

SUMMARY REVIEW 2016



National
Australia
Bank



James Meldrum and daughter Chloe,
Whole Kids

KEY RESULTS

▼ **14.3%**

cash return on equity^{1,2}

50 basis points decrease
from 2015

\$1.98

dividend per share

consistent with 2015

61%

EMPLOYEE ENGAGEMENT SCORE^{1,5}

5 percentage point increase from 2015

\$6.48bn

cash earnings^{1,2}

4.2% increase
from 2015

\$0.35bn

net profit attributable
to the owners of NAB⁴

94.4% decrease
from 2015

-14

priority segments
net promoter score⁶

improvement
from -16 in 2015

1,222,798

volunteer hours

contributed by our Australian
employees since 2002

449,844

low-income Australians

assisted with microfinance
products and services
since 2005³

You can get more in-depth information about NAB's performance,
strategy and leadership in our 2016 Annual Reporting Suite from
14 November 2016 at nabgroup.com/annualreports

2016 CASH EARNINGS²

A\$m

Australian Banking	5,472
NZ Banking	778
NAB Wealth	356
Corporate Functions and Other	1

DIVIDEND PER SHARE (CENTS)

■ March

■ September

2014	99	99
2015	99	99
2016	99	99

1 Information is presented on a continuing operations basis including prior period restatements.

2 Explanation and definition of cash earnings: Cash earnings is a non-IFRS key financial performance measure used by NAB, the investment community and NAB's Australian peers with similar business portfolios. NAB also uses cash earnings for its internal management reporting as it better reflects what NAB considers to be the underlying performance of the NAB Group. Cash earnings is calculated by excluding discontinued operations and certain other items which are included within the statutory net profit attributable to owners of NAB. Cash earnings does not purport to represent the cashflows, funding or liquidity position of the NAB Group, nor any amount represented on a cashflow statement. It is not a statutory financial measure, is not presented in accordance with Australian Accounting Standards and is not audited or reviewed in accordance with Australian Auditing Standards. NAB's audited financial statements, prepared in accordance with the Corporations Act 2001 (Cth) and Australian Accounting Standards, are set out in NAB's 2016 Annual Financial Report. A reconciliation of cash earnings to statutory net profit attributable to the owners of NAB is set out on page 4 of this 2016 Summary Review and a definition of cash earnings is set out in NAB's 2016 Full Year Results Announcement. Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners of NAB is set out on pages 2 to 8 of NAB's 2016 Full Year Results Announcement.

3 In partnership with Good Shepherd Microfinance.

4 Decrease in statutory net profit attributable to the owners of NAB is as a result of discontinued operations. Discontinued operations is defined in NAB's 2016 Full Year Results Announcement. For the September 2016 full year, discontinued operations primarily includes the loss on sale of 80% of NAB Wealth's life insurance business, the loss on demerger of CYBG PLC (CYBG) and costs pursuant to claims under the Conduct Indemnity Deed with CYBG.

5 Source: 'Speak Up, Step Up' survey conducted by Right Management.

6 Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Priority segments Net Promoter Score (NPS) is a simple average of the NPS scores of five priority segments: Mortgage Customers, Debt Free, Micro Business (<\$1m), Small Business (\$1m-<\$5m) and Medium business (\$5m-<\$50m). The Priority Segment NPS data is based on six month moving averages from Roy Morgan Research and DBM BFSM Research as at 30 September 2016.

CHAIRMAN'S MESSAGE



We are strongly motivated to be the most respected bank in Australia and New Zealand. To realise that vision, we have to make the bank simpler, with a stronger customer focus.

In the early part of 2016, we completed our plan to exit our UK banking business CYBG PLC (CYBG) through a demerger and Initial Public Offering. I thank shareholders for their overwhelming support in approving the demerger in January. NAB's exit from CYBG has allowed us to focus on our core businesses in Australia and New Zealand.

In October, we completed the sale of 80% of NAB Wealth's life insurance business to Nippon Life Insurance Company for \$2.4 billion.¹ The establishment of this stand-alone insurance business required us to separate it from our superannuation and investment businesses, which we have retained and simplified to create Australia's largest retail superannuation fund.

Full year cash earnings were \$6.48 billion, up 4% on last year.² The Board declared a final dividend of 99 cents per share fully franked. These dividends are generating income for our shareholders, and contributing to the superannuation savings of millions of Australians. Statutory net profit was \$352 million, a decrease on last year primarily resulting from discontinued operations.³

Australian Banking cash earnings were \$5.47 billion, increasing by \$371 million over the year, or 7%, driven by higher net operating income and a lower charge for bad and doubtful debts. NZ Banking local currency cash earnings rose 1.6% over the year to NZ\$836 million with improved revenue and lower bad and doubtful debt charges being key drivers, reflecting favourable economic conditions outside the dairy sector. NAB Wealth cash earnings increased 13% to \$356 million reflecting stronger revenue and lower expenses.

Contributing to a stronger Australia

2016 provided a reminder, to all of us in banking, of the importance of strong values and culture – and to explain why a strong and stable banking system is vital to our customers, to our shareholders and to the wider economy.

We are operating in a challenging economic environment. Global growth remains below historical averages, and is expected to be around 3% over the coming years. In Australia, the non-mining economy remains resilient, led by the services sector, but business investment is not strong. GDP growth is moderate at 3.3%. We forecast growth of 2.7% in 2017 and easing further to 2.6% in 2018 as LNG exports flatten off.⁴

NAB remains well-placed to meet upcoming regulatory change. We are responding to changes resulting from the Government's Financial System Inquiry and Basel III. Future regulatory change is likely.

In my first year as Chairman, I have stressed the need for nurturing a genuinely customer-focused culture – a focus which is clearly also in the best interests of our shareholders. The NAB Board accepts it has a responsibility to tackle conduct issues head-on if we are to successfully deliver for our customers, people and shareholders.

I have spent valuable time meeting our customers – from regional New South Wales, Queensland and the Northern Territory, to our capital cities – to understand what they expect from us. I have also taken the opportunity to engage with our customer-facing employees to see customers through their eyes, and make sure what they experience on a day-to-day basis is reflected in the governance decisions we make for the business.

For more than 150 years, we have helped our customers realise their aspirations and supported investment, employment and growth in the economy.

We are able to help improve the lives of Australians and New Zealanders through our business activity including: investing in new businesses; supporting job creation and economic growth; assisting people on low incomes to access finance; helping people to buy a new home; financing new roads, schools and hospitals; and supporting our agribusiness customers to manage their natural capital.

I am proud to be the Chairman of a business playing such an important role.

Board renewal

This year, we welcomed Anne Loveridge, Doug McKay and Philip Chronican to the Board. Together, they bring a diverse range of skills and a wealth of experience. Their appointments deliver on our planned succession program and commitment to ensuring the range of skills on the Board remains relevant and supports the execution of our strategy.

In December 2015, our former Chairman Michael Chaney and Paul Rizzo retired from the Board. In December 2016, Danny Gilbert and Jillian Segal will retire from the Board after serving for 12 years. On behalf of the Board, I thank Michael, Paul, Danny and Jillian for their service.

In closing, I want to convey my deep appreciation to NAB's 35,000 people. They are the key to our success. I also want to thank our shareholders and customers for their support in my first year as Chairman of their company. We are a more customer-focused and stronger, simpler bank committed to delivering for you.

Ken Henry AC
Chairman

¹ \$0.2 billion by way of dividend.

² Refer to footnote 2 on page 1 of this 2016 Summary Review.

³ Refer to footnote 4 on page 1 of this 2016 Summary Review.

⁴ Internal - NAB Group Economics. Dates in economic forecasts relate to the relevant calendar year.

CEO'S MESSAGE

2016 has been a huge year of change and delivery for NAB. With our major divestments now complete, we move into 2017 a new NAB – stronger, simpler and centred on our core businesses in Australia and New Zealand.

This is the first time in my 12 years in the bank that we have been able to focus totally on these businesses – and looking ahead, we have a clear plan for the future and the right team to deliver for our customers, our shareholders and through this, support the economy more broadly.

Performance and results

In a continuing low-growth, low-rate environment we are disciplined in our approach to operational performance; maintaining a strong balance sheet, sound asset quality and capital position, and tight control of costs. Improving our return on equity remains a strong focus – and we are allocating capital towards higher returning segments, where we know we can win and where we have deep expertise.

In Business Banking, we saw improved momentum with margins broadly stable. Overall, we are largely holding or growing market share in our priority micro and small business segments. In medium business, we have a market-leading position supported by specialisation in important growth sectors including agribusiness and health.

In Personal Banking, higher funding costs and strong competition remain challenges. However, we are pleased to have restored home loan volume growth back to system levels, after significant changes in pricing and tightening of credit policies during the year.

Our sustained investment in serving customers better saw our Priority Segments Net Promoter Score (NPS) performance lift from third to first among the major banks. Our ambition though, is to reach a level of customer advocacy of which we can be proud, where the majority of customers would recommend us to their family or friends. We have quite some way to go to achieve this.

Delivering for customers

We are proud to help nearly 10 million customers buy a home or renovate their property, start or grow their business and to save for retirement – some of the most important financial decisions in life.

For bankers, trust is the currency that matters the most. It starts with making banking simple, easy and reliable.

We are investing in ways to serve our customers better – such as the recently relaunched NAB mobile banking app and innovative small business solutions like the NAB QuickBiz Loan, which was developed in NAB Labs.

The rollout of our Personal Banking Origination Platform (PBOP) was completed across our retail network this year and is making it simpler to apply, and faster to approve, personal products for customers. We have also made over 100 changes to address customer “pain points”, identified through customer feedback and by listening to our bankers.

We have made it easier for customers to get assistance from our hardship team, NAB Assist, which now has the lowest proportion of Financial Ombudsman Service complaints in the industry.

We are taking action to build trust with customers and restore community confidence, both at NAB and across the banking sector more broadly through the Australian Bankers' Association.

We will continue to be open and transparent with how we run our business. If mistakes are made, we will identify and address them, we will apologise and we will remedy them with our customers.

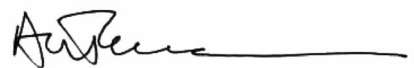
Our people

Culture is critical to building stronger relationships with our customers and our shareholders. Our five values of passion for customers, will to win, being bold, respect for people and doing the right thing, are core to how we lead and reward our 35,000 people – alongside demonstrated delivery of risk, financial and customer outcomes.

A strong focus on developing the capability of our leaders has seen employee engagement increase from 56% in 2015 to 61% in 2016, helping us achieve our goal of exceeding the Global High Performing Organisations Benchmark of 60%.¹

This will be further enabled by the new organisational structure and Executive Leadership Team announced in July this year. With these changes Michaela Healey, Renee Roberts and Gavin Slater departed NAB – and I again thank them for the significant role they played making the bank what it is today.

To all of NAB's people, our customers and our shareholders – thank you for being part of our business in 2016. We are committed to continuing the pace of change, lifting performance and achieving our vision of being Australia and New Zealand's most respected bank.



Andrew Thorburn
CEO



ANDREW THORBURN
Group CEO

¹ Refer to footnote 5 on page 1 of this 2016 Summary Review.

SHAREHOLDER INFORMATION

2016 ANNUAL REPORTING SUITE

You can view our 2016 Annual Reporting Suite online at nabgroup.com/annualreports or request a printed copy of our 2016 Annual Financial Report and 2016 Summary Review from the Share Registry either by email at nabservices@computershare.com.au or by calling 1300 367 647 (within Australia) or +61 3 9415 4299 (from outside Australia). Current and extensive historical information is posted and maintained on our website at nabgroup.com.

RECONCILIATION OF CASH EARNINGS TO STATUTORY NET PROFIT ^{1,2}	2016 A\$m	2015 A\$m
Cash earnings ('Cash Basis')	6,483	6,222
Non-cash earnings items (after tax):		
Distributions	124	175
Treasury shares	61	4
Fair value and hedge ineffectiveness	(126)	516
Life insurance 20% share of profit	(39)	(37)
Amortisation of acquired intangible assets	(83)	(80)
Net profit from continuing operations	6,420	6,800
Net (loss) after tax for the period from discontinued operations	(6,068)	(462)
Net profit attributable to owners of NAB ('Statutory Basis')³	352	6,338

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2 Information is presented on a continuing operations basis including prior period restatements.

3 Refer to footnote 4 on page 1 of this 2016 Summary Review.

HELPING CONVERT YOUR SHARES TO BENEFIT AUSTRALIAN CHARITIES

ShareGift Australia is a not-for-profit organisation that provides shareholders with a facility to sell and donate parcels of shares to charity, free of brokerage or other administration charges.

To date, ShareGift Australia has donated more than \$1.35 million to over 450 charities, helping to unlock a growing stream of funds for the Australian community. ShareGift Australia is proudly supported by National Australia Bank Limited and is endorsed by the ASX Group and the Australian Shareholders' Association.

For further information about ShareGift Australia visit sharegiftaustralia.org.au or call 1300 731 632.

2017 FINANCIAL CALENDAR⁴

Half Year Results and Interim Dividend Announcement	Thursday, 4 May 2017
Ex-dividend date for Interim Dividend	Tuesday, 16 May 2017
Record date for Interim Dividend	Wednesday, 17 May 2017
Payment date for Interim Dividend	Wednesday, 5 July 2017
Full Year Results and Final Dividend Announcement	Thursday, 2 November 2017
Ex-dividend date for Final Dividend	Thursday, 9 November 2017
Record date for Final Dividend	Friday, 10 November 2017
Payment date for Final Dividend	Wednesday, 13 December 2017
Annual General Meeting – to be held in Sydney	Friday, 15 December 2017

4 If there are any changes to these dates, the Australian Securities Exchange will be notified accordingly.

CONTACT DETAILS

Principal Share Register

Computershare Investor Services
Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067
Australia

Postal address

GPO Box 2333
Melbourne VIC 3001
Australia
Local call: 1300 367 647
F: +61 3 9473 2500

Outside Australia

T: +61 3 9415 4299
F: +61 3 9473 2500
E: nabservices@computershare.com.au
W: nabgroup.com/shareholder

United Kingdom Share Register

Computershare Investor Services plc
The Pavilions
Bridgwater Road
BRISTOL BS99 6ZZ
United Kingdom
T: +44 370 703 0197
F: +44 370 703 6101
E: nabgroup@computershare.co.uk
W: nabgroup.com/shareholder

United States ADR Depository Transfer Agent and Registrar contact details for NAB ADR holders

Deutsche Bank Shareholder Services
American Stock Transfer & Trust Company
Peck Slip Station
PO Box 2050
New York NY 10272-2050
United States of America
Toll-free: +1 866 706 0509
Direct dial: +1 718 921 8137
E: DB@amstock.com

Contact details for ADR brokers and institutional investors

US T: +1 212 250 9100
UK T: +44 207 547 6500
E: adr@db.com

Registered office

National Australia Bank Limited
Level 1
800 Bourke Street
Docklands VIC 3008
Australia
T: 1300 889 398

Company Secretary

Louise Thomson
Level 1
National Australia Bank Limited
800 Bourke Street
Docklands VIC 3008
Australia
T: +61 3 8872 2461

Corporate Responsibility

Postal address:
Corporate Responsibility
National Australia Bank Limited
800 Bourke Street
Docklands VIC 3008
Australia
E: corporate.responsibility@nab.com.au

Auditor

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000
Australia
T: +61 3 9288 8000



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