

NAB: Redefining simple, seamless digital banking

2023 outlook

Company Insights

twimbit



twimbit Purpose Score

Customer Experience



Employee Experience



Supplier Satisfaction



Shareholder Value



Society/Planet Impact



Aggregate score



*Changes vs twimbit Purpose Score 2020

Executive summary – NAB at a glance



Company Name	: National Australia Bank
Headquarters	: Melbourne, Australia
Employees	: >35,000
Countries	: 8
Branches	: 714
Revenue	: AUD 21 Bn (USD 13.95 Bn)
Common Equity Tier 1 Ratio	: 11.51%
YoY Revenue Growth (%)	: ▲ 20.68%
Annual IT Spending	: AUD 812 Mn (USD 549 Mn)

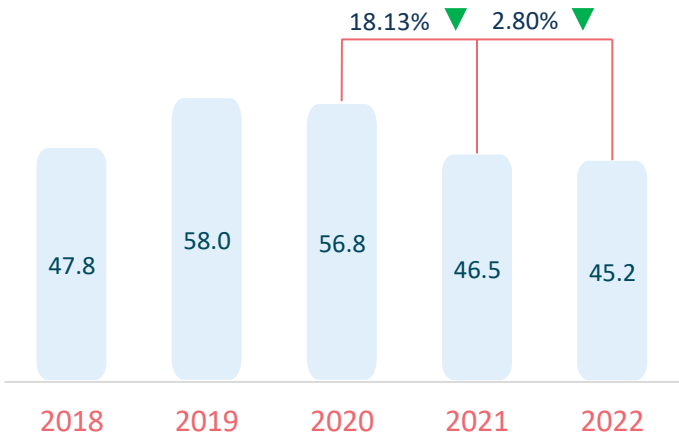
Strategic focus areas

- 1 Simple and inclusive banking
- 2 Championing climate action
- 3 Supporting employees
- 4 Resilient technology and operations
- 5 Helping communities prosper

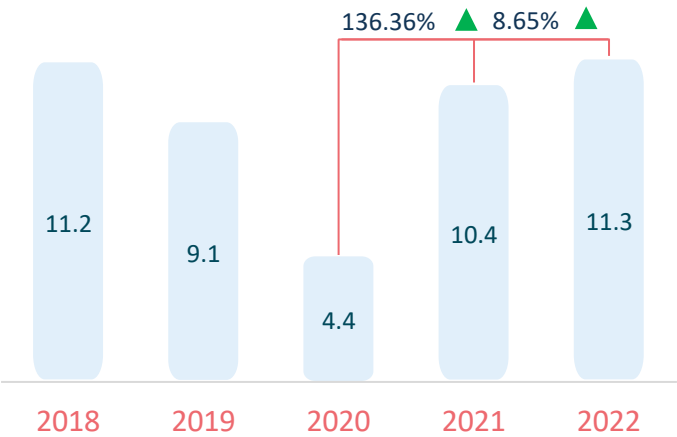
Awards

- ✓ **Best Private Bank in Australia** by Global Private Banking Awards 2022
- ✓ **Highest scoring Australian bank** by Dow Jones Sustainability Index
- ✓ **3rd place** by GradAustralia's Top 100 Grad Employers

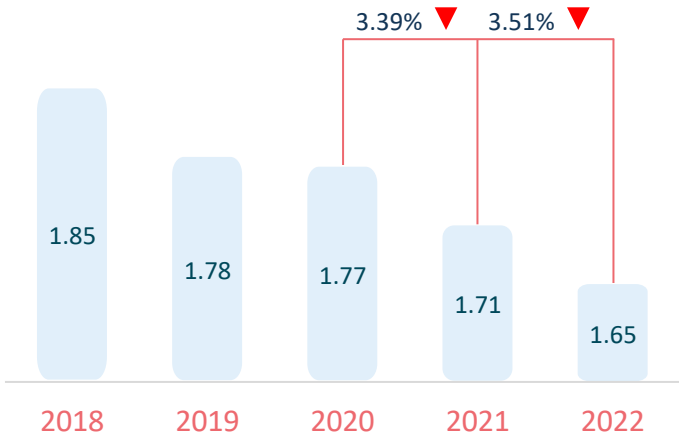
Financial highlights (1/2)



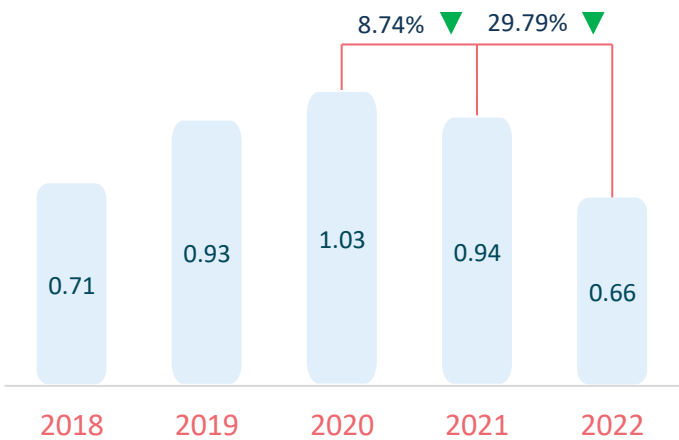
■ Cost-to-Income Ratio (%)



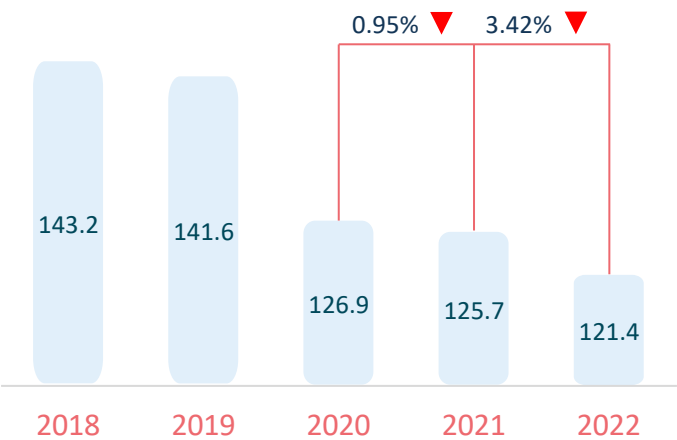
■ Return on Equity (%)



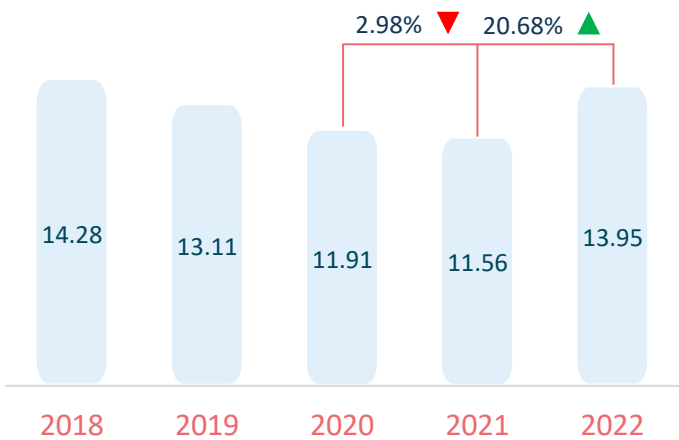
■ Net Interest Margin (%)



■ Non-Performing Loan Rate (%)

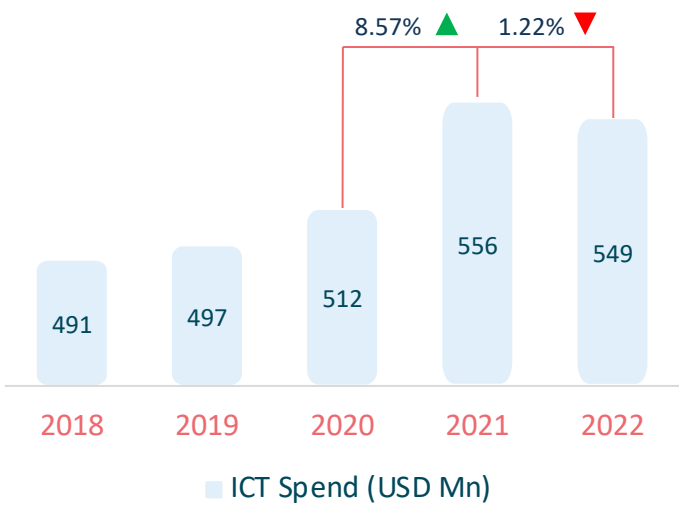
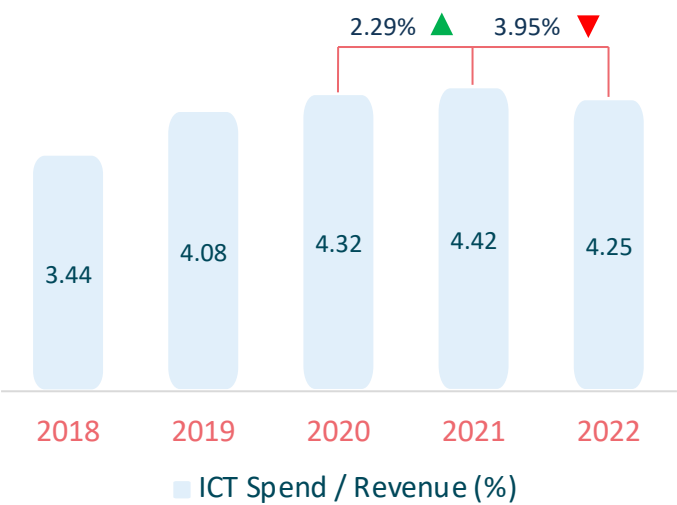
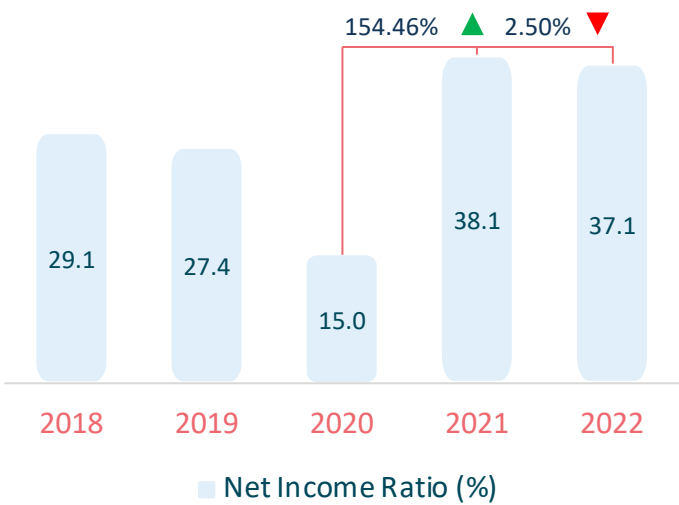


■ Loan-to-Deposit Ratio (%)



■ Group Operating Revenue (USD Bn)

Financial highlights (2/2)



Measures of success

71%

Banking products opened digitally
(vs. 65% in FY2021)

11.51%

CET1 ratio for the Group
(vs. 13% in FY2021)

#1

In consumer NPS
(-7 in FY2021)

46.86%

Cost-to-income ratio
(vs 47% in FY2021)

2.1 Mn

Chatbot interactions via the NAB app

11.7%

Return on equity
(vs. 10.7% in FY2021)

Note: Figures are for FY 2021-2022

Top 5 strategic focus areas



#1 Simple and inclusive banking

NAB works towards making **financial services** available for all Australians and New Zealanders through **inclusive banking practices**

Simplifying banking experiences

- Continuous expansion and improvements of its suite of self-service features across digital channels.
- Simple everyday banking accounts opened digitally increased from 65% in FY2021 to 71% in FY2022.
- Migrated 'NABConnect' and 'NABOne' to the NAB Digital Platform to enable a faster release of new features for customers and greater resilience.
- Fast, simple and safe customer onboarding enabled through enhanced electronic identification verification.

Prioritising inclusivity for a diverse customer base

- Engaged in ongoing promotion and expansion of the interpreting service 'Language Loop' to support customers who do not speak English as their primary language
- Launched an education program on all the safe and simple ways customers can manage their banking through the NAB app and internet banking.
- Organised 'Walk Out Working' sessions with customers who visited a branch to ensure they are set up digitally the first time, as well as educated customers on online banking security and fraud protection.
- Reworked the 'Help Guides' for customers to manage their banking in the NAB app or internet banking with step-by-step instructions and images. Annual visits to Help Guides have increased by 20% since the refresh.

#2 Resilient technology and operations

NAB is supporting its **customers** and the **community** to become more secure with **reliable, future-proof** technologies

Data security and privacy

- Enhanced its cyber security maturity in the past 12 months in alignment with the Cyber Security Framework (CSF) developed by the National Institute of Standards and Technologies (NIST) with strong improvements across critical security capabilities.
- Maintains a third-party security assurance framework that informs on the security risk posture of suppliers, partners and related parties.
- Strengthened security by simplifying the technology stack and decommissioning legacy platforms, further accelerating the transition to cloud.
- Established partnerships and continues to strengthen its relationships with government, law enforcement and peers –domestic and internationally. This includes partnering with the Australian Cyber Security Centre (ACSC), making NAB the first industry participant to share intelligence on their new platform and promote aligned messaging to customers and the community.
- Launched a financial crime strategy and a scams strategy in May 2022. These strategies will be executed over the next 3 years to deter, detect, disrupt and prevent financial crime at NAB.
- Losses from fraud have decreased by more than 50% despite an increase in attempted fraud.

Cloud migration

- To further enhance the reliability of NAB technology, migration of critical services to public cloud service providers has been a priority, with 70% of services already migrated to cloud.
- The bank is currently shifting applications into the cloud at a rate of about 3 a week.

#3 Helping communities prosper

Helping **customers, colleagues and communities** to withstand and recover from **natural disasters**.

Community investment

- In 2022, NAB provided AUD 45.7 million (USD 31 million) in community investment. This value includes monetary contributions, time through colleague volunteering, and foregone revenue.
- NAB helps communities prepare for natural disasters and support recovery by providing grants of up to AUD 10,000 (USD 6,777) to fund community-led projects with long-term social and environmental impact.

NAB Foundation

- The bank's registered charity aims to be a catalyst for social and environmental progress in Australia.
- Through investments and grants, the Foundation helps purpose-led organisations find new and innovative ways to solve social and environmental problems.
- In 2022, NAB Foundation invested in 4 impact investment funds including the Impact Fund, which targets the sectors of specialist disability accommodation, renewable energy, social housing, sustainable agriculture, and social impact bonds.
- NAB Foundation offers community grants to grassroots organisations preparing for natural disasters, supporting long-term recovery and building resilience.

'Bank in a Box'

- In 2022, Lismore was one of many Australian communities devastated by floods. As a result, many local stores, including the NAB Lismore branch, were destroyed.
- NAB set up its portable 'Bank in a Box' to give locals access to essential cash and banking services. The portable bank also served as a meeting space for customers to converse with a banker and offered full access to digital banking options.

#4 Supporting employees

Nurturing the talent pool of professionals who shape the future of banking

Proactive engagement

- The Group's quarterly Heartbeat survey is an opportunity for colleagues to share what is working well, what should continue, and what needs improvement.
- Information from the Heartbeat survey helps leaders develop and communicate targeted actions to address the needs of their teams.

Well-being programs

- NAB offers counselling services through the Employee Assistance Program, which is available to employees and their families.
- NAB has supported colleagues in managing the impacts of natural disasters through counselling, leave options and emergency grants.

Dedicated chatbot for employees

- NAB selected Microsoft's Azure Cognitive Services and Bot Framework to devise a chatbot for its employees.
- Employees can access NAB Bot using the Teams app on their computers or mobile phones.
- Since NAB Bot went live in November 2021, employees have used it more than 53,000 times.
- NAB plans to expand the use of self-service chatbots to other areas of the business including human resources and legal. The bank is working with Microsoft to build low-code chatbots to achieve this.
- The strong uptake of the chatbot has also enabled NAB to save AUD 1.2 million (USD 812,000) in support team costs.

#5 Championing climate action

~~NAB is~~ Supporting customers as they **decarbonise**, build their **climate resilience** and ~~help~~ achieve the goals of the **Paris Agreement**.

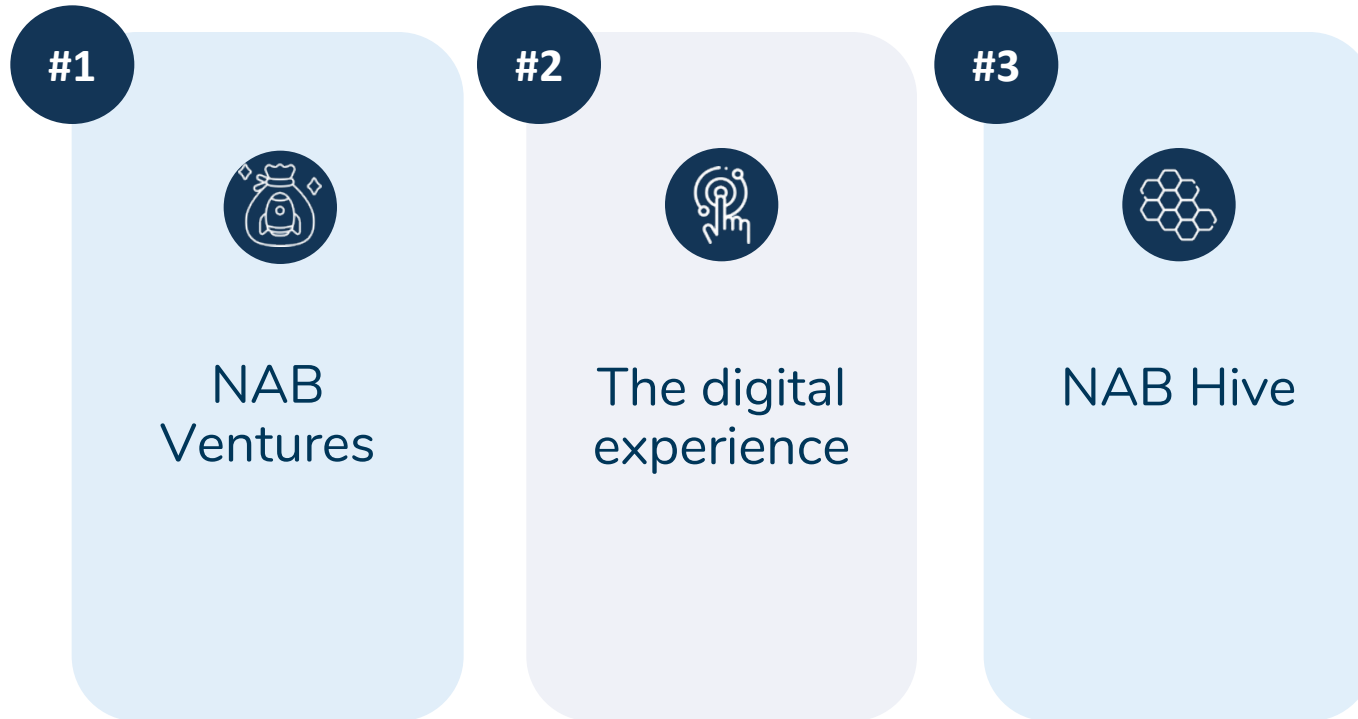
FY2022 highlights

- Became a member of the UN's Net Zero Banking Alliance in December 2021.
- Published the inaugural Climate Report in FY2022, which includes decarbonisation targets for 4 emissions-intensive sectors.
- Continues to support customers with its net-zero transition plans, achieving significant reductions in its operational emissions:
 - 74% reduction in operational Scope 1 and Scope 2 GHG emissions against a 30 June 2015 baseline
 - 72% of electricity consumption is sourced from renewable energy
- Committed AUD 70.8 billion in environmental financing since 2015, with aims to meet and exceed the target of AUD 70 billion by 2025.
- Updated its climate risk training module into a mandatory program for all colleagues.

Sustainable agribusiness

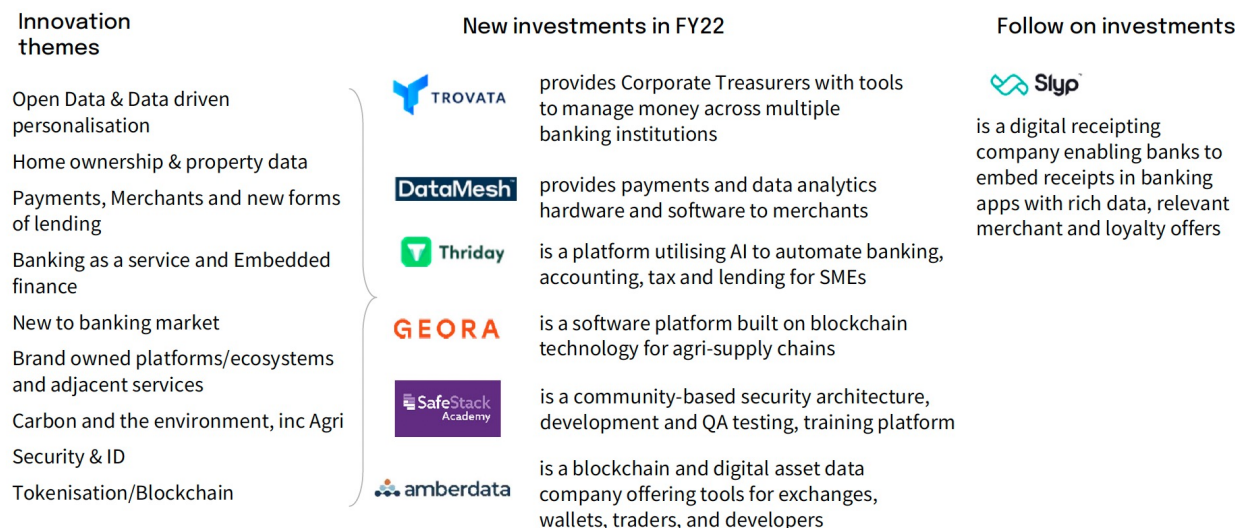
- NAB has supported over 300 agribusiness colleagues with climate training.
- NAB partakes in research and partnerships with Climate Works Australia, CSIRO (Commonwealth Scientific and Industrial Research Organisation), Australian National University, and WWF.
- Assisting product development by supporting farmers with tailored products:
 - NAB has successfully issued several pilot loans to help customers take action to reduce carbon emissions and enhance resilience to climate change risks.

NAB's digital strategies



#1 NAB Ventures

Investing in **innovative technologies and business models** aligned with the bank's strategic priorities



Source: NAB investor presentation 2022

FY2022 updates

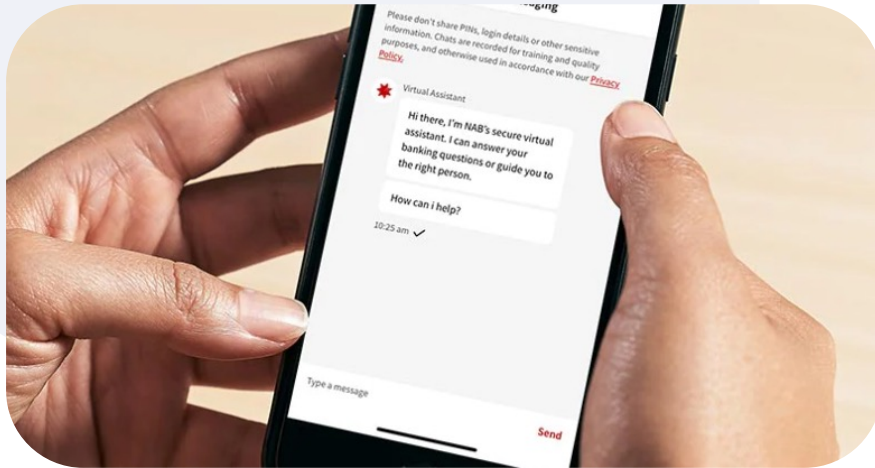
- NAB Ventures is the bank's in-house venture capital fund that supports entrepreneurs in Australia and offshore ~~in their mission~~ to build leading technology companies.
- NAB Ventures manages over 20 investments spread across the bank's nine innovation themes.
- NAB Ventures has also made 6 new investments in FY2022, and a further follow-on investment into portfolio companies.

Spriggy

- NAB Ventures funded Spriggy, an app that helps children understand the fundamentals of financial literacy (learn how to earn, spend and save).
- NAB customers are eligible for a year of free access to Spriggy by linking their NAB account through the Spriggy app.

#2 The digital experience

Inching closer to the ambition of being a **digital-first bank**



Digital trends at NAB

- From FY2020 to FY2022:
 - 32% decline in over-the-counter transactions
 - 23% decline in inbound calls
 - 163% increase in chatbot interactions
- Transaction accounts opened digitally increased from 33% to 40% over 12 months to Sep 22.
- In FY2022, over-the-counter transactions decreased an additional 18% from FY2021, while cheques declined by 24%.

Enhanced digital self-service capabilities

- More personalised, continuous thread conversations via NAB Messaging.
- Customers can call NAB securely via the NAB app with integrated pre-authentication.
- Customers can now lodge disputes regarding their card transactions online or on the NAB app at any time. Since its launch, customers have launched 74% of their disputes online.

#3 NAB Hive

Enabling simplicity and flexibility for **merchant customers** to manage business and payment needs via a **single, easy-to-use** portal



Hive digital portal

- NAB Hive is a cloud-based digital merchant portal launched by the bank in 2022 aimed at the merchant acquiring business
 - Developed in partnership with Pollinate, a UK-based Fintech
 - The bank is scheduled to invest AUD 100 Mn (USD 69 Mn) over the next two years
 - The initiative is launched to make payments easier for micro and small business segments in the Australian market
- Hive focuses on a digital end-to-end experience to provide more tailored human advice to small businesses on how to structure a loan or how to obtain merchant payments or e-commerce facilities
 - The portal allows retailers to monitor transactions in real-time and generate data on aspects, such as the relative performance of stores and products and sales intensity based on the time of day
 - The proposition puts NAB in a race with Fintech like Block and tyro to provide a seamless and frictionless experience, enabling merchants to accept payments from customers

NAB's technology innovation

#1



NAB Easy Tap

#2



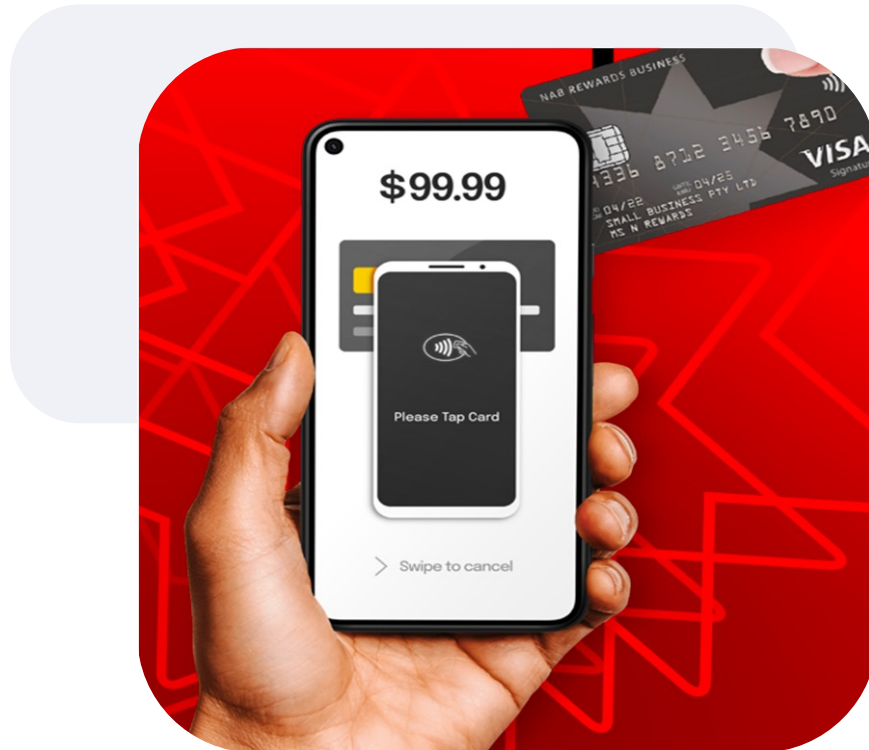
API ecosystem

#3



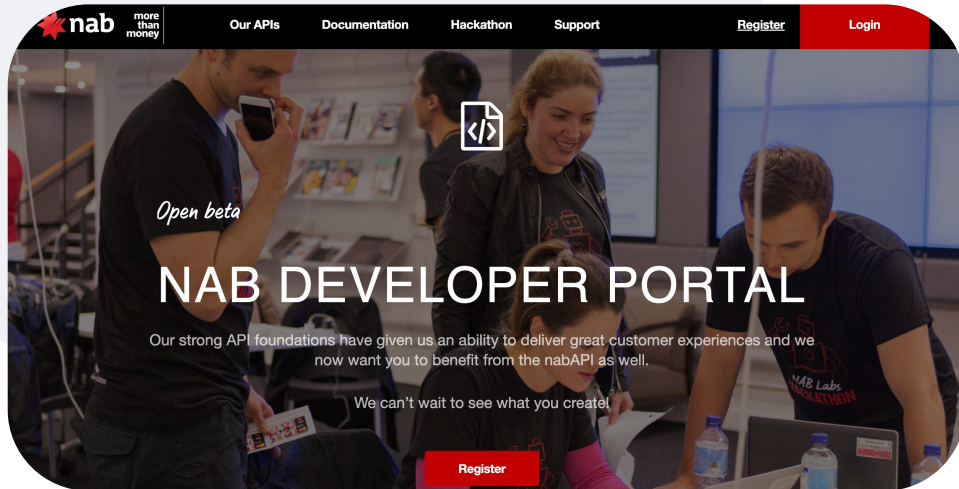
NAB Now Pay
Later

#1 NAB Easy Tap



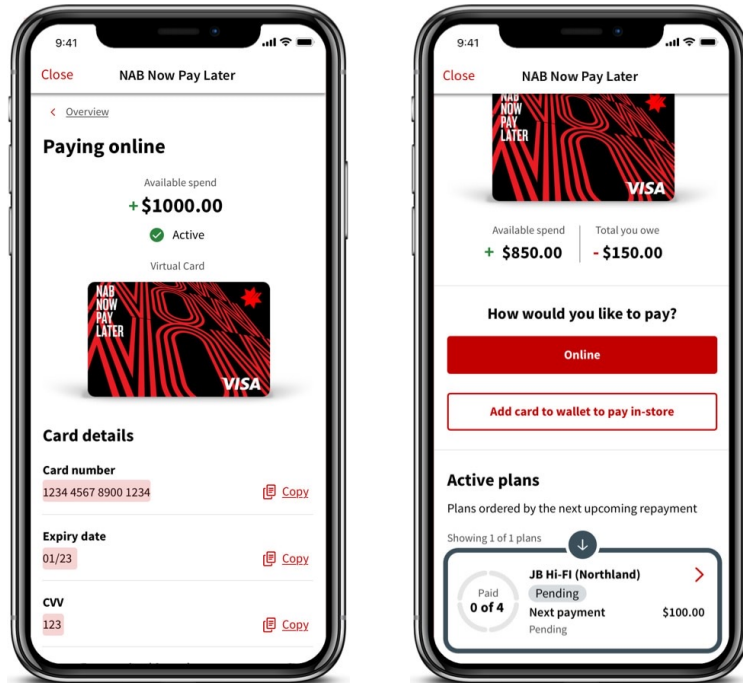
- Launched in October 2022, NAB Easy Tap is an innovative app that turns a merchant's Android phone into a terminal to accept contactless card payments.
- There are no set-up fees or terminal fees.
- Same-day settlement for NAB business accounts.
- Fast and easy onboarding via digital application. Approved in minutes and onboarded in 2 business days.
- Merchants can now access the NAB Hive merchant portal for:
 - Real-time transactions and settlement data
 - Deeper insights and analytics to understand sales trends and % of return customers

#2 API ecosystem



- Since the API developer portal's launch in 2016, NAB has built an extensive portfolio of >3,900 APIs spanning the following categories:
 - Foreign exchange
 - ATM and branch locations
 - Authentication
 - Accounts
- Users can request access to the API database. Once approved, they will receive access to code and test their ideas against NAB's APIs.

#3 NAB Now Pay Later



- NAB Now Pay Later is NAB's Buy Now Pay Later offering.
- Customers will be able to split payments up to AUD 1,000 (USD 677) into 4 fortnightly payments.
- Key features of NAB Now Pay Later are:
 - No late fees
 - No interest
 - No account fees
 - No minimum purchase amount
 - Virtual card with a revolving security number (CVV)
- Customers can activate NAB Now Pay Later via the NAB App, after which a credit check will be performed to assess the customer's eligibility.

NAB's cloud strategy

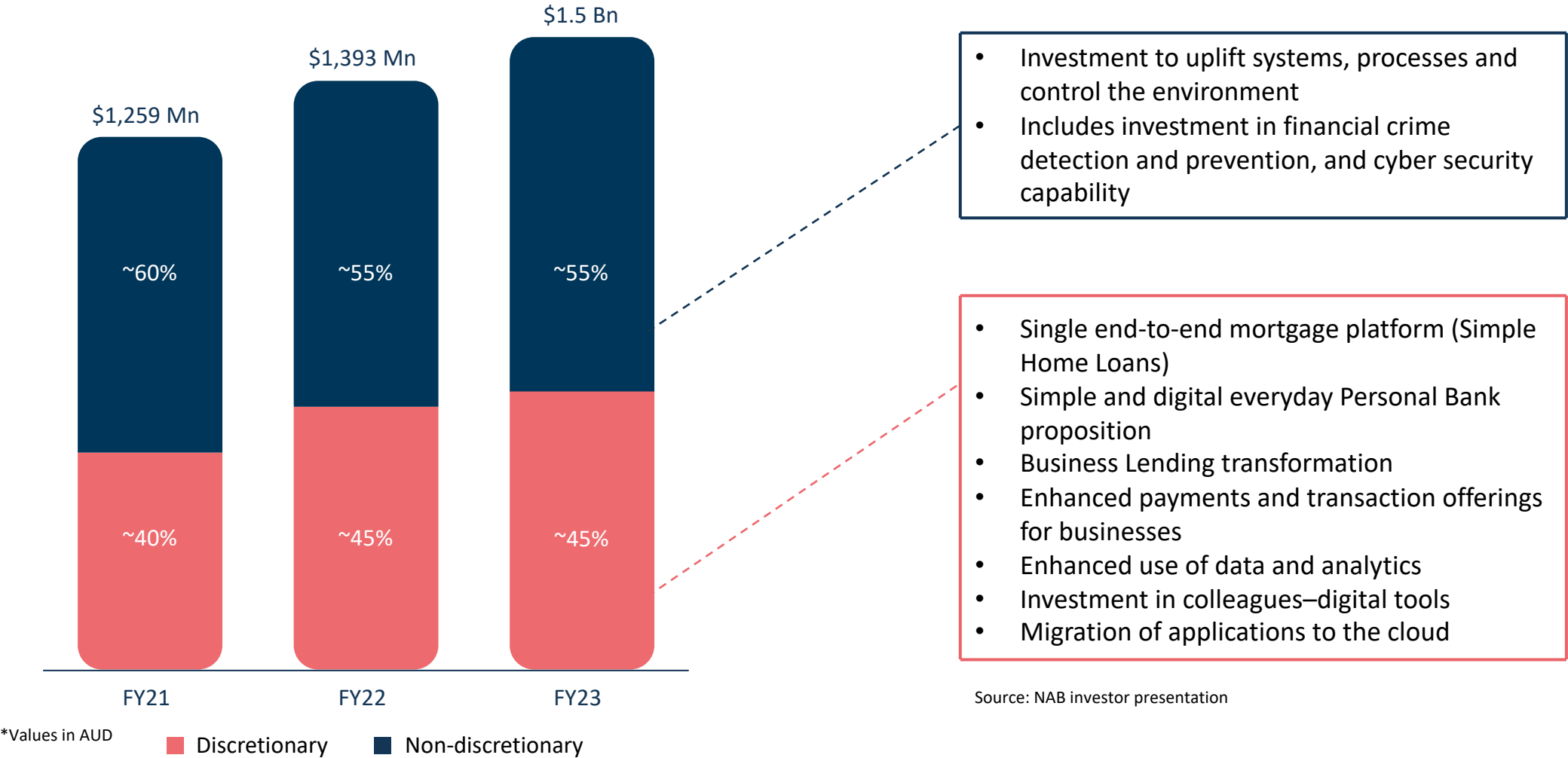
Cloud deal with AWS:

- NAB has entered into a long-term deal with Amazon Web Services (AWS) as part of its cloud-first technology strategy
 - The partnership is part of the bank's multi-cloud approach which has made it a market leader in the transition to cloud
 - The deal enables NAB to accelerate the migration of key critical workloads to AWS using AWS Graviton processors designed to deliver the best price-to-performance for cloud workloads
 - Currently, 70% of all NAB applications are cloud-based

Partnership with Microsoft:

- The bank entered into a five-year partnership with Microsoft to develop and invest in NAB and BNZ's multi-cloud strategy
 - The partnership will see both companies share development costs and resourcing investment to architecture a multi-cloud ecosystem that will host the bank's 1000 applications on Microsoft Azure
 - The plan is to move 1000 NAB apps to run in Azure in 1000 days

NAB investment outlook FY2023



Source: NAB investor presentation

Top 4 growth opportunities

#1



Greater home
lending
experiences

#2



Workforce of
tomorrow

#3



Future-ready
banking
experiences

#4



Blockchain

#1 Greater home lending experiences

Simplified home lending experience

- NAB has developed a simpler home loan process focusing on customer data pre-population, automatic verification, and automated credit assessments
 - Over 1/3 of simple home loans were processed and achieved 'time to yes' in under an hour
 - The bank's website has calculators to estimate home loan repayments, equity, and borrowing power
- NAB launched the Tailored Home loan – a simpler home lending proposition with more transparent rates and no application fees
 - Allows for repayment frequencies which work for the customer
 - No additional charge to make extra repayments
 - The bank gives customers AUD 2000 (USD 1393) cash bonus for refinancing their existing home loan with NAB



#1 Greater home lending experiences

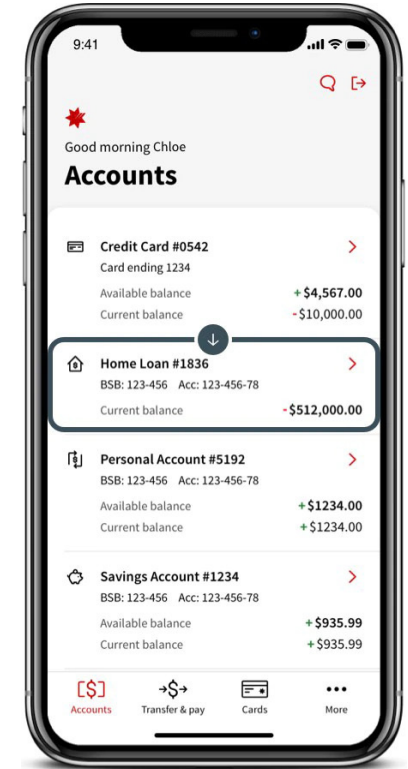
Analyst View

Key Highlights

- >85% of digital-enabled loan modifications can now be processed via self-service features in the NAB App.
- Unconditional home loan approval times reduced by 48%
- Reduced 'time to yes' for home loan customers to 2.5 days, significantly improving the customer experience with 1/3 of home loans reduced 'time to yes' in under an hour
- Appointed 60 Home Lending Executives to a total of 160 across Australia
- AUD 104 Bn (USD 72.40 Bn) in new home lending
- NAB holds a 14.9% Australian market share in the home lending business

End-to-end customer journey:

- NAB should emulate ANZ's First Home Coach, a free service for potential home buyers that a bank representative accompanies to simplify the entire home buying journey, from viewing to purchasing.
- The bank executive can help the customer in the following stages of the home-buying process:
 - Finding a potential property
 - Right financing options
 - The loan process and approval
 - Finding the right legal support
 - Finding packers and movers
 - Utility connections
 - Property inspections
 - Purchase of new appliances and furniture
 - Maintenance of the property post-purchase
 - Finding a buyer in case selling the property
- Journey-led mapping for specific customer segments:
 - Professionals
 - Inhabitants of rural areas
 - Young executives
- Form partnerships with real estate marketplaces for greater outreach.



#2 Workforce of tomorrow

NAB shaping capable bankers

NAB encourages learning and development, empowering its staff to be lifelong learners.

- More than 8,000 employees have completed the Career Qualified in Banking program.
- NAB has also trained more colleagues in the Melbourne Business School's climate program, developed leaders through the Distinctive Leadership Program (DLP) and provided training to more than 4,800 employees through the NAB Cloud Guild.
- NAB is fostering consistent and high-quality leadership for its colleagues by requiring every people leader to complete the DLP. To date, 69% of leaders across the Group have completed the DLP.

Flexible work arrangements

- NAB follows a hybrid work model (where roles allow) wherein employees work from the office and other locations
- Employees are given the option to set their own variable start/finish times
- Part-time hours and job-sharing opportunities are present for employees who cannot commit to full-time jobs

#2 Workforce of tomorrow

Analyst View

Key Highlights

- Employee engagement score of 76
- 12 weeks paid primary carer leave
- Up to 40 weeks of unpaid primary carer leave with continued superannuation
- Primary carers returning from paid parental leave receive a return-to-work payment
- Increased return-to-work rate at 92.5% (vs. 83.8% in 2021)
- Up to three working days of paid cultural and religious leaves
- NAB aims to achieve a gender pay gap of below 10% by 2025, the current gap is 16.9%

Employee skill enhancement:

- NAB should increase efforts in online learning and prepare e-learning modules (e.g., UOB's Better U Program, Maybank's 'MyCampus' platform, OCBC's Future Smart program) to encourage upskilling and reskilling.
 - The bank can drive further success by encouraging employees to commit a minimum number of hours annually to online learning and development.
- To boost digital enablement in the workforce, NAB should introduce an internal incubation program to encourage and challenge employees to accelerate innovation and develop next-generation ideas (e.g., RHB).

#3 Future-ready banking experiences

NAB's current branch network:

- NAB has branches across Australia in locations that are prone to seasonal natural disasters, including:
 - Bushfires in New South Wales and Victoria over the 2019/2020 summer period
 - Severe floods in Eastern Australia in early 2021 and in 2022
- The bank has also experienced significant earthquakes and aftershocks in its branches and office buildings in recent years, creating extensive exposure to the risk of future earthquakes.
- NAB set up the 'Bank in a Box' branch in Lismore to give flood-affected customers access to essential cash and banking services.
 - The set-up gave customers access to full digital banking services
 - The bank's Employee Assistance Program partner Benestar established a well-being hub to support flood-affected customers with counselling



#3 Future-ready banking experiences

Analyst View

Key Highlights

- 'Walk Out Working' sessions for customers visiting branches to ensure digital readiness and security and fraud protection
- 4.54% reduction in the number of total branches from the previous year
- Over 90% of customer interactions take place online or over a phone

Future-proofing the banking experience:

- NAB needs to improve its digital infrastructure to match the level of service the physical branches deliver, in case of natural disasters, ensuring it can always serve its customers in times of need.
- NAB currently allows its customers to call the bank directly via the NAB app, but the bank should also include an option for video calls in the app.
- NAB can consider opening unmanned, tablet-based smart branches to minimize infrastructure damage during natural disasters.
- NAB should consider closing branches with low footfall and consolidating such branches into larger community hubs to provide an omnichannel experience and educate customers on the use of digital services



Bank of America's fully automated branch

#4 Blockchain

Geora

- NAB through its in-house venture capital fund, NAB Ventures, made an investment in the company
 - Geora is a Fintech that uses blockchain for agriculture tech
 - The platform is the first SaaS blockchain platform in agriculture to link traceability data with financing solutions using simple, no-code digital tools
 - The system captures crop data that could allow lenders to create tailored and personalised financial products for farmers

The logo for Geora, featuring the word "GEORA" in a bold, orange, sans-serif font.

Stablecoin

- NAB has begun development into its own stablecoin to help settle trades on its carbon credit platform
 - NAB, in collaboration with other banks, developed a Distributed Ledger Technology (DLT) based marketplace, named Carbonplace
 - A marketplace where organisations can exchange their carbon offsets



#4 Blockchain

Analyst View

Key Highlights

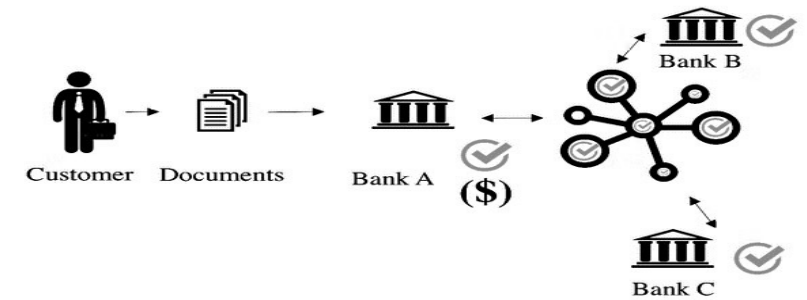
- NAB's stablecoin will initially be offered to institutional clients seeking an on-ramp for crypto investments
- The bank is not considering to offer crypto trading

International transfers

- Implementing blockchain technology to make bank-to-bank and international transfers can significantly reduce costs for NAB
 - Transfers made using blockchain technology are transparent as all the movements are reflected and identifying the source and destination of any transfer is straightforward

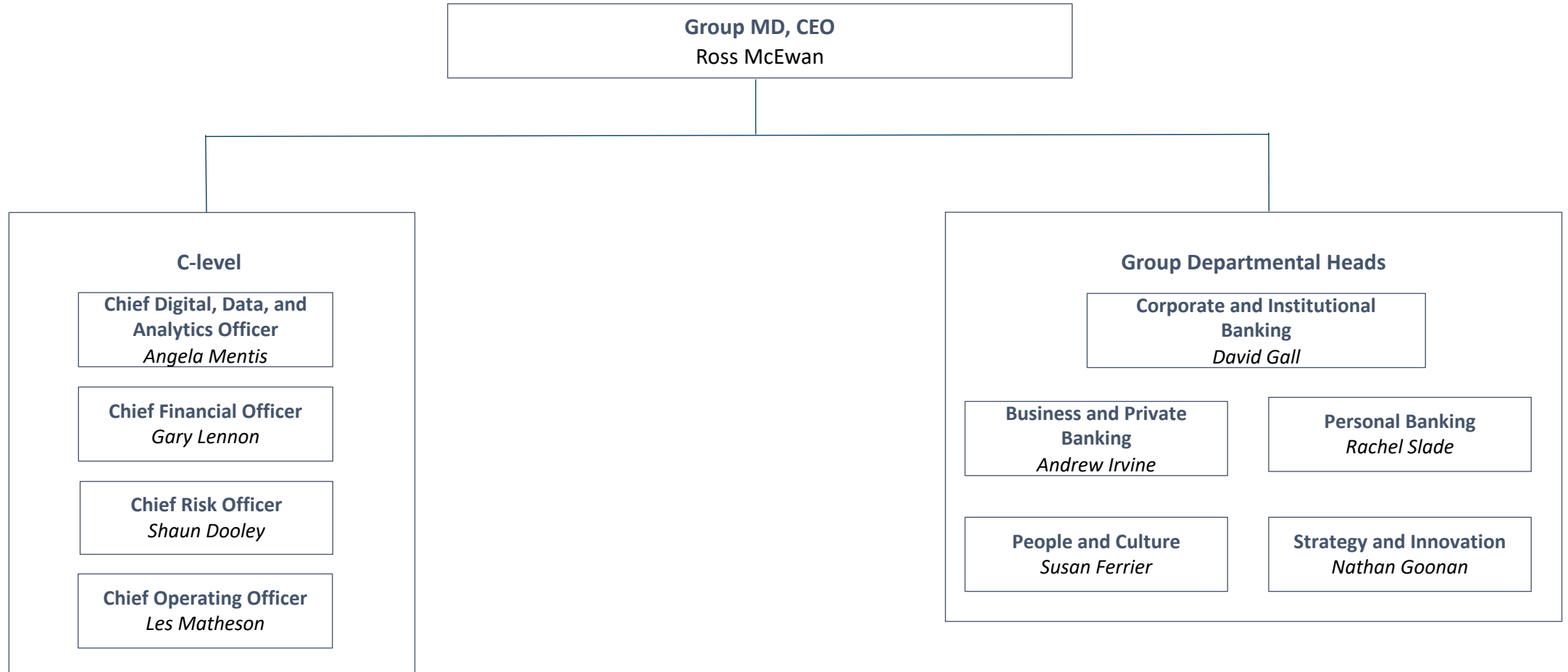
Client identification

- Creating a client identification system based on a Distributed Ledger Technology (DLT) can help NAB perform KYC verification on customers when processing credit or loan applications
 - This move will enable banks to identify users on a single instance and the information is stored with access granted to other banks in the system



Appendix

Key decision-makers



Ross McEwan



Group MD and CEO

- Became the MD and CEO of NAB in December 2019
- Has over 30 years of experience in finance, insurance, and investment industries

Business strategy

“ The bank has made good progress this year due to our laser focus on making our bank stronger, safer and simpler alongside delivering more seamless experiences for customers.

”

Aspirations for the future

“ We are building better digital experiences for customers as the use of cash and cheques continues to decline. We are also devoting more money and resources to combat cyber-attacks, fraud and scams. We aim to execute this while remaining firmly focused on our twin peaks: our customers and our colleagues.

”

twimbit be more



Insights



Immersions



Challenges

How can we help?

reachus@twimbit.com