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TRANSCRIPT OF MEDIA CONFERENCE

NAB 2021 Full Year Results – NAB Group CEO Ross McEwan

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NAB GROUP CEO, ROSS McEWAN: Thank you for joining us this morning. I'll start with a few short remarks – then take questions.

Firstly, I would like to acknowledge that Australians and New Zealanders have faced another challenging year in so many ways, both economically and socially. Some customers may continue to face difficulties and will have our ongoing support. But based on what I'm seeing coming out from Alan Oster's (NAB Economics) report, this will be a small portion of our population.

Our latest survey, released today, shows business confidence and conditions are improving as we emerge from the pandemic and lockdowns. I am confident we will see a strong bounce back in 2022, with businesses leading the way.

NAB has the balance sheet capacity and the capability to lend safely, to support the rebound. That is our role as Australia's largest business bank. Reflecting on 2021, I am proud of how our NAB colleagues have stayed focussed on supporting customers, while building good momentum across all of our businesses.

NAB delivered a solid financial performance driven by improved momentum across our bank and strong asset quality, and again, no one-off charges. This is reflected in improved returns to shareholders, with a total dividend for the full year of \$1.27 per share. As the same time, we retain a very strong balance sheet. We have completed about 20% of the \$2.5 billion buyback announced in August. Our bias is to continue to reduce our share count to deliver long term ROE benefits to shareholders.

Our investments in customers and colleagues are delivering better service outcomes. Our Net Promoter Score (NPS) improved by four points this year to -7, equal highest of the major Australian banks, but we know we have a lot more to do. Our focus on serving customers well is translating into safe growth across the bank. It has been a good year in our largest division, Business and Private Banking, where we have further extended our market leadership amid intense competition. SME business lending increased 7%, growing market our share by 40 basis points. Agri lending improved 14%, with market share up 1.6%. Business transaction account openings were up 18%.

Personal Bank has made good progress in simplifying home lending processes and has achieved 1.1x system growth in the second half. BNZ has again achieved a very strong result, growing market share in SME and Personal in a very competitive marketplace.

Corporate & Institutional Banking had strong momentum aligned with 'disciplined growth' in the higher returning target sectors of infrastructure and investor.

The integration of 86 400's leading technology platform into UBank will also accelerate growth for our digital attacker brand.

Overall, our assets on the balance sheet grew by \$30 billion in the second half of 2021. The strongest growth since 2007. Importantly, this growth is not sacrificing returns.

I also want to make some comments on the issue of climate change. NAB has a strong history of taking action on climate, through our own lending and operations, as well as through partnerships and initiatives we've led or been involved in. We were the first Australian member bank of the UN's Collective Commitment to Climate Action.

Our C&IB team has been at the forefront of the development of sustainable and social bonds, ESG-linked derivatives, sustainability-linked loans and asset-backed securities. We are the leading Australian bank for lending to renewables, having lent over \$6.5 billion in the past five years. Since 2003, we've completed 150 renewable financing transactions.

Our goal is to align our lending portfolio to net-zero emissions by 2050 and today we have updated our fossil fuel lending policies. We have capped oil and gas exposure at default at USD\$2.4 billion and will reduce the Group's exposure from 2026 through to 2050, aligned to the IEA Net Zero Emissions 2050 scenario.

At the same time, we have an important role in providing capital and support to our customers' transition to net zero. As a priority, we are working with 100 of our largest greenhouse-gas emitting customers to develop or improve their low carbon transition plans by 2023.

We will facilitate the investment required to realise the significant economic opportunity for Australia in a low emissions economy. Every industry, organisation and individual will have a role to play in our decarbonisation. Climate action is everyone's job.

In closing, it's been a good year and I'm pleased with the momentum we have across all our businesses. We launched our refreshed strategy 18 months ago and we're ahead of where I expected us to be at this time. This comes down to focussing on the right things for customers and colleagues, lifting our service levels, and just getting the basics right. There's more to do, and we will keep executing with focus and discipline. Thank you again for joining me this morning.

MEDIA QUESTIONS

JOURNALIST: Good morning, Ross. Thank you for taking the question. My question relates to the updated climate change policy. Would you just be able to talk us through a little bit, in a little bit more detail around this new cap? It sounds like it'll allow you to lift oil and gas lending for sort of a five-year period until 2026. Is that correct? And can you also just talk a little bit around financing of gas extraction if it underpins national energy security? What's your thinking there? There's all sorts of activist groups targeting the bank at the moment. I just wondered if you might be able to explain clearly your thinking in letting some lending drift up before it drifts down?

ROSS MCEWAN: Thanks James and thanks for the ability to do a clarification here. We have taken a three-year average. We are all aware we've been through COVID over the last two years, which has pulled down some of the lending that would have naturally been done over that period of time. And also because it's denominated in US dollars, the foreign exchange changes make quite a difference, so we thought the best approach was to do a three-year average, which came to \$2.4 billion. So that's how we came to that number. We are making sure that we are there to help transition customers in this area as well and I think this is going to be vital, not just for Australia but globally. Banks like ourselves have to help customers transition, which will mean some lending into these sectors to help them do that.

On the issue, we have said, and this should be very small numbers, we expect we will assist where there is in the national interest, both either a state or a federal area, where investment in gas is required. But we expect this to be very minimal, if at all. We have said that we will be there to assist on a national supply level.

JOURNALIST: Hi Ross, thanks for taking the call. Clearly the second half was a lot tougher, can you tell us about the challenges in Personal Banking in particular, and how you plan to address them going forward, or will they sort of work themselves out as the cycle turns and the measures you put in place now come to the fore?

ROSS MCEWAN: James, actually our second half was a better half than our first half. We've built huge momentum right across the board including in our personal business, mainly in the home lending space, while we did pick up a bit of market share in cards.

Across the Business Bank we had a very, very strong half. Not only did we put assets on the book we didn't decrease our net interest margin. We did take some additional costs in that business as we put in another 550 bankers. So, it's been a strong second half for the bank right across New Zealand. Again, a very strong market share growth in home lending and SME, and very targeted in our corporate business. We've got momentum into the second half. So, it was a better half for us.

It's also shows through in our revenue. Excluding our markets business, we were up 2% in revenue for the second half, which was quite different to our first half. Look it's a very competitive marketplace. We believe NAB is in good shape with lots more to do, and we are playing to our strengths and helping businesses fund their growth as we come out of this COVID position.

JOURNALIST: G'day, thanks for taking the question. Can we go back to the oil and gas exposure, what's the current oil and gas exposure on a like-for-like basis compared to your new commitments? And just checking, it does seem that means you will be able to increase lending to that sector over the next few years, is that correct?

ROSS MCEWAN: Yes, it's not a huge amount. We'll be under that three-year average by a couple of hundred million, or something of that nature. I can get you the exact number, I don't have it here. But as I said, there were are a couple of factors that meant we thought that a three-year average was better than just one year. In this industry you do see quite big fluctuations on any one lending activity, particularly while you have them on the book.

As I said, if you look at the foreign exchange changes over that period of time, that also has quite a bit of impact. So, we've said \$2.4 billion is the cap we've put on until 2026, and then in line with IEA it will decline. So, if you look back to, I think it was March or April, we had a number of very strong activist groups say 'we want you to abide by the IEA'. Actually, we think it's the right thing to do and that's what we've actually done.

Under the IEA, there was actually a level where you could increase through part of the transition, but we've actually chosen to cap it and leave it at \$2.4 billion.

JOURNALIST: Hi Ross, thanks for taking the question. Just around the climate policy, can you give more colour around how NAB is defining national energy security under the new policy. We can draw our own assumptions, but I want to know how are you're thinking it through?

Secondly, we've had a lot of movement in bond markets and the RBA is perhaps toning down it's messaging on interest rates. Can you talk about how NAB is viewing the interests rate environment?

ROSS MCEWAN: Thanks Joyce. On the first one, it would have to be by rare exception, but it would have to be driven by state or federal requirement and asking us to assist on a national interest basis. We don't get too many of those and we don't expect to get many of those, but if it was the situation then you just need to cast your mind to what's going on in the UK and Europe at the moment. Energy prices are rising dramatically, there's a lack of supply in that marketplace and we need to transition. What we are saying is we will be there for the transition.

I would also like to draw to your attention to the fact that the vast majority of our lending in the Australian marketplace is today on renewable funds – 71% of all of our lending is already renewable, and 29% in oil, gas and coal. So, we've already started that transition for this bank over the last decade, and we would see that continue. We're not a big player in the oil and gas, and coal market. We are a big player and Australia's biggest player in renewable. We see that continuing into the

future, including the likes of hydrogen. And some of the facilities that are out there will be used for hydrogen as well. So, I think we're in the right position, and we will help fund the future of Australia.

Now the second one on the bond markets, look there is a lot of movement in the bond markets. The reserve bank's been pretty clear that they don't see interest rates moving between 23 and 24, you know they've obviously seeing right up across the market, but we are seeing longer term interest rates and bond markets moving. That will have over a period of time an impact on the cost of our funding and therefore the cost of housing and you're seeing already some of the fixed rates moving because of that. Just a natural progression of cost of funds being passed on through. So, we are already seeing some impact of bond markets movements and the impact price on price of home loans.

JOURNALIST: Hi Ross, thank you for taking the question. I have a couple of questions on the climate stuff. It's great that you're the first big bank in Australia to detail the policy. Just wondering why you're setting a goal to align the lending portfolio to net zero by 2050, why not sooner? And the second question is around your exposure to fossil fuels in the energy generation portfolio which is at about 25% now, just wondering when that might hit zero per cent.

ROSS MCEWAN: Look I'll go for the last one first. As we've said, we've kept until 2026 and then you'll see a decline in that portfolio through to 2050 against the IEA guidelines, we've committed to that. So, I think that gives you a very clear indication of the transition. There are some quite interesting things going on in this market, particularly about measurement and I think as time goes by, we'll get better and better at the measurement because right now it's really, you're looking at assets. Not all those assets are equal, so over time I think we'll get better at what does it really mean, but we have committed to the IEA guidelines.

Look, we are first big bank to commit. We said we would have our policy out by end of year, we've done that. And of course, we'll start moving very quickly to spending more time and energy on the renewable sector as we have committed to do so. But we're all in transition, and that's all businesses are in transition. We're already talking to a hundred of the largest emitting clients that we have, working with them on their plans and we're finding a very open door from these organisations wanting to do their part. So, we're certainly playing our part in this.

JOURNALIST: Hi Ross, thanks for taking the question. I'm just wondering on the climate policy, your thoughts on the broader public policy settings we have around energy. How do you assess them and would you support a carbon price going forward?

ROSS MCEWAN: Well, it's interesting on that one Charlotte. We've joined with three other large international banks to create a trading platform using the blockchain. We're in trial phases of that now, we've done the first transaction using that carbon platform. So, I think a global platform will create global pricing and people can participate in that, we've got our first large international company overseas wanting to deal with an Australian company on that platform where one's buying and one's selling. So, I think that will have an impact longer term on the price of carbon and it will be global. We're already starting to see that happen. And we're at the forefront of it using new technologies but connecting in with other banks globally to actually that platform. So, I think there's a lot happening in this space, we want to participate on behalf of Australians and Australian businesses, and we will be proactive in this space.

JOURNALIST: Hello and thank you for your time. Congratulations on a strong result. My question is two things. One – you've been accused, the bank has been accused before of greenwashing with the Port of Newcastle loan, for example, and now we've just got an oil project. Can you explain a little bit your thinking around why you're aligning yourself with that project, and at same time that you're announcing this cap? The second is just around the crypto splash that CBA had. Are you considering following suit?

ROSS MCEWAN: Well, first off, we have no intention of being involved in any greenwashing whatsoever. Our intent is to participate in helping Australia to get into a much better position from a carbon emission perspective. It's very interesting watching the news on the ports of Newcastle. And now the utilisation of that port for hydrogen if people hadn't backed that Port, I don't think you'd be in

this position. So, I think it's certainly vindicated those who did get involved in helping Port of Newcastle make that transition to a better place. Probably a good decision made. But over time, we'll see what happens.

On crypto, a bit more cautionary, we like the underlying technology of using the blockchain and as I've said already this morning, we've got one project around carbon trading that we're using it on and there are a number of other projects we're working on using the blockchain. We are looking at various options around crypto, but we haven't made the decision on that. I'm always very cautious of things that are going incredibly well, and prices are rising very quickly. We've got to think longer term on behalf of customers. And we may not be guiding them, but we've got to think about what the ramifications are when things don't go as well. But we are looking at crypto currencies. We're looking at a number of new tradable items, but at this stage nothing that we would be announcing.

JOURNALIST: Good morning. Thanks for taking my questions. I did see in the results NAB has now moved 54% of its app to the cloud. Wondering how much more NAB expects to move over FY22 and if at all the acquisition of 86 400 tech platform can help with this migration?

ROSS MCEWAN: First of, 86 400 has really good technology, but we'll separated that, and we'll integrate UBank onto the 86 400 technology over the next 12 to 18 months, but quite separately the core bank has made a decision some time ago to move most of its applications and systems to the cloud and we've made very, very good progress on that. I think we'll probably get to probably 80-90% of all apps on the cloud over the next two to three years, which would probably be one of the leading banks in the world in this area. It just gives you a lot more flexibility and that's what we're looking for as part of that path and our technology team led by Patrick Wright, I think have been leaders globally in this area. It is helping us create a much, much better platform to work off, and as you're seeing we're now focussed more on the applications that make a difference to our colleagues and customers, rather than just creating stability in the bank which we have from a technology perspective. So lots of work to be done there and I think we're in pretty good shape there going forward to more systems and applications that help our customers with their financial needs.

ROSS MCEWAN: Thanks very much for joining us, it's been interesting. We thought the questions would be related to climate and they have been. It's an area that all Australians need to engage in. We'll play our part in it, and today we've come out with our strategy on oil and gas which supplements our policies around coal, but there are a lot of other portfolios and every bank's business, that we need to be thinking through what the impact on this climate and our country will be. The results this year we've been pleased with, we've built good momentum across the bank over the last six months, and it's been a really strong focus on delivering for our customers and our colleagues and we've got more to do. Thanks for joining us today and I'm sure we'll be talking over the next few days.