

# Third Quarter Trading Update

## 2024



National Australia Bank Limited ABN 12 004 044 937 AFSL and Australian Credit Licence 230686, 16 August 2024.

The June 2024 quarter results are compared with the quarterly average of the March 2024 half year results for continuing operations unless otherwise stated. Cash and statutory earnings are rounded to the nearest \$50 million. Revenue, expenses and asset quality are expressed on a cash earnings basis.

### 3Q24 FINANCIAL HIGHLIGHTS

**\$1.90bn**

Unaudited statutory net profit

**\$1.75bn**

Unaudited cash earnings<sup>(i)</sup>

**(0.2%)**

Cash earnings change v  
1H24 qtrly avg<sup>(ii)</sup>

**12.6%**

Group Common Equity  
Tier 1 ratio (CET1)<sup>(iii)</sup>

(i) Refer note on cash earnings and underlying profit on page 3.

(ii) Includes 61 basis points (bps) benefit from change in recognition of dividend from date of determination (May) to date of payment (July).

"Our 3Q24 result reflects a more stable operating environment and benefits from the consistent execution of our strategy.

Lending balances rose 1% over the June quarter, supported by 3% growth in Australian SME business lending<sup>(1)</sup> as we continue to prioritise growth in our SME franchise. In Australian home lending, our growth was sub-system at 1%<sup>(2)</sup>. Balancing returns and growth in this dynamic market will remain important. Deposit growth is an ongoing focus and was 1% across Business & Private Banking and Personal Banking over 3Q24.

We have delivered further efficiency benefits this quarter, helping us manage costs while investing for long term sustainable growth. We continue to target productivity savings of approximately \$400 million in FY24 and for cost growth in FY24 to be lower than FY23<sup>(3)</sup>.

The economic environment, including persistent inflationary pressures, is challenging for our customers and we are here to help them. While most customers are proving resilient, not unexpectedly we have seen asset quality deteriorate further in 3Q24. It is essential we keep our customers and our bank safe. Liquidity and collective provision coverage are healthy. Capital remained strong over the quarter supporting the continuation of our on-market share buy-back.

Our strategy has served us well over recent years. As we build on this progress, our strategic priorities will evolve including an increased focus on delivering better service to customers and removing complexity across NAB. But there will be no change to our disciplined approach to accountability and execution. We remain well placed to manage our business for the long term and deliver sustainable growth and returns for shareholders."

- **Andrew Irvine NAB CEO**

### Operating performance

Compared with the 1H24 quarterly average, underlying profit declined 2%. Key drivers include:

- Revenue declined 1%. Excluding Markets & Treasury (M&T) income, revenue rose 1% reflecting volume growth and higher other operating income including business lending fees;
- Net interest margin (NIM) was stable, with small reductions from lending competition and deposit mix, offset by benefits of a higher interest rate environment. There was no NIM impact from M&T and liquids;
- Expenses increased 1% mainly reflecting higher salary-related costs, partly offset by productivity benefits.

### Supporting our customers & communities

- Making payments faster, safer and easier for real estate agents and their clients with NAB Portal Pay – an innovative digital payment solution which allows real estate agents to receive deposits from property sales in real time, and receive and reconcile secure rental payments
- Supporting inclusion with NAB Foundation to fund research into indigenous workplace experiences and improvements needed to create workplaces free of racism, discrimination and bias
- Progressing climate transition with a new environmental finance ambition of \$80 billion for the period 1 October 2023 to 30 September 2030<sup>(4)</sup> to support customers investing in their sustainable future

(1) SME business lending refers to business lending in NAB's Business & Private Banking division.

(2) System refers to APRA Monthly Authorised Deposit-taking Institution statistics. Latest data as at June 2024.

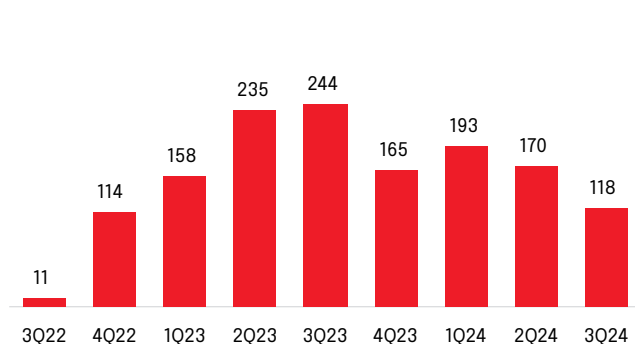
(3) Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 3. FY23 cost growth of 5.6%. FY24 guidance excluding any large notable items.

(4) Refer to the 'Environmental Finance Ambition' section of NAB's Supplementary Climate Disclosures released 6 June 2024.

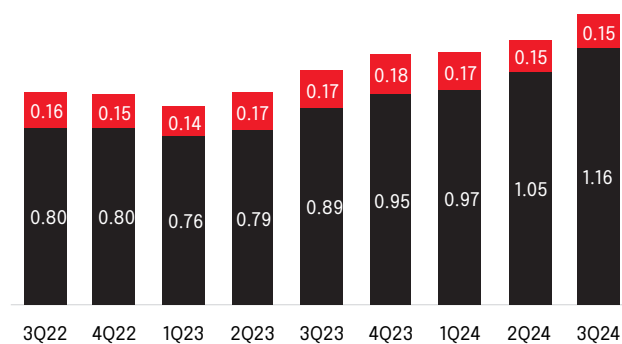
## Asset quality

- Credit impairment charge (CIC) of \$118 million primarily reflects a further deterioration in asset quality across the Group, partly offset by methodology refinements which have reduced the Economic Adjustment. While individually assessed charges increased, they remain at low levels.
- There have been no changes to the economic assumptions or scenario weightings used in the Economic Adjustment or the sector specific assumptions used in the Forward Looking Adjustments during the quarter.
- Compared with March 2024, the ratio of collective provisions to credit risk weighted assets increased by 4 bps to 1.51%.
- The ratio of non-performing exposures to gross loans and acceptances increased by 11 bps from March 2024 to 1.31%. This mainly reflects continued broad-based deterioration in the Business & Private Banking business lending portfolio, combined with higher arrears for the Australian mortgage portfolio. The ratio of gross impaired assets to gross loans and acceptances remained flat at 0.15%.

### Credit impairment charges (\$m)



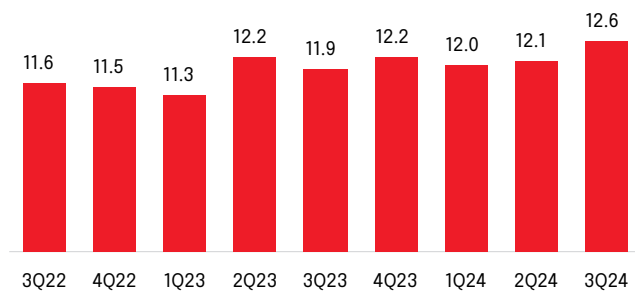
### Non-performing exposures / gross loans and acceptances (%)



- Gross Impaired Assets as a % of GLAs
- Default but not impaired as a % of GLAs

## Capital, funding and liquidity

### Group CET1 ratio<sup>(i)</sup> (%)



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

### Key ratios as at 30 June 2024

- Group CET1 ratio of 12.6% compared with 12.1% at 31 March 2024, primarily reflects cash earnings and the benefit of lower risk weighted assets (RWA) relating to credit RWA model and methodology changes, partly offset by 5 bps impact from on-market share buy-back activity in 3Q24<sup>(1)</sup>
- Group CET1 ratio includes 61 bps benefit from change in recognition of dividend from date of determination (May) to date of payment (July)
- Proforma CET1 ratio of 12.3% reflecting 35 bps impact of the remaining \$1.5 billion balance of shares to be acquired under the on-market share buy-back<sup>(1)</sup>
- Leverage ratio of 5.3%
- Liquidity coverage ratio (LCR) quarterly average of 137%
- Net Stable Funding Ratio (NSFR) of 116%
- The Group raised \$35 billion of term funding over the 10 months to end July, and has fully repaid its Term Funding Facility obligations including \$18 billion maturing in the June quarter

(1) As at 30 June 2024, \$1.5 billion of the announced \$3 billion on-market ordinary share buy-back had been completed, resulting in the buy-back and cancellation of 48,000,774 ordinary shares. 6,327,709 (\$0.2 billion) of those shares were bought-back in the June 2024 quarter. The remainder of the buy-back (\$1.5 billion) is expected to be completed by 1 May 2025.

## Appendix 1: Key financial information

	Movement			
	1H24	1H24	3Q24 v 3Q23	3Q24 v 1H24
	\$m	Qtr avg \$m	%	Qtr avg %
Net operating income	10,138	5,069	(3)	(1)
Operating expenses	4,677	2,338	3	1
Underlying profit	5,461	2,731	(8)	(2)
Credit impairment charge	363	182	(51)	(35)
Cash earnings	3,548	1,774	(6)	(0)
Statutory net profit	3,494	1,747	9	9

## For further information

### Media

**Mark Alexander**

M: +61 (0) 412 171 447

**Jo Beckwith**

M: +61 (0) 411 208 101

### Investor Relations

**Sally Mihell**

M: +61 (0) 436 857 669

**Natalie Coombe**

M: +61 (0) 477 327 540

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

## Disclaimer – forward looking statements

This announcement contains statements that are, or may be deemed to be, forward looking statements. These forward looking statements may be identified by the use of forward looking terminology, including the terms "believe", "estimate", "plan", "project", "anticipate", "expect", "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 Russia-Ukraine and Israeli-Palestinian conflicts 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 the ASX on 2 May 2024 and the Group's Annual Report for the 2023 financial year, available at [nab.com.au](http://nab.com.au).

## Note on cash earnings and underlying profit

The Group's results are presented on a cash earnings basis unless otherwise stated. Cash earnings is a key financial performance measure used by the Group and the investment community. The Group also uses cash earnings for its internal management reporting, as it better reflects what NAB considers to be the underlying performance of the Group. Underlying profit represents cash earnings before credit impairment charges, income tax expense and non-controlling interests. Cash earnings and underlying profit are not statutory financial measures, are not presented in accordance with Australian Accounting Standards, and are not audited or reviewed in accordance with Australian Auditing Standards. The 2024 Half Year Results provides details of how cash earnings is defined on page 10 and a discussion of non-cash earnings items and a full reconciliation of cash earnings and underlying profit to statutory net profit attributable to owners of NAB on pages 96 to 98. The Group's financial statements, prepared in accordance with the Corporations Act 2001 (Cth) and Australian Accounting Standards, and audited (full year) or reviewed (half year) by the Group's auditors in accordance with Australian Auditing Standards, are made available on the Group's website. The 2024 Full Year Results - Management Discussion and Analysis is expected to be made available on or around 7 November 2024.