



NAB 2018

Half Year Results Summary



Caroline McCulloch
FRANKiE4 Footwear
Brisbane, QLD

1H18 FINANCIAL HIGHLIGHTS

\$2,583M

Statutory net profit

\$3,289M

Cash earnings (excluding restructuring-related costs)¹
Down 0.2% v 1H17

99CPS

Interim dividend
100% franked

10.21%

Group Common Equity
Tier 1 (CET1) ratio

\$2.7BN

Dividends declared

Returned 81% of cash earnings (ex restructuring-related costs)¹ to over 583,000 shareholders, 96% of whom are Australians

“

We have delivered a solid 1H18 result as we manage NAB for today while transforming for the future. Compared with 1H17, cash earnings are broadly stable, excluding previously announced restructuring-related costs, and revenue is up with margins higher. Our business has strong fundamentals including asset quality and balance sheet metrics.

Our SME franchise continues to deliver good growth as we strive to be the Best Business Bank for Australian businesses.

We are mobilising and executing the acceleration of our plan announced last November to deliver on targets including more than \$1 billion in cost savings and an estimated \$1.5 billion in additional investment by FY20² to improve the experience for our customers.

Consistent with this plan and a focus on our core strengths in banking, we are moving to a simpler wealth offering through JBWere and nabtrade. We intend to exit our other wealth management businesses including MLC.

We continue to learn from our mistakes and respond by making changes to be better for customers. The commitment of our people to doing the right thing is unwavering and together we are working to restore trust and respect in our industry, during and after the Royal Commission.

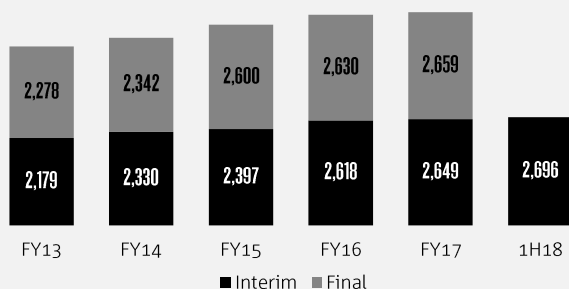
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ANDREW THORBURN
NAB CEO

DELIVERING FOR OUR SHAREHOLDERS

DIVIDENDS DECLARED (\$ MILLIONS)

In respect of each financial year period



BACKING OUR CUSTOMERS & THE COMMUNITY IN 1H18

- Priority Segments Net Promoter Score (NPS)³ for March 2018 is up 3 points to -9 compared to September 2017 levels and is first of the major banks
- National launch of Speckle in partnership with Good Shepherd Microfinance providing online small cash loans at about half the cost of similar lenders
- Making sustainable investments more accessible with the launch of Australia's first green Residential Mortgage-Backed Security
- Expanding our Xero partnership for business customers including enabling payment instructions from Xero to NAB accounts

¹ Refer note on cash earnings on page 7 and reconciliation on page 6. Cash earnings including restructuring-related charges are \$2,759 million, down 16.2% versus 1H17.

² Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 7.

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. 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 Roy Morgan Research and DBM BFSM Research.

NAB 2018 HALF YEAR RESULTS

The March 2018 half year results are compared with the March 2017 half year results for continuing operations unless otherwise stated, and reflect revisions to prior comparative financial information as detailed in NAB's ASX announcements on 20 April 2017. Operating Performance and Asset Quality are expressed on a cash earnings basis.

OPERATING PERFORMANCE 1H18 V 1H17

- Revenue up 2.5% with growth in housing and business lending combined with higher margins, partly offset by lower Markets & Treasury⁴ income.
- Net Interest Margin up 5 basis points (bps), reflecting repricing and lower funding costs, partly offset by the impact of the bank levy and housing lending competition and product mix changes.
- Expenses up 25.3%, or 5.4% excluding restructuring-related costs, mainly due to increased investment spend.

1H18 V 1H17 DRIVERS OF CASH EARNINGS CHANGE⁵



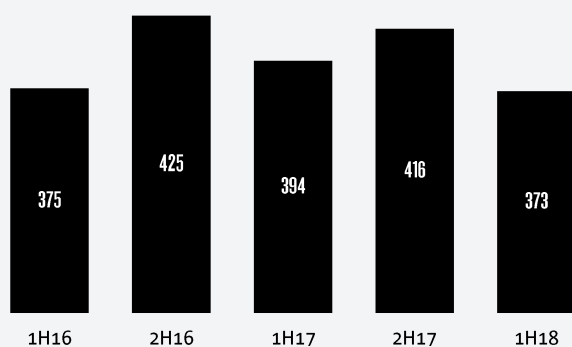
“Our commitment to reshape and simplify our business has seen an increase in 1H18 expenses with additional investment focused on improving customer experience and delivering the new payments platform.

We continue to expect expenses to grow 5-8% in FY18 then targeted to remain broadly flat over FY19-20⁶.”

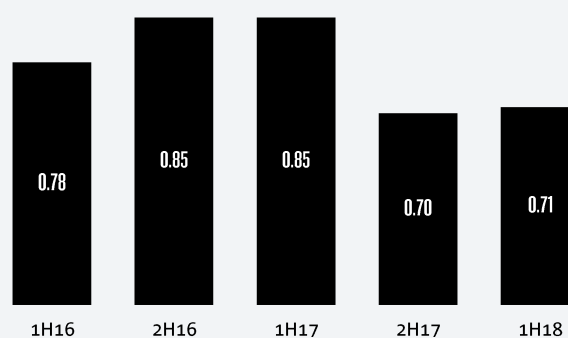
ASSET QUALITY 1H18 V 1H17

- Credit impairment charges declined 5.3% to \$373 million, and as a percentage of gross loans and acceptances declined 1bp to 13bps.
- Lower 1H18 charges reflect a decline in individually impaired exposures, partially offset by higher collective provisions including \$71 million for additional forward looking adjustments for targeted sectors experiencing elevated levels of risk.
- Asset quality improved with the ratio of 90+ days past due and gross impaired assets to gross loans and acceptances down 14bps to 0.71% benefitting from improved conditions for New Zealand dairy customers and successful work-out strategies across the Australian business lending portfolio.

CREDIT IMPAIRMENT CHARGES (\$ MILLIONS)



90+ DPD & GIAS/GLAS (%)



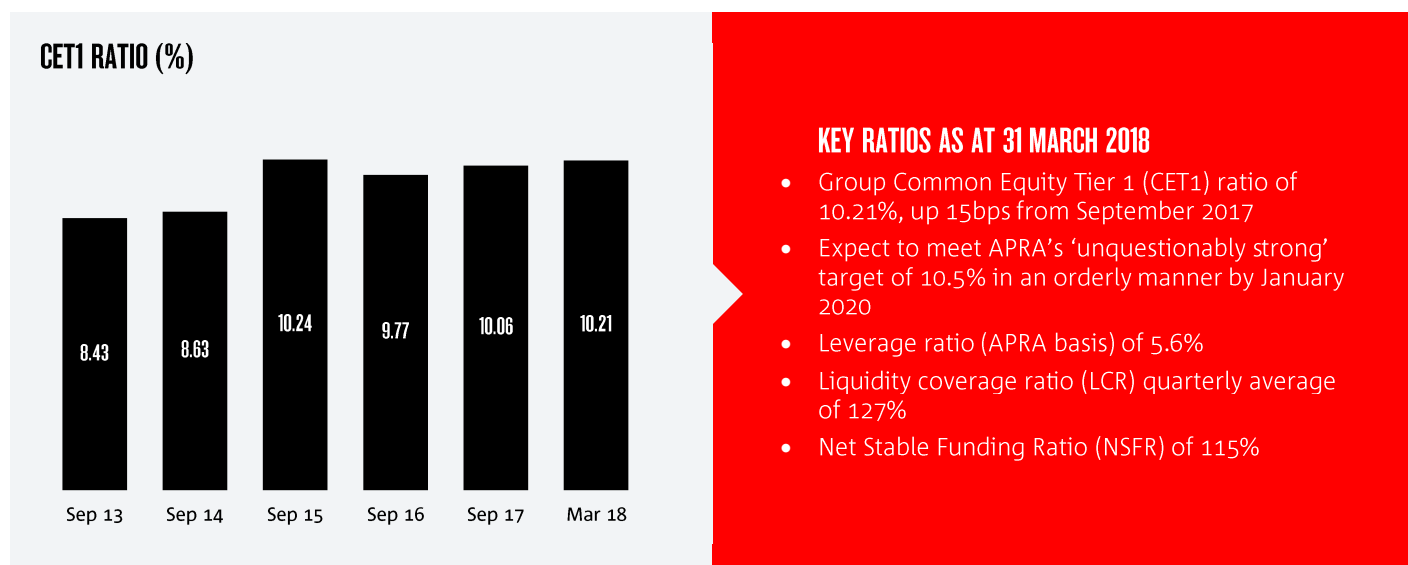
“Asset quality is a highlight again, benefitting from favourable economic conditions and prudent risk settings. Collective provision forward looking adjustments for targeted sectors were increased over 1H18 and now stand at \$522 million.”

⁴ Markets and Treasury income represents Customer Risk Management and NAB Risk Management income.

⁵ Excluding \$755 million of restructuring-related costs. Underlying profit represents cash earnings before credit impairment charges, income tax and distributions. Refer note on cash earnings and reconciliation on page 6.

⁶ Excluding 1H18 restructuring-related costs and large one-off expenses. Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 7.

CAPITAL, FUNDING & LIQUIDITY



DIVISIONAL PERFORMANCE – CASH EARNINGS

	1H18 (\$M)	% CHANGE 1H18 V 1H17	HIGHLIGHTS 1H18 V 1H17
Business & Private Banking	1,482	8.3	Strong revenue performance reflecting good business lending growth and increased margins, combined with continued improvement in asset quality
Consumer Banking & Wealth	804	5.2	A solid result with higher margins and growth in housing lending in line with system, combined with lower credit impairment charges
Corporate & Institutional Banking	778	(1.6)	A slightly lower result with softer Markets related income and sale of the Private Wealth business in Asia offsetting strong non-Markets revenue performance given continued focus on high returning Infrastructure and Financial Institutions sectors
New Zealand Banking (NZ\$M)	494	8.6	A strong result with higher margins and lending growth benefitting from good performance across the Auckland housing and SME sectors

STRATEGIC OVERVIEW⁷

The acceleration of our strategy announced with the Group's 2017 Full Year Results, including an estimated additional \$1.5 billion investment over three years, is now well underway. We are improving the experience of our customers, reshaping our workforce and growing our bank in an environment of rapid technological and regulatory change. This is an ambitious and necessary plan so we can 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.

Customers are already benefitting from faster and better outcomes. Transaction account on-boarding in less than 30 minutes is now possible for simple business accounts, and for NAB's personal customers the time taken to open an Everyday Banking account has reduced from up to 48 hours to less than 7 minutes. More of our business customers have access to simple and fast lending via Quickbiz, NAB's digital offer for small business unsecured lending. Quickbiz now accounts for a third of new small business lending accounts⁸, up from 20% in September 2017, and during 1H18 we increased the Quickbiz lending limit to \$100k from \$50k and extended its offering to include equipment finance.

We have made good progress reshaping our workforce to have the right people with the right skills for the future. We have reduced management layers between the CEO and frontline employees to be closer to our customers and make quicker, better decisions for them. Around 1,050 FTE employees had left NAB by the end of April, against our target of 6,000 by the end of FY20. To help people transition to new careers outside NAB, we are investing around \$50 million in 'The Bridge', with 440 people currently using or having used its career and wellbeing services. During 1H18 we hired 93 new FTE employees as we build towards our target of 2,000 additional roles, and established NAB Cloud Guild with Amazon Web Services to build cloud computing skills for more than 2,000 NAB employees.

We are increasing investment in Greater Western Sydney and Greater Melbourne, where the population is forecast to grow by 0.9 million over the next 5 years⁹. To service these growth corridors, during 1H18 we relocated or added more than 25 bankers, opened on Saturdays in key locations, and have more than 25 new or refreshed points of presence planned over the next three years.

Global infrastructure financing, especially in the Asian region, represents another significant growth opportunity given NAB's top 15 global position¹⁰ in Infrastructure and Energy financing. Over 1H18 we completed 27 deals with total project debt of over \$16 billion across the US, Europe, Asia and Australia. The majority of these were with existing customers in wind, solar, rail and ports, and NAB took a leading role distributing these deals to a diverse mix of institutional and retail investors.

As a result of the accelerated investment, we continue to expect FY18 expenses to grow 5-8%, with expenses then targeted to remain broadly flat over FY19-20 (excluding 1H18 restructuring-related costs and large one-off expenses). The Board also continues to expect the FY18 final dividend will be maintained at the same level as FY17, subject to no material change in the external environment and satisfactory Group financial performance.

We are operating in an environment of constant change, and heightened political and regulatory scrutiny. As we continue to participate fully in the Financial Services Royal Commission, we are very mindful of expectations the community places on us. We will keep listening to our customers to understand how we can improve and build a better bank for them.

Reshaping of Wealth Management

Today we are announcing changes to our wealth management strategy, consistent with our plan to become simpler, faster and focused on core banking. A detailed review, conducted over nine months, determined we could best serve the needs of our customers and deliver long term value for our shareholders by retaining and investing in a more focussed wealth offering. This involves JBWere, part of our leading Business and Private Banking franchise, helping high net worth customers manage their personal wealth alongside their business interests, combined with nabtrade, our fast growing online investing platform, supporting self-directed customers.

We intend to exit our Advice, Platform & Superannuation and Asset Management businesses, currently operating under MLC and other brands. Independent ownership will allow for this business to determine its own strategy and investment priorities to better deliver for customers and enhance its competitive position. We are targeting separation by the end of 2019 calendar year via public markets options including demerger and IPO, while maintaining flexibility to consider trade sale options. It is expected there will be ongoing arrangements between NAB and MLC, to offer NAB customers continued access to advice and products to meet their wealth management needs.

Any potential changes are subject to market conditions and required approvals including Board and regulatory.

KEY LONG TERM OBJECTIVES⁷

NPS	COST TO INCOME RATIO	ROE	EMPLOYEE ENGAGEMENT
Positive and #1 of Australian major banks for our priority segments	Towards 35%	#1 of Australian major banks	Top quartile

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

⁸ New QuickBiz loan and QuickBiz overdraft accounts as a percentage of total new term lending and overdraft accounts in the Small Business division

⁹ Melbourne: "Victoria in Future 2016", Dept of Environment, Land, Water and Planning, Sydney: "2016 New South Wales State and Local Government Area Population Projections", NSW Govt - Planning & Environment

¹⁰ IGlobal League Tables (2017)

NAB'S ROLE IN THE COMMUNITY

NAB REVENUE

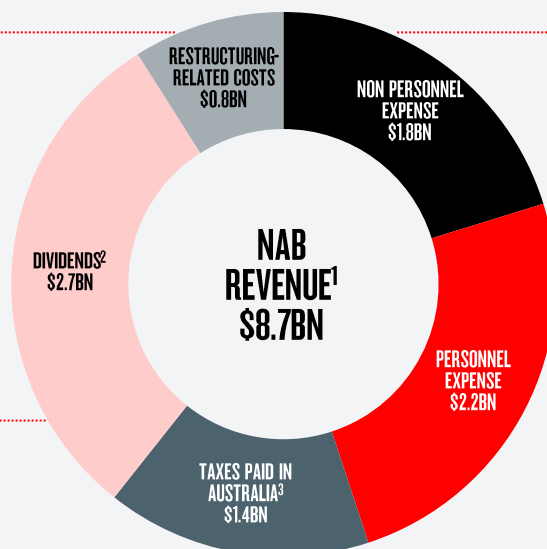
- Supports all stakeholders and business partners
- NAB revenue is shown after interest payments to 4.7 million Australian and New Zealand retail and business deposit customers who have deposited over \$395 billion with us

RESTRUCTURING-RELATED COSTS

- Costs in relation to the acceleration of the Group's strategy

SHAREHOLDERS (INC. SUPER FUNDS)

- Over 583,000 shareholders
- 97% in Australia and New Zealand



SUPPLIERS & COMMUNITY

- +1,900 supplier agreements
- +15,000 microfinance loans provided
- Carbon neutral since 2010, 75% of Australian key office buildings⁵ are Green Star Rated

OUR PEOPLE

- Employ 33,944 people⁶
- Over 50% of our workforce directly engages with customers
- Focused on building the talent and capability to move NAB forward

GOVERNMENT

- Australia's third largest income tax payer⁴
- Signatory to the Voluntary Tax Transparency Code

Figures based on NAB's 1H18 cash earnings

1. Revenue shown net of \$0.4bn of credit impairment charges
2. Dividends declared in respect of 1H18
3. Includes income tax, GST, FBT, payroll tax and other taxes borne by NAB that were paid during the six months ended 31 March 2018
4. Based on ATO's "Report of Entity Tax Information" for the 2015-16 income year released on 7 December 2017
5. 'Key office buildings' are all NAB commercial tenancies over 4,000m²
6. Represents full time equivalent employees as at 31 March 2018 for NAB Group

ECONOMIC OUTLOOK

"The outlook for the Australian and New Zealand economies remains supportive of solid growth. In Australia, increased economic growth momentum is expected during 2018 benefitting from rising government infrastructure spending and LNG exports, combined with a continued upswing in non-mining business investment. While the consumer sector remains subdued and the housing cycle is slowing, expectations for continued strong population growth and low unemployment limit downside."

NAB 2018 HALF YEAR RESULTS

GROUP PERFORMANCE RESULTS¹¹

Cash earnings is not a statutory financial measure, is not presented in accordance with Australian Accounting Standards, and is not audited or reviewed in accordance with Australian Auditing Standards. Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners of NAB for the half year ended 31 March 2018 is set out on pages 2 to 7 of the 2018 Half Year Results Announcement under the heading "Profit Reconciliation".

	Half Year to			Mar 18 v Sep 17 %	Mar 18 v Mar 17 %
	Mar 18 \$m	Sep 17 \$m	Mar 17 \$m		
Net interest income	6,750	6,773	6,393	(0.3)	5.6
Other operating income	2,343	2,253	2,476	4.0	(5.4)
Net operating income	9,093	9,026	8,869	0.7	2.5
Operating expenses (excluding restructuring-related costs)	(3,989)	(3,850)	(3,785)	3.6	5.4
Restructuring-related costs ¹²	(755)	-	-	large	large
Underlying profit	4,349	5,176	5,084	(16.0)	(14.5)
Credit impairment charge	(373)	(416)	(394)	(10.3)	(5.3)
Cash earnings before tax and distributions	3,976	4,760	4,690	(16.5)	(15.2)
Income tax expense	(1,168)	(1,363)	(1,347)	(14.3)	(13.3)
Cash earnings before distributions	2,808	3,397	3,343	(17.3)	(16.0)
Distributions	(49)	(49)	(49)	-	-
Cash earnings	2,759	3,348	3,294	(17.6)	(16.2)
Cash earnings (excluding restructuring-related costs)	3,289	3,348	3,294	(1.8)	(0.2)
<i>Non-cash earnings items (after tax):</i>					
Distributions	49	49	49	-	-
Fair value and hedge ineffectiveness	81	(47)	(453)	large	large
Amortisation of acquired intangible assets	(15)	(29)	(33)	(48.3)	(54.5)
Net profit from continuing operations	2,874	3,321	2,857	(13.5)	0.6
Net profit attributable to owners of NAB (excluding restructuring-related costs)	3,404	3,321	2,857	2.5	19.1
Net loss after tax from discontinued operations ¹³	(291)	(581)	(312)	(49.9)	(6.7)
Net profit attributable to owners of NAB	2,583	2,740	2,545	(5.7)	1.5
Represented by:					
Business and Private Banking	1,482	1,473	1,368	0.6	8.3
Consumer Banking and Wealth	804	869	764	(7.5)	5.2
Corporate and Institutional Banking	778	744	791	4.6	(1.6)
NZ Banking	452	453	429	(0.2)	5.4
Corporate Functions and Other (excluding restructuring-related costs)	(227)	(191)	(58)	18.8	large
Restructuring-related costs	(530)	-	-	large	large
Cash earnings	2,759	3,348	3,294	(17.6)	(16.2)

Shareholder Summary

	Half Year to			Mar 18 v Sep 17	Mar 18 v Mar 17
	Mar 18	Sep 17	Mar 17		
Group					
Dividend per share (cents)	99	99	99	-	-
Dividend payout ratio	96.9%	78.9%	79.9%	large	large
Statutory earnings per share (cents) – basic	93.9	100.8	93.9	(6.9)	-
Statutory earnings per share (cents) – diluted	91.1	97.7	91.7	(6.6)	(0.6)
Statutory earnings per share from continuing operations (cents) – basic	104.7	122.5	105.6	(17.8)	(0.9)
Statutory earnings per share from continuing operations (cents) – diluted	101.0	117.9	102.6	(16.9)	(1.6)
Cash earnings per share (cents) – basic	102.2	125.4	123.9	(23.2)	(21.7)
Cash earnings per share (cents) – diluted	98.8	120.6	119.6	(21.8)	(20.8)
Statutory return on equity	10.5%	11.2%	10.6%	(70 bps)	(10 bps)
Cash return on equity (ROE)	11.4%	13.9%	14.0%	(250 bps)	(260 bps)
Group (excluding restructuring-related costs)					
Dividend payout ratio	81.2%	78.9%	79.9%	230 bps	130 bps
Statutory earnings per share (cents) – basic	113.5	100.8	93.9	12.7	19.6
Statutory earnings per share (cents) – diluted	109.2	97.7	91.7	11.5	17.5
Statutory earnings per share from continuing operations (cents) – basic	124.3	122.5	105.6	1.8	18.7
Statutory earnings per share from continuing operations (cents) – diluted	119.2	117.9	102.6	1.3	16.6
Cash earnings per share (cents) – basic	121.9	125.4	123.9	(3.5)	(2.0)
Cash earnings per share (cents) – diluted	117.0	120.6	119.6	(3.6)	(2.6)
Statutory return on equity	12.6%	11.2%	10.6%	140 bps	200 bps
Cash return on equity (ROE)	13.6%	13.9%	14.0%	(30 bps)	(40 bps)

¹¹ Information is presented on a continuing operations basis.

¹² Refer to NAB's 2018 Half Year Results Announcement Note 4 Operating Expenses for further detail.

¹³ Refer to NAB's 2018 Half Year Results Announcement Note 15 Discontinued Operations for further detail.

FOR FURTHER INFORMATION

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DISCLAIMER – FORWARD LOOKING STATEMENTS

This announcement and the 2018 Half Year Results Announcement contain statements that are, or may be deemed to be, forward looking statements. These forward looking statements may be identified by the use of forward looking terminology, including the terms "believe", "estimate", "plan", "project", "anticipate", "expect", "target", "intend", "likely", "may", "will", "could" or "should" or, in each case, their negative or other variations or other similar expressions, or by discussions of strategy, plans, objectives, targets, goals, future events or intentions. Indications of, and guidance on, future earnings and financial position and performance are also forward looking statements. You are cautioned not to place undue reliance on such forward looking statements. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

This announcement and the 2018 Half Year Results Announcement describe certain initiatives relating to the Group's strategic agenda ("Program"), including certain forward looking statements. These statements are subject to a number of risks, assumptions and qualifications, including: (1) detailed business plans have not been developed for the entirety of the Program, and the full scope and cost of the Program may vary as plans are developed and third parties engaged; (2) the Group's ability to execute and manage the Program in a sequenced, controlled and effective manner and in accordance with the relevant project and business plan (once developed); (3) the Group's ability to execute productivity initiatives and realise operational synergies, cost savings and revenue benefits in accordance with the Program plan (including, in relation to CTI and ROE targets, the extension of improvements beyond the current Program plan); (4) the Group's ability to meet its internal net FTE reduction targets; (5) the Group's ability to recruit and retain FTE and contractors with the requisite skills and experience to deliver Program initiatives; (6) there being no significant change in the Group's financial performance or operating environment, including the economic conditions in Australia and New Zealand, changes to financial markets and the Group's ability to raise funding and the cost of such funding, increased competition, changes in interest rates and changes in customer behaviour; (7) there being no material change to law or regulation or changes to regulatory policy or interpretation, including relating to the capital and liquidity requirements of the Group; (8) for the purpose of calculating FTE cost savings and redundancy costs, the Group has assumed an average FTE cost based on Group-wide averages, and such costs are not calculated by reference to specific productivity initiatives or individual employee entitlements; and (9) NAB's proposed divestment of its wealth management businesses (excluding JBWere and nabtrade) may have an impact on the timing, scope and cost of the Program, however the impact cannot be quantified at this time.

Further information on important factors that could cause actual results to differ materially from those projected in such statements is contained in the Group's Luxembourg Transparency Law disclosures released to the ASX on 3 May 2018 and the Group's Annual Financial Report for the 2017 financial year, which is available at www.nab.com.au.

NOTE ON CASH EARNINGS

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 2018 is set out on pages 2 to 7 of the 2018 Half Year Results Announcement under the heading "Profit Reconciliation".

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. "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. 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 included in Section 5 of the 2018 Half Year Results Announcement.