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Business & Private Banking briefing transcript

[Start of Transcript]

Sally Mihell: Thank you for joining us today. I think I do know most of you in the room, but for those that I haven't met, my name is Sally Mihell. I'm the Head of Investor Relations. Today's presentation is focused on our Business and Private Banking division. In particular, we'll be providing some information on our strategy and opportunities to grow in two of our key segments, regional and Agri banking and transaction banking. On the agenda today, we have Andrew Auerbach, our Group Executive of Business and Private Banking, who will provide some introductory comments and an overview of the key balance sheet and asset quality outcomes for B&PB in the June quarter. This will be followed by presentations by Khan Horne, the Executive for Regional and Agri Banking and Paul Riley, our Executive in Transaction Banking in B&PB. Following all three presentations, there'll be an opportunity for Q&A. The event will conclude at 10:30 AM, at which time we'll join you for morning tea until 11 am. Please note this is not intended to be a broader business or financial update. In particular, we'll be releasing some further details on our housing book and asset quality trends with our third quarter trading update in a few weeks. As you will have heard, the event is being recorded and a recording or transcript of the event will be uploaded on our website under the Investor briefings and presentations. I'll now pass to Andrew.

Andrew Auerbach: Thank you very much, Sally, and good morning to everyone. We've been looking forward to this opportunity to speak to you in a little more detail on the Business & Private Bank, and we'll look forward to engaging in the Q&A as well.

Go to the first slide.

You've seen this slide already in our first half release. I love this slide because it is a good flyover, just showing the overall strength of our Business and Private Bank division at NAB. We do have very strong market leadership, as you all know, in this segment, a segment we know well, and we compete very strongly in. And so you can see in terms of our market share concentration that we do, in fact, bank one in four SME customers, and more specifically, one in three in Khan Horne's segment, which you're going to hear from Khan in a moment. We have a really well-tenured customer base. The median tenure of our customers is over 10 years. And that really matters, particularly during more challenging periods. We have experienced bankers who have seen the good times and the challenging times for our customers. And in fact, more than 90% of our customers have an active business transaction account. I'm delighted Paul Riley is going to give you a view of that important business and how it is positioned within our division. We have a very strong proprietary sales business with greater than 70% of our volume in a proprietary channel. And we are more and more integrated as a division. The importance of our private wealth businesses, which we'll talk about through this discussion and I hope in the Q&A, as well as how our business and transaction business intersects both sides of our balance sheet looking after customer needs as we move forward. All of that, as you can see in the centre, does contribute to why I feel we are doing a very good job of balancing volume and margin. We continue to have strong volume growth in our business. If you look at our GLA performance, and we continue to post stable margins in the business as well. This is really, in my mind, an attribution to the right, which is we have a phenomenal depth of capabilities with our bankers. We are very well represented around the country. We have 150 business banking centres. We've got over 3,000 bankers. We've got over 6,000 customer facing professionals that are looking after our customers in the local markets which is a huge difference I hear from our customers wherever I travel.

Earlier in the year, I had a chance to present the refresh strategy. So as you all know, the market is changing. There is increasingly very, very focused competition where our competitors are very focused on their SME businesses. And the environment continues to change and evolve, whether that's through automation, the role of AI. And so the team and I have put together what we view as our 4Ds. We're very anchored in executing against these 4D priorities, which is really, I'll give you a bit of color, digitizing the simple needs of our customers, deepening customer relationships, diversifying the growth in our business, across broader sector coverage and developing our colleagues at a time of very significant change. Virtually all of the work streams that we're doing and we'll talk about are anchored against these four broad priorities. And they're supportive of Andrew's overarching priority of continuing to grow our business bank as a competitive advantage at NAB.

If we very quickly just cover digitizing, this is about digitizing the simple needs of our customers. Last year at this time, you had a chance to hear from Paul's counterpart on lending, Rowan Munchenberg, and we talked about the persistent funding, about how we were digitizing the flow-through experience of our business lending experience. We've made really good progress in that area, and we're continuing to be very, very focused. This is what our customers need. This allows our bankers to be more focused on their complex needs. And that's when we're at our best is when a banker is able to spend more time solving the issues that our customers are facing, that they actually need to engage face to face with an experienced banker. I'm also delighted as I introduce my new leadership team, we have Darren Abbruzzese in the audience. He'll be very happy to chat with you as well during the morning tea. Darren's our new chief operating officer, brings a very strong technology background as we continue on this journey. Deepening our relationships is about doing more for our customers. We talk about the depth of the tenure we have with our customer base. This is about really making sure that we're looking after all of their needs whether that's both sides of the balance sheet in terms of their working capital and transaction needs, their business lending needs, and increasingly their private wealth needs. And we are seeing really, really good momentum as we work between our private wealth businesses and our business bank. Diversifying our growth, we continue on the track of being very focused on sector coverage. I'll talk about some organizational changes I made earlier in the year to continue to accelerate in this important area for us. We're market leaders, obviously an agribusiness. We will continue to be very focused on our agribusiness. And in terms of managing our concentration risks, it's really about growing the rest of the portfolio as well, competing with intensity in all the areas that we know we can compete very well across broad market sectors. And finally, in terms of developing our workforce, this is really all about ensuring that our teams are excited and traveling with us as we launch all these new tools, whether it's how we're embedding the AI tools that are being launched, how we're utilizing Agentic in terms of deployment to simplify and how we're really trying to streamline workflow. So we're really very focused on automating our processes as much as possible to eliminate multiple ways of going through the same workflow experience.

We go to the next slide.

I have given you an overview of my leadership team and I'll highlight a couple of the changes that were made over the past year. My team's really divided into 3 broad areas. If you look in distribution, these are all of our customer facing bankers. So our frontline bankers are in this area. The changes that I made is I separated out the leadership of Business Metro and Specialized. We now have an executive focused exclusively on the specialized segment to allow us to drive more focus in those areas I talked about earlier, whether it's going to be health or government, education, professional services, franchising. These are areas that we're competing well, and we're going to have more focus in these areas with a dedicated leader in specialized banking. You're going to hear from Khan Horne running our regional and agribusiness. Khan is very uniquely qualified to lead this important business for us. And you're going to see as you hear his presentation, he is fully immersed in our R&A market and he's in the market constantly visiting our business banking centers, meeting our teams week after week and it makes a huge difference. If I shift to our product and enablement teams, this is really our product, our operations, our deal strategy and execution teams are all within these leadership teams. You're going to hear from Paul Riley running our transaction banking business and our payments. He'll give you a great overview of the progress that we continue to make in that area. And finally, Chief Operating Officer, I mentioned Darren, was a recent appointment. Darren comes in, he was running our technology initiatives at Business and Private Bank, and he's about the enablement. He's really working very closely with our bankers as we deliver these new ways of working and as we continue to accelerate. Our private wealth business is an integrated business, product, operations, and our customer-facing leadership within that segment. And that's B&PB.

If we shift forward

Now, today is not about providing a financial update, as Sally has mentioned to you and mentioned to me several times, several 100 times. But we know that you are rightfully interested in how this more challenging environment is impacting our business. And so we have included some detail on volumes and asset quality trends over the third quarter. The combined impacts of the Middle East conflict, the higher domestic interest rates, and the recent federal budget changes have all certainly impacted business confidence. What we saw in our quarterly business survey was that confidence was down sharply since the March quarter, and it sits in negative territory across all industries as at June. At this stage, though, that's not actually translating into any noticeable impact on our business lending volumes. As you can see, B&PB business lending rose 4% versus March and up 10% versus June of last year, and that is reflecting broad-based growth across most sectors. Now, June is always our strongest quarter for business lending, and third quarter was actually no exception. In fact, the month of June was our strongest June we've posted since 2022. Our pipeline as well is broadly in line with PCP, but given the environment, it certainly wouldn't surprise us if we do see some softness in this measure. Home lending is, however, showing clear signs of softening with applications down 9% over the quarter. And it's not unexpected given the environment and the changes in the recent federal budget. Deposit flows in our business typically do show some softness in the June quarter. This is obviously reflecting end of financial year, the timing of funding and investment for our customers. June balances did rise 1% over the quarter and were up 9% on PCP. I'm sorry, 8% on PCP. And finally, I mentioned our private wealth growth. June has been a strong period for our JB Were business with good inflows and market performance, driving funds under management up a very strong 8% in the quarter.

Finally, let me turn to asset quality. Our total non-performing loan ratio fell by 9 points over the quarter. This was largely a result of the denominator strong GLA growth during the period. It's also worth noting that the majority of the reduction has come from the impaired asset ratio, which as you all know, can be lumpy over shorter periods. We do continue to see rising non-performing loans in sectors that are more exposed to the impacts from the Middle East conflict. This is including construction and transport and storage. We've also seen an 8% increase in watch loans over the third quarter. Now this ratio can be volatile again over short periods, but the increase this quarter is fairly broad-based. Now I need to stress while these customers remain performing, they're either showing signs of increasing stress or expected to encounter stress in the current more challenging environment and they are being managed by our SBS team. So in this environment, it's so imperative that we stay close to our customers to best support them. I'm really proud of how the team has been showing up and it does highlight the difference in having such an experienced business bank. We know that when risks are rising, the frequency matters and acting early gives our customers and us the best chances for longer term success. So I've been clear with our team and our leadership has been clear on our expectations. Number one, regular, proactive contact with our customers. The information can change an environment like this quite quickly. Number two, close monitoring of early warning indicators. And we're watching these very, very closely. These include things like temporary excesses, covenant breaches, shifts in behaviour with the customer. And finally, connecting customers with the appropriate support where necessary to help them back on their feet in order to navigate through any of the shorter term challenges. Now, clearly, B&PB is only one division and NAB will be providing an update on our group asset quality performance on our August 17 trading release.

So with that, I'm going to hand over to Khan Horne and I'll look forward to the question section. Thank you.

Khan Horne: Good morning. Delighted to be here. My name is Khan Horne and I'm the executive responsible for NAB's Regional and Agribusiness. I've been at NAB for over 30 years since joining NAB as a graduate in Gunnedah back in 1992. I was born and raised in Grafton and remain heavily involved in a family farm there. I've got a Bachelor of Agricultural Economics from the University of Sydney and a Master in Finance from the University of New England. My previous roles here at NAB have been the agribusiness general manager for Northern New South Wales and 11 years as the Agri GM. I'm very proud to lead the NAB's Agribusiness and Regional agribusiness and it's very important for not only B&PB but NAB. We operate in key industries throughout Australia. Today I'll take you through some detail around our business over the next 25 minutes.

There's four key messages I'd like to leave you today.

Firstly, there are long-term thematics driving strong growth in agri and investments by industry participants, much of which is fuelled by bank lending. Secondly, NAB has a leadership position in this attractive industry reflected by our scale, our presence, our experience, which is very hard to replicate and we have produced attractive returns. Thirdly, Agri has a unique risk profile and is subject to a range of external factors which are difficult to predict at times, which can create volatility. So managing asset quality and risk requires long-term experience, specialised approach. As a result of our approach, we have seen that through this time, the portfolio has lower losses than the broader non-NAB retail book. Fourthly, Andrew's taken you through the 4D strategy refresh for B&PB, and I'll explain how we brought that to life in R&A and continue to position us to not only to defend it, but grow our leadership position despite competition.

Let's start with some industry background to provide context and better understand our business and its operating environment. Australian Agri has a large and a strongly growing industry. Over 20 years to 2024-25, the gross value of production rose 45% in real terms. This has been driven by a number of long-term thematics. Firstly, global population and food demand. Secondly, increased demand for protein in emerging countries. Thirdly, Australia's proximity to clear export markets, Asia. Fourthly, improvements in cropping productivity. Agri is also a significant contributor to the Australian economy. It accounts for 2.2% GDP in 24-25, it's our fourth largest export, with 70% of product exported and accounts for close to 6% employment throughout rural Australia. Regional Australian economies have benefited from net migration into regional areas since the post-COVID pandemic.

Australian agri producers have been investing to meet rising global demand for food and protein in a number of ways to improve their productivity, firstly, through scale and expansion. Secondly, yield improvement through both genetics and varieties. Thirdly, efficiency in things like ag tech, automation. Fourthly, investment in infrastructure, storage, irrigation, poultry and logistics, et cetera. At the same time, there's been an increasing investment from institutional capital, foreign investment, given the attractive growth returns and growth dynamics and opportunities to improve through scale and consolidation. In combination, there has been three key impacts. Firstly, ongoing consolidation of traditional family farms and corporatization agri sector by large families, corporates, funds, and multinational customers are becoming larger and more complex, requiring more specialized product and bank capability. In fact, ABARE data shows a 9% reduction in the number of broadacre farms since 2009-10, 23-24. Secondly, broadacre farmland prices. In Australia, we've generally experienced strong growth since 1992, accelerating in recent years. Prices have increased in 2025, but a more gradual pace. The price of broadacre farmland has grown as an average rate of 9.8% over the past 10 years. Thirdly, Agri lending has increased at a strong rate at system level, rising 65% over the five years to May 26 and outpacing broader business lending. Probably important to note, it is not a deposit-heavy sector, so lending plays a key role in investment.

Turning now to our business, NAB R&A.

It's important business for NAB and a material contributor to B&PB, accounting for 40% of B&PB GLAs, 17% of deposits, and 25% of B&PB revenue. You can see here the lending heavy nature of agri in these proportions reflecting the industry's large asset base compared to service industries, combined with the highly seasonal nature of agri cash flows, with customers preferring to use overdrafts, working capital facilities to manage these ups and downs, rather than holding spare cash and deposits. Consistent with industry data, R&A has had good lending growth with GLAs rising 11% over the two years to March 26 and deposits are up 15% over the same period on the back of a number of strong harvests and commodity prices. And we have produced attractive shareholder returns broadly in line with B&PB's average return on risk-weighted assets.

Our strong growth and return profile reflects not only attractive industry backdrop, but our leadership position within it. R&A has scale with a history over 160 years and deeply experienced people who understand this industry and our customers. We bank one in three agri loans and one in four farm management deposits. Across 25,000 customers who have an average tenure of more than 17 years and more than one product including an active business transaction account for about 90% of our clients. We have approximately 540 experienced bankers, of which 260 are agri bankers, with an average tenure at NAB of over 12 years. And our bankers are where our customers are. We operate in 120 locations across Australia in every state and territory. The diversity of locations makes this primarily a proprietary business, with approximately 90% of sales via our proprietary channels.

Our scale allows us to have a fully integrated approach end to end with customer propositions in agri, whereby our bankers can draw on specialist agri capabilities across NAB in areas such as deal structuring and execution, green lending, risk management and wealth. This means we can service the full range of customer needs from a small farm all the way through to complex enterprises, multi-generational wealth transitions. The bulk of exposure is medium to large enterprise, which is managed by our business. Integrated means that the R&A banker is fully involved in the specialist interaction, product service advice, but if a customer needs additional trade finance, equipment finance, et cetera, those specialists are integrated into the existing relationship with the customer and the banker, but the banker remains the key contact throughout this transaction.

Now to risk. A key skill set essential to the long-term success of banking agri customers is a specialized approach to risk management. Agri cash flows are by their nature subject to unique external risk factors, which are hard to predict and different to other business lending. These include naturally the weather, global trade conditions, input cost pressures and biosecurity risks such as disease. Our customers take a long-term approach to managing their business, knowing the impact of these factors will result in good years and bad. As bankers, we also take the same approach.

Key to being able to support our customers through these cycles is managing concentration risk and portfolio resilience. We do this a number of ways. Firstly, most important is diversification, both by sector and geography. Australia is a large country, and any time we can have droughts in one part, floods in the other. So we need to maintain a good spread of exposures to minimize any specific event on our overall portfolio. You can see this in the first two charts that our portfolio is well spread. Also noting there is diversification within our customers highlighted by 30% of EAD being in mixed farming. Secondly, it's essential that we have risk specialists who understand the unique risk in agri, how to manage and price for them. We're able to draw on a team of 30 specialized agri risk professionals, including specialized agri SBS, problem loan management staff. Thirdly, we have a highly secured portfolio. Almost 90% of loan balances are fully secured after allowing for material haircuts to market value collateral. This compares with 73% fully secured for the B&PB business. Agri lending is primarily comprised of property assets such as land and water. We continue to invest in tools and technology to provide better insights into risk in our portfolio. A good example is FarmID, an internal portfolio level spatial data tool used to assess physical climate and transaction risk for agricultural lending, which geolocates customer farm assets by combining internal financial data with external land titles and climate scenarios. In addition, ESG considerations and climate risk assessments are being increasingly integrated into the banker workflow.

Now turning to our risk outcomes.

Over recent years, we have seen an increase in non-performing loans as a percentage of EAD. The main impact relates to two large, well-secured exposures classified as default not impaired in second-half 25 due to unique customer and specific circumstances. We do not expect to lose money on those exposures, and we'll take our time to carefully work through the challenges facing them to arrive at the best outcome for the customer and the shareholders. Our NPLs remain dominated by default not-impaired exposures reflecting our well-secured book. Recent weather trends have been mixed, good rainfall in some parts, drier conditions in others. This is normal and manageable within our diversified portfolio. After strong growth in farm values over many years, we've seen a softening in that growth since 2022, more like to about 2%, and also a reduction in the volume of transactions. As mentioned earlier, we apply material haircuts to market values when assessing lending. Clearly, the Middle East conflict and a more broadly, a less predictable global trade and geopolitical environment is causing issues for our customers. Our provision includes a $75 million forward-looking adjustment. So far, the majority of our customers are proving resilient and agri customers are used to working through these cycles. Over time, we continue to see lower net write-off rates from our agri portfolio than the Australian non-retail portfolio average. This reflects our approach to risk management, especially the highly diversified and secured portfolio.

Now to the future.

You've heard from Andrew talking about the four Ds. In R&A, we are bringing this to life in many ways specific to our business and our growth opportunities with a focus on addressing the changing dynamics in our industry, including increasing competition, consolidation, and complexity of needs and regional population growth. Despite our leadership position, we see good growth and potential across our business. We see lots of opportunities to leverage technology, increase digitalization, the first D. This will allow us to grow in an efficient manner while delivering faster and better outcomes for customers and our bankers. We'll also provide capacity to reinvest in more complex issues and relationship management. Consolidation with our customer base means that they're getting bigger and often more complex, so it's important that we work closely with corporate and institutional bank and our specialised teams to bring the best of NAB to these customers and meet their increasingly sophisticated needs. This includes supporting customers through these transitions and family successions by leveraging our private wealth capabilities. These actions will allow us to deepen relationships with our customers and better diversify our revenue streams. The second and third Ds. Opportunities also exist for our growth in high returning agri subsectors, such as services, which have got multiple product needs. And the fourth D, developing the workforce. This is essential for a relationship business like ours with our bankers and a large national presence, which is critical to our ongoing success. We're developing faster, more structured pathways for new bankers to get up to speed and supporting our new staff with tools to let them do their jobs more easily and get better insights. We're also expanding our graduate program, which is key to developing a consistent pipeline of talented individuals who will become the future of our bankers. So in closing, we've got a good leading position in an attractive industry which is hard to replicate. We have good growth opportunities and a clear strategy which sees us well placed to continue to grow and defend our position. Thank you.

And I'll hand over to Paul.

Paul Riley: Thanks Khan and thanks for the opportunity to join you here today.

I joined NAB in 2018 in our home lending group before then leading our personal everyday banking group which includes our consumer deposits and savings and our proprietary credit cards and lending. And then for the last two years or so I've had the privilege of leading our business transaction banking group. And business transaction banking brings together our transaction and business deposits, our HICAPs and merchants to support our customers in payments, and then also our commercial and business cards. Over the next 20 minutes or so, I'd like to give you further insight into how transaction banking contributes to the group's strategic priority of growing deposits.

There are a few key points I want to ensure that I leave you with today. Driving deposit growth is one of the group's key strategic priorities to deepen customer relationships and drive sustainable returns over time. And within that, operational transaction deposits represents our most valuable opportunity. Importantly, operational deposits arise from helping our customers with their working capital and payment needs. Working capital and payment solutions need to be supported by strong digital self-service capability to allow our customers to service 24/7, enabling our expert bankers to support customers with their more complex needs. The deeper we are embedded into those activities for our customers, the greater our opportunity is to deepen our customer relationships and to further grow our operational deposits. Therefore, our growth strategy has focused on creating more reasons for customers to have their operational deposits with NAB, especially through one, innovative payment propositions, especially for the deposit rich industries that we support. And then secondly, investing in simpler, faster digital experiences. Our progress reflects years of disciplined investment and execution. While deposit growth remains a long-term strategy, we continue to believe we're well positioned to continue growing deposits at scale.

So let's start by sharing a bit more details about business and private banks' deposit composition. At its core, within B&PB, there are three key sources of deposits. First, the largest segment is our business deposits from business customers, and it's approximately about two-thirds of the total. Then secondly, our private wealth customers who both have their business and personal banking with us. And then thirdly, it's important to note also the personal banking deposits of our business customers. On the right hand side, then what you can see is the growth across our deposit franchise over the past year in the individual products. And importantly, and the real focus today, has been the strong growth in our transaction and NBI accounts, of which approximately 90 of the $95 billion is specifically related to business accounts.

As I mentioned earlier, transaction banking relationships are built around a customer's need for payment and working capital solutions. So to gather operational transaction deposits, we need to go to market with simple, integrated and tailored solutions that are designed around what our customers need to run their businesses. We've invested in innovative propositions, such as our NAB gateway, which supports e-commerce payments and has enabled us to deliver a range of sector-specific solutions designed to help customers run their businesses more effectively. These propositions are supported then by faster and simpler customer experiences like setting up a business transaction account, which I'll spend a few minutes, I'll come back to in a few minutes and share a bit more about. Critically, business customers need to be in control of their finances and to manage their businesses 24-7. Our award-winning NAB Connect platform can be accessed by customers via mobile or desktop and gives them access to a range of specialist capabilities, including FX, trade finance, and cards. Lastly, when we combine the payment solutions with simple deposit accounts, digital servicing, and specialist banker support, we can leverage customer data to move beyond product conversations and build a much deeper understanding of our customers, using customer insights, sector expertise, and data to deliver much more personalized solutions.

So let's now take a closer look at how we bring those propositions to life and bring the very best of NAB to serving our customers. In terms of opportunities, first, historically, NAB was a lending-led business and therefore often underweight in deposit-rich sectors that have relatively low lending needs. And second, this is where the breadth of our offering comes together and supports one another and importantly, our customers. Khan brought this to life in Agri, but a few other examples just to build off would include, for instance, health, which is growing nationally. And we have a leading healthcare solution in HICAPS, which integrates with healthcare software providers and platforms and allows practitioners to process claims and accept payments seamlessly. While we have a strong position in allied health sector, our current deposit market share represents only about 11% of the total healthcare opportunity. We are continuing to invest in HICAPS to expand the types of schemes, plans, and practitioners that we can integrate with the platform. For example, we recently leveraged these relationships to build and expand into GP expanding the breadth of offering that we have across the healthcare segment, but also using that as an opportunity to serve those customers, whether in providing equipment finance, but also in serving their personal banking needs. Professional services presents a different type of opportunity for NAB. In this sector, our lending market share exceeds our deposit market share, providing potential for NAB to deepen existing relationships within a sector that has approximately $120 billion in deposits. This is a large and diverse sector representing a wide range of customer needs. In the real estate sub-sector, by using PortalPay and PayTo, we've been able to provide customers with a solution that simplifies their payment receipt and reconciliation processes. We've made investments to enhance bulk upload capabilities, allowing us to support the creation of up to 100 accounts in less than eight minutes. Super important in supporting customers in the legal and insolvency industries. Finally, in the education sector, we've integrated NAB Gateway into leading education management platforms. This enables simple online fee collection for schools and universities, and settles directly into a NAB transaction account. In the last 12 months, we've onboarded more than 130 schools, and yet we only have a market share of 7%. And so that provides us a further opportunity to grow in a deposit pool estimated at about $40 billion. As we deepen customer relationships within this sector, we also have an opportunity to leverage the broader NAB capability for these customers. For example, leveraging JB Ware to manage endowments. So 3 examples that bring to life not just the growth opportunities, but growth opportunities across business and wealth too, that NAB is best placed in order to support.

Complementing the focus on customer segments, we're also transforming key processes. And critical to this is the business transaction account, which is a critical customer solution. At its core, customers want fast, simple, and secure deposit accounts. And the first step in that relationship is making it easy for them to open a business transaction account. When we started this journey in March 2025, we set out with a very clear ambition to open simple accounts in less than 24 hours and complex accounts like trust accounts in less than 48 hours. At the time we set this ambition, it was unfortunately for many customers it was taking more than five days from application opening to the customer having the account ready to go. To be honest, the starting process was complex, involved multiple systems, inefficient handoffs between teams, duplicated work, and legacy manual steps. All that contributed to a lot of work and a lot of time for our customers. So our focus has been on digitizing and automating the process and controls end-to-end through a focus first on process simplification and removing unnecessary steps. Second, tightening our workflow so tasks are not batched overnight and they can move seamlessly between teams. And third, simplifying the onboarding journey by really converging to a single way of doing things. This approach has enabled us to transform faster through quick wins and very clear results. Our initiatives already have delivered fast, simple and secure transaction accounts, with a 17% increase in the number of accounts that qualify for straight-through processing. Currently, 68% of our simple accounts are opened in less than 24 hours, and 45% of complex accounts are now opened in less than 48 hours. While there is much more to do to achieve our ambition, the progress has been significant, and you can see that it's contributed to a 13-point increase in our net promoter score. Most importantly, these initiatives are delivering strong deposit growth. In the two years since March 2024, transactions and NBI deposit balances have grown 26% and new account openings have grown by 31%.

Looking ahead, our strategy remains clear. Andrew and Khan have spoken about the four Ds as part of our overall broader B&PB strategy. And transaction banking is very much aligned to delivering against those. We will continue digitizing simple customer needs, particularly faster onboarding with the goal of increasing straight through processing and further reducing account opening times, not just across our deposit products, but also our business cards and merchant facilities. We will invest in integrated propositions to deepen customer relationships and enable customers to access more of NAB's capabilities through a single banking relationship. We see significant runway to grow fair and deposit-rich sectors, leveraging our strong business relationships. Finally, the increased digitization will support the continued investment in our workforce capability to increase banker capacity, improve productivity, and support growth at scale.

Now looking to the next year, we've got a short video that provides you an early example of how we are using AI to deliver a better customer experience and to improve banker productivity.

[Played video]

Hopefully that gives you a bit of a feel for how we're thinking about what the future is and a large portion of that we've already started testing with bankers to get a feel for how we bring that to life. Stepping back, hopefully this gives you further insight into how deposits fit into the segment and the opportunities for us to keep growing sustainably through payment and working capital solutions and the digitization of our key customer experiences.

I'll now hand back to Andrew.

Andrew Auerbach: Thanks very much, Paul.

Let me just close very briefly and then open it up to a Q&A that Sally will facilitate.

We just go to the final slide.

So there's a couple of themes I really want to leave you with. First, we've, I hope, been able to demonstrate that the business and private bank is performing well in a challenging environment. We have a very high quality franchise, which is extremely difficult to replicate. Our focus on deposits, as you just heard from Paul, is delivering good momentum in business transaction accounts and allowing us to continue to execute on deepening relationships, which, as you've heard, is a key pillar of our priorities. And our refresh strategy provides very clear opportunities for growth, both new to bank customers and deepening relationships with our existing customers.

So with that, why don't I hand over to Sally and we can jump into a Q&A?

Sally Mihell : Paul and Khan to come up on stage as well. We've got a couple of roving mics in the room. We'll start with one question each and we'll come back to you if there's time at the end.

Andrew Triggs (JPMorgan analyst): [question inaudible]

Andrew Auerbach: Thanks for that, Andrew. As you would expect, particularly with our focus on deepening relationships, we're across a number of different metrics, including MFI, to ensure we're executing the way that we are very focused on, which is, as you know, the evolution for our business has been an incredibly good business lending business without the same degree of focus on the other side of the balance sheet in terms of working capital, transactional and deposits.

You've just heard from Paul, we have a lot of momentum as it relates to deepening relationships. And we look at a number of metrics, whether it's MFI, bank of choice. In terms of the public release, one of the reasons is there's a bit of distortion in terms of the baselines because MFI does tend to veer more towards the small side of the segment.

And so as a consequence of that, there are some distortions when you look at some of our peers in terms of the composition of the metric. Having said that, we do look at it internally as well as a number of others. And I can say without publishing any of the numbers, we are seeing good momentum in that pillar of deepening relationships, whether it's going broader with our customers across their needs, as well as with private wealth.

And the piece I really want to amplify, which I feel is a point of differentiation for us at NAB, is how we're working at Andrew's ELT table. So Cath Carver and Ana in the personal bank and in corporate and institutional, we're talking daily about how we continue to go to market as one NAB and how do we deepen relationships with the reach across. And we do feel that's another point of differentiation in terms of our ability to deepen across our customer relationships.

Victor German (Macquarie analyst): Since we're starting with one question, I'll ask Andrew maybe first question to you, and if I get the opportunity, I'll ask others. I thought it was an interesting ending to the session where you said that you're performing well in a challenging environment. I'd be keen to explore exactly why you think the current environment is challenging, and it looks like we've got pretty strong volume growth, impairments are quite low. What exactly do you refer to as challenging? And maybe specifically, if you can maybe talk a little bit about competitive landscape, because you've provided third quarter numbers across the portfolio, but margins was one of the areas which you haven't commented on. So be just keen to hear, particularly as volume growth and mortgages are slowing, banks appear to be competing more aggressively in business. Be keen to hear how things are evolving in that space. Thank you.

Andrew Auerbach: Thanks for the question. Right now there are dagger eyes with Sally staring at me. We won't be commenting on margins with a forward view, but I can comment overall on the comment. First, this is a challenging environment with a number of factors and all of us are across them. Geopolitical uncertainty. We already were in a period in Australia of rising interest rates. So, we were expecting this year to see some slowing growth in any event. We saw as a result of the Middle East issues and the conflict with Iran that our business confidence really plummeted quite significantly over the quarter. And it's rebounded. Perhaps we're seeing more resilience in our customers, both in business as well as in consumer. We're seeing that across the board. But the environment's uncertain. As you know, in the first half, we did take a collective provision of $300 million anticipating some of the effects of the rising interest rates and the geopolitical uncertainty. While some of those issues have softened, there are new questions around some of the uncertainty that our customers are proving very adept at navigating. And so to your point, it's pleasing that when you look at our volume numbers, they actually are holding up quite well. As I mentioned, our PCP is quite comparable to prior period. June was the strongest month we've seen in a number of years. And so our customers clearly, as we talk to them, are playing the long game. They're investing for the future. They're driving investments in their business.

And the underlying conditions that were so favourable for Australia, they remain very favourable, right, in terms of all of the positives that we have in the country. And customers are looking through that. Having said that, the environment is uncertain. And so we're being prudent in being transparent around what we're hearing from our customers. And what we're hearing from our customers is certainly more uncertainty about the present environment. We're seeing more elevations, as I mentioned, about 8% uptick in terms of elevations to our SBS team. We're in regular contact weekly to make sure that we're staying close to the trending as to where are there signs of challenges for our customers and how are we being proactive in getting in front of them. Maybe Khan, I don't know if you want to add a little bit of colour of what you're hearing from customers.

So in terms of what we're seeing from competition is it's strong. There's an intensity to competitors right now. We're seeing certainly pockets of pricing that we're not participating in. As I mentioned earlier, we have really good pricing disciplines in the business as we're balancing our volume and margin. As you know, our system growth is somewhere around that 1.1, 1.2 mark. We find right about that spot is allowing us to preserve our margins and drive the margin, drive the volume growth that we're seeking. And so yes, competitors are very focused on the SME segment. We're very focused on executing on our strategy. We have a lot of conviction on the depth and quality of our business that we have. And we're really proud of how our bankers are executing and competing in the markets.

Khan Horne: I'll just expand. Post-COVID, it was all about labour, access to labour, cost of labour, every single location around Australia. For the last 12 months, definitely definitely last 6 months. It's just been input costs, input costs, input costs, and the main challenge is really diesel, diesel energy, diesel energy, diesel energy, diesel energy, and then fertilizer for the farming community. They'd be the challenges I'd see.

Jon Mott (Barrenjoey analyst): Just wanted to keep on that theme. There's a comment here - We've got a strong B&BP pipeline and I love footnote 5 when you always go down here and you go, please refer to the value of, call it AAA applications, approvals and acceptances based on unaudited management information on the 24th of April. So it's great to say that it's a really good pipeline, but that was three months ago, and a lot's happened in the world.

Sally Mihell: That's the slide from the first half. And then Andrew gave an update on the third quarter slide.

Jon Mott: But Andrew, what's the pipeline post July, like obviously a lot's happened in the world in the last three months. So how does the pipeline look? Because it'd be great to see, to give us a view for how business credit growth is actually going to go.

Andrew Auerbach: Yeah, as Sally mentioned, we actually have disclosed up until June. So we gave a view of what we're seeing as of Q3. And so my comments about the growth are actually reflective to June 30 and our present pipeline is trending to PCP. And so while we're not seeing a softening in our present pipeline, we are being transparent about the market environment that we're competing in. But my commentary as it related to the GLA growth that we're seeing, the deposit growth we're seeing was to June 30th. And the visibility of pipeline was our present view.

Matt Wilson (Jarden analyst): Good morning, Matt Wilson, Jarden. You mentioned a seven basis point improvement in impaireds. You mentioned that it was assisted by movement in GLA, the denominator effect. Can you break out the numerator? Are you writing off more loans and more loans returning to performing? Are there more new impaireds? Just a bit of colour on the delta.

Andrew Auerbach: Yeah, I can't comment in great depth, Matt, but I can say that there was one large exposure that did move in the quarter from non-performing to performing. And if you back that out, you'll still see an improving trend, but that had a fairly significant impact on the numerator in terms of the overall disclosure. We talked about watch list formations with that 8% uptick, and it's fairly broad-based. When you talk to our SBS teams about where we're seeing challenges, it's across a number of different sectors. Khan hit it on the head. It's largely driven on input costs and how customers are navigating through input costs and some of the more short-term challenges. But there are some sectors that are challenged, right? Certainly wineries are challenged right now and those that are closer impact to the Middle East conflicts, you know, to what Khan had voiced over, specifically transport, storage, you know we are seeing more challenges there from some customers.

Richard Wiles (Morgan Stanley analyst): Good morning, Richard Wiles from Morgan Stanley. There's been a lot of focus at NAB on Deposits for quite a few years now, Ross was focused on it. Andrew's certainly re-emphasizing it. So I'd like to get some context from you, Paul, on how you've been performing in the two areas you called out, which were health and professional services. In both segments, you said you've got 11% deposit market share. Where were you a year ago, two years ago, five years ago? Have you actually had much success?

Paul Riley: You're right. There has been a real focus on that. And I think really importantly, we do think about deposit growth as being a long-term strategy. And the reason we think about it as a long term strategy is it forces you to really focus on those operational deposits rather than potentially some of the more price sensitive places within that.

And so, you know, when Andrew and Ross started this, it was really about building that discipline. I think when we now look more specifically to some of those segments, obviously it's really hard at times to get a full estimation about where we necessarily were over different time periods because there's not really clear data on some of those segments.

But what we would see broadly is that in those target segments, we continue to broadly improve over time. And so it's, I couldn't tell you specifically where we were five years ago or two years, but what we would say is in each of those categories over the last year or so, we've continued to put on deposits and continue to be growing strongly to our overall kind of market position in there.

Sally Mihell: Paul, it might be worth noting that some of these products required investment. And so we've been investing in propositions that we've then gone to market with. So that might help with the timing.

Paul Riley: So discipline for the first few years, really executing on some of those core product innovations in the last year or two. If we look at some of the professional services, we've seen disproportionate market share growth to the overall market in those segments. So when we say we're overly focused, those are the areas that when we look at our overall performance delta to the overall market growth, we are growing more in those areas than elsewhere.

Andrew Auerbach: I'd also add when I visit markets, it's literally the first thing I'm hearing from our teams now, which is very proudly saying we're actually fully matched against how we're deposit gathering relative to our lending volume. And so that mindset of focus in terms of the importance of being full bankers is really maturing in the organization. Back to that deepened relationships pillar and the momentum that you heard from Paul, we have a lot of confidence that we're going to keep growing in that area.

Matt Dunger (Bank of America analyst): Thanks very much, Matt Dunger from Bank of America. If I could stay on deposits and just ask a question about the transaction deposit growth, the NBI and transactions up $12 billion year on year versus savings and term up $4 billion. Do you think this is a shift because of your deposit mix, why aren't we seeing customers move to higher rate deposits, more expensive deposits? Why haven't you grown as much in there?

Paul Riley: **I**mportantly, overall, we are growing in those key areas. Why are we growing more so in that transaction accounts comes to the fact that we put a lot of emphasis on what those solutions are around our working capital and payments. So we're picking up those operational deposits. So as we're picking up on the back, use the example of schools, we're getting in there with our merchant facilities that allows us to pick up the operating deposit accounts because that merchant facilities clear into a transaction account within there. So a big portion comes from a real discipline in there. I think more broadly, if we just step back one of the factors we would be seeing is you know during a period of uncertainty customers are looking to keep more money also just available for the unpredictable environment that's currently going in there and so there's no doubt that uncertainty is also playing a role in terms of how customers are thinking about their deposits at the moment.

Andrew Lyons (Jefferies analyst): Thanks so much, Sally. Andrew Lyons from Jefferies. I just want to continue on the question from Richard Wiles just around healthcare deposit share. A key plank of the deposit presentation focused on innovative payment solutions as being key to improving deposit penetration. The HICAPS platforms existed for nearly three decades and it's seen as a market leading solution. And yet you can see your health deposit share is only 11%. So why is this the case? And what's it ultimately say about what does drive deposit share in business banking?

Paul Riley: You're right, that HICAPS has been around for 30 years. I think that the big change that we've seen recently, and it comes through in Andrew's strategy, has been really that it was run as a standalone platform and really thought about as just being a standalone payments facility. And so it did not, we did not leverage that opportunity to really build our overall NAB health proposition around it. The big change that we're now really trying to make there is about talking to those customers not just about their HICAPS needs specifically, but also about what are their broader needs that they have that NAB can serve.

And so importantly within that and why it's a growth opportunity is for a long time, customers did not need to have a transaction account as part of that piece. We had separate teams that talked about each individual product. What we're now going about doing is really thinking about it in terms of an overall NAB health proposition. So let's talk about the HICAPS, but then understand with customers, do you need equipment finance for the imaging machine? Is there something we can help you in terms of other lending for the premises and so forth? And so we're spending a lot of time now really thinking about how do we take advantage of these propositions to bring the very best of the total NAB experience to it. And that's why we haven't made as much progress over 30 years, but it's a real focus for us over this next period of time.

Andrew Auerbach: Paul and his team are doing a wonderful job as well. As we talked about, certainly the deepened relationships with our subs, HICAPS, MedFin, JBWere, we really do see the opportunity the way Paul's executing with his leadership team. Back to that deepened relationships, like we have such a dominant market share in HICAPS. Customers are very positively disposed to us and there's a lot of potential to do more, which is what you just heard Paul's executing on.

Brian Johnson (MST Marquee analyst): Brian Johnson, MST. Having followed NAB for a few weeks now, NAB going into every other cycle has been the bank with the lowest loan loss charge. At the moment we can see it the highest and I know you're going to say it's slightly less housing, but it's very slight. When you have a look and you reflect on today, you've got more deposits in business lending than you've got loans. Now some of your peers are very strong in saying that you basically do the, and I asked this same question 12 months ago, that you do the deposit lending to get the transactional insights to work out whether you actually should be doing the underwriting. So the first subset within this is that as you're getting the deposit, the transactional deposits on board, are you actually seeing negative insights on some of the lending that you've already got? But within that as well, if we have a look at the $75 million overlay on agri, everything appears probably to have got incrementally worse if you think about inflation, geopolitical risk. But the one that you didn't mention today is there's a real chance that we're heading into a super El Nino, which could be super duper bad. If you look at the increase in property prices, and Khan, you and I are both from the same tremendous intellectual institution, the mighty University of New England, which is in Armadale. But if you have a look at it, what drives asset values is the willingness to basically provide debt. I don't think I've ever met a cow cocky that has ever had genuine cash 10 years in 10. It's very much a one year cycle. Could you just give us a feeling about all of this going together? So, what are you learning about when you get the transaction deposit account versus the loan? What are you learning about the lending exposure you've got? And then if we have a look at basically the provisioning side, that FLA, that mightn't be enough, I suppose, is a broad implication. Thank you.

Khan Horne: You always learn when you've got a transactional deposit, but you learn more from being on farm, the valuation, the cash flow. Being face to face on, that's where you learn about ag. That's the main place when you're out there year after year after year. With new to bank, there's rarely new to bank we don't know. We just know them. I've lived in Armadale, Tamworth, Moree, Dubbo, and we're in 120 locations. So having that distribution team on farm, that's the strongest, that beats any information from an accountant. And this is an agribusiness. A second point around the super El Nino. There is pockets in drought, there's no doubts about it. And that's when you've got to be double down on being on farm, being out and about, making sure that myself, the state manager, risk guys are out there in amongst it, seeing it. So pockets like that little pocket on the southwest Queensland border, it's dry. But look at South Australia, last couple of years was tough. This year, it's a good crop. So ag bounces back, especially with that winter crop, summer crop, it bounces back instantaneously with a good crop. The difference this year is that the input costs are making those margins tight. There's no doubts about that. The dollar's okay, rates are okay. And of course, if you go back a couple of years off the back of restricted markets in China, that wasn't good for so the lobster market, going down to very micro, you know, fishing market, let alone the wine market, barley market. So it's case by case, state by state. I think the key benefit, there's a lot of Australian dams, they're still irrigation now, Brian. So a lot of the dams still over 50% storage. So they've got this year, number one, number two. If you look at that graph where we have a blip up in June, July, there's a lot of grain still held on farm. There's a lot of stock out there. If you're talking to someone who might have only got 20% of crop in or less. Absolutely. They'll be saying, okay, hope we had some grain in the silo. We'll take it over to July one. We'll sell it, we'll be right this year. But going forward I can't. You know you get different interpretation by clients on BOM data. That's well publicized. We just take it case by case, get on farm, run through the cash flow, run a base case scenario averages and say, look, let's overlay what we think. But that's why having 120 locations with hundreds of bankers out there is crucial, Brian, to make sure we actually can see the risk, feel the risk, smell the risk, and be across it with the client. And you can't get scared day one if it's a bit dry. You know, this is my 35th year here. You can't, when you're out there, you've got to show confidence because Australian Ag and so compared with when I went to university, we didn't have the technology, like the technology that we're seeing with varieties and double gene cotton crops, etc. But we're seeing some tremendous technology out there on scale of machinery. You know, you are seeing robotics and mechanization hitting ag, but I think, you know, we're well prepared. The best thing is boots on the ground and knowing your customers.

Brian Johnson: [part of question inaudible].. and we've got weather has gotten worse. So, am I right? Is that right or wrong?

Andrew Auerbach: Yeah, we've certainly highlighted the challenges in the environment. What we've seen in asset quality is actually an improvement in the NPL to GLA. We kind of provided some context as to what that is certainly the uptick in watch list. But to your point about our risk settings, we spend a lot of time obviously with Shaun, with our Chief Risk Officer. We're comfortable with our risk settings and we continue to manage the business on a business as usual. We pay very close attention to our concentration limits to manage our risk in areas that we are as dominant as we are, whether it's in agri or CRE. And I think we've tried to be as transparent as we can be on the environment and how we're navigating it. I wouldn't characterize it as worse from the last release.

John Story (UBS analyst): John UBS, thanks for allowing me to ask a question. I want to just come back to the lending growth piece, right, because I think that's obviously very interesting. In terms of what we've seen at the system, I'd be interested to get your views and Khan, due to obviously being in this market for a very long period of time, just how durable it actually is, right? And then which sectors in particular is it coming from? And then maybe just a little bit of a flavour around your client base in terms of what you're seeing.

Khan Horne: The first point is you've got to have a diversified book. That's by state, by subsector and industry, and even by key name. So it's diversified. There's going to be industries which you'll have an extra focus on, or you might be getting concentration limits, and that's where you set settings and you just communicate to the bankers, look, you might have to share debt. So at the top end, probably when you're getting well over that 100 million, you might be signalling to a client, next expansion, we might have to have second bank in there. So at the top end, they're sophisticated. They might do it themselves, they might syndicate themselves, or they might do it with us. So that area has probably been a lot of growth and I think they're ahead of the game because they actually understand risk as good as we do and they're willing to make sure they've got a second bank. And not always - that 150, it might be 200. On the smaller end, you've got off farm income supports ag. A lot of ag in that zero to couple million dollars, someone might be half an hour out of Wagga or Toowoomba, that market is supported by farm lending. So I think it's durable. Most customers have got far better systems in forward cashflow budgeting, forward settings, et cetera. I'm very comfortable in that spread. I think the key point is having, you know, young bankers coming in experiencing times like now or, you know, the Middle East crisis are looking at, things aren't always rosy, you've got to battle down, you've got to be out and about, you've got to be close to customers. And so key rules like no distance banking, I just, I think that's one of the best rules that you can't bank someone in Broome from Sydney, unless you actually go to Broome. You've got to be out there and about. So that's the benefit of seeing. So it's sustainable, it's durable, and technology is helping us a lot on our day-to-day roles.

Andrew Auerbach: And maybe just for the broader portfolio as well, one of the things that we're finding particularly pleasing when you look at the competitive data on market share is we're growing stronger than system in virtually every sector. And that's quite purposeful. And so to Khan's shout out, you heard from Paul earlier about some of the enormous opportunity as it relates to education and other broad-based sectors. We're very focused on competing in all of the sectors that we know we can play well in. And so we are, as you've heard from Khan, we are very good in regional and agri. We're also very good in metro. And so, I hear this from all of our customers. We're very focused on having a specialized focus, driving professional services, franchising, government, education, and our broader diversified piece. And we're paying very close attention to making sure, not just from a risk management point of view, but back to the competitiveness of the market. We know we can compete well in these other sectors, and we're quite proud of how the team is growing.

Tom Strong (Citi analyst): Thanks, Sally. Tom Strong from Citi. For the long term, agri has been a success for NAB. You bank one in three loans in the country. We've talked about rising climate risks, political risk. You need to remain diversified in that. To the extent that some of your competitors would say you're hitting concentration limits in the agri portfolio, how do you think about that and how do you see that as a constraint on future growth?

Khan Horne: Look, ag lending is just like any competition, any sporting competition in Commonwealth Games, you need competition. You just need it. There's no doubts about it. So very comfortable on our state by state. We've got higher concentrations in the eastern states. So I often go back and reflect it across the GDP numbers. And of course, a lot of clients don't just operate out of Northern New South Wales. They've got properties down in Griffith or they've got properties up in Queensland. So the bigger end of town have got both vertical and horizontal diversification. But I think if you look at what others might be saying, they might be saying you might have too much irrigation, etc. But I'd rather have a bigger irrigation book across every irrigation zone rather than having single names in one single zone. So you take it industry by industry and then we've seen a lot of movement where people are going through the value chain. So they might be saying, look, we might just not just produce beef, we'll go through the feedlot. So we're seeing a lot of movement through that vertical integration as well. We're very comfortable with our concentration limits.

Andrew Auerbach: And then back to our overall strategy, the rest of us around the LT have a job to do for Khan. And back to what we've been talking about with Diversify, growing everywhere else allows us to keep driving that dominant growth in agri. And so it's very purposeful for us that there's all parts of the portfolio that we can keep growing, which keeps creating that room for us to drive the growth that we want in Khan's business.

Carlos Cacho (Macquarie analyst): Carlos Cach, Macquarie. Thanks for the chance to ask a question. I just wanted to ask on the volume front, Andrew, you mentioned that June was the strongest month since, the strongest June month since 22. If I look at slide 35 on the agri seasonality, June's also a very strong month always for agri. We've seen, as we've heard, a big increase in input costs, diesel, fertiliser, et cetera. How much of that record June has just been driven by working capital needs going up significantly with very high prices? And how much is kind of, I guess, more real investment as opposed to just, you know, you need to pay 20% plus more for diesel. And so your working capital needs have gone up significantly.

Khan Horne: Look, it's a bit of a sore tooth. The agri industry does not like paying tax. There's no doubt about that. So they will often hold, they'll often hold grain, cattle sales over. So I'd say majority would have been just timing around end of financial year, managing matters. It's always one of our busiest times for settlements. People like to get on farm or they change business directions or they change direction on 1 July. So majority was still just the normal BAU. It wasn't anything spectacular around a run of big settlements. It's always busy settlement time, but I'd just say it was just a lot of normal June July management.

Jon Mott (Barrenjoey analyst): Jon Mott from Barrenjoey. Andrew, question for you. Another comment you have is 70% of your sales are coming through prop channels, but that includes new customers and people drawing down additional work, additional facilities. When you think about the new to bank customers, the new wins that you're getting, what percentage of those customers are coming through proprietary versus broker? So not the existing ones that are coming back, the new to bank customers, what percentage broker versus prop?

Andrew Auerbach: Yeah, we're very focused on this one. And Khan, you can speak certainly in your business, which is overwhelmingly proprietary, that the broker prop mix would be different in Metro, in the more concentrated markets. What I can tell you is we spend a lot of time staring into these numbers. We talk as a leadership team that we still have that red line around our stated aspiration, which is that 70-30 mix that obviously the broker business remains important, particularly for the brokers that are strategically aligned with us, that understand our value proposition is not a dry lend. Our value proposition is not competing on price. It's for customers, that value what we bring to the table in terms of deepening relationships. And we have no interest in dry lend and we have no interest in just competing on price on single product. I mean, that's the way we're going to market. And so as a team weekly, we stare into the attribution of those numbers and we continue to refine how we're executing in terms of our settings in that mix. But you can expect us to stay very focused on that 70-30.

Jon Mott: So that 70-30 includes people, existing customers. But specifically on new to bank customers, what's that number?

Andrew Auerbach: Yeah, we do have that metric. Do you off the top know the metric? Sally.

Sally Mihell: No, we might have to check and come back to you, Jon.

Jon Mott: And then obviously, Agri is very much prop. So given that's a third of the book, the rest of the book must be a lot more broker-driven mathematically.

Andrew Auerbach: Yeah, no, I mean, we're watching new to bank very, very carefully on the overall mix. I can get you the exact number and I don't want to misstate it, but it's not going to be some distorted number where the majority of the business is broker. If that's the inference, we're very focused on prop.

Sally Mihell: But Jon, you're right. Agri is predominantly prop. And then there are other segments, and Andrew spoke to Metro, small business, they will skew more to broker.

Jon Mott: Yeah, but if you've got the average tenure of your customers, what, seven, eight years. So they're going to be a lot of repeat business, which is by definition going to be direct proprietary. So mathematically, it's going to be a lot smaller number new to bank coming through, especially outside ag.

Andrew Auerbach: Yeah, the one qualifier for new though is the origination is overwhelmingly existing customers and referrals of existing customers, right? And so as we're very focused on NPS, on loyalty, on a number of those metrics for that purpose, that the notion of how to keep driving that proprietary value proposition is tied to the execution of the experience. And we have a series of work underway to keep amplifying prop. So we'll get you the exact mix, but I want to be clear, it's not distorted in back book in terms of that 70-30. We're very focused on origination in terms of our mix.

Matt Wilson (Jarden analyst): Thanks, Matt Wilson, Jarden. Just a question for Paul. Where do you see and how are you preparing from an investment perspective for the evolutions that are taking place in payments and deposits, blockchain, stablecoin, these things are happening. What is NAB doing? You used to have a digital currency section that left with Drew. Are we rebuilding? How do you see it evolving? And then linked to that, it's obviously great to get a big chunk of deposits that you pay nothing on. How sustainable is that though with these technological advancements?

Paul Riley: Yeah, I think about the first question. Look, we continue to monitor the developments in some of those technologies and so forth. But probably where I'd start by saying is, we are a customer-led organization and in business banking, there's not too many instances of a customer asking about some of these technologies right now. And so all the other things that are going on, that's their focus at the moment. That being said, look, we continue to participate in some of the industry trials that are going on there. That plays a role in those pieces. And we have started to think through how we could take advantage of those technologies, for instance, in the future around merchants and payment clearing and so forth. But it's not a core customer need now. The market is changing really quickly and the way we would approach it is really to be participants in those pilots and continue to see how that kind of translates.

I think to the second piece around it, look, there's no doubt that, as I said, we've had really strong growth in the NBIs. There's also a period of time, which is there is quite a bit of uncertainty that's going on. We're seeing we would expect that customers will start to manage those deposits into other sets of solutions based on where we are in the cycle, and especially if there's a bit more certainty out there. The opportunity for us is just to continue to leverage all our existing relationships and pick up more of that deposits where we've not had that banking before. And so there's no doubt we'll see at an individual level, customers can manage their mix. What we've got to do is continue to offset it by just growing in the places that we have not picked up that transaction banking yet.

Khan Horne: Matt, when you're out and about, customers are just worried about scams, cybercrime and fraud. That's the one they are talking to us about. So whether it's invoice fraud, identity theft, just, that's the one that really concerns country Australia because it's remote. Starlink's wonderful technology, like don't get me wrong. There's a lot of things going well, but that's the one that they are absolutely dead set scared of.

Brian Johnson, (MST Marquee analyst): Andrew, I'll just be intrigued. Some of your peers have said that if they have a crappy exposure, it's been really easy to put a little bit of pressure on them and it gets refinanced away by private credit or maybe Judo. But if we have a look at it, that ability to do that is going down. Has that been the experience of NAB that the kind of probability of default, the frequency of default, has been artificially lowered this cycle by basically private credit being there? And what does it mean if we see private credit basically disappearing going forward for the frequency of default in your book?

Andrew Auerbach: Yeah, and bear in mind, this is the SME business that I'm talking about in terms of my observations. Look, coming from Canada, the special care teams there compared to here, and I always spoke really fondly about how good they were at BMO at my former bank. But the SBS team is exceptional at NAB because I think about the tenure that we have and the experience we have. And so the partnership and collaboration between my business and SBS is very strong. We talk to them weekly and the mindset of how elevations go to SBS is with an attitude that these relationships are coming back to the banker. right? And so our focus when it moves into a special care team is more how do we work with the customer so that Khan's banker has the relationship back, in terms of actually working through some of these issues. So in terms of the broader aperture of the competitive pressure or private credit, we haven't been relying on that in terms of how we're working with customers. And Khan, I know you and I talk weekly on this topic. What other thoughts do you have?

Khan Horne: SBS is just a crucial part of banking and being respectful and staying close and giving people time. In ag, all the states have got different Farm Debt Mediation Acts. In New South Wales was 2000 the Act was enacted, and we just work with that one, and that gives people time. And sometimes they will get refi'd out well before you get to that, even after the first discussions. Other times they'll go through. So it could be succession, divorce, it could be other reasons, of course, but of course there's many other reasons, and it's just a time you gotta take time and be respectful for that period. The refi market does help us in that aspect.

Brian Johnson: Andrew, sorry, if I just push my luck with another one. Everyone's talking about this big pipeline of business lending. The question that I keep on getting asked, could you give us a little bit more detail on what this pipeline of business lending? Is it just real estate, property plant and equipment, inventories, which is just a function of inflation? Could you just give us a little bit more detail about what is this stronger pipeline business lending in a world where interest rates seem to be a little bit higher.

Andrew Auerbach: Yeah, Andrew and I visited a number of you a couple of months ago, and it was a similar theme that has kind of held, which is if you were to have this discussion with me a year ago and have this discussion today, the type of business that is within our pipeline is remarkably similar. And so back to my point about our customers are really planning for the future and are sort of seeing through these shorter-term challenges, it's broad-based. It's broad-based across sectors, certainly across state. In terms of our broader coverage, R&A is growing strong, Metro is growing strong. So it's quite diversified in terms of what we're seeing around underlying growth. Now we do expect, and we've certainly said that we would expect to see some slowing. So right now we're forecasting a 7% growth for next year in terms of how we're thinking about growth rates, which is a moderation from where we've been. But the pipeline remains strong across all the sectors. It's not, to your point, tied to, what sounded in your question, like more stress around working capital.

Philip Wensley (Paradice): Hey guys, Philip Wensley speaking from Paradice. You've talked a great presentation that reads really well and shows like you're improving the offering and that sounds good. But just back on the issue of competition, how do you think that offering compares to what the competitors are doing? And what are the implications for pricing out of the back of that, please?

Andrew Auerbach: Yeah, and so back to the volume and margin, which is super important to us as a leadership team, because it is the single point of truth against how we're executing as a business. And so for us, we have a lot of confidence in what we've articulated today in terms of the strategy and how we're executing. And competition is tough. I love the way Khan described it. We welcome the competition, not in terms of changing our behaviours, but in being really sharp in how we're executing. Like we are very, very convicted on maintaining our leadership position in this space. And so we have great confidence that those four Ds, we just stay very, very focused on great execution across that. And it's the winning formula for us. Our customers are positively disposed to NAB. These are deep relationships, well tenured across the country with bankers that are on the ground who are happy to be here. We see that in a whole variety of ways in terms of how we measure our culture and satisfaction of our bankers, because our bankers are the key to all of this. And it's a very competitive environment. It's a competitive environment for customers. It's a competitive environment for bankers. And so we remain very energized on executing against the strategy and eyes wide open. It's very competitive in the marketplace.

Khan Horne: Very hard to replicate the distribution. So, you know, I've got teams in Broken Hill, two portfolios Broken Hill today, Alice, Esperance, Geraldton, you know, Moree, Roma, Mildura, Swan Hill, I mean, we're everywhere. And it's very hard to replicate that with the first point. Second point, a lot of clients do value local knowledge. So you don't wake up in Sydney, great weather, how's it going? I'm in the middle of a drought, you're 1,000 kilometres away. So I think that footprint's very hard to replicate. And then secondly, I bring a lot of effort to make sure that our customers are digitized for day-to-day. So that NAB Connect, the FlexiPurchase works so 10 of their staff can just use a credit card when their sales teams are traveling. But on the big things that matter, there's been a death in the family. We want to expand, we want to buy, another 10 million bucks of water, divorce, the big things in life, succession, they come and talk to us. You know, the phone, as soon as the war started, the phone rings. The day-to-day, they just want to have a, especially around convenience, cost, and also cybercrime. They want NAB Connect and their banking to work seamlessly. But when they want you, they want a banker face to face, a seasoned banker sometimes.

Victor German (Macquarie analyst): Thank you, Sally. It's Victor again. Actually, it's sort of Khan, you kind of just talked about sort of what I wanted to actually ask and great presentation, by the way, it's lots of useful data. One sort of interesting data point I looked at it is that 9% decline in farm numbers as a result of consolidation. And it sounds like that's a trend that you're expecting to continue. Just be keen to explore that in a little bit more detail in terms of you've got great distribution, which is clearly a phenomenal advantage. As that trend continues, does that allow your competitors a little bit of an easier path because there's bigger kind of clients that potentially could be serviced by less people? And maybe, Andrew, to the extent that you can kind of comment in broader sense, in the past, your predecessor, also Andrew, talked about the importance of distribution. And as technology evolved, he still felt that distribution piece was going to be critical. Obviously, lots of advance in AI and all of those things that you're doing. Is that still on a medium term view, your position that distribution is going to be critical?

Khan Horne: I might just go for the first one and I'll hand over to Andrew. Look, it's just a fact that 200 years ago, the farms were small. And so they're just getting bigger and more complex. And so some of our portfolios might run 15, 20 clients on a big corporate agri, if they got 50 to 150, 200 million dollar files. But we've still got lots of portfolios with one and two million dollars because they still might have an asset base of 5 or 10 million, with equity of, 2 million, but still got equity of 80%. So I don't see that changing, but what we do see is they bank everything with us. They'll have NAB Trade, they might get a bit of farm finance from case finance or Toyota finance, but they'll have a lot with us. They'll do definitely the transaction NAB Connect and they'll have their personal finance and if they've got an investment home at Byron Bay or somewhere, they'll do it through us. So I think there's a lot. It's breadth. So you don't just go in on deposits, etc. You do the whole offering. And it's a simple fact that they're getting bigger. So on the top end of town, it's definitely having more sophisticated access to markets, whether it be OTC cotton, OTC wheat, et cetera. Definitely, we've seen a massive uplift in what we're calling deal ready being having an ISDA or derivative limit in place so you can actually fix or you can actually have some instrument right through the period. We found that very handy through June for interest in advance. I think it was post budget, looking around all of a sudden there was people had tax problems. It's challenging problems in some aspects, but they want to go in advance with a massive rush on that, which I haven't seen for a number of years. So I think the aggregation of farms, we'll just see our portfolios change over time. It won't significantly change our distribution. It is tough to get some of our young ones, you'll be putting on about 100 graduates a year and they've got to be mobile, they've got to have their degree, they've got to prove that. But I've got to say, you might start at Gunnedah today, but you might be Goondiwindi in three months time. And that's been a bit of a challenge, they all want to live in Toowoomba and Wagga, et cetera, but getting back to some of the smaller towns is a little bit challenging. Over to you, Andrew.

Andrew Auerbach: Yeah, I mean, first of all, my predecessor, now my boss, was right. We are very committed to this distribution presence, having the 150 business banking centres and that we are a relationship bank. And the way we're thinking about automation and AI is about enabling our bankers. Pete Steele, who's running our data and AI, who I know you've had a chance to meet. I really like the way he's engaging with the customer divisions. I'll give you some examples. We've got 38 squads right now organized under Pete's leadership, but these are bankers that are working to solve complicated problems. You know, one of them most directly to home here is credit memos. You know, credit memo production is enormously complicated. Multiple people, many hours, very expensive and slow. And we've created an agentic model that is going to dramatically cut that through to an hour, you know, and the token cost is $60. like $70 all told in terms of token and actual cost. So the way we're thinking about deployment is about the simplification and speed for our bankers so they can keep doing the complex things that aren't going to change anytime soon. And my experience having done this a long, long time, we've been talking about FinTech disruption for many, many years. People like interacting with people and particularly in relationship businesses. Now, they want digitization, they want simple, they want fast. But when there's a problem, as Khan, you just described with those key events, they want a human. They want to talk to somebody who is experienced, who understands and can set context and get them to think about the issue in ways that they haven't been thinking about that won't get solved with an agentic. They'll get a data answer, but they're not going to get a human who's interacted with other customers in a community who can provide that empathy and care and context. And so that's how we're sort of striking the balance.

Khan Horne: And don't forget those points of distribution. We've invested a lot of money to make sure that our Roma branch is getting a refresh. So it's not just about where our staff go to work every day and park the bank car out the back. It's a place where we want to have a nice room, not as big as this at Roma, but a nice room where customers come in post budget and listen to us or if we've got a interest rate risk management specialist in town, equipment finance specialist in town, trade specialist in town, come in and meet and have an update because they might travel from Roma, they might travel five hours in. So that's the scale of Australia too. And when you're out there, you feel it. And then finally, of course, you've got the branch where we're getting EBDs and ATMs and that part of it. But a lot of folks make sure it's really serious when they want to do something serious, but make sure it's self-serve, digital, automated for the day-to-day pieces.

Sally Mihell: We'll have to draw it to a close there.   We're at time. We appreciate you coming this morning. We appreciate your interest in joining us. The NAB team will be around for about another half hour until 11 o'clock if you would like to stay for morning tea.

[End of Transcript]