

First Quarter Trading Update 2025



national
australia
bank



National Australia Bank Limited ABN 12 004 044 937 AFSL and Australian Credit Licence 230686, 19 February 2025.

The December 2024 quarter results are compared with the quarterly average of the September 2024 half year results for continuing operations unless otherwise stated. Revenue, expenses and asset quality are expressed on a cash earnings basis.

1Q25 FINANCIAL HIGHLIGHTS

\$1.70bn

Unaudited statutory net profit

\$1.74bn

Unaudited cash earnings⁽ⁱ⁾

(2%)

Cash earnings change v
2H24 qrtly avg⁽ⁱ⁾

11.6%

Group Common Equity
Tier 1 ratio (CET1)⁽ⁱⁱ⁾

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

(ii) CET1 capital ratio on a Level 2 basis.

"We have started FY25 well. Our 1Q25 performance is sound and execution of our refreshed strategy is underway.

Over the December quarter, our focus on improving deposit performance has supported good growth of 2% in deposit balances. Australian home lending grew 1% and we have seen improved momentum versus system of 0.9x⁽¹⁾ compared with 2H24 and increased drawdowns through our proprietary channels⁽²⁾. Business lending balances rose 2% including 1% growth in SME business lending⁽³⁾.

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 in excess of \$400 million in FY25 and for operating expense growth in FY25 to be lower than FY24 growth of 4.5%⁽⁴⁾.

The economic outlook is improving but cost of living and interest rate challenges persisted during 1Q25. While most customers are proving resilient, we have maintained prudent balance sheet settings to allow us to support customers while keeping our bank safe.

Our refreshed strategy is focused on becoming the most customer centric company in Australia and New Zealand. While still early days, we have made good progress during 1Q25 laying the foundations required to successfully execute our strategy. We remain optimistic about the outlook and are well placed to manage our business for the long term and deliver sustainable growth and returns for shareholders."

- Andrew Irvine NAB CEO

Operating performance

Cash earnings 2% lower compared with the 2H24 quarterly average, mainly reflecting underlying profit growth of 4% offset by higher credit impairment charges and income tax expense. Key drivers of underlying profit growth include:

- Revenue grew 3%, primarily driven by higher Markets & Treasury (M&T) income. Ex M&T, revenue was broadly stable with volume growth offset by lower margins;
- A small decline in net interest margin with drags from funding costs, lending competition and deposits, partially offset by benefits of a higher interest rate environment and a slightly positive impact from M&T. There was no impact from liquid assets;
- Expenses rose 2% mainly reflecting higher personnel and financial crime-related costs, along with increased technology spend, partly offset by productivity benefits and lower costs relating to the Group's Enforceable Undertaking with AUSTRAC.

Supporting our customers & communities

- Improving convenience and access to banking services across Australia with branches now open on Saturdays in 29 high foot traffic locations, giving customers more flexibility to get in-person expert advice when it suits them.
- Continuing to protect customers against fraud and scams, with NAB joining BioCatch Trust Australia - a first of its kind inter-bank, intelligence-sharing network which allows participating banks to share information in real-time before a payment is made by a customer.
- Helping Australian businesses and farmers to invest in technologies and practices that reduce emissions, with discounts on green loans as part of a \$300 million new program supported by NAB and the Australian Government's Clean Energy Finance Corporation.

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

(2) Refers to proprietary home lending drawdowns in Personal Banking and Business & Private Banking divisions 1Q25 compared with 4Q24.

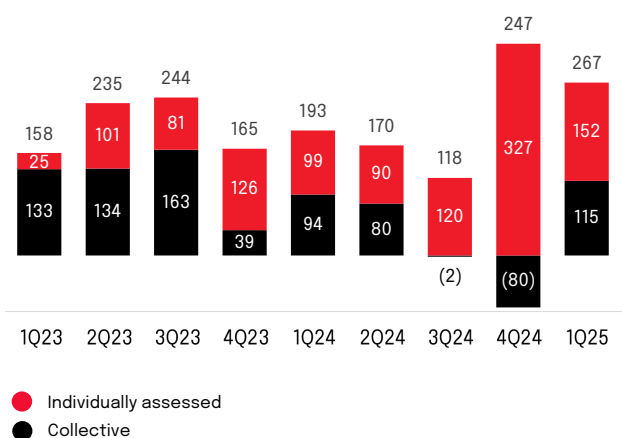
(3) SME business lending refers to business lending in NAB's Business & Private Banking division.

(4) Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 3. FY25 guidance excluding any large notable items.

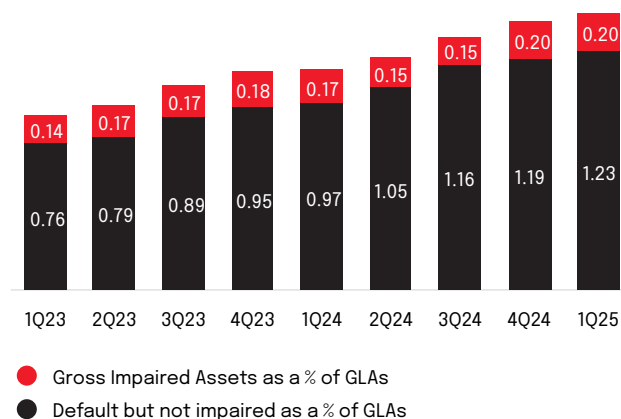
Asset quality

- Credit impairment charge (CIC) of \$267 million. Individually assessed charges were \$152 million driven mainly by Australian business lending and unsecured retail portfolios. Collective charges were \$115 million primarily reflecting asset quality deterioration and Australian business lending volume growth.
- 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 September 2024, the ratio of collective provisions to credit risk weighted assets (CRWA) decreased by 2 bps to 1.45% as a result of CRWA growth.
- The ratio of non-performing exposures to gross loans and acceptances increased by 4 bps from September 2024 to 1.43%. This mainly reflects further 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 0.20%.

Credit impairment charges (\$m)

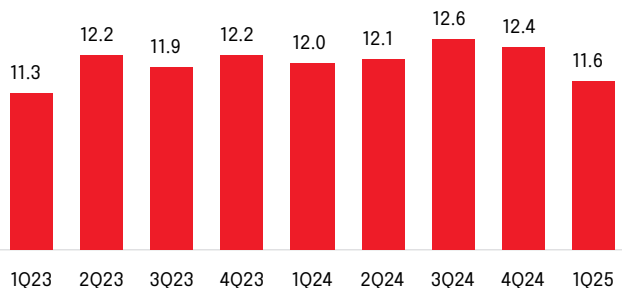


Non-performing exposures / gross loans and acceptances (%)



Capital, funding and liquidity

Group CET1 ratio⁽ⁱ⁾ (%)



(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 31 December 2024

- Group CET1 ratio of 11.6% compared with 12.4% at 30 September 2024, primarily reflecting payment of the 2024 final dividend⁽¹⁾ and CRWA growth of \$13.2 billion, partly offset by cash earnings.
- Proforma CET1 ratio of 11.6% reflecting 12 bps impact of the remaining \$0.5 billion balance of shares to be acquired under the on-market share buy-back⁽²⁾ offset by the sale of the Group's remaining 20% stake in MLC Life⁽³⁾.
- Leverage ratio of 4.8%
- Liquidity coverage ratio (LCR) quarterly average of 139%
- Net Stable Funding Ratio (NSFR) of 118%
- The Group raised \$15.2 billion of term funding over the four months to end January 2025

(1) Equivalent to -63 bps CET1 ratio impact.

(2) As at 31 December 2024, \$2.5 billion of the announced \$3 billion on-market ordinary share buy-back had been completed, resulting in the buy-back and cancellation of 73.8 million ordinary shares. \$0.1 billion of those shares were bought-back in the December 2024 quarter. The remainder of the buy-back (\$0.5 billion) is expected to be completed by 1 May 2025.

(3) On 11 December 2024 the Group announced it had entered into an agreement to sell its remaining 20% stake in MLC Life Insurance to Nippon Life Insurance Company for \$500 million. The proposed sale is expected to complete in the second half of calendar year 2025.

Appendix 1: Key financial information

	Movement			
	2H24	2H24	1Q25 v 1Q24	1Q25 v 2H24
	\$m	Qtr avg \$m	%	Qtr avg %
Net operating income	10,112	5,056	2	3
Operating expenses	4,750	2,375	3	2
Underlying profit	5,362	2,681	1	4
Credit impairment charge	365	182	large	large
Cash earnings before income tax	4,997	2,499	(2)	1
Income tax expense	1,435	717	(2)	6
Non-controlling interests	9	5	large	large
Cash earnings	3,554	1,777	(2)	(2)
Statutory net profit	3,466	1,733	(1)	(2)

For further information

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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 Annual Report for the 2024 financial year, available at 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 Full Year Results - Management Discussion & Analysis 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 the Company on pages 73 to 75. 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 2025 Half Year Results are expected to be made available on or around 7 May 2025.