# Full Year Results Summary
2023

National Australia Bank Limited ABN 12 004 044 937 AFSL and Australian Credit Licence 230686. 9 November 2023.

## 2023 FINANCIAL HIGHLIGHTS

**$ 7,414 m**
Statutory net profit
Up 7.6% v FY22

**$ 7,731 m**
Cash earnings(i)
Up 8.8% v FY22

**84 cps**
Final dividend
100% franked

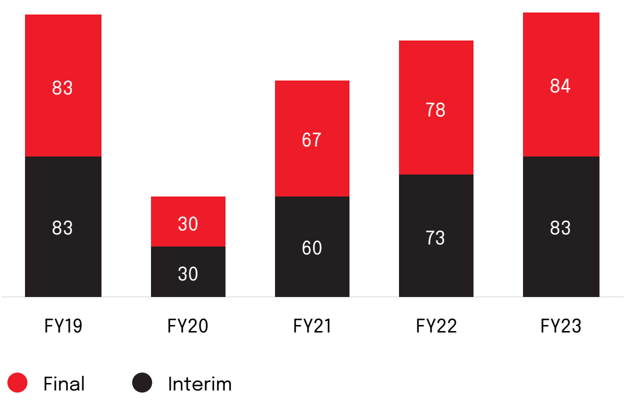
**12.22%**
Group Common Equity Tier 1 (CET1) ratio(ii)

(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 FY23 performance with cash earnings up 8.8% and underlying profit rising 16.1% compared with FY22. During a period of economic change, these results have benefitted from consistent investment in our strategic priorities. This has supported another year of strong growth in our leading SME franchise with Business & Private Banking increasing lending 9% and deposits 8%, underpinning a 22% rise in underlying profit in FY23. In other sectors such as Australian housing, we took a more measured approach to growth this year with a focus on returns.

Challenges in our operating environment became more evident as FY23 progressed with the impacts of monetary policy tightening and inflationary pressures increasingly weighing on households and the economy. This has seen our financial results soften in 2H23 compared with 1H23. While the economic transition has further to go, we are well placed to navigate this environment. We continue to see attractive growth options and productivity is helping us manage inflationary pressures. We also have prudent balance sheet settings consistent with a focus on keeping the bank and customers safe through the cycle. Collective provision coverage has been maintained well above pre COVID-19 levels. Proforma capital levels are above our target range of 11.0-11.5% after allowing for completion of our current $1.5 billion on-market buy-back, and liquidity is strong.

While the Australian economy is slowing, it is proving resilient. Our focus remains on managing NAB for the long term 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 September 2022 to September 2023 increased for Business NPS from -5 to 5 (ranked 2nd of major banks) while Consumer NPS declined from 0 to -2 (ranked 1st of major banks)(1)
- Supporting and protecting customers in a period of more difficult economic conditions and rising frauds and scams with proactive contact and alerts and extra staff in hardship and fraud teams
- Helping small businesses plan for a more sustainable future with the launch of Greener for Business, a simple digital platform allowing customers to better understand and reduce carbon emissions
- Transitioning towards a more sustainable future with interim decarbonisation targets set for seven sectors including three additions in FY23

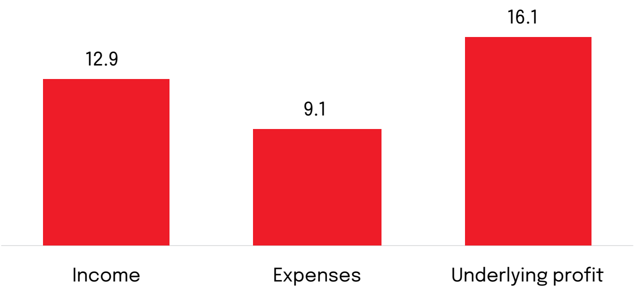
(1) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter Systems are trademarks of Bain & Company, Inc., NICE Systems, Inc., and Fred Reichheld. Sourced from DBM Business and Consumer Atlas (part of RFI Global), measured on 6 month rolling average to September 2023. 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.

*The September 2023 full year results are compared with the September 2022 full 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 FY23 v FY22

- Revenue increased by 12.9% mainly reflecting higher margins combined with stronger volumes and Markets & Treasury (M&T) income.
- Gross loans and advances (GLAs) increased by 3.0% and deposits increased by 3.7%.
- Net Interest Margin (NIM) increased by 9 basis points (bps) to 1.74%. Excluding a 5 bps reduction from M&T which includes the impact of holding higher liquid assets, NIM rose 14 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, deposit mix and higher wholesale funding costs.
- Expenses increased by 9.1% including costs associated with the Citi consumer business and a provision of $40 million in respect of a one-off levy for the Compensation Scheme of Last Resort (CSLR). Excluding these items, expenses rose 5.6% primarily reflecting higher personnel costs including additional headcount and salary-related expenses, together with continued investment in technology and compliance capabilities including fraud prevention and cyber security. These increases were partially offset by productivity benefits and lower remediation charges.

FY23 v FY22 drivers of cash earnings change (%)

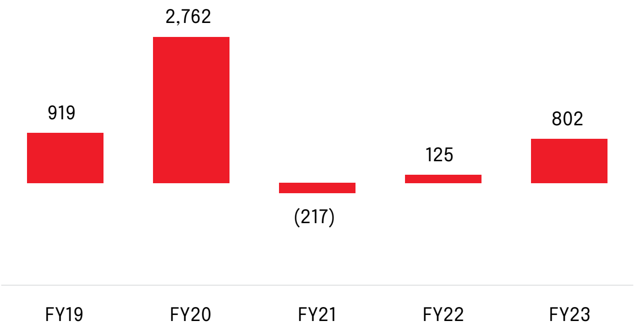



**"Strong underlying profit growth has benefitted from the disciplined execution of our long term strategy. This has allowed us to leverage good growth opportunities in Business & Private Banking and adopt a more selective approach to growth in some other sectors where returns are more challenged. The impact of the higher interest rate environment has also supported FY23 results but has been increasingly offset by elevated competition and inflationary pressures in the second half of the year."**

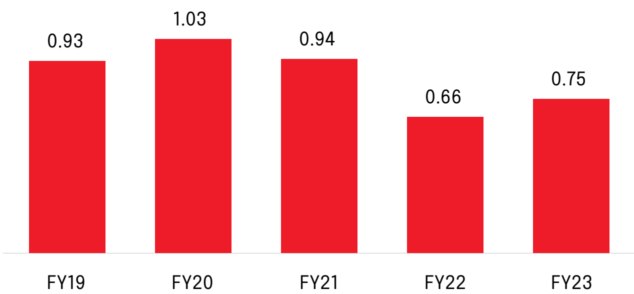
## Asset quality FY23 v FY22

- Credit impairment charge (CIC) was $802 million, versus a FY22 charge of $125 million. The FY23 charge includes a $218 million release from forward looking provisions. Underlying charges primarily reflect volume growth, a deterioration in asset quality and higher specific charges off a low base.
- The $218 million release from forward looking provisions primarily reflects asset quality deterioration in underlying outcomes and a modest overall improvement in the economic outlook.
- The ratio of 90+ days past due and gross impaired assets to gross loans and acceptances increased by 9 bps to 0.75%. Key drivers include higher delinquencies across the Group's home loan and business lending portfolios.

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



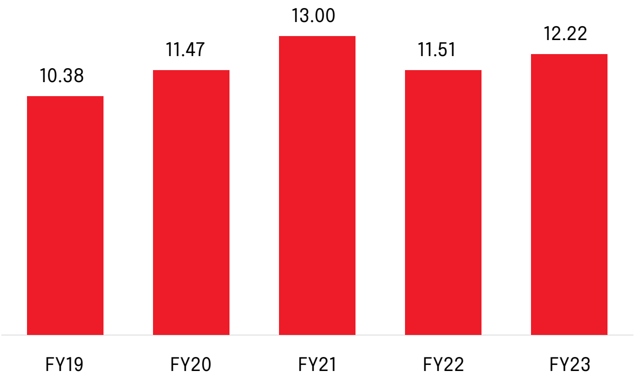

90+ days past due & gross impaired assets / gross loans and acceptances (%)




**"Our collective provisions are prudently set at 1.47% of credit risk weighted assets, and remain well above pre COVID-19 levels. As asset quality has started to deteriorate over FY23 consistent with the more challenging environment, we have maintained strong levels of forward looking provisions to reflect ongoing challenges and uncertainty in the outlook. "**

## Capital funding & liquidity

CET1 ratio[(i)] (%)




(i) CET1 capital ratio on a Level 2 basis. From 1 January 2023 ratios are reported under APRA's revised capital framework.

### Key ratios as at 30 September 2023

- Group Common Equity Tier 1 (CET1) ratio of 12.22%, up 71 bps from September 2022 including strong organic capital generation (62 bps) and the impact of APRA's revised capital framework (47 bps) partially offset by approximately $0.9 billion of on-market share buy-backs (20 bps)[(1)]
- Proforma Group CET1 ratio of 11.94% reflecting $1.2 billion balance of shares to be acquired under the on-market share buy-back
- Leverage ratio (APRA basis) of 5.2%
- Liquidity coverage ratio (LCR) quarterly average of 140%.
- Net Stable Funding Ratio (NSFR) of 116%.

## Key divisional performance - Cash earnings

| | FY23 ($m) | % change FY23 v FY22 | Key drivers FY23 v FY22 |
|---|---|---|---|
| Business and Private Banking | 3,318 | 10.1 | Strong underlying profit growth with higher revenue reflecting volume growth and increased margins, partially offset by higher operating expenses. Credit impairment charges increased off a low base as a result of volume growth and some deterioration in asset quality consistent with a more challenging environment. |
| Personal Banking | 1,446 | (9.1) | Underlying profit increased modestly but was more than offset by an increase in credit impairment charges from a write-back in the prior period. Revenue growth benefitted from disciplined volume growth and broadly stable margins over the year with the impact of the higher interest rate environment offset by competitive pressures. |
| Corporate and Institutional Banking | 1,870 | 14.9 | Strong underlying earnings growth driven by revenue, with higher margins more than offsetting lower lending volumes and higher operating expenses. Credit impairment charges increased modestly from a write-back in the prior period. |
| New Zealand Banking (NZ $m) | 1,522 | 8.5 | Strong underlying profit growth with higher revenue reflecting volume growth and higher margins (excluding the transfer of the New Zealand liquidity management portfolio from Corporate and Institutional Banking). This was partly offset by higher operating expenses and credit impairment charges. |

(1) On 28 February 2023 the Group completed its $2.5 billion on-market share buy-back announced in March 2022. This includes approximately $0.6 billion (19,270,329 ordinary shares) bought back and cancelled in the March 2023 half year. On 15 August 2023 the Group announced its intention to acquire up to $1.5 billion ordinary shares via an on-market buyback. This buy-back is expected to be undertaken over approximately 12 months, with approximately $0.3 billion (10,562,183 ordinary shares) acquired as at 30 September 2023.

# 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, growth has continued to slow driven by weakness in household consumption as spending adjusts to higher interest rates and cost of living pressures. With inflation now moderating, the cash rate appears to be at or near peak levels and it seems likely that Australia will avoid a pronounced economic downturn. However, real GDP growth is forecast to slow from 2.7% over 2022 to below trend rates of less than 2% p.a. over 2023 and 2024 reflecting strong expected population growth but subdued household spending. The unemployment rate is forecast to drift up to around 4.5% by end 2024 from a low of 3.4%. The extent to which households continue to adjust to cost of living pressures and higher interest rates and the timeframe over which inflation softens remain key to the outlook including the path of monetary policy.

Similarly, in New Zealand, inflation and labour market pressures are easing and growth in activity has slowed materially. If sustained, this suggests that the cash rate is likely at or near its peak for this cycle. However, growth over 2023 and 2024 is expected to remain subdued, including the possibility of negative growth in coming quarters, reflecting lower private consumption, limited business investment and weaker goods exports. While fiscal policy settings are uncertain with the formation of a new government following October's election, cuts to public spending are also likely. Real GDP growth is forecast to be 0.6% over 2023 and 1.8% over 2024 and the unemployment rate is expected to increase above 5% in 2024 from a low of 3.2% in 2022."

## Strategic overview

The close of 2023 marks the third full year of our refreshed long-term strategy. This strategy is centred on delivering better outcomes for customers and colleagues while keeping the bank safe. It is supported by disciplined execution and persistent investment. Good progress has been made over the past three years with more to do.

In Business and Private Banking, where we have the leading SME business lending market share, we are continuing to deliver growth across our franchise through a relationship-led approach increasingly enabled by digital, data and analytics. Following strong lending growth in FY22, business lending balances rose a further 8% over FY23 including 24% growth in small business lending. Increasing simplification and digitisation of the account opening process is supporting good growth in SME deposits with new business transaction account openings up 50% over the three years to September 2023, including an 11% lift over FY23. This year has also seen the rollout of nextgen terminals and increased self service functionality via a new payment portal, supporting better payments experiences for SME customers.

In Personal Banking, we are focused on providing simpler, more digital banking experiences to drive quicker, better outcomes for customers and colleagues. Simple everyday banking products opened digitally increased to 74% in FY23 from 71% in FY22 and 62% in FY20. Australian home lending remains a key market, and we are investing to deliver better customer experiences. This includes further progressing our simple and digital home loan initiative with rollout to brokers and Business and Private Banking underway in FY23. Given a number of sector headwinds this year including heightened refinancing activity and competitive pressures, we adopted a disciplined approach to originating new home loans, with our share of system growth[1] reducing from 1.1x in FY22 to 0.7x in FY23.

We remain excited about growth in unsecured lending and ubank where we are leveraging capability from recent acquisitions to deliver better, more targeted customer propositions. Over FY23, credit card balances and market share increased. Over the same period ubank recorded continued strong new customer acquisition weighted towards its target segment of 18 to 35 year-olds.

Corporate and Institutional Banking continued to deliver improved returns and strong customer outcomes despite lower lending balances. In a difficult market, New Zealand Banking achieved good growth in home lending and deposits, while business lending was more subdued reflecting weak system growth and disciplined portfolio management.

Having a strong customer franchise and engaged colleagues are key to our ability to grow sustainably, and is supported by our focus on improving customer and colleague outcomes. Our most recent colleague engagement score of 78 at July 2023 is up two points since August 2022 and one point higher than the top quartile benchmark[2]. Customer outcomes in FY23 in key segments remained first or second ranked versus major bank peers, but there is more to do to achieve our objective of being number one of the major Australian banks with positive NPS scores.

Our investment over recent years to simplify and digitise our business is delivering better outcomes for customers and colleagues and has supported productivity benefits of $398 million in FY23. During a period of elevated inflationary pressures, this allowed us to limit FY23 cost growth to 5.6% (excluding Citi consumer business costs and a provision of $40 million in respect of a one-off levy for the CSLR), while maintaining investment spend at approximately $1.4 billion. We plan to continue our balanced approach of maintaining cost discipline while investing for sustainable growth. For FY24 we are targeting investment spend of approximately $1.4 billion and further productivity savings of approximately $400 million[3].

Safety is a key strategic pillar and requires that we maintain prudent balance sheet settings and manage risk with discipline to grow sustainably. At September 2023 collective provisions as a ratio of credit risk weighted assets were 1.47% and the share of lending funded by deposits was above 80% - both materially stronger than pre COVID-19 levels. Liquidity increased over FY23 and remains well above regulatory minimums and we continued to access term wholesale funding across a range of products, currencies and tenors, issuing $40 billion[4] in FY23. Group CET1 rose 71 bps to 12.22% over FY23 including 47 bps benefit from implementation of APRA's revised capital framework on 1 January 2023, partly offset by 20 bps from share buy-backs during the period[5]. Adjusting for the remaining $1.2 billion share buy-back outstanding at September 2023, proforma Group CET1 is 11.94% versus our target range of 11-11.5%.

While retaining strong balance sheet settings over FY23, we have also delivered improved shareholder returns. These outcomes reflect the ongoing execution of our strategy combined with benefits from the higher interest rate environment most evident in 1H23. Cash EPS rose 26% compared with FY22 and Cash ROE increased to 12.9% compared with 11.7% in FY22. The final 2023 dividend has been set at 84 cents per share, bringing total FY23 dividends to 167 cents per share which is 10.6% higher than FY22. This represents a FY23 cash earnings payout ratio of 67.7%, consistent with the Group's target dividend payout ratio which is guided by a range of 65% - 75% of cash earnings, subject to Board determination based on circumstances at the relevant time.

The implications of rapid monetary policy tightening are becoming more evident in our operating environment. Growth is slowing, competitive and inflationary pressures are elevated and asset quality is deteriorating. This is not unexpected, and our strategy positions us well to manage through this period. We expect further challenges as the economic transition continues but we remain confident in the outlook. The Australian economy is proving resilient, our balance sheet settings are strong and we continue to have attractive growth options across our business. We remain focused on executing our long term strategy to deliver sustainable growth and attractive returns for shareholders.

(1) APRA Monthly Authorised Deposit-taking Institution statistics. Latest data as at September 2023 (adjusted for reclassification of the Citi consumer business). FY22 multiple of system growth excludes impact of Citi consumer business balances acquired by NAB Group on 1 June 2022.
(2) Engagement scores refer to Glint 'Heartbeat' outcomes. Top quartile comparison is based upon Glint's client group (domestic and global, from all industries)
(3) Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 7.
(4) Includes RBNZ's Funding for Lending Program (FLP) of $1.3 billion.
(5) On 28 February 2023 the Group completed its $2.5 billion on-market share buy-back announced in March 2022. This includes approximately $0.6 billion (19,270,329 ordinary shares) bought back and cancelled in the March 2023 half year. On 15 August 2023 the Group announced its intention to acquire up to $1.5 billion ordinary shares via an on-market buyback. This buy-back is expected to be undertaken over approximately 12 months, with approximately $0.3 billion (10,562,183 ordinary shares) acquired as at 30 September 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 Full Year Results Management Discussion and Analysis 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 the Company on pages 70 to 72.

| | Year to | | | Half Year to | | |
|---|---|---|---|---|---|---|
| | Sep 23 $m | Sep 22 $m | Sep 23 v Sep 22 % | Sep 23 $m | Mar 23 $m | Sep 23 v Mar 23 % |
| Net interest income | **16,807** | 14,852 | 13.2 | **8,331** | 8,476 | (1.7) |
| Other operating income | **3,847** | 3,444 | 11.7 | **1,794** | 2,053 | (12.6) |
| **Net operating income** | **20,654** | 18,296 | 12.9 | **10,125** | 10,529 | (3.8) |
| Operating expenses | **(9,023)** | (8,274) | 9.1 | **(4,602)** | (4,421) | 4.1 |
| **Underlying profit** | **11,631** | 10,022 | 16.1 | **5,523** | 6,108 | (9.6) |
| Credit impairment charge | **(802)** | (125) | large | **(409)** | (393) | 4.1 |
| **Cash earnings before income tax** | **10,829** | 9,897 | 9.4 | **5,114** | 5,715 | (10.5) |
| Income tax expense | **(3,093)** | (2,793) | 10.7 | **(1,448)** | (1,645) | (12.0) |
| **Cash earnings before non-controlling interests** | **7,736** | 7,104 | 8.9 | **3,666** | 4,070 | (9.9) |
| Non-controlling interests | **(5)** | - | large | **(5)** | - | large |
| **Cash earnings** | **7,731** | 7,104 | 8.8 | **3,661** | 4,070 | (10.0) |
| Non-cash earnings items (after tax) | **(266)** | (44) | large | **(178)** | (88) | large |
| **Net profit attributable to owners of the Company from continuing operations** | **7,465** | 7,060 | 5.7 | **3,483** | 3,982 | (12.5) |
| Net loss attributable to owners of the Company from discontinued operations | **(51)** | (169) | (69.8) | **(36)** | (15) | large |
| **Net profit attributable to owners of the Company** | **7,414** | 6,891 | 7.6 | **3,447** | 3,967 | (13.1) |
| **Represented by:** | | | | | | |
| Business and Private Banking | **3,318** | 3,013 | 10.1 | **1,604** | 1,714 | (6.4) |
| Personal Banking | **1,446** | 1,591 | (9.1) | **661** | 785 | (15.8) |
| Corporate and Institutional Banking | **1,870** | 1,628 | 14.9 | **930** | 940 | (1.1) |
| New Zealand Banking | **1,404** | 1,295 | 8.4 | **645** | 759 | (15.0) |
| Corporate Functions and Other | **(307)** | (423) | (27.4) | **(179)** | (128) | 39.8 |
| **Cash earnings** | **7,731** | 7,104 | 8.8 | **3,661** | 4,070 | (10.0) |

## Shareholder summary

| | Year to | | | Half Year to | | |
|---|---|---|---|---|---|---|
| | Sep 23 | Sep 22 | Sep 23 v Sep 22 | Sep 23 | Mar 23 | Sep 23 v Mar 23 |
| **Group - Including discontinued operations** | | | | | | |
| Dividend per share (cents) | **167** | 151 | 16 | **84** | 83 | 1 |
| Statutory dividend payout ratio | **70.6%** | 70.5% | 10 bps | **76.3%** | 65.7% | large |
| Statutory earnings per share (cents) - basic | **236.4** | 214.1 | 22.3 | **110.1** | 126.3 | (16.2) |
| Statutory earnings per share (cents) - diluted | **228.7** | 205.6 | 23.1 | **107.3** | 121.2 | (13.9) |
| Statutory return on equity | **12.3%** | 11.3% | 100 bps | **11.3%** | 13.3% | (200 bps) |
| Net tangible assets per ordinary share ($) | **17.96** | 17.24 | 4.2% | **17.96** | 18.04 | (0.4%) |
| **Group - Continuing operations** | | | | | | |
| Cash dividend payout ratio | **67.7%** | 68.4% | (70 bps) | **71.8%** | 64.1% | 770 bps |
| Statutory dividend payout ratio from continuing operations | **70.2%** | 68.9% | 130 bps | **75.5%** | 65.5% | large |
| Statutory earnings per share from continuing operations (cents) - basic | **238.0** | 219.3 | 18.7 | **111.3** | 126.7 | (15.4) |
| Statutory earnings per share from continuing operations (cents) - diluted | **230.2** | 210.5 | 19.7 | **108.3** | 121.7 | (13.4) |
| Cash earnings per share (cents) - basic | **246.5** | 220.7 | 25.8 | **117.0** | 129.5 | (12.5) |
| Cash earnings per share (cents) - diluted | **238.0** | 211.7 | 26.3 | **113.6** | 124.3 | (10.7) |
| Cash return on equity | **12.9%** | 11.7% | 120 bps | **12.0%** | 13.7% | (170 bps) |

Full Year
Results Summary

## For further information

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

## Disclaimer – Forward looking statements

This Result Summary and the 2023 Full Year Results Management Discussion and Analysis 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, conflict in the Middle East and other geopolitical tensions, the Australian and global economic environment and capital market conditions. Further information is contained in the Group's Annual Report for the 2023 financial year, available at www.nab.com.au.