



NAB 2017

**Full Year
Results Summary**

**National
Australia
Bank**

Sarah and Justin Montesalvo
Patriot Campers

2017 FINANCIAL HIGHLIGHTS

\$5,285M

Statutory
net profit

\$6,642M

Cash earnings¹
Up 2.5% v 2016

99CPS

Final dividend
100% franked

198CPS

Total FY17
dividend

\$5.3BN

Dividends declared

Returned 79% of cash
earnings¹ to over 571,000
shareholders, 95% who are
Australians



Our FY17 result represents another year of consistent delivery. Cash earnings and revenue are up, asset quality is a highlight again, and we have further strengthened our balance sheet.

Outcomes from our focus on improving the customer experience are also pleasing. Our Priority Segments Net Promoter Score (NPS)² is first of the major banks at 30 September 2017.

We have made strong progress over the past three years and now we announce an acceleration of our strategy. This involves an estimated \$1.5 billion increase in investment by the end of FY20 to further improve the experience for our customers, reshape our workforce and grow our bank. Cost savings of greater than \$1 billion are targeted by the end of FY20 as we further simplify our business³.

We have a clear plan to deliver for our customers. We move forward with confidence and a purpose to 'back the bold who move Australia forward'.



ANDREW THORBURN
NAB CEO

DELIVERING FOR OUR SHAREHOLDERS

ANNUAL DIVIDENDS DECLARED (\$ MILLIONS)

In respect of each financial year



BACKING OUR CUSTOMERS IN 2017

- Supporting our customers into home ownership, with \$70 billion in new Australian home lending⁴
- \$70 billion in new Australian business lending⁵, \$29 billion to SMEs⁶, backing economic growth
- First bank to significantly overhaul our standard form business contract. Now in plain English, a third of T&Cs removed, benefitting 130,000 businesses
- Expanding our fully online small business platform QuickBiz to include commercial cards & overdrafts
- Faster, easier Everyday Account application experience, with application time cut to 7 minutes

¹ Refer note on cash earnings and reconciliation on page 6.

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. Priority Segments Net Promoter Score (NPS) is a simple average of the NPS scores of four priority segments: Home Owners, Investors, Small Business (\$0.1m–\$5m) and Medium Business (\$5m–\$50m). The Priority Segments NPS data is based on six month moving averages from Roy Morgan Research and DBM BFSM Research.

³ Refer to key risks, qualifications and assumptions in relation to forward-looking statements on page 7.

⁴ Drawdowns (excluding redraws) by Australian customers.

⁵ New and increased (on and off balance sheet) commitments by Australian customers. New lending has been derived from year on year customer limit movements.

⁶ SME represents new Australian business lending for NAB's Business & Private Banking division in FY17.

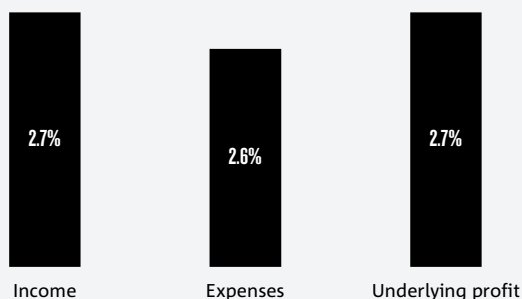
NAB 2017 FULL YEAR RESULTS

The September 2017 full year results are compared with the September 2016 full year results for continuing operations unless otherwise stated, and reflect revisions to prior comparative financial information as detailed in NAB's ASX announcements on 13 October 2016 and 20 April 2017. Operating Performance and Asset Quality are expressed on a cash earnings basis.

OPERATING PERFORMANCE FY17 V FY16

- Revenue up 2.7% with growth in housing and business lending, and stronger Markets & Treasury⁷ income.
- Net Interest Margin down 3 basis points (bps), or up 1 bp excluding Markets & Treasury.
- Expenses up 2.6%, or 1.5% excluding redundancies, due to increased investment partly offset by productivity savings.

FY17 V FY16 CASH EARNINGS GROWTH BASIS

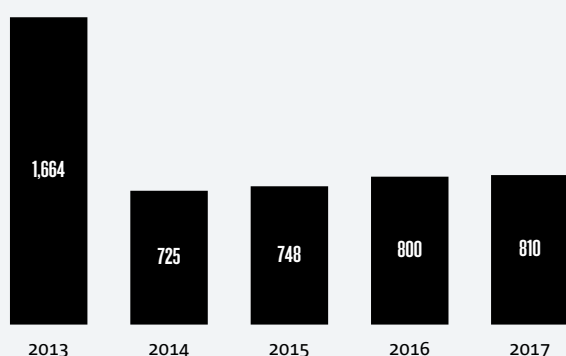


“Our commitment to reshaping and simplifying our business has delivered productivity savings of \$301 million this year against a target of greater than \$200 million.”

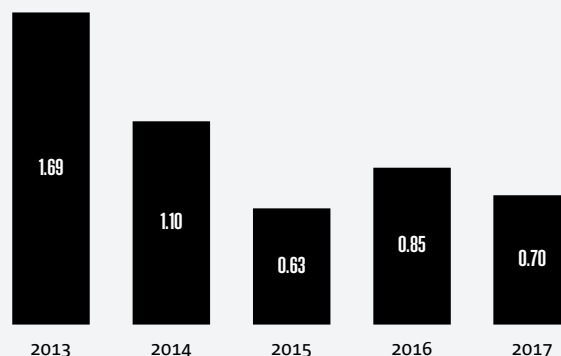
ASSET QUALITY FY17 V FY16

- Bad and doubtful debt (B&DD) charges rose 1.3% to \$810 million, but as a percentage of gross loans and acceptances declined 1 bp to 14 bps.
- The charge includes additional collective provision (CP) overlays of \$249 million for potential risks mainly relating to commercial real estate, retail trade and mortgage portfolios.
- Asset quality improved with the ratio of 90+ days past due and gross impaired assets to gross loans and acceptances down 15 bps to 0.70% benefitting from better conditions for New Zealand dairy customers and successful work-out strategies across the Australian business lending portfolio.

BAD & DOUBTFUL DEBT CHARGES (\$MILLIONS)



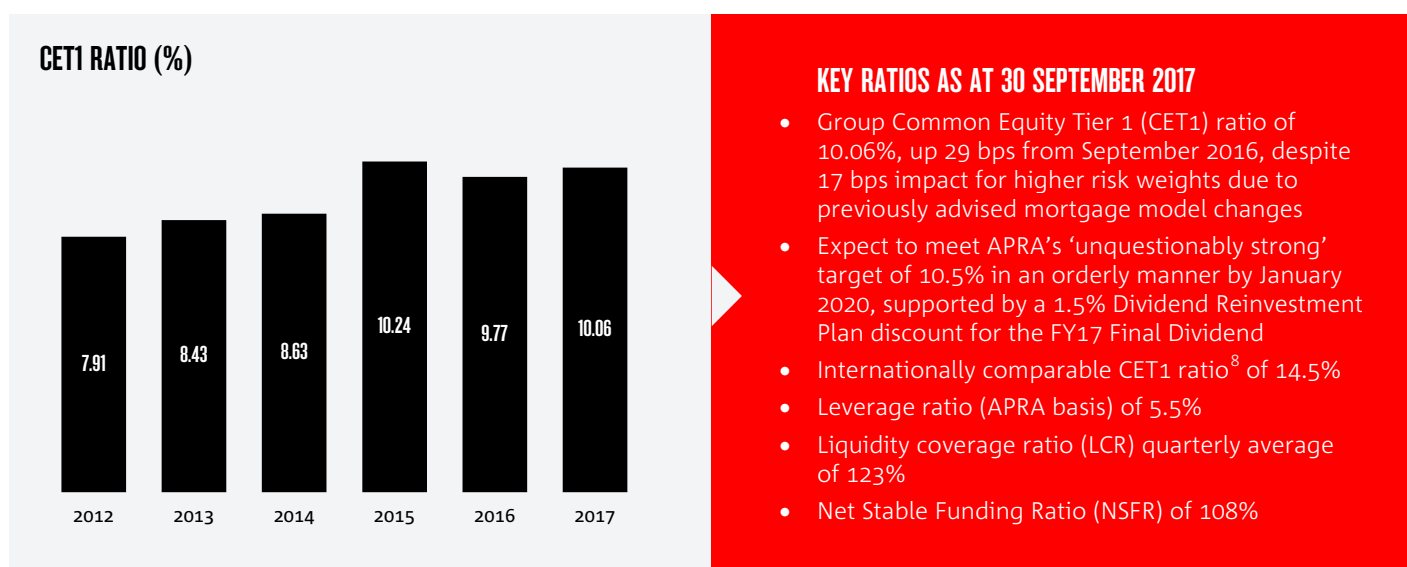
90+ DPD & GIAS/GLAS (%)



“Asset quality is a highlight again, benefitting from supportive economic conditions and sound risk settings. Total collective provision overlays for targeted sectors were increased by \$249 million over the year and now stand at \$451 million.”

⁷ Markets and Treasury income represents Customer Risk Management and NAB Risk Management income.

CAPITAL, FUNDING & LIQUIDITY



DIVISIONAL PERFORMANCE – CASH EARNINGS

	FY17 (\$M)	% CHANGE FY17 V FY16	HIGHLIGHTS FY17 V FY16
Consumer Banking & Wealth	1,633	4.3	A solid result featuring housing volume growth, low expense growth and lower B&DD charges, benefitting from a much stronger 2H17 revenue performance
Business & Private Banking	2,841	6.3	Strong revenue performance from lending growth and increased margins, combined with disciplined expense management, partly offset by higher B&DD charges
Corporate & Institutional Banking	1,535	12.3	A disciplined result, with tight management of capital, expense reductions and strong asset quality outcomes
New Zealand Banking (NZ\$M)	941	8.9	Strong lending and revenue growth combined with lower B&DD charges and continued investment

⁸ Internationally Comparable CET1 ratio at 30 September 2017 aligns with the APRA study entitled "International Capital Comparison Study" released on 13 July 2015.

NAB'S ROLE IN THE COMMUNITY

NAB REVENUE

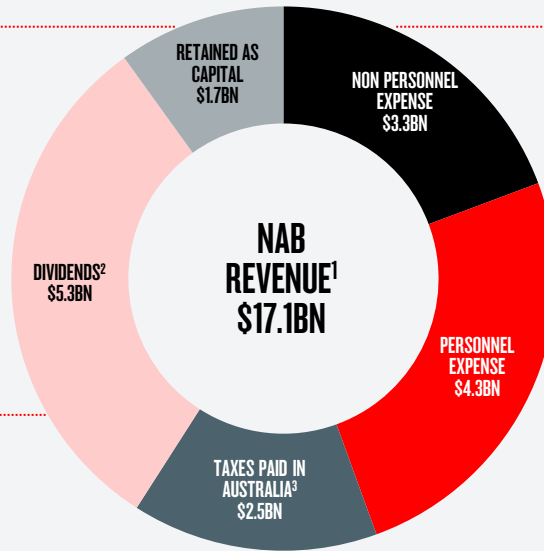
- Supports all stakeholders and business partners
- NAB revenue is shown after interest payments to 4.6 million Australian and New Zealand retail and business deposit customers who have deposited over \$390 billion with us

BORROWERS

- Total of over \$330 billion in Home Lending and \$236 billion in Business Lending
- \$1.7 billion retained as capital to support new lending and further strengthen capital position to meet future regulatory requirements

SHAREHOLDERS (INC. SUPER FUNDS)

- Over 571,000 shareholders
- 79% of NAB's cash earnings distributed in dividends



SUPPLIERS & COMMUNITY

- +1,800 supplier agreements
- +26,000 microfinance loans provided
- Carbon neutral since 2010, 75% of Australian key office buildings⁴ are Green Star Rated

OUR PEOPLE

- Employ over 33,000 people⁵
- Over 50% of our workforce directly engages with customers

GOVERNMENT

- Australia's fourth largest income tax payer
- Signatory to the Voluntary Tax Transparency Code

Figures based on NAB's FY17 cash earnings

- 1 Revenue shown net of \$0.8bn of bad and doubtful debts
- 2 Dividends declared in respect of FY17
- 3 Includes income tax, GST, FBT, payroll tax and other taxes borne by NAB that were paid during the year ended 30 September 2017
- 4 'Key office buildings' are all NAB commercial tenancies over 4,000m²
- 5 Represents full time equivalent employees as at 30 September 2017 for NAB Group

ECONOMIC OUTLOOK

“The outlook for the Australian and New Zealand economies remains supportive of solid growth. In Australia, the mining investment decline is slowing and an upswing in business investment and government infrastructure spending are forecast to support economic growth despite a subdued consumer sector. Some slowing in the housing cycle and a moderation in housing credit is expected, but downside is likely to be limited by strong population growth and low unemployment.”

ACCELERATING OUR STRATEGY⁹

The FY17 result caps off a three year period of discipline and focus that has delivered improved performance for our customers, employees and shareholders. Over this time we have:

- Deepened the focus on customers with the roll out of the Net Promoter System
- Divested non-core, low returning businesses including Clydesdale and Great Western banks and life insurance
- Strengthened the balance sheet through improved asset quality, stronger capital ratios and more stable funding
- Closed the ROE gap on major bank peers and reinvigorated our core SME franchise
- Upgraded NAB's digital offering through NAB Labs and innovative strategic partnerships

The environment is one of rapid and constant change. Our customers are now largely "digital-first" and expect seamless, personal experiences. New competitors continue to emerge, and community and regulatory expectations have never been greater. The risks we face are constantly evolving, requiring ever greater vigilance around cybercrime and data protection.

We are optimistic about the future and the opportunities for NAB in a changing world, and we move forward as a much stronger bank. This allows us to plan for the longer term and today we announce an acceleration of our strategy to enable us to grow while staying focussed on productivity.

This includes an estimated \$1.5 billion increase in our investment over the next three years. A key focus will be driving a major uplift in innovation and capabilities in our leading Australian SME franchise. The timing and amount of investment spend may vary depending on the operating environment.

We expect this to deliver benefits including:

- Improved customer experience with fewer, simpler products, delivered via digital channels
- Cumulative cost savings, currently targeted at greater than \$1 billion by the end of FY20, as we significantly simplify and automate processes, reduce procurement and third party costs, and get closer to our customers with a flatter organisational structure
- Increased revenue from higher customer retention and targeted market share gains
- Reduced operational and regulatory risks from a simplified, more responsive and resilient technology environment

We are reshaping our workforce to enable us to deliver for our customers and by FY20 expect to create up to 2,000 new jobs while about 6,000 roles will be impacted as we further automate and simplify our business. This will result in a net reduction in staff currently targeted at approximately 4,000 by the end of FY20, which is expected to give rise to a 1H18 restructuring provision of \$0.5-0.8 billion. Throughout this process we will treat our people with care and respect and equip them for the future.

Reflecting the accelerated investment impact, FY18 expenses are expected to grow 5-8%, with expenses then targeted to remain broadly flat over FY19-20 (excluding the restructuring provision and large one-off expenses). Taking account of the near term impact of these changes, the Board expects to maintain FY18 dividends at the FY17 level, subject to no material change in the external environment and satisfactory Group financial performance.

We have set four aspirational objectives:

- NPS positive and #1 of Australian major banks for our priority segments
- Cost-to-income ratio towards 35%
- #1 ROE of Australian major banks
- Top quartile employee engagement

We plan to achieve these by being the best business bank; becoming simpler and faster for our customers and our people; focussing on new and emerging growth opportunities; and having great leaders, talent and culture.

This is an ambitious and necessary plan. It will enable us to continue to deliver for all our stakeholders, live our purpose to 'back the bold who move Australia forward' and achieve our vision to be Australia and New Zealand's most respected bank.

KEY TARGETS

~\$1.5BN

increase in investment program over 3 years

>\$1BN

in cost savings targeted by end of FY20

~15-20%

reduction in IT applications to simplify technology

~50%

fewer products, 60% digitally originated

⁹ Refer to key risks, qualifications and assumptions in relation to forward-looking statements on page 7

NAB 2017 FULL YEAR RESULTS

GROUP PERFORMANCE RESULTS¹⁰

Cash earnings is not a statutory financial measure, is not presented in accordance with Australian Accounting Standards, and is not audited or reviewed in accordance with Australian Auditing Standards. Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners of NAB for the year ended 30 September 2017 is set out on pages 2 to 8 of the 2017 Full Year Results Announcement under the heading "Profit Reconciliation".

	Year to			Half Year to		
	Sep 17 \$m	Sep 16 \$m	Sep 17 v Sep 16 %	Sep 17 \$m	Mar 17 \$m	Sep 17 v Mar 17 %
Net interest income	13,166	12,930	1.8	6,773	6,393	5.9
Other operating income	4,729	4,503	5.0	2,253	2,476	(9.0)
Net operating income	17,895	17,433	2.7	9,026	8,869	1.8
Operating expenses	(7,635)	(7,438)	2.6	(3,850)	(3,785)	1.7
Underlying profit	10,260	9,995	2.7	5,176	5,084	1.8
Charge to provide for bad and doubtful debts	(810)	(800)	1.3	(416)	(394)	5.6
Cash earnings before tax and distributions	9,450	9,195	2.8	4,760	4,690	1.5
Income tax expense	(2,710)	(2,588)	4.7	(1,363)	(1,347)	1.2
Cash earnings before distributions	6,740	6,607	2.0	3,397	3,343	1.6
Distributions	(98)	(124)	(21.0)	(49)	(49)	-
Cash earnings	6,642	6,483	2.5	3,348	3,294	1.6
<i>Non-cash earnings items (after tax):</i>						
Distributions	98	124	(21.0)	49	49	-
Treasury shares	-	61	large	-	-	-
Fair value and hedge ineffectiveness	(500)	(126)	large	(47)	(453)	(89.6)
Life insurance 20% share of profit	-	(39)	large	-	-	-
Amortisation of acquired intangible assets	(62)	(83)	(25.3)	(29)	(33)	(12.1)
Net profit from continuing operations	6,178	6,420	(3.8)	3,321	2,857	16.2
Net loss after tax from discontinued operations ¹¹	(893)	(6,068)	(85.3)	(581)	(312)	86.2
Net profit attributable to owners of NAB	5,285	352	large	2,740	2,545	7.7
Represented by:						
Consumer Banking and Wealth	1,633	1,565	4.3	869	764	13.7
Business and Private Banking	2,841	2,673	6.3	1,473	1,368	7.7
Corporate and Institutional Banking	1,535	1,367	12.3	744	791	(5.9)
NZ Banking	882	804	9.7	453	429	5.6
Corporate Functions and Other	(249)	74	large	(191)	(58)	large
Cash earnings	6,642	6,483	2.5	3,348	3,294	1.6

Shareholder Summary

	Year to			Half Year to		
	Sep 17	Sep 16	Sep 17 v Sep 16	Sep 17	Mar 17	Sep 17 v Mar 17
Dividend per share (cents)	198	198	-	99	99	-
Dividend payout ratio	79.4%	80.8%	(140 bps)	78.9%	79.9%	(100 bps)
Statutory earnings per share (cents) – basic	194.7	8.8	185.9	100.8	93.9	6.9
Statutory earnings per share (cents) – diluted	189.1	15.5	173.6	97.7	91.7	6.0
Statutory earnings per share from continuing operations (cents) – basic	228.2	242.4	(14.2)	122.5	105.6	16.9
Statutory earnings per share from continuing operations (cents) – diluted	220.1	232.7	(12.6)	117.9	102.6	15.3
Cash earnings per share (cents) – basic	249.3	245.1	4.2	125.4	123.9	1.5
Cash earnings per share (cents) – diluted	239.7	235.3	4.4	120.6	119.6	1.0
Statutory return on equity	10.9%	0.5%	Large	11.2%	10.6%	60 bps
Cash return on equity (ROE)	14.0%	14.3%	(30 bps)	13.9%	14.0%	(10 bps)

¹⁰ Information is presented on a continuing operations basis.

¹¹ Refer to NAB's 2017 Full Year Results Announcement Note 14 – Discontinued Operations for further detail.

FOR FURTHER INFORMATION

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DISCLAIMER – FORWARD LOOKING STATEMENTS

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

Pages 1 and 5 of this announcement describe certain initiatives relating to the Group's strategic agenda ("Program"), including certain forward-looking statements. These statements are subject to a number of risks, assumptions and qualifications, including: (1) detailed business plans have not been developed for the entirety of the Program, and the full scope and cost of the Program may vary as plans are developed and third parties engaged; (2) the Group's ability to execute and manage the Program in a sequenced, controlled and effective manner and in accordance with the relevant project and business plan (once developed); (3) the Group's ability to execute productivity initiatives and realise operational synergies, cost savings and revenue benefits in accordance with the Program plan (including, in relation to CTI and ROE targets, the extension of improvements beyond the current Program plan); (4) the Group's ability to meet its internal net FTE reduction targets; (5) the Group's ability to recruit and retain FTE and contractors with the requisite skills and experience to deliver Program initiatives; (6) there being no significant change in the Group's financial performance or operating environment, including the economic conditions in Australia and New Zealand, changes to financial markets and the Group's ability to raise funding and the cost of such funding, increased competition, changes in interest rates and changes in customer behaviour; (7) there being no material change to law or regulation or changes to regulatory policy or interpretation, including relating to the capital and liquidity requirements of the Group; and (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.

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 4 May 2017 and the Group's Annual Financial Report for the 2017 financial year, which will be available at www.nab.com.au on 14 November 2017.