NAB 2019 HALF YEAR RESULTS SUMMARY

Paul and Belinda Adams
Coastal Hydroponics
NAB customer

1H19 FINANCIAL HIGHLIGHTS

$2,694M
Statutory net profit

$2,954M
Cash earnings[1]
Up 7.1% v 1H18

$3,279m cash earnings ex customer-related remediation of $325m
Flat vs 1H18[2]

83CPS
Interim dividend
100% franked

10.4%
Group Common Equity Tier 1 (CET1) ratio

"This has been a challenging period for NAB with the Royal Commission highlighting the need for us to take greater action to earn back the trust of our customers and the community. This starts with remediating affected customers as quickly as possible, and fixing the issues that caused our failures so they don't happen again.

As a result, 1H19 earnings include a further $525 million in customer-related remediation costs ($325 million in cash earnings). Excluding remediation costs, 1H19 cash earnings are broadly flat compared with 1H18[2], with revenue up 1% reflecting market share gains in SME and home lending, and expenses 2% higher. Pleasingly, productivity benefits from our transformation program saw expenses fall 2% compared with 2H18 and we are on track to deliver broadly flat costs in FY19 and FY20 (excluding large notable expenses[3]).

The Board has determined it is prudent to reduce the 2019 interim dividend by 16% to 83 cents per share and to partially underwrite the 1H19 dividend reinvestment plan. These actions significantly strengthen NAB's balance sheet providing greater confidence in our ability to exceed APRA's 'Unquestionably Strong Capital' requirements from 2020.

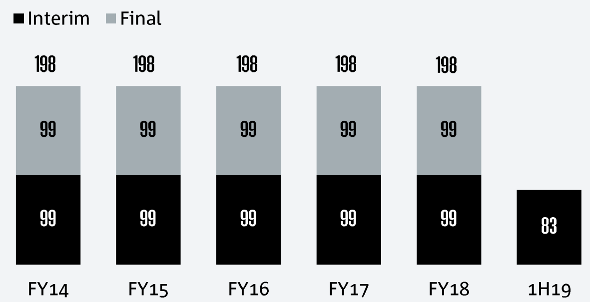
We are making changes, and while there is much more to do we are confident this will create the bank our customers, shareholders and the community deserve."

PHILIP CHRONICAN
NAB CEO

DELIVERING FOR OUR SHAREHOLDERS

DIVIDENDS (CPS)

In respect of each financial year period



BACKING OUR CUSTOMERS & THE COMMUNITY IN 1H19

- Priority Segments Net Promoter Score (NPS)[4] for March 2019 is down 1 point to -17 compared to September 2018 levels and is second of major banks
- Support for 72 of the Royal Commission's 76 recommendations, and have action underway on 26
- Pledged to keep our 316 NAB branches in regional and rural Australia open until at least January 2021
- Abolished grandfathered commissions for NAB Financial Planning employed advisers and closing the 'Introducer' payments program from 1 October 2019
- Almost $3 billion of lending to small and medium sized business each month since March 2018

[1] Refer to cash earnings note and reconciliation on page 6.
[2] Excluding restructuring-related costs of $755 million in 1H18.
[3] Large notable expenses includes customer-related remediation and restructuring-related costs. Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 7.
[4] 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 four priority segments: NAB defined Home Owners (Home Loan @ Bank) and Investors, as well as Small Business ($0.1m-<$5m) and Medium Business ($5m-<$50m). The Priority Segments NPS data is based on six month moving averages from DBM Atlas & BFSM Research. Roy Morgan Research no longer provide Home Owners and Investors segment data and accordingly historical data has been restated.

The March 2019 half year results are compared with the March 2018 half year results for continuing operations and are expressed on a cash earnings basis (excluding customer-related remediation and restructuring-related costs) unless otherwise stated.

OPERATING PERFORMANCE 1H19 V 1H18

- Revenue up 1.4% with growth in housing and business lending, partly offset by lower margins.
- Net Interest Margin down 7 basis points (bps), primarily due to housing lending competition and product mix changes.
- Expenses up 1.7%, reflecting continued higher investment spend partly offset by productivity benefits.

1H19 V 1H18 DRIVERS OF CASH EARNINGS CHANGE[5]

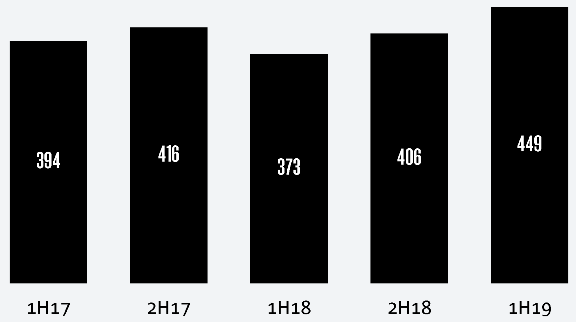
"Expenses growth is slowing, and compared with 2H18 has declined 2%, as benefits of our transformation continue to be delivered.

We continue to target broadly flat expense growth for FY19 and FY20 excluding large notable expenses[3]."

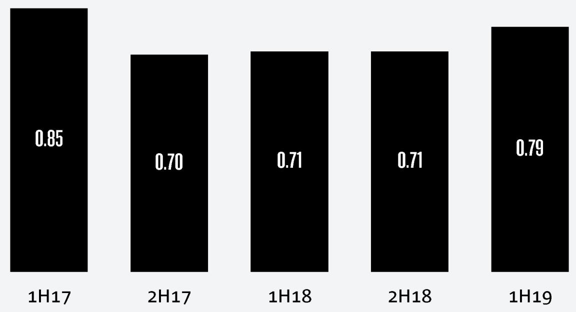
ASSET QUALITY 1H19 V 1H18

- Credit impairment charges increased 20.4% to $449 million, and as a percentage of gross loans and acceptances increased 2bps to 15bps.
- Higher 1H19 charges reflect impairment of a small number of larger exposures, and include $33 million of additional collective provision forward looking adjustments for targeted sectors experiencing elevated levels of risk.
- The ratio of 90+ days past due and gross impaired assets to gross loans and acceptances increased by 8bps to 0.79%, driven primarily by increased delinquencies in the Australian mortgage portfolio.

CREDIT IMPAIRMENT CHARGES ($ MILLIONS)



90+ DAYS PAST DUE & GROSS IMPAIRED ASSETS/GROSS LOANS AND ACCEPTANCES (%)

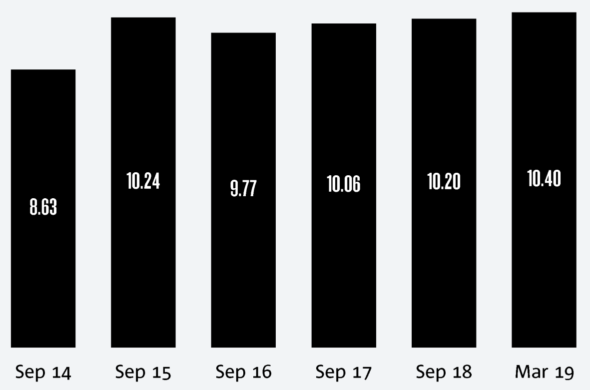


"While asset quality metrics have been impacted by higher arrears for Australian housing lending, loss rates for this portfolio remain low at 2bps. Collective provisions associated with forward looking adjustments for targeted sectors increased again over 1H19 and now stand at $614 million."

[5] Excluding $755 million of restructuring-related costs in 1H18, $344 million of customer-related remediation in income in 1H19 and $120 million of customer-related remediation costs in 1H19. Underlying profit represents cash earnings before credit impairment charges, income tax and distributions. Refer cash earnings note and reconciliation on page 6.

CAPITAL, FUNDING & LIQUIDITY

CET1 RATIO (%)



KEY RATIOS AS AT 31 MARCH 2019

- Group Common Equity Tier 1 (CET1) ratio of 10.40%, up 20bps from September 2018
- Well placed to exceed APRA's 'unquestionably strong' target of 10.5% by January 2020
- Leverage ratio (APRA basis) of 5.5%
- Liquidity coverage ratio (LCR) quarterly average of 130%
- Net Stable Funding Ratio (NSFR) of 112%

DIVISIONAL PERFORMANCE – CASH EARNINGS

	1H19 ($M)	% CHANGE 1H19 V 1H18	HIGHLIGHTS 1H19 V 1H18
Business & Private Banking	1,462	(1.3)	Earnings lower with higher investment spend and credit impairment charges, offsetting stronger revenue which continued to benefit from good SME lending growth
Consumer Banking & Wealth	638	(20.6)	A much lower result with above system housing lending growth offset by lower margins and higher credit impairment charges, combined with lower Wealth revenue
Corporate & Institutional Banking	781	0.4	A broadly stable result with good growth in non-Markets revenue offset by higher investment spend and credit impairment charges
New Zealand Banking (NZ$M)	532	7.7	A strong result with increased revenue benefitting from higher margins and strong growth in both housing and business lending

OVERVIEW[6]

The past six months has been a challenging period for NAB. The Royal Commission highlighted a gap between where we are today and where we need to be to meet customer and community expectations. The Commission forced us to confront broader issues of how we treat customers, and the accountability, governance and culture inside the bank. In February our CEO Andrew Thorburn resigned and our Chairman Ken Henry announced his intention to step down later this year, recognising change was necessary. A global search for a permanent CEO is well underway.

We are taking actions to address these broader issues and the Commission's recommendations. Of the 76 recommendations NAB supports 72, with 26 either completed or in the process of being actioned.

We are accelerating work to remediate customers who have been treated poorly. We have around 350 people dedicated to remediating customers and will soon have 500 as we bring greater focus and discipline to resolving issues and making sure they do not happen again. In 1H19 we have taken an additional $525 million (post tax) in charges in connection with increased provisions for customer-related remediation. Of these charges 91% are for Wealth related matters with the remainder for Banking. In combination with provisions raised in 2H18 which have not been utilised, our provisions for customer-related remediation as at 31 March 2019 total $1,102 million. Customer remediation and regulatory compliance investigations are continuing in 2H19 and beyond, with potential for additional costs, although amounts and timing remain uncertain.

The Board has considered accountability outcomes in areas where NAB has not met customer, shareholder and community expectations. As a result, prior period deferred remuneration has been forfeited for the majority of the FY18 Executive Leadership Team, potentially worth approximately $5.5 million[7] of previously earned variable reward from 2016-2018. This is in addition to forfeiture of all deferred and unvested variable reward by Mr Thorburn on resignation, potentially worth approximately $21 million[7]. The Board also recognises the need for accountability beyond the decision of Dr Henry to step down, and all continuing Directors will take a reduction in 2019 Directors' fees, equivalent to 20 per cent of their 2018 base fee.

Backing our customers to grow and helping them when they need it most is important to us. This has led to a number of changes including in rural and regional Australia where we have pledged to keep our 316 branches open until at least January 2021, and have stopped charging default interest to agricultural customers impacted by drought. We are also supporting our customers and the economy by remaining open for business, with home lending growing 1.1 times system over the six months to 31 March 2019 and we continue to lend $3 billion to small and medium business each month.

NAB's three year transformation program announced in November 2017 is now at the halfway mark and remains on track, despite higher than expected regulatory and compliance costs. Benefits of $1.5 billion increased investment over three years are emerging with 1H19 expenses (excluding customer-related remediation) 2% lower than 2H18. Cost savings of $122 million achieved in 1H19 bring total savings since September 2017 to $512 million. We continue to target cumulative cost savings of at least $1 billion by 30 September 2020, and FY19 and FY20 expenses to remain broadly flat excluding large notable expenses[3].

Our simplification agenda is critical to deliver better and faster outcomes for customers and our employees. Product numbers are lower again, down 75 in 1H19 to 420 compared with 600 at September 2017 as we move towards a simpler offering increasingly capable of digital origination. Better self-service capabilities for customers, including the rollout of 812 Smart ATMs, have seen over-the-counter transactions fall by 23% and call centre volumes reduce by 14% since September 2017. We have reduced IT applications by 8% and migrated 8% to the Cloud creating more flexible, reliable, lower cost technology platforms.

A key focus of our accelerated investment remains Best Business Bank, providing significant capability and innovation uplift in our already leading SME franchise. This is supporting stronger SME business lending, up 5% over the 12 months to 31 March 2019 and well ahead of major bank peers. Investments in new and emerging growth opportunities are also delivering encouraging results during 1H19, with UBank, our digital bank, adding 10% or 50,000 more customers and growing home loans 13%.

Repositioning of our MLC Wealth business under new leadership has good momentum, but the regulatory and operating environment remains challenging. Progress is being made to enable MLC to operate as a stand-alone business within the NAB Group as we continue preparations for a targeted public market exit during FY20 while keeping options open for a potential trade sale. In 1H19 MLC launched an enhanced MySuper product removing exit fees and providing a life cycle offering, and announced more competitive pricing for Wrap and Masterkey. Further initiatives are planned including modernising the super business.

Balance sheet strength continues to be a priority. The 16% reduction in the 1H19 dividend resets for a more challenging operating environment and provides greater flexibility to accommodate further regulatory change and additional earnings volatility, including further potential customer-related remediation. In conjunction with the decision to partially underwrite the 1H19 dividend reinvestment plan, we are now in a stronger capital position and well positioned to exceed APRA's 'Unquestionably Strong Capital' benchmark by January 2020.

As we look ahead, the operating environment remains challenging. Economic growth is slowing but forecast to remain above 2% in 2019, housing credit growth is slowing, regulatory change is high and customer and community expectations have increased. This means we must execute with greater urgency, discipline and accountability, and with customers squarely at the centre of everything we do, if we are to become the bank our shareholders, customers and employees can be truly proud of.

[6] Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 7
[7] Based on an indicative share price of $25, and assuming full vesting of all hurdled rights, shares and cash awards, and excluding the value of any dividends on unvested shares

NAB'S ROLE IN THE COMMUNITY

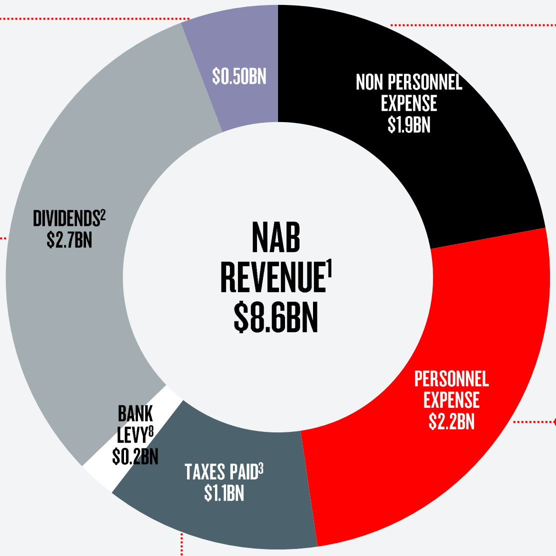
NAB REVENUE

- Supports all stakeholders and business partners
- Is shown after interest payments to 4.9 million Australian retail and business deposit customers who have deposited over $359 billion with us

CUSTOMER-RELATED REMEDIATION

SHAREHOLDERS (INC. SUPER FUNDS)

- Over 588,000 shareholders



SUPPLIERS & COMMUNITY

- 1,650+ contracted suppliers
- 16,800+ microfinance loans provided[5]
- Carbon neutral since 2010, 78% of Australian key office buildings[6] are Green Star Rated
- $2.1m in-kind value of volunteering to Australian charitable organisations

OUR PEOPLE

- Employ 33,790 people[7]
- Over 50% of our workforce directly engages with customers

GOVERNMENT

- Australia's fifth largest income tax payer[4]
- Signatory to the Voluntary Tax Transparency Code

Figures based on NAB's 1H19 cash earnings

1. Revenue shown net of $0.4bn of credit impairment charges and gross of $0.2bn of Bank Levy
2. Dividends paid in 1H19
3. Includes income tax, GST, FBT, payroll tax and other taxes borne by NAB in Australia that were paid during the six months ended 31 March 2019
4. Based on ATO's "Report of Entity Tax Information" for the 2016-17 income year released on 7 December 2018
5. To Australians, delivered in partnership with Good Shepherd Microfinance, Foresters Community Finance, Business Enterprise Centres Australia and the National NEIS Association
6. 'Key office buildings' are all NAB commercial tenancies over 4,000m^2
7. Represents full time equivalent employees as at 31 March 2019 for NAB Group
8. Bank levy paid in 1H19

ECONOMIC OUTLOOK

"The outlook for the Australian economy has softened over the past six months, consistent with global trends, while New Zealand's outlook has stabilised. In Australia, economic growth is forecast to be below trend in 2019 and 2020 with further weakness in the consumer and construction sectors. However, downside is expected to be limited by rising government spending and LNG exports, combined with growth in business investment. While Australia's labour market remains healthy, little further improvement is expected given the weaker growth outlook which, in combination with inflation below target, is likely to see the RBA cut rates a number of times this year."

GROUP PERFORMANCE RESULTS[8]

Cash earnings is a key financial performance measure used by NAB, the investment community and NAB's Australian peers with a similar business portfolio. NAB also uses cash earnings for its internal management reporting, as it better reflects what NAB considers to be the underlying performance of the Group. Cash earnings 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. 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 for the half year ended 31 March 2019 is set out on pages 2 to 8 of the 2019 Half Year Results Announcement under the heading "Profit Reconciliation".

	Half Year to				
	Mar 19 $m	Sep 18 $m	Mar 18 $m	Mar 19 v Sep 18 %	Mar 19 v Mar 18 %
Net interest income[9]	6,776	6,717	6,750	0.9	0.4
Other operating income[9]	2,442	2,416	2,343	1.1	4.2
Customer-related remediation[10]	(344)	(249)	-	38.2	large
Net operating income	8,874	8,884	9,093	(0.1)	(2.4)
Operating expenses[11]	(4,055)	(4,137)	(3,989)	(2.0)	1.7
Restructuring-related costs[10]	-	-	(755)	-	large
Customer-related remediation[10]	(120)	(111)	-	8.1	large
Underlying profit	4,699	4,636	4,349	1.4	8.0
Credit impairment charge	(449)	(406)	(373)	10.6	20.4
Cash earnings before tax and distributions	4,250	4,230	3,976	0.5	6.9
Income tax expense	(1,244)	(1,236)	(1,168)	0.6	6.5
Cash earnings before distributions	3,006	2,994	2,808	0.4	7.1
Distributions	(52)	(51)	(49)	2.0	6.1
Cash earnings	2,954	2,943	2,759	0.4	7.1
Cash earnings (excluding restructuring-related costs and customer-related remediation)	*3,279*	*3,204*	*3,289*	*2.3*	*(0.3)*
Non-cash earnings items (after tax)	(50)	125	115	large	large
Net profit from continuing operations	2,904	3,068	2,874	(5.3)	1.0
Net loss after tax from discontinued operations[12]	(210)	(97)	(291)	large	(27.8)
Net profit attributable to owners of NAB	2,694	2,971	2,583	(9.3)	4.3
Represented by:					
Business and Private Banking	1,462	1,429	1,482	2.3	(1.3)
Consumer Banking and Wealth	638	735	804	(13.2)	(20.6)
Corporate and Institutional Banking	781	763	778	2.4	0.4
New Zealand Banking	503	470	452	7.0	11.3
Corporate Functions and Other[11]	(105)	(193)	(227)	(45.6)	(53.7)
Restructuring-related costs[10]	-	-	(530)	-	large
Customer-related remediation[10]	(325)	(261)	-	24.5	large
Cash earnings	2,954	2,943	2,759	0.4	7.1

SHAREHOLDER SUMMARY

	Half Year to				
	Mar 19	Sep 18	Mar 18	Mar 19 v Sep 18	Mar 19 v Mar 18
Group					
Dividend per share (cents)	83	99	99	(16)	(16)
Dividend payout ratio	77.4%	91.5%	96.9%	large	large
Statutory earnings per share (cents) – basic	95.9	107.3	93.9	(11.4)	2.0
Statutory earnings per share (cents) – diluted	92.1	103.4	91.1	(11.3)	1.0
Statutory earnings per share from continuing operations (cents) – basic	103.5	110.9	104.7	(7.4)	(1.2)
Statutory earnings per share from continuing operations (cents) – diluted	99.1	106.6	101.0	(7.5)	(1.9)
Cash earnings per share (cents) – basic	107.2	108.2	102.2	(1.0)	5.0
Cash earnings per share (cents) – diluted	102.5	104.1	98.8	(1.6)	3.7
Statutory return on equity	10.5%	11.9%	10.5%	(140 bps)	-
Cash return on equity (ROE)	11.7%	12.0%	11.4%	(30 bps)	30 bps
Group (excluding restructuring-related costs and customer-related remediation)[10]					
Dividend payout ratio	69.7%	84.0%	81.2%	large	large
Statutory earnings per share (cents) – basic	114.9	116.9	113.5	(2.0)	1.4
Statutory earnings per share (cents) – diluted	109.6	112.2	109.2	(2.6)	0.4
Statutory earnings per share from continuing operations (cents) – basic	115.3	120.5	124.3	(5.2)	(9.0)
Statutory earnings per share from continuing operations (cents) – diluted	109.9	115.5	119.2	(5.6)	(9.3)
Cash earnings per share (cents) – basic	119.0	117.8	121.9	1.2	(2.9)
Cash earnings per share (cents) – diluted	113.3	113.0	117.0	0.3	(3.7)
Statutory return on equity	12.6%	13.0%	12.6%	(40 bps)	-
Cash return on equity (ROE)	13.0%	13.1%	13.6%	(10 bps)	(60 bps)

[8] Information is presented on a continuing operations basis.
[9] Excluding customer-related remediation.
[10] Refer to NAB's 2019 Half Year Results Announcement Section 2 Large notable items for further information.
[11] Excluding restructuring-related costs and customer-related remediation.
[12] Refer to NAB's 2019 Half Year Results Announcement Note 14 Discontinued Operations for further detail.

FOR FURTHER INFORMATION

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DISCLAIMER – FORWARD LOOKING STATEMENTS

This Result Summary and the 2019 Half Year Results Announcement contain statements that are, or may be deemed to be, forward looking statements. These forward looking statements may be identified by the use of forward looking terminology, including the terms "believe", "estimate", "plan", "project", "anticipate", "expect", “target”, "intend", “likely”, "may", "will", “could” or "should" or, in each case, their negative or other variations or other similar expressions, or by discussions of strategy, plans, objectives, targets, goals, future events or intentions. Indications of, and guidance on, future earnings and financial position and performance are also forward looking statements. You are cautioned not to place undue reliance on such forward looking statements. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

This Result Summary and the 2019 Half Year Results Announcement describe certain initiatives relating to the Group’s strategic agenda (“Program”), including certain forward looking statements. These statements are subject to a number of risks, assumptions and qualifications, including: (1) detailed business plans have not been developed for the entirety of the Program, and the full scope and cost of the Program may vary as plans are developed and third parties engaged; (2) the Group’s ability to execute and manage the Program in a sequenced, controlled and effective manner and in accordance with the relevant project and business plan (once developed); (3) the Group’s ability to execute productivity initiatives and realise operational synergies, cost savings and revenue benefits in accordance with the Program plan (including, in relation to CTI and ROE targets, the extension of improvements beyond the current Program plan); (4) the Group’s ability to meet its internal net FTE reduction targets; (5) the Group’s ability to recruit and retain FTE and contractors with the requisite skills and experience to deliver Program initiatives; (6) there being no significant change in the Group’s financial performance or operating environment, including the economic conditions in Australia and New Zealand, changes to financial markets and the Group’s ability to raise funding and the cost of such funding, increased competition, changes in interest rates and changes in customer behaviour; (7) there being no material change to law or regulation or changes to regulatory policy or interpretation, including relating to the capital and liquidity requirements of the Group; (8) for the purpose of calculating FTE cost savings and redundancy costs, the Group has assumed an average FTE cost based on Group-wide averages, and such costs are not calculated by reference to specific productivity initiatives or individual employee entitlements; and (9) NAB’s proposed divestment of its wealth management businesses (excluding JBWere and nabtrade) may have an impact on the timing, scope and cost of the Program, however the impact cannot be quantified at this time.

Further information on important factors that could cause actual results to differ materially from those projected in such statements is contained in the Group’s Luxembourg Transparency Law disclosures released to the ASX on 2 May 2019 and the Group’s Annual Financial Report for the 2018 financial year, which is available at www.nab.com.au.