Half Year Results Summary

2023

National Australia Bank Limited ABN 12 004 044 937 AFSL and Australian Credit Licence 230686, 4 May 2023

1H23 KEY FINANCIAL INFORMATION

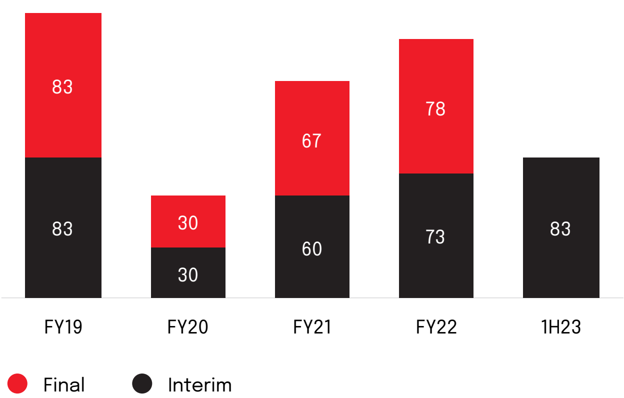
$ 3,967 m Statutory net profit	**$ 4,070 m** Cash earnings(i) Up 17% v 1H22
13.7% Cash ROE	**12.21%** Group Common Equity Tier 1 (CET1) ratio(ii)

(i) Refer cash earnings note and reconciliation on page 6.

(ii) CET1 capital ratio on a Level 2 basis under the revised capital framework effective from 1 January 2023.

Dividends

Cents per share (fully franked)
In respect of each financial year / period



"We have delivered a strong 1H23 financial performance with cash earnings up 17.0% compared with 1H22 and all businesses contributing to underlying profit growth of 25.5%.

Our results have benefitted from the execution of our strategy over multiple years. This includes consistent investment in long term growth opportunities, while making choices for more targeted growth against the backdrop of a slowing economy and increasing competition. The higher interest rate environment has also been an important near term driver of revenue this period.

Staying safe and maintaining prudent balance sheet settings has been a key strategic focus which positions us well for the risks and volatility stemming from recent rapid monetary policy tightening. Capital levels are above our targets, liquidity is strong, collective provision coverage remains well above pre COVID-19 levels and our FY23 term funding task is well advanced with $23 billion(1) raised in 1H23.

The impact of higher living and interest costs on household spending and the broader economy is becoming more evident and we have a range of options available for customers needing support. Early signs that inflation is moderating are encouraging and we remain optimistic about the outlook - our bank and most customers enter this period from a position of strength and we are well placed to continue managing our business for the long term. We remain focused on the disciplined execution of our strategy to drive sustainable growth in earnings and shareholder returns over time."
- Ross McEwan NAB CEO

Supporting our customers & communities

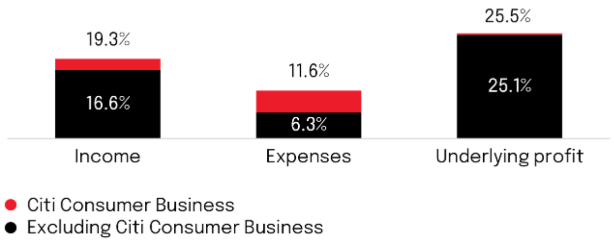
- Strategic Net Promoter Scores (NPS) from March 2022 to March 2023 increased for Business NPS from 0 to 5 (ranked 2nd of major banks) while Consumer NPS declined from -1 to -4 (ranked 2nd of major banks)(2)
- Helping customers identify potential scams with the introduction of proactive payment prompts for unusual digital banking transactions, to ensure money is going to the correct recipient
- Making it easier for merchants to access funds to grow with the launch of NAB Flex-Flow Loan, providing fast unsecured borrowing and repayments that flex with merchant cashflows(3)
- Helping businesses transition towards a more sustainable future with NAB's new Agri Green Loan and business finance for green equipment, which support customers investing in eligible practices and technologies that aim to reduce emissions and build resilience

(1) Includes RBNZ's Funding for Lending Program (FLP).
(2) 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 Business and Consumer Atlas (part of RFI Global), measured on 6 month rolling average. Business NPS is 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 excludes consumers with Personal income of $260k+ and/or investible assets $1m+. Ranking based on absolute scores, not statistically significant differences.
(3) Customers must have a NAB Merchant facility, settlement account and have trading history for a minimum of 12 months. Additional credit eligibility may apply.

The March 2023 half year results are compared with the March 2022 half year results for continuing operations unless otherwise stated. Operating performance and Asset quality are expressed on a cash earnings basis. All figures include the impact of Citigroup's Australian consumer business (the Citi consumer business), acquired by the Group on 1 June 2022 unless otherwise stated.

Operating performance 1H23 v 1H22

- Revenue increased by 19.3%. Excluding the impact of the Citi consumer business, revenue increased by 16.6% mainly reflecting higher margins combined with stronger volumes and Markets & Treasury (M&T) income.
- Gross loans and advances (GLAs) increased by 6.2% and deposits rose 8.4%. Excluding the impact of the Citi consumer business, GLAs increased 4.2% (with housing lending up 4.4% and non-housing lending up 4.1%) and deposits rose 6.6%.
- Net Interest Margin (NIM) increased by 14 basis points (bps) to 1.77%. Excluding a 7 bps reduction from M&T which includes the impact of holding higher liquid assets, NIM rose 21 bps. This primarily reflects higher earnings on deposits and capital as a result of the rising interest rate environment, partially offset by home lending competition and higher funding costs.
- Expenses increased by 11.6%. Excluding the impact of the Citi consumer business, expenses rose 6.3% with key drivers including salary increases, continued investment in technology capabilities and compliance and remediation including activities under the terms of the Enforceable Undertaking (EU) with the Australian Transaction Reports and Analysis Centre (AUSTRAC). These impacts were partially offset by productivity benefits.

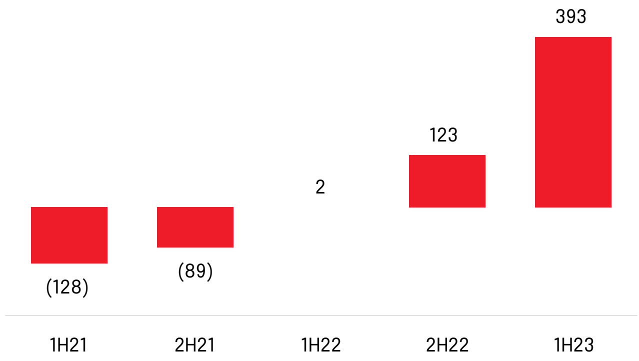


"Strong underlying profit growth reflects execution of our long term strategy which has allowed us to make deliberate choices to target growth in higher returning segments combined with the impact of the higher interest rate environment."

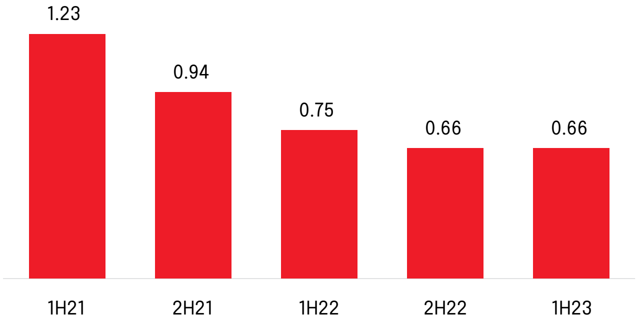
Asset quality 1H23 v 1H22

- Credit impairment charge (CIC) was $393 million, versus a 1H22 charge of $2 million. The 1H23 charge includes a $68 million release from forward looking provisions, with underlying charges primarily reflecting the combined impact of lower house prices, volume growth and a modest increase in specific charges off a low base.
- The $68 million release from forward looking provisions includes a net release of $92 million from provisions for target sector forward looking adjustments. This has been partially offset by a $24 million top-up to the economic adjustment to reflect a slightly weaker economic outlook.
- The ratio of 90+ days past due and gross impaired assets to gross loans and acceptances reduced 9 bps to 0.66%. Key drivers include improved delinquencies across the Australian home lending portfolio partially offset by an increase in business lending arrears.

Credit impairment charges / (write-backs) ($m)



90+ days past due & gross impaired assets / gross loans and acceptances (%)

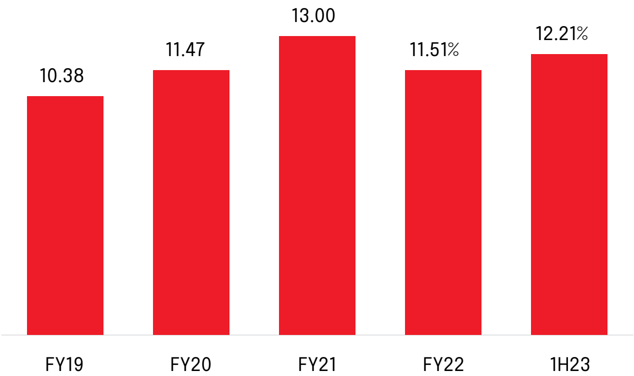


"Our collective provisions are prudently set at 1.42% of credit risk weighted assets(1), and remain well above pre COVID-19 levels. While there are encouraging signs that inflation is moderating and interest rates are peaking in Australia, the full impact of higher cost of living and higher interest rates on the outlook remains uncertain, particularly the extent to which households reduce discretionary spending and potential flow-on consequences to the broader economy."

(1) Includes a 7 bps benefit from the revised capital framework

Capital funding & liquidity

CET1 ratio(i) (%)



(i) CET1 capital ratio on a Level 2 basis. Ratio from 1H23 under the revised capital framework effective from 1 January 2023.

Key ratios as at 31 March 2023

- Group Common Equity Tier 1 (CET1) ratio of 12.21%, up 70 bps from September 2022 primarily reflecting organic capital generation (33 bps) and the impact of the revised capital framework (47 bps) partially offset by completion of the remaining $0.6 billion of the announced on-market share buy-back in 1H23 (13 bps)[(1)]
- Leverage ratio (APRA basis) of 5.1%
- Liquidity coverage ratio (LCR) quarterly average of 130%
- Net Stable Funding Ratio (NSFR) of 117%

Key divisional performance - Cash earnings

	1H23 ($m)	% change 1H23 v 1H22	Key drivers 1H23 v 1H22
Business & Private Banking	1,714	19.9	Strong underlying profit growth with higher revenue reflecting volume growth and increased margins, partially offset by higher operating expenses due mainly to salary increases and additional resources to support growth. Credit impairment charges increased from a write back in the prior period.
Personal Banking	785	(0.4)	Underlying profit rose strongly, offset by an increase in credit impairment charges from a write back in the prior period. Higher expenses were more than offset by strong revenue growth benefitting from the Citi consumer business acquisition, disciplined volume growth and higher margins reflecting the impact of the higher interest rate environment partially offset by home lending competition.
Corporate & Institutional Banking	940	16.6	Strong underlying earnings growth mainly reflecting higher revenue, with increased Markets activity and higher margins more than offsetting lower lending volumes. Credit impairment charges increased modestly from a write back in the prior period.
New Zealand Banking (NZ $m)	825	23.5	Strong underlying profit growth with revenue increasing due to growth in volumes and higher margins. This was partially offset by higher operating expenses. Credit impairment charges were broadly stable.

(1) On 28 February 2023, the Group completed the $2.5 billion buy-back announced in March 2022. This includes $0.6 billion of ordinary shares bought back and cancelled in the March 2023 half year.

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
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

Economic outlook

"In Australia, consumption and overall growth has started to soften reflecting the impact of monetary policy tightening. There are also encouraging signs that inflation is beginning to moderate which, in combination with a deterioration in the outlook for global growth, means the official cash rate is likely at or around its peak. While there is still uncertainty over the extent to which higher interest and living costs will impact consumer spending, it now seems increasingly likely that Australia will avoid a pronounced economic correction, with forecast real GDP growth expected to slow from 2.7% over 2022 to around 1% over each of the next two years and the unemployment rate forecast to drift up to around 4.7% by end 2024 after troughing at 3.5%. Inflationary outcomes - particularly wages growth and global pressures - remain key to this outlook.

In New Zealand, significant monetary policy tightening and slower global economic growth are weighing on the economy. Consumer and business confidence are around record lows and house prices have declined 17% from their peak, while recent weather events have also disrupted activity and added to inflationary pressures. December quarter 2022 real GDP declined 0.6% and a further correction in activity in 2023 is expected, including some quarters of modestly negative GDP growth. Encouragingly, signs of easing inflationary and labour market pressures are emerging, supported by a turnaround in net migration inflows along with diminishing domestic demand, particularly in the construction sector. If sustained, this provides scope for monetary policy tightening to end in mid 2023 and economic growth to resume in 2024."

Strategic overview

Our operating environment has continued to evolve over 1H23 with the impact of recent rapid monetary policy tightening becoming more evident. Growth is slowing and competitive pressures have increased. At the same time, we are seeing bank failures in offshore markets and risk concerns on the rise. This more challenging environment is not unexpected, and we feel well placed to manage through this period and continue to grow.

Execution of our refreshed long term strategy has been our priority since March 2020. This strategy is centred on delivering better outcomes for customers and colleagues while keeping our bank safe through any economic environment. It is supported by disciplined execution and persistent investment and has positioned us well for the current environment with strong, safe balance sheet settings and attractive growth options. At a time when returns are being challenged in some segments, we can and are making deliberate choices to focus growth elsewhere in our portfolio.

In Business and Private Banking where we have the leading SME lending market share, we are continuing to leverage growth opportunities across our franchise. Initiatives to simplify and digitise account opening are supporting strong growth in SME deposits including a 33% lift in new business transaction accounts opened in the March 2023 half year compared with the March 2021 half year. In small business lending, our market share has increased 182 bps since September 2020 and 63 bps over the five months to February 2023(1), benefitting from simplified origination, enhanced digital capability and specialist local small business bankers. Our integrated Private Wealth offering is delivering above system growth in home lending and deposits, while in the merchant space we are investing in innovative solutions including NAB Flex-Flow Lending providing merchant customers with fast access to unsecured lending(2).

We are excited about growth in unsecured lending and ubank where we are leveraging capability from recent acquisitions to deliver better, more targeted customer propositions. Over 1H23, our credit card balances and market share increased and ubank recorded continued strong new customer acquisition weighted towards its target segment of under 35 year olds.

Australian home lending remains a key market, and we are continuing to invest to deliver better customer experiences. This includes progressing the rollout of our simple and digital home loan initiative to brokers and Business and Private Banking. But this sector is now facing a number of headwinds including slowing credit growth along with heightened refinancing activity and competitive pressures. We have taken a disciplined approach to home lending in this period, with our share of system growth tracking at 0.6x over 1H23(3), and have prioritised more attractive growth options across our Group.

Having a healthy customer franchise and engaged colleagues are key to our ability to grow sustainably, and is supported by our consistent focus on improving customer and colleague experiences. Our most recent colleague engagement score of 77 is up one point over 12 months and just below the top quartile benchmark. Over the 12 months to March 2023, Business NPS(4) rose 5 points with NAB ranked second of major banks. Over the same period Consumer NPS(4) declined 3 points but has stabilised in recent months with NAB now ranked second of major banks. While we are making good progress in some areas, we have more to do to achieve our ambitions of top quartile colleague engagement and positive customer NPS ranked first of major banks.

A key focus of our investment over recent years has been on simplifying, automating and digitising our business and increasing our use of data and analytics. These initiatives are delivering better outcomes for customers and colleagues by allowing our bankers to spend more time with customers and provide quicker responses, while letting customers increasingly self serve when they want to. They are also making us more efficient, helping us manage costs while investing to grow. In FY23 we expect to deliver productivity benefits of approximately $400 million(5), providing an important offset against near term inflationary cost pressures.

Keeping our customers and our bank safe is a key pillar of our long term strategy and of critical importance in the current environment. We are accelerating our efforts to protect customers against the rapid rise in frauds and scams. This includes investment in customer awareness and education, 24/7 account monitoring, security alerts and proactive payment prompts, along with additional resourcing and working with telecommunication providers to help limit NAB-related spoofing calls and messages. More can and will be done at a customer, bank, industry, government and community level to deter criminals.

Staying safe also requires that we maintain prudent balance sheet settings and consistently manage risk with discipline. Collective provisions as a ratio of credit risk weighted assets remain well above pre-COVID 19 levels at 1.42% and our CET1 ratio of 12.21% is above our target range of 11.0-11.5%(6). The share of lending funded by customer deposits remains high at 81% and our liquidity position is well above the regulatory minimum. Deliberate actions taken over many years mean our lending exposures are in good shape with modest exposure to segments most at risk in an environment of higher interest rates and higher inflation. Our Australian SME business lending book is well diversified with less than 20% exposure to discretionary retail related sectors, and highly secured with only 6% of the book unsecured. Our exposure to commercial real estate as a percentage of total lending has been on a downward path since September 2009 and is now less than 10%.

We expect further challenges to emerge as the economic transition continues but we remain confident in the outlook. While growth is slowing, the Australian economy appears resilient and we have attractive options for growth across our business with strong balance sheet settings. We remain focused on executing our long term strategy to deliver sustainable growth and attractive returns for shareholders.

(1) Derived from RBA statistics. A business is classified as Small under the RBA if the business has turnover less than $50 million and loans less than $1 million. Latest market share at February 2023.
(2) Customers must have a NAB Merchant facility, settlement account and have trading history for a minimum of 12 months.
(3) APRA Monthly Authorised Deposit-taking Institution statistics. Latest data as at March 2023 (adjusted for reclassification of the Citi consumer business).
(4) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Sourced from DBM Business and Consumer Atlas (part of RFI Global), measured on 6 month rolling average. Business NPS is 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 excludes consumers with Personal income of $260k+ and/or investible assets $1m+. Ranking based on absolute scores, not statistically significant differences.
(5) Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 7.
(6) CET1 capital ratio on a Level 2 basis under the revised capital framework effective from 1 January 2023.

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 2023 Half Year Results provides details of how cash earnings is defined on page 10 and a discussion of non-cash earnings items and full reconciliation of statutory net profit attributable to owners of NAB on pages 96 to 98.

	Half Year to				
	Mar 23 $m	Sep 22 $m	Mar 22 $m	Mar 23 v Sep 22 %	Mar 23 v Mar 22 %
Net interest income	**8,476**	7,767	7,085	9.1	19.6
Other operating income	**2,053**	1,701	1,743	20.7	17.8
Net operating income	**10,529**	9,468	8,828	11.2	19.3
Operating expenses	**(4,421)**	(4,311)	(3,963)	2.6	11.6
Underlying profit	**6,108**	5,157	4,865	18.4	25.5
Credit impairment charge	**(393)**	(123)	(2)	large	large
Cash earnings before income tax	**5,715**	5,034	4,863	13.5	17.5
Income tax expense	**(1,645)**	(1,410)	(1,383)	16.7	18.9
Cash earnings	**4,070**	3,624	3,480	12.3	17.0
Non-cash earnings items (after tax)	**(88)**	(135)	91	(34.8)	large
Net profit from continuing operations	**3,982**	3,489	3,571	14.1	11.5
Net loss attributable to owners of NAB from discontinued operations[1]	**(15)**	(149)	(20)	(89.9)	(25.0)
Net profit attributable to owners of NAB	**3,967**	3,340	3,551	18.8	11.7
Represented by:					
Business and Private Banking	**1,714**	1,584	1,429	8.2	19.9
Personal Banking	**785**	803	788	(2.2)	(0.4)
Corporate and Institutional Banking	**940**	822	806	14.4	16.6
New Zealand Banking	**759**	665	630	14.1	20.5
Corporate Functions and Other	**(128)**	(250)	(173)	(48.8)	(26.0)
Cash earnings	**4,070**	3,624	3,480	12.3	17.0

(1) Refer to NAB's 2023 Half Year Results Announcement *Note 14 Discontinued Operations* for further information.

Shareholder summary

	Half Year to				
	Mar 23	Sep 22	Mar 22	Mar 23 v Sep 22	Mar 23 v Mar 22
Group - Including discontinued operations					
Dividend per share (cents)	**83**	78	73	5	10
Statutory dividend payout ratio	**65.7%**	74.4%	66.9%	(870 bps)	(120 bps)
Statutory earnings per share (cents) - basic	**126.3**	104.8	109.1	21.5	17.2
Statutory earnings per share (cents) - diluted	**121.2**	101.0	104.8	20.2	16.4
Statutory return on equity	**13.3%**	11.1%	11.5%	220 bps	180 bps
Net tangible assets per ordinary share ($)	**18.04**	17.24	17.67	4.6%	2.1%
Group - Continuing operations					
Cash dividend payout ratio	**64.1%**	68.5%	68.3%	(440 bps)	(420 bps)
Statutory dividend payout ratio from continuing operations	**65.5%**	71.2%	66.5%	(570 bps)	(100 bps)
Statutory earnings per share from continuing operations (cents) - basic	**126.7**	109.5	109.7	17.2	17.0
Statutory earnings per share from continuing operations (cents) - diluted	**121.7**	105.3	105.4	16.4	16.3
Cash earnings per share (cents) - basic	**129.5**	113.8	106.9	15.7	22.6
Cash earnings per share (cents) - diluted	**124.3**	109.2	102.8	15.1	21.5
Cash return on equity	**13.7%**	12.1%	11.3%	160 bps	240 bps

For further information

Media	Investor Relations
Mark Alexander	Sally Mihell
M: +61 (0) 412 171 447	M: +61 (0) 436 857 669
Jo Beckwith	Natalie Coombe
M: +61 (0) 411 208 101	M: +61 (0) 477 327 540

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

Disclaimer – Forward looking statements

This Result Summary and the 2023 Half Year Results 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 many factors that could cause actual results to differ materially from those projected in such statements, including (without limitation) a significant change in the Group's financial performance or operating environment; a material change to law or regulation or changes to regulatory policy or interpretation; and risks and uncertainties associated with the ongoing impacts of the conflict between Russia and Ukraine and other geopolitical tensions, the Australian and global economic environment and capital market conditions. Further information is contained in the Group's Luxembourg Transparency Law disclosures released to ASX on 4 May 2023 and the Group's Annual Report for the 2022 financial year, available at www.nab.com.au.