Half Year Results Summary

2022

national australia bank

1H22 KEY FINANCIAL INFORMATION

$3,551M
Statutory net profit

$3,480M
Cash earnings[1]
Up 4.1% v 1H21

11.3%
Cash ROE

12.48%
Group Common Equity Tier 1 (CET1) ratio[2]

"The execution of our strategy is delivering good results for our customers, colleagues and shareholders. We are producing better and faster experiences and getting the basics right more consistently. This has been achieved during a period of increased customer activity across all divisions of the bank, including the fastest growth in business lending since the GFC.

1H22 cash earnings increased 4% compared with 1H21. Revenue rose 4.6%, benefitting from pricing discipline and strong growth in lending and deposits which were up 10% and 12% respectively versus March 2021.

Focused investment has been key to delivering strong momentum across our businesses. The recent shift to a higher growth outlook provides greater scope to keep investing while continuing to deliver productivity benefits. This, along with inflationary pressures has prompted a reset of our FY22 cost growth target to approximately 2-3%[3,4], to ensure we drive shareholder returns while balancing cost disciplines and growth opportunities. This target includes costs associated with the essential work underway to deliver the requirements of our Enforceable Undertaking (EU) with AUSTRAC.

Our results this period were achieved while maintaining strong balance sheet settings. This is key to delivering sustainable growth and keeping the bank safe. Our capital levels remain above our targets despite completing a $2.5 billion buy-back, with a further $2.5 billion buy-back commencing in May 2022. Our FY22 term funding is also well advanced.

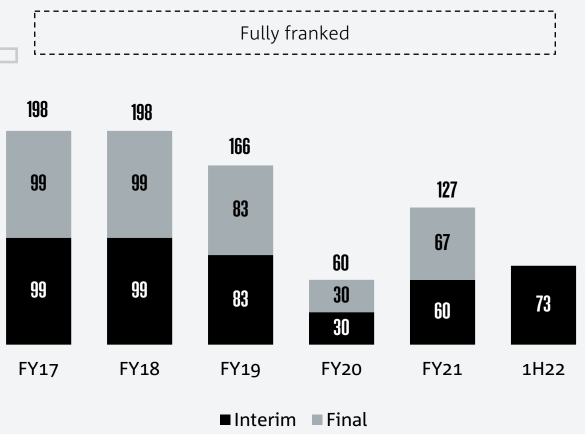
The lift in our 2022 interim dividend reflects progress of our strategy, confidence in the sustainability of our performance and our continued optimism in the medium term outlook for the Australian and New Zealand economies."

ROSS MCEWAN – NAB CEO

DIVIDENDS

CENTS PER SHARE

In respect of each financial year / period



SUPPORTING OUR CUSTOMERS & COMMUNITIES

- Strategic Net Promoter Scores (NPS) from September 2021 to March 2022 stable for Consumer NPS at -1 (ranked 1st of major banks) and up 3 points for Business NPS to 0 (ranked 2nd of major banks)[5]
- Supporting customers impacted by floods in Qld and NSW including disaster relief grants, credit card and personal loan relief, payment reduction and moratoriums on personal and home loans, concessional restructuring loans and fund raising
- Supporting customers achieve climate goals with innovation in ESG financing including approving our first NAB agri green loan and ongoing expansion of Carbonplace – a settlement platform for voluntary carbon credits of which NAB is a founding member
- Helping to make owning land a reality for first time farmers, with the launch of NAB Future Farmers program offering more flexible loan structures

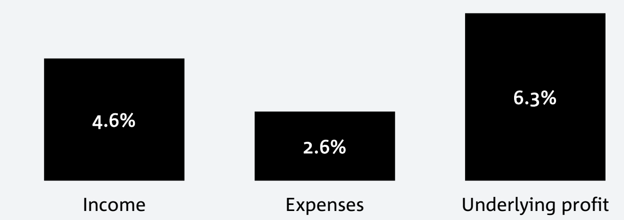
[1] Refer cash earnings note and reconciliation on page 6.
[2] Capital ratios in this announcement refer to Level 2 CET1 capital under current APRA capital standards.
[3] Refer to key risks, qualifications, and assumptions in relation to forward looking statements on page 7.
[4] Excluding large notable items and the impact of the proposed acquisition of Citigroup's Australian consumer business.

The March 2022 half year results are compared with the March 2021 half year results for continuing operations unless otherwise stated. Operating Performance and Asset Quality are expressed on a cash earnings basis.

OPERATING PERFORMANCE 1H22 V 1H21

- Revenue increased 4.6%. Key drivers include higher volumes, increased fees and commission income, offset by lower margins.
- Net Interest Margin (NIM) declined 11 basis points (bps) to 1.63%, but excluding the impact from Markets and Treasury and higher holdings of liquid assets, NIM declined 3bps. This reflects competitive pressures and mix issues in housing lending, partly offset by lower deposit and funding costs.
- Expenses rose 2.6%, reflecting additional bankers and resources to support growth, combined with salary increases and investment in technology. This was partially offset by productivity benefits achieved through simplification and third party savings, and lower occupancy costs. Compared with 2H21, expenses were flat.

1H22 V 1H21 DRIVERS OF CASH EARNINGS CHANGE

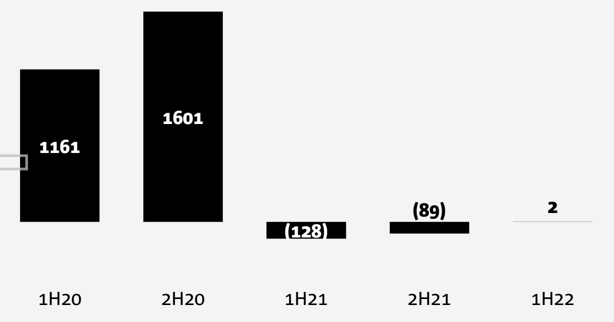


"Given the level of growth opportunities and emerging inflationary pressures, we now expect cost growth of ~2-3% in FY22, which includes costs associated with delivering the requirements of our EU with AUSTRAC"[3,4]

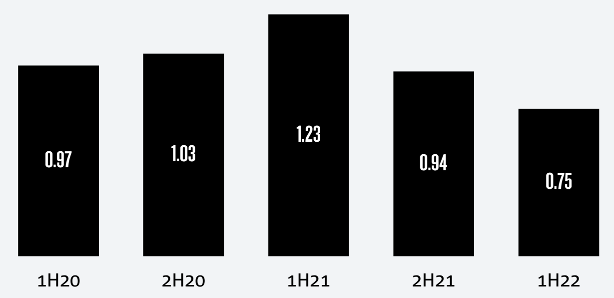
ASSET QUALITY 1H22 V 1H21

- 1H22 credit impairment charges were $2 million, versus a 1H21 write-back of $128 million. The 1H22 charge reflects increased charges for forward looking provisions combined with an underlying write-back.
- 1H22 charges for forward looking provisions of $67 million includes a $131 million top-up to the economic adjustment primarily to reflect increased downside risks including the potential impact of higher inflation and interest rates. This has been partly offset by a net $64 million release from target sector forward looking adjustments.
- Excluding charges for forward looking provisions, the underlying write-back of $65 million reflects improved asset quality across Australian lending exposures and low specific charges.
- The ratio of 90+ days past due and gross impaired assets to gross loans and acceptances reduced 48bps to 0.75%, driven by improved delinquencies across the Australian home lending portfolio, and work-outs for a small number of larger exposures in the Australian and New Zealand business lending portfolios.

CREDIT IMPAIRMENT CHARGES/(WRITE-BACK) ($ MILLIONS)



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

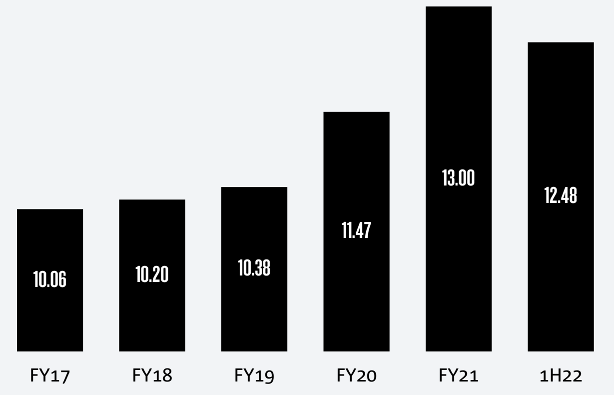


"Collective provision coverage to credit risk weighted assets remains prudent at 1.31% to reflect uncertainties in our evolving environment. Staying safe through the cycle remains a key pillar of our strategy, to allow us to support customers and deliver sustainable growth."

[5] 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+. History has been restated. Ranking based on absolute scores, not statistically significant differences.

CAPITAL, FUNDING & LIQUIDITY

CET1 RATIO[2] (%)



KEY RATIOS[2] AS AT 31 MARCH 2022

- Group Common Equity Tier 1 (CET1) ratio of 12.48%, 52bps lower than September 2021 primarily reflecting the impact of the completed $2.5 billion on-market share buy-back
- Pro forma CET1 ratio of 11.65% includes the estimated impacts of the proposed acquisition of the Citigroup Australian consumer business[6] (~31 bps), further $2.5 billion on-market share buy-back (~58bps) and proceeds from the BNZ Life divestment (~6bps)[7]
- Leverage ratio (APRA basis) of 5.5%
- Liquidity coverage ratio (LCR) quarterly average of 134%
- Net Stable Funding Ratio (NSFR) of 123%

KEY DIVISIONAL PERFORMANCE – CASH EARNINGS

	1H22 ($M)	% CHANGE 1H22 V 1H21	KEY DRIVERS 1H22 V 1H21
Business & Private Banking	1,429	17.5	Higher earnings mostly reflecting increased revenue benefitting from strong growth in lending and deposit volumes, broadly stable margins and a rise in fee income. Credit impairment charges were also lower. These impacts were partially offset by higher operating expenses including additional resources to support growth and investment in technology.
Personal Banking	788	(8.3)	Earnings declined driven by lower credit impairment write-backs, combined with reduced revenue given competitive pressures and mix shift in the housing lending portfolio. These impacts were partially offset by lower operating expenses benefitting from productivity and the sale of the broker aggregation business in 1H21.
Corporate & Institutional Banking	806	3.1	A stronger earnings outcome reflecting increased revenue, with strong growth in lending and deposit volumes combined with higher Markets and fee income. This was partially offset by lower credit impairment write-backs and higher operating expenses.
New Zealand Banking (NZ$M)	668	8.4	Higher earnings with revenue increasing due to growth in lending and improved margins. This was partly offset by higher operating expenses including increased resources to support growth, combined with a rise in credit impairment charges.

[6] The proposed acquisition of the Citigroup Australian consumer business is expected to complete in 2QCY2022, subject to relevant regulatory approvals. Estimated CET1 impact of 31bps on completion. The final capital impact of the transaction will be determined following completion.
[7] Sale of BNZ Life is expected to complete in 2022 subject to regulatory approvals. Final capital impact of the transaction will be determined following completion.

OUR 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
Grow in Personal & SME

UBank
New customer acquisition

HOW WE WORK

- Excellence for customers
- Grow together
- Be respectful
- Own it

MEASURES FOR SUCCESS

- Engagement
- NPS growth
- Cash EPS growth
- ROE

ECONOMIC OUTLOOK[8]

"Recent data highlights ongoing strength in the Australian economy. Consumption has rebounded strongly from lockdowns and is expected to remain robust, in part supported by a run-down in accumulated household savings. This, combined with a healthy outlook for business investment plus high levels of dwelling investment and government spending, support forecast GDP growth of 3.4% over 2022 and 2.1% over 2023. Given the strength in activity and labour demand, the unemployment rate is expected to fall below 4% in coming months and remain low for some time. Against this backdrop, wages growth and underlying inflationary pressures are building, with monetary policy tightening now underway.

Following elevated growth in 2021, the New Zealand economy is facing some near term challenges and uncertainties. Rapid monetary policy tightening is underway to address inflationary pressures and Omicron has further tightened labour supply. Asset prices are softening and consumer and business confidence have fallen to low levels. Some relief is expected with the removal of COVID-19 restrictions and a reopening of New Zealand's border in the June quarter but growth is then expected to slow. On balance, this sees forecast GDP growth of 3.6% over 2022 and 1.4% over 2023."

[8] All references to years are on the basis of calendar years. GDP growth rates expressed as December quarter on December quarter of previous year.

STRATEGIC OVERVIEW

1H22 has been another period of strong momentum. Continued discipline in the execution of our strategy has been key to our performance. This is evident in stable to improving customer NPS[5] and market share gains across housing, business and unsecured lending plus deposits over the six months to March 2022.

Consistent with our strategic ambition, this growth has translated into half-on-half improvements in both cash EPS growth, up 9%, and cash ROE up 100 basis points to 11.3%. While these results are encouraging, our ability to deliver strong performance consistently over time will be the real differentiator, which is why our focus is on managing for the long term.

Ongoing competition makes it critical that we keep improving the experiences of our customers and colleagues. This allows us to attract and retain talent in an increasingly tight labour market and grow our business without undue margin pressure. During the six months to March 2022, Consumer NPS was stable at -1 and NAB ranked first of the major banks, while Business NPS improved from -3 to 0 and NAB ranked second of the major banks[5]. Colleague engagement scores were broadly stable over the same period at 76 and well up from our score of 66 in FY19[9]. We are progressing on both fronts but have more to do to achieve our ambitions of positive customer NPS ranked first of the major banks and top quartile colleague engagement.

To achieve these ambitions, we must consistently be simple and easy to deal with and offer fast and seamless experiences that always work. We need exceptional bankers and the ability to offer personalised customer experiences, insights and value. Investments we are making to support these key priorities, along with heightened accountability and execution rigor, are gaining traction, supported by strong and flexible technology foundations established over many years.

In our leading SME franchise, Business & Private Banking, we are adding more bankers in FY22 to service strong customer demand, building on approximately 550 new customer facing roles added last year. Ongoing simplification of our policies and processes, in conjunction with increasing digitisation is freeing up bankers and delivering quicker customer responses. Over the 12 months to March 2022 'time to yes' on new lending more than halved and the number of transaction accounts opened digitally increased from 23% to 35%. The launch of NAB Hive in 1H22 will provide a simpler, more flexible way for merchant customers to manage their business and payment needs through a single, easy-to-use digital portal. The acquisition of LanternPay and integration of its digital healthcare claiming technology with NAB's healthcare payments business HICAPS will deliver an enhanced offering to healthcare providers, saving time and simplifying administration.

A key focus in Personal Banking is simplifying home lending to offer a consistent, fast experience which is efficient and scalable. To achieve this we are building an end-to-end platform which is being progressively rolled out across all channels, replacing multiple ways of originating a home loan in NAB. The Simple Home Loans (SHL) application platform is an important step in this journey. About 90% of retail applications are now eligible for SHL applications with about 35% achieving 'time to yes' in under one hour. Rollout of SHL to Business & Private Banking home loan customers commenced in 1H22, while for mortgage brokers we are delivering quicker, more consistent outcomes from policy and process simplification with rollout of our end-to-end broker solution targeted from 2H22. The acquisition of Citigroup's Australian consumer banking business[6], will further support our ambition to build a leading personal bank with a simpler, more digital experience.

We are optimistic about the growth outlook. Investments we are making position us well, particularly at a time when business investment intentions are high and business credit is growing at the fastest rate since the GFC. But our growth must continue to generate cash EPS improvements through the cycle if we are to achieve our strategic ambition. To do this we need to manage our business safely and with discipline, especially in a period of rising funding costs and inflationary pressures.

In April 2020 we laid out a target of lower absolute costs in FY23-25 compared with FY20 to support our ambition of cash EPS growth in what was then expected to be a sustained period of low revenue growth. The outlook has now shifted to one of higher growth, higher inflation and higher rates, prompting reconsideration of our targets to ensure we are appropriately balancing cost discipline against growth opportunities. Progressing our productivity agenda will remain key to helping offset cost inflation and creating capacity to reinvest, with cumulative productivity benefits of greater than $400 million targeted in FY22[3]. Given growth opportunities across our business and inflationary pressures, we now expect cost growth of approximately 2-3% in FY22 and we are no longer targeting absolute cost reductions by FY23-25[3,4]. Progress on financial crime remediation over the past six months including agreeing an EU with AUSTRAC, means we now have a clearer view of the expected cost of this work and have included this in the 2-3% target.

Having a strong balance sheet and managing risk responsibly remain key to staying safe and generating consistent performance. Despite benign asset quality outcomes over 1H22, our collective provisions as a ratio of credit risk weighted assets are little changed at 1.31% and remain well above the levels of FY19. We continue to manage our Common Equity Tier 1 (CET1) capital ratio towards a target range of 10.75-11.25%[2], reflecting a balance between maintaining a strong balance sheet through the cycle while improving shareholder returns. CET1 decreased 52bps to 12.48% over the six months to March 2022. After adjusting for the proposed acquisition of Citigroup's Australian consumer business, BNZ Life sale proceeds and a further $2.5 billion on-market share buy-back, proforma CET1 is 11.65%.

As our lending growth has accelerated, we have not lost sight of the need to safely fund this growth in a disciplined and strategic manner. A focus on generating high quality deposits across our business is producing results including 6% growth in Australian household deposits and 11% growth in Australian business deposits (ex Financial Institutions) over the six months to March 2022. This has meant that despite strong loan growth over the same period, the percentage of lending funded by customer deposits increased to 80% at 31 March 2022. We are also well advanced on our term wholesale funding for FY22 with $21 billion raised to-date across a range of markets and tenors.

We are optimistic about the future and well positioned for an evolving environment in FY22 and FY23. Disciplined execution of our strategy and investing to deliver better customer and colleague outcomes remain our key focus to allow us to drive sustainable growth across our business and improved returns for shareholders.

[9] The 2019 score of 66 represents a restated score of the AON survey into a Glint 'Heartbeat" score methodology.

GROUP PERFORMANCE RESULTS

Cash earnings is a non-IFRS key financial performance measure used by NAB and the investment community. NAB also uses cash earnings for its internal management reporting, as it better reflects what NAB considers to be the underlying performance of the Group. Cash earnings 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 Half Year Results Announcement provides details of how cash earnings is defined on page 4 and a discussion of non-cash earnings items and full reconciliation of statutory net profit attributable to owners of NAB on pages 91 to 93.

	Half Year to				
	Mar 22 $m	Sep 21 $m	Mar 21 $m	Mar 22 v Sep 21 %	Mar 22 v Mar 21 %
Net interest income	7,085	6,958	6,839	1.8	3.6
Other operating income	1,743	1,409	1,600	23.7	8.9
Net operating income	8,828	8,367	8,439	5.5	4.6
Operating expenses	(3,963)	(3,954)	(3,863)	0.2	2.6
Underlying profit	4,865	4,413	4,576	10.2	6.3
Credit impairment (charge)/write-back	(2)	89	128	large	large
Cash earnings before tax and distributions	4,863	4,502	4,704	8.0	3.4
Income tax expense	(1,383)	(1,287)	(1,348)	7.5	2.6
Cash earnings before distributions	3,480	3,215	3,356	8.2	3.7
Distributions	-	-	(13)	-	large
Cash earnings	3,480	3,215	3,343	8.2	4.1
Non-cash earnings items (after tax)	91	26	(113)	large	large
Net profit from continuing operations	3,571	3,241	3,230	10.2	10.6
Net loss attributable to owners of NAB from discontinued operations[10]	(20)	(85)	(22)	(76.5)	(9.1)
Net profit attributable to owners of NAB	3,551	3,156	3,208	12.5	10.7
Represented by:					
Business and Private Banking	1,429	1,264	1,216	13.1	17.5
Personal Banking	788	791	859	(0.4)	(8.3)
Corporate and Institutional Banking	806	425	782	89.6	3.1
New Zealand Banking	630	578	576	9.0	9.4
Corporate Functions and Other	(173)	157	(90)	large	92.2
Cash earnings	3,480	3,215	3,343	8.2	4.1

SHAREHOLDER SUMMARY

	Half Year to				
	Mar 22	Sep 21	Mar 21	Mar 22 v Sep 21	Mar 22 v Mar 21
Group – including discontinued operations					
Dividend per share (cents)	73	67	60	6	13
Statutory dividend payout ratio	66.9%	69.9%	61.8%	(300 bps)	510 bps
Statutory earnings per share (cents) – basic	109.1	95.9	97.1	13.2	12.0
Statutory earnings per share (cents) – diluted	104.8	92.1	92.7	12.7	12.1
Statutory return on equity	11.5%	10.2%	10.6%	130 bps	90 bps
Net tangible assets per ordinary share ($)	17.67	17.88	17.52	(1.2%)	0.9%
Group – Continuing operations					
Cash dividend payout ratio	68.3%	68.6%	59.1%	(30 bps)	920 bps
Statutory dividend payout ratio from continuing operations	66.5%	68.0%	61.3%	(150 bps)	520 bps
Statutory earnings per share from continuing operations (cents) – basic	109.7	98.5	97.8	11.2	11.9
Statutory earnings per share from continuing operations (cents) – diluted	105.4	94.5	93.4	10.9	12.0
Cash earnings per share (cents) – basic	106.9	97.7	101.6	9.2	5.3
Cash earnings per share (cents) – diluted	102.8	93.7	96.9	9.1	5.9
Cash return on equity (ROE)	11.3%	10.3%	11.1%	100 bps	20 bps

[10] Refer to NAB's 2022 Half Year Results Announcement Note 14 Discontinued Operations for further information.

FOR FURTHER INFORMATION

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This Results Summary has been authorised for release by the Board.

DISCLAIMER – FORWARD LOOKING STATEMENTS

This Results Summary and the 2022 Half Year Results Announcement contain 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", "goal", "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 a number of other important 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, the Australian and global economic environment and capital market conditions. Further information is contained in the Group's Luxembourg Transparency Law disclosures released to the ASX on 5 May 2022 and the Group's Annual Financial Report for the 2021 financial year, which is available at www.nab.com.au.