2020 THIRD QUARTER TRADING UPDATE

The June 2020 quarter results are compared with the quarterly average of the March 2020 half year results for continuing operations (excluding large notable items) unless otherwise stated. Cash and statutory earnings are rounded to the nearest $50 million. Revenue, expenses and asset quality are expressed on a cash earnings basis.

3Q20 FINANCIAL HIGHLIGHTS

$1.50BN
Unaudited statutory net profit

$1.55BN
Unaudited Cash earnings[1]

-7.0%
Cash earnings growth Vs 3Q19 (cash earnings before tax and credit impairment charges up 5%)

11.6%
Group Common Equity Tier 1 ratio (CET1)

"The COVID-19 pandemic continues to challenge our customers and our bank, with varied impacts across industries and communities. The outlook remains highly uncertain, but decisive actions in April to strengthen our balance sheet allow us to support customers, while keeping our bank safe.

Our repayment deferrals are providing vital assistance to customers, in combination with significant relief from governments and regulators. Encouragingly, about 16% of home loan deferral customers contacted via our check-ins have recommenced repayments. However, many customers still face an uncertain future. Where it makes sense, we will offer them extra support to help manage through the pandemic, but providing further credit won't always be the right thing to do.

Our 3Q20 result is reflective of the current operating environment, characterised by volatile markets, subdued credit demand, low interest rates, cost pressures and deteriorating asset quality. In navigating these near-term challenges, we have not lost sight of the need to invest for NAB's long term future.

We have a clear plan for NAB and we are getting on with it, including quickly embedding our new operating model and creating clear accountabilities. We are investing in our colleagues and executing fewer, more important projects. This will make a real difference to how well we serve customers and drive sustainable performance." **ROSS MCEWAN - NAB CEO**

OPERATING PERFORMANCE

Compared with the 1H20 quarterly average and excluding large notable items, cash earnings increased 24% and cash earnings before credit impairment charges increased 17%:

- Revenue rose 10% reflecting higher Markets & Treasury income including reversal of unrealised mark-to-market losses on the high quality liquids portfolio from March;
- Net interest margin is broadly stable, but excluding Markets & Treasury declined given the low interest rate environment and competitive pressures, partly offset by lower short-term wholesale funding costs;
- Expenses rose 2% primarily due to higher annual leave accruals and remuneration. Achieving our target of broadly flat FY20 expenses[2] is now increasingly challenging, in part reflecting COVID-19 related effects such as additional customer support and workout resources (also expected to impact FY21 cost growth).

BACKING OUR CUSTOMERS & THE COMMUNITY

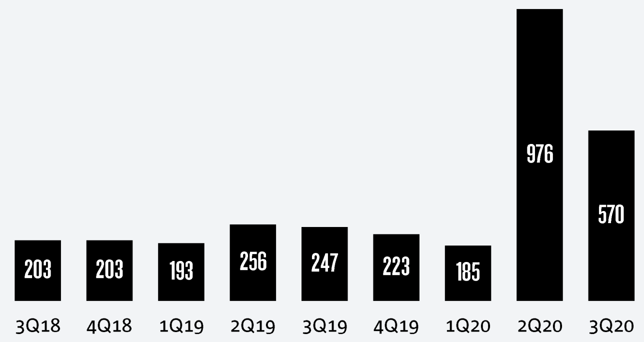
- Supporting customers to manage COVID-19 impacts with measures including deferred repayment arrangements on 86k home loans and 38k business loans totalling $55 billion, and 6k Business Support Loans approved under the Government's SME Loan Guarantee scheme
- Raising the bar in banking professionalism with $50 million to be invested over three years in education and accreditation for our colleagues, building greater capability and skills to serve customers well
- Advocating for SME customers through new research recommending eight practical long-term solutions to make our economy more accessible for SMEs
- Strategic Net Promoter Score (NPS)[3] improved from -18 in March to -13 in June, with NAB ranked first of the major banks

[1] Refer note on cash earnings on page 3.
[2] Excluding large notable items such as customer-related remediation costs.
[3] 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. Sourced from DBM Consultants BFSM and Consumer Atlas, measured on 6 month rolling average. Definition has been updated to give all customers in the Business and Consumer segments equal voice. The overall Strategic NPS result combines the Consumer and Business segment results using a 50% weighting for each. History has been restated.

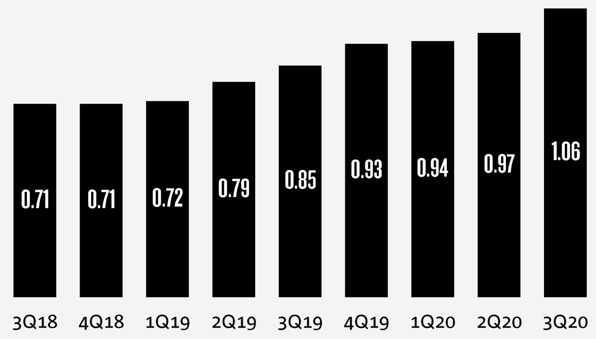
ASSET QUALITY

- Compared with the 1H20 quarterly average credit impairment charges fell 2% to $570 million (38bps of gross loans and acceptances annualised). This reflects non-repeat of the COVID-19 Economic Adjustment top-up at March, partly offset by higher collective charges given deteriorating retail asset quality and re-ratings across non-retail exposures, combined with higher specific charges relating to a small number of single name exposures.
- The ratio of collective provisions to credit risk weighted assets rose 7 basis points (bps) to 1.28% from March to June.
- The ratio of 90+ days past due and gross impaired assets to gross loans and acceptances increased 9 bps to 1.06%, primarily due to increased delinquencies in the Australian home loan portfolio where customers are not part of the deferral program.
- Customers receiving payment deferrals are treated as performing in accordance with APRA guidance.

CREDIT IMPAIRMENT CHARGES ($MILLIONS)

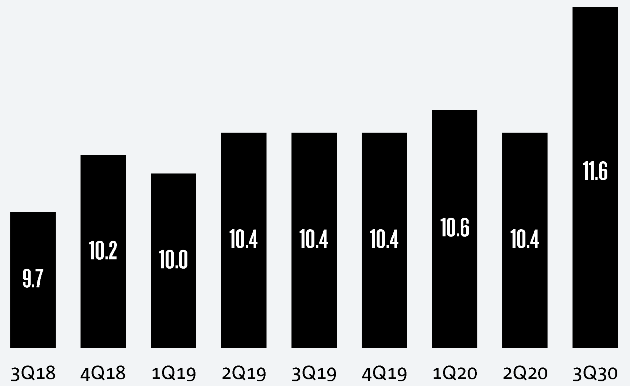


90+ DAYS PAST DUE & GROSS IMPAIRED ASSETS/GROSS LOANS AND ACCEPTANCES (%)



CAPITAL, FUNDING & LIQUIDITY

CET1 RATIO (%)



KEY RATIOS AS AT 30 JUNE 2020

- Group CET1 ratio of 11.6%, compared with 10.4% at March, which includes $4.25 billion (98bps of CET1) of proceeds from institutional placement and share purchase plan
- FX translation and reversal of mark-to-market losses on high quality liquids portfolio added 21bps to CET1
- Leverage ratio (APRA basis) of 5.8%
- Liquidity Coverage Ratio (LCR) quarterly average of 132%
- Net Stable Funding Ratio (NSFR) of 120%

MLC WEALTH AND REMEDIATION UPDATE

Operational separation of MLC Wealth was substantially achieved in July. This is an important milestone towards exiting this business, enabling MLC Wealth to be a standalone business within the NAB Group. To further assist exit plans, our focus continues to include customer remediation and enhancing long term business sustainability.

While a public markets exit remains under consideration, we are also actively exploring alternative transaction structures including a sale of the MLC Wealth business. NAB will take a disciplined approach to the exit of MLC Wealth and will execute a transaction at the appropriate time having regard for the interests of all stakeholders. Any transaction remains subject to market conditions, regulatory and other approvals.

For the NAB Group, remediation (including customer-related) programs and regulatory compliance investigations are continuing, with potential for additional charges although amounts and timing remain uncertain.

FOR FURTHER INFORMATION

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This announcement has been authorised for release by Gary Lennon, Group Chief Financial Officer

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.

There are a number of important factors that could cause actual results to differ materially from those projected, including (without limitation) the risks and uncertainties associated with the ongoing impacts of COVID-19, the Australian and global economic environment and capital market conditions. Further information is contained in the Group’s Luxembourg Transparency Law disclosures released to the ASX on 27 April 2020 and the Group’s Annual Financial Report for the 2019 financial year, which is available at www.nab.com.au.

NOTE ON CASH EARNINGS

The Group’s results are presented on a cash earnings basis unless otherwise stated. Cash earnings is a key financial performance measure used by NAB, the investment community and NAB’s Australian peers with a similar business portfolio. NAB also uses cash earnings for its internal management reporting, as it better reflects what NAB considers to be the underlying performance of the Group. It is not a statutory financial measure, is not presented in accordance with Australian Accounting Standards, and is not audited or reviewed in accordance with Australian Auditing Standards. Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners of NAB for the half year ended 31 March 2020 is set out on pages 2 and 99 to 102 of the 2020 Half Year Results Announcement under the heading “Profit Reconciliation”. 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, were published in the Group’s 2020 Half Year Results Announcement.