 2023 (March 2023: 51.1%). Collective provisions are held against these loans

# Provisions

## Movement in provisions<sup>1</sup>



### Underlying CP

- Model outcomes based on point-in-time data
- 2H23 increase reflects deterioration in asset quality and volume growth in B&PB

### Economic adjustment (EA)

- Forward view of additional stress across portfolio, according to 3 probability weighted scenarios (upside, base case & downside)
- 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)
- 2H23 EA decrease of \$193m reflects modest improvement in overall economic outlook and credit deterioration in underlying outcomes

### Target sector FLAs

- Considers forward looking stress incremental to EA
- Net \$43m increase in target sector FLAs mainly driven by BNZ Agri

(1) Excludes provisions on fair value loans and derivatives

# Expected Credit Losses (ECL) assessment

## ECL scenarios & weightings

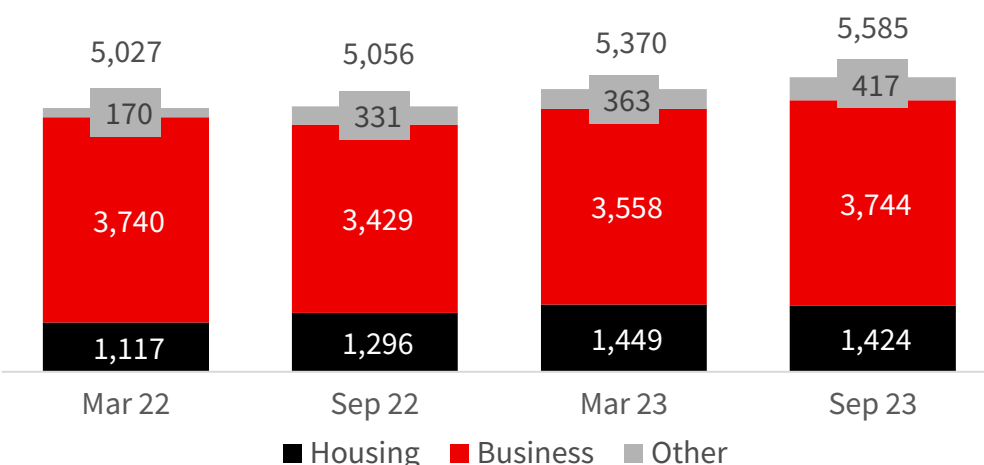
Total Provisions for ECL <sup>1,2</sup>			
\$m	2H23 (probability weighted)	100% Base case	100% Downside
Total Group	5,585	4,000	7,546
Increase/ (decrease) from Mar 23	215	(493)	1,092
Macro economic scenario weightings			
Group Portfolio (%)	Upside	Base case	Downside
31 Mar 23	2.5	52.5	45.0
30 Sep 23	2.5	52.5	45.0

## Key considerations

- Increase in ECL vs Mar 23 reflects deterioration in asset quality across the Group's lending portfolio and volume growth in Business and Private Banking
- Net release of \$150m from forward looking provisions reflecting credit deterioration in underlying outcomes and modest improvement in overall economic outlook
- 100% base case and probability weighted scenario both include \$543m of FLAs. NAB holds \$2,218m in provisions above the 100% base case, after excluding \$543m in FLA balances from the 100% base scenario

## Total provisions for expected credit losses<sup>1</sup>

(\$m)



## Economic assumptions

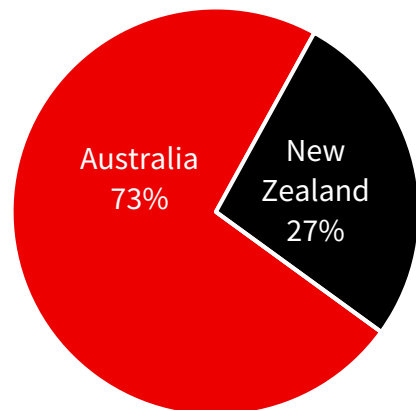
Australian economic assumptions considered in deriving ECL <sup>2</sup>						
%	Base case			Downside		
	FY24	FY25	FY26	FY24	FY25	FY26
GDP change YoY	0.8	2.0	2.6	(1.2)	(2.6)	2.8
Unemployment	4.7	4.7	4.5	4.7	7.9	9.1
House price change YoY	4.1	3.3	3.0	(24.5)	(20.3)	5.5

(1) ECL excludes provisions on fair value loans and derivatives

(2) Scenarios, prepared for purposes of informing forward looking provisions, rely on NAB Economics modelling and management judgement. The base case macro-economic variables are based on NAB Economics forecasts as at 30 September 2023

# Agriculture, forestry & fishing exposures<sup>1</sup>

Group EAD \$61.0bn September 2023

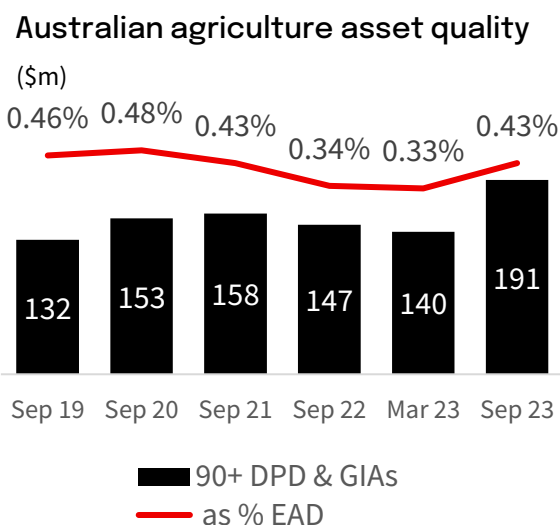
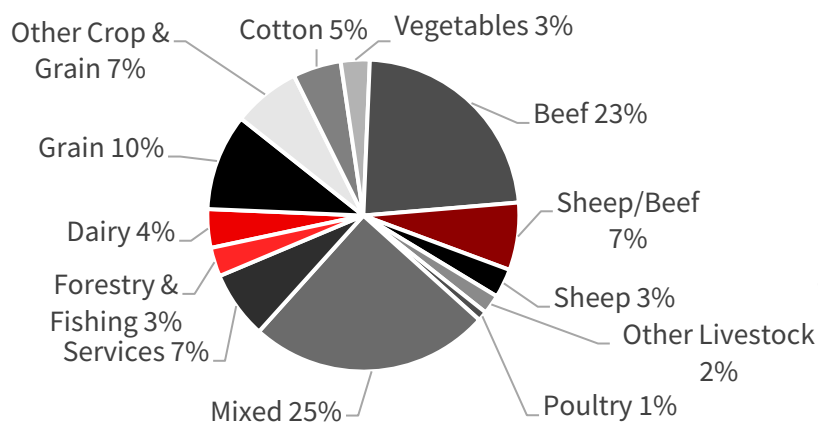


## Key Australian considerations

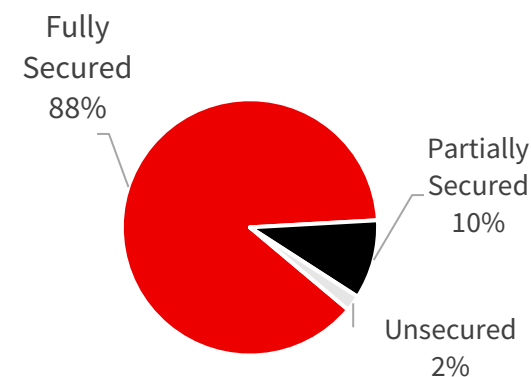
- Deterioration in asset quality from Mar 2023 off low levels of recent years
- Conditions becoming more challenging in some areas following several years of good conditions:
  - Onset of drier conditions in parts of QLD and NSW and significant reduction in livestock prices, particularly beef and sheep
  - Labour shortages and rising interest costs impacting industry confidence
- Asset valuations remain strong currently, with little sign of any significant correction so far
- ~10% of non retail EAD

## Australian Agriculture, Forestry & Fishing

Portfolio EAD \$44.8bn September 2023



## Australian agriculture portfolio well secured<sup>2</sup>

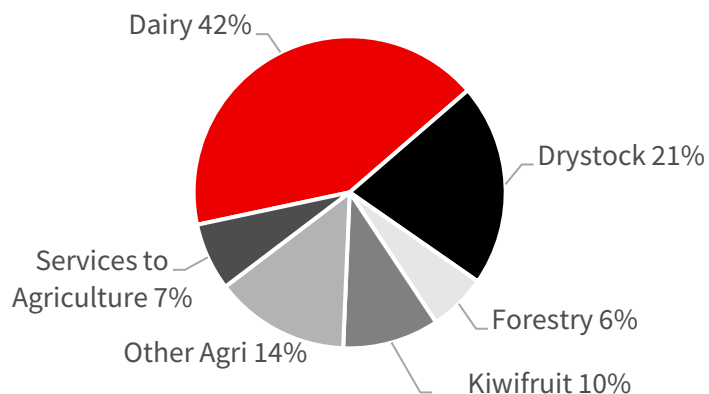


(1) Based on ANZSIC Level 1 classifications of the counterparty to which the Group is exposed to credit risk, including guarantors and derivative counterparties

(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 may be in place. Bank extended value is calculated as a discount to market value based on the nature of the underlying security

# New Zealand Banking agriculture exposures<sup>1</sup>

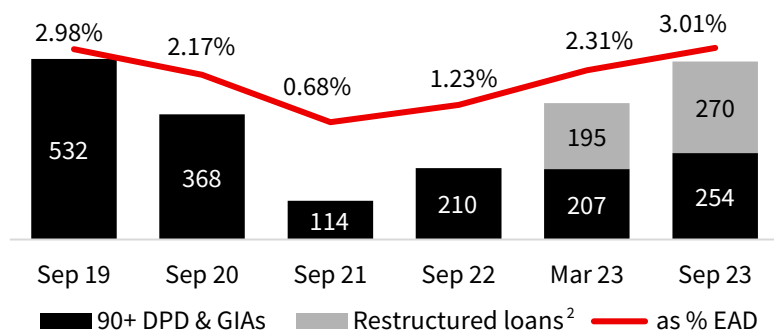
EAD NZ\$17.4bn September 2023<sup>1</sup>



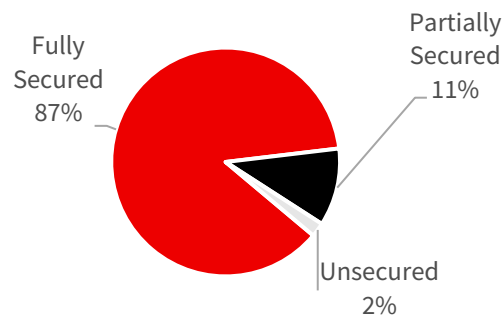
## Key considerations

- 90+ DPD and impaired assets higher since Sep 21 given lower commodity prices, high farm inputs inflation (fuel, fertiliser, wages) and interest rate rises
- Largest sector exposure is dairy at 42%, down from 57% at Sep 2016
- Outlook challenging with substantial drop in Fonterra forecast Farm Gate Milk Solids price reflecting lower global demand - below production cost for most farmers
- Most customers fully secured and benefitted from above average milk prices over recent years enabling amortisation of debt
- Softening sheep and beef price outlook given reduced global demand and supply side pressures from onset of drier conditions, with potential flow on effects to rural New Zealand
- Provisioning includes NZ Agri FLA of NZ\$51m – majority relates to NZ dairy

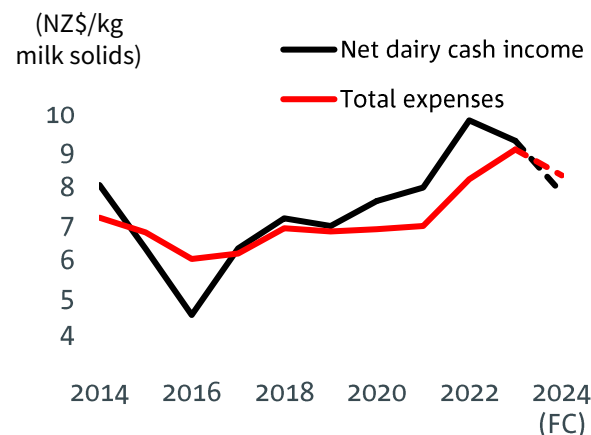
## New Zealand Agri asset quality (NZ\$m)



## Portfolio well secured<sup>1,3</sup>



## Dairy farm viability<sup>4</sup>



(1) Includes ANZSIC Level 1 classifications of agriculture, forestry & fishing based on the counterparty to which the Group is exposed to credit risk, including guarantors and derivative counterparties

(2) Sep 2023 includes a portfolio of customers affected by severe weather events. These customers have been classified as “Restructured loans” in accordance with APS 220 Credit Risk Management. Excluding the impact of the restructured loans, 90+DPD & GIA ratio would be 1.19% at Mar 23 and 1.46% at Sep 23

(3) 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 may be in place. Bank extended value is calculated as a discount to market value based on the nature of the underlying security

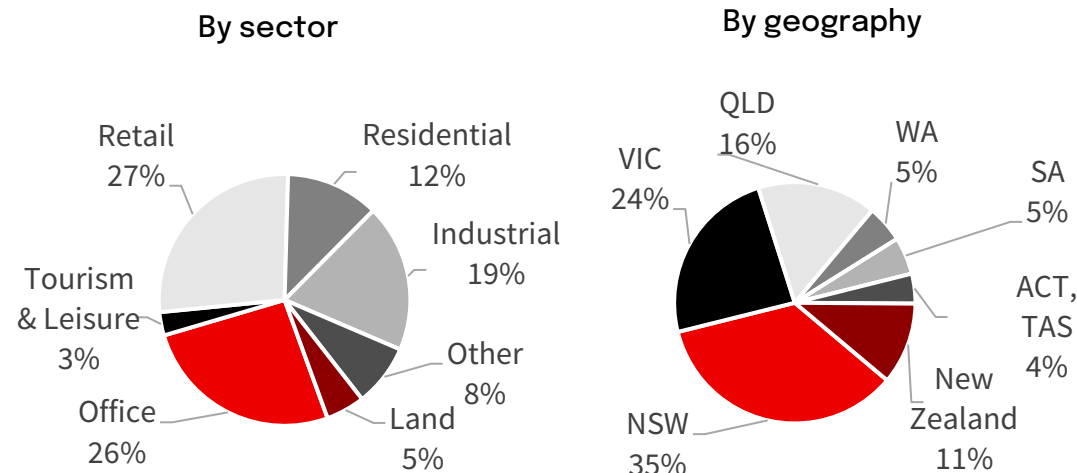
(4) Source: DairyNZ Econ Tracker. Net dairy income is cash received in the year from milk, dividends and net stock sales. Total Expense includes farm working expenses, interest and rent, net drawings, depreciation and tax. 2023 and 2024 represent forecast periods

# Commercial real estate (CRE)<sup>1</sup>

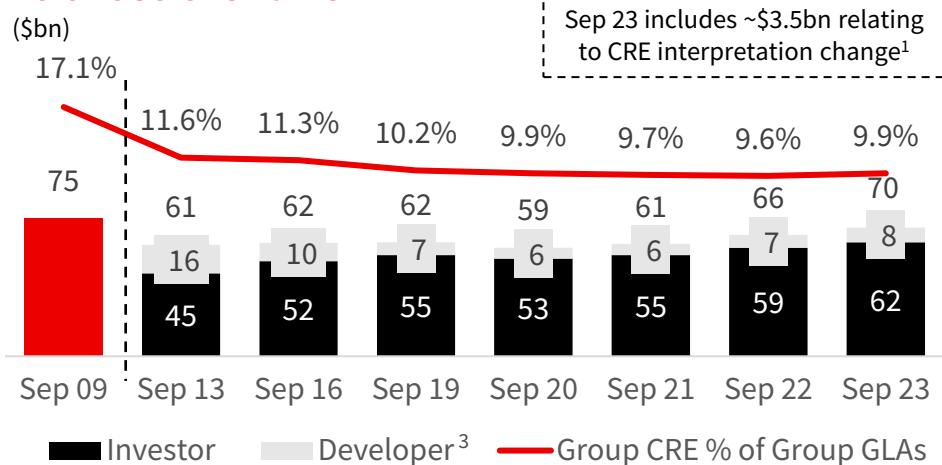
## Gross loans & acceptances (GLAs)

	Australia	New Zealand	Total <sup>2</sup>
Total CRE (A\$bn)	63.3	7.0	70.4
Increase/(decrease) from Sep 22 (A\$bn)	4.6	(0.1)	4.5
% of geographical GLAs	10.7%	7.3%	9.9%
Change in % from Sep 22	0.5%	(0.8%)	0.3%

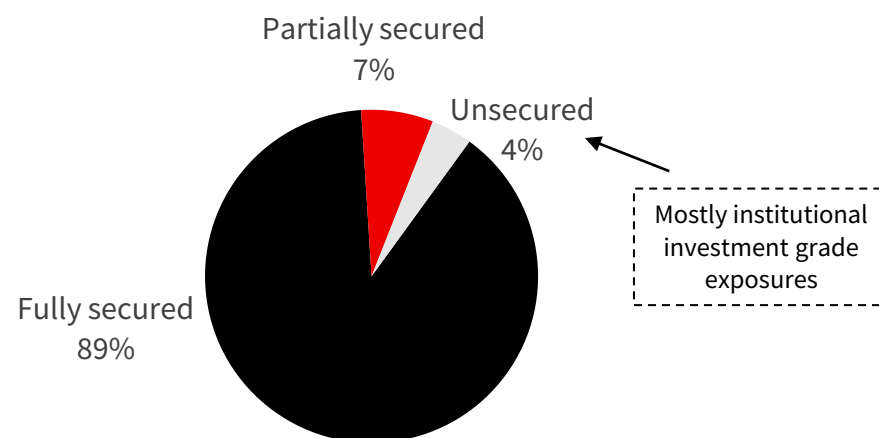
## Breakdown by total GLAs



## Balances over time



## Group CRE Security Profile<sup>4</sup>



(1) Measured as balance outstanding as at 30 September 2023 per APRA Commercial Property ARF 230 definitions. NAB has modified its interpretation of the ARS 230 Commercial Property standard, with the guidance of APRA. This has seen an additional ~\$3.5bn in Australian balances now qualifying for ARS 230 reporting at Sep 23

(2) Includes overseas offices not separately disclosed

(3) Developer at September 2023 includes \$1.7bn for land development and \$3.4bn for residential development in Australia

(4) 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 may be in place. Bank extended value is calculated as a discount to market value based on the nature of the underlying security

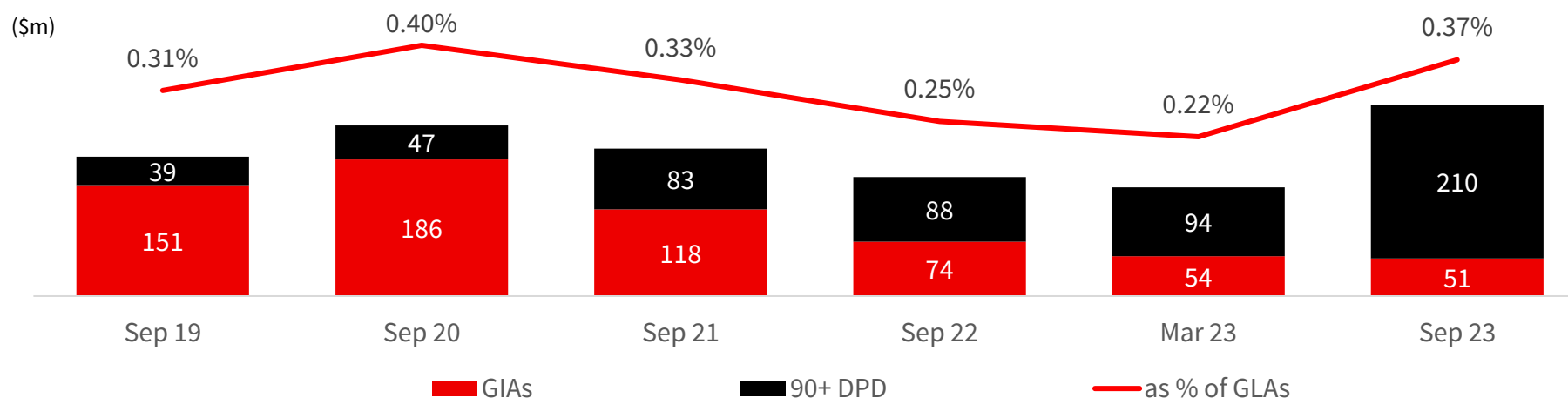
## Key asset quality considerations

- Higher interest rates have lowered **Interest Cover Ratios**, but a more stable interest rate outlook and rental growth prospects (particularly those linked to CPI) provide some upside
- NAB continues to focus on **leverage** being commensurate with a transaction's ability to service debt now and into the future
- CRE Investment book originated/renewed on prudent loan to valuation ratios (**LVRs**) including a material portion of new/renewed loan volumes over the past 12 months associated with LVR<60%
- Low level of **transacted volumes** currently reflects continued disconnect between vendor and purchaser price expectations
- Provisioning includes \$159m target sector **FLA**

## Sector considerations

- **Discretionary income** exposed assets are of continued focus, given recent slowdown in retail trade turnover
- Labour shortages in construction sector continue to challenge new **development** starts
- Despite strong labour market fundamentals and effective rental growth, elevated vacancy rates are evident across **Office** markets. Secondary assets<sup>2</sup> with shorter lease expiries located in CBD-type location deemed higher risk
  - C&IB portfolio (~65% of Australian office) biased towards prime/A-grade assets
  - B&PB portfolio (~35% of Australian office) typically associated with C to D grade assets located in non-CBD locations

## 90+ DPD and GIAs and as % GLAs

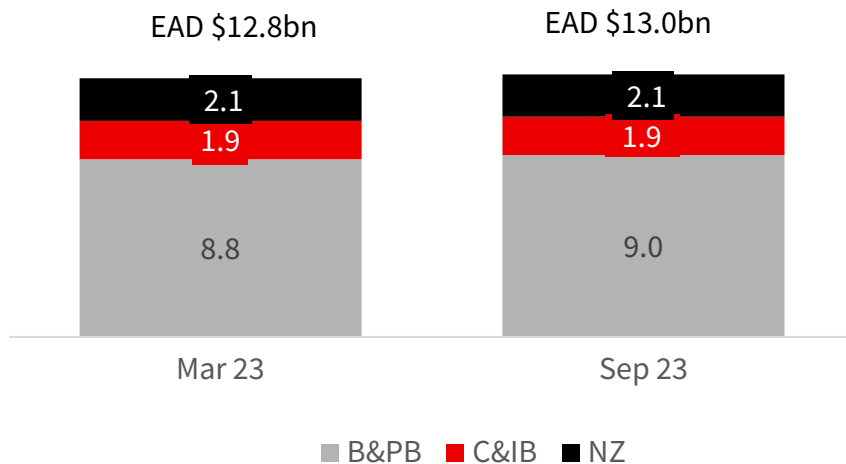


(1) Measured as balance outstanding as at 30 September 2023 per APRA Commercial Property ARS 230 definitions

(2) Refers to office assets below Prime and A-grade



## Exposure at default

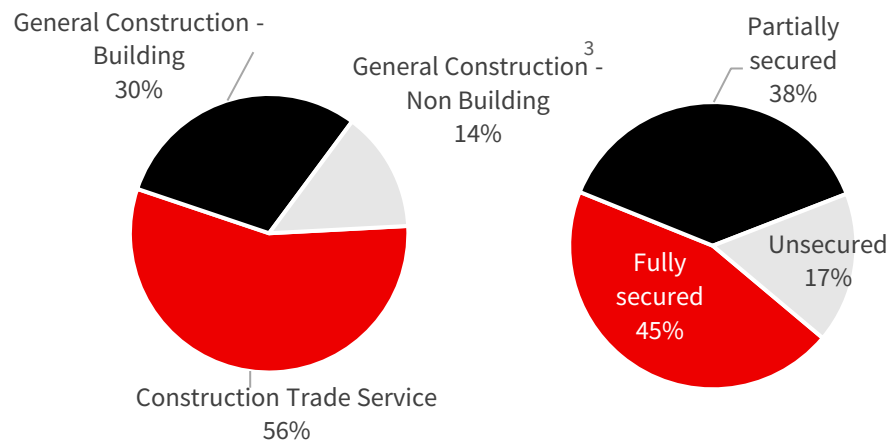


## Key considerations

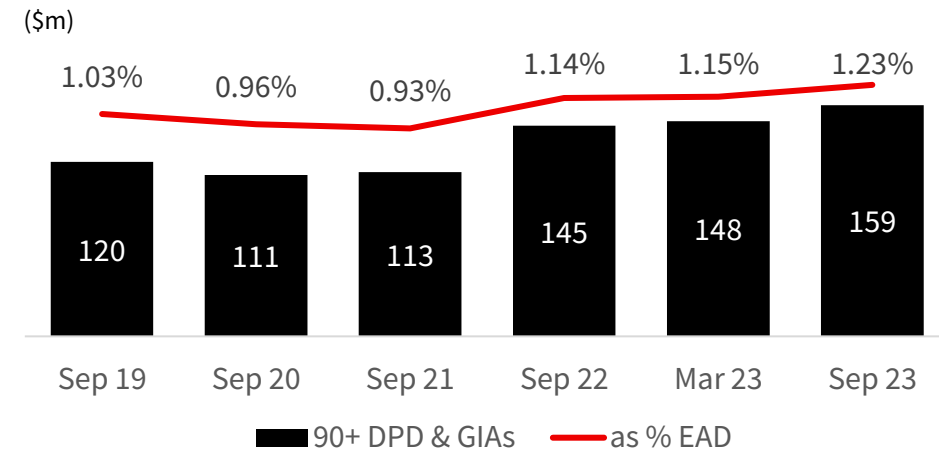
- Availability of labour and subcontractor risks remain key challenges. Input prices stabilised but remain elevated
- ~2% non retail EAD including subcontractors and construction services
- Highly diversified and secured portfolio
- Provisioning includes \$58m target sector FLA
- >60% of C&IB exposures are contingent facilities e.g. performance guarantees

Australian Construction	B&PB	C&IB	Total
EAD (\$bn)	9.0	1.9	10.9
# customers	~25k	~300	~25k
% Fully or Partially Secured	94%	45%	83%

## EAD portfolio by sector and security<sup>2</sup>



## 90+ DPD and GIAs and as % of sector EAD



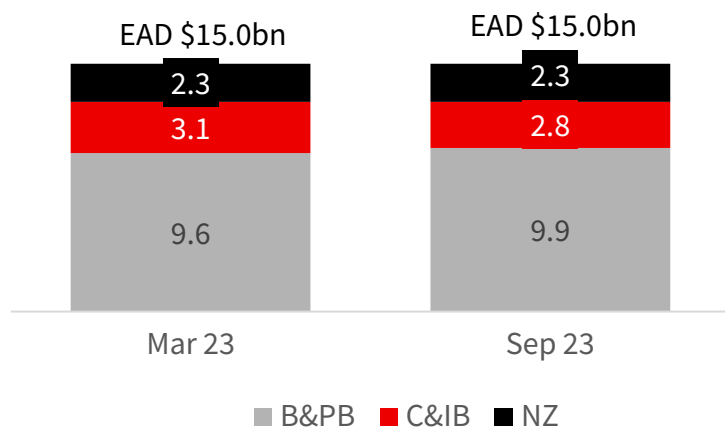
(1) Based on ANZSIC Level 1 classifications of the counterparty to which the Group is exposed to credit risk, including guarantors and derivative counterparties

(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 may be in place. Bank extended value is calculated as a discount to market value based on the nature of the underlying security

(3) General Construction – Non Building EAD includes construction activities such as infrastructure, leisure, irrigation, mining etc

# Retail Trade<sup>1</sup>

## Exposure at default



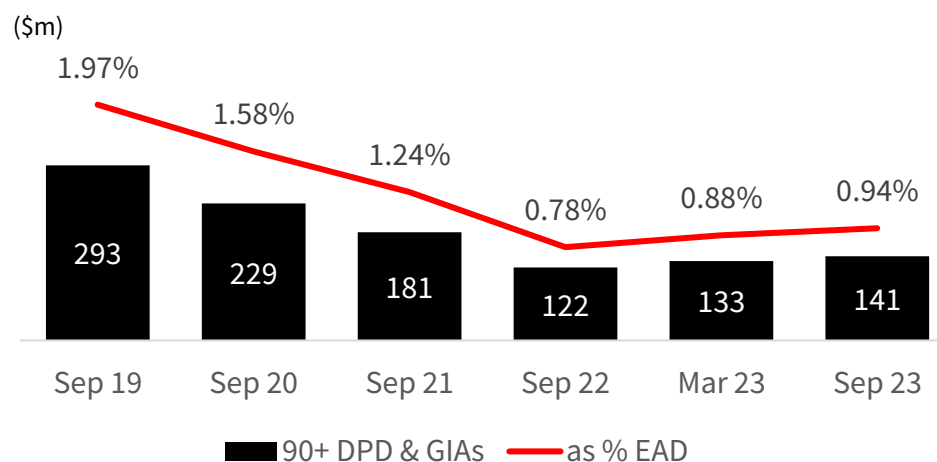
## Key considerations

- Nominal retail trade spend remains robust, led by spending at cafes & restaurants, offsetting slower spend on goods
- Consumption growth expected to weaken further over balance of 2023 and into 2024
- Provisioning includes \$68m target sector FLA
- ~2% non retail EAD

## EAD portfolio by sector and security<sup>2</sup>



## 90+ DPD and GIAs and as % of sector EAD

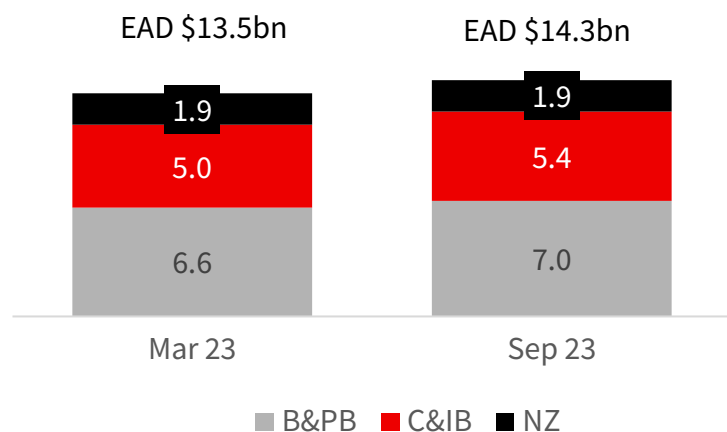


(1) Based on ANZSIC Level 1 classifications of the counterparty to which the Group is exposed to credit risk, including guarantors and derivative counterparties. Discretionary / Non-discretionary Retail Trade determined at an individual ANZSIC code level

(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 may be 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>

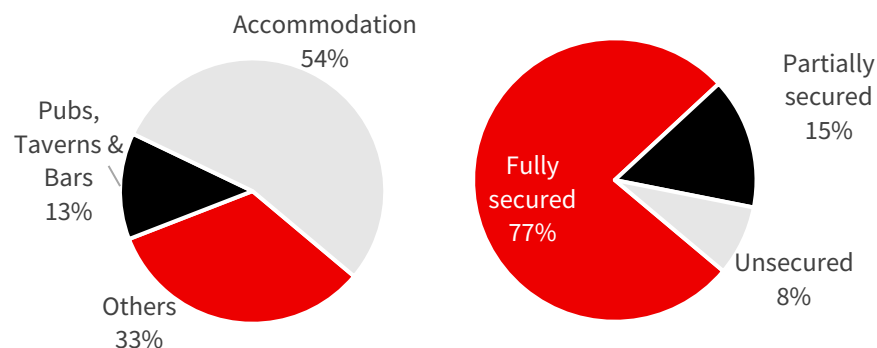
## Exposure at default



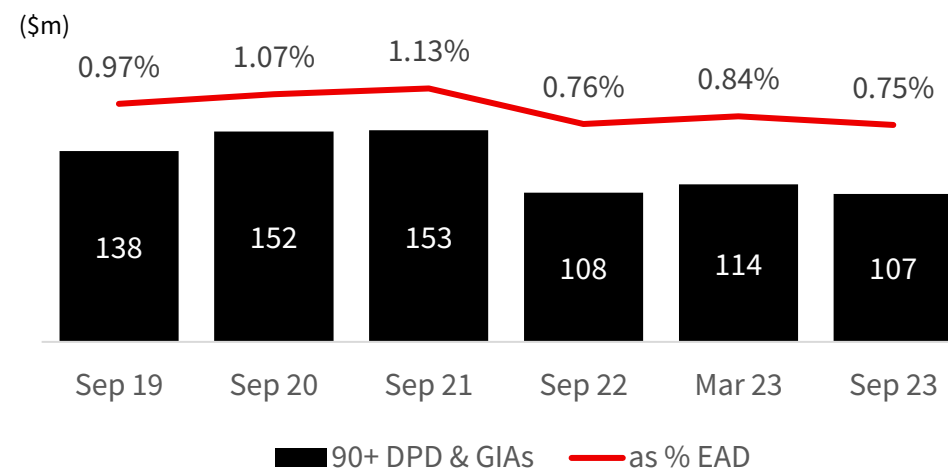
## Key considerations

- Industry data suggests trading performance for Tourism and Entertainment operators remains robust, notwithstanding wage/electricity cost increases and reduced savings levels
- Consumer confidence, discretionary spending, higher cost of living and increased interest rates not immediately reflected in current performance, but are likely to influence longer term outlook
- ~2% of non retail EAD
- Provisioning includes \$80m target sector FLA

## EAD portfolio by sector and security<sup>2</sup>



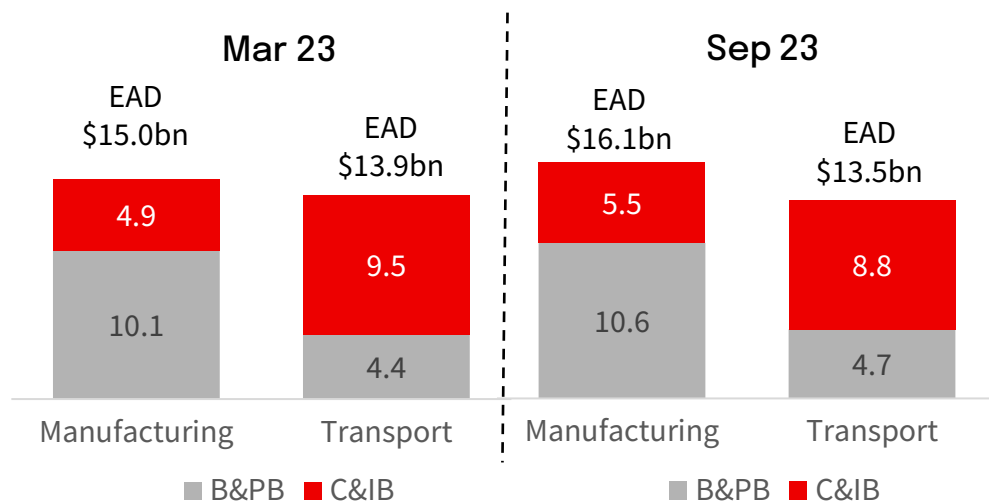
## 90+ DPD and GIAs and as % of sector EAD



(1) Based on the ANZSIC Level 1 classifications of accommodation and hospitality, plus cultural and recreational services; based on the counterparty to which the Group is exposed to credit risk, including guarantors and derivative counterparties

(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 may be in place. Bank extended value is calculated as a discount to market value based on the nature of the underlying security

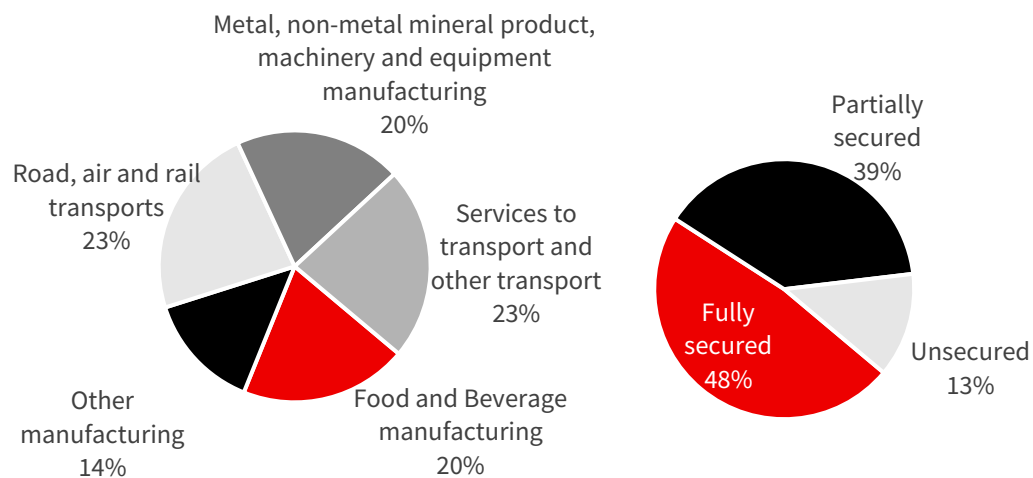
## Exposure at default



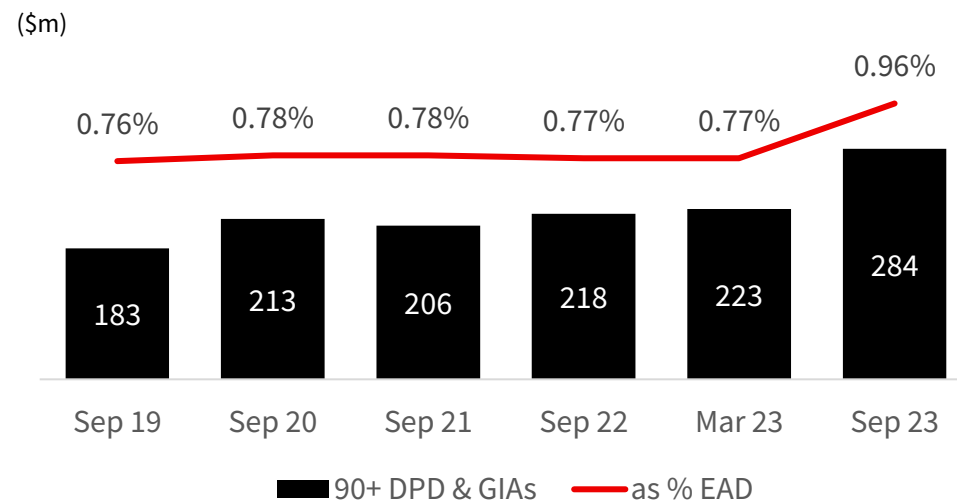
## Key considerations

- The outlook for domestic energy prices remains elevated including as a result of geographical tensions
- Manufacturing and Transport expected to be disproportionately impacted by elevated energy costs due to their high energy consumption
- Increase in 90+ DPD and GIA ratio in 2H23 primarily reflects a single name exposure
- Provisioning includes \$39m of target sector FLA
- ~5% of non retail EAD

## EAD portfolio by sector and security<sup>2</sup>



## 90+ DPD and GIAs and as % of sector EAD



(1) Australian energy includes ANZSIC Level 1 classifications of Manufacturing and Transport due to high energy consumption, based on the counterparty to which the Group is exposed to credit risk, including guarantors and derivative counterparties. EAD is shown for the Australian geographical area, based on the booking office where the exposure was transacted

(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 may be in place. Bank extended value is calculated as a discount to market value based on the nature of the underlying security

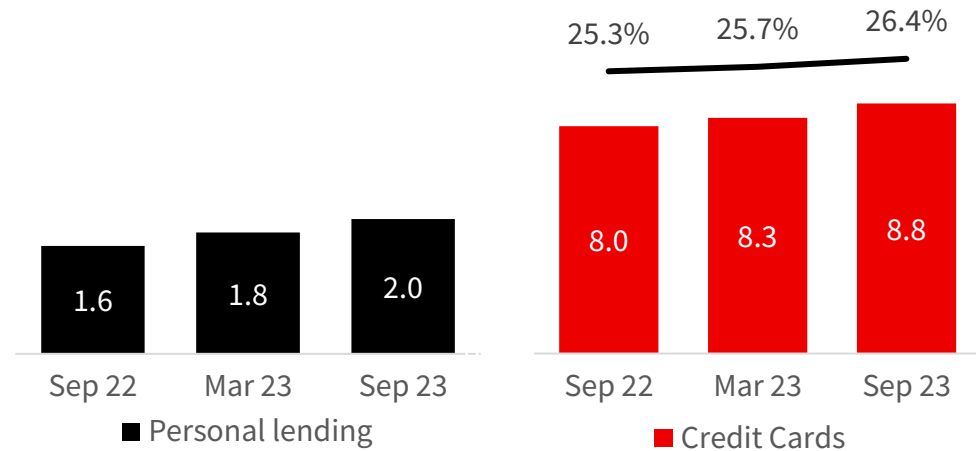
# Unsecured lending

## Key considerations

- Strong growth in credit cards in FY23, supported by net new account openings in NAB and Citi portfolios
- Portfolio quality remains sound
  - Arrears increased in 2H23 but remain below pre-COVID 19 levels
  - Revolve rates stable at ~60%, compared to ~65-70% in 2019

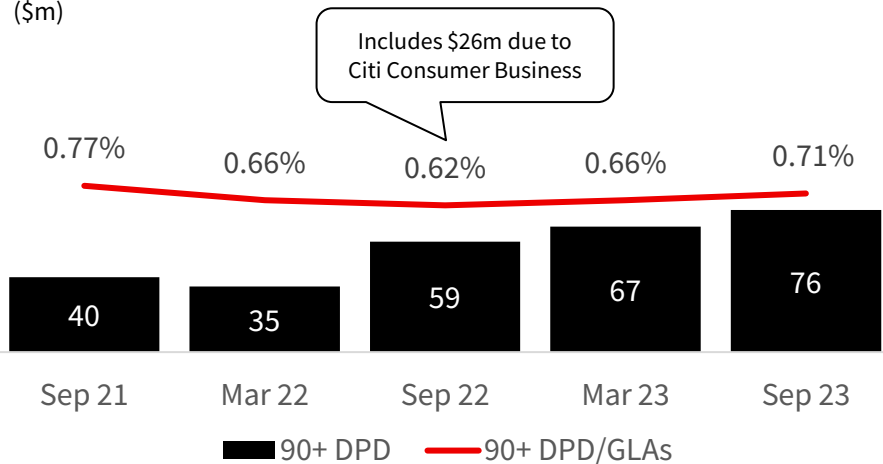
## Balance and market share<sup>1</sup>

(\$bn)

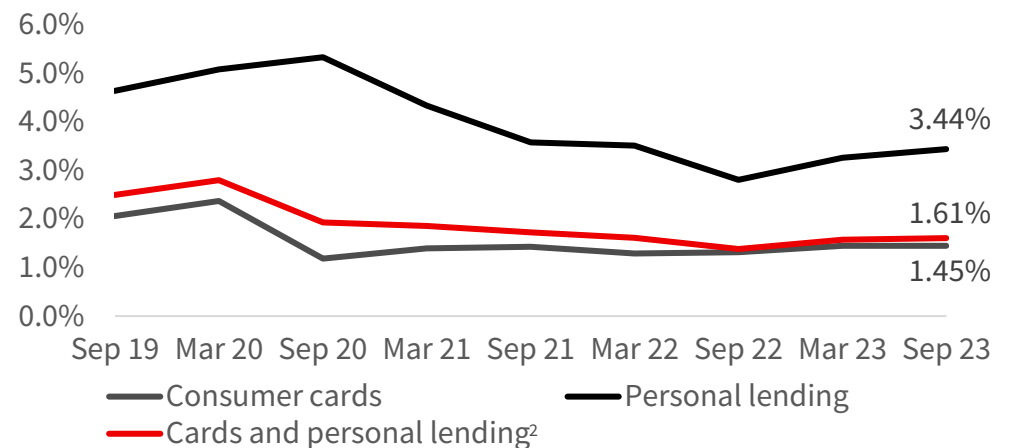


## Cards<sup>2</sup> and personal lending 90+DPD and as a % of total cards and personal lending GLAs

(\$m)



## 30+DPD as % of outstandings



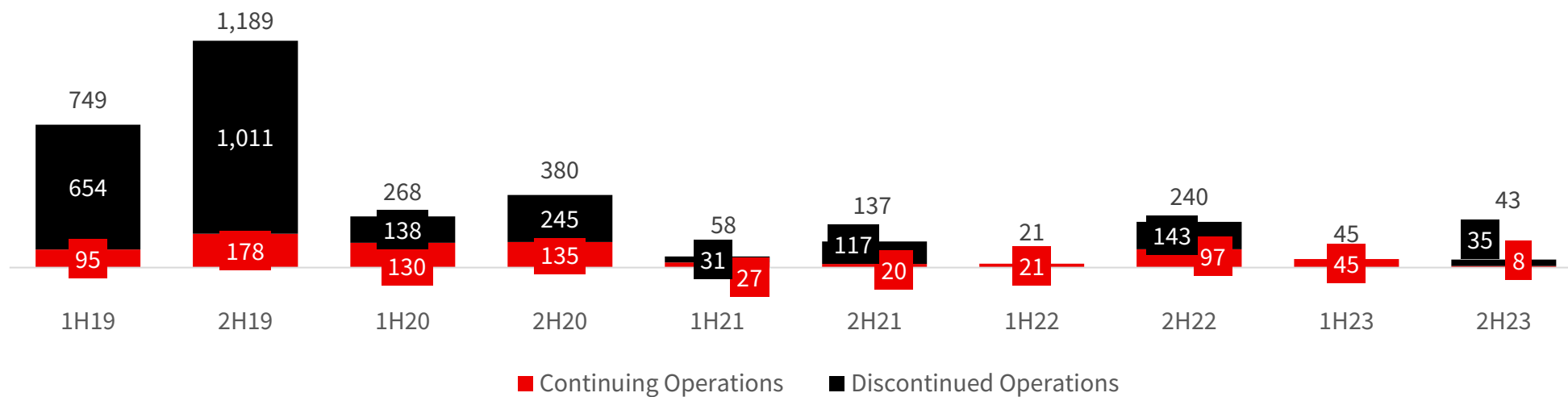
(1) Market share refers to consumer cards only. APRA Monthly ADI statistics

(2) Includes consumer and commercial cards

# Customer-related remediation

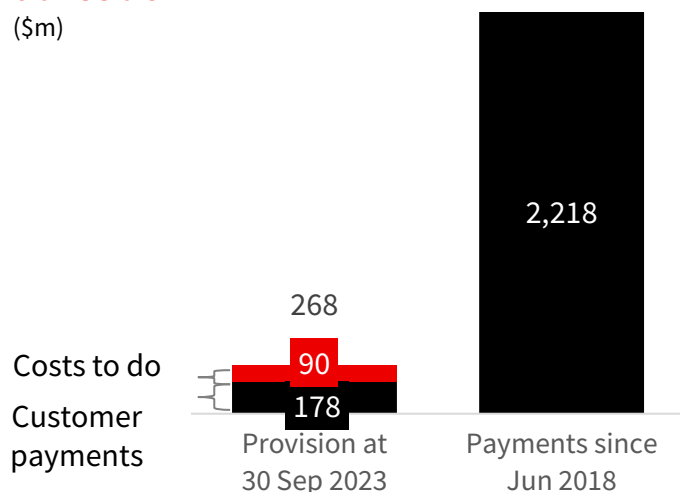
## Customer-related remediation provision charges<sup>1</sup>

(\$m)



## Customer-related remediation provisioning and utilisation

(\$m)



- >655 colleagues dedicated to remediation activities
- >2.8m payments to customers since June 2018 totalling \$2,218m – up 10% from FY22

## Customer remediation

- Adviser Service Fee NAB Advice Partnerships program reached completion and regulatory close in Jun 2023
- Key outstanding matters relate to wealth inappropriate advice and JBWere programs, with material progress towards finalisation expected by Dec 2024

(1) Charges were included as large notable items in FY19 and FY20. Charges are shown pre-tax and include both operating expenses and contra revenue amounts

# AUSTRAC Enforceable Undertaking

## Overview of Enforceable Undertaking

- Following its investigation, AUSTRAC accepted an Enforceable Undertaking (EU) from NAB in April 2022 to lift its compliance with Anti Money Laundering / Counter Terrorism Financing (AML/CTF)
- Under the terms of the EU, NAB is required to implement a comprehensive Remedial Action Plan (RAP) involving improvements in its systems, controls and record-keeping, including:
  - NAB's AML/CTF Program
  - Applicable customer identification procedures
  - Customer risk assessment and enhanced customer due diligence
  - Transaction monitoring
  - Governance and assurance
- NAB will obtain interim reports from the external auditor on a quarterly basis and an annual basis. The external auditor will provide a final report to NAB for the period up to 31 March 2025
- The EU will end on the date that the AUSTRAC CEO provides written consent to the cancelling or withdrawal of the EU

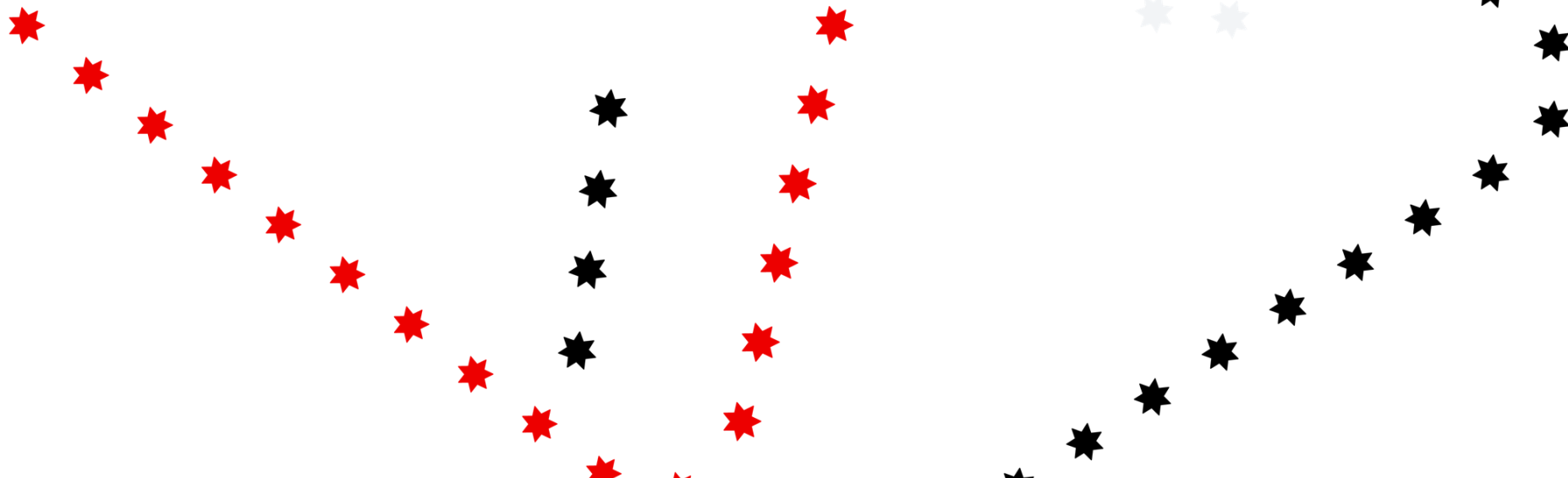
## Status as at Sep 23

- An external auditor was appointed in May 2022 and continues to report to NAB and AUSTRAC periodically
- NAB continues to work closely with AUSTRAC and the external auditor to monitor and deliver agreed actions
- NAB has completed approximately three-quarters of its required activities under the RAP. A number of these activities require review by the external auditor, and some of the more complex activities under the RAP have longer timeframes for completion
- NAB continues to oversee delivery of the RAP commitments through dedicated EU Governance forums
- Estimated costs of \$80-\$120m for FY24. This is in addition to:
  - \$103m in FY22
  - \$105m in FY23



# Additional information

FY23 Results: Housing lending





# Housing lending key metrics<sup>1</sup>

Australian housing lending	Mar 22	Sep 22	Mar 23	Sep 23		Sep 22	Mar 23	Sep 23
	Portfolio					Drawdowns <sup>2</sup>		
Total Balances (spot) \$bn	322	329	333	338		42	35	40
Average loan size \$'000 per account	324	334	345	358		489	526	536
By product type								
- Variable rate	58.7%	63.4%	68.4%	76.8%		86.0%	95.3%	91.5%
- Fixed rate	37.4%	32.9%	28.2%	20.2%		12.5%	3.6%	7.6%
- Line of credit	4.0%	3.7%	3.4%	3.0%		1.5%	1.1%	0.9%
By borrower type								
- Owner Occupied	65.4%	65.5%	65.4%	65.3%		64.4%	62.2%	61.9%
- Investor	34.6%	34.5%	34.6%	34.7%		35.6%	37.8%	38.1%
By channel								
- Proprietary	55.8%	53.9%	52.3%	50.4%		40.7%	38.7%	35.7%
- Broker	44.2%	46.1%	47.7%	49.6%		59.3%	61.3%	64.3%
Interest only <sup>3</sup>	12.9%	13.4%	14.1%	14.7%		22.1%	24.0%	24.5%
Low Documentation	0.3%	0.2%	0.2%	0.2%				
Offset account balance (\$bn)	38	39	41	43				
LVR at origination	69.5%	69.2%	68.9%	68.7%		68.2%	67.7%	67.6%
Dynamic LVR on a drawn balance calculated basis	37.9%	40.5%	42.6%	41.2%				
Customers with offset and redraw balances $\geq 1$ month repayment <sup>3</sup>	65.6%	66.4%	66.4%	67.4%				
Offset and redraw balances multiple of monthly repayments	47.6	45.6	41.2	37.8				
90+ days past due	0.93%	0.73%	0.67%	0.76%				
Impaired loans	0.08%	0.06%	0.06%	0.06%				
Specific provision coverage ratio	34.0%	30.5%	28.9%	28.1%				
Loss rate <sup>4</sup>	0.01%	0.01%	0.01%	0.005%				
Number of properties in possession	155	135	140	151				

(1) Excludes Citi Consumer Business and 86 400 platform (ubank housing lending originated on the 86 400 platform)

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

(3) Excludes line of credit products

(4) 12 month rolling Net Write-offs / Spot Drawn Balances

# Housing lending practices & policies

## Key origination requirements

Income	<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>10% shading applies to rental income (Nov 22)</li> <li>Rental expenses included in serviceability calculation post-household expenses calculation. Rental expenses floor set at minimum 10% of rental income (Mar 23)</li> <li>20% shading applies to other less certain income types</li> </ul>
Household expenses	<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>
Serviceability	<ul style="list-style-type: none"> <li>Assess customers' ability to repay based on the higher of the customer rate plus serviceability buffer (3.0%<sup>1</sup>) or the floor rate (5.75%<sup>2</sup>)</li> <li>Assess Interest Only loans on the full remaining Principal and Interest term</li> <li><b>Lowered our serviceability buffer to 1% for customers who meet certain criteria (Jul 23)</b></li> </ul>
Existing debt	<ul style="list-style-type: none"> <li>Verify using declared loan statements and assess on the higher of the customer rate plus serviceability buffer (3.0%<sup>1</sup>) or the floor rate (5.75%<sup>2</sup>)</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 (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 policies

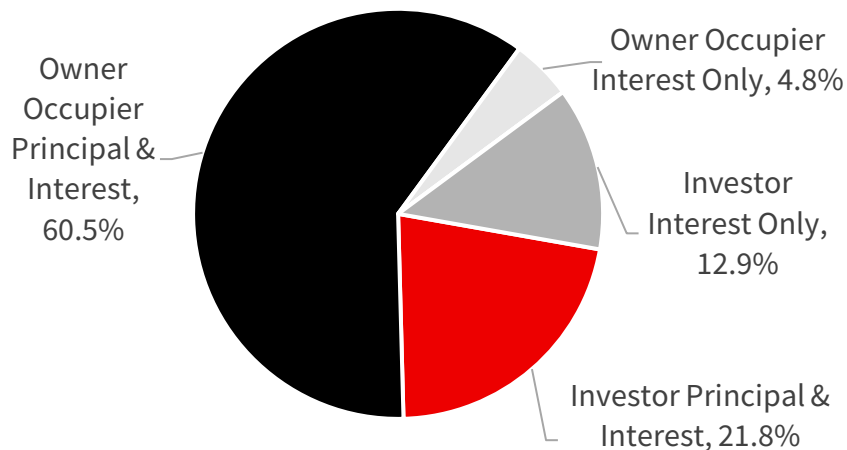
- DTI decline rule of >8x from May 22 for higher risk customers (> 9x for all others)
- Lenders' mortgage insurance (LMI) applicable for majority of lending >80% LVR
- LMI for inner city investment housing >70% LVR
- Apartment size to be 50 square metres or greater (including balconies and car park)
- NAB Broker applications assessed centrally – verification and credit decisioning
- Maximum Interest Only term for Owner Occupier borrowers of 5 years

(1) Serviceability buffer increased by 0.50% to 3.00% as of 1 November 2021

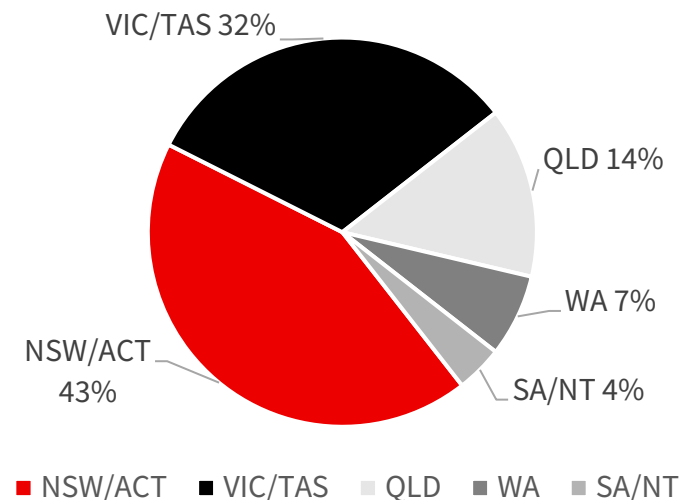
(2) Serviceability floor increased by 0.80% to 5.75% as of 9 September 2022

# Housing lending portfolio profile

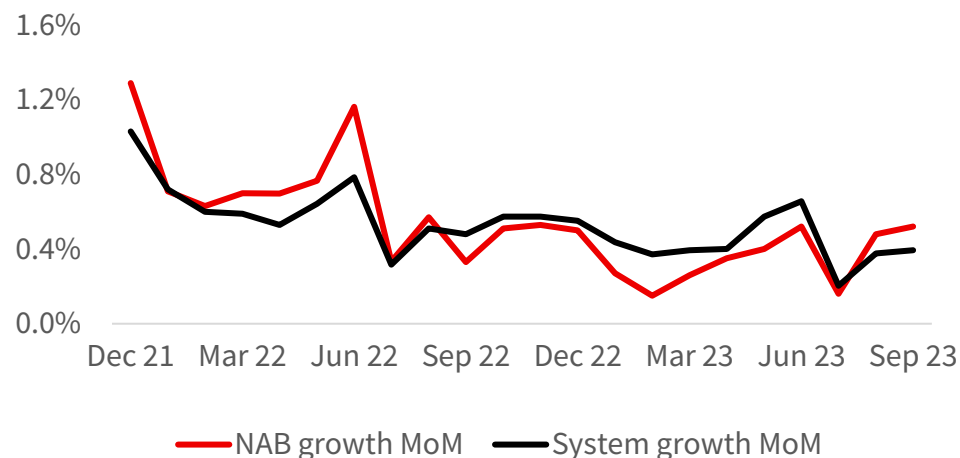
## Housing lending volume by borrower and repayment type<sup>1</sup>



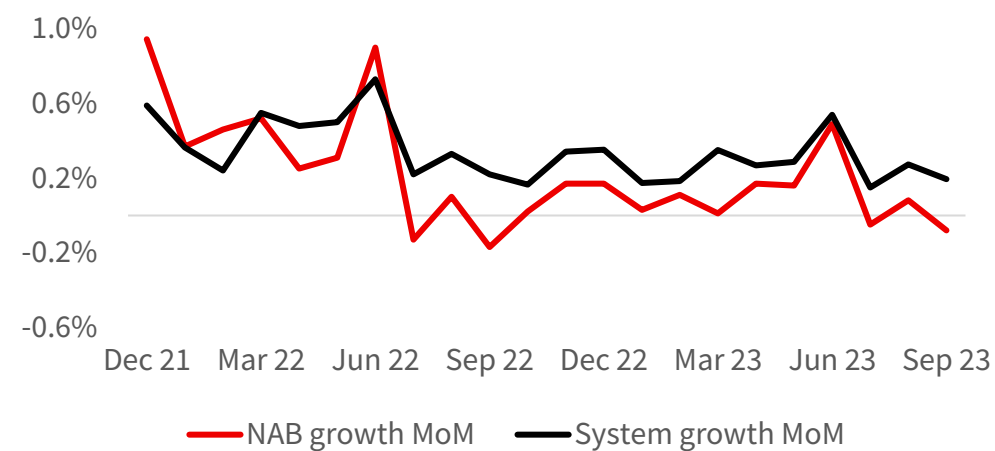
## Australian mortgages profile<sup>1</sup>



## Owner Occupier monthly growth<sup>2,3</sup>



## Investor monthly growth<sup>2,3</sup>



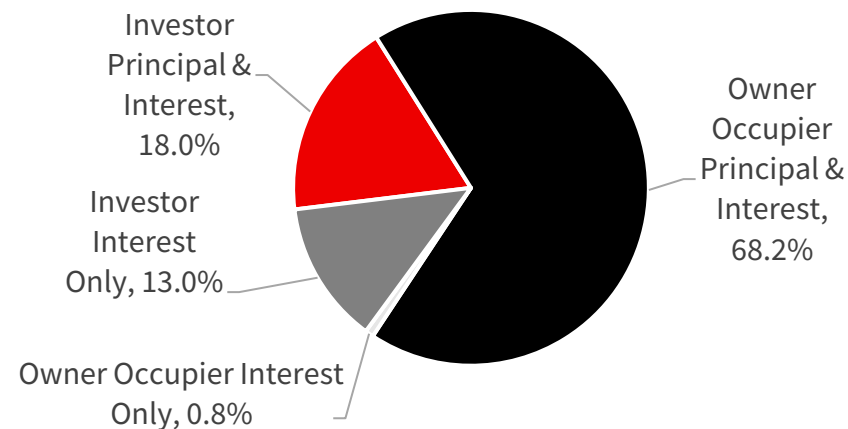
(1) Excludes 86 400 platform and Citi Consumer Business  
 (2) Only includes housing loans to households based on APRA ARF 720.1 reporting definitions, and excludes counterparties such as private trading corporations  
 (3) Includes 86 400 from May 2021 and Citi Consumer Business from Jun 2022. Contains a reclassification of ~\$0.8-\$0.9bn from Home Lending to Personal Lending (results in an approximate 5bps change overall), that occurred in Nov 22, with no historical restatements from APRA published data

# Housing lending fixed rate portfolio profile<sup>1</sup>

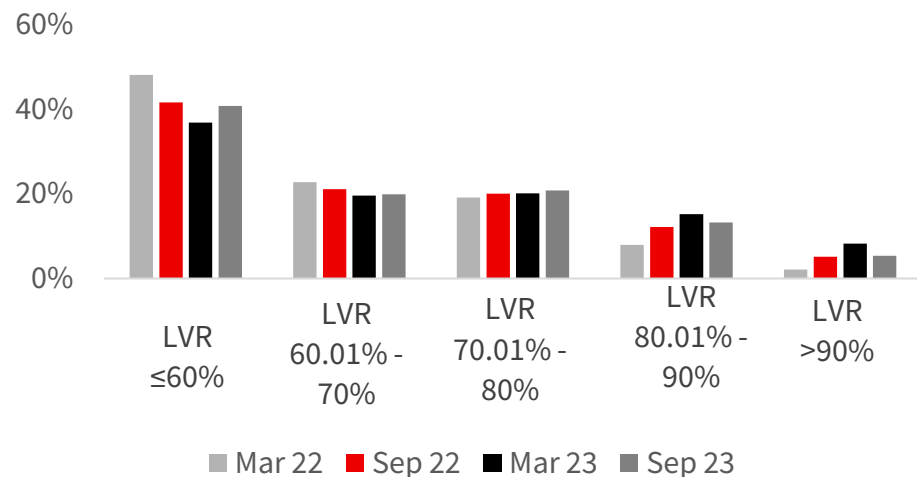
## Fixed rate (FR) lending book

- \$68bn FR book, rolls to variable rate (VR) loan at expiry, and ~91% to expire over the next two years
- 73% originated since Oct 20
- Proactive customer engagement with customers rolling off FR loans – ~85% retention to date
- 54% of customers also have a VR loan i.e. split loan
- All loans originated in past 3 years assessed on P&I basis using floor of at least 4.95% (5.75% from Sep 22) or buffer of at least 2.5% (3% from Nov 21) whichever is higher

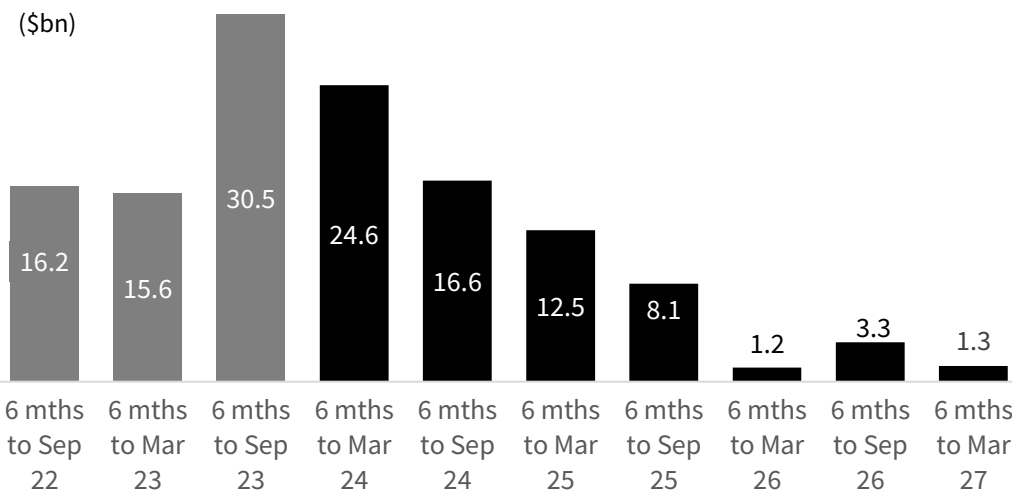
## FR housing lending volume by borrower and repayment type



## FR dynamic LVR



## FR home loan contractual expiry profile



(1) Excludes 86 400 platform and Citi Consumer Business

# Housing lending repayment profile

## Key considerations

- All VR loan repayments subject to quarterly repayment reviews from Feb 23 (previously annual)
- \$31bn FR loans expired in 2H23; 86% of all FR loans are P&I
- Early engagement underway for customers identified as potentially at repayment risk

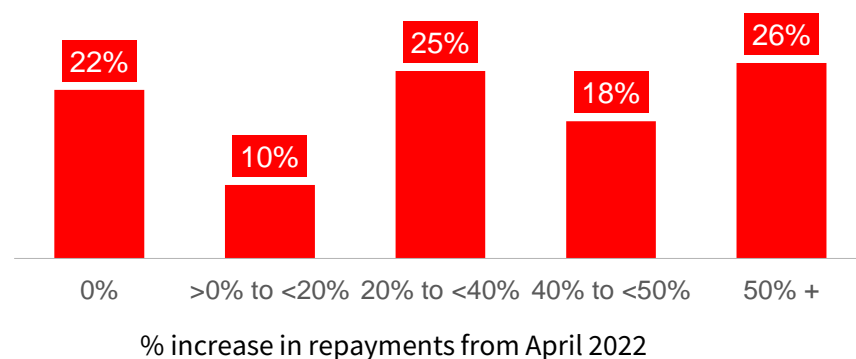
## Profile of forecast mortgage repayments at 4.35% cash rate<sup>1,2,3</sup>

Repayment profile from April 22 at 4.35% cash rate	VR P&I <sup>4</sup>	FR expiring by Sep 24
% of accounts with monthly repayment increase, <b>for which:</b>	78%	100%
- Ave monthly % increase	42%	61%
- Ave monthly \$ increase	\$674	\$1,042
- % of accounts with >40% increase in monthly repayments	56%	73%

## Profile of forecast mortgage repayments at 4.35% cash rate<sup>1,2,3</sup>

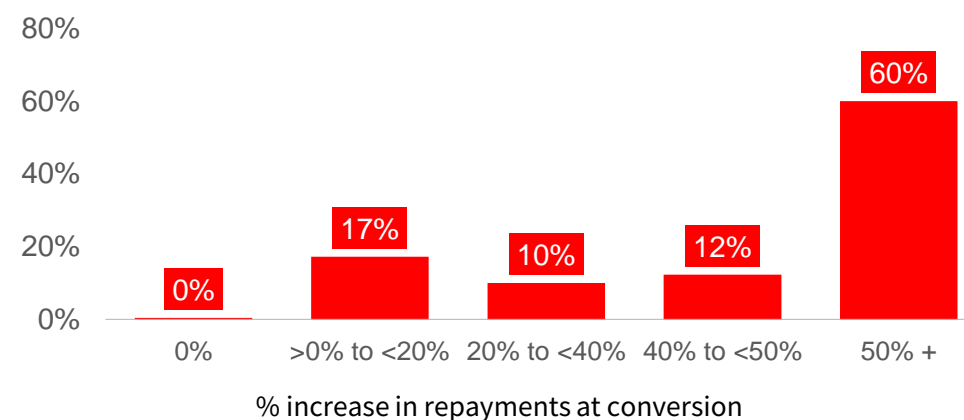
### Variable rate principal & interest book<sup>4,5</sup>

% of Portfolio



### Fixed rate book expiring by Sep 24 - \$41.2bn<sup>5</sup>

% of Portfolio



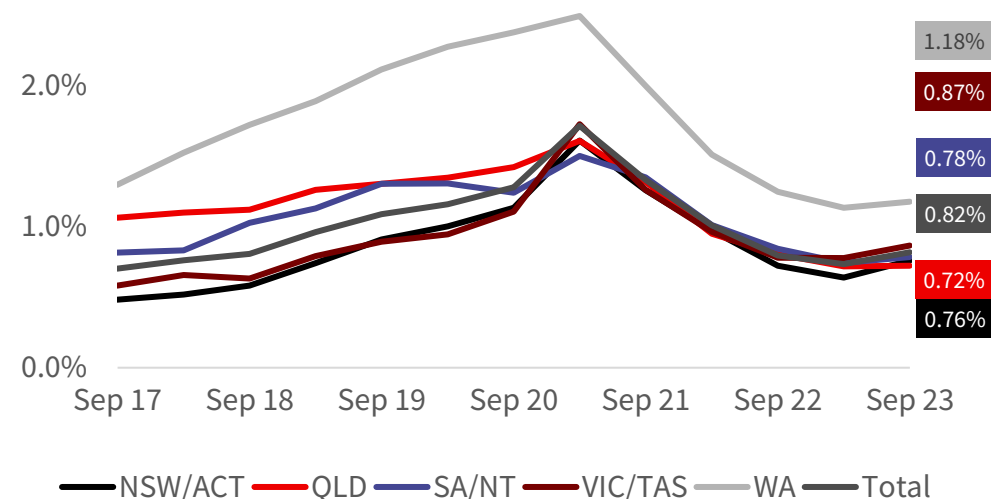
- (1) Excludes line of credit, 86 400 platform and Citi Consumer Business
- (2) By account
- (3) Analysis assumes full pass through of cash rate increases to current customer rates
- (4) Based on VR P&I loans on book at Apr 2022 and still on book at Sep 2023. Increase relative to customer repayments in Apr 2022
- (5) Does not sum up to 100% due to rounding

# Housing lending arrears profile

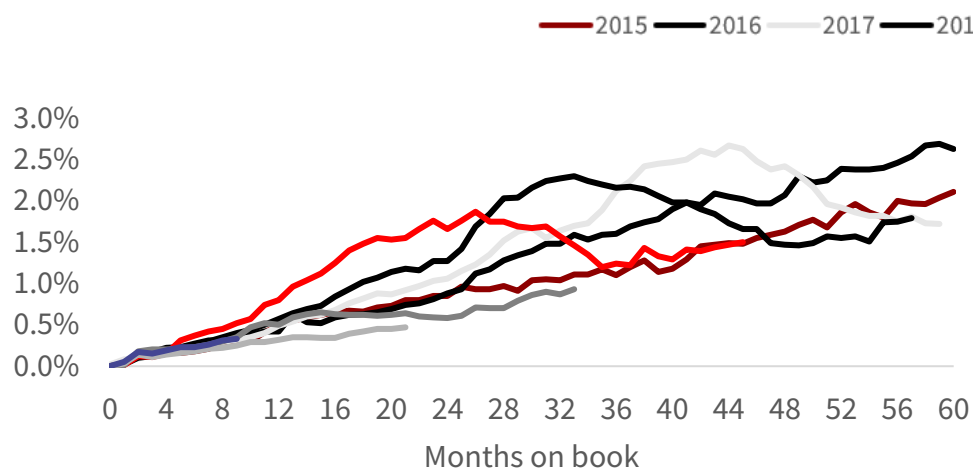
## Key considerations

- Recent state-based 90+ DPD trends fairly consistent
- Trajectory of arrears for 2017, 2018 and 2019 vintages impacted by COVID-19 responses
- To date, early arrears trends for loans originated during period of low interest rates (2020 and 2021 vintages) not dissimilar to earlier vintages
- Similar arrears for FR and VR in 2020 vintage
- While FR arrears are lower than VR for 2021 vintage, many FR loans are still within fixed rate period
- Numerous serviceability and lending policy initiatives since FY18 to enhance risk outcomes

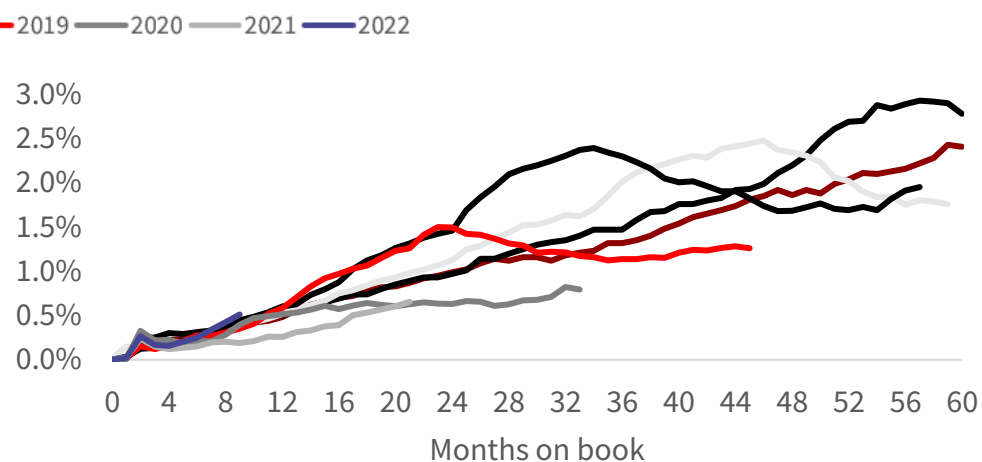
## Housing lending 90+DPD & GIAs as a % of GLAs<sup>1</sup>



## Fixed rate 30+ by vintage year<sup>2</sup>



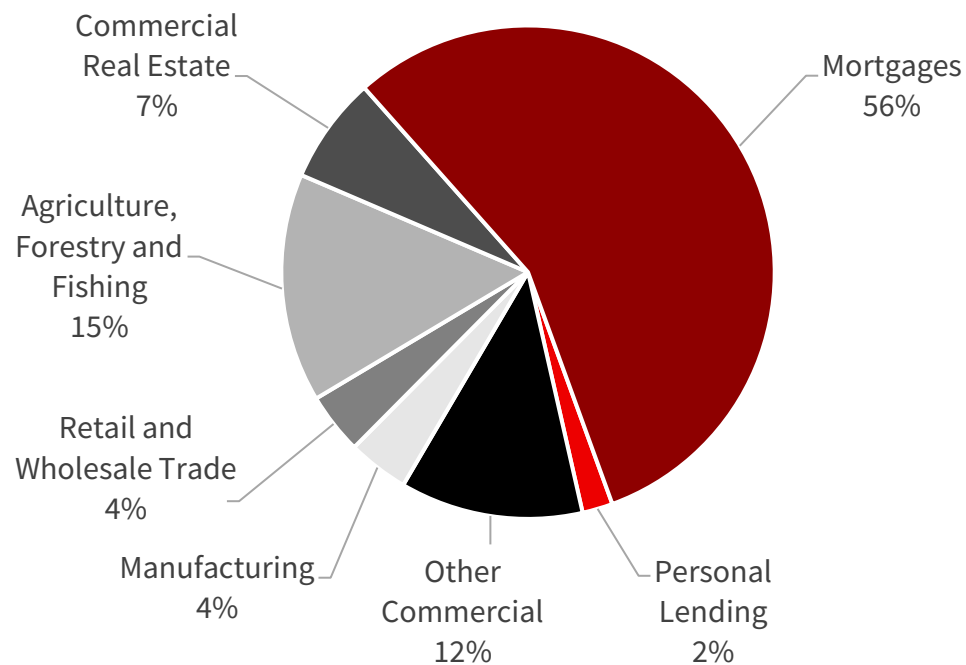
## Variable rate 30+ by vintage year<sup>2</sup>



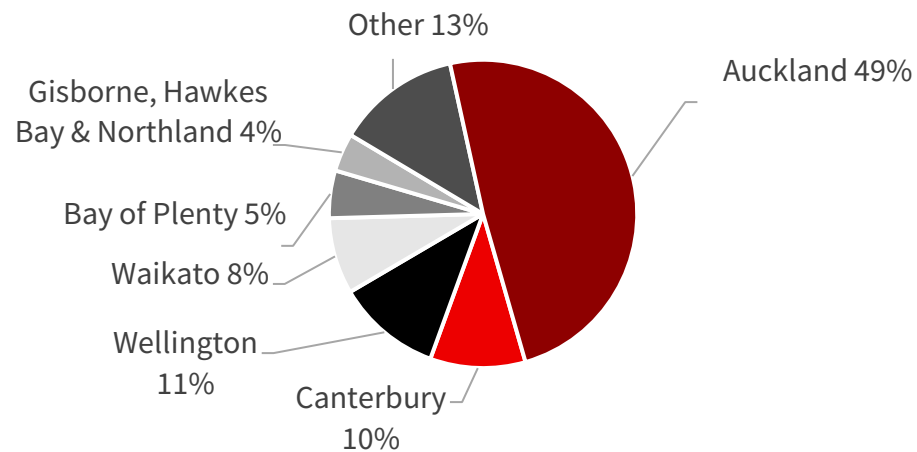
(1) Excludes 86 400 platform and Citi Consumer Business  
 (2) Calendar year

# New Zealand lending mix

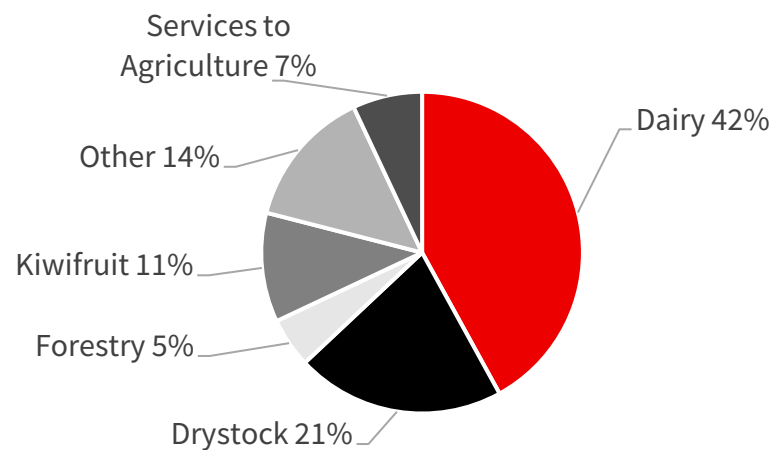
Portfolio breakdown by GLAs - Total NZ\$102.4bn



Mortgage portfolio breakdown by geography - Total NZ\$57.7bn



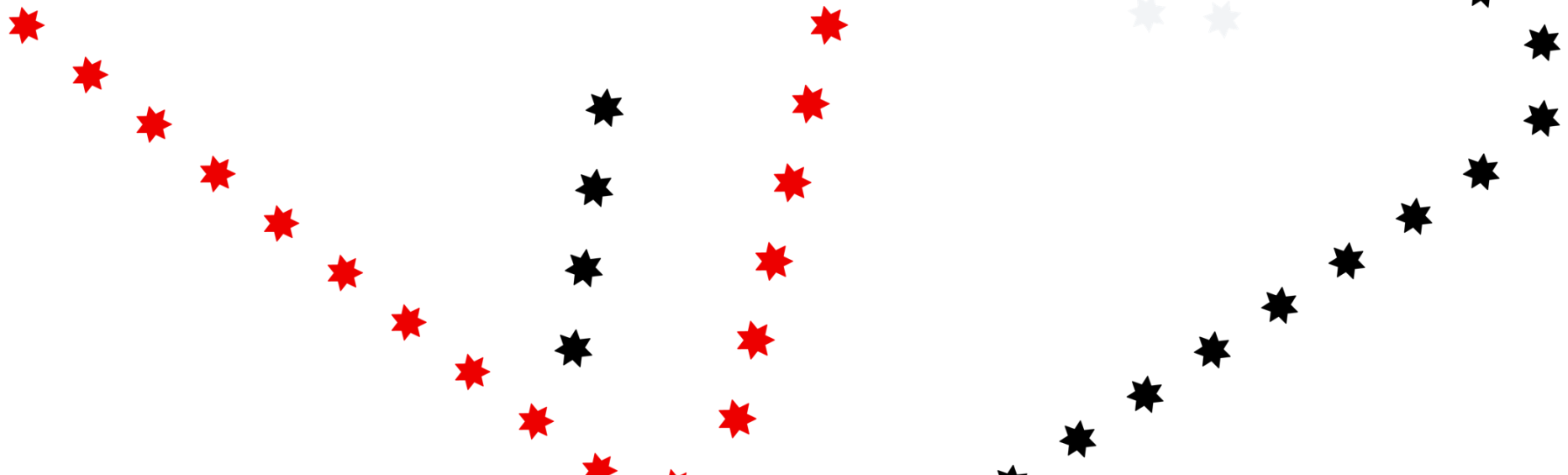
Agriculture, Forestry & Fishing portfolio breakdown by industry GLAs - Total NZ\$15.4bn





# Additional information

FY23 Results: Sustainability





# Sustainability is embedded in our Group Strategy

## Commercial responses to societal challenges



### Our priorities

- Climate action
- Affordable and specialist housing
- Economic advancement of First Nations people



## Resilient and sustainable business practices



- Colleagues and culture
- Inclusive banking
- Environmental, Social and Governance (ESG) risk management
- Supply chain management
- Human rights, including modern slavery

## Innovating for the future



- Our future core business and market-leading data analytics
- Partnerships that matter

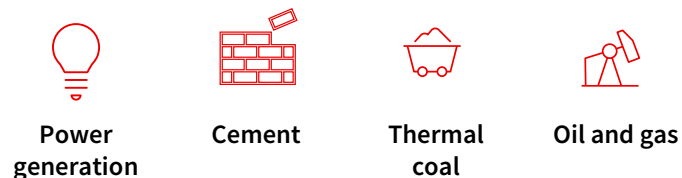
Aligned to six key United Nations Sustainable Development Goals<sup>1</sup> – where we can make the biggest impact

(1) [www.un.org/sustainabledevelopment](http://www.un.org/sustainabledevelopment)

# Reducing financed emissions

## Target-setting status (10 emissions-intensive sectors)<sup>1</sup>

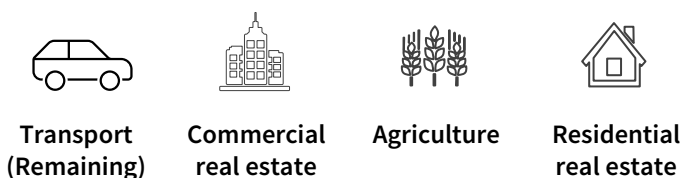
### Targets set in 2022



### Targets set in 2023



### Target work ongoing



## Sector decarbonisation targets

- 7 sector-specific decarbonisation targets now set
- Prioritisation of interim target-setting based on:
  - Significance of emissions
  - Sufficient data quality and availability
- Scope 1 and 2 emissions included for all sectors. Scope 3 emissions included for sectors (or sub-sectors within value chain) where material and where reliable data is available, including thermal coal and oil and gas
- Target baselines and progress are subject to external limited assurance

## Key principles for target-setting

The following principles have guided NAB's approach to sector decarbonisation target setting:

- Aligned to UNEP FI Guidance and NAB's climate ambition
- Scientifically credible pathway to achievement, in line with Australian market conditions
- Consistency in decision-making across the portfolio where possible; departures only made where the resulting baseline and/or target is more consistent with local market conditions and/or portfolio makeup
- Consideration of market practice and alignment to emerging disclosure regimes
- Simplicity in reporting and operationalising the targets that have been set

(1) Information presented on this page is a summary of NAB's sector decarbonisation targets published in NAB's 2023 Climate Report. Please refer to that report for further information

## Maturity assessments of 100 of our largest greenhouse gas (GHG) emitting customers

- Completed the assessment of transition maturity for 100 of our largest greenhouse gas (GHG) emitting customers in March 2023
- Used NAB's Transition Framework Diagnostic<sup>1</sup> which drew on Transition Pathways Initiative and Cambridge Institute for Sustainability Leadership's ClimateWise Transition Risk Framework
- Lessons learned through this exercise have informed NAB's approach to building assessments into decision-making processes – see 'Approach to Customer Transition Plans'



## Key maturity assessment findings

- 100% of the customers acknowledged climate change as a business issue
- 72% have committed to reporting under the Taskforce on Climate-Related Financial Disclosures (TCFD) framework
- 67% have set a goal to be net zero by 2050 or sooner

## Approach to Customer Transition Plans

- From 1 October 2025, NAB intends to require a Customer Transition Plan to be in place for new or renewed corporate lending or project-level lending<sup>2</sup> for Corporate and Institutional Banking customers in the following sectors<sup>3</sup>:
  - Power generation, where at time of lending 25% or more of the electricity generated by the customer is from thermal coal
  - Oil and gas<sup>4</sup>
  - Metallurgical coal
- Requirement for Customer Transition Plans may be extended to other relevant sectors and customers in other business units as NAB sets further decarbonisation targets
- Developing a framework to assess Customer Transition Plans, expected to consider elements such as:
  - Relevant Scope 1, 2 and 3 emissions disclosures
  - Inclusion of interim and long-term targets and their alignment with Paris Agreement
  - Actions planned to meet their targets, including capital expenditure
  - Level of reliance on offsets over time, and future technology developments
- NAB's approach will continue to be guided by relevant external frameworks, and may evolve over time, to reflect advancements in technology and science, and improvement to data

(1) The Diagnostic assists in the classification of transition maturity in the following bands: 0 – Unaware of (or not acknowledging) climate change as a business issue, 1 – Acknowledgement of climate change as a business issue, 2 – Building capacity, 3 – Integration into operational decision making, 4 – Strategic assessment. Note, no clients were assessed at the '0' level of maturity. See page 12 of 2023 Climate Report

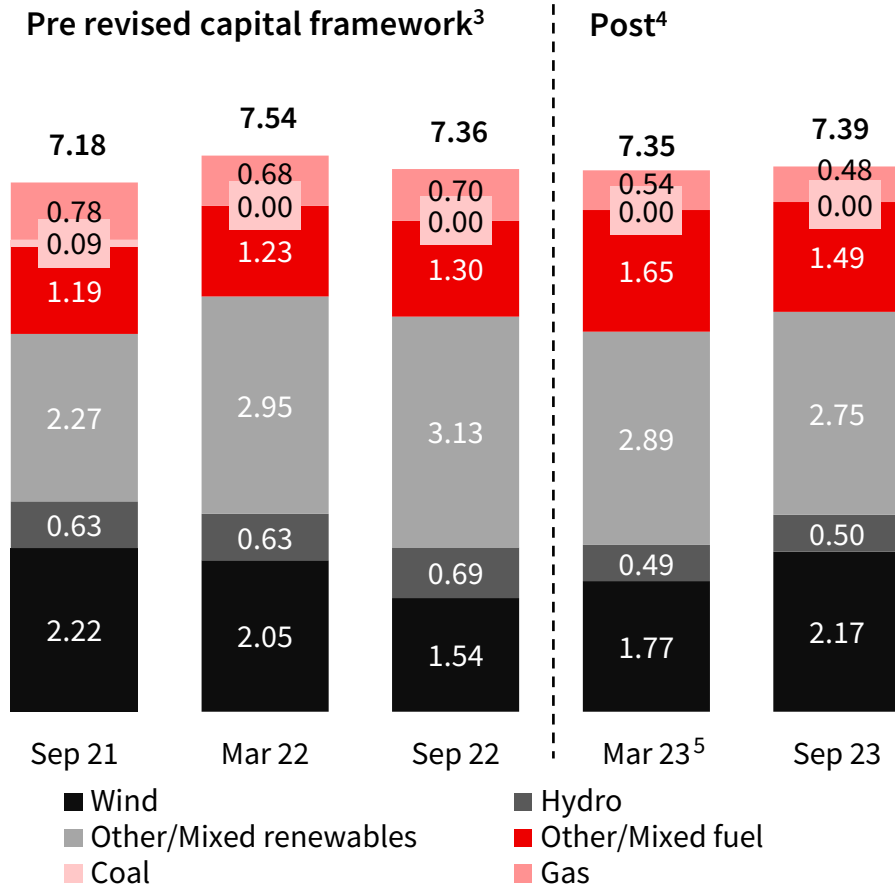
(2) This includes lending at a corporate level (for example, general facilities made available to the parent company of a group of companies), or at a project-level (that is on an individual project basis for a specific project purpose), and subject to national energy security considerations

(3) Sectors referenced here are consistent with sector definitions used for NAB's target setting emissions baseline, although metallurgical coal forms part of the iron and steel sector. For more information see page 71 of the 2023 Climate Report. NAB does not intend to apply this requirement to customers in the thermal coal sector because NAB has set a target to reduce financed emissions for this sector to zero by 2030

(4) This requirement for the oil and gas sector was previously communicated in NAB's 2022 Climate Report

# Energy generation exposures

## Energy generation EAD by fuel source<sup>1,2</sup> (AUD\$bn)



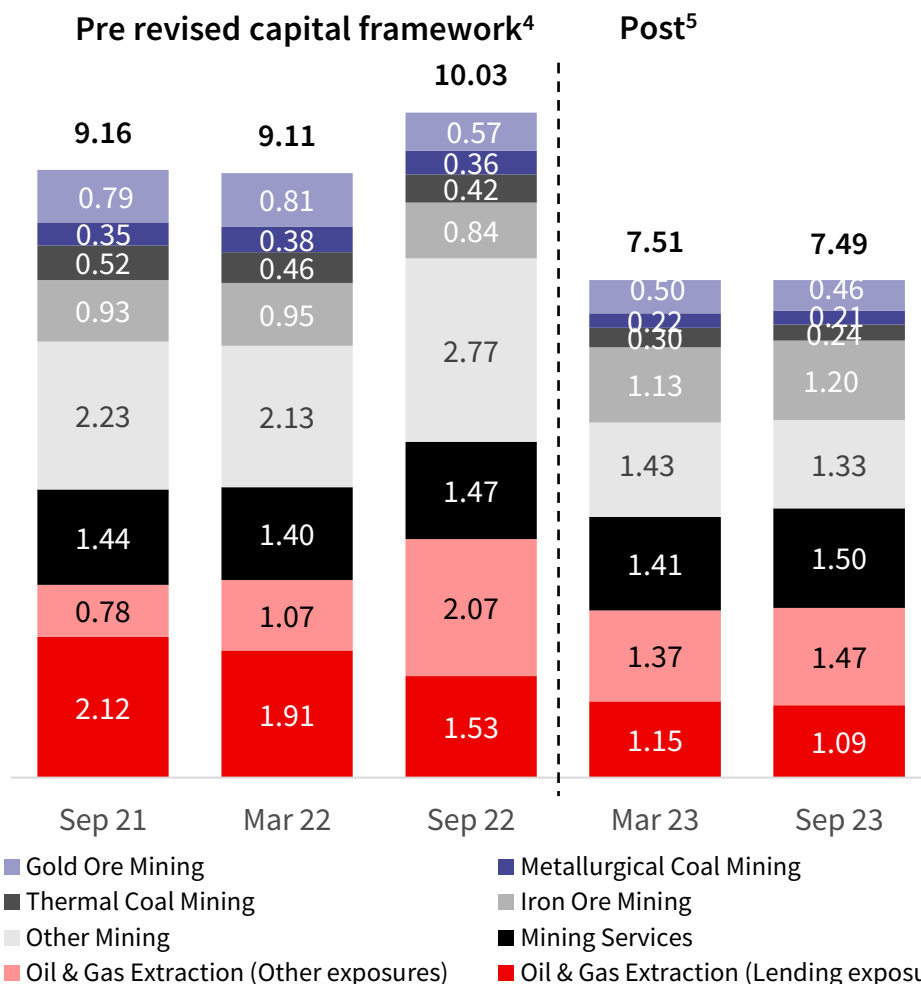
- 73% total energy generation financing to renewables
- From March 2022, NAB has no direct lending<sup>2</sup> to coal-fired power generation assets remaining
- NAB has set an interim sector decarbonisation target for power generation, details available in the 2023 Climate Report

(1) Totals presented in chart may not sum due to rounding  
 (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. NAB has no direct lending to coal-fired power generation assets remaining. Note there is indirect exposure to coal fired power within the Mixed Fuel category as a result of NAB's corporate level exposure to gentailers, which have a mix of generation assets (including coal, gas and renewables) within their generation portfolio  
 (3) The revised capital framework refers to revisions to APRA's capital adequacy and credit risk capital requirements for ADIs. For more information on the impact of the revised capital framework and impacts on NAB's reported EAD, see NAB's 1H23 Pillar 3 report  
 (4) March and September 2023 'post' numbers are calculated in accordance with APRA's revised capital framework which came into effect on 1 January 2023  
 (5) March 2023 has been restated

# Resources exposures

## Resources EAD by type<sup>1,2,3</sup>

(AUD\$bn)

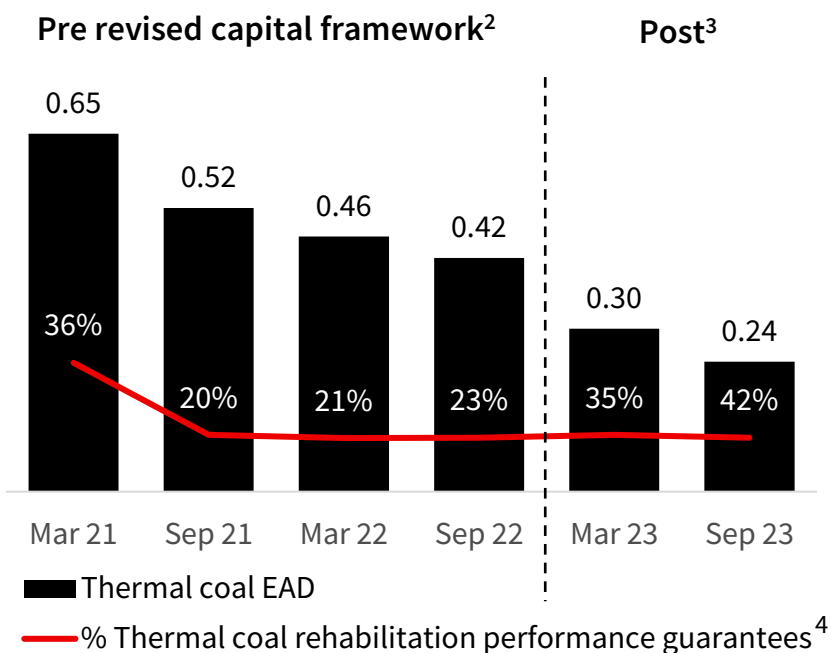


- Decreasing exposure to thermal coal, on track to be effectively zero<sup>6</sup> by 2030 excluding performance guarantees for rehabilitation of existing coal mining assets
- From 1 January 2023, the revised capital framework<sup>6</sup> came into effect. The primary impact of this change on NAB's resources exposures was a reduction in EAD due to changes in the calculation of off-balance sheet EAD for certain undrawn commitments

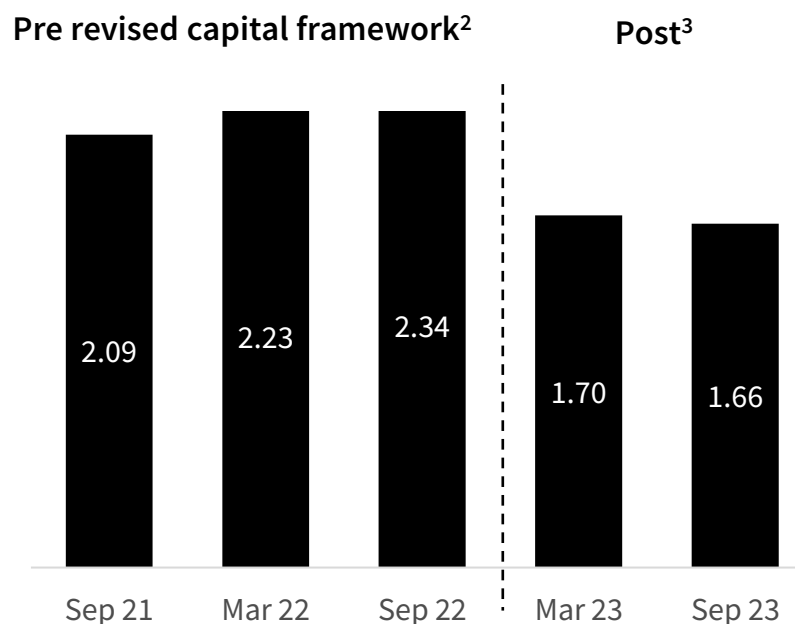
(1) Totals presented in chart may not sum due to rounding  
 (2) Oil and gas extraction exposures includes lending (e.g. revolving/term lending and guarantees) and other markets-related exposures (e.g. derivatives, foreign exchange, repurchase agreements)  
 (3) Thermal coal exposures includes direct exposure (including lending and guarantees) to customers whose primary activity is thermal coal mining. Includes financial guarantees and performance guarantees for the rehabilitation of existing coal mining assets. Excludes metallurgical coal mining and diversified mining customers  
 (4) The revised capital framework refers to revisions to APRA's capital adequacy and credit risk capital requirements for ADIs. For more information on the impact of the revised capital framework and impacts on NAB's reported EAD, see NAB's 1H23 Pillar 3 report  
 (5) March and September 2023 'post' numbers are calculated in accordance with APRA's revised capital framework which came into effect on 1 January 2023  
 (6) 'Effectively zero' refers to the fact that the Group may still hold some exposures to thermal coal in 2030, only through residual performance guarantees to rehabilitate existing coal mining assets. These guarantees are excluded from the financed emissions coverage of NAB's thermal coal sector target

# Thermal coal mining and oil and gas limits

## Thermal coal mining (AUD\$bn) exposure<sup>1</sup>



## Oil and gas extraction - (USD\$bn) exposure



- As at 30 September 2023, NAB no longer has any corporate lending to thermal coal mining customers or project finance in respect of thermal coal mining assets. NAB intends to maintain this position into the future
- BNZ is exiting all lending to thermal coal mining by the end of 2025

- Oil and gas presented in USD as majority of portfolio is denominated in USD<sup>5</sup>
- To reflect the impact of revised capital framework changes, the oil and gas cap was reduced from USD2.4bn to USD 2.28bn
- NAB's Net Zero Banking Alliance-aligned oil and gas sector target guides intended financed emissions reduction. See 2023 Climate Report for full details

(1) Thermal coal exposures includes direct exposure to customers whose primary activity is thermal coal mining. Includes financial guarantees and performance guarantees for the rehabilitation of existing coal mining assets. Excludes metallurgical coal mining and diversified mining customers

(2) The revised capital framework refers to revisions to APRA's capital adequacy and credit risk capital requirements for ADIs. For more information on the impact of the revised capital framework and impacts on NAB's reported EAD, see NAB's 1H23 Pillar 3 report

(3) March and September 2023 'post' numbers are calculated in accordance with APRA's revised capital framework which came into effect on 1 January 2023

(4) % of thermal coal EAD for performance guarantees to rehabilitate existing assets available from March 2021

(5) Relevant exposure conversions based on rates of AUD/USD 0.72115 (Sep 21); AUD/USD 0.74855 (Mar 22); AUD/USD 0.64925 (Sep 22); AUD/USD 0.67140 (Mar 23); AUS/USD 0.64765 (Sep 23)

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