



# FULL YEAR RESULTS 2019

## INVESTOR PRESENTATION

**7 November 2019**

**Philip Chronican**  
Chief Executive Officer

**Gary Lennon**  
Chief Financial Officer

# NAB 2019 FULL YEAR RESULTS INDEX

This presentation is general background information about NAB. It is intended to be used by a professional analyst audience and is not intended to be relied upon as financial advice. Refer to page 106 for legal disclaimer.

Financial information in this presentation is based on cash earnings, which is not a statutory financial measure. Refer to page 102 for definition of cash earnings and reconciliation to statutory net profit.

<b>Overview</b>	3
<b>FY19 Financials</b>	14
<b>Outlook and Summary</b>	32
<b>Additional Information</b>	36
Australian Customer Experience	36
NAB And Our Community	47
Australian Business Lending	56
Australian Housing Lending	60
Other Australian Products	68
New Zealand Banking	71
Group Asset Quality	76
Capital & Funding	84
Economics	95
Other Information	101

## OVERVIEW

**PHILIP CHRONICAN**  
Chief Executive Officer

# ADDRESSING ISSUES OF THE PAST AND PREPARING FOR THE FUTURE

## We are resetting to meet customer and community expectations

- Royal Commission & APRA self-assessment our roadmap for change
- Fixing past issues for customers through remediation
- Fee simplification and reductions deliver better deal for customers

## Our transformation is delivering

- Growth focused – Australian SME lending and BNZ loan growth are highlights
- More robust systems and processes supporting shift to digital
- Simpler and faster with productivity benefits – \$800m realised

## Our financial parameters are sound

- Provided for all known material customer remediation issues
- Reduced dividend to a more sustainable payout
- Capital on track for unquestionably strong
- Adjusting to high competition, low interest rates and low credit growth environment



4

# RESULT INCORPORATES CUSTOMER-RELATED REMEDIATION & CAP SOFTWARE

FY19 V FY18			
Cash earnings <sup>1</sup>	\$5,097 m	↓	10.6 %
Large notable items <sup>2</sup>	\$1,448 m		
Cash earnings (ex large notable items)	\$6,545 m	↑	0.8 %
Diluted Cash EPS	177 cps	↓	12.5 %
Diluted Cash EPS (ex large notable items)	224.9 cps	↓	1.9 %
Cash ROE	9.9 %	↓	180 bps
Cash ROE (ex large notable items)	12.7 %	↓	60 bps
Dividend (cps)	166 cps	↓	16.2 %
Statutory profit (\$m)	\$4,798 m	↓	13.6 %
CET1	10.4 %	↑	18 bps

(1) Refer to page 102 for definition of cash earnings and reconciliation to statutory net profit

(2) Large notable items refer to restructuring related costs (\$755m pre-tax in FY18), customer-related remediation (\$360m in FY18 and \$1,571m in FY19, pre-tax, continuing operations) & the change to the software capitalisation policy (\$494m in FY19, pre-tax)



5

# OUR ROADMAP FOR SUSTAINABLE CHANGE

## APRA SELF-ASSESSMENT RESPONSE

- Enterprise-wide program led by ELT, overseen by NAB Board, with 150-strong working group

### Realising NAB's desired culture

- Changes to executive remuneration framework and Group Variable Reward Plan
- Rollout of one-day culture leadership program for all people leaders, monthly survey of employees

### Better Delivery

- Frontline technology upgrades
- Increased focus on tech foundations, processes and capabilities
- 42% decline in 'Critical and High' incidents in FY19

### Improving risk and accountability

- Restructured NAB's risk governance committees and charters
- Identified and committed to a new governance, risk and compliance system in 2020

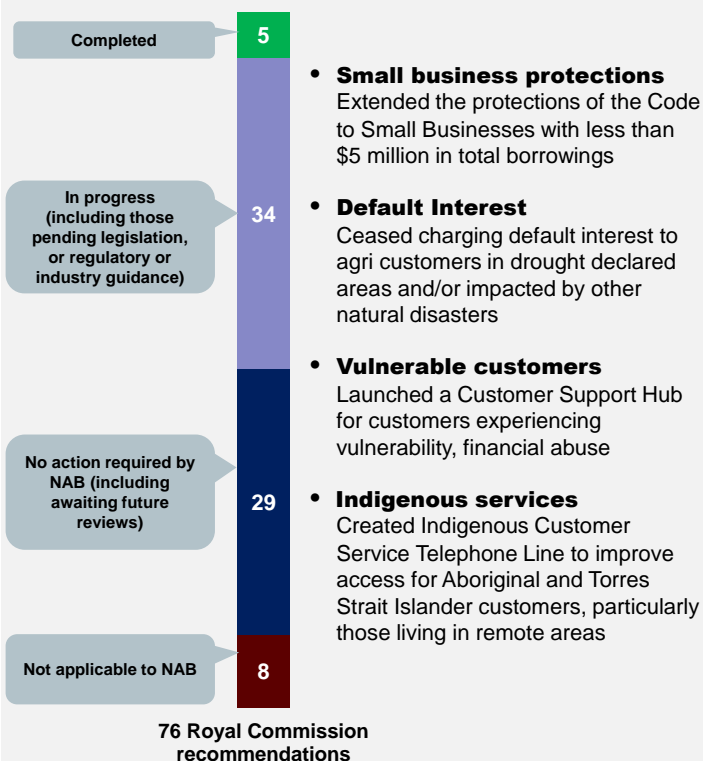
### Customer First

- Reviewed >300 NAB products and reduced/removed 185 fees
- New Customer Committees (Board and Executive)
- Board and Executive immersion in customer calls

### Finding and fixing issues

- Provision of \$2.1bn, and ~473k payments made to customers since June 2018 at a total value of \$247m
- Assigned an ELT owner to all material issues

## ROYAL COMMISSION RESPONSE



# TAKING CLEAR ACTION TO MEET STAKEHOLDER EXPECTATIONS

## EXECUTIVE & BOARD ACCOUNTABILITY

- CEO resignation** and forfeiture of all deferred variable reward (up to ~\$21m<sup>1</sup>)
- Up to ~\$5.5m<sup>1</sup> of variable reward earned across 2016-2018 forfeited by the majority of the FY18 **Executive Leadership Team**
- Chairman** announced intention to resign in 2019 and all other continuing **Board members** taking reduction in 2019 Board fees equivalent to 20% of FY18 base fees received
- Executive Leadership Team **2019 remuneration outcomes**
  - No short term variable reward (maximum short term variable reward opportunity was \$14.4m, reward opportunity at target was \$9.6m<sup>3</sup>)
  - No increases to fixed remuneration

## INCENTIVES

- Removed **grandfathered commissions** for NAB Financial Planning employed advisers<sup>2</sup>
- Closed the NAB **'Introducer'** payment program
- Reduced **financial targets** for Tellers and compliant with all Sedgwick recommendations for retail banking remuneration
- New **Executive remuneration framework** for 2019
  - Includes a long-term variable reward component, performance tested at the end of 4 years
  - More variable reward deferred

(1) Based on an indicative share price of \$25, and assuming full vesting of all rights, shares and cash awards, and excluding the value of any dividends on unvested shares

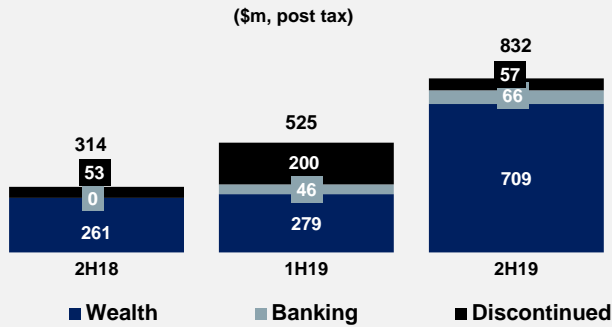
(2) For MLC Wealth superannuation and investment products

(3) Maximum assumes all individual and Group multiples set at the highest possible level, while at target assumes all individual and Group performance multiples set at target

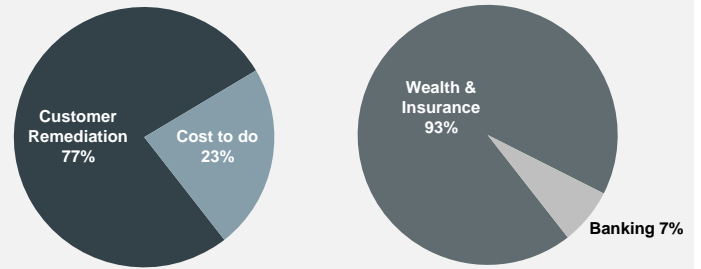


# MAKING THINGS RIGHT FOR OUR CUSTOMERS

## CUSTOMER-RELATED REMEDIATION PROVISION CHARGES

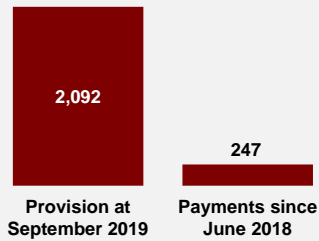


## COMPOSITION OF REMEDIATION



## PROVISIONING AND UTILISATION

(\$m)



- People devoted to remediating customers increased in FY19 to more than 950<sup>1</sup>
- ~473k payments made to customers since June 2018 at a total value of \$247m

(1) Includes NAB employees and external resources

## ADVISER SERVICE FEES — KEY ASSUMPTIONS

	Salaried	Self-employed
Period	2009-18	2009-18
Estimated fees received by advisers \$m	~650	~1,300
Refund rate excluding interest	28%	36%
Refund rate including interest	39%	55%

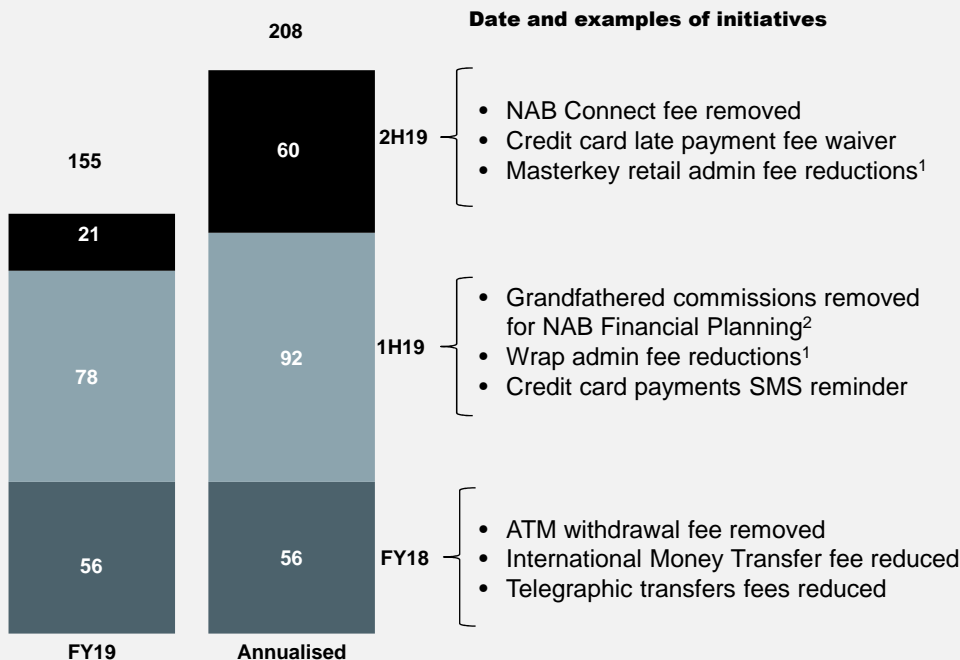
8



# FEE SIMPLIFICATION A BETTER DEAL FOR CUSTOMERS

## CUSTOMER BENEFIT FROM FEE SIMPLIFICATION & OTHER INITIATIVES ACROSS THE GROUP

(\$m)



### Simplifying, reducing and improving transparency of fees

- 185 fees reduced or removed in FY19 across Australia Banking & Wealth
- Reduces customer complaints, complexity, and operational risk
- NAB only major bank providing personal transaction account with no monthly account keeping fees and no minimum monthly deposit

(1) On-sale offers only

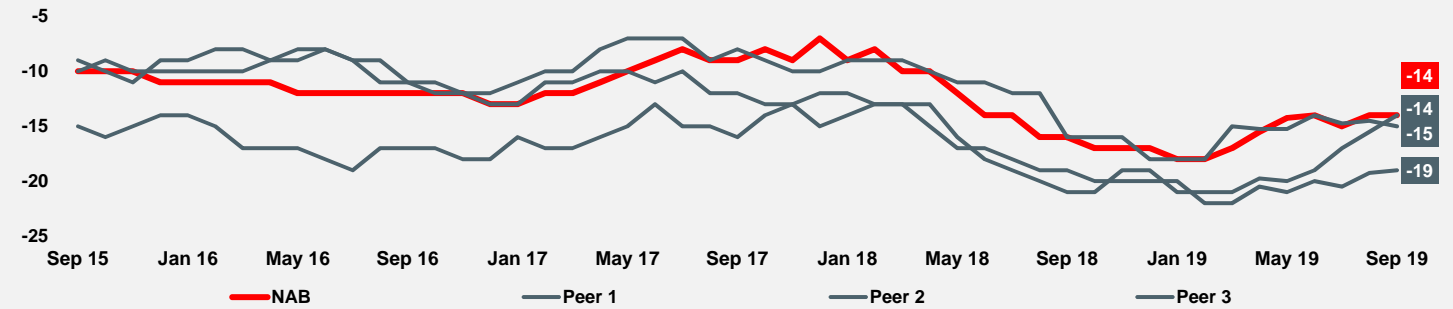
(2) Employed advisers, for MLC Wealth superannuation and investment products

9

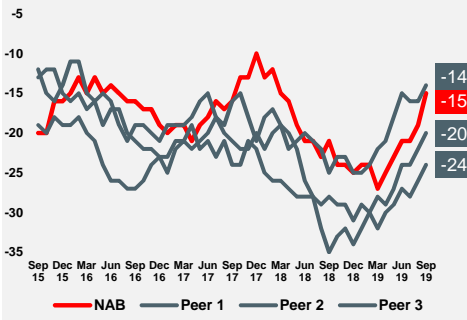


# CUSTOMER EXPERIENCE IMPROVING BUT MORE WORK TO DO

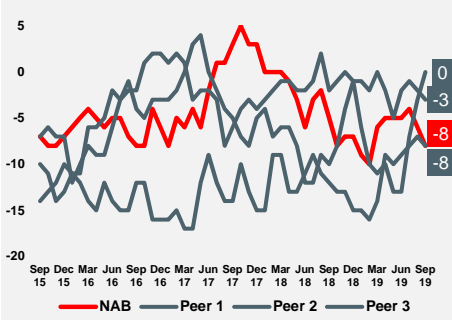
## PRIORITY SEGMENTS NPS<sup>1,2</sup>



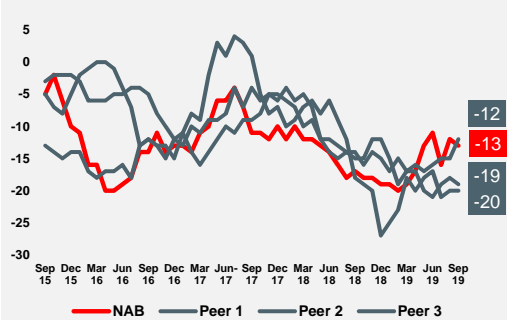
## SMALL BUSINESS<sup>3</sup>



## MEDIUM BUSINESS<sup>3</sup>



## HOME OWNERS<sup>4</sup>

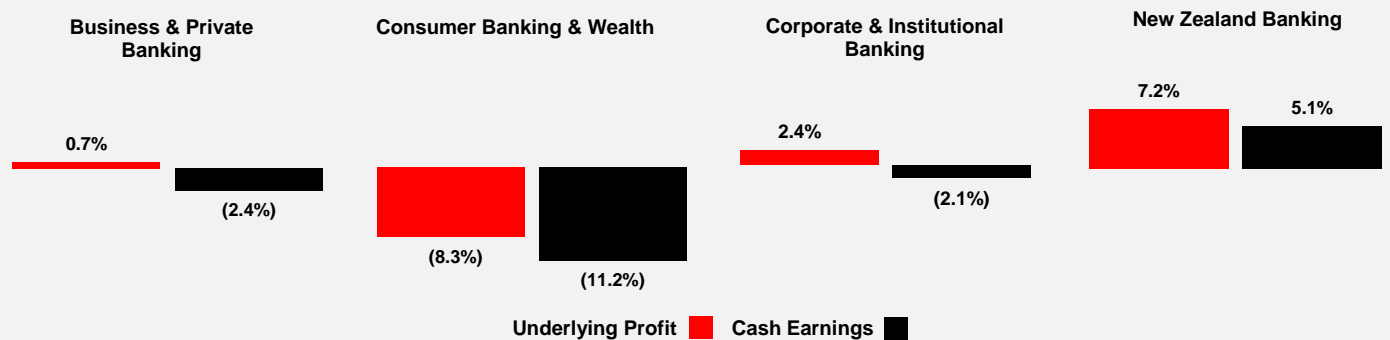


- (1) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld
- (2) Priority Segments Net Promoter Score (NPS) is a simple average of the NPS scores of four priority segments: NAB defined Home 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, history has been restated
- (3) September 2019. DBM Business Financial Services Monitor; all customers' six month rolling averages for Small Business (\$0.1m-~\$5m) and Medium Business (\$5m-~\$50m). Small Business (turnover \$0.1m-~\$5m) is a NAB construct that combines weighted results for the Lower (turnover \$0.1m-~\$1m) & Higher (turnover \$1m-~\$5m) Small Business sub-segments, using a 50:50 weighting approach. This metric does not reflect the relative size of these segments as per the ABS business population. Net Promoter Score (NPS) is based on all customers' likelihood to recommend on a scale of 0 to 10 (extremely unlikely to extremely likely)
- (4) Source: DBM Consumer Atlas Research: NAB defined Home Owners (Home Loan @ Bank) and Investors, Australian population aged 18+, six month rolling average. Roy Morgan Research no longer provide Home Owners and Investors segment data, history has been restated

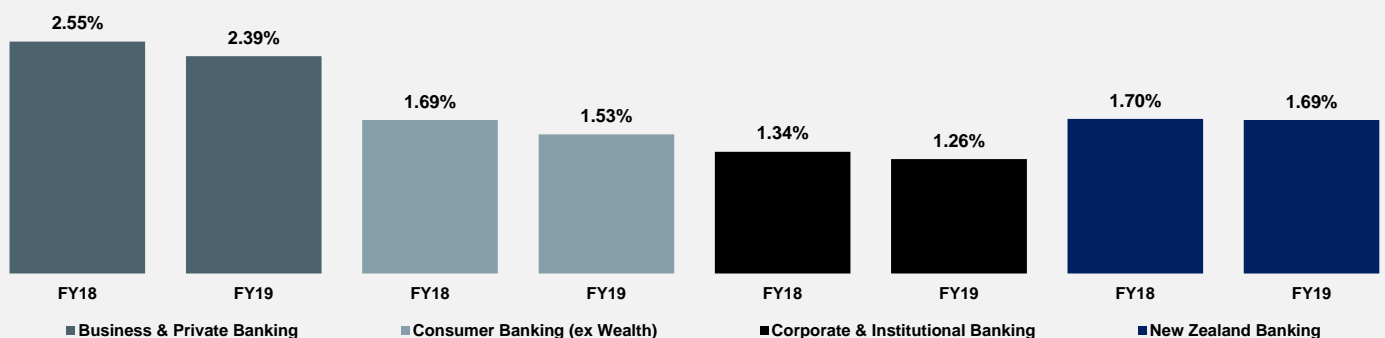


# RETURNS UNDER PRESSURE, BUT UNDERLYING PROFIT GROWTH IN 3 DIVISIONS

## CASH EARNINGS<sup>1</sup> AND UNDERLYING PROFIT<sup>2</sup> GROWTH (LOCAL CURRENCY) FY19 V FY18



## CASH EARNINGS TO AVERAGE RWA BY DIVISION

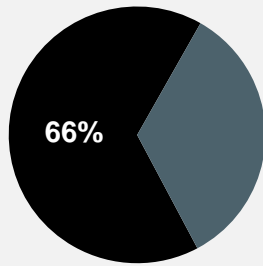


- (1) Refer to page 102 for definition of cash earnings and reconciliation to statutory net profit
- (2) Underlying profit represents cash earnings before various items, including tax expense and the charge for credit impairment. It is not a statutory financial measure

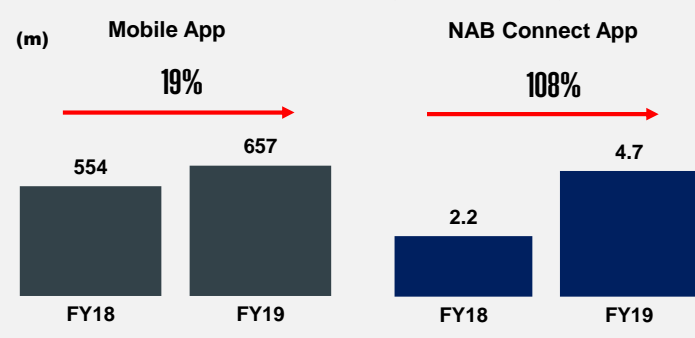


# TOWARDS A DIGITAL FUTURE

## ACTIVE CUSTOMERS USING DIGITAL EXCLUSIVELY<sup>1</sup>



## MOBILE APP AND BUSINESS APP (NAB CONNECT) LOGINS



## IMPROVING DIGITAL EXPERIENCE

- 51% simple consumer sales via digital<sup>2</sup>
- 47% new small business lending accounts via QuickBiz<sup>3</sup>
- Apple Pay launched with high levels of adoption
- First Australian bank to deploy smart receipt technology with Slyp
- Enabling business payments directly from Xero
- Mobile cheque capture launched 2H19
- Virtual Assistant and Live Chat: >20,000 customer queries and >9,000 chats per month
- 11 active NAB Ventures investments



Apple Pay is here



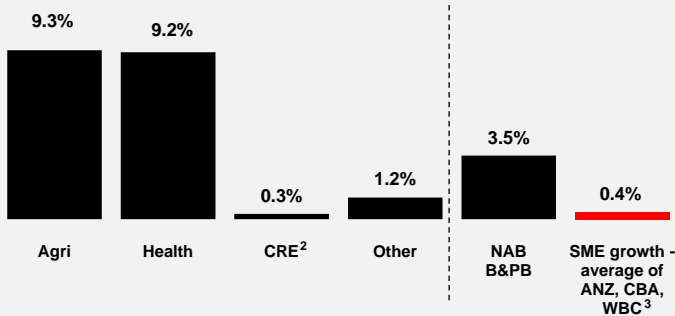
WELCOME TO CHEQUE CAPTURE

(1) Active customers represents those who had ≥1 NAB interaction in the three months to 30 Sep 2019.  
 (2) Simple consumer product sales includes the opening of savings and transaction accounts, personal loans and credit cards across all segments and channels  
 (3) New QuickBiz loan and QuickBiz overdraft accounts as a percentage of total new term lending and overdraft accounts in the Small Business division



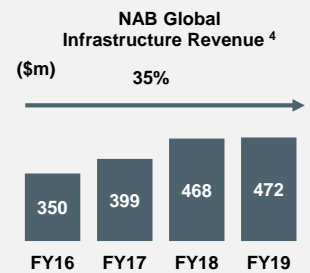
# GROWTH OPPORTUNITIES

## AUSTRALIAN SME BUSINESS LENDING GROWTH (YOY)<sup>1</sup>

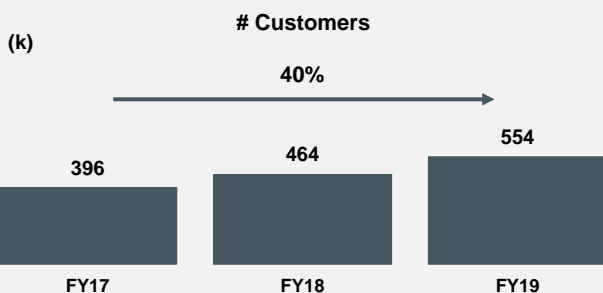


## GLOBAL INFRASTRUCTURE FINANCING

- Leveraging NAB's top 10 global position in renewables and infrastructure financing<sup>5</sup>
- Closed 75 deals with total project debt of \$53bn across US, Europe and Australia in FY19
- Leading role distributing deals to diverse mix of investors, minimising balance sheet usage

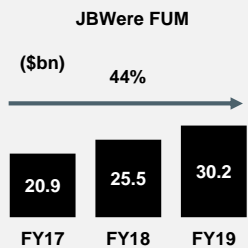


## UBANK – OUR DIGITAL BANK



## EXTEND PRIVATE BANK REACH

- Joint NAB/JBWere clients account for ~30% of JBWere net flows in FY19
- Launch of NAB Private in Western Sydney and successful roll out to customer hub



(1) Growth rates are on a customer segment basis and not industry  
 (2) CRE primarily represents commercial real estate investment lending across a range of asset classes including Retail, Office, Industrial, Tourism and Leisure, and Residential  
 (3) Represents NAB internal estimates of SME business lending growth for ANZ, CBA and WBC based on latest publicly available peer data  
 (4) Prior period historical figures have been restated to reflect refinement to customer definitions  
 (5) IJGlobal Project Financing League Tables (12 months to July 2019)



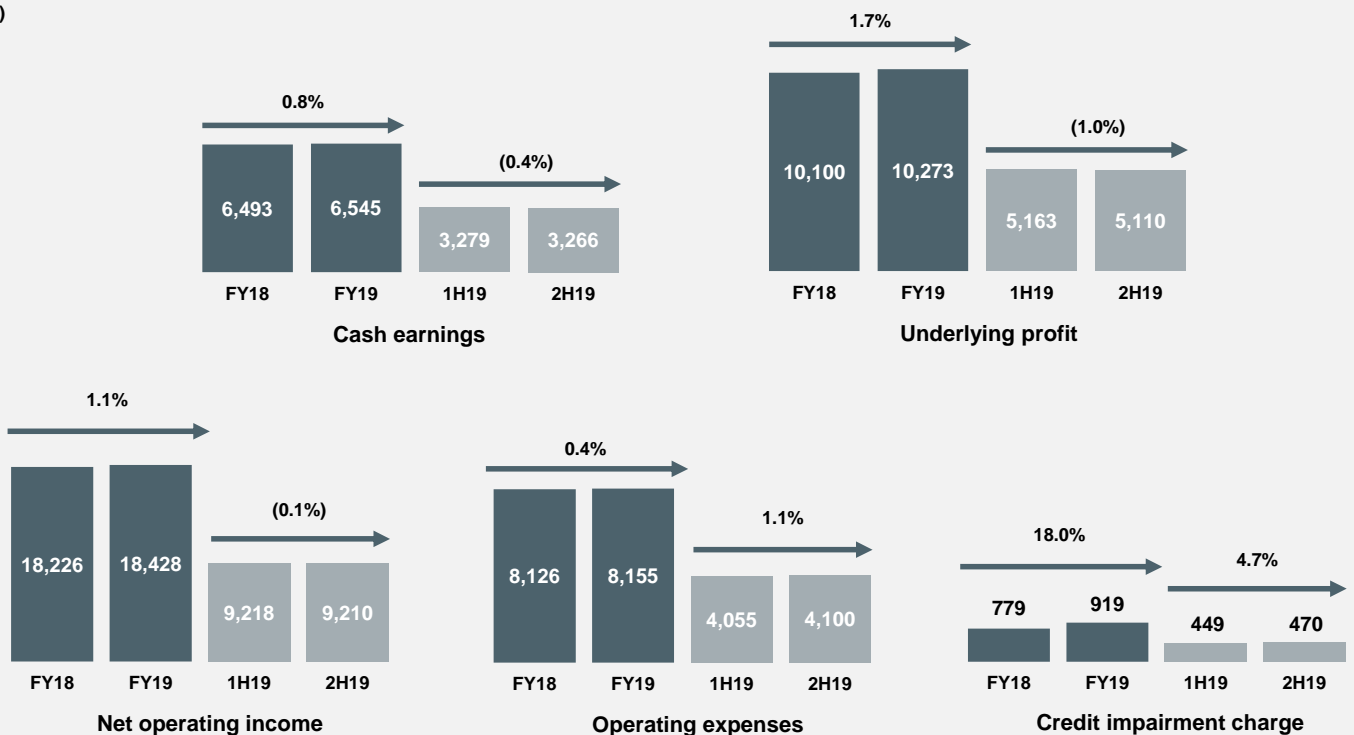
# FY19 FINANCIALS

**GARY LENNON**  
Chief Financial Officer

## GROUP FINANCIAL PERFORMANCE

### GROWTH BY KEY FINANCIAL INDICATORS (EX LARGE NOTABLE ITEMS)

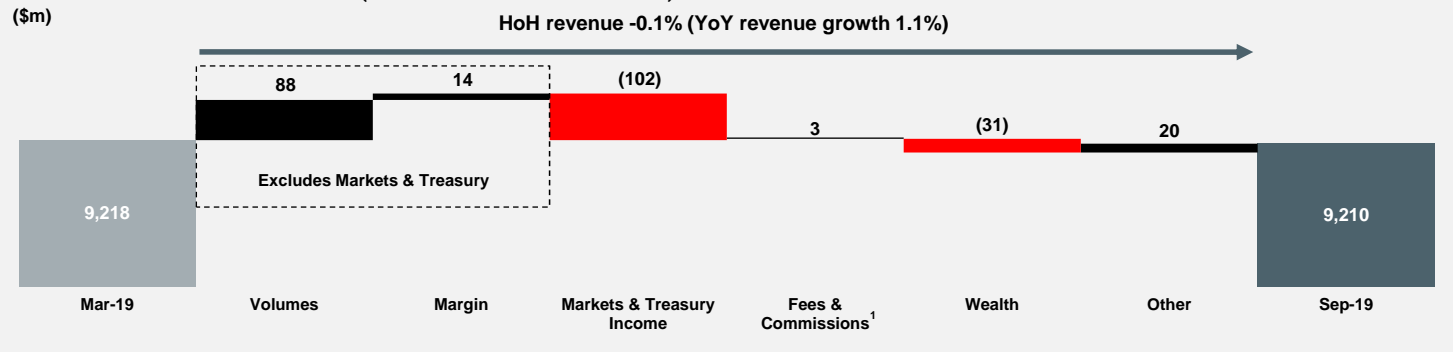
(\$m)



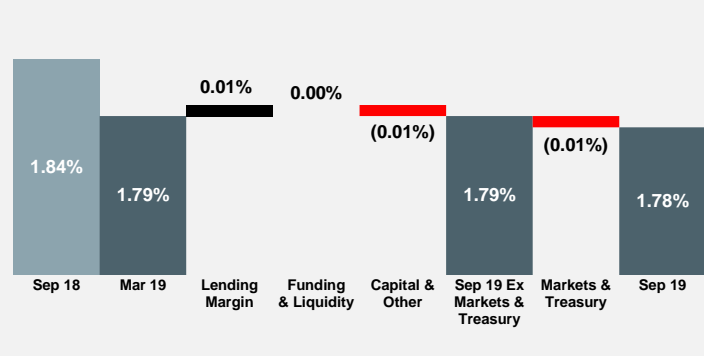


# 2H19 REVENUE STABLE

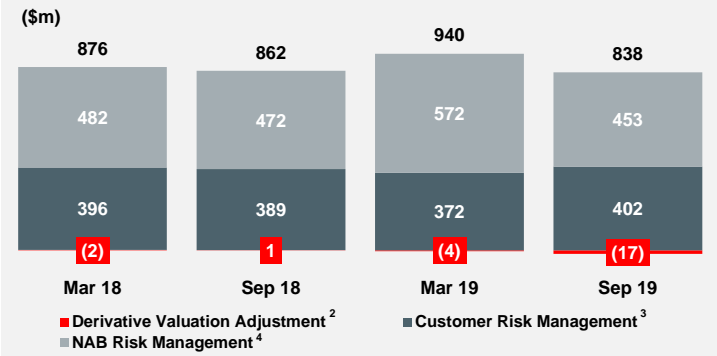
## 2H19 NET OPERATING INCOME (EX LARGE NOTABLE ITEMS)



## GROUP NET INTEREST MARGIN



## GROUP MARKETS & TREASURY INCOME



- (1) Excludes Markets & Treasury income
- (2) Derivative valuation adjustments include credit valuation adjustments and funding valuation adjustments
- (3) Customer risk management comprises OOI
- (4) NAB risk management comprises NII and OOI and is defined as management of interest rate risk in the banking book, wholesale funding and liquidity requirements and trading market risk to support the Group's franchises

16

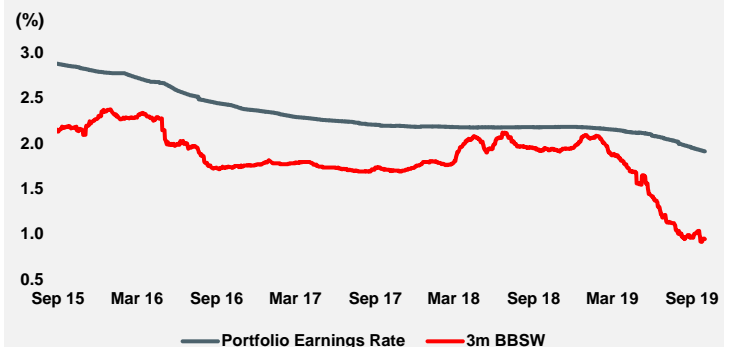


# IMPACT OF LOW INTEREST RATES ON REVENUE

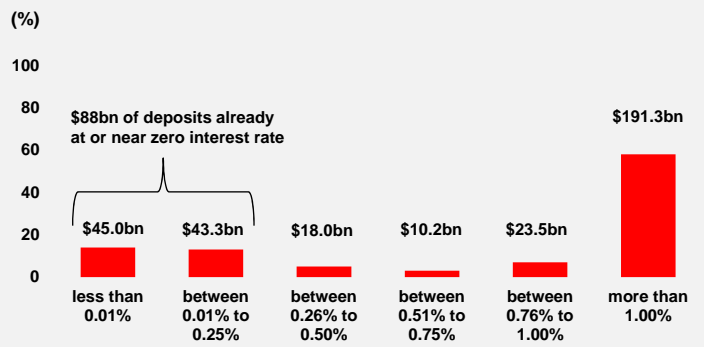
## LOW INTEREST RATE IMPLICATIONS

- \$88bn of savings and transactional deposits at or near interest rate floors
- \$69bn replicating portfolio provides 3.4 year average hedge for capital (\$36bn) and low rate deposits (\$33bn)
- Current swap rates ~100bps below replicating portfolio rate
- FY20 NIM impact from last 3 rate cuts is -6bps, reduces to -3bps after home loan SVR changes (~\$200m net revenue reduction)
- Another 25-50bps rate cut reduces Group NIM by 3-6bps (~\$200-\$420m revenue reduction) if no offsetting action is taken

## CAPITAL & DEPOSIT HEDGES – REPLICATING PORTFOLIOS<sup>2</sup>



## CUSTOMER DEPOSITS BY INTEREST RATE<sup>1</sup>



## AVERAGE RETURN OF REPLICATING PORTFOLIO

	1H18	2H18	FY18
	2.22%	2.20%	2.21%
	1H19	2H19	FY19
	2.19%	2.05%	2.12%

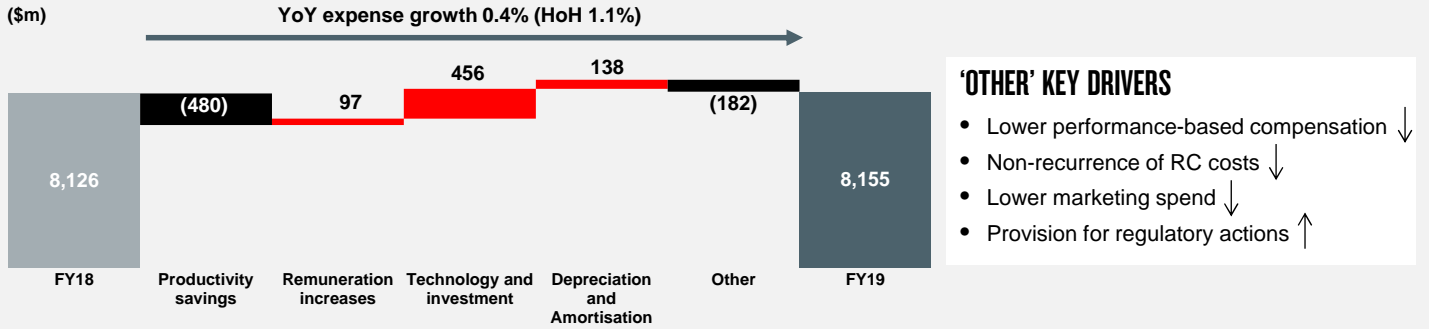
- (1) Australia only, as at 17 October 2019. Customer deposits exclude home loan offsets
- (2) Blended replicating portfolio earnings rate (Australia only). Replicating portfolio includes capital and non-interest bearing deposits

17



# FY19 OPERATING EXPENSES 'BROADLY FLAT'

## FY19 OPERATING EXPENSES (EX LARGE NOTABLE ITEMS)

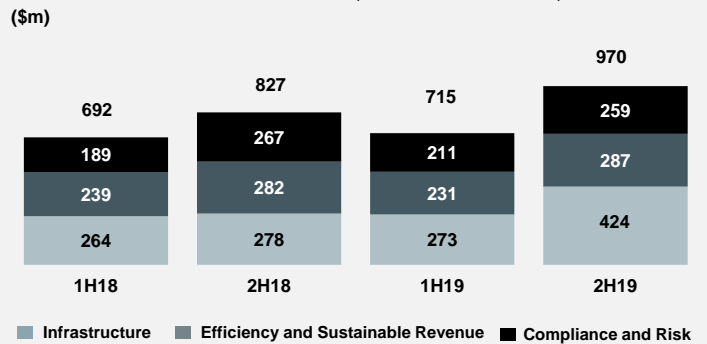


## FY20 'BROADLY FLAT' EXPENSE TARGET CONSIDERATIONS<sup>1</sup>

- Excludes large notable items
- Normalised performance-based compensation
- Non repeat of provision for regulatory actions
- Benefit from capitalised software policy change offset by higher regulatory and compliance spend
- Lower annual investment spend (\$1.4-1.5bn)
- Cumulative productivity savings (>\$1bn)

(1) Refer to key risks, qualifications and assumptions in relation to forward-looking statements on page 106

## PROJECT INVESTMENT SPEND (OPEX AND CAPEX)

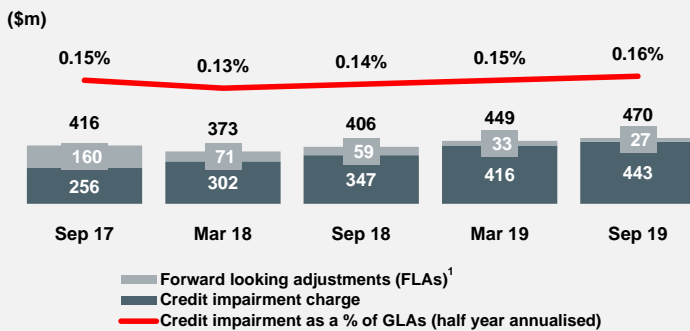


18

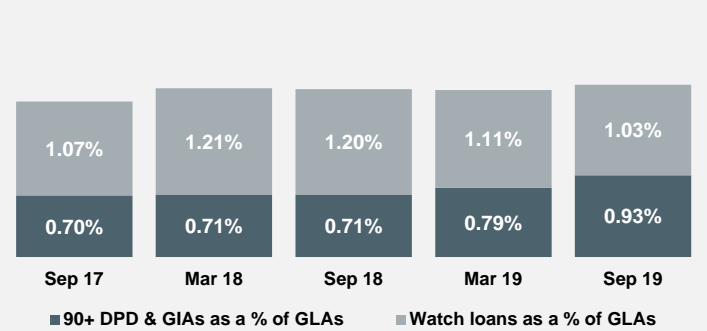


# ASSET QUALITY REMAINS SOUND

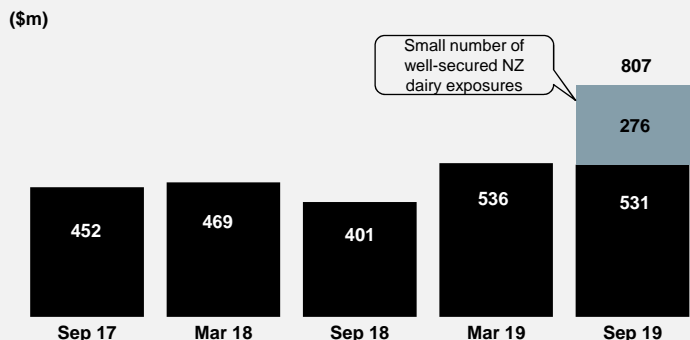
## CREDIT IMPAIRMENT CHARGE



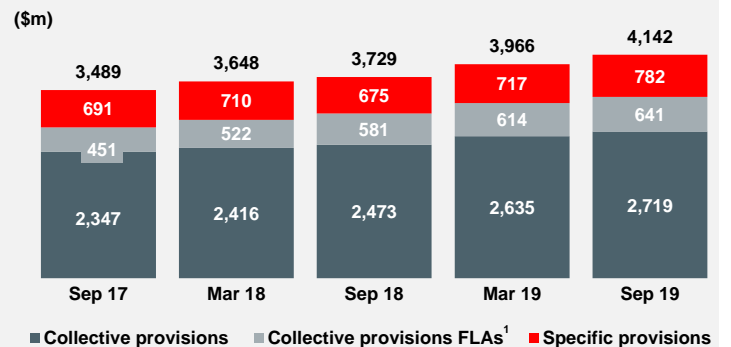
## 90+ DPD, GIAs & WATCH LOANS AS A % OF GLAs



## NEW IMPAIRED ASSETS



## COLLECTIVE AND SPECIFIC PROVISION BALANCES



(1) Represents collective provision Forward Looking Adjustments (FLAs) for targeted sectors. See slide 79 for breakdown of FLAs

19

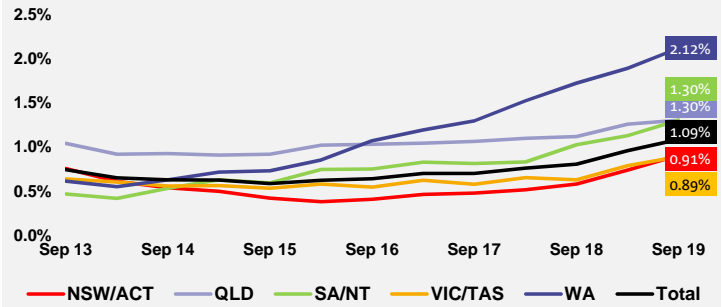


# ASSET QUALITY AREAS OF INTEREST

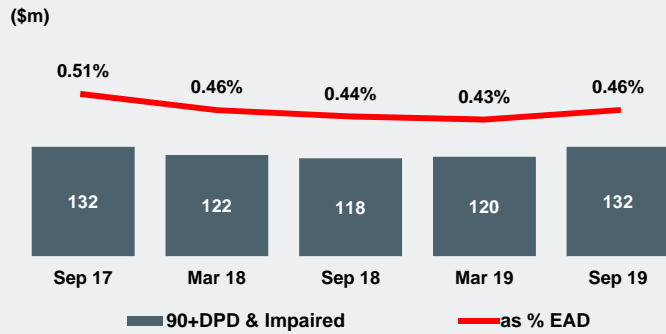
## HOUSING LENDING PORTFOLIO PROFILE

- Arrears still rising (mainly 90+ DPD) reflecting
  - IO conversions to P&I
  - Customers remaining in 90+ DPD for longer
  - Maturing of earlier vintages as book growth slows
- 2.4% of Australian mortgage portfolio have LVR >100%<sup>1</sup> of which non-performing loans without LMI total ~\$200m
- Sydney/Melb house prices now rising mitigates risks
- HEM reliance 27% in 2H19

## HOUSING LENDING 90+DPD & GIAs AS % OF GLAs



## AUSTRALIAN AGRICULTURE ASSET QUALITY



(1) Valuations applied using CoreLogic SA3-region Property indices

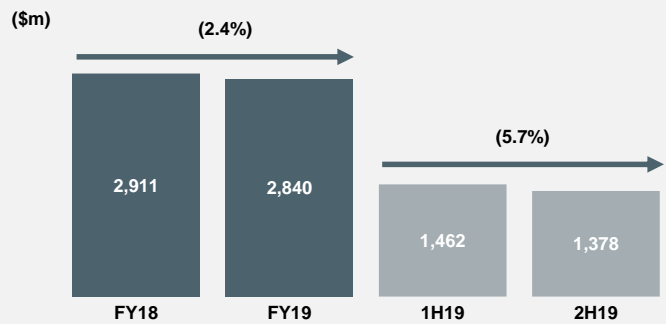
## NEW ZEALAND DAIRY

- Environmental headwinds impacting farm costs
- Tighter foreign ownership rules limiting exit options
- 6% (NZ\$471m) of the NZ dairy book is impaired compared to 2% in 1H19
  - Average LVR of 86%
  - SP coverage of 14%

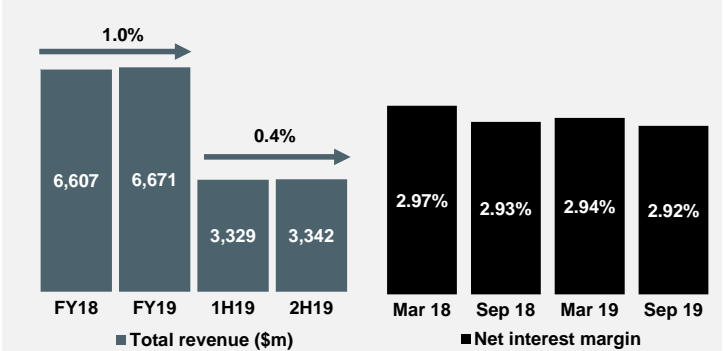


# BUSINESS & PRIVATE BANKING

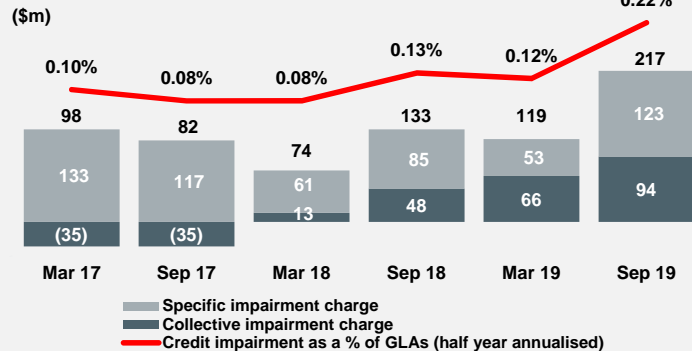
## CASH EARNINGS



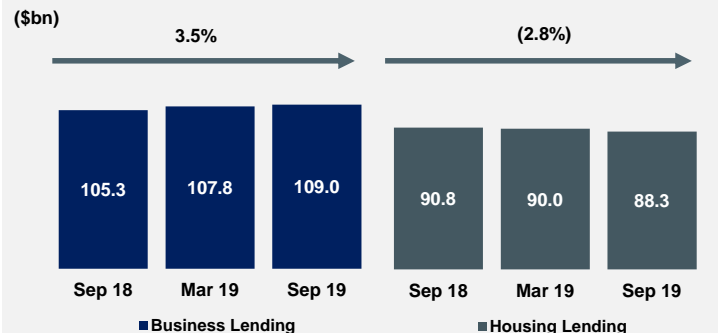
## REVENUE AND MARGIN



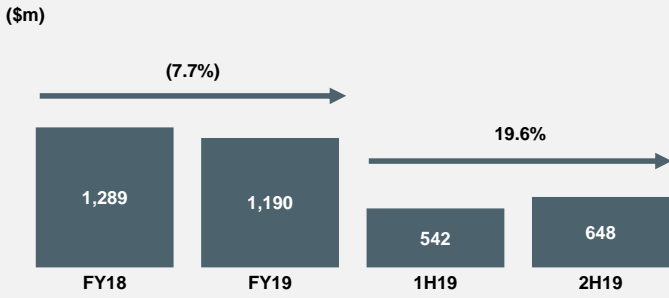
## CREDIT IMPAIRMENT CHARGES



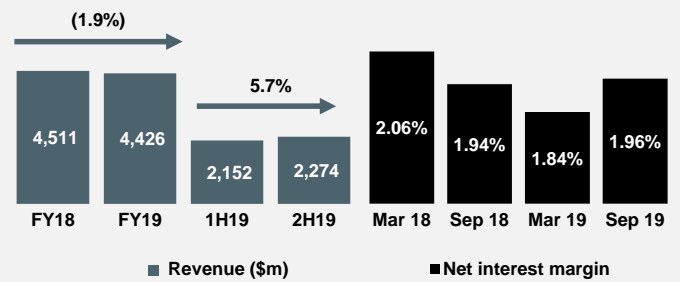
## BUSINESS AND HOUSING LENDING GLAs



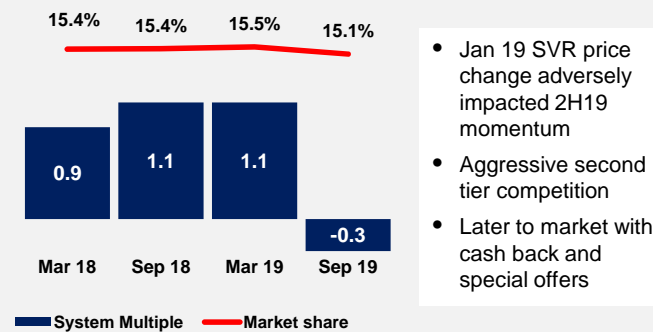
## CASH EARNINGS



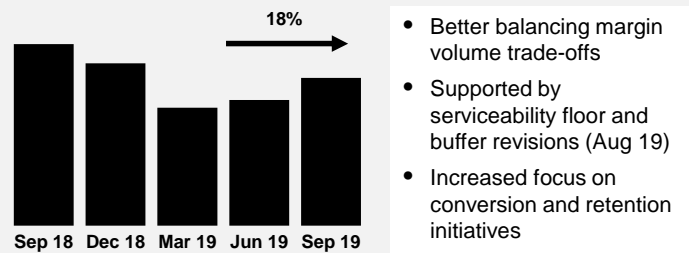
## REVENUE AND NET INTEREST MARGIN



## HOUSING LENDING VOLUME GROWTH<sup>1</sup>



## HOUSING APPLICATION VOLUMES (QUARTERLY)

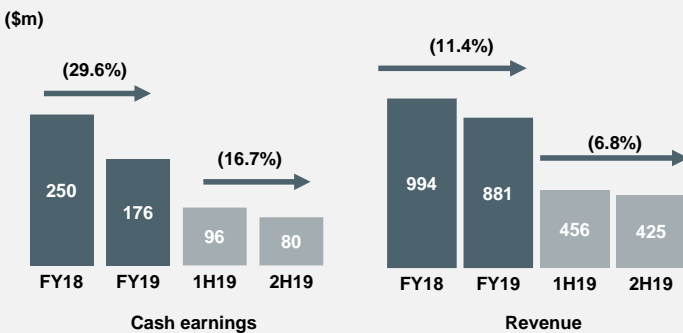


(1) APRA Monthly Banking Statistics is used for Mar 18 to Mar 19. Sep 19 is prepared using APRA Monthly Authorised Deposit-taking Institution statistics

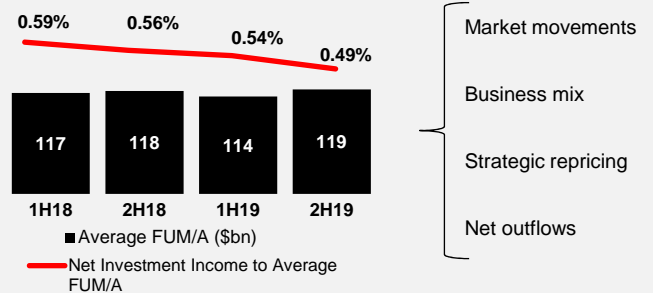


# WEALTH

## CASH EARNINGS<sup>1</sup> AND REVENUE



## AVERAGE PLATFORM FUM/A AND MARGIN



## STRATEGIC REPOSITIONING WELL PROGRESSED

Progressing towards separation, via public markets exit while exploring alternatives<sup>2</sup>

New executive team largely in place

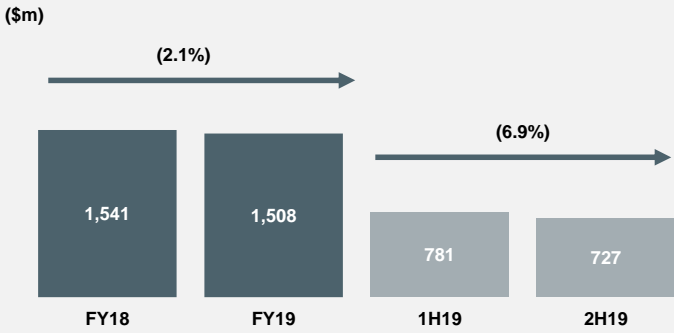
Advice	Platforms	Retirement & Investment Solutions	Asset Management
<ul style="list-style-type: none"> <li>New advice model launched reducing risk and improving sustainability of offer</li> <li>Supporting simplified, tiered, and client segmented solutions</li> </ul>	<ul style="list-style-type: none"> <li>Repricing well received; improved Wrap sales in 2H19</li> <li>Wrap partnering discussions well advanced</li> </ul>	<ul style="list-style-type: none"> <li>\$120bn FUM/A, Market Share rank #2<sup>3</sup></li> <li>Corporate super FUM \$52bn, Market Share rank #1<sup>3</sup></li> <li>Modernising super offers and client engagement</li> </ul>	<ul style="list-style-type: none"> <li>\$202bn AUM<sup>4</sup></li> <li>81.9% of AUM outperforming benchmark over three years<sup>5</sup></li> <li>Rebranding and leadership restructure completed</li> </ul>

(1) FY19 cash earnings of \$163m for business expected to be divested  
 (2) Separation subject to market conditions, regulatory and other approvals  
 (3) Source: Strategic Insight Market Overview as at 30 June 2019, Platforms and Corporate Super Segments  
 (4) Certain managed funds and assets are represented in both FUM/A and AUM meaning the two should not be summed  
 (5) This is a representative measure in AUM. Returns are gross of fees and tax, with outperformance measured against the respective benchmark return for the flagship products

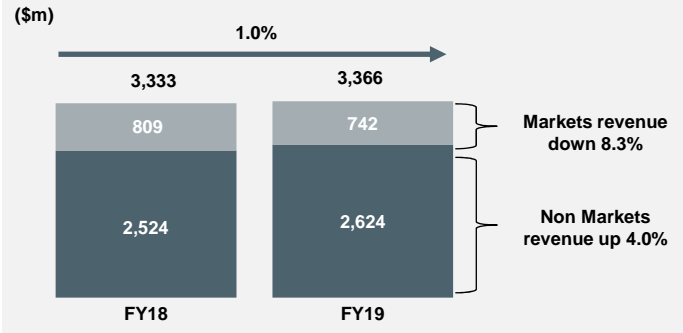


# CORPORATE & INSTITUTIONAL BANKING

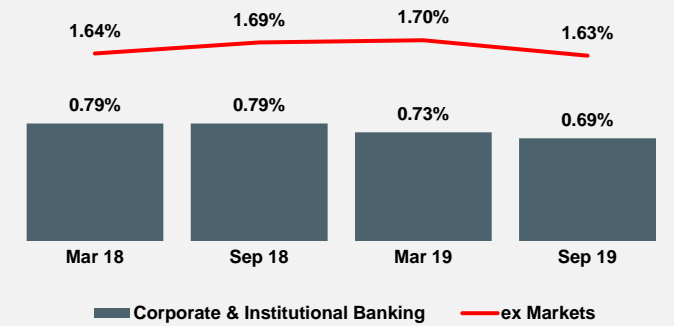
## CASH EARNINGS



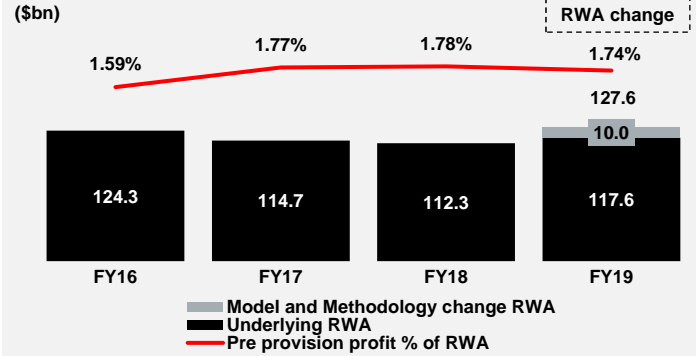
## REVENUE BREAKDOWN<sup>1</sup>



## NET INTEREST MARGIN



## RETURNS FOCUS

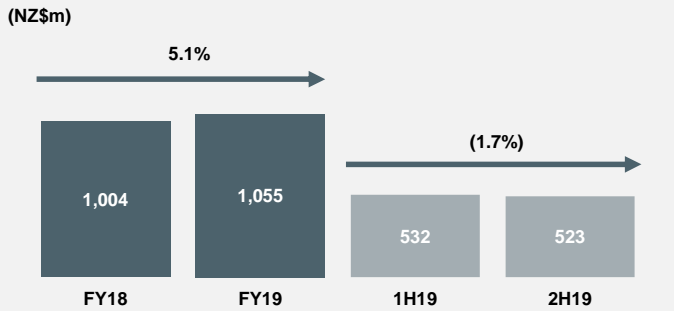


(1) Markets revenue represents Customer Risk Management and NAB Risk Management Revenue and includes derivative valuation adjustments

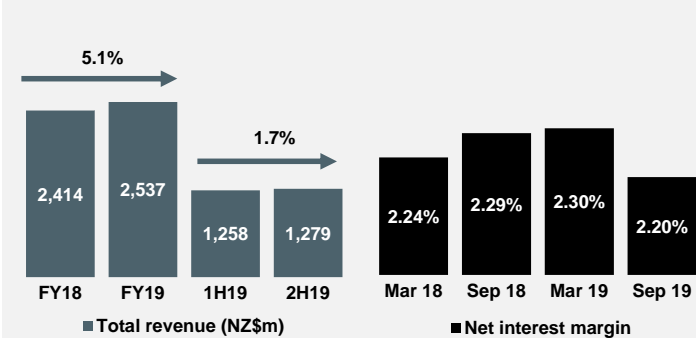


# NEW ZEALAND BANKING

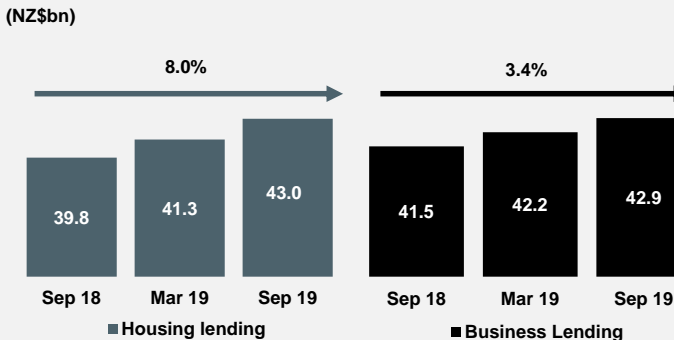
## CASH EARNINGS



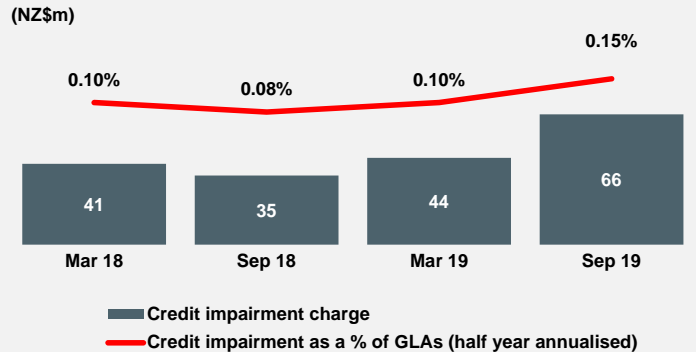
## REVENUE AND MARGIN



## BUSINESS & HOUSING LENDING GLAs

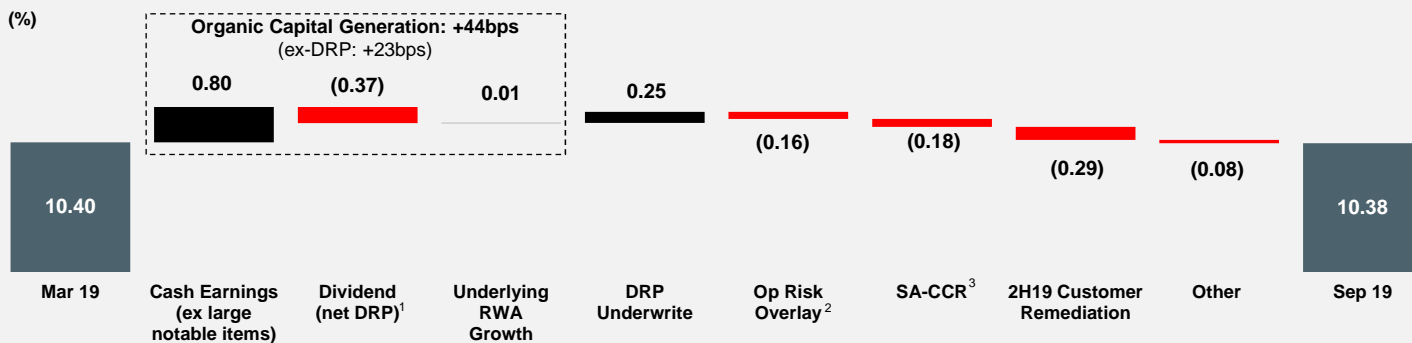


## CREDIT IMPAIRMENT CHARGES AND AS A % OF GLAs



# CAPITAL ON TRACK FOR 'UNQUESTIONABLY STRONG'

## GROUP BASEL III COMMON EQUITY TIER 1 CAPITAL RATIO



## CAPITAL CONSIDERATIONS

- Well placed to meet APRA's 'Unquestionably Strong' CET1 benchmark from January 2020
  - Targeting minimum of 10.5% CET1 at March and Sep
- Pro-forma CET1 10.75% after 1.5% discount (~\$0.9bn) and partial underwrite (up to \$0.7bn) of the FY19 final DRP which adds ~37 bps to CET1
- APRA's APS 111 consultation on equity investments in subsidiaries has no material impact on Level 1 CET1<sup>4</sup>. At 30 September 2019, Level 1 CET1 is 10.5%

- (1) Net of 1.5% discount  
 (2) \$500m Operational Risk add-on announced by APRA effective from 30 September 2019  
 (3) Implementation of the standardised approach to measuring derivative counterparty credit risk  
 (4) On a 30 September 2019 pro-forma basis

## CAPITAL CHANGES IMPACTING NEW ZEALAND

- Final RBNZ capital framework expected in December
- Current proposals imply NZ\$4-5bn increase of incremental BNZ Tier 1 capital or a decrease in BNZ balance sheet (RWAs)
- Management actions expected to reduce the ultimate impact of the proposals, including repricing and/or reducing lending

26



# TRANSFORMATION PROGRESS

**FY18**

**Mobilise & Execute**

- Flatter organisational structure with >90% of FTE within 7 layers or less from CEO
- New Technology Leadership team in place
- New customer hub open extended hours, 7 days a week, for all metro small business customers
- Smart ATM rollout complete

**FY19<sup>1</sup>**

**Accelerate**

- \$0.8bn of cost savings, FTE reduced by 3,713
- Revenue per business banker up 20%
- 30% reduction in OTC transactions
- 17% reduction in call centre volumes
- Product numbers reduced by 30%
- IT legacy applications reduced by 11% and 19% migrated to the cloud
- UBank customer numbers up 40% to over 550k

(1) Against FY17 baseline.

27

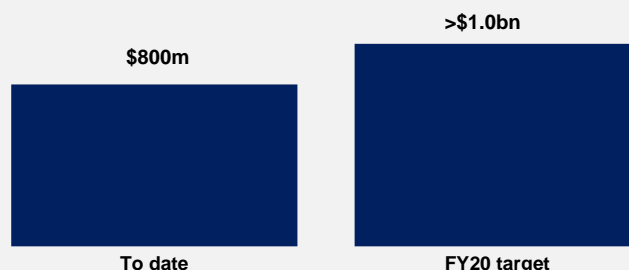


# TRANSFORMATION IS DELIVERING CLEAR BENEFITS

## TRANSFORMATION PROGRESS<sup>1</sup>

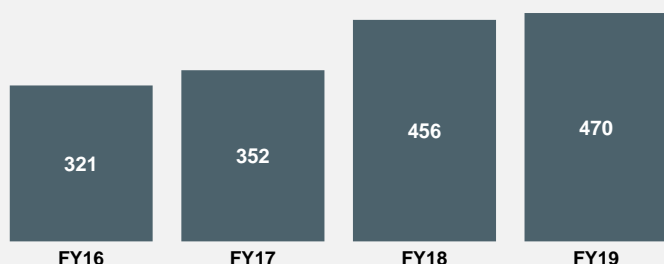
- Completed 2<sup>nd</sup> year of 3 year transformation program
- Continue to target net FTE reduction of 4,000 and >\$1bn in cost savings
- Higher regulatory, risk and compliance spend has to date been absorbed. Expect further increase in FY20
- FY19 'broadly flat' expense target met and targeting the same for FY20 excluding large notable expenses<sup>2</sup>

## COST SAVINGS

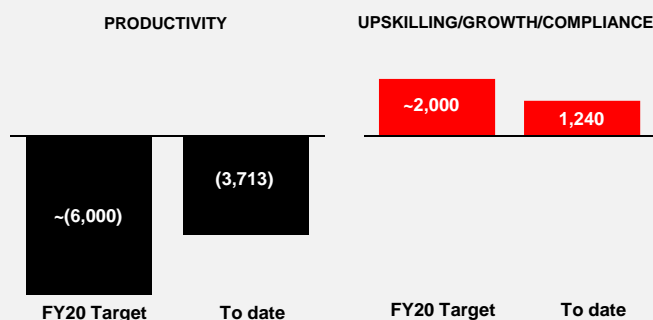


## COMPLIANCE & RISK INVESTMENT SPEND

(\$m)



## FTE CHANGES



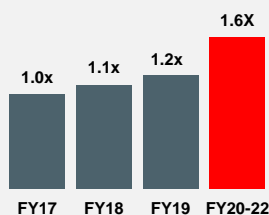
(1) Refer to key risks, qualifications and assumptions in relation to forward-looking statements on page 106  
 (2) Large notable expenses include significant customer-related remediation costs and capitalised software changes



# BEST BUSINESS BANK

## EMPOWERING RELATIONSHIP BANKERS

Targeted revenue per banker (indexed)<sup>1</sup>

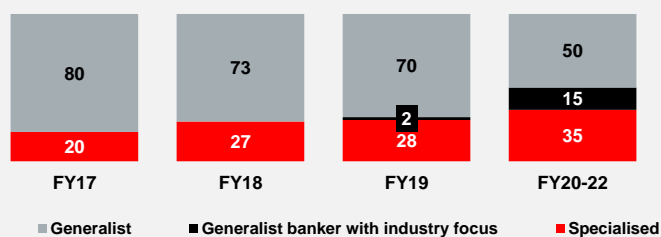


New CRM rolled out across Small and Medium business:

- Mobile capability, real time data and automated reports and dashboards
- Assisting sales management and performance disciplines

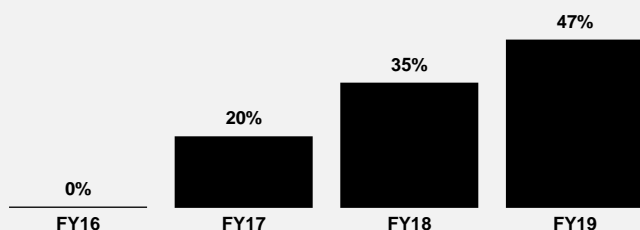
## INCREASING INDUSTRY SPECIALISATION

% of revenue by specialised banker



## MARKET LEADING DIGITAL & DECISIONING

Proportion of new small business lending accounts generated via QuickBiz<sup>2</sup>



## STRENGTHEN SMALL BUSINESS CUSTOMER PROPOSITION

6 scalable customer hubs  
 Open 7 days a week  
 >230,000 customers  
 Serviced by dedicated small business specialists



- Customer hub NPS up 4bps<sup>3</sup>
- Increase in proactive outbound calling driving 20% uplift in banker sales pipelines<sup>3</sup>
- 11%<sup>4</sup> growth in customers with a NAB business deposit

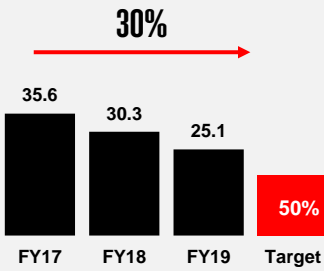
(1) Reflects revenue generated in Business & Private Bank per relationship manager  
 (2) New QuickBiz loan and QuickBiz overdraft accounts as a percentage of total new term lending and overdraft accounts in the Small Business division  
 (3) 2H19 compared with 1H19  
 (4) Over the 12 months to September 2019



# SIMPLER AND FASTER – PRODUCTS AND NETWORK<sup>1</sup>

## OVER-THE-COUNTER TRANSACTIONS DECLINING

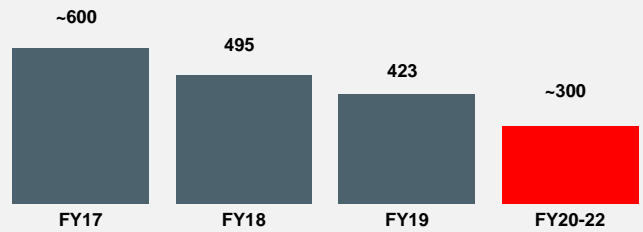
(m)



- 66% of active customers<sup>2</sup> using digital for all activity
- 95 branches and business banking centres closed
- 835 Smart ATMs rolled out
- Mobile cheque capture launched 2H19

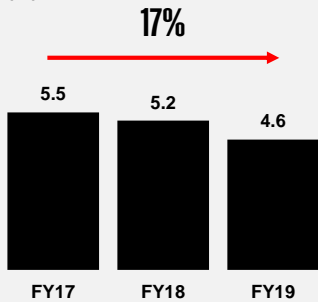
## FEWER PRODUCTS

Total # of products



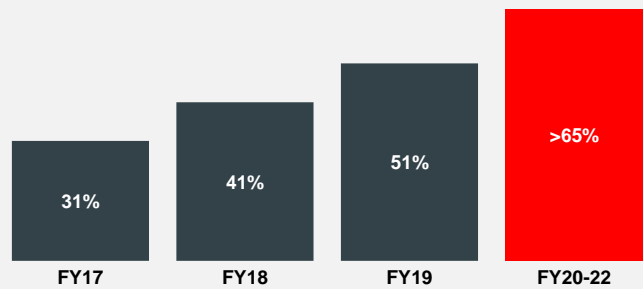
## REDUCTION IN CALL CENTRE VOLUMES

(m)



- >500,000 pa call reduction via improved real-time online transaction details
- >460,000 customer queries responded to by Virtual Assistant since Aug 18
- 1.8m customers sent 'credit card repayment due' SMS reminders since Mar 19

## SIMPLE CONSUMER PRODUCT SALES VIA DIGITAL<sup>3</sup>



(1) Excludes BNZ

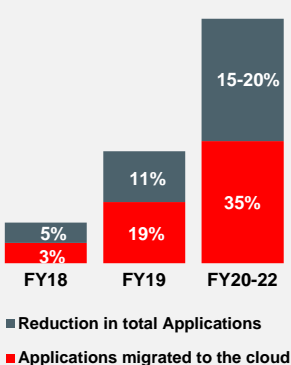
(2) Customers who had ≥1 NAB interaction in three months to 30 Sept 2019

(3) Simple consumer product sales includes the opening of savings and transaction accounts, personal loans and credit cards across all segments and channels



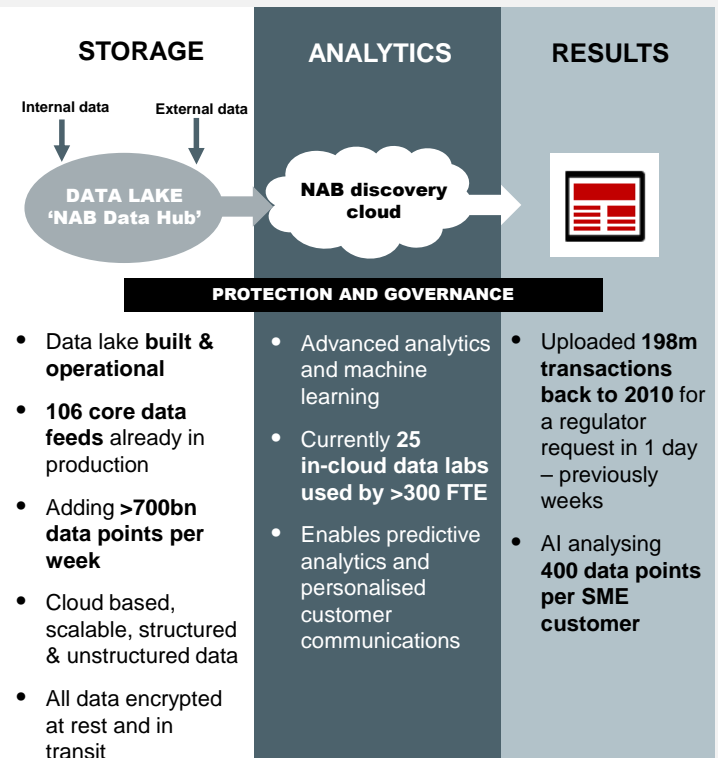
# SIMPLER AND FASTER – TECHNOLOGY & DATA

## SIMPLIFYING APPLICATIONS WITH CLOUD FIRST AGENDA



- Reduction of 278 IT legacy applications since FY17 (86 in 2H19)
- 422 IT applications migrated to the cloud (224 in 2H19)
- Cloud facilitates more productive workforce, allowing development in 2 days from 6 weeks on average
- Increased reliability for apps migrated to cloud and lower run cost

## DATA FOUNDATIONS BUILT



## DELIVERING RESULTS

- \$319m of savings from third party spend since FY17
- 42% decline in 'Critical and High' incidents in FY19
- 'Time to detect' cyber security incidents down 12 fold and 'time to contain' down 8 fold in FY19
- >25,000 reports and 16 reporting tools decommissioned





# OUTLOOK AND SUMMARY

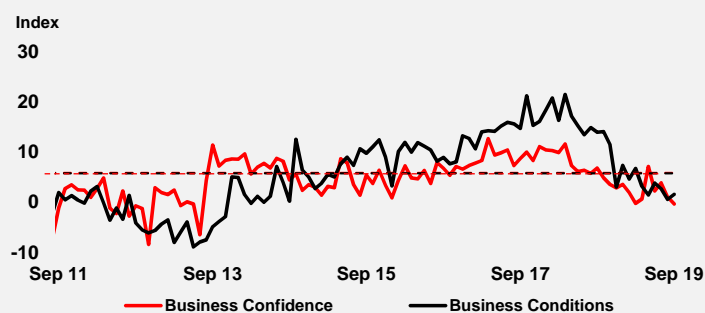
**PHILIP CHRONICAN**  
Chief Executive Officer

## OPERATING ENVIRONMENT REMAINS UNCERTAIN

### ECONOMIC ENVIRONMENT

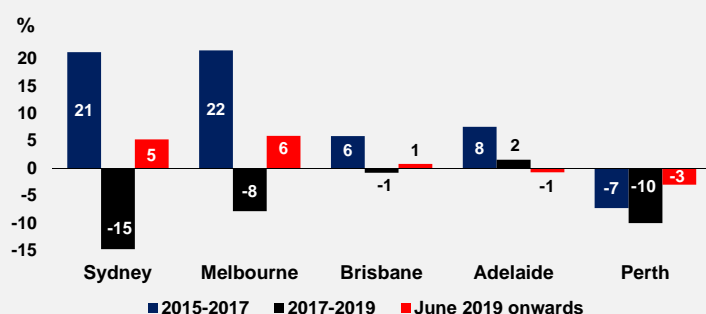
- Slowing GDP growth, expect ~2% in 2020
- Business conditions and confidence have weakened which may dampen FY20 business credit growth
- House prices in Sydney and Melbourne now increasing
- But housing credit growth likely to remain weak
- Stimulus from further rate cuts is uncertain

### NAB BUSINESS CONDITIONS AND CONFIDENCE<sup>1</sup>

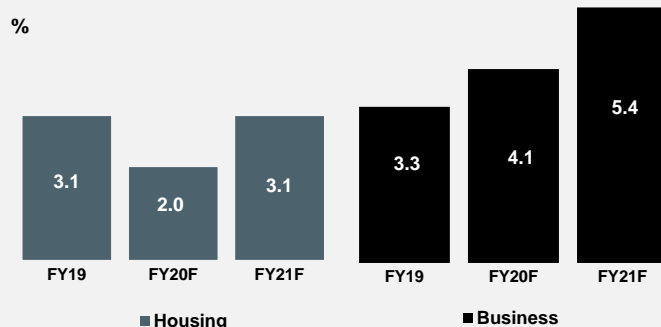


\* Dotted lines are long-run averages since Mar 97

### RESIDENTIAL PROPERTY PRICE CHANGES<sup>2</sup>



### CREDIT GROWTH FORECASTS<sup>3</sup>



(1) Source: NAB Business Survey

(2) Source: CoreLogic, NAB. Chart shows movement in hedonic prices. June 2019 onwards refers to movement from 31 May 2019 to 31 October 2019

(3) Source: RBA, NAB. Bank fiscal year-ended (September)

# IMPLICATIONS OF LOW INTEREST RATE ENVIRONMENT

## REDUCES NAB REVENUE

Deposit costs don't fall in line with interest rate levels

\$88bn of deposits at or near floor

Earnings on capital and zero rate deposits fall absolutely over time

One third lower since Sep 2015

Loan balances fall as customers maintain repayment levels

77% of P&I variable rate home loan customers have not lowered repayments since June rate cut

Annualised impact of last 3 rate cuts

930k mortgage borrowers  
~\$1.3bn  
(less interest paid)

4.9m depositors  
~\$900m  
(less interest received)

573k shareholders  
~\$200m  
(less revenue)

## LESS ECONOMIC BENEFIT

Very low interest rates may not work as well as traditional models expect

- Households using lower rates to accelerate repayments not to support consumption
- Retirees receiving lower incomes from investments may reduce consumption
- Pre-retirees need to increase savings levels

Economic growth needs to come from

- Improved business confidence, business investment supported by credit growth
- Economic reforms that support productivity growth

## SUMMARY

- Addressing issues of the past and preparing for the future
- Clear actions to meet customer and community expectations
- Our financial settings have been strengthened
  - Customer remediation provisions increased
  - Dividend payout lowered
  - Capital on track for Unquestionably Strong
- Underlying performance sound, but low rate environment provides new challenges
- Transformation is delivering real benefits
  - Digital
  - SME growth
  - IT resilience
  - Productivity

# ADDITIONAL INFORMATION

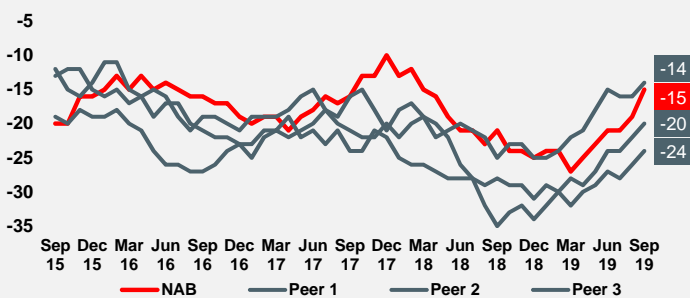
## AUSTRALIAN CUSTOMER EXPERIENCE

### PRIORITY SEGMENTS NPS<sup>1</sup>

CUSTOMER EXPERIENCE

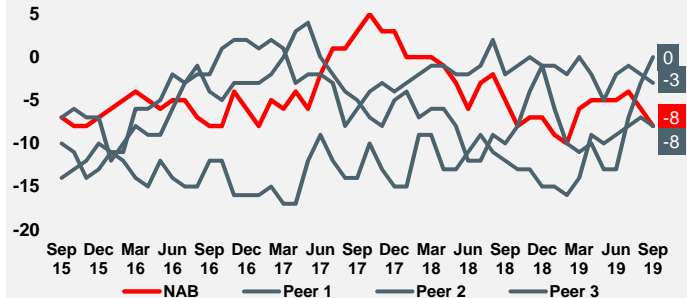
#### SMALL BUSINESS

Small Business Net Promoter Score vs. peers<sup>2</sup>



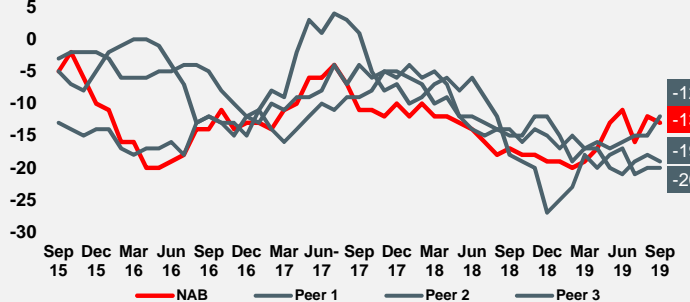
#### MEDIUM BUSINESS

Medium Business Net Promoter Score vs. peers<sup>2</sup>



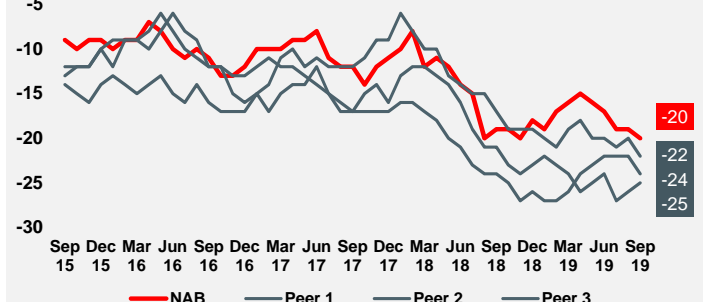
#### HOME OWNERS

Home Owners Net Promoter Score vs. peers<sup>3</sup>



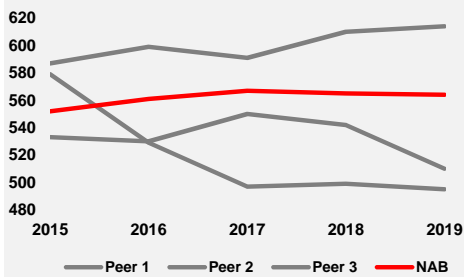
#### INVESTORS

Investors Net Promoter Score vs. peers<sup>3</sup>

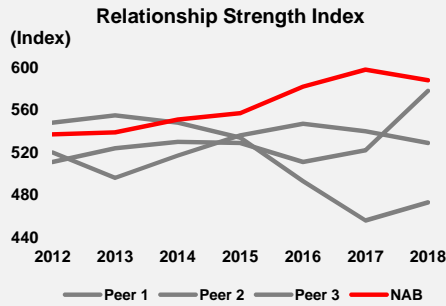


(1) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld  
 (2) September 2019. DBM Business Financial Services Monitor; all customers' six month rolling averages for Small Business (\$0.1m-~\$5m) and Medium Business (\$5m-~\$50m). Small Business (turnover \$0.1m-~\$5m) is a NAB construct that combines weighted results for the Lower (turnover \$0.1m-~\$1m) & Higher (turnover \$1m-~\$5m) Small Business sub-segments, using a 50:50 weighting approach. This metric does not reflect the relative size of these segments as per the ABS business population. Net Promoter Score (NPS) is based on all customers' likelihood to recommend on a scale of 0 to 10 (extremely unlikely to extremely likely)  
 (3) Source: DBM Consumer Atlas Research: NAB defined Home Owners (Home Loan @ Bank) and Investors, Australian population aged 18+, six month rolling average. Roy Morgan Research no longer provide Home Owners and Investors segment data, history has been restated

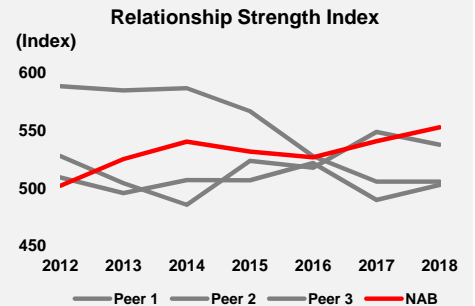
## LARGE CORPORATE & INSTITUTIONAL – RELATIONSHIP STRENGTH INDEX<sup>1</sup>



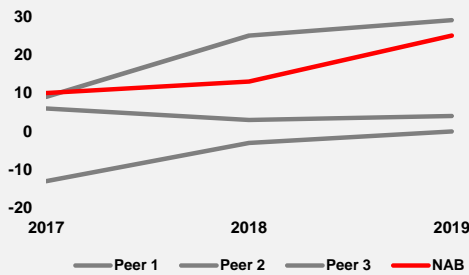
## INTEREST RATE HEDGING<sup>3</sup>



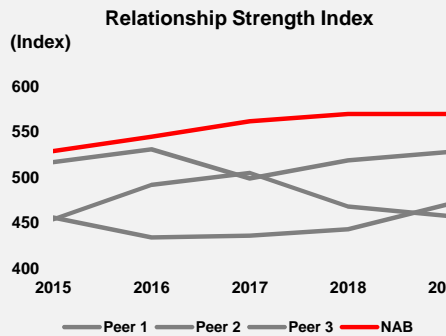
## FOREIGN EXCHANGE<sup>4</sup>



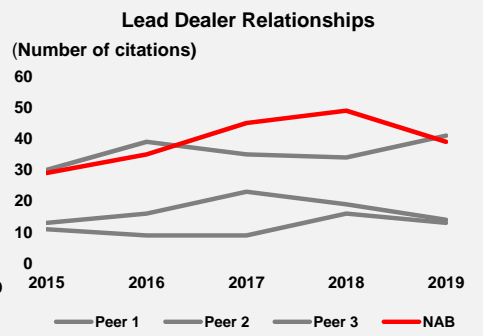
## INSTITUTIONAL NPS<sup>1,2</sup>



## DEBT MARKETS ORIGATION<sup>5</sup>



## DEBT MARKETS ORIGATION<sup>5</sup>

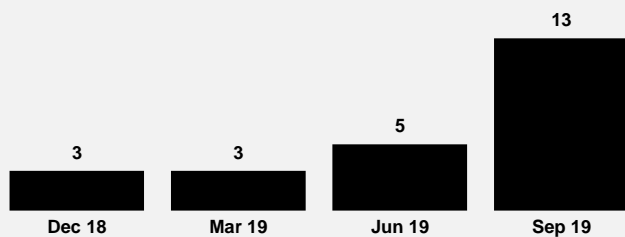


(1) 2019 Peter Lee Associates Large Corporate and Institutional Relationship Banking Survey, Australia. Relationship Strength Index (RSI) is based on a combined measure of most qualitative evaluations. RSI and NPS rankings against four major domestic banks  
 (2) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld  
 (3) Peter Lee Associates – Interest Rate Derivatives Survey Australia 2018. Based on top four banks by penetration  
 (4) Peter Lee Associates – Foreign Exchange Survey Australia 2018. Based on top four banks by penetration  
 (5) Peter Lee Associates Debt Securities Origination Survey 2019. Based on top four banks by penetration

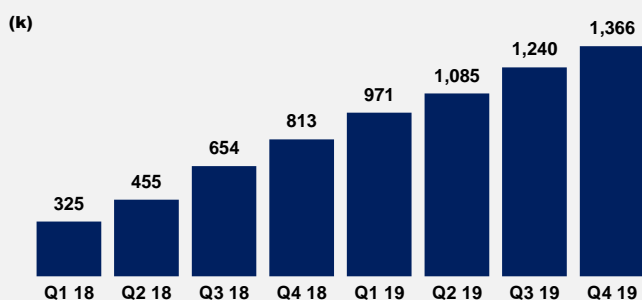


# BETTER DIGITAL EXPERIENCES FOR OUR BUSINESS CUSTOMERS

## INTERNET BANKING FOR BUSINESS CUSTOMERS NPS (NAB CONNECT)

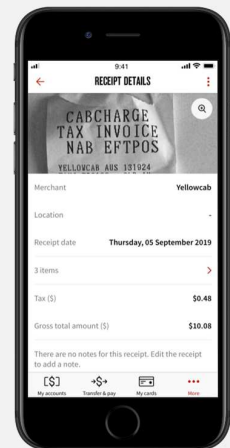
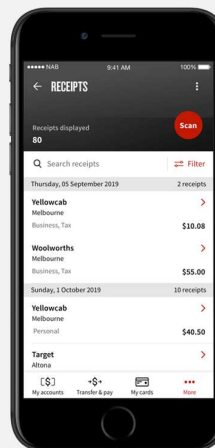


## NAB CONNECT APP LOGINS



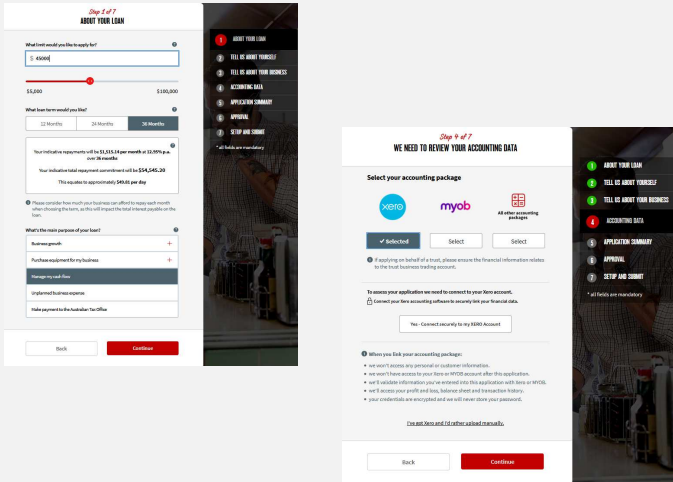
## DIGITAL RECEIPTS TO SAVE CUSTOMER'S TIME

- First Australian bank to deploy smart receipt technology with Slyp
- This feature in our Mobile App allows small business customers to easily scan, search, filter and share receipts to save time on administration, and spend more time with their customers
- More than 21,000 receipts digitised since launch in September 2019
- The next phase being deployed in coming months will allow participating retailers to send customers digital receipts via the NAB Mobile App to eliminate the need to scan



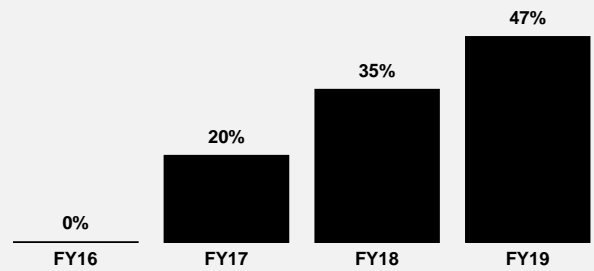
## DIGITAL SMALL BUSINESS UNSECURED LENDING

- Access to unsecured finance for term loan, overdraft, business cards, equipment loan and broker assisted customers
- Application and decisioning in **as little as 20 minutes**
- Direct connectivity to Xero, MYOB or QuickBooks data, or simple financial upload from any accounting package
- Financial verification in certain instances is not required for existing NAB<sup>1</sup> customers with business transaction accounts



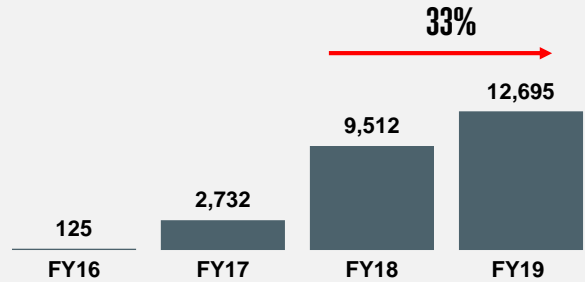
## SMALL BUSINESS UNSECURED LENDING VIA QUICKBIZ

Proportion of new small business lending accounts generated via QuickBiz<sup>2</sup>



## QUICKBIZ APPLICATION GROWTH

# Applications

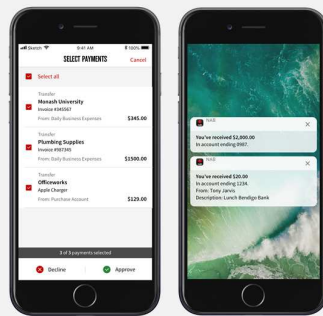


(1) Based on the assessment of business transaction account cash flow strength  
 (2) New QuickBiz loan and QuickBiz overdraft accounts as a percentage of total new term lending and overdraft accounts in the Small Business division

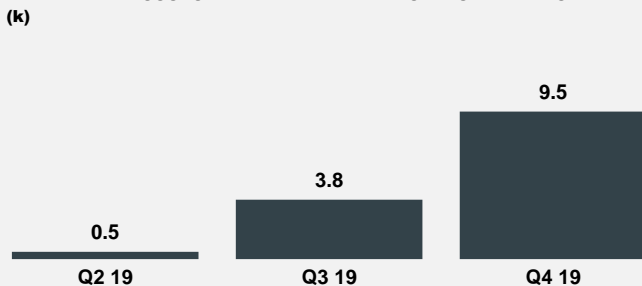


## DELIVERING NEW FEATURES WITH XERO

- Providing Xero subscribers in Australia with easier payment experiences
- Integrated Payments: make business payments directly from Xero, then easily approve them within the NAB Mobile App
- Payment Alerts: sending push notifications when money has arrived in customer's account

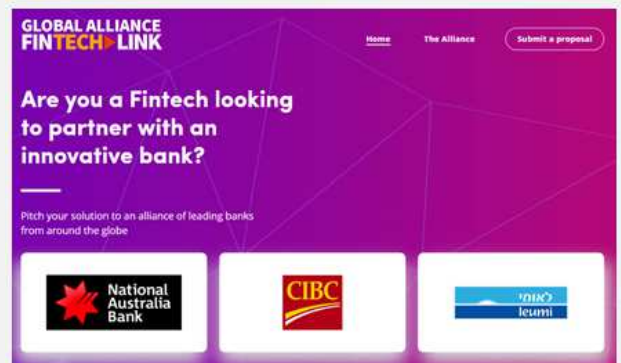


## NAB CUSTOMER PAYMENT APPROVALS VIA XERO



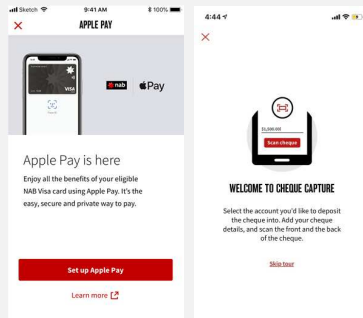
## STREAMLINING FINTECH PARTNERSHIPS WITH CIBC AND BANK LEUMI

- Following a strategic alliance formed in 2016, NAB, Canadian Imperial Bank of Commerce (CIBC) and Bank Leumi have launched Global Alliance Fintech Link
- This portal helps identify relevant new technology and simplifies the partnership process between banks and fintechs
- Through the platform, fintechs submit proposals responding to a wide range of opportunities identified by participating banks
- Over time, additional banks will be added to expand the global reach of the platform

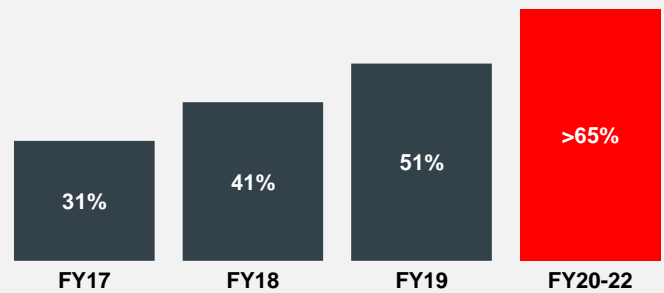


## NEW FEATURES ON MOBILE

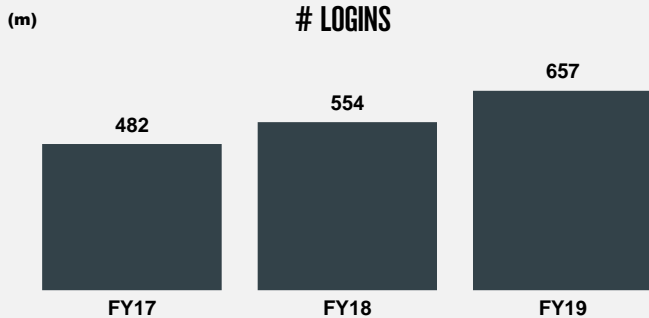
- Launched Apple Pay May 19 with positive customer response and high levels of adoption
- Mobile cheque capture launched
- A newly updated 'Manage my loan' with all the key home loan features



## SIMPLE CONSUMER PRODUCT SALES VIA DIGITAL<sup>1</sup>



## MOBILE LOGINS



## VIRTUAL CHAT CAPABILITY

- Virtual Assistant responded to >460,000 customer queries since Aug 18 launch
  - Queries answered increasing – 142,000 queries in 2H19
- Live Chat in Internet Banking launched Mar 2019
  - 9,000+ chats per month
  - Launch in Mobile App expected by January 2020



(1) Simple consumer product sales includes the opening of savings and transaction accounts, personal loans and credit cards across all segments and channels



# NAB VENTURES – INVESTING IN THE FUTURE OF BANKING

- **2,800+** companies tracked to date, **~850** opportunities qualified; **11 active investments**
- FY19 activity includes **3 new investments**, **5 follow-ons**, and **1 exit**
- First exit in June 2019, Wave Financial Inc (acquired by H&R Block for \$583 million)

## PAYMENTS AND LENDING



Veem has developed technology for small businesses to send international payments in one click

Medipass provides a healthcare platform that connects patients, practitioners and payers



Slyp enables banks to embed digital receipts in their apps, driving enriched data opportunities

Poynt designs and develops next generation smart merchant terminals



## AI, DATA AND ANALYTICS

Basiq has developed an aggregation platform for acquiring financial data, providing secure API access to financial institutions



Data Republic delivers a comprehensive technology suite for data owners to unlock the benefits of data sharing while protecting information security and data privacy

### EXIT

Wave provides free, cloud based accounting software aimed at small and micro businesses



## NEW BUSINESS MODELS



ActivePipe provides targeted information to real estate agents using data, predictive analytics and automated communication

EarnD works with employers to allow employees to draw down the earned portion of their income to ensure financial health and wellbeing



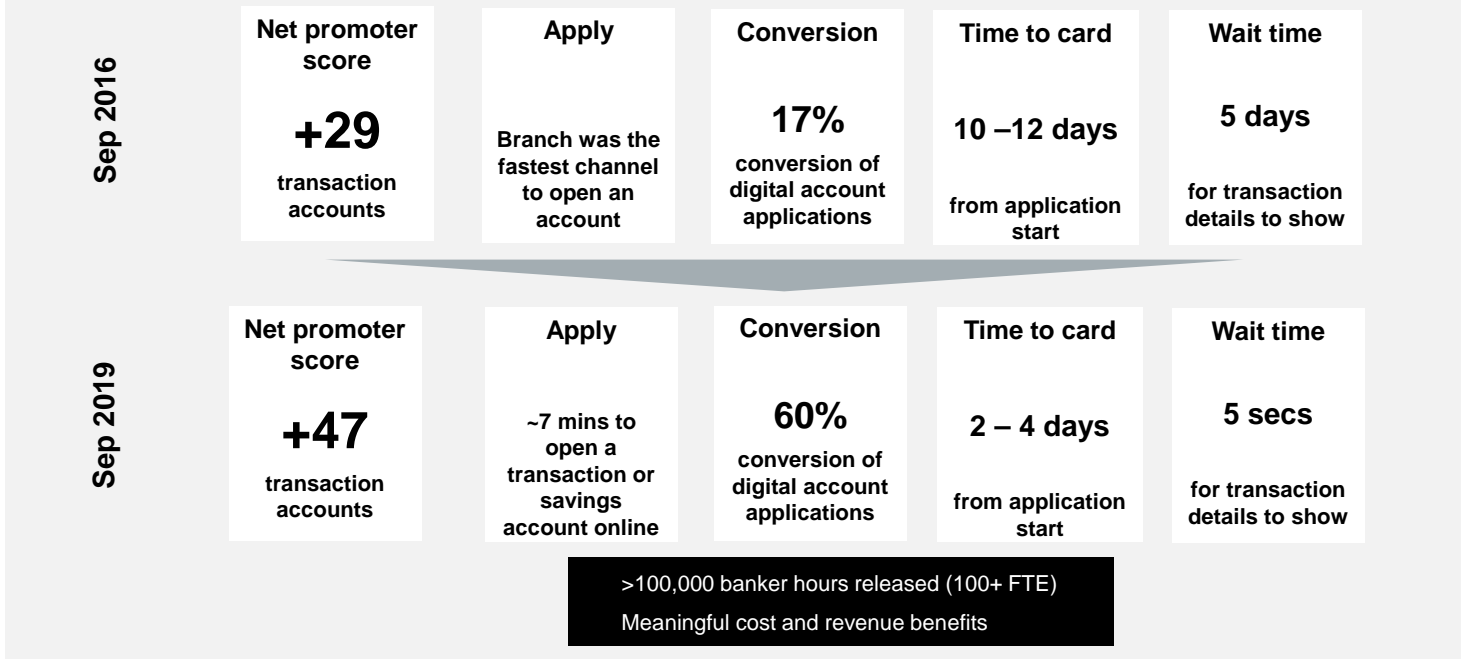
### digital shadows –

Digital Shadows provides external threat intelligence and cyber monitoring services designed to improve cyber situational awareness



## 'EVERYDAY BANKING' (TRANSACTION AND SAVINGS ACCOUNTS) JOURNEY OUTCOMES

Significant improvement in the end-to-end experience for straightforward and fast everyday accounts (transaction and savings accounts)

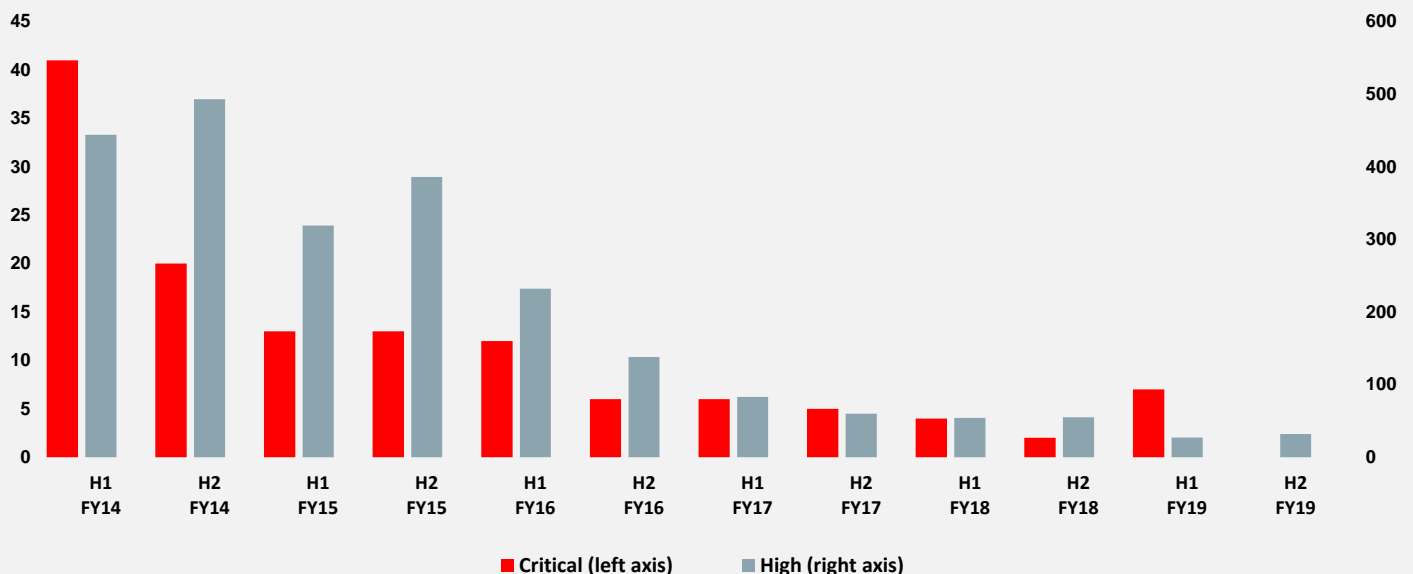


# REDUCTION IN CRITICAL AND HIGH PRIORITY INCIDENTS

## 'CRITICAL' AND 'HIGH' PRIORITY INCIDENTS<sup>1</sup>

Investment in technology driving lower instance of technology incidents since 1H14

- **93%** reduction in "High" priority incidents
- Number of "Critical" priority incidents reduced to **zero**



(1) Critical Incidents – Significant impact or outages to customer facing service or payment channels. High Incidents – Functionality impact to customer facing service or impact/outage to internal systems



## COMPREHENSIVE CREDIT REPORTING (CCR)

- Privacy Act has allowed credit providers and reporting bodies to use and disclose 'positive credit information' about a consumer since 2014, however participation was not mandated
- First major bank to participate in CCR for personal loans, credit cards and overdrafts (February 2018) and implemented for mortgages in February 2019 (first major bank to reach this milestone)
- In September 2019, the remaining major banks began reporting mortgage CCR data
- Enables better provision of credit for customers to better match their needs
- Strengthens customer assessment with access to more information from credit providers and reporting bodies



## OPEN BANKING

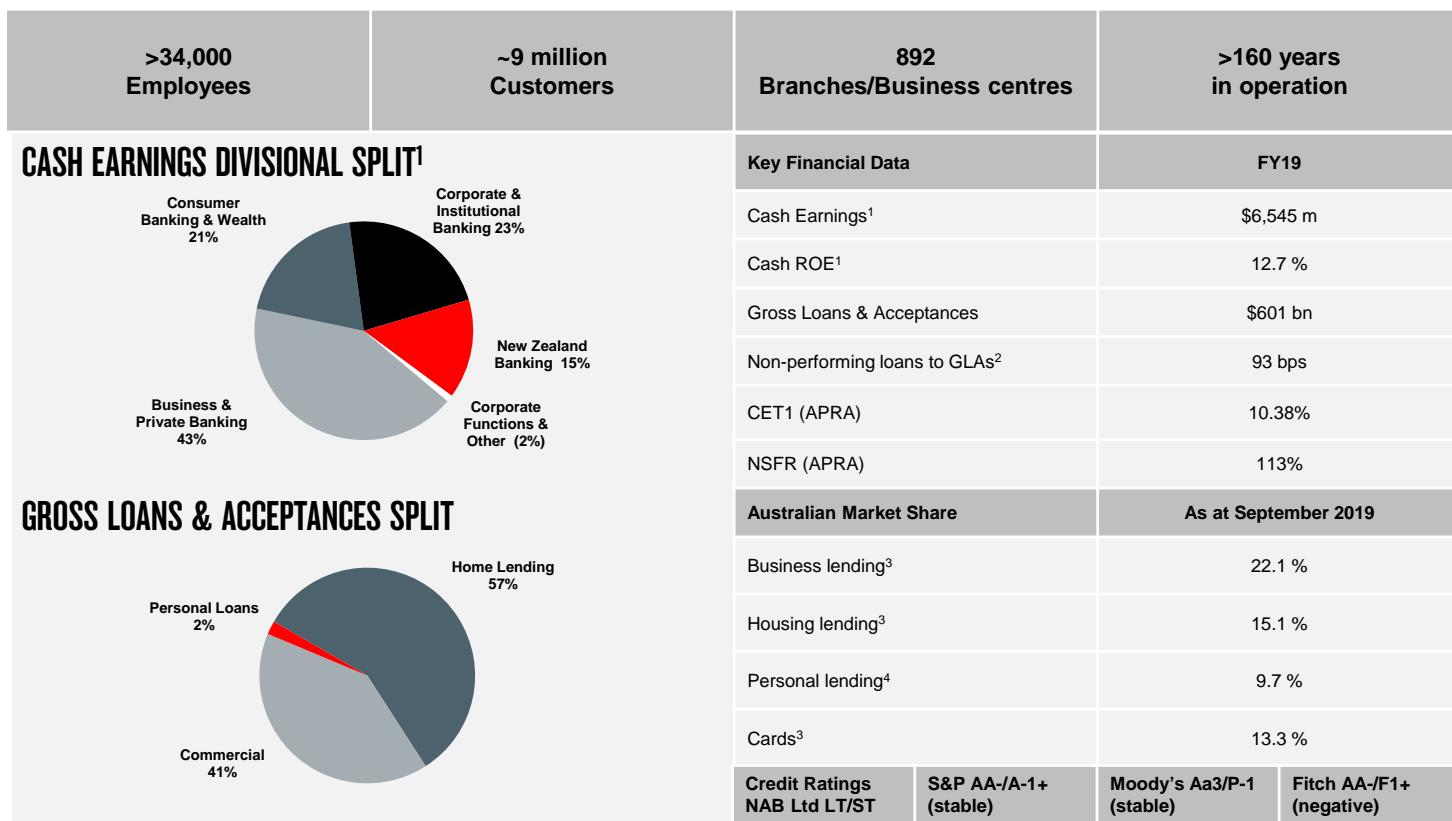
- Provides customers greater control over their own data and offers the potential for banks to compete in new ways
- Implemented via economy-wide Consumer Data Right (CDR), giving customers the right to direct their data to be transferred to accredited 3rd parties. Legislation passed Parliament in Aug 2019
- NAB is working with regulator (ACCC) on implementation which is complex. Also current member of the Data Standards Body Advisory Committee (Data61)
- Began sharing product reference data in September 2019
- Currently required to publicly share consumer data for transaction and deposits accounts and credit and debit cards by 1 Feb 2020
- Timeline is challenging for the industry as some key parts of the framework and implementation are still being finalised. Important to get it right for customers and not prioritise speed over safety



## ADDITIONAL INFORMATION

### NAB AND OUR COMMUNITY

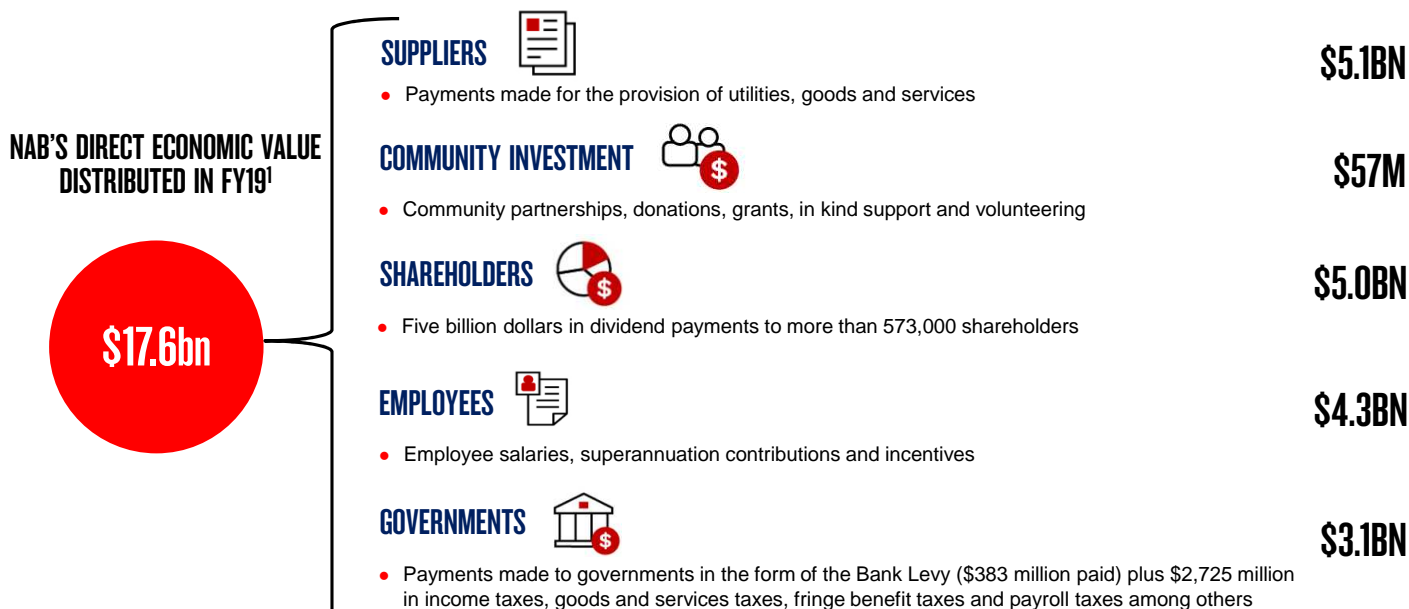




(1) Numbers are shown excluding large notable items. Refer to page 102 for definition of cash earnings and reconciliation to statutory net profit  
 (2) 90+ days past due and gross impaired assets to gross loans and acceptances  
 (3) APRA Monthly Authorised Deposit-taking Institution statistics  
 (4) Personal loans business tracker reports provided by RFI, represents share of RFI defined peer group data



## OUR ECONOMIC VALUE DISTRIBUTED



### NAB'S INDIRECT ECONOMIC CONTRIBUTION IN FY19

**\$61bn** in new home lending.  
**\$87bn** in new business lending.

**\$356bn** in deposits managed for retail and business deposit customers.

**\$202bn** in assets under management – helping customers plan and save for retirement.

(1) Aligned to the Global Reporting Initiative standards



## Our prioritised goals to address significant long-term environmental and social challenges facing our business and community

### Financial Health



Strengthen our customers' financial health by improving access to our products, services and expertise and supporting customers in vulnerable positions

### Stronger Communities



Create more sustainable, accessible and inclusive cities and communities to move Australia forward

### Climate Action



Enhance the resilience of society to climate change and supporting a just transition to a healthy and low carbon economy

### Banking On Nature



Enable and inspire investment in our natural assets to improve the well-being and resilience of our communities

## Aligned to five key United Nations Sustainable Development Goals – where we can make the biggest impact



# FINANCIAL HEALTH

## FY19 HIGHLIGHTS

- 8% increase in total number of microfinance loans provided to Australians<sup>1</sup>
- Launched Customer Support Hub and Indigenous Customer Service Line
- New Customers Experiencing Vulnerability framework, meeting the requirements of the Code of Banking Practice
- Supported 27 community organisations through our Indigenous Money Network to build financial resilience

## CUSTOMER SUPPORT HUB

Specialist team of bankers dedicated to recognising and responding to signs a customer is experiencing vulnerability

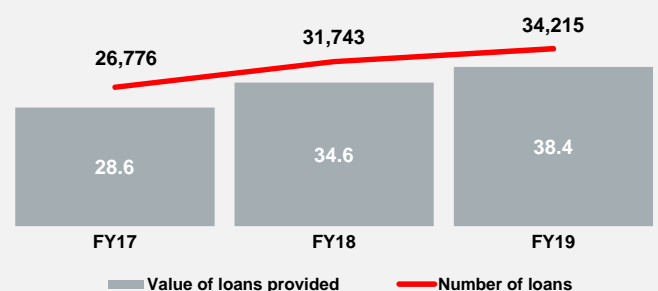
17 experienced bankers with specialised vulnerability training

840 customers assisted since June 2019

44% of calls relating to domestic and family violence

## AUSTRALIAN MICROFINANCE LOANS

(\$m)



## FINANCIAL HARDSHIP ASSISTANCE

(#)

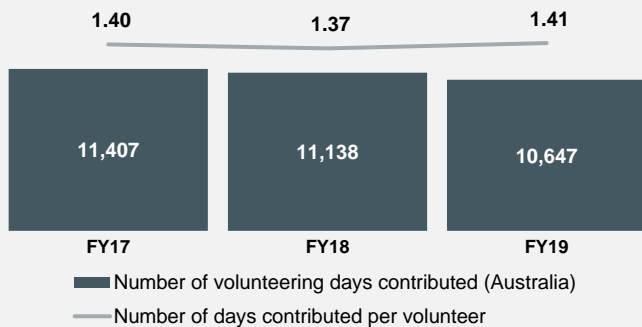


(1) In partnership with Good Shepherd

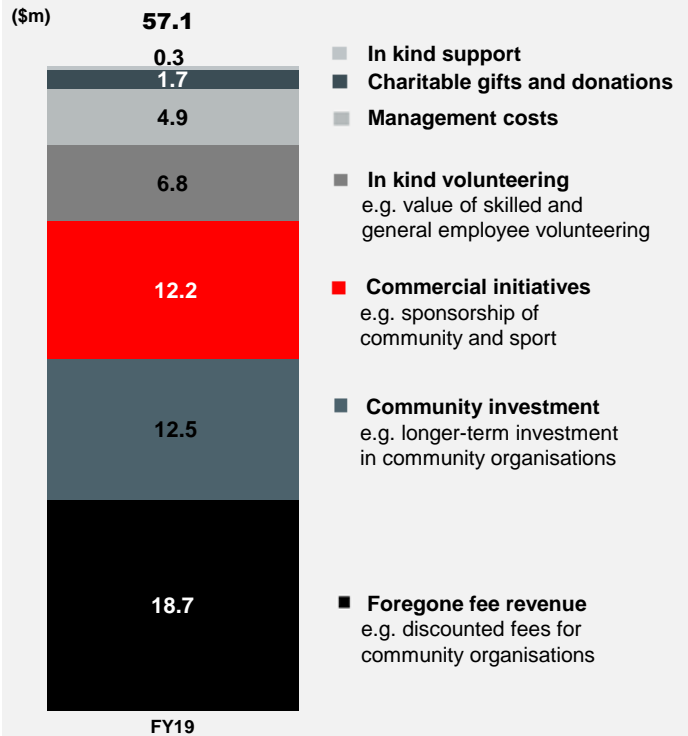
## FY19 HIGHLIGHTS

- \$2bn financing pledged over three years to support the social and affordable housing sector
- \$2bn funding committed over five years to help emerging technology companies and innovators grow
- All branches in regional and rural areas to remain open until at least January 2021
- Opened four new Customer Connect Centres (Tamworth, Bunbury, Bendigo and Toowoomba)
- Launched our eighth Reconciliation Action Plan<sup>1</sup>

## VOLUNTEERING IN OUR COMMUNITIES



## CORPORATE COMMUNITY INVESTMENT<sup>2</sup>



(1) See our 2019-2021 Reconciliation Action Plan, our fourth with Elevate status, here: <https://www.nab.com.au/about-us/social-impact/community/indigenous-australian-support>  
 (2) Corporate community investment ranges from short-term donations to longer-term capacity-building programs. It is calculated using the London Benchmarking Group methodology. Refer to our 2019 Sustainability Report and Data Pack for more information here: <https://www.nab.com.au/about-us/social-impact/shareholders/performance-and-reporting>

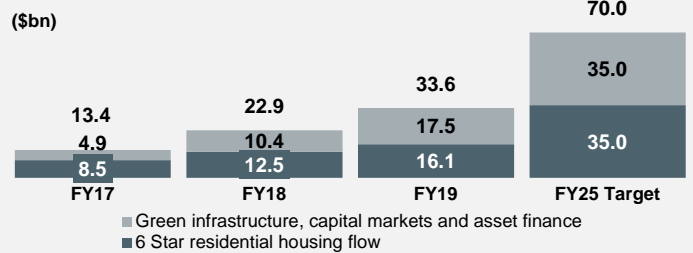


# CLIMATE ACTION

## OUR COMMITMENTS

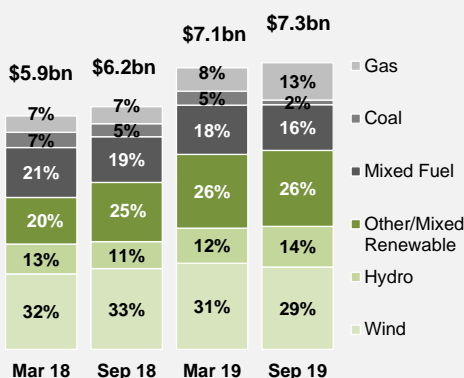
- Environmental financing target of \$70bn by 2025
- Source 100% of our Australian energy consumption from renewable sources by 2025
- NAB will no longer finance new thermal coal mining projects
- Participating in Phase 2 of the UNEP FI Task Force on Climate Related Financial Disclosures (TCFD) pilot

## ENVIRONMENTAL FINANCING (CUMULATIVE)<sup>1</sup>

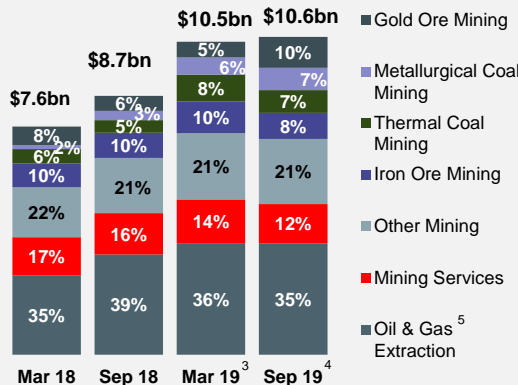


## OUR EXPOSURES

### Energy generation EAD by fuel source<sup>2</sup>



### Resource EAD by type



- Resource EAD increase of \$1.8bn in Mar 19 predominantly driven by methodology changes and Treasury activity
- Actual lending activity (net loans and advances) to mining industry stable over past two years
- Renewables now 69% of our energy generation exposures (from 48% Sep 16)

(1) Represented as a cumulative amount of new environmental finance since 1 October 2015. Refer to 2019 Sustainability Report and Data Pack for more information.  
 (2) NAB methodology (based upon the 1993 ANZSIC codes) at net EAD basis. Excludes exposure to counterparties predominantly involved in transmission and distribution. Vertically integrated retailers included and categorised as renewable where majority of their generation activities sourced from renewable energy. More detail at <https://www.nab.com.au/about-us/social-impact>  
 (3) Of \$1.8bn increase, \$0.8bn relates to model and regulatory prescribed methodology changes (inc: Thermal Coal +\$0.2bn, Metallurgical Coal +\$0.2bn), and \$0.8bn to Treasury related financial activity  
 (4) September 2019 half year includes the impact of the introduction of standardised approach for measuring counterparty credit risk exposure (SA-CCR) of \$0.8bn, largely off-set by a reduced level of Treasury related financial activity  
 (5) Oil & Gas extraction exposure is largely to Liquefied Natural Gas projects and investment grade customers (69%)



## FY19 HIGHLIGHTS

- Completed 130th renewable energy transaction since 2003
- Australia's #1 bank for global renewables transactions, and 13th largest lender to renewable energy industry in the world<sup>1</sup>
- Arranged Australia's largest ever green bond - the A\$1,800m TCorp Green Bond
- UBank launched the world's first Green Term Deposit for consumers, certified by the Climate Bonds Initiative

## ENHANCING LAND MANAGEMENT PRACTICES

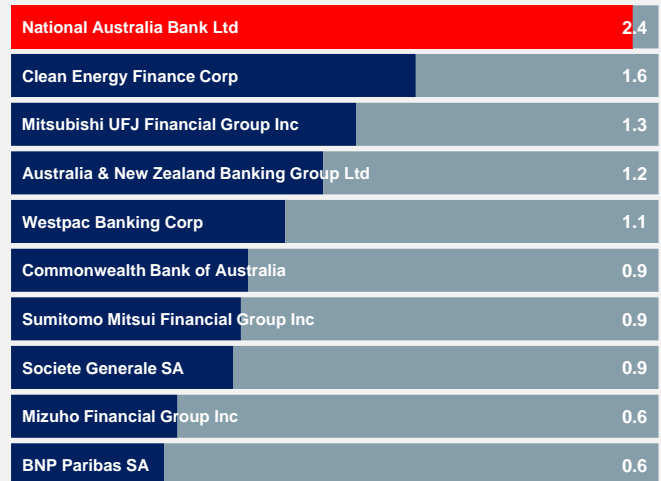
- Australian-first initiative with ClimateWorks to develop national sustainable agriculture metrics, quantifying the cost and risk benefit to farmers of managing natural resources sustainably
- Multiple research projects with CSIRO, Food Agility Cooperative Research Centre, Greening Australia and Agforce to improve sustainable land management practices

## SUPPORTING RENEWABLE ENERGY PROJECTS

- #1 arranger of project finance for Australian renewable energy<sup>1</sup>

### 'Top renewable energy players – Australia'<sup>2</sup>

Cumulative value of deals in USDbn (2004 – 2019)



(1) Rankings based on IJGlobal League Table, MLA, Renewables, Last 12 months ending 30 September 2019, Value of Deals (database searched on 29 October 2019)

(2) Data Source: BloombergNEF Country Profile for Australia - Top Renewable Energy Players (2004 to 3Q 2019). Cumulative totals are in USD as at 30 September 2019. Totals do not include large hydro



# ENGAGING OUR PEOPLE

## INVESTING IN OUR PEOPLE

- Enterprise-wide talent development programs for 60 senior leaders and 265 talent assessments completed
- Ongoing focus on upskilling the capability of our people, including in digital technologies – >950 industry certified employees in Amazon Web Services (AWS), Microsoft Azure and Google Cloud Platform
- >1,000 People Leaders completed face-to-face program 'Leading NAB's Culture'
- Partnered with LinkedIn Learning to make ~8k<sup>1</sup> courses available to employees, >44k courses undertaken since Jun 18

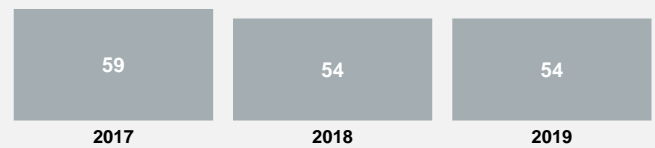
## INCLUSIVE WORKFORCE

- Gold Status in Australian Workplace Equality Index for LGBTI+ inclusion
- Working with Australian Network on Disability, launched our new 'Better Together' [Accessibility Action Plan](#) (2019-2020)
- Offered 76 new traineeships to Indigenous Australians
- 465 skilled African-Australians have gained paid corporate experience since inclusion program inception
- Targeting 40-60% of either gender represented at every level of the business, including NAB Board, by 2020<sup>3</sup>



## EMPLOYEE ENGAGEMENT AND TURNOVER

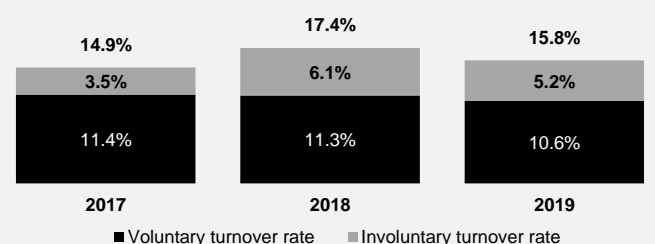
### Enterprise Employee Engagement score<sup>2</sup>



### Employee Engagement Inclusion Index score<sup>2</sup>



### Employee turnover rate (%) by exit type



(1) Topics include cloud computing (AWS), finance fundamentals, coding languages, critical thinking, data analytics and emotional intelligence

(2) 2019 Employee Engagement Survey conducted by Aon (now known as Kincentric)

(3) [Towards 2020: NAB's road to gender equality](#) outlines how we plan to achieve gender equality in more detail



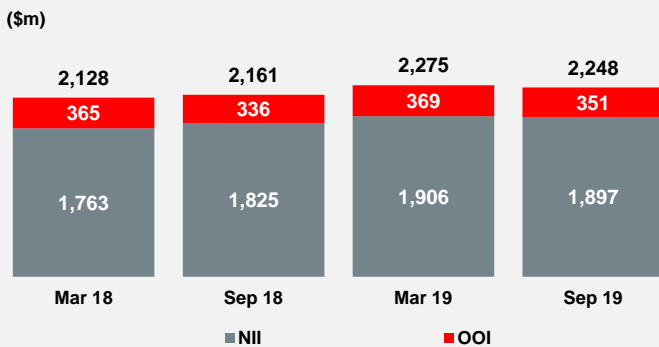
# ADDITIONAL INFORMATION

## AUSTRALIAN BUSINESS LENDING

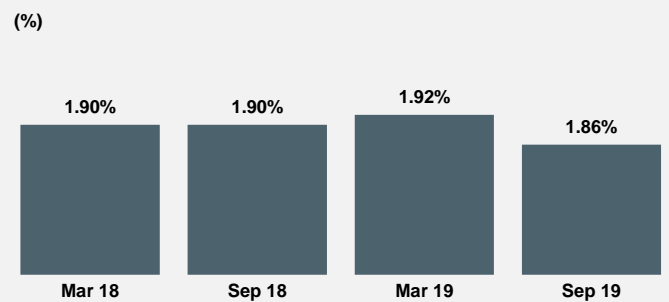
### KEY METRICS

AUSTRALIAN BUSINESS LENDING

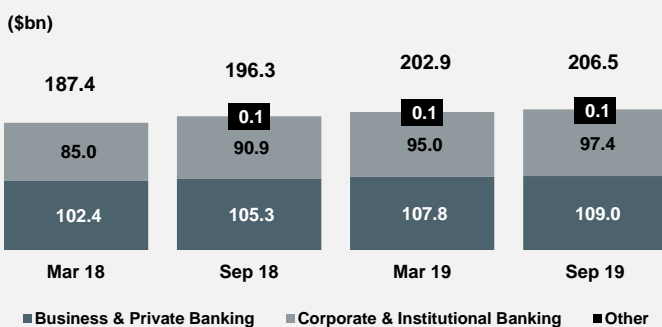
#### BUSINESS LENDING REVENUE



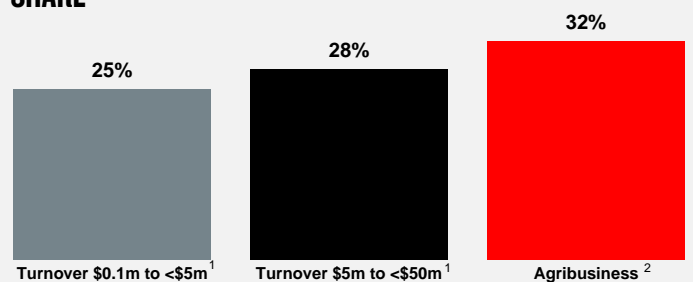
#### BUSINESS LENDING NET INTEREST MARGIN



#### BUSINESS LENDING GLAs



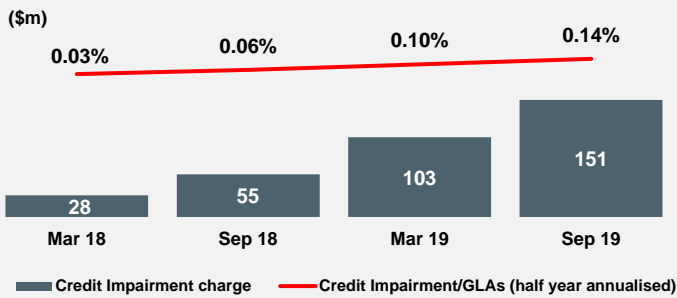
#### SMALL, MEDIUM AND AGRI BUSINESS LENDING MARKET SHARE



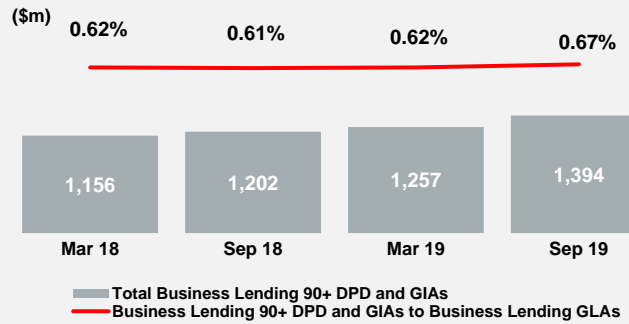
(1) September 2019 DBM Business Financial Services Monitor, APRA Aligned Lending Market Share. Australian businesses with an aligned product, excluding Finance & Insurance and Government. APRA Aligned Lending market share is based on the total lending dollars held at the financial institution, divided by the total lending dollars held at financial institutions reporting to APRA, with products and FIs aligned as closely as possible to APRA definitions and inclusions. Data is on a 12-month roll, weighted to the Australian business population. Small Business (\$0.1m-<\$5m) and Medium Business (\$5m-<\$50m)

(2) June 2019/ NAB APRA submission / RBA Banking System

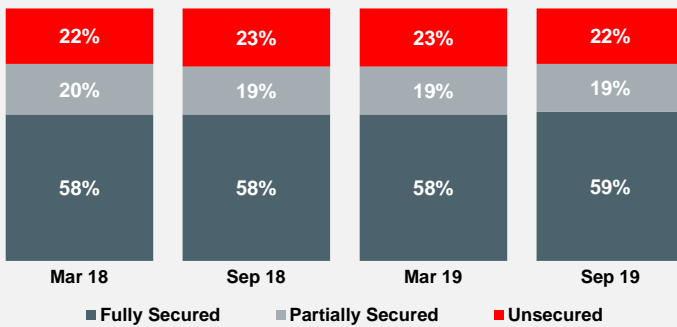
## BUSINESS LENDING CREDIT IMPAIRMENT CHARGE AND AS % OF GLAs



## BUSINESS LENDING 90+ DPD AND GIAs AND AS % OF GLAs



## TOTAL BUSINESS LENDING SECURITY PROFILE<sup>1</sup>

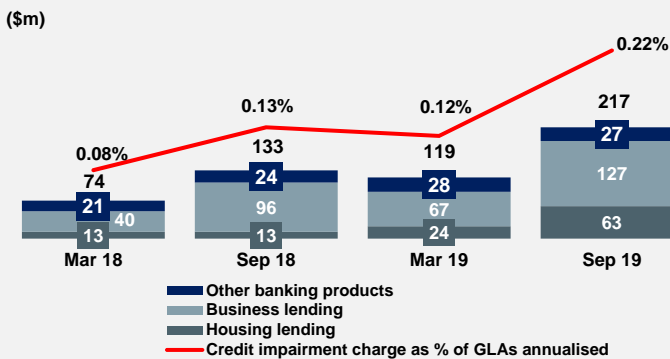


(1) Fully Secured is where the loan amount is less than 100% of the bank extended value of security; Partially Secured is where the loan amount is greater than 100% of the bank extended value of security; Unsecured is where no security is held and/or no value held against the security and negative pledge arrangements are normally in place. Bank extended value is calculated as a discount to market value based on the nature of the underlying security

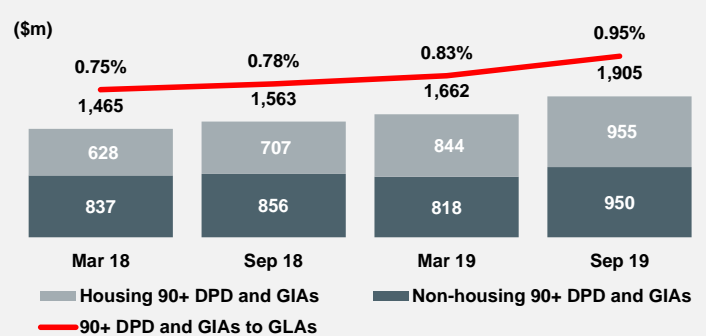


# BUSINESS & PRIVATE BANKING (B&PB) ASSET QUALITY

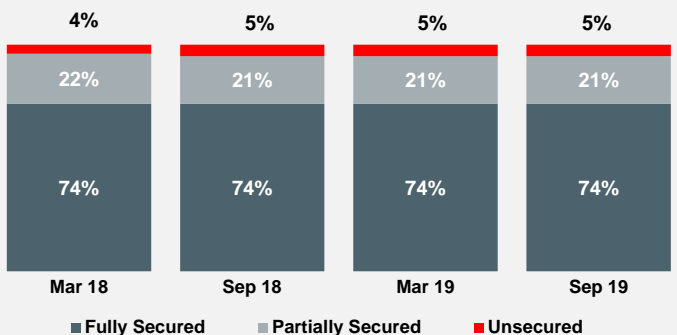
## B&PB CREDIT IMPAIRMENT CHARGE AND AS % OF GLAs



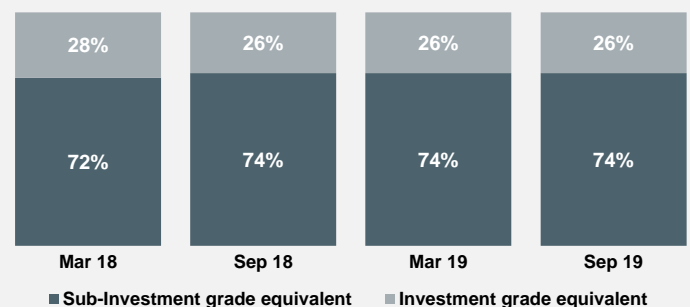
## B&PB 90+ DPD AND GIAs AND AS % OF GLAs



## B&PB BUSINESS LENDING SECURITY PROFILE<sup>1</sup>



## B&PB BUSINESS LENDING PORTFOLIO QUALITY



(1) Fully Secured is where the loan amount is less than 100% of the bank extended value of security; Partially Secured is where the loan amount is greater than 100% of the bank extended value of security; Unsecured is where no security is held and/or no value held against the security and negative pledge arrangements are normally in place. Bank extended value is calculated as a discount to market value based on the nature of the underlying security



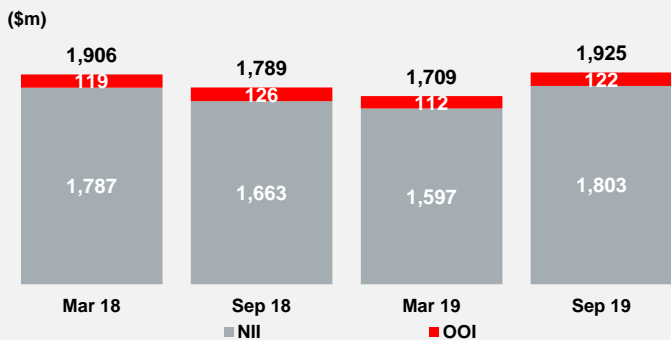
# ADDITIONAL INFORMATION

## AUSTRALIAN HOUSING LENDING

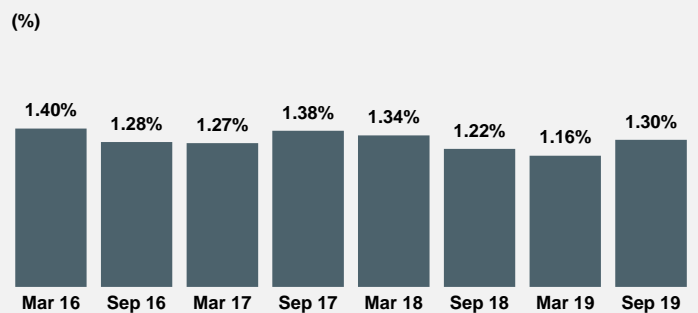
### KEY METRICS

AUSTRALIAN HOUSING LENDING

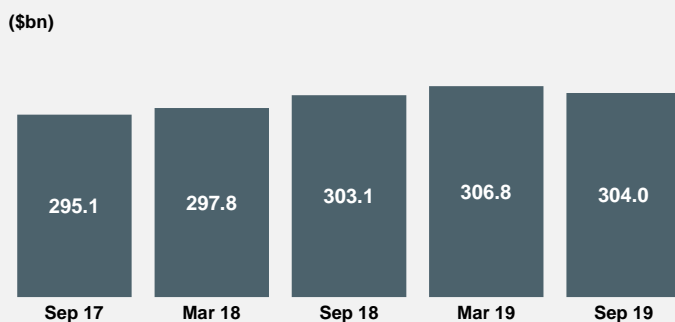
#### HOUSING LENDING REVENUE



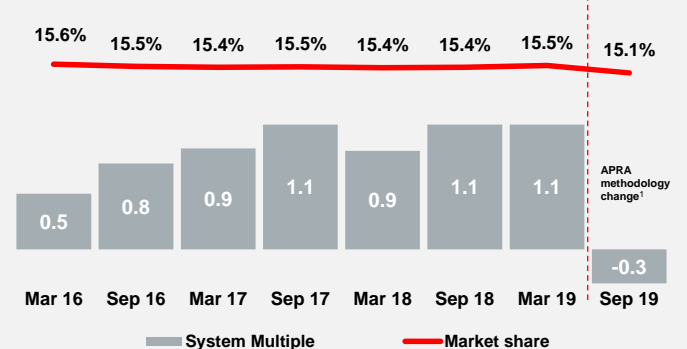
#### HOUSING LENDING NET INTEREST MARGIN



#### HOUSING LENDING GLAs



#### HOUSING LENDING MARKET SHARE

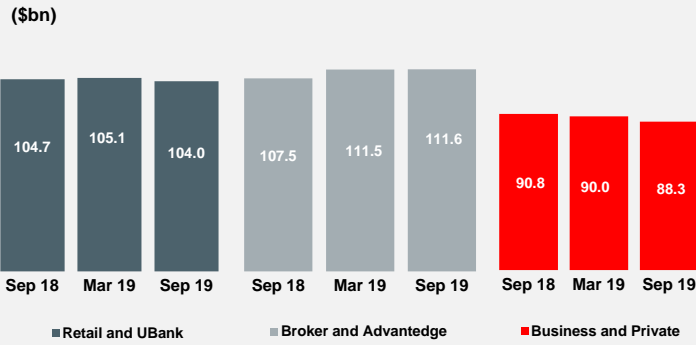


(1) APRA Monthly Banking Statistics is used for Mar 16 to Mar 19. Sep 19 is prepared using APRA Monthly Authorised Deposit-taking Institution statistics

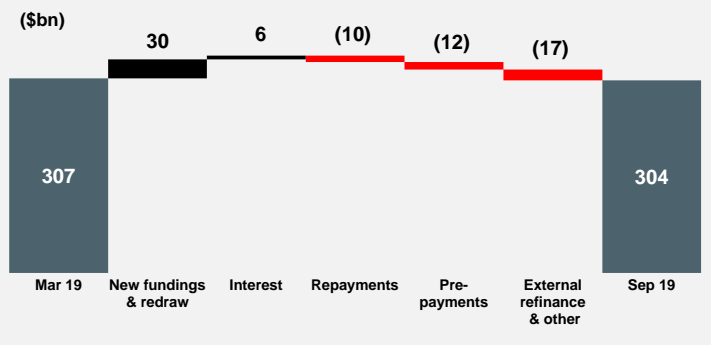
# HOUSING LENDING PORTFOLIO PROFILE

AUSTRALIAN HOUSING LENDING

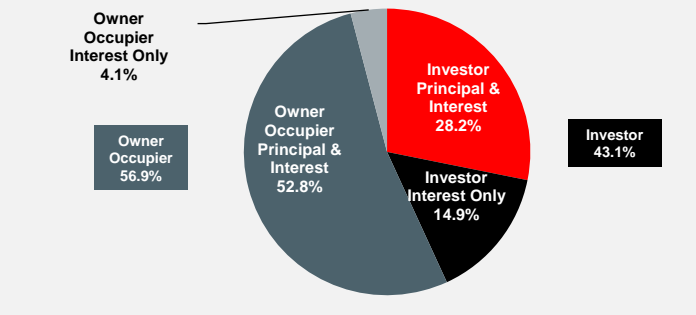
## HOUSING LENDING BY CHANNEL<sup>1</sup>



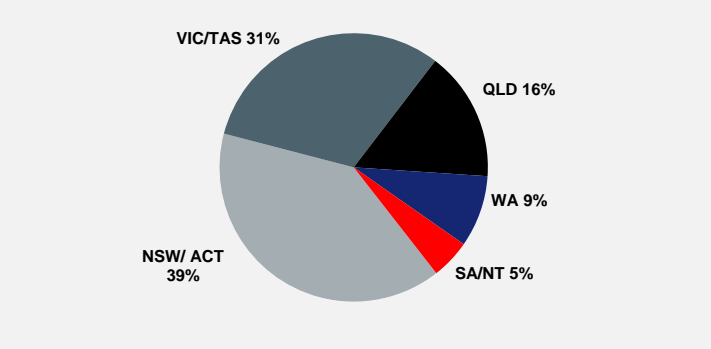
## HOUSING LENDING FLOW MOVEMENTS<sup>1</sup>



## HOUSING LENDING VOLUME BY BORROWER AND REPAYMENT TYPE<sup>2</sup>



## AUSTRALIAN MORTGAGES STATE PROFILE



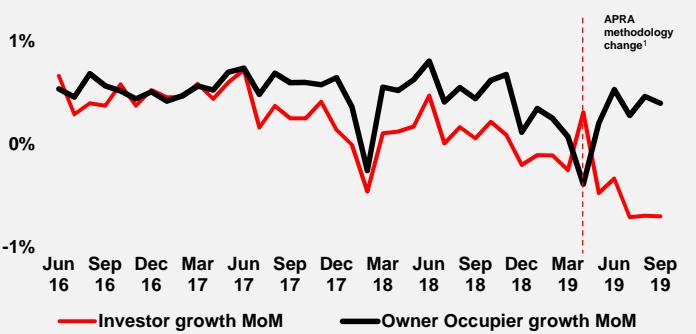
(1) Excludes Asia  
(2) Only includes housing loans to households based on APRA ARF 720.1 reporting definitions, and excludes counterparties such as private trading corporations



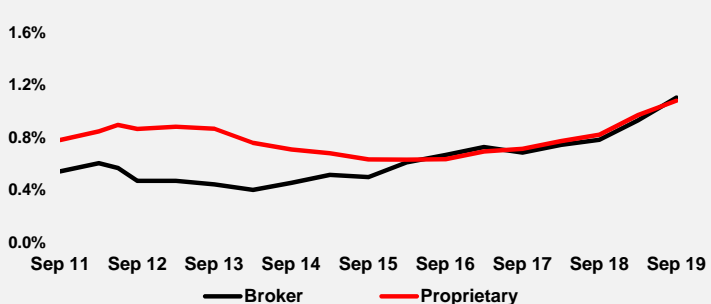
# HOUSING LENDING PORTFOLIO PROFILE

AUSTRALIAN HOUSING LENDING

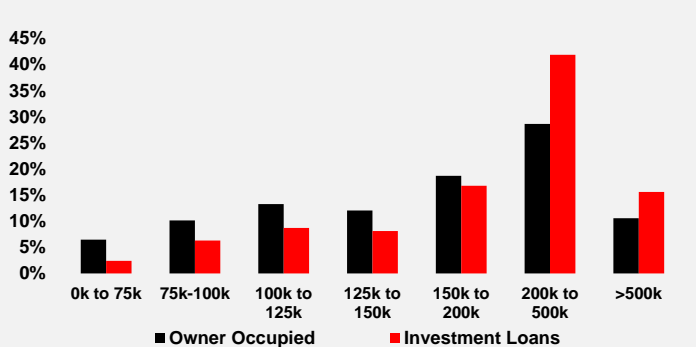
## INVESTOR AND OWNER OCCUPIER GROWTH MoM<sup>1</sup>



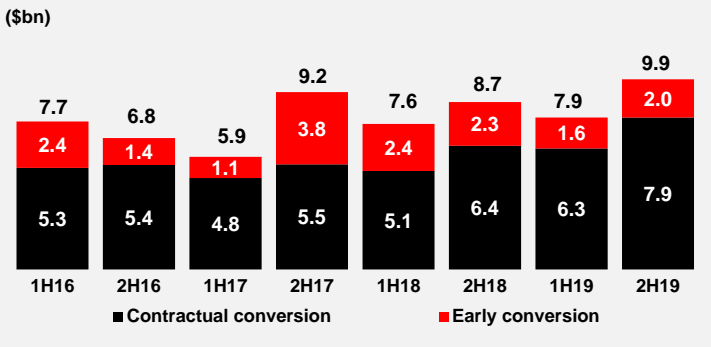
## 90+ DPD AND GIAs AS % OF TOTAL HOUSING LENDING GLAs - BY CHANNEL



## % HOUSING CUSTOMERS BY GROSS INCOME BAND<sup>2,3</sup>



## INTEREST ONLY CONVERSIONS TO P&I

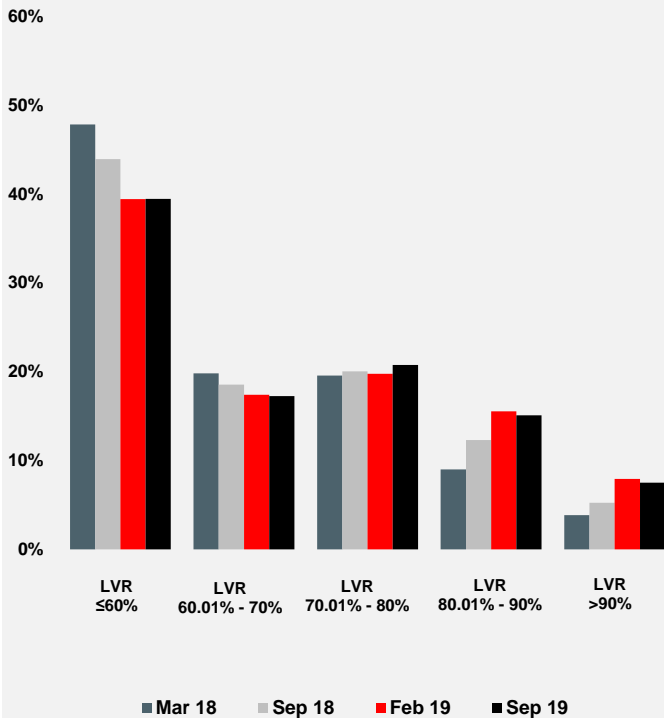


(1) Only includes housing loans to households based on APRA ARF 720.1 reporting definitions. May 16 to March 19 inclusive chart is prepared using APRA Monthly Banking Statistics. April 19 to September 19 inclusive are prepared using APRA Monthly Authorised Deposit-taking Institution statistics  
(2) Drawdowns from Mar 19 – Sep 19  
(3) Gross income is defined as total pre-tax unshaded income for the application. This can include business income, income of multiple applicants and other income sources, such as family trust income

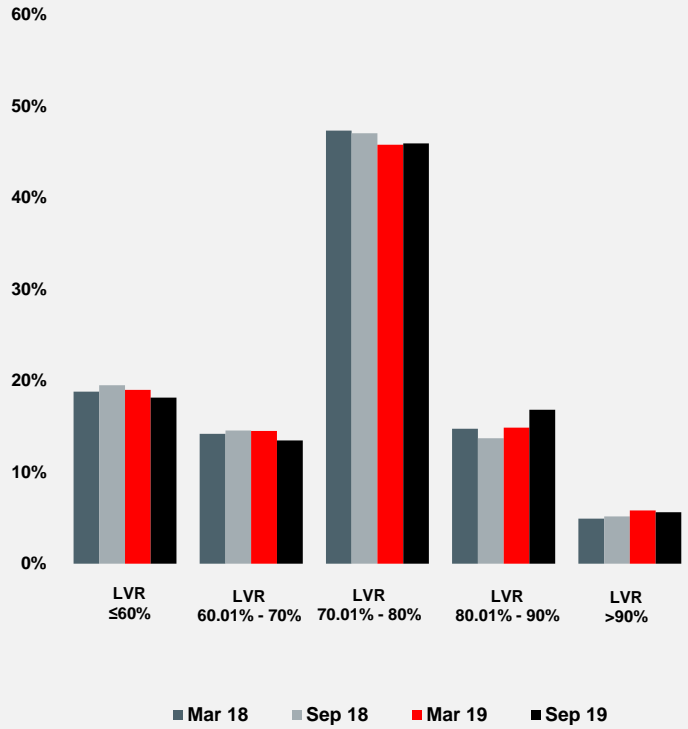




## DYNAMIC LVR BREAKDOWN OF DRAWN BALANCE<sup>(1)</sup>



## LVR BREAKDOWN AT ORIGINATION



(1) New methodology applied to dynamic LVR calculations, history has been restated



# HOUSING LENDING PRACTICES & REQUIREMENTS

## KEY ORIGINATION REQUIREMENTS

<b>Income</b>	<p>Income verified using a variety of documents including payslips and/or checks on salary credits into customers' accounts</p> <p>Apply a minimum 20% shading on less certain income, for example rental income shading since 2015</p>
<b>Household expenses</b>	<p>Use the greater of:</p> <ul style="list-style-type: none"> <li>Customers' declared living expenses, enhanced in 2016 to break down into granular sub categories</li> </ul> <p>or</p> <ul style="list-style-type: none"> <li>Household Expenditure Measure (HEM) benchmark. In use since 2012 and enhanced in 2015 to scale for customer income and further refined in Dec 2018. HEM add-ons introduced for specific customer declared expenses in Aug 2019 (e.g. Private school fees)</li> </ul>
<b>Serviceability</b>	<p>Assess customers' ability to pay based on the higher of the customer rate plus serviceability buffer (2.5%) or the floor rate (5.5%), updated Aug 2019</p>
<b>Existing debt</b>	<p>Verify using declared loan statements and assess existing mortgage debt using floor (5.5%) and buffer over customer rate (2.5%)</p> <p>In Dec 2018 tightened assessment of customer credit cards assuming repayments of 3.8% per month of the limit</p> <p>In Aug 2019 tightened assessment of customer overdrafts assuming repayments of 3.8% per month of the limit</p>
<b>Interest only</b>	<p>Assess Interest Only loans on the full remaining Principal and Interest term</p> <p>Maximum Interest Only term for Owner Occupied borrowers of 5 years</p>

## LOAN-TO-VALUE RATIO (LVR) LIMITS

Principal & Interest – Owner Occupier	95%
Investor	90%
Interest Only – Owner Occupier	80%
'At risk' postcodes	80%
'High risk' postcodes (eg mining towns)	70%

## OTHER REQUIREMENTS

- In 2017 introduced Loan-to-Income decline threshold, reduced from 8x to 7x in February 2018
- In April 2019 introduced a Debt-to-Income decline threshold of 9x
- Lenders' mortgage insurance (LMI) applicable for majority of lending >80% LVR
- LMI for inner city investment housing >70% LVR
- Apartment size to be 50 square metres or greater (including balconies and car park)
- NAB Broker applications assessed centrally – verification and credit decisioning



# HOUSING LENDING KEY METRICS<sup>1</sup>

AUSTRALIAN HOUSING LENDING

Australian Housing Lending	Mar 18	Sep 18	Mar 19	Sep 19	Sep 18	Mar 19	Sep 19
	<b>Portfolio</b>				<b>Drawdowns<sup>2</sup></b>		
Total Balances (spot) \$bn	298	303	307	304	33	27	22
Average loan size \$'000	302	306	307	308	376	368	369
- Variable rate	72.1%	72.0%	72.0%	73.5%	70.4%	70.0%	73.0%
- Fixed rate	20.5%	21.1%	21.6%	20.4%	27.2%	28.2%	25.0%
- Line of credit	7.4%	6.9%	6.5%	6.1%	2.4%	1.9%	1.9%
By borrower type							
- Owner Occupied <sup>3,4</sup>	58.6%	59.1%	59.7%	56.9%	63.8%	66.9%	66.3%
- Investor <sup>3,4</sup>	41.4%	40.9%	40.3%	43.1%	36.2%	33.1%	33.7%
By channel							
- Proprietary	65.4%	64.5%	63.6%	63.3%	57.4%	53.8%	56.6%
- Broker	34.6%	35.5%	36.4%	36.7%	42.6%	46.2%	43.4%
Interest only <sup>5</sup>	27.0%	24.5%	22.4%	19.8%	25.4%	24.9%	19.7%
Low Documentation	0.6%	0.5%	0.5%	0.4%			
Offset account balance (\$bn)	28.2	28.7	29.0	29.0			
LVR at origination	69.0%	69.0%	69.0%	69.0%			
Dynamic LVR on a drawn balance calculated basis <sup>6</sup>	44.5%	45.9%	48.0%	47.6%			
Customers in advance ≥1 month <sup>7</sup> (including offset facilities)	65.5%	66.1%	65.5%	66.1%			
Avg # of monthly payments in advance <sup>7</sup> (including offset facilities)	33.8	33.9	33.7	34.3			
90+ days past due	0.67%	0.72%	0.86%	0.98%			
Impaired loans	0.09%	0.09%	0.09%	0.11%			
Specific provision coverage ratio	34.8%	33.7%	31.1%	33.4%			
Loss rate <sup>8</sup>	0.02%	0.02%	0.02%	0.02%			
Number of properties in possession	340	277	291	320			
HEM reliance	40%	31%	32%	27%			
Time to unconditional approval (days)	4.0	4.2	4.9	4.0			

(1) Excludes Asia

(2) Drawdowns is defined as new lending excluding limit increases and redraws in the previous six month period

(3) Portfolio sourced from APRA Monthly Banking Statistics, Sep 19 restated to align with definitions of the APRA Monthly Authorised Deposit-taking Institution statistics

66 (4) Drawdowns sourced from management data

(5) Excludes line of credit products

(6) New methodology applied to dynamic LVR calculations, history has been restated

(7) Excludes Advantedge and line of credit

(8) 12 month rolling Net Write-offs / Spot Drawn Balances



# HOUSING LENDING STRESS TESTING

AUSTRALIAN HOUSING LENDING

## HOUSING LENDING STRESS TESTING AT NAB

Stress testing takes a forward view of potential risk events. Outcomes from stress testing inform decision making, particularly in regards to defining risk appetite, strategy or contingency planning

### Scenario

- Stress scenario consistent with the Mar-19 half year reporting period
- Scenario starts with a global recession where Australia sees consumer consumption drop, unemployment increase and property prices collapse

### Results

- Estimated cumulative Net Credit Impairment for Australian housing lending is \$4.1bn over the three years of the scenario
- Peak Net Credit Impairment is \$1.8bn in year 2
- LMI recoveries expected to be \$357m cumulative

(1) Australian IRB Residential Mortgages asset class. Includes Advantedge, excludes offshore branches

(2) All LMI coverage is with external insurers. Modelling Assumes 50% of claims will be rejected under a stressed environment

(3) Net Credit Impairment rate includes LMI recoveries and is presented as a percentage of mortgage exposure at default

## STRESSED SCENARIO – MAIN ECONOMIC PARAMETERS

	Year 1	Year 2	Year 3
Annual GDP growth (%)	(2.9)	(3.1)	2.2
Unemployment rate (%)	6.7	9.3	10.2
House prices (% p.a. change)	(25.2)	(5.2)	2.5

## STRESSED LOSS OUTCOMES<sup>1,2</sup>

	Year 1	Year 2	Year 3
Portfolio size (exposure at default, \$bn)	336	314	314
Net Credit Impairment (\$m)	1,154	1,797	1,151
Gross Credit Impairment (\$m)	1,282	1,928	1,249
Net Credit Impairment rate (%) <sup>3</sup>	0.34	0.57	0.37



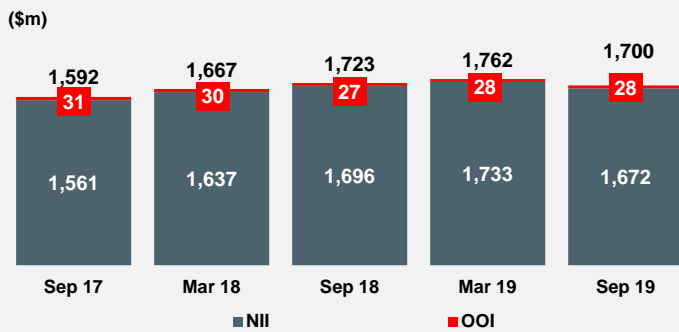
# ADDITIONAL INFORMATION

## OTHER AUSTRALIAN PRODUCTS

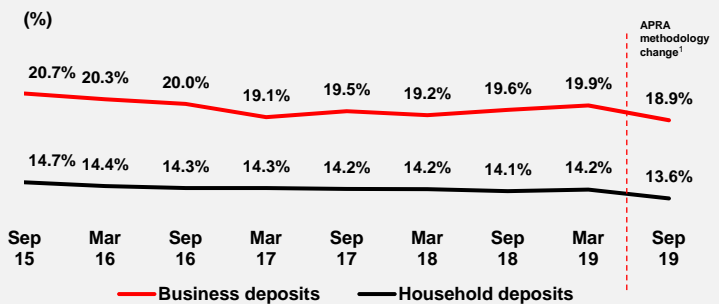
## DEPOSITS & TRANSACTION ACCOUNTS

OTHER AUSTRALIAN PRODUCTS

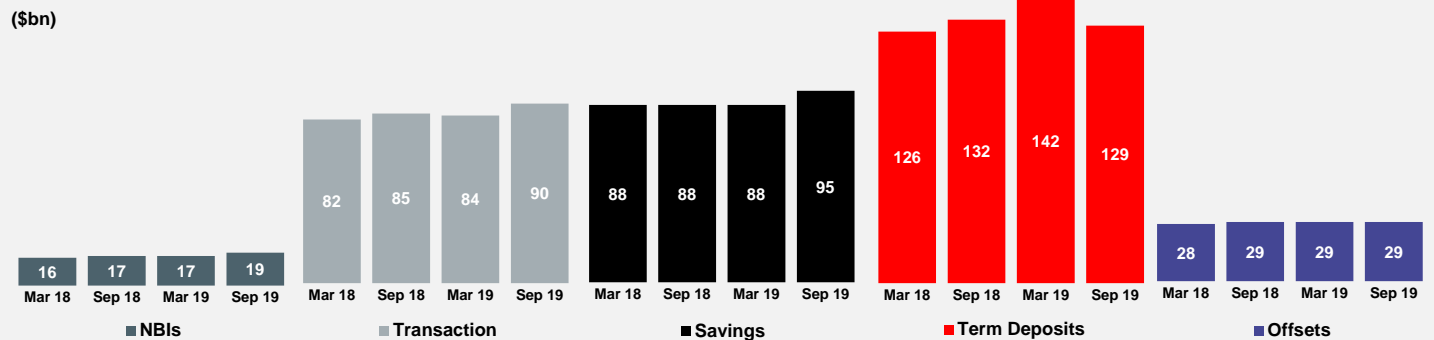
### DEPOSIT REVENUE



### BUSINESS AND HOUSEHOLD DEPOSIT MARKET SHARE

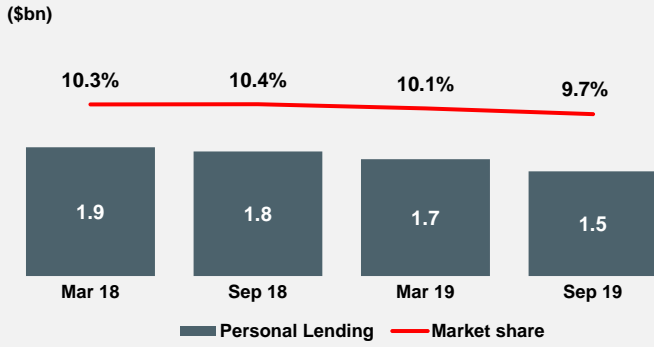


### CUSTOMER DEPOSIT BALANCES BY PRODUCT

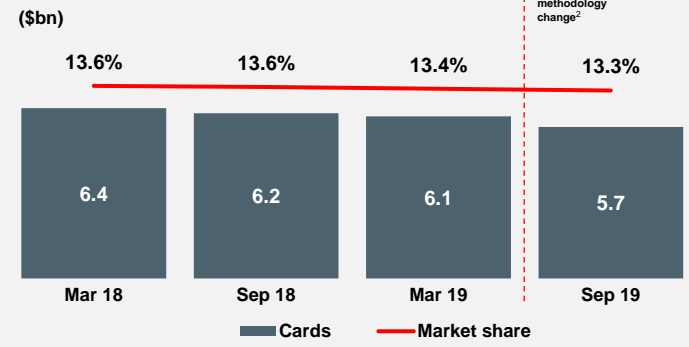


(1) APRA Monthly Authorised Deposit-taking Institution Statistics. Sep-19 market share is aligned to the new definitions contained in the Economic and Financial Statistics (EFS) reporting regime, reflecting new ADIs included in system balance and changes to residency rules

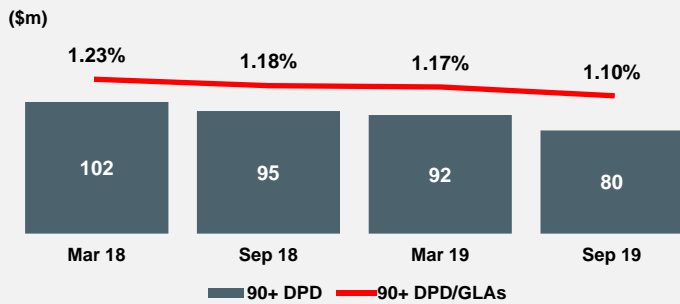
## PERSONAL LENDING BALANCE AND MARKET SHARE<sup>1</sup>



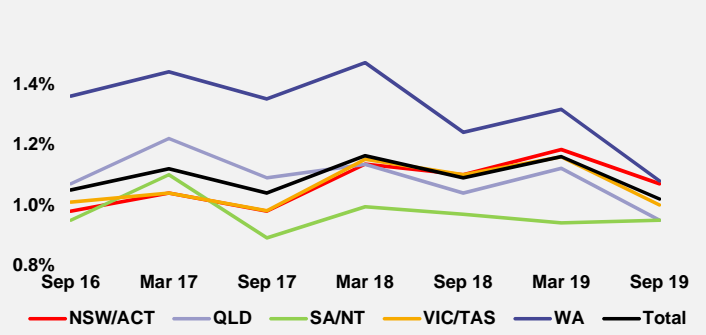
## CARDS BALANCE AND MARKET SHARE



## CARDS AND PERSONAL LENDING 90+ DPD AND AS % OF TOTAL CARDS AND PERSONAL LENDING GLAs



## CONSUMER CARDS 90+ DPD AS % OF OUTSTANDINGS



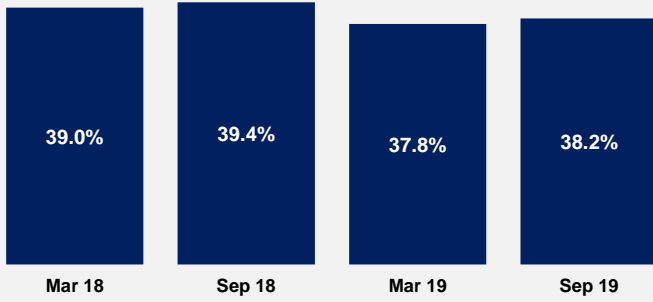
(1) Personal loans business tracker reports provided by RFI represents share of RFI defined peer group data  
 (2) APRA Monthly Banking Statistics is used for Mar 18 to Mar 19 market share. Sep 19 is prepared using APRA Monthly Authorised Deposit-taking Institution statistics.



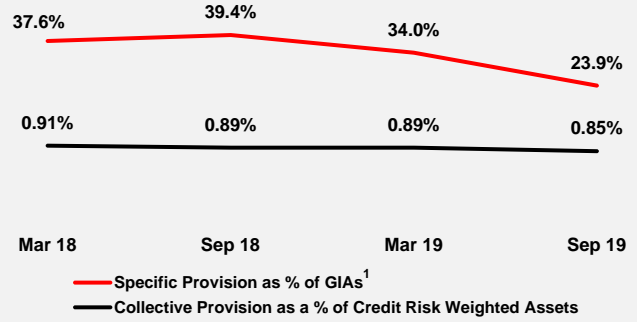
# ADDITIONAL INFORMATION

## NEW ZEALAND BANKING

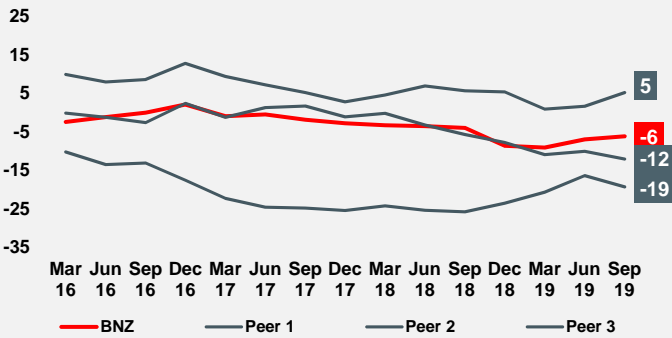
## COST TO INCOME RATIO



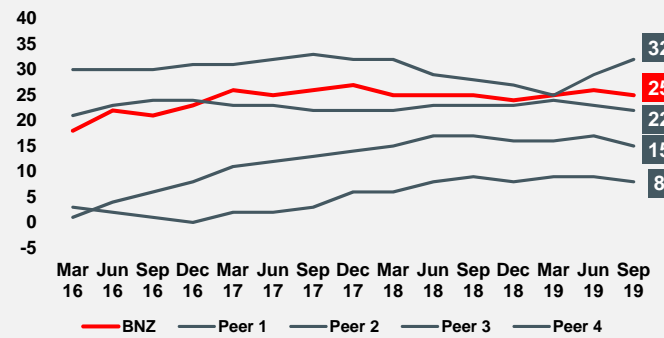
## COLLECTIVE AND SPECIFIC PROVISION COVERAGE



## BNZ SME NPS<sup>2,4</sup>



## BNZ CONSUMER NPS<sup>3,4</sup>

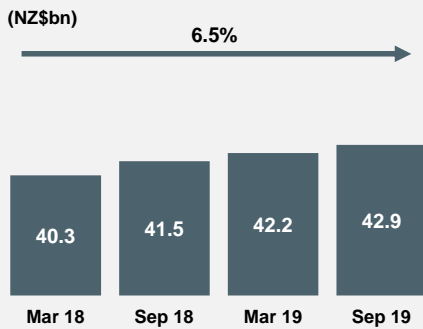


(1) Consists only of impaired assets where a specific provision has been raised and excludes New Zealand dairy exposures currently assessed as no loss based on security held  
 (2) Source: TNS Business Finance Monitor (data on 4 quarter roll)  
 (3) Source: Camorra Retail Market Monitor (data on 12 month roll) for Consumer Priority segments which include Savers and Starters, Home Owners, Investors & High Net Worth clients  
 (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

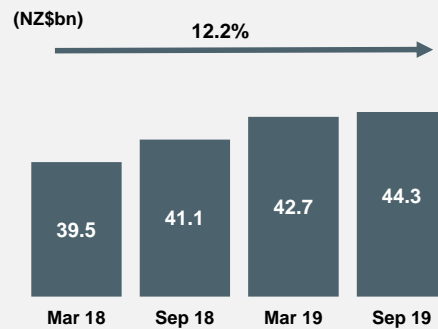


# VOLUMES & MARKET SHARE

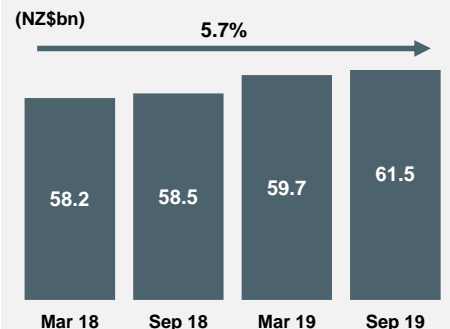
## BUSINESS LENDING GLAs<sup>1</sup>



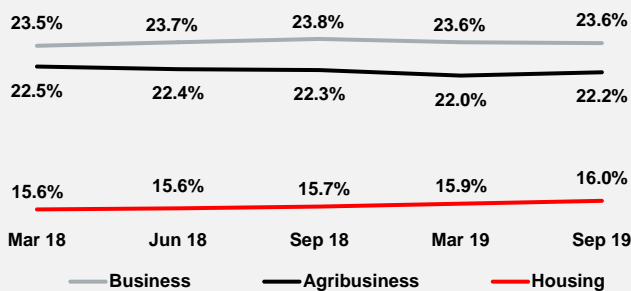
## RETAIL LENDING GLAs<sup>1</sup>



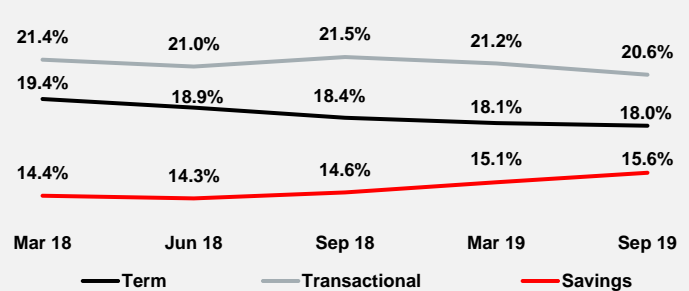
## CUSTOMER DEPOSITS<sup>1</sup>



## LENDING MARKET SHARE<sup>2</sup>



## DEPOSIT MARKET SHARE<sup>2</sup>



(1) Spot volumes  
 (2) Source RBNZ – September 2019



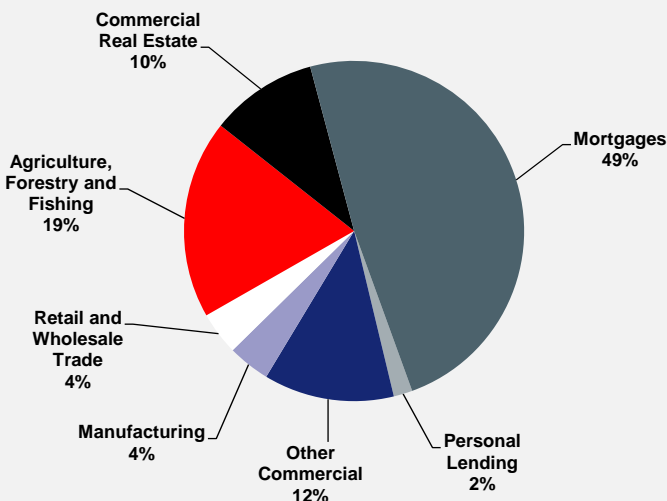
New Zealand Housing Lending	Mar 18	Sep 18	Mar 19	Sep 19		Sep 18	Mar 19	Sep 19
	<b>Portfolio</b>					<b>Drawdowns<sup>1</sup></b>		
Total Balances (spot) NZ\$bn	38.2	39.8	41.3	43.0		5.3	5.3	5.8
By product								
- Variable rate	20.5%	19.6%	17.7%	15.9%		19.7%	16.8%	15.4%
- Fixed rate	76.8%	77.7%	79.7%	81.7%		79.6%	82.6%	84.0%
- Line of credit	2.7%	2.7%	2.6%	2.4%		0.7%	0.6%	0.6%
By borrower type								
- Owner Occupied	63.8%	64.6%	65.4%	66.2%		70.2%	70.9%	72.0%
- Investor	36.2%	35.4%	34.6%	33.8%		29.8%	29.1%	28.0%
By channel								
- Proprietary	87.0%	84.7%	82.3%	80.0%		76.1%	74.7%	72.9%
- Broker	13.0%	15.3%	17.7%	20.0%		23.9%	25.3%	27.1%
Low Documentation	0.1%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Interest only <sup>2</sup>	22.8%	22.1%	21.4%	20.4%		26.9%	25.9%	25.3%
LVR at origination	66.2%	66.2%	66.3%	66.5%				
90+ days past due	0.07%	0.05%	0.10%	0.07%				
Impaired loans	0.04%	0.03%	0.04%	0.03%				
Specific Impairment coverage ratio	30.3%	23.5%	17.9%	17.0%				
Loss rate <sup>3</sup>	0.01%	0.01%	0.01%	0.01%				

(1) Drawdowns is defined as new lending including limit increases and excluding redraws in the previous six month period  
 (2) Excludes line of credit products  
 (3) 12 month rolling Net Write-offs / Spot Drawn Balances

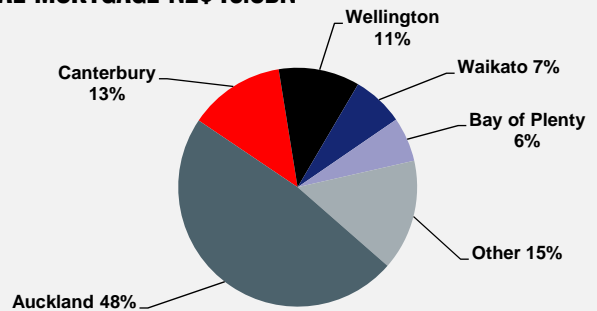


# NEW ZEALAND LENDING MIX

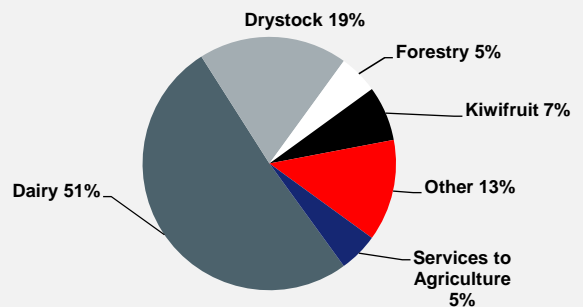
**PORTFOLIO BREAKDOWN – TOTAL NZ\$87.2BN**



**MORTGAGE PORTFOLIO BREAKDOWN BY GEOGRAPHY – TOTAL MORTGAGE NZ\$43.0BN**



**AGRIBUSINESS PORTFOLIO BREAKDOWN BY INDUSTRY – TOTAL AGRI NZ\$15.9BN**



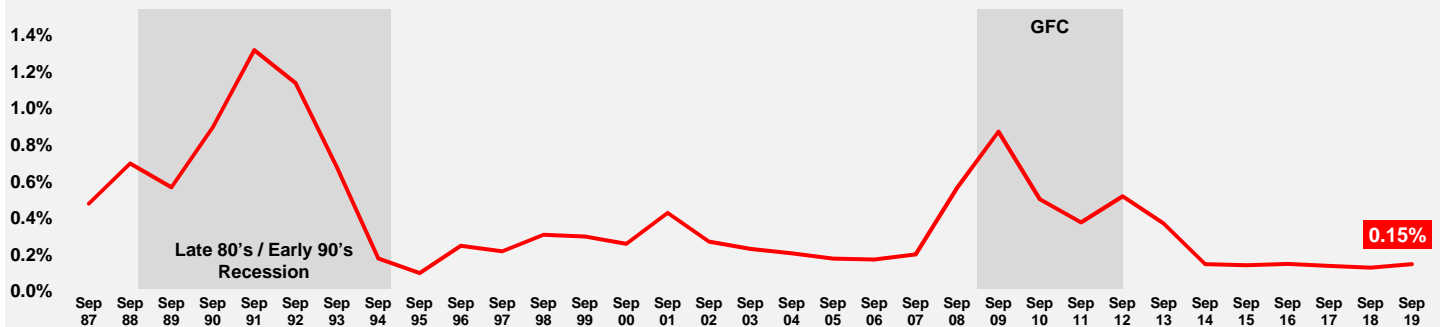
# ADDITIONAL INFORMATION

## GROUP ASSET QUALITY

### GROUP CREDIT IMPAIRMENT CHARGE

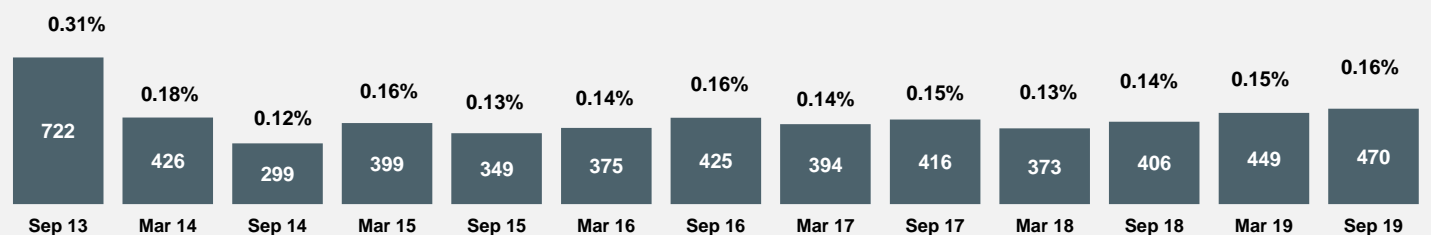
GROUP ASSET QUALITY

#### CREDIT IMPAIRMENT CHARGE AS % OF GLAs



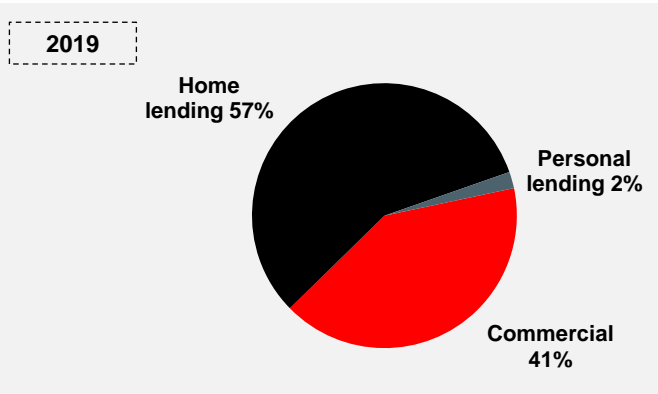
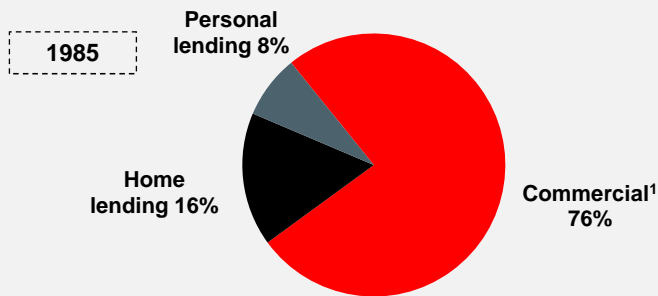
#### CREDIT IMPAIRMENT CHARGE AND AS % OF GLAs<sup>1</sup>

(\$m)



(1) Ratios for all periods refer to the half year ratio annualised

## GROUP BUSINESS MIX – GLAs BY CATEGORY



## ESTIMATING LONG RUN LOAN LOSS RATE

NAB Australian geography net write off rates as a % of GLAs 1985 - 2019 <sup>2</sup>	Long run average
Home lending <sup>3</sup>	0.03%
Personal lending <sup>3</sup>	1.51%
Commercial <sup>3</sup>	0.54%
Australian average (1985-2019)	0.34%
<b>Group average<sup>4</sup> based on 2019 business mix</b>	<b>0.26%</b>
<b>Group average<sup>4</sup> based on 2019 business mix excluding 1991-1993 and 2008-2010</b>	<b>0.19%</b>

(1) For 1985 Group business mix, all overseas GLAs are allocated to Commercial category

(2) Data used in calculation of net write off rate as a % of GLAs is based on NAB's Australian geography and sourced from NAB's Supplemental Information Statements (2007 - 2019) and NAB's Annual Financial Reports (1985 - 2006). 2019 net write-off rates are based on NAB unaudited results

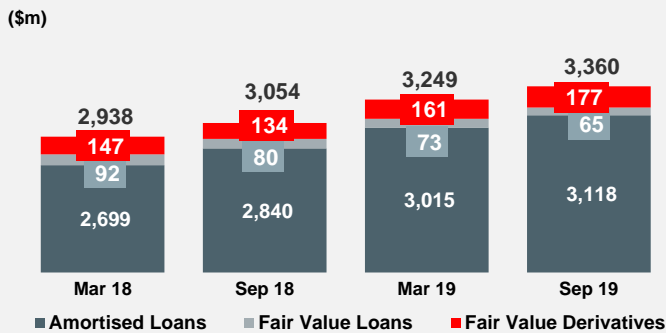
(3) Home lending represents "Real estate – mortgages" category; Personal lending represents "Instalment loans to individuals and other personal lending (including credit cards)" category; Commercial represents "all other industry lending categories" as presented in the source documents as described in note 2 above

(4) Group average is calculated by applying each of the Australian geography long run average net write off rates by product to the respective percentage of Group GLAs by product as at 30 September 2019. Commercial long run average net write off rate has been applied to acceptances

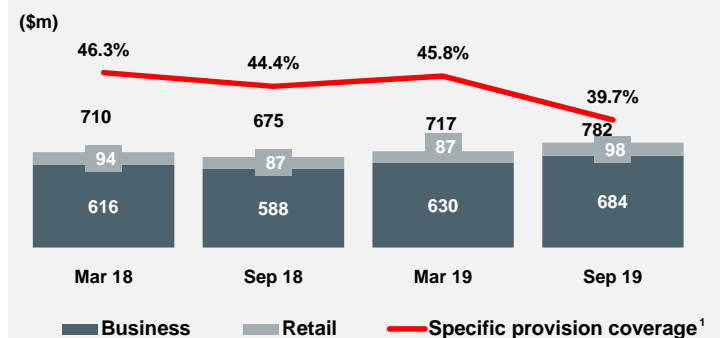


# GROUP PROVISIONS

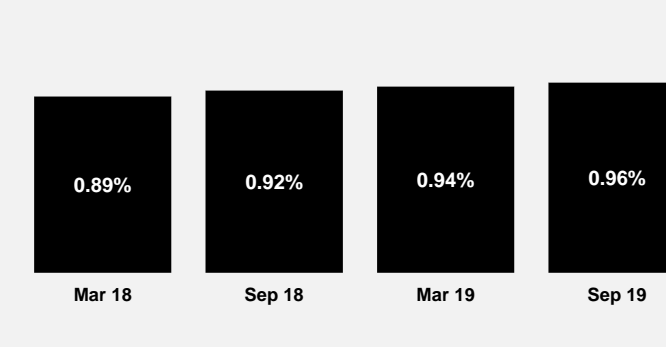
## COLLECTIVE PROVISION BALANCE



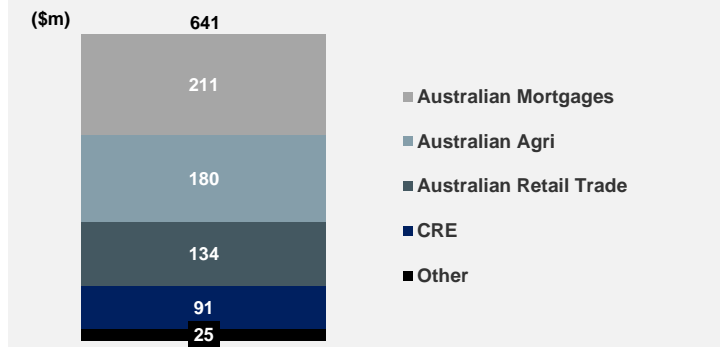
## SPECIFIC PROVISIONS



## COLLECTIVE PROVISIONS AS % OF CRWAs



## COLLECTIVE PROVISION FORWARD LOOKING ADJUSTMENTS

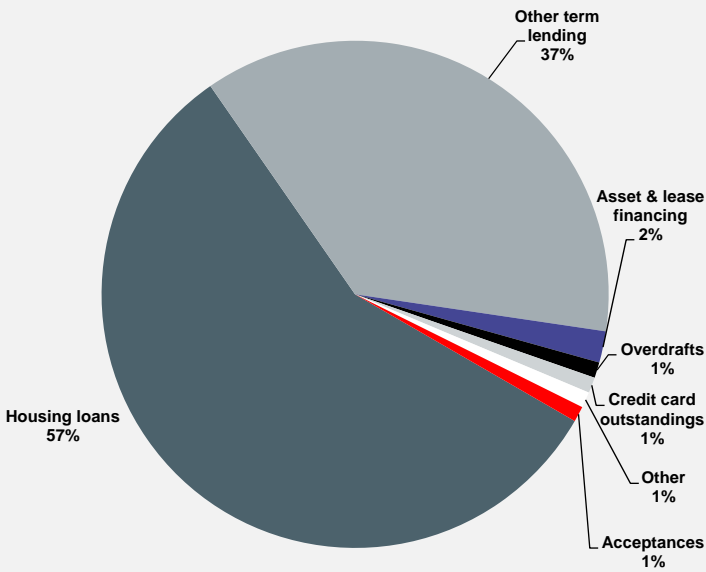


(1) Sep 2018 & Mar 2018 Specific provision coverage ratios exclude New Zealand Banking dairy exposures that were assessed as no loss based on security held. Collective provisions are held against these loans

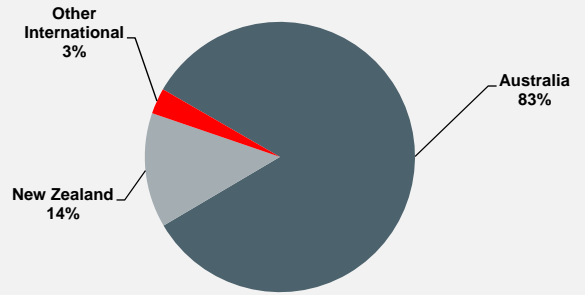




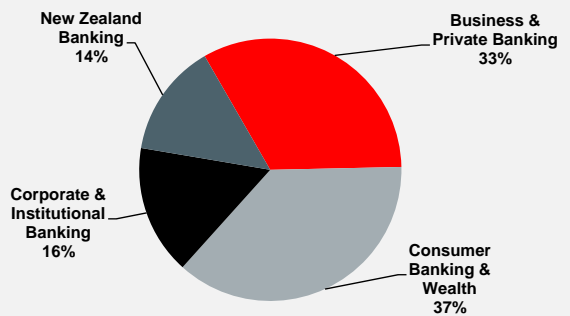
## GROSS LOANS AND ACCEPTANCES BY PRODUCT



## GROSS LOANS AND ACCEPTANCES BY GEOGRAPHY<sup>1</sup>



## GROSS LOANS AND ACCEPTANCES BY BUSINESS UNIT

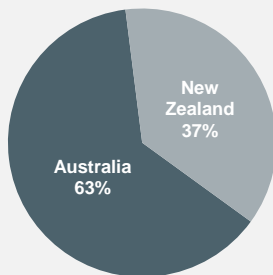


(1) Based on booking office where transactions have been recorded



# GROUP AGRICULTURE, FORESTRY & FISHING EXPOSURES

## GROUP EAD \$45.7BN SEPTEMBER 2019

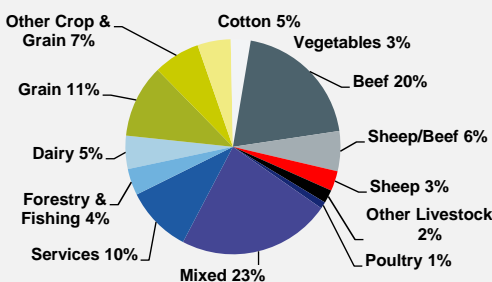


## AUSTRALIAN DROUGHT CONSIDERATIONS

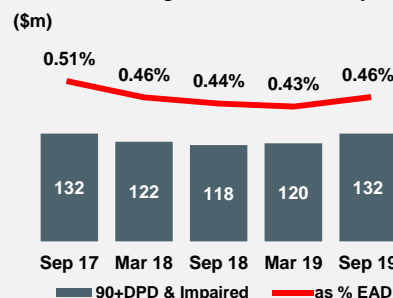
- NSW and southern QLD continue to face challenging weather conditions
- Asset quality remains sound, but further stress expected if extremely dry conditions persist
- NAB continues supporting farming customers through disaster relief packages and a moratorium on branch closures in affected regions
- Collective provision forward looking adjustments of \$180m to address impact of extreme weather conditions

## AUSTRALIAN AGRICULTURE, FORESTRY & FISHING

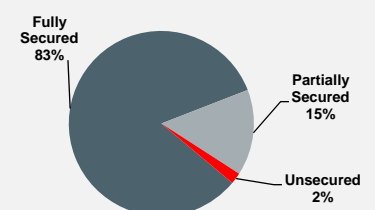
### Diverse Portfolio EAD \$28.9bn September 2019



### Australian Agriculture Asset Quality (\$m)



### Australian Agriculture Portfolio Well Secured<sup>1</sup>



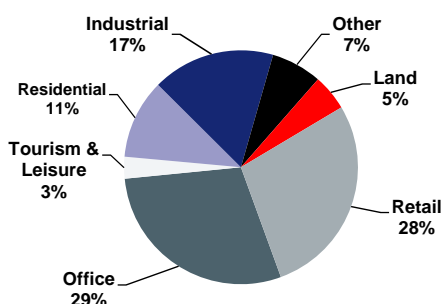
(1) Fully Secured is where the loan amount is less than 100% of the bank extended value of security; Partially Secured is where the loan amount is greater than 100% of the bank extended value of security; Unsecured is where no security is held and/or no value held against the security and negative pledge arrangements are normally in place. Bank extended value is calculated as a discount to market value based on the nature of the underlying security



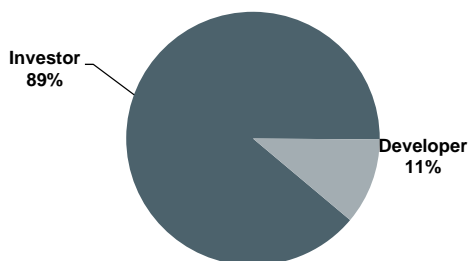
**Total \$61.5bn**  
**10.2% of Gross Loans & Acceptances**

	Aust	New Zealand	Other International	Total	Trend	Mar 18	Sep 18	Mar 19	Sep 19
TOTAL CRE (A\$b)	53.2	8.2	0.1	61.5					
Increase/(decrease) on September 2018 (A\$b)	(0.8)	0.3	(0.1)	(0.6)	Impaired loans ratio	0.27%	0.27%	0.22%	0.25%
% of geographical GLAs	10.6%	10.0%	0.5%	10.2%	Specific Provision Coverage	33.9%	30.5%	34.4%	31.9%
Change in % on September 2018	(0.3%)	(1.0%)	(0.6%)	(0.4%)					

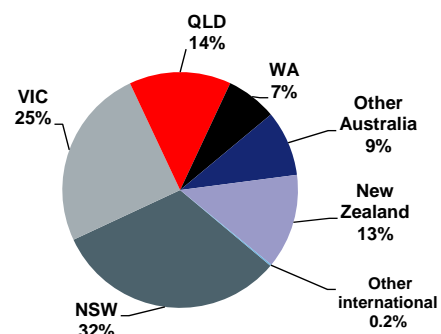
### Sector breakdown



### Borrower breakdown



### Geographic breakdown

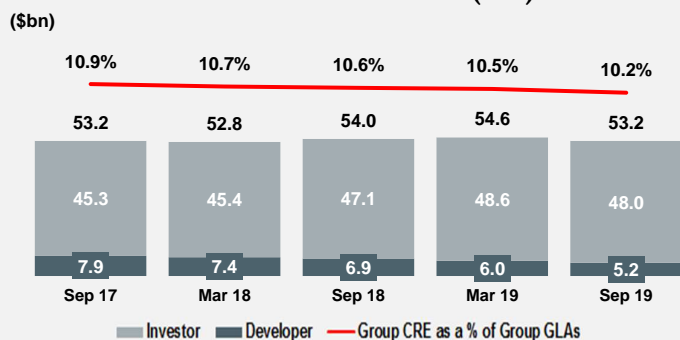


(1) Measured as balance outstanding at September 2019 per APRA Commercial Property ARF 230 definitions



# COMMERCIAL REAL ESTATE & RETAIL TRADE

## AUSTRALIAN COMMERCIAL REAL ESTATE (CRE) PORTFOLIO<sup>1</sup>



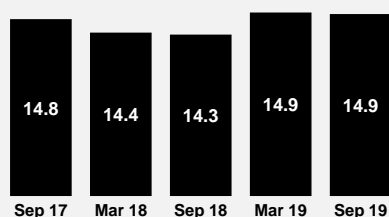
## AUSTRALIAN CRE RESIDENTIAL DEVELOPER

- Developer drawn balance includes \$1.3bn for land development and \$2.7bn for residential development
- Residential development apartment exposure<sup>2</sup> continues to trend lower with limits down ~45% since September 2018
- ~98% of residential developer limits amortise within 2 years<sup>2</sup>
- NSW and VIC account for ~83% of limits<sup>2</sup>
- Inner city postcodes account for ~18% of total residential developer exposure

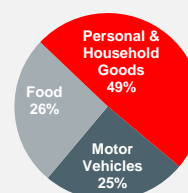
## GROUP RETAIL TRADE

- ~1.7% of Group net EAD
- 86% of portfolio fully or partially secured<sup>3</sup>
- Department store exposure 2.3% of Personal & Household Goods EAD
- Strong provision coverage including \$134m of collective provision forward looking adjustments

### EXPOSURE AT DEFAULT (EAD) \$BN



### PORTFOLIO (EAD) SEP 2019



(1) Measured as drawn balance outstanding per APRA Commercial Property ARF 230 definitions

(2) Transactions >\$2m (limit), including those that are well advanced but yet to draw-down. Inner-City includes CBD and adjoining postcodes, along with Waterloo/Zetland in Sydney. Greater Brisbane and Greater Perth based on Greater Capital City Statistical Area as defined by ABS

(3) Fully Secured is where the loan amount is less than 100% of the bank extended value of security; Partially Secured is where the loan amount is greater than 100% of the bank extended value of security; Unsecured is where no security is held and/or no value held against the security and negative pledge arrangements are normally in place. Bank extended value is calculated as a discount to market value based on the nature of the underlying security



# ADDITIONAL INFORMATION

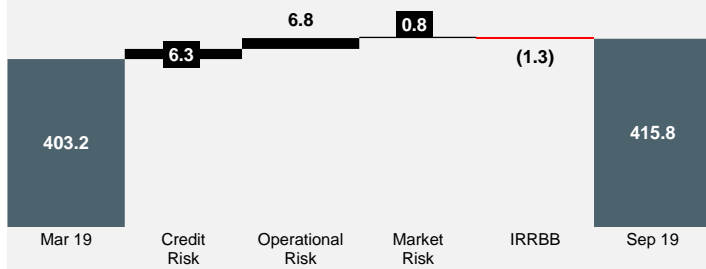
## CAPITAL & FUNDING

### CAPITAL AND RWA MOVEMENTS

CAPITAL & FUNDING

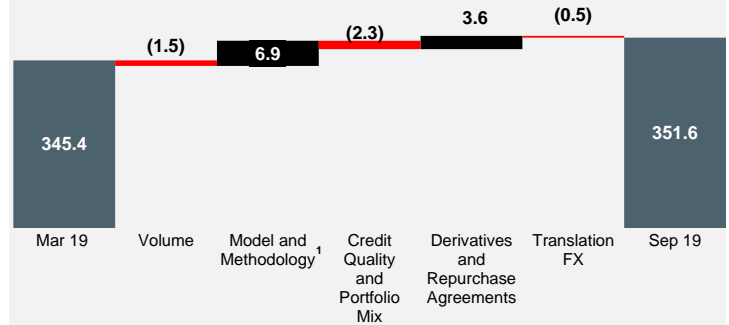
#### GROUP RWA

(\$bn)



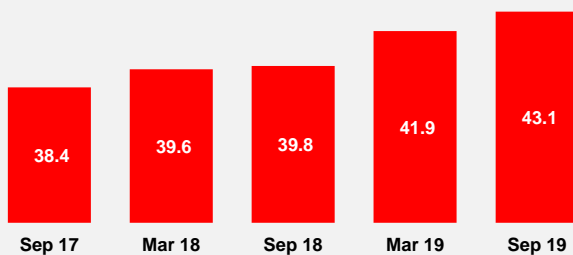
#### CREDIT RWA

(\$bn)

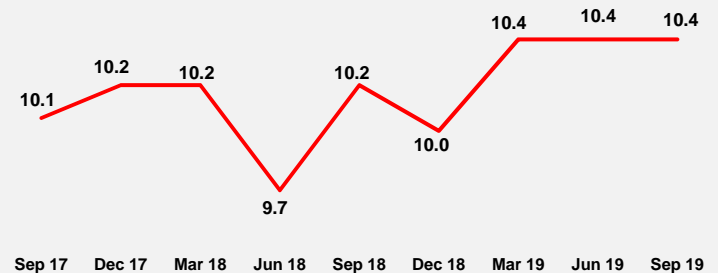


#### GROUP CET1 CAPITAL

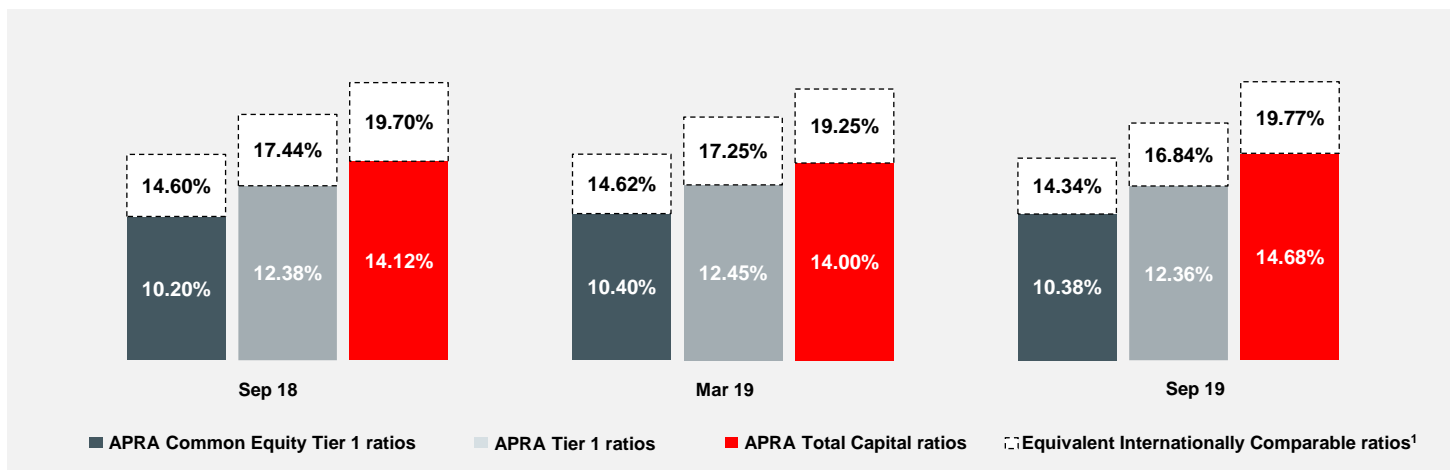
(\$bn)



#### GROUP CET1 RATIO



(1) Model and regulatory prescribed methodology changes



## APRA to Internationally Comparable CET1 Ratio Reconciliation

	CET1
Group CET1 ratio under APRA	10.38%
APRA's Basel capital adequacy standards require a 100% deduction from common equity for deferred tax assets, investments in non consolidated subsidiaries and equity investments. Under Basel Committee on Banking Supervision (BCBS) such items are concessionally risk weighted if they fall below prescribed thresholds	+74 bps
Mortgages – reduction in Loss given Default floor from 20% to 15% and adjustment for correlation factor	+155 bps
Interest rate risk in the banking book (IRRBB) – removal of IRRBB risk weighted assets from Pillar 1 capital requirements	+22 bps
Other adjustments including corporate lending adjustments and treatment of specialised lending	+145 bps
Group Internationally Comparable CET1	14.34%

(1) Internationally Comparable CET1 ratios align with the APRA study entitled "International capital comparison study" released on 13 July 2015

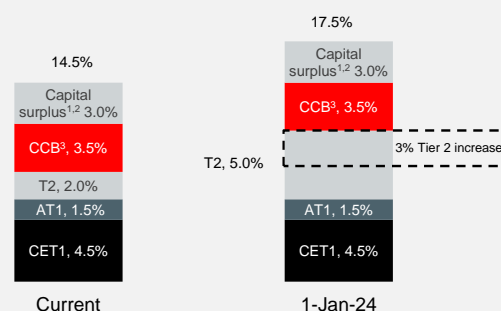


# CAPITAL REGULATORY CHANGES

## LOSS ABSORBING CAPACITY

- On 9 July 2019, the Australian Prudential Regulation Authority (APRA) confirmed its implementation approach for the minimum loss-absorbing and recapitalisation capacity of the four Australian Major Banks.
- The Major Banks will need to hold additional total capital of 3% of RWA by 1 January 2024.
- Based on NAB's 30 September 2019 RWA of A\$416bn, this represents an incremental Group Total capital requirement of approximately A\$12.5bn over 4 years. NAB issued A\$3.2bn of Tier 2 in the 6 months to 30 September 2019.
- Over the next four years "feasible alternative methods" for raising an additional 1-2% of RWA in loss-absorbing capacity will be considered by APRA, in consultation with industry and other interested stakeholders.

## APRA CHANGES TO MAJOR BANKS' CAPITAL STRUCTURES



## CAPITAL CHANGES IMPACTING NEW ZEALAND

- Based on BNZ's balance sheet as at 30 September 2019, the RBNZ capital proposals would imply a NZ\$4-5bn increase in BNZ Tier 1 capital or a decrease in BNZ balance sheet (RWAs).
- Management actions expected to materially reduce the impact of the proposals.
  - The ultimate impact on the Group also depends on various factors including the outcome of consultations with both RBNZ and APRA.
  - Where risk-adjusted returns are not sufficient, BNZ will need to consider repricing and/or reducing lending.
- Under APRA's proposed changes to APS 111 Capital Adequacy, there is minimal impact on NAB's Level 1 CET1 ratio and NAB's Level 2 CET1 ratio would be unchanged<sup>4</sup>. At 30 September 2019, Level 1 CET1 is 10.5%.
- APS 222 Associations with Related Entities is not a binding constraint for investment into BNZ given BNZ exposure levels and the proposed APS 111 rules.

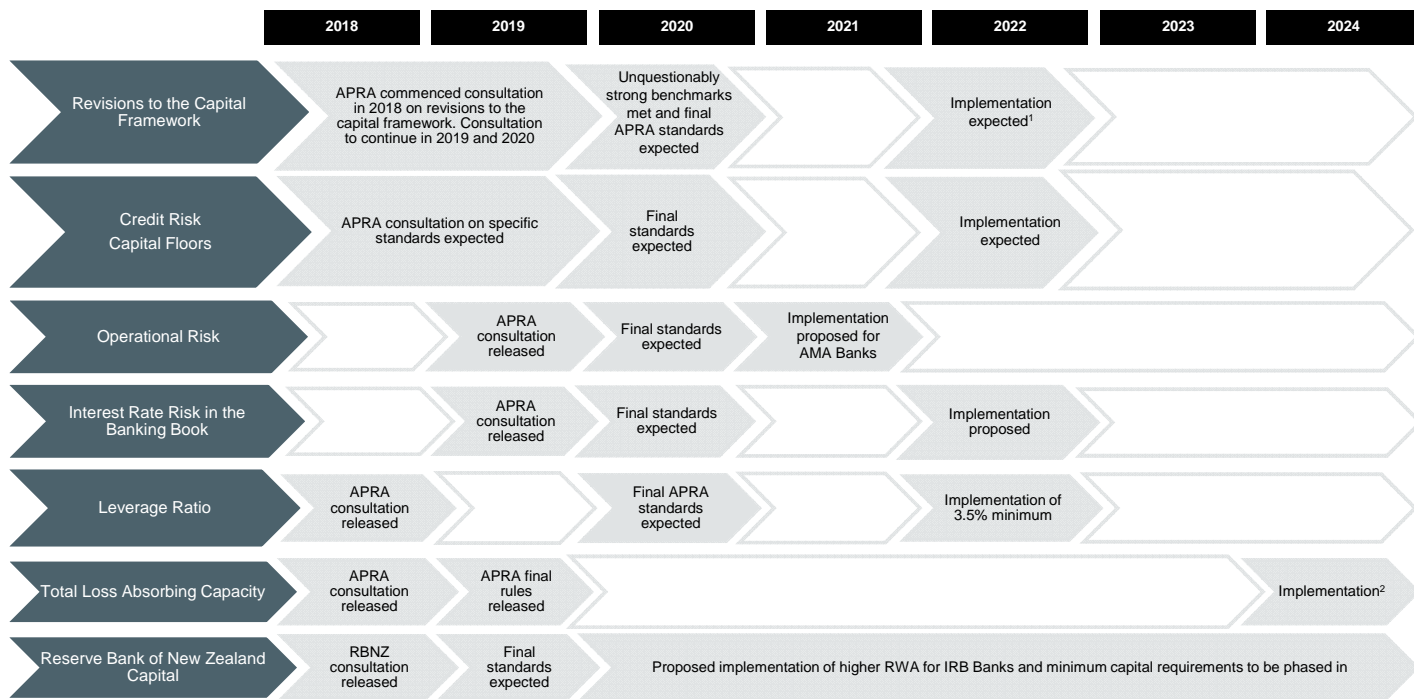
(1) Capital surplus of 3% is generally higher than the normal level for D-SIBs, as a result of the 'unquestionably strong' capital benchmarks.

(2) Excludes any Pillar 2 requirements and additional 1%-2% RWA requirement through "feasible alternative methods"

(3) CCB is the Capital Conservation Buffer

(4) On a 30 September 2019 pro-forma basis



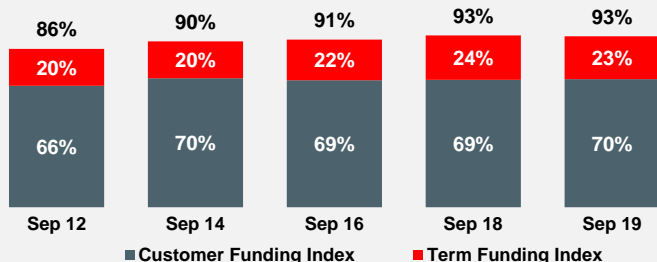


(1) APRA's proposed changes to APS 111 expected to be implemented from 1 January 2021  
 (2) Over the next four years "feasible alternative methods" for raising an additional 1-2% of RWA in loss-absorbing capacity will be considered by APRA

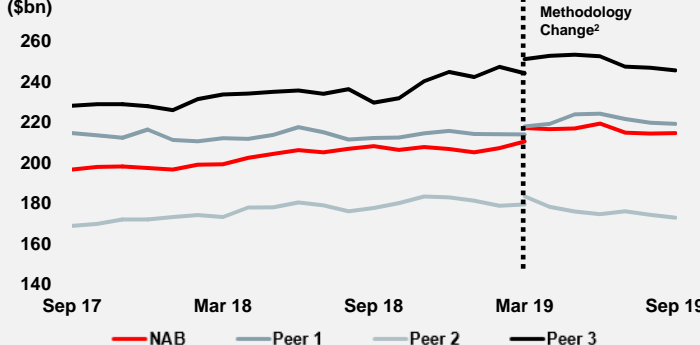


## FUNDING PROFILE

### GROUP STABLE FUNDING INDEX (SFI)



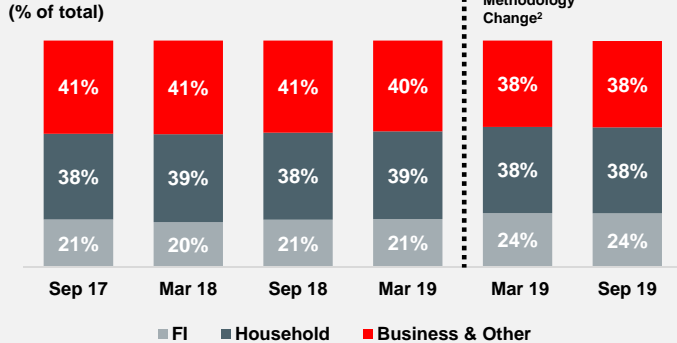
### AUSTRALIAN CORE FUNDING GAP<sup>1</sup>



### DEPOSIT GROWTH



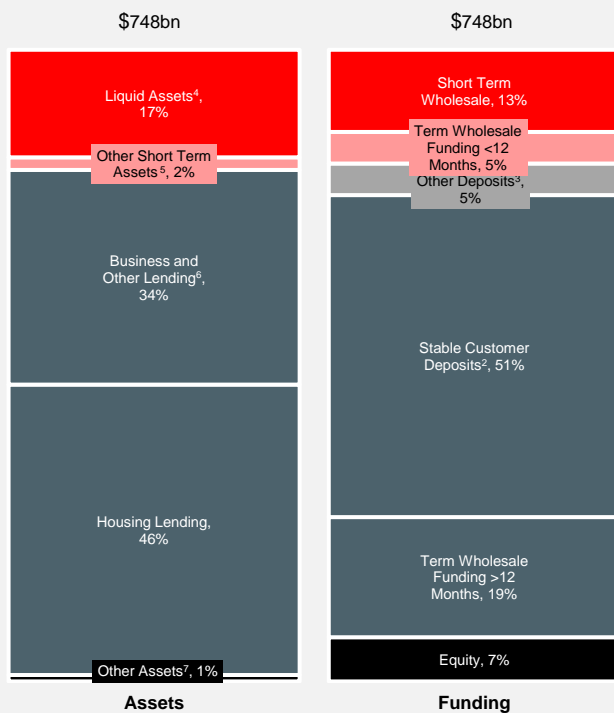
### DEPOSIT QUALITY



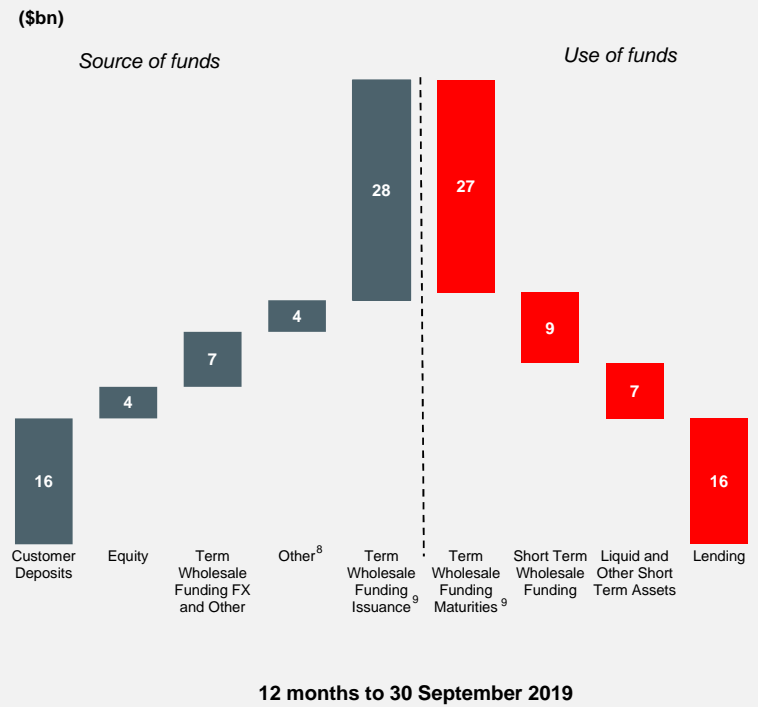
(1) Australian core funding gap = Gross loans and advances + Acceptances less Total deposits (excluding financial institution deposits and certificates of deposit). APRA Monthly Banking Statistics is used from Sep 17 to Mar 19. Apr 19 onwards is prepared using APRA Monthly Authorised Deposit-taking Institution statistics.  
 (2) Source: APRA Monthly Authorised Deposit-taking Institution Statistics. The collection data is aligned to the new regulatory definitions set by APRA. APRA have published comparatives restating March 2019 only.



### FUNDED BALANCE SHEET<sup>1</sup>



### SOURCE AND USE OF FUNDS



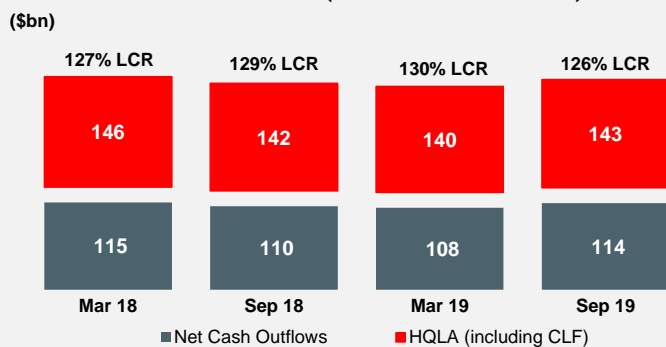
- (1) Excludes repurchase agreements, trading and hedging derivatives, and any accruals, receivables and payables that do not provide net funding
- (2) Includes operational deposits, non-financial corporate deposits and retail / SME deposits. Excludes certain offshore deposits
- (3) Includes non-operational financial institution deposits and certain offshore deposits
- (4) Market value of liquid assets including HQLA, non-HQLA and securities that are central bank repo-eligible

- (5) Includes trade finance loans
- (6) Excludes trade finance loans
- (7) Includes net derivatives, goodwill, property, plant and equipment and net of accruals, receivables and payables
- (8) Net movement of other assets and other liabilities
- (9) Includes Additional Tier 1 instruments



# LIQUIDITY

### LIQUIDITY COVERAGE RATIO (QUARTERLY AVERAGE)

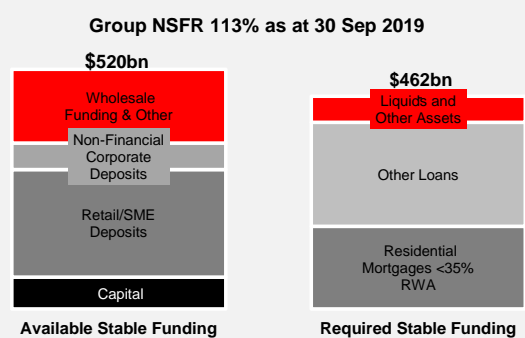


### LIQUIDITY OVERVIEW

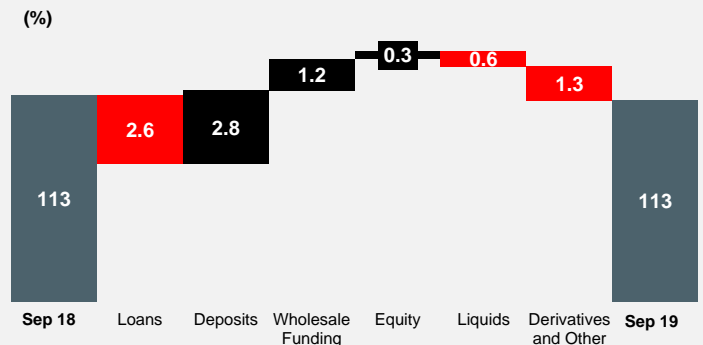
Quarterly Average (\$bn)	Mar 18	Sep 18	Mar 19	Sep 19
High quality liquid assets	86	81	85	88
Alternative liquid assets <sup>1</sup>	55	55	52	52
RBNZ Securities	5	6	3	3
<b>Total LCR Liquid Assets</b>	<b>146</b>	<b>142</b>	<b>140</b>	<b>143</b>
<i>Net outflows due to</i>				
Customer Deposits	80	72	72	76
Wholesale funding	16	15	15	13
Other	19	23	21	25
<b>Net cash outflows</b>	<b>115</b>	<b>110</b>	<b>108</b>	<b>114</b>
<b>Quarterly average LCR</b>	<b>127%</b>	<b>129%</b>	<b>130%</b>	<b>126%</b>

(1) Committed Liquidity Facility (CLF) value used in LCR calculation is the undrawn portion of the facility. Approved CLF of \$59.3 billion for 2018 and \$55.9 billion for 2019

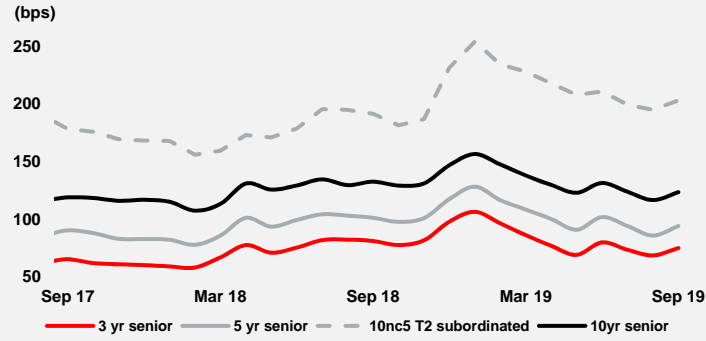
### NET STABLE FUNDING RATIO COMPOSITION



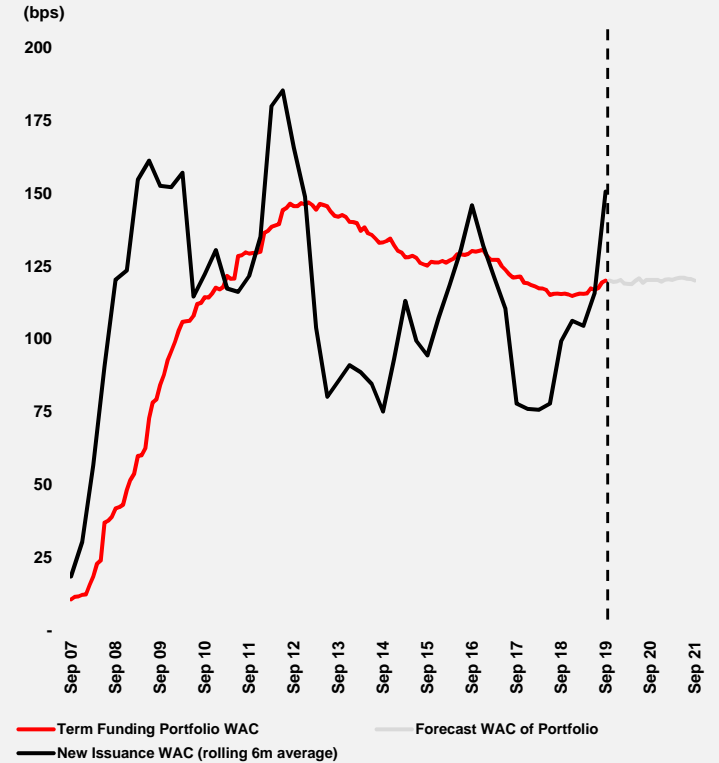
### NET STABLE FUNDING RATIO MOVEMENT



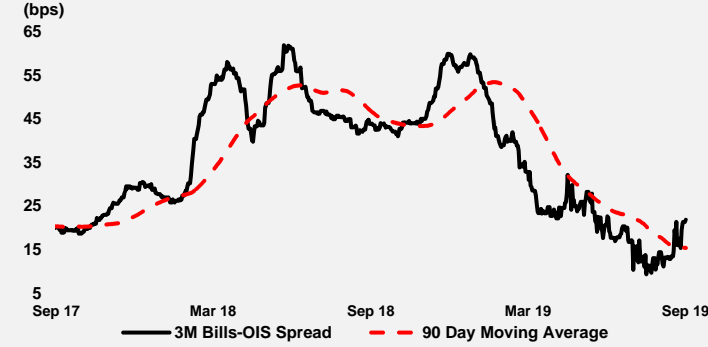
## INDICATIVE TERM WHOLESALE FUNDING COST CURVES<sup>1</sup>



## AVERAGE LONG TERM WHOLESALE FUNDING COSTS<sup>2, 4</sup>



## DOMESTIC SHORT TERM FUNDING COSTS<sup>3</sup>

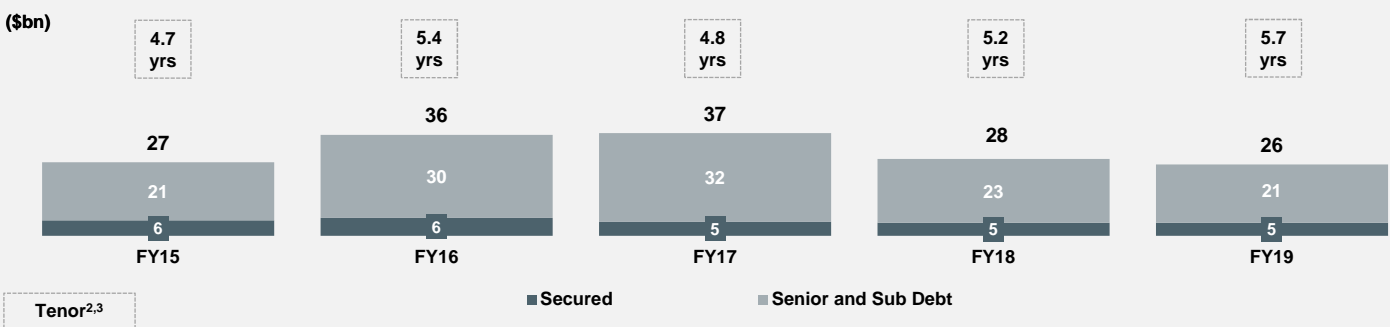


- (1) Indicative Major Bank Wholesale Tier 2 Subordinated and Senior Unsecured Funding rates over 3m BBSW using a blend of multi-currency inputs (3 years, 5 years, 10-year non-call 5-year and 10 years)
- (2) NAB Ltd Term Wholesale Funding Costs >12 Months at issuance (spread to 3 month BBSW). Average cost of new issuance is on a 6 month rolling basis. Forecast assumptions based on current issuance cost
- (3) Spread between 3 month AUD Bank Bills and Overnight Index Swaps (OIS). Source: Bloomberg
- (4) NAB issued A\$3.2bn of Tier 2 in the 6 months to 30 September 2019, increasing funding costs over the period

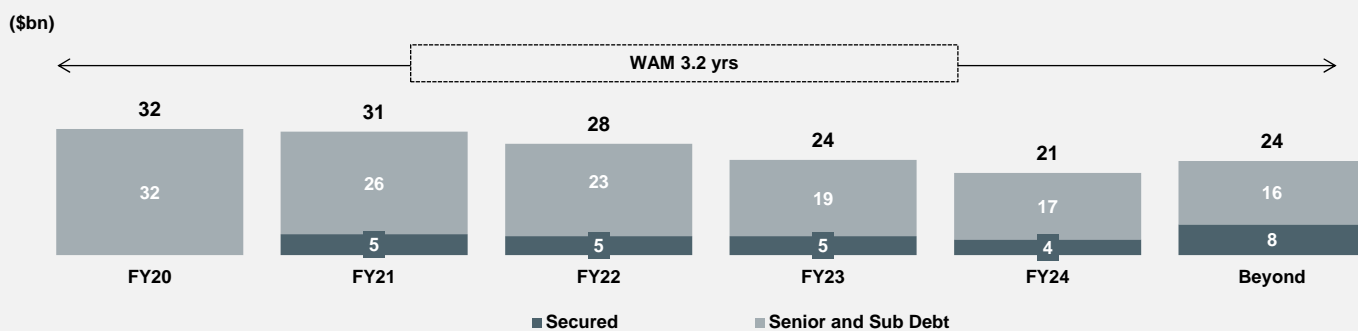


# FUNDING PROFILE

## HISTORIC TERM FUNDING ISSUANCE<sup>1</sup>



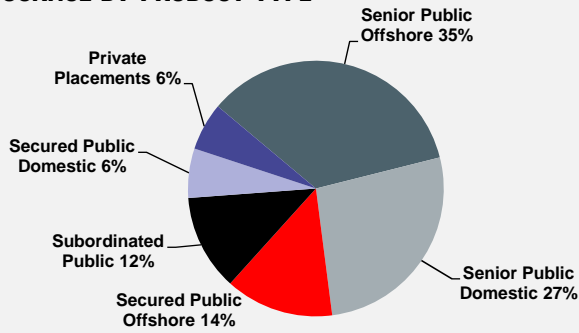
## TERM FUNDING MATURITY PROFILE<sup>3</sup>



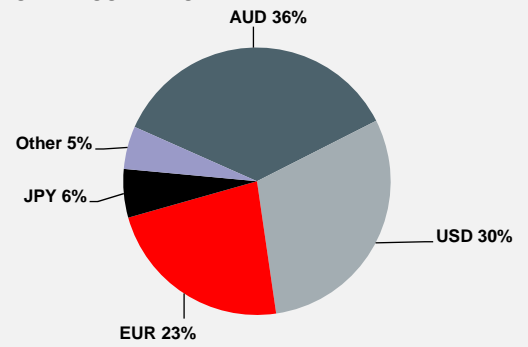
- (1) Includes senior unsecured, secured (covered bonds and securitisation) and subordinated debt with an original term to maturity or call date of greater than 12 months, excludes Additional Tier 1 instruments
- (2) Weighted average maturity (years) of funding issuance with an original term to maturity greater than 12 months
- (3) Weighted average maturity and maturity profile excludes RMBS and ABS



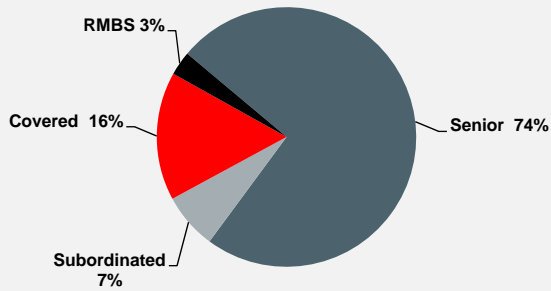
## FY19 ISSUANCE BY PRODUCT TYPE



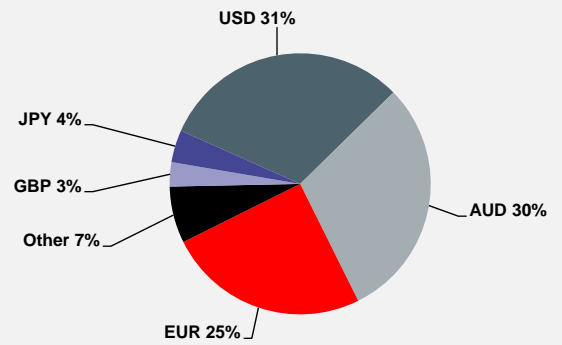
## FY19 ISSUANCE BY CURRENCY



## OUTSTANDING ISSUANCE BY PRODUCT TYPE<sup>(1)</sup>



## OUTSTANDING ISSUANCE BY CURRENCY



(1) At 30 September 2019, NAB has utilised 39% of its covered bond capacity. Capacity based on current rating agency over collateralisation (OC) and legislative limit



# ADDITIONAL INFORMATION

## ECONOMICS



## AUSTRALIAN ECONOMIC INDICATORS (%)<sup>1</sup>

	CY17	CY18	CY19(f)	CY20(f)	CY21(f)
GDP growth <sup>2</sup>	2.2	2.7	1.7	2.2	2.4
Unemployment <sup>3</sup>	5.4	5.0	5.3	5.4	5.5
Core Inflation <sup>4</sup>	1.9	1.8	1.3	1.7	2.0
Cash rate <sup>3</sup>	1.50	1.50	0.50	0.50	0.50

## AUSTRALIAN SYSTEM GROWTH (%)<sup>5</sup>

	FY17	FY18	FY19	FY20(f)	FY21(f)
Housing	6.6	5.2	3.1	2.0	3.1
Personal	-0.9	-1.4	-4.4	0.0	0.0
Business	4.1	4.4	3.3	4.1	5.4
Total lending	5.3	4.6	2.7	2.5	3.7
System deposits	6.9	2.1	3.9	2.7	3.7

## NZ ECONOMIC INDICATORS (%)<sup>1</sup>

	CY17	CY18	CY19(f)	CY20(f)	CY21(f)
GDP growth <sup>2</sup>	3.1	2.8	2.2	2.2	2.0
Unemployment <sup>3</sup>	4.5	4.3	4.2	4.3	4.1
Inflation <sup>4</sup>	1.6	1.9	1.8	2.0	1.6
Cash rate (OCR) <sup>3</sup>	1.75	1.75	0.75	0.50	1.00

## NZ SYSTEM GROWTH (%)<sup>5</sup>

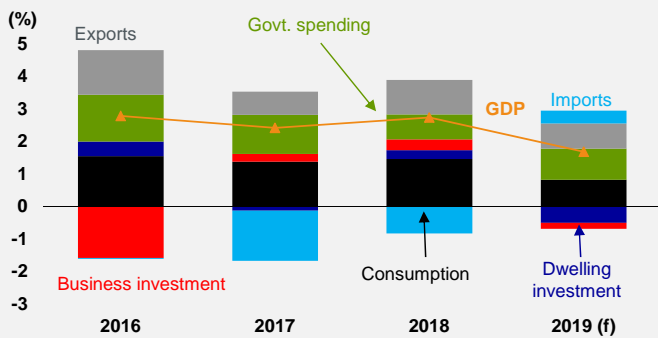
	FY17	FY18	FY19	FY20(f)	FY21(f)
Housing	6.6	6.0	6.5	5.6	5.4
Personal	7.8	4.7	0.1	0.1	0.6
Business	4.8	4.1	4.7	4.5	4.3
Total lending	5.8	5.2	5.6	5.0	4.8
Household retail deposits	7.7	6.9	5.1	5.3	5.1

- (1) Sources: ABS, Econdata DX, RBA, RBNZ, Stats NZ, NAB
- (2) Average for year ended December on average of previous year
- (3) As at December quarter
- (4) CPI, December quarter on December quarter of previous year. For Australia, average of trimmed mean and weighted median indices
- (5) Source: RBA, RBNZ, NAB. Bank fiscal year-ended (September)

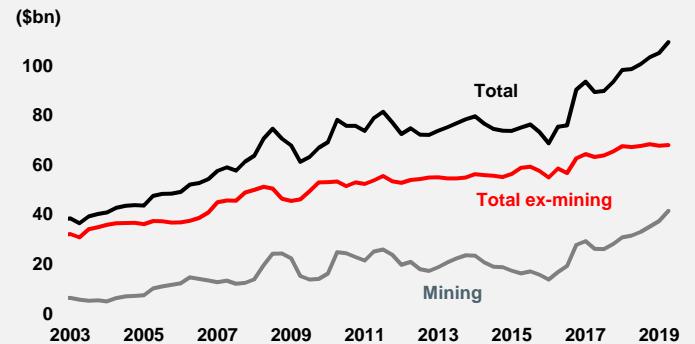


# MINING STABILISING AND INFRASTRUCTURE PROVIDING SUPPORT

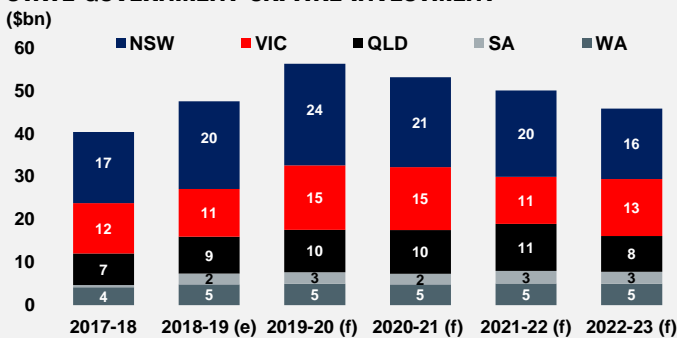
## CONTRIBUTIONS TO GDP GROWTH



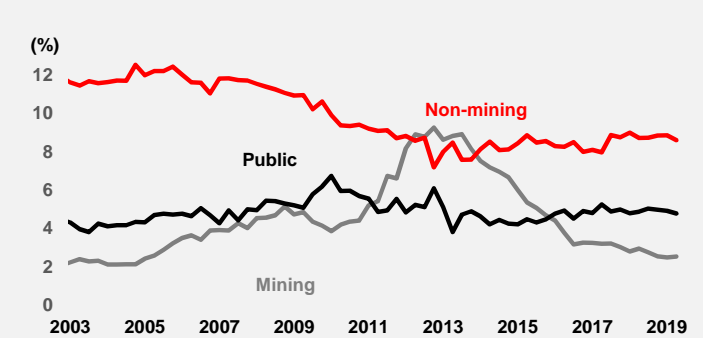
## BUSINESS PROFITS<sup>1</sup>



## STATE GOVERNMENT CAPITAL INVESTMENT<sup>2</sup>



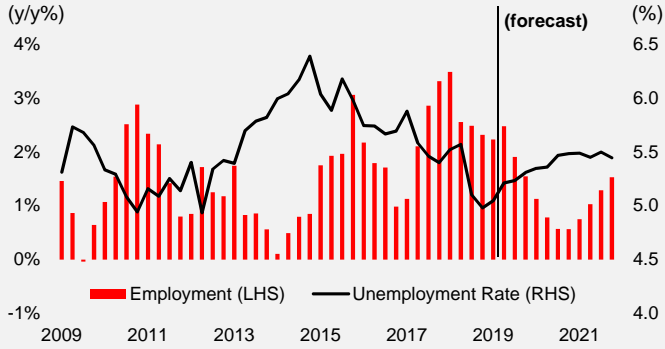
## MINING v NON-MINING INVESTMENT – SHARE OF GDP<sup>2</sup>



- (1) Gross operating profits. Source: NAB, ABS
- (2) Source: NAB, ABS. Calendar year average



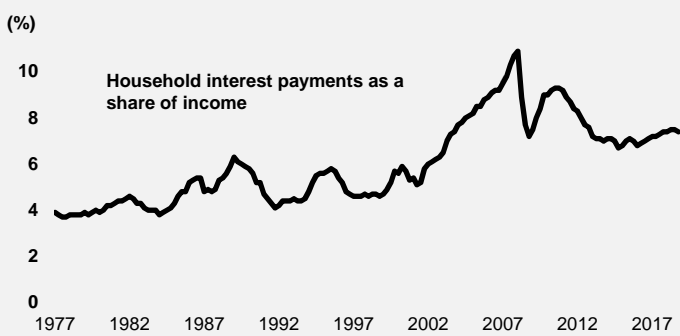
## JOBS GROWTH & UNEMPLOYMENT<sup>1</sup>



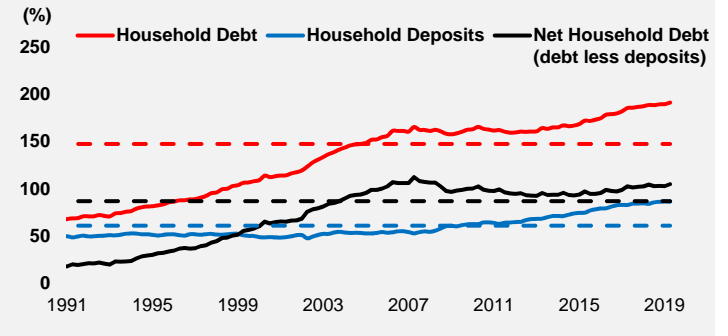
## PRIVATE WAGE GROWTH SUBDUED BUT SHOULD MOVE HIGHER<sup>1</sup>



## HOUSEHOLD INTEREST PAYMENTS<sup>2</sup>



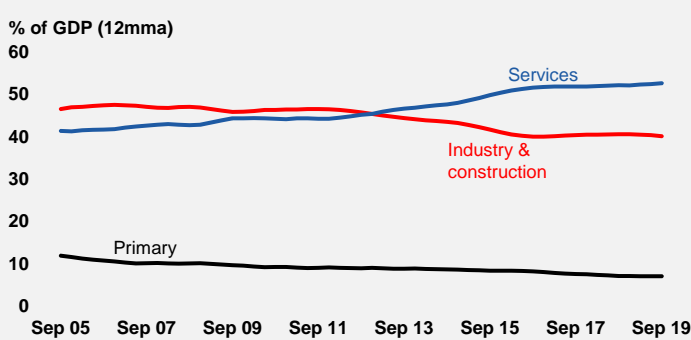
## HOUSEHOLD DEBT AND DEPOSITS<sup>3</sup>



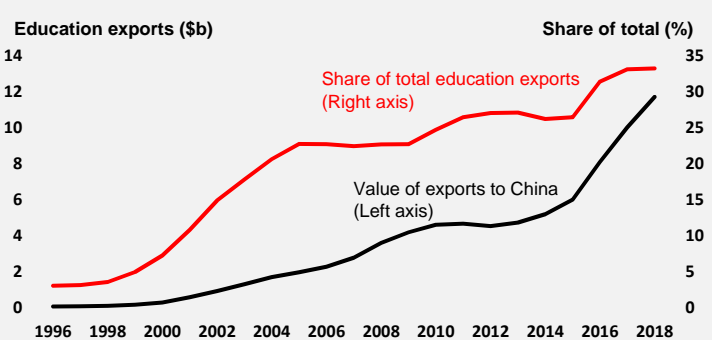
(1) Source: ABS, NAB. Actual data to 2019 Q2, thereafter NAB estimates  
 (2) Source: ABS, NAB. Actual data to 2019 Q2  
 (3) Source: RBA, NAB. Actual data to 2019 Q2



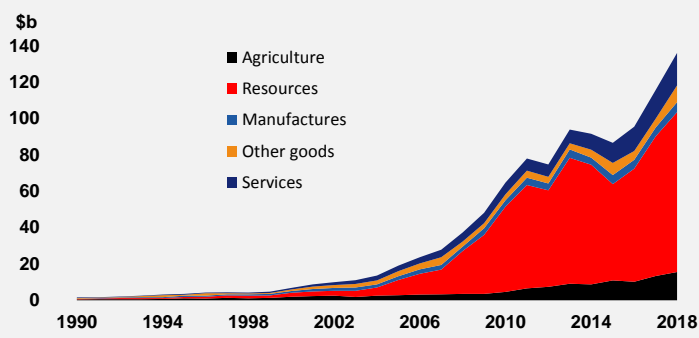
## COMPOSITION OF CHINA'S ECONOMY<sup>1</sup>



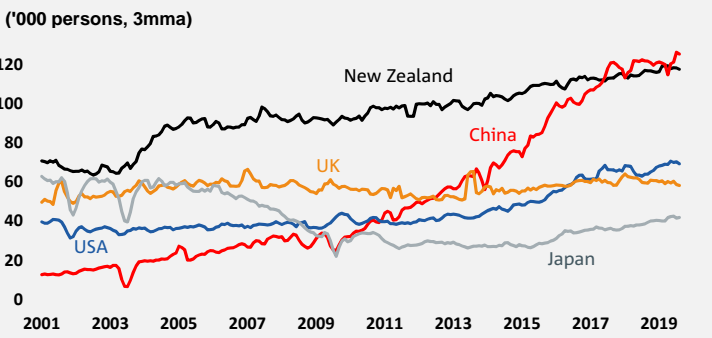
## AUSTRALIA EDUCATION EXPORTS<sup>2</sup>



## AUSTRALIA'S EXPORTS TO CHINA<sup>3</sup>



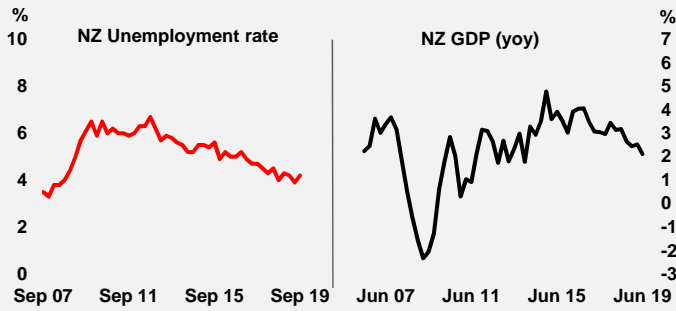
## AUSTRALIA'S VISITOR ARRIVALS<sup>4</sup>



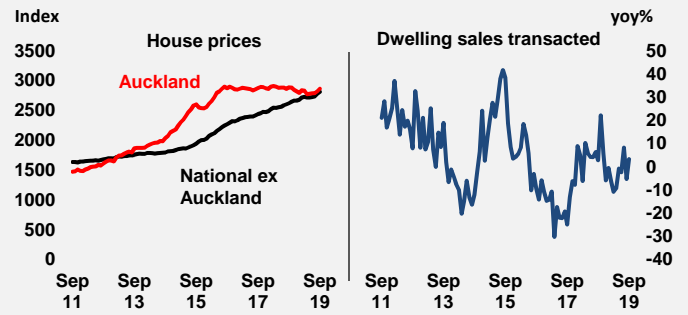
(1) Source: CEIC, 12mma denotes twelve month moving average  
 (2) Source: ABS  
 (3) Source: DFAT  
 (4) Source: ABS, 3mma denotes three month moving average



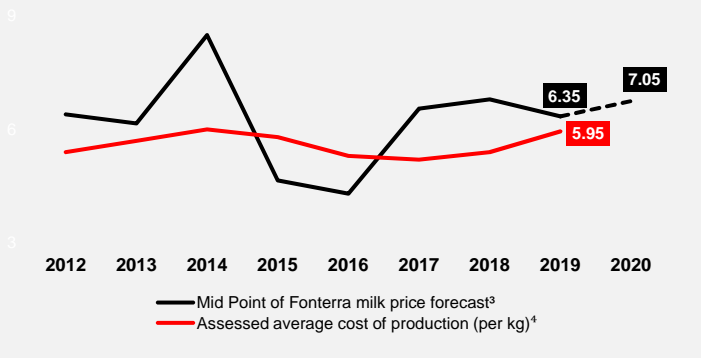
## NZ GROWTH HAS SLOWED BUT STILL SOLID, UNEMPLOYMENT LOW<sup>1</sup>



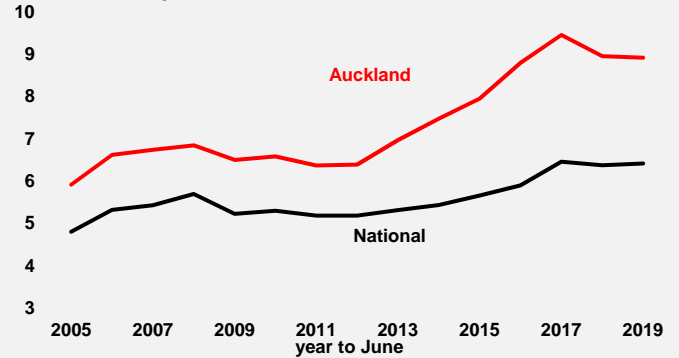
## HOUSING MARKET MIXED WITH WIDE REGIONAL VARIATION<sup>2</sup>



## DAIRY FARM VIABILITY



## House price to household income ratio



(1) Source: NAB, Econdata DX/Statistics NZ  
 (2) Source: ThomsonReuters Datastream, REINZ, Statistics NZ, NAB calculations  
 (3) Source: Fonterra forecast (milk price)  
 (4) Source: Dairy NZ estimate of average cost of production (includes interest, rent, tax and drawings)



# OTHER INFORMATION

# GROUP CASH EARNINGS RECONCILIATION TO STATUTORY NET PROFIT

- NAB uses cash earnings (rather than statutory net profit attributable to owners of NAB) for its internal management reporting purposes and considers it a better reflection of the Group's underlying performance. Accordingly, information is presented on a cash earnings basis unless otherwise stated.
- Cash earnings is not a statutory financial measure and is not presented in accordance with Australian Accounting Standards nor audited or reviewed in accordance with Australian Auditing Standards. 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. These non-cash earning items, and a reconciliation to statutory net profit attributable to owners of NAB, are presented in the table below. Prior period non-cash earnings have been restated to exclude discontinued operations.
- The definition of cash earnings, a discussion of non-cash earnings items and a full reconciliation of the cash earnings to statutory net profit attributable to owners of NAB is set out on page 2 of the 2019 Full Year Results Announcement. The Group's financial statements, prepared in accordance with the Corporations Act 2001 (Cth) and Australian Accounting Standards, and reviewed by the auditors in accordance with Australian Auditing Standards, are set out in the 2019 Full Year Results Announcement.

	FY19 (\$m)	FY19 v FY18	2H19 (\$m)	2H19 v 1H19
<b>Cash earnings</b>	5,097	(10.6%)	2,143	(27.5%)
Non-cash earnings items (after tax)				
Distributions	83	(17.0%)	31	(40.4%)
Fair value and hedge ineffectiveness	(23)	Large	46	Large
Amortisation of acquired intangible assets	(18)	(40.0%)	(4)	(71.4%)
MLC Wealth divestment separation costs	(52)	Large	(33)	73.7%
Net profit from continuing operations	5,087	(14.4%)	2,183	(24.8%)
Net loss after tax from discontinued operations	(289)	(25.5%)	(79)	(62.4%)
<b>Statutory net profit attributable to owners of NAB</b>	<b>4,798</b>	<b>(13.6%)</b>	<b>2,104</b>	<b>(21.9%)</b>

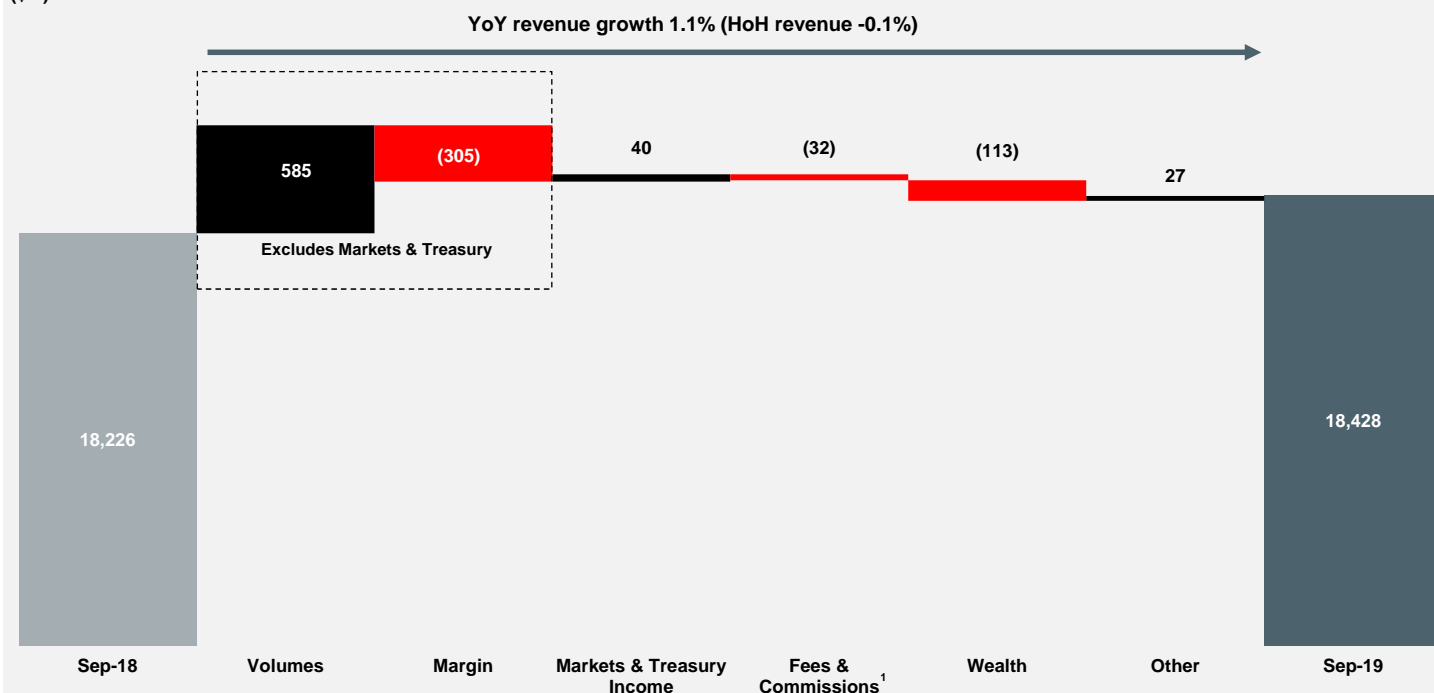
102



## NET OPERATING INCOME – YEAR ON YEAR BASIS

### NET OPERATING INCOME (EX LARGE NOTABLE ITEMS)

(\$m)

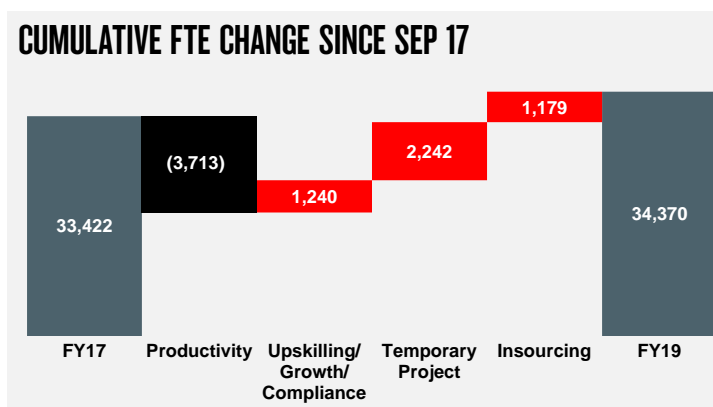
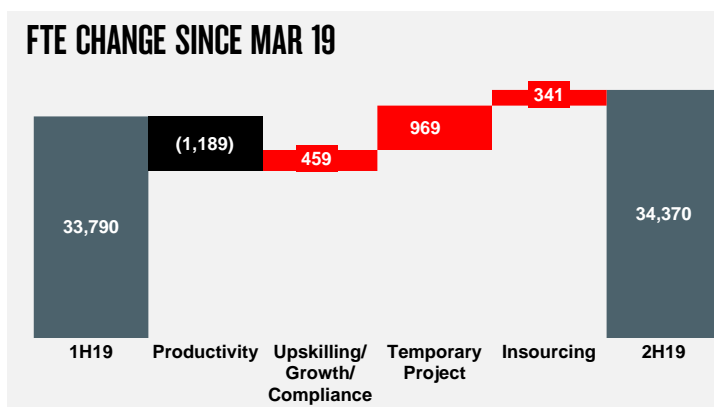


(1) Excludes Markets & Treasury income

103



# FTE AND USEFUL LIFE OF SOFTWARE



## AVERAGE IMPLIED USEFUL LIFE OF SOFTWARE<sup>1</sup>

(Years)



(1) Calculated using the average capitalised software balance for the period divided by an annualised amortisation charge excluding accelerated amortisation for FY19



# ABBREVIATIONS

<b>AUM</b>	Assets Under Management
<b>CET1</b>	Common Equity Tier 1 Capital
<b>CLF</b>	Committed Liquidity Facility
<b>CPS</b>	Cents Per Share
<b>CTI</b>	Cost to income ratio
<b>DRP</b>	Dividend Reinvestment Plan
<b>EAD</b>	Exposure at Default
<b>EPS</b>	Earnings Per Share
<b>FTEs</b>	Full-time Equivalent Employees
<b>FUM/A</b>	Funds Under Management and Administration
<b>GIAs</b>	Gross Impaired Assets
<b>GLAs</b>	Gross Loans and acceptances
<b>HQLA</b>	High Quality Liquid Assets
<b>IRB</b>	Internal Ratings Based approach

<b>LCR</b>	Liquidity Coverage Ratio
<b>LVR</b>	Loan to Value Ratio
<b>NII</b>	Net Interest Income
<b>NPS</b>	Net Promoter Score
<b>NSFR</b>	Net Stable Funding Ratio
<b>OIS</b>	Overnight Index Swap
<b>OOI</b>	Other operating income
<b>OTC</b>	Over the counter
<b>RMBS</b>	Residential Mortgage Backed Securities
<b>ROE</b>	Return on Equity
<b>RWAs</b>	Risk-weighted assets
<b>SFI</b>	Stable Funding Index
<b>SME</b>	Small and Medium Enterprise
<b>TCFD</b>	Task Force on Climate-related Financial Disclosures
<b>UNEP FI</b>	United Nations Environment Programme - Finance Initiative



# DISCLAIMER

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Slides 3 to 35 of this presentation 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 2019 financial year, which will be available at [www.nab.com.au](http://www.nab.com.au) on 15 November 2019.

**For further information visit [www.nab.com.au](http://www.nab.com.au) or contact:**

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