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TRANSCRIPT

NAB 2025 Full Year Results Media Call

Andrew Irvine (AI): Good morning, and thank you for dialing in.

Our FY25 results released today mark the first full year since we refreshed our strategy. I'm pleased to say we're making progress towards NAB's ambition to be more customer-centric and a simpler, safer and faster bank for our customers.

We continue to be disciplined in executing our strategy, in particular our focus on the three key business priorities. They are: growing our business bank, driving deposit growth and strengthening proprietary home lending.

Higher underlying earnings reflect momentum across our businesses, supported by strong lending and revenue growth in the second half.

The past six months in particular have been good for NAB as the economy also builds momentum. Australian business lending balances grew by 5.8% – the strongest half-yearly growth in three-and-a-half years.

Looking across the year, Australian business lending balances rose by 9.1%, total customer deposits grew by 7.4% and pleasingly NAB improved market share in both total business lending and business deposits.

Competition in business banking continues to increase but NAB competes from a position of strength. We know this market well, we have a leading position and we want to not just defend our position, but extend it.

I'm especially pleased by the performance in our Personal Banking division in the year, with cash earnings up 9.9%.

Our focus on strengthening our proprietary home lending is working. In the past two years, proprietary drawdowns have increased by 46% and in FY25 the proportion of mortgages written through our bankers improved to 41%.

This has been achieved by investing in customer relationships, investing in new bankers and the tools to help them and by introducing solutions that deliver simpler, safer and faster outcomes.

Customer advocacy is also showing signs of improvement. We are gathering more feedback from customers and we're making changes for them quickly and at scale.

We know there's more to do, but we're on the right path.

NAB's final dividend of 85 cents per share and total dividend of \$1.70 for the year gives \$5.2 billion back to our 540,000 shareholders, as well as the millions of Australians who benefit through their superannuation funds.

Looking more broadly, there are good reasons for confidence.

The Australian economy is improving with people spending more as pressure on households eases.

Through our recent surveys and conversations we are having, our customers are telling us that business confidence and business conditions have picked up and demand for labour is healthy.

However, to return to stronger rates of economic growth over the long-term, there are a number of areas Australia must lean into.

I've said for some time that housing is Australia's biggest societal and policy challenge. To play our part, NAB recently set an expanded ambition to provide at least \$60 billion of financing to support housing affordability by 2030, across both supply and demand side levers.

Reducing complexity and red tape for businesses, in particular small businesses, is another priority for government, regulators and banks.

Rising energy costs are weighing on Australian businesses and households.

Australia needs stable, reliable and affordable domestic energy, delivered in a way that balances environmental goals with economic and social needs.

Lastly, artificial intelligence will transform what we do, and how fast and well we do it. We need to make sure all Australians have the opportunity to learn the skills needed to use AI to its full potential.

By addressing each of these four areas we can increase productivity and create better jobs, higher living standards and a more prosperous Australia.

To close, I'm optimistic and ambitious for Australia and for NAB.

We go into FY26 with momentum. We have a consistent strategy, we have clear priorities and we have an experienced leadership team that is focused on execution.

Thank you for joining us. I'm happy to take your questions.

Journalist: Given the outlook for interest rates has changed over the past week, how do you see the policy settings in Australia right now for the economy to strengthen its growth and performance?

AI: We're expecting GDP growth of 2% in 2025 and see that rising to 2.3% in 2026. So, the economy is growing, and it's frankly growing at about full capacity without being able to generate too much inflation. I think that's essentially what you saw on Tuesday with the RBA's decision to hold rates. The economy is doing pretty well. You're seeing housing prices increase and the RBA felt there was not a need to provide further stimulus to the economy because we're seeing inflation is proving to be persistent and sticky. So we are growing about as fast as we can grow at this stage for our country. What we need to do now is focus on really driving productivity, because more reliable, safer, clean energy, more dwellings, less rules and quicker decisions are what this country needs to be able to grow faster without generating inflation.

Journalist: There's been quite a bit of discussion around investor loans, and we saw that Westpac on Monday said that that was an area they were targeting quite strongly. Given you've got a strong interest and focus on the housing crisis, firstly, what have you noticed in terms of investor loan growth at NAB? And do you think that could contribute to making it more difficult for first home buyers?

AI: We are seeing investors participating in the market. Obviously, you also want first home buyers being able to buy, and we are seeing good growth with first home buyer numbers. I think the government said that, in October, one in five mortgages that were opened in the month across the industry were with the new 5% deposit scheme.

So that is encouraging. But investors are also playing an important role because they're providing housing for renters. You need both. The key thing that we've said all along, however, is it's all about supply, supply, supply.

That's where we simply need more dwellings to be constructed, so making it easier for developers and builders to get dwellings done so that we can have more housing for both owners, occupiers, as well as renters.

Journalist: I was wondering whether you could provide a bit more commentary on your outlook for the upcoming financial year?

AI: As I said, I think we're optimistic about the year to come. The bank's momentum is very strong. We had 1% negative growth in revenue in the first half of the year excluding markets and treasury and in the second half of the year, we had revenue growth of 4.3%. We saw a pickup in volumes across all of our businesses including loans and deposits, and we did it while managing margins with discipline. I'm particularly pleased that we were able to increase market share and actually improve margins in our leading business banking franchise. That's something people are going to be looking at,

investors are looking at, and we delivered in the half. So that gives me real optimism about our ability to compete in '26. I do believe that the economic outlook is improving. We expect faster GDP growth next year and that's going to present opportunities for NAB that we intend to take advantage of.

Journalist: Can you just tell us a little bit more about what's behind the credit impairment charge increase? Give us a bit of a flavor for what's behind those numbers?

AI: Our view is that our book is performing as expected. We were clear at the beginning of this year that we expected the peak in asset quality delinquency to be in the back half of the year and that's what's materialised. What I would say is that in the second half, we saw a little bit more elevation in impairments. They were particularly due to a handful of single name exposures. That's quite common in the late stage of an asset quality cycle, you can have a handful of late-stage impairments. Generally speaking, however, it continues to be the case that most of the asset quality is presenting itself as delinquent, but not impaired. Pleasingly, our watch loans are down, and down materially. The growth of delinquency has slowed, if not plateaued, so that gives us confidence as we look forward to 2026. So as far as I'm concerned, things are playing out as we would have expected.

Journalist: You mentioned that the competition in business banking was very intense, but you still managed to expand your share. Do you expect that intensity of competition to start hitting margins? Is that happening or is there a risk that that's going to happen?

AI: We compete in this business from a position of strength, and we have long-term relationships with customers. That's really important. Competition is fierce and it's fierce because it's the best part of the banking market to be playing in. Consumer returns have been soft for a while now. Returns are better in business banking, so everyone wants what we have. But we've shown in the last year, and particularly in the last six months, that we can both defend and extend our position and not give away margin at the same time. That shows a competitor that's really strong and performing well.

Journalist: I noticed in your numbers, your costs are persistently higher, running ahead of revenue. You're already relatively efficient as a bank in terms of your peers. Do you feel any pressure to renew momentum in cost reduction or an efficiency program or anything around that area?

AI: You highlight the fact that we're a pretty efficient bank and that's because we have a culture and a discipline of managing expenses tightly. It's in the DNA of our bank. When we think of productivity, we think about perpetual productivity, year in and year out, working hard to manage our dollars well. We tend not to do big initiatives. That's not how we do things. It's all about recurring productivity for us and managing our business well year in and year out. That's what we're doing. We have increased our productivity

aspirations from around \$400 million to \$450 million. The levers of productivity are starting to evolve a little bit. In the past, insourcing was a big driver, so hiring less contractors and third parties and having more FTE. We're optimistic that AI will also provide some opportunities that will benefit customers as well as drive efficiencies in our business. Final point, we need to improve growth revenue faster than costs, and what we delivered in the back half of the year shows revenue growing 4.3%. Those are the types of numbers that we need to show next year consistently so that we can be improving operating leverage for our shareholders. You want to be a business that's always increasing revenue faster than it is increasing costs.

Journalist: I want to ask something slightly different. Work from home policies are in the news at the moment following the Westpac decision. My understanding is for NAB, you guys have three days a week in the office for staff and four for team managers. I just wondered whether you think you've got the policy right? Whether you've been watching what's happened with the Westpac decision and whether you might be reviewing it in the future?

AI: We think our settings are right. We're happy with our settings. We also commit on a case-by-case basis to review any particular colleagues' specific situation. We do that consistently. We've always done that, and we'll continue to do that. But we're happy with our settings.

Journalist: You talked a little bit about using AI to save on costs. I think there's talk in the insurance sector, you can use AI to price risk perhaps going forward. Can NAB in the future use AI to price risk in business lending or home loan lending in your view?

AI: Right now our focus on AI has been leveraging some of the enhancements that GenAI posed around knowledge and helping our staff with understanding how to manage things with our policies and processes. Going forward, we are going to be adopting more agentic solutions that we think will provide value to customers. We'll save staff time with low-value operational work, and we're very excited about the opportunities to leverage AI in software development. In terms of credit risk and those types of things, we've always had models that drive automated decisioning, and we'll continue to leverage those. But I think we'll go a little bit slowly on leveraging AI to actually make price and credit decisions. I want to make sure that there are no unintended consequences with that for our customers.

Journalist: You said in your introductory remarks that the business lending growth was ticking over at the fastest growth rate for three and a half years, I think you said. I just wondered if you could just take us down to the sectors. It looks like you've got good growth in the 'Other' category on slide 50. Would you just be able to talk through trade, manufacturing, transport, where are you seeing the strongest demand? Also, where are some sectors that might be a little bit more sluggish than you might have expected? We

saw Westpac on Monday call out agri and health as being fairly strong, but they look to be some of the smaller bars on that chart for you guys.

AI: We're seeing really broad-based growth, which I think is really pleasing. When you're growing faster, you want diversified growth because it can be riskier if all your growth is in one specific place. So that's really good. That's a sign of a well-run bank when you're growing on a diversified basis. We're seeing growth in commercial real estate, so our development and construction pipelines are up, which is really pleasing. We need more dwellings and we made an ambitious announcement in the last 10 days around that. So that's pleasing. And we're growing well in agri and health as well. There were a couple of large distributions that we did on the agri side that have reduced the growth on the balance sheet but in terms of origination, it's growing very fast and we're competing well in that space, too.

Thank you everyone for your interest and for your questions today. There was lots to talk about, and I do want to iterate that I am excited about what's ahead and what we can achieve at the bank. Thanks for joining today.