

# 2021 HALF YEAR RESULTS SUMMARY



## 1H21 KEY FINANCIAL INFORMATION

**\$3,208M**

Statutory net profit

**\$3,343M**

Cash earnings<sup>1</sup>  
Up 94.8% v 1H20

Up 35.1% v 1H20 excluding 1H20 large notable items<sup>2</sup>

**11.1%**

Cash ROE

**12.37%**

Group Common Equity Tier 1 (CET1) ratio

“The rebound in the Australian and New Zealand economies from COVID-19 has been better than expected. This, along with the vaccine rollout and continued strong health outcomes, make us optimistic about the outlook.

But risks do remain. The recovery is not even, and some customers such as those in international travel and hospitality, particularly in CBD areas, still face significant challenges. Longer term outcomes for these customers depend on a number of factors expected to become clearer in coming months. These include the impact of JobKeeper ending, timing of the vaccine rollout and the reopening of international borders. Supporting customers and keeping the bank safe through this period remain our priorities.

Our 1H21 result reflects the improving conditions, with cash earnings 35.1% higher compared with 1H20 (excluding large notable items) benefitting from significantly better credit impairment outcomes. This result, and our growing confidence in the outlook, have allowed us to lift the 2021 interim dividend to 60 cents per share.

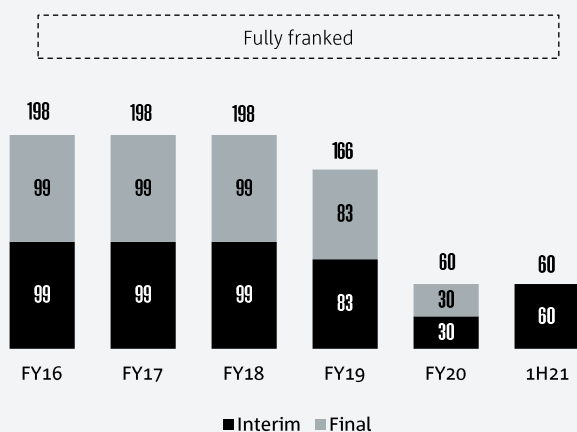
Against this improving economic backdrop, there is growing momentum across our Bank reflecting our investment in key strategic priority areas. While there is still much to do, we are progressing on our ambition to deliver better outcomes for customers and colleagues. Focus and execution remain key. ”

**ROSS MCEWAN – NAB CEO**

## DIVIDENDS

### CENTS PER SHARE

In respect of each financial year / period



## SUPPORTING OUR CUSTOMERS & COMMUNITIES IN 1H21

- Strategic Net Promoter Score (NPS) up 11 points from -18 in March 2020 to -7 in March 2021, with NAB ranked first of the major banks<sup>3</sup>
- Supporting customers through the changing face of banking, with 280 remote working and regional/rural roles added into operations and to assist customers with digital and phone banking, combined with 134 new regional small business bankers
- Extending support to SME customers impacted by COVID-19 with the NAB Business Support Loan, and helping our customers impacted by flooding in NSW and the WA cyclone with emergency grants
- Bolstering our ability to work with customers on climate risk and transition pathways by building a team of highly qualified climate bankers over the next 12 months

<sup>1</sup> Refer cash earnings note and reconciliation on page 6.

<sup>2</sup> Cash earnings large notable items after tax in 1H20: customer-related remediation \$91m; capitalised software policy change \$668m.

<sup>3</sup> Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Sourced from DBM Consultants Business and Consumer Atlas, measured on 6 month rolling average. Definition has been updated to give all customers in the Business and Consumer segments equal voice. The overall Strategic NPS result combines the Consumer (18+) and Business segments using a 50% weighting for each. History has been restated. Ranking based on [simple/absolute] scores, not statistically significant differences.

# NAB 2021 HALF YEAR RESULTS

The March 2021 half year results are compared with the March 2020 half year results for continuing operations unless otherwise stated. Operating Performance and Asset Quality are expressed on a cash earnings basis.

## OPERATING PERFORMANCE 1H21 V 1H20

- Revenue increased 1.0%. Excluding large notable items in 1H20, revenue was stable reflecting improved Markets and Treasury income, offset by lower margins.
- Net Interest Margin (NIM) declined 4 basis points (bps) to 1.74%, but excluding Markets and Treasury and large notable items, NIM declined 2bps. This reflects a lower earnings rate on deposits and capital given the impact of a low interest rate environment, combined with competitive pressures, partly offset by lower funding costs and home loan repricing.
- Expenses decreased 18.6%. Excluding large notable items in 1H20<sup>4</sup>, expenses rose 3.1% mainly reflecting provisions for higher performance-based compensation and additional customer facing and support roles, partly offset by productivity gains. However, compared with 2H20, expenses fell 1.8% (excluding large notable items in 2H20), with lower restructuring-related costs and productivity improvements, partly offset by provisions for higher performance-based compensation.

### 1H21 V 1H20 DRIVERS OF CASH EARNINGS CHANGE

(ex large notable items<sup>4</sup>)

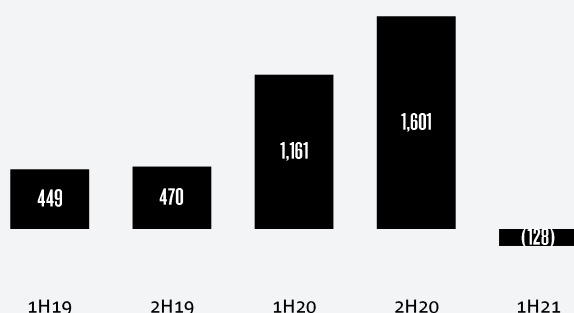


**“We continue to expect modest expense growth in FY21 of approximately 0-2% (excluding large notable items)<sup>5</sup>”**

## ASSET QUALITY 1H21 V 1H20

- 1H21 credit impairment charges were a write-back of \$128 million, versus a 1H20 charge of \$1,161 million. The significant improvement reflects partial release and non-repeat of 1H20 top-ups to forward looking collective provisions for potential COVID-19 impacts, and lower underlying charges.
- 1H21 changes to forward looking provisions include a \$235 million release from the economic adjustment, partially offset by a \$221 million top-up to target sector forward looking adjustments where elevated levels of risk remain.
- Excluding changes in forward looking provisions, underlying charges reduced \$447 million benefitting from a lower level of individual impairments and reduced charges for Australian retail exposures.
- The ratio of 90+ days past due and gross impaired assets to gross loans and acceptances increased 26bps to 1.23%, primarily due to missed payments relating to home loan customers exiting deferrals.

### CREDIT IMPAIRMENT CHARGES/(WRITEBACK) (\$ MILLIONS)



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



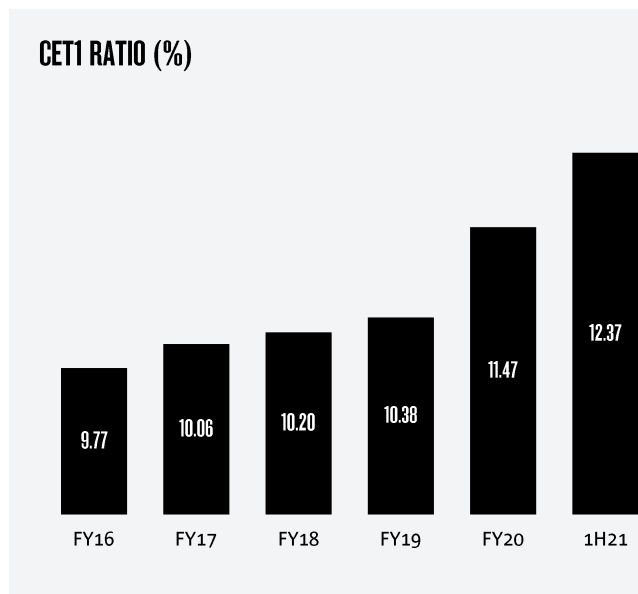
**“The economic outlook has improved, but the sustainability of the recovery remains uncertain at this stage and customer impacts are uneven. To reflect this, collective provisions remain prudent at 1.50% of credit risk weighted assets.”**

<sup>4</sup> Revenue excludes customer-related remediation \$80m in 1H20. Expenses excludes customer-related remediation \$50m in 1H20 and capitalised software policy change \$950m in 1H20. Underlying profit represents cash earnings before credit impairment charges, income tax and distributions. Refer note on cash earnings and reconciliation on page 6.

<sup>5</sup> Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 7.

# NAB 2021 HALF YEAR RESULTS

## CAPITAL, FUNDING & LIQUIDITY



### KEY RATIOS AS AT 31 MARCH 2021

- Group Common Equity Tier 1 (CET1) ratio of 12.37%, up 90bps from September 2020
- Proforma CET1 ratio of 12.75% reflecting estimated impacts from agreed sale of MLC Wealth (~35bps) and BNZ Life (~7bps) less acquisition of 86 400 (~4bps)<sup>6</sup>
- Leverage ratio (APRA basis) of 5.99%
- Liquidity coverage ratio (LCR) quarterly average of 136%
- Net Stable Funding Ratio (NSFR) of 122%

## KEY DIVISIONAL PERFORMANCE – CASH EARNINGS

	1H21 (\$M)	% CHANGE 1H21 V 1H20	KEY DRIVERS 1H21 V 1H20
Business & Private Banking <sup>7</sup>	1,216	(10.3)	Earnings reduced reflecting lower revenue mostly due to the low interest rate environment, and higher operating expenses including additional resources to support customers in response to COVID-19 and additional bankers to support growth. These impacts were partly offset by lower credit impairment charges.
Personal Banking <sup>7</sup>	859	14.1	Higher earnings benefitting from reduced credit impairment charges, home loan repricing, and lower funding costs, partly offset by competition and the impact of the low interest rate environment. Operating expenses were also lower with investment in additional customer facing and support resources more than offset by productivity benefits.
Corporate & Institutional Banking <sup>7</sup>	782	15.7	Earnings increased with improved outcomes across most key drivers. Markets income was higher with non-repeat of losses on the high quality liquids portfolio combined with a positive derivative valuation adjustment. Margins (ex Markets) also increased benefitting from risk and pricing discipline, while credit impairment charges were lower.
New Zealand Banking <sup>7</sup> (NZ\$M)	616	9.6	Higher earnings with revenue increasing due to growth in lending and improved margins, combined with reduced credit impairment charges. This was partly offset by higher operating expenses including increased investment in additional roles to support growth and to strengthen the compliance and control environment.

<sup>6</sup> Sale of MLC and acquisition of 86 400 expected to complete in 2H21 and sale of BNZ Life expected to complete in 1H22, in each case subject to relevant approvals. Final capital impact will be determined following completion.

<sup>7</sup> Excludes large notable items and collective provision charges for forward looking economic adjustments due to the potential deterioration in broader macro-economic factors as a result of the COVID-19 pandemic, which are included in Corporate Functions and Other.

## 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



Engagement



NPS growth



Cash EPS growth



ROE

### MEASURES FOR SUCCESS

## ECONOMIC OUTLOOK

“Australia’s economic recovery is unfolding at a brisk pace and indicators point to ongoing strength in activity and the labour market. In particular, record high levels of business conditions and forward orders combined with strong business confidence and increasing capacity utilisation should drive a pick-up in business investment and further jobs growth. This suggests that, in aggregate, the economy is well placed to absorb the winding up of JobKeeper at the end of March despite some sectors remaining challenged. Encouragingly, GDP for the March 2021 quarter is forecast to have fully recovered its pre COVID-19 level, but a large degree of spare capacity remains in the labour market. As such, wages growth and inflation will likely remain weak for some time, supporting ongoing accommodative monetary policy and potentially the need for further fiscal support in coming years.

The New Zealand economy experienced a very strong rebound in activity in the September 2020 quarter. However, there has since been a pull back in activity in part due to the absence of international tourists, although momentum is still evident in some parts of the economy including construction, and exporters will benefit from an improving global economy.”

## STRATEGIC OVERVIEW<sup>8</sup>

Last year we refreshed our long term strategy. Our ambition is to serve customers well and help our communities prosper. We will do this by supporting our customers and colleagues and being relationship-led, easy to deal with, safe and sustainable. This strategic refresh builds on the strengths of our core businesses and the sound foundations already in place, while recognising the need for a simpler, more resilient and efficient business with clearer accountabilities.

As part of this refresh, we outlined four clear measures of success and our long term ambitions for these over three to five years:

- Top quartile colleague engagement
- Strategic NPS positive and #1 of majors
- Cash EPS growth through safe market share growth in target segments and a disciplined approach to costs and investment including lower absolute costs (relative to FY20 costs)
- Double digit cash ROE

Our strategy is not unique. Its successful delivery requires that we have great clarity and execute well. Driving the cultural change necessary for these outcomes is a key priority. While it will take time and relentless focus to ingrain the discipline and cadence required, we are making progress. The implementation of a customer-centric operating model with clear accountabilities was an important early step in 2H20. Also important has been making very clear to each of our senior leaders their key deliverables over the next five years to make a meaningful difference to our customers, colleagues and the future of NAB. Regular check-ins and consistent reporting against these specific commitments is underway, alongside a more disciplined framework governing our discretionary investment.

Executing effectively requires that we stay focused on our core businesses. The announced sales of MLC Wealth and BNZ Life (expected to complete in 2H21 and 1H22 respectively, subject to relevant approvals) allow us to optimise and simplify our portfolio through the divestment of non core businesses. We also regularly assess opportunities to acquire businesses that support our growth strategy in our core banking markets, such as 86 400.

Across our business momentum is building. While the improving economic environment has been helpful, it is also clear that the decisions and investments we are making as part of our strategy are having a real impact for customers and colleagues.

Against a backdrop of strong business confidence and conditions, we are reinvigorating our leading SME franchise – Business & Private Banking – to ensure we are well placed to support a business-led recovery in the Australian economy. We have added ~490 new customer-facing and operations roles and new leadership is driving a heightened focus on performance disciplines, while getting the basics right. Our pipeline of new business is significantly higher than last year, we are growing business lending market share and our new business transaction account openings are up 16% versus last year.

In Personal Banking, a key focus has been on simplifying and improving the home lending experience for our customers and bankers. Our Simple Home Loans platform is enabling simple lending to be originated far more seamlessly through our proprietary channels with quicker turnaround times. This has been a key driver of improved performance in 1H21 including a 30% reduction in time to unconditional approval compared with 1H20, despite a significant 45% lift in the volume of home loan applications processed since 2H20. We expect to see ongoing improvements as we expand the types of home lending and channels capable of origination through this platform from about 60% of proprietary volumes currently. This, along with other improvements to our policies and processes, is expected to drive a return to market share growth in 2H21.

Our strategy is focused on delivering growth by improving the experiences and outcomes for our customers and colleagues. As we increasingly simplify, automate and digitise to achieve this, we should also be able to operate more efficiently. Our focus on cost and investment disciplines sees us targeting lower absolute costs over three to five years compared with FY20, with growth in costs limited to 0-2% in FY21 (excluding large notable items in both cases).

Critical to us achieving our strategic growth and cost ambitions is technology. Pleasingly, the significant investments in previous years mean we are now able to leverage strong technology foundations to deliver quicker, safer and better outcomes for our customers and colleagues at lower cost. Our insourcing program has been bringing key technology talent and functions back into NAB, giving us greater speed, flexibility and control with cost neutral or better outcomes. Our cloud migration is well advanced with 45% of apps now cloud-based providing more flexible and up-to-date services at lower cost with greater resilience.

Consistent with safety being a key pillar of our strategic ambition, March 2021 balance sheet settings have been maintained at prudent levels including a CET1 ratio of 12.37%. As we gain greater clarity as to the breadth and sustainability of the recovery, we expect to reset our capital and dividends for a more normal operating environment. This is expected to see us manage CET1 over time towards a target range of 10.75-11.25% and for future dividends to be guided by a payout ratio range of 65-75% of cash earnings, subject to Board determination based on circumstances at the relevant time. These ranges reflect the importance of maintaining a strong balance sheet through the cycle, but also recognise capital discipline and dividends as important drivers of shareholder returns, with a bias to reducing share count to drive sustainable ROE benefits.

We are optimistic about the future. Economic and health outcomes are improving rapidly, we are making good progress implementing our refreshed strategy and momentum is building across our business. While there is still much to do, we are on the right track, creating a simpler, more accountable business. This is enabling us to more consistently get the basics right and deliver for our colleagues and customers.

<sup>8</sup> Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 7.

# NAB 2021 HALF YEAR RESULTS

## GROUP PERFORMANCE RESULTS

Cash earnings is a key financial performance measure used by NAB, the investment community and NAB's Australian peers with a similar business portfolio. NAB also uses cash earnings for its internal management reporting, as it better reflects what NAB considers to be the underlying performance of the Group. 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 2021 Half Year Results Announcement provides details of how cash earnings is defined on page 2 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 21 v Sep 20 %	Mar 21 v Mar 20 %
	Mar 21 \$m	Sep 20 \$m	Mar 20 \$m		
Net interest income <sup>9</sup>	6,839	7,012	6,908	(2.5)	(1.0)
Other operating income <sup>9</sup>	1,600	1,872	1,527	(14.5)	4.8
Large notable items <sup>10</sup>	-	(49)	(80)	large	large
<b>Net operating income</b>	<b>8,439</b>	<b>8,835</b>	<b>8,355</b>	<b>(4.5)</b>	<b>1.0</b>
Operating expenses <sup>9</sup>	(3,863)	(3,932)	(3,747)	(1.8)	3.1
Large notable items <sup>10</sup>	-	(328)	(1,000)	large	large
<b>Underlying profit</b>	<b>4,576</b>	<b>4,575</b>	<b>3,608</b>	<b>-</b>	<b>26.8</b>
Credit impairment (charge)/writeback	128	(1,601)	(1,161)	large	large
<b>Cash earnings before tax and distributions</b>	<b>4,704</b>	<b>2,974</b>	<b>2,447</b>	<b>58.2</b>	<b>92.2</b>
Income tax expense	(1,348)	(963)	(709)	40.0	90.1
<b>Cash earnings before distributions</b>	<b>3,356</b>	<b>2,011</b>	<b>1,738</b>	<b>66.9</b>	<b>93.1</b>
Distributions	(13)	(17)	(22)	(23.5)	(40.9)
<b>Cash earnings</b>	<b>3,343</b>	<b>1,994</b>	<b>1,716</b>	<b>67.7</b>	<b>94.8</b>
Large notable items <sup>10</sup>	-	(264)	(759)	large	large
<b>Cash earnings (excluding large notable items)<sup>10</sup></b>	<b>3,343</b>	<b>2,258</b>	<b>2,475</b>	<b>48.1</b>	<b>35.1</b>
Non-cash earnings items (after tax)	(113)	(37)	(175)	large	35.4
<b>Net profit from continuing operations</b>	<b>3,230</b>	<b>1,957</b>	<b>1,541</b>	<b>65.0</b>	<b>large</b>
Net loss attributable to owners of NAB from discontinued operations <sup>11</sup>	(22)	(711)	(228)	(96.9)	(90.4)
<b>Net profit attributable to owners of NAB</b>	<b>3,208</b>	<b>1,246</b>	<b>1,313</b>	<b>large</b>	<b>large</b>
<b>Represented by:<sup>12</sup></b>					
Business and Private Banking	1,216	1,116	1,356	9.0	(10.3)
Personal Banking	859	689	753	24.7	14.1
Corporate and Institutional Banking	782	740	676	5.7	15.7
New Zealand Banking	576	442	535	30.3	7.7
Corporate Functions and Other	(90)	(729)	(845)	(87.7)	(89.3)
Large notable items <sup>10</sup>	-	(264)	(759)	large	large
<b>Cash earnings</b>	<b>3,343</b>	<b>1,994</b>	<b>1,716</b>	<b>67.7</b>	<b>94.8</b>

## SHAREHOLDER SUMMARY

	Half Year to			Mar 21 v Sep 20	Mar 21 v Mar 20
	Mar 21	Sep 20	Mar 20		
<b>Group – including discontinued operations</b>					
Dividend per share (cents)	60	30	30	30	30
Statutory dividend payout ratio	61.8%	78.5%	67.9%	large	(610 bps)
Statutory earnings per share (cents) – basic	97.1	38.2	44.2	58.9	52.9
Statutory earnings per share (cents) – diluted	92.7	37.6	42.6	55.1	50.1
Statutory return on equity	10.6%	4.2%	4.7%	640 bps	590 bps
<b>Group – Continuing operations</b>					
Cash dividend payout ratio	59.1%	48.4%	51.0%	large	810 bps
Statutory dividend payout ratio from continuing operations	61.3%	49.8%	57.7%	large	360 bps
Statutory earnings per share from continuing operations (cents) – basic	97.8	60.3	52.0	37.5	45.8
Statutory earnings per share from continuing operations (cents) – diluted	93.4	58.1	49.5	35.3	43.9
Cash earnings per share (cents) – basic	101.6	62.0	58.8	39.6	42.8
Cash earnings per share (cents) – diluted	96.9	59.7	55.5	37.2	41.4
Cash return on equity (ROE)	11.1%	6.8%	6.3%	430 bps	480 bps
<b>Group – Continuing operations (excluding large notable items)</b>					
Cash dividend payout ratio	59.1%	42.7%	35.4%	large	large
Statutory dividend payout ratio from continuing operations	61.3%	43.8%	38.5%	large	large
Statutory earnings per share from continuing operations (cents) – basic	97.8	68.5	78.0	29.3	19.8
Statutory earnings per share from continuing operations (cents) – diluted	93.4	65.7	72.5	27.7	20.9
Cash earnings per share (cents) – basic	101.6	70.2	84.8	31.4	16.8
Cash earnings per share (cents) – diluted	96.9	67.3	78.5	29.6	18.4
Cash return on equity (ROE)	11.1%	7.7%	9.1%	340 bps	200 bps

<sup>9</sup> Excludes large notable items.

<sup>10</sup> Refer to NAB's 2021 Half Year Results Announcement Section 4 Large notable items for further information.

<sup>11</sup> Refer to NAB's 2021 Half Year Announcement Note 14 Discontinued Operations for further information.

<sup>12</sup> Comparative information has been restated to reflect a reallocation of operating expenses between business units to better align with the Group's new organisational structure.

## FOR FURTHER INFORMATION

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## DISCLAIMER – FORWARD LOOKING STATEMENTS

This Results Summary and the 2021 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", "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 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 6 May 2021 and the Group's Annual Financial Report for the 2020 financial year, which is available at [www.nab.com.au](http://www.nab.com.au).