

# FULL YEAR RESULTS 2018



National  
Australia  
Bank

“It’s been an extraordinary relationship and if it wasn’t for NAB, we wouldn’t be where we are now.”

Campbells Wines,  
NAB customer

Jane Campbell

Colin Campbell

## INVESTOR PRESENTATION

1 November 2018

**Andrew Thorburn**  
Chief Executive Officer

**Gary Lennon**  
Chief Financial Officer



# NAB 2018 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 110 for legal disclaimer.

Financial information in this presentation is based on cash earnings, which is not a statutory financial measure. Refer to page 108 for definition cash earnings and reconciliation to statutory net profit.

<b>Overview</b>	3
<b>FY18 Financials</b>	11
<b>Accelerating Our Strategy</b>	24
<b>Additional Information</b>	35
Australian Customer Experience	35
Serving Our Community	50
Australian Business Lending	56
Australian Housing Lending	60
Other Australian Products	68
New Zealand Banking	72
Group Asset Quality	78
Capital & Funding	88
Additional Information	97



## OVERVIEW

**ANDREW THORBURN**  
Chief Executive Officer

# OVERVIEW

- Challenging operating environment
- Credible underlying result in year of significant investment
- Business & Private Bank performing well and real differentiator
- Clear path to achieve 10.5% CET1 target by 2020
- Transformation progressing well as we build a more competitive and customer-focused bank

4



## RESULT IMPACTED BY RESTRUCTURING AND CUSTOMER REMEDIATION COSTS

	FY18		FY18 v FY17
Cash earnings <sup>1</sup>	\$5,702 m	↓	14 %
Restructuring-related costs	\$530 m		
Customer-related remediation	\$261 m		
Cash earnings (ex restructuring-related costs & customer-related remediation)	\$6,493 m	↓	2 %
Diluted Cash EPS	202.4 cps	↓	16 %
Diluted Cash EPS (ex restructuring-related costs & customer-related remediation)	229.3 cps	↓	4 %
Cash ROE	11.7 %	↓	230 bps
Cash ROE (ex restructuring-related costs & customer-related remediation)	13.3 %	↓	70 bps
Dividend (cps)	198 cps	↔	Flat
Statutory profit (\$m)	\$5,554 m	↑	5 %
CET1	10.2 %	↑	14 bps

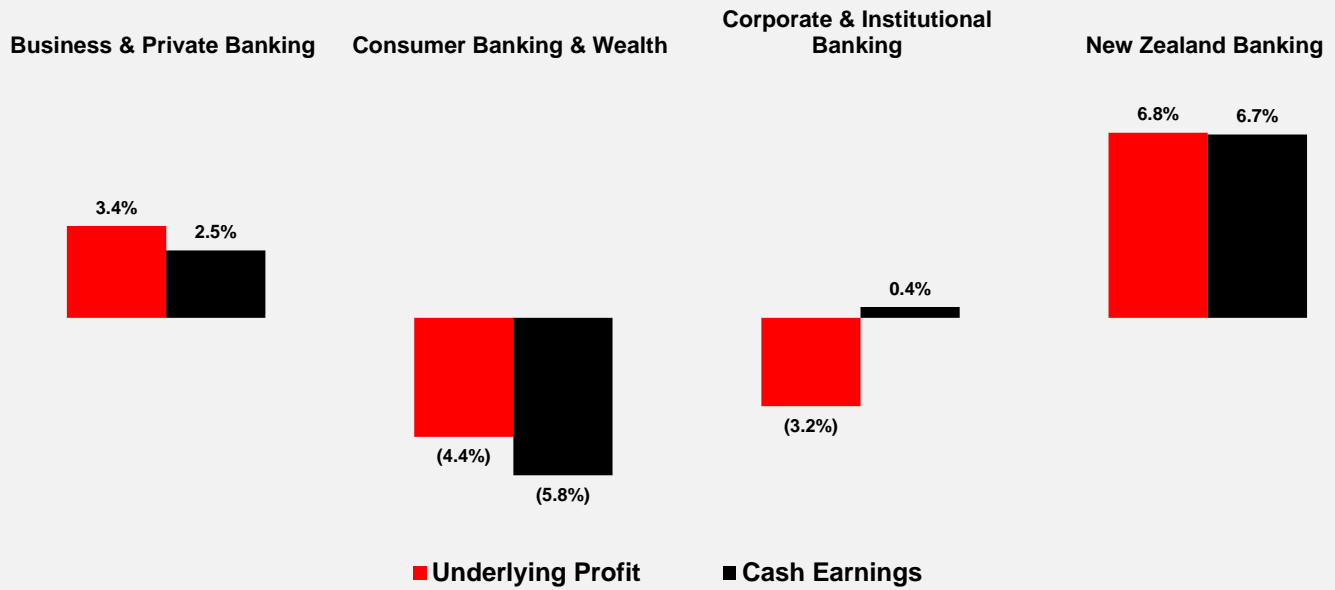
(1) Refer to page 108 for definition of cash earnings and reconciliation to statutory net profit

5



# GOOD CONTRIBUTIONS FROM BUSINESS & PRIVATE BANKING AND NZ

## CASH EARNINGS<sup>1</sup> AND UNDERLYING PROFIT<sup>2</sup> GROWTH (LOCAL CURRENCY) FY18 v FY17



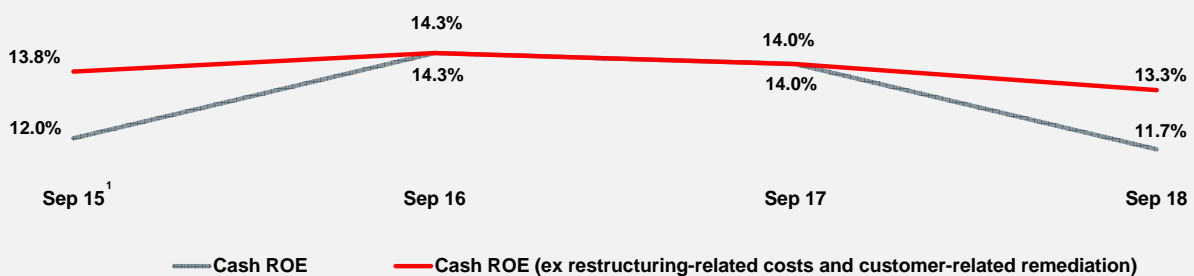
(1) Refer to page 108 for definition of cash earnings and reconciliation to statutory net profit

(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

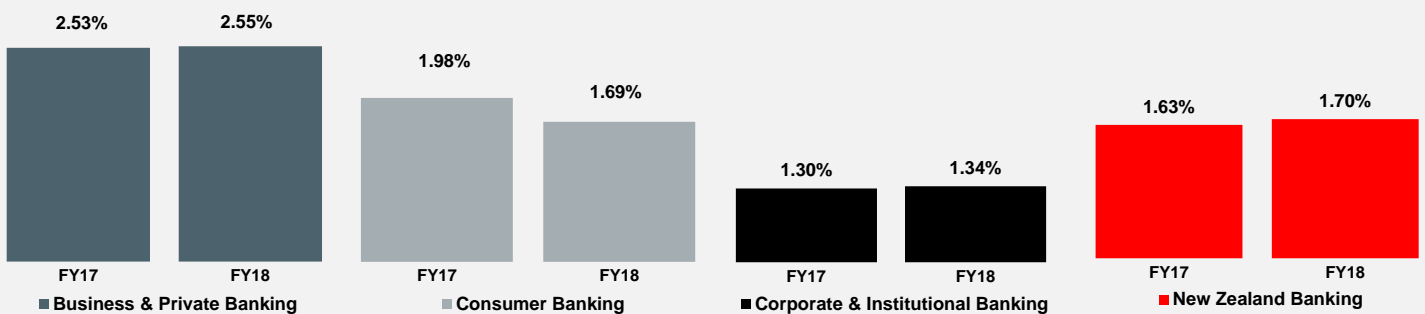


# DECLINE IN RETURNS DRIVEN MAINLY BY CONSUMER BANKING

## NAB RETURN ON EQUITY



## CASH EARNINGS TO RWA BY DIVISION

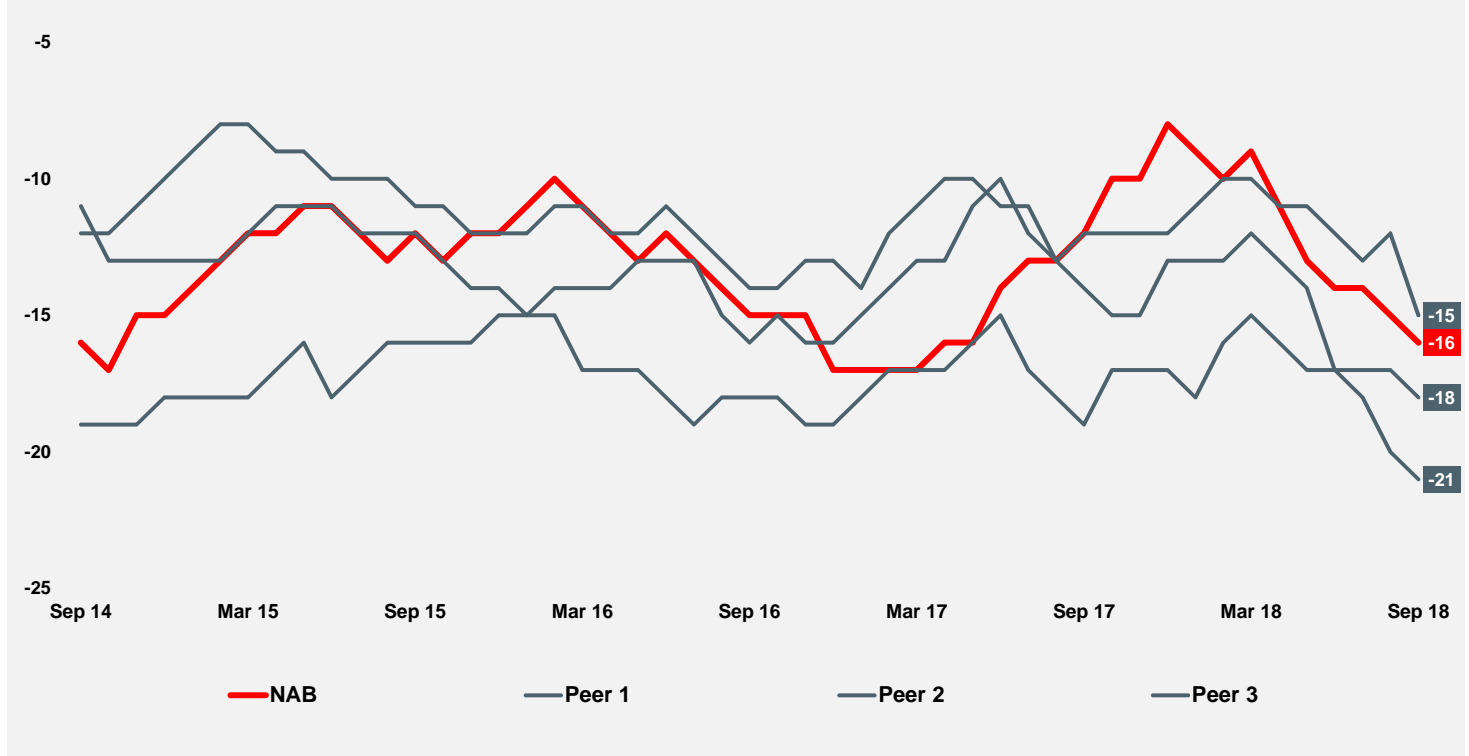


(1) Cash ROE (ex restructuring-related costs and customer-related remediation) for September 2015 is as reported (excluding specified items)



# NET PROMOTER SCORE REMAINS A KEY FOCUS<sup>1</sup>

## FY18 PRIORITY SEGMENTS NPS<sup>1,2</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 Roy Morgan Research and DBM BFSM Research



# BUILDING A BETTER BANK FOR CUSTOMERS

## NEW MORE CUSTOMER-ORIENTED VISION



To be Australia's leading bank, trusted by customers for exceptional service

## FOCUSING REMUNERATION ON CUSTOMER OUTCOMES

- Executive remuneration simplified & target reward outcomes reduced
- 100% of staff have a balanced scorecard
- 97% of staff from FY19 rewarded under the Group Variable Reward Plan (up from 85% in FY18)
- No volume bonus payments to mortgage brokers & commissions now based on draw-downs not total facility
- Compliant with Sedgwick remuneration related recommendations ahead of 2020 deadline

## FIXING ISSUES FASTER FOR CUSTOMERS

- Established new centre for customer remediation
- On track to complete all Plan Service Fee customer refunds by end 2018
- Working with ASIC on approach to review and remediate customers for Adviser Service Fees

## SUPPORTING RURAL & REGIONAL CUSTOMERS



- 13 community consultations
- No default interest for Agri customers in drought declared areas
- Introduced ability to offset Farm Management Deposits (FMD) against agri lending
- Drought assistance package including no branch closures in drought declared areas

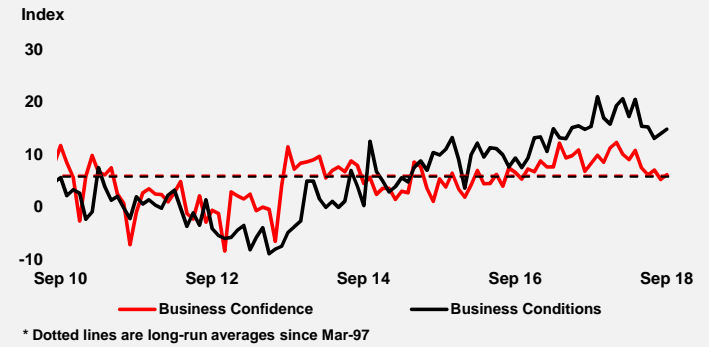


# RISKS EMERGING BUT AUSTRALIAN ECONOMY REMAINS SOUND

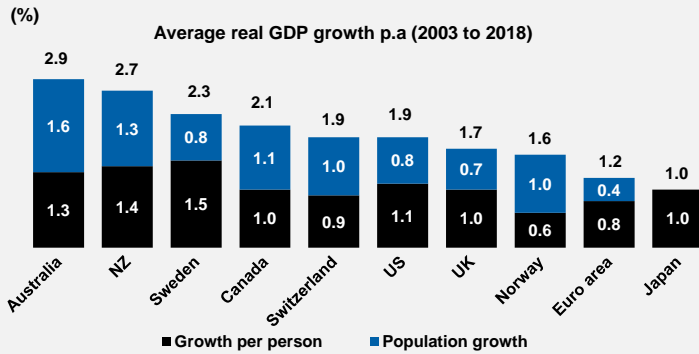
## ECONOMIC CONSIDERATIONS

- Solid GDP growth and low unemployment
- Above average business conditions
- Strong population growth
- Orderly house price moderation so far
- Trade wars and rising US rates
- Regulatory impacts on lending activity
- Upcoming federal election

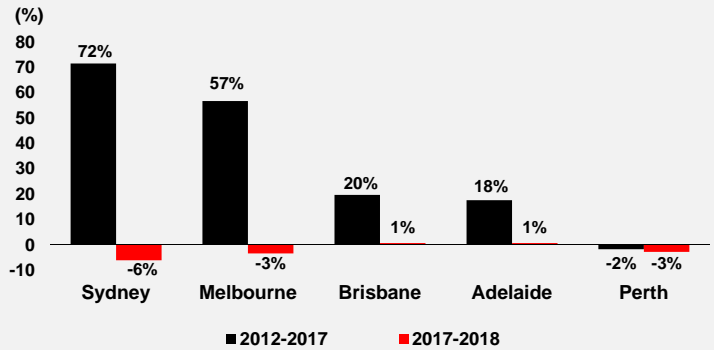
## NAB BUSINESS CONDITIONS AND CONFIDENCE<sup>1</sup>



## AUSTRALIAN GROWTH DRIVEN BY POPULATION GROWTH<sup>2</sup>



## RESIDENTIAL PROPERTY PRICE GROWTH MODERATING<sup>3</sup>



(1) Source: NAB Business Survey

(2) Source: Bloomberg Finance LP, Haver, Deutsche Bank

(3) Source: CoreLogic, NAB. Chart shows 5 year movement in hedonic prices from 30 Sep 2012 to 30 Sep 2017 and 1 year movement from 30 Sep 2017 to 30 Sep 2018



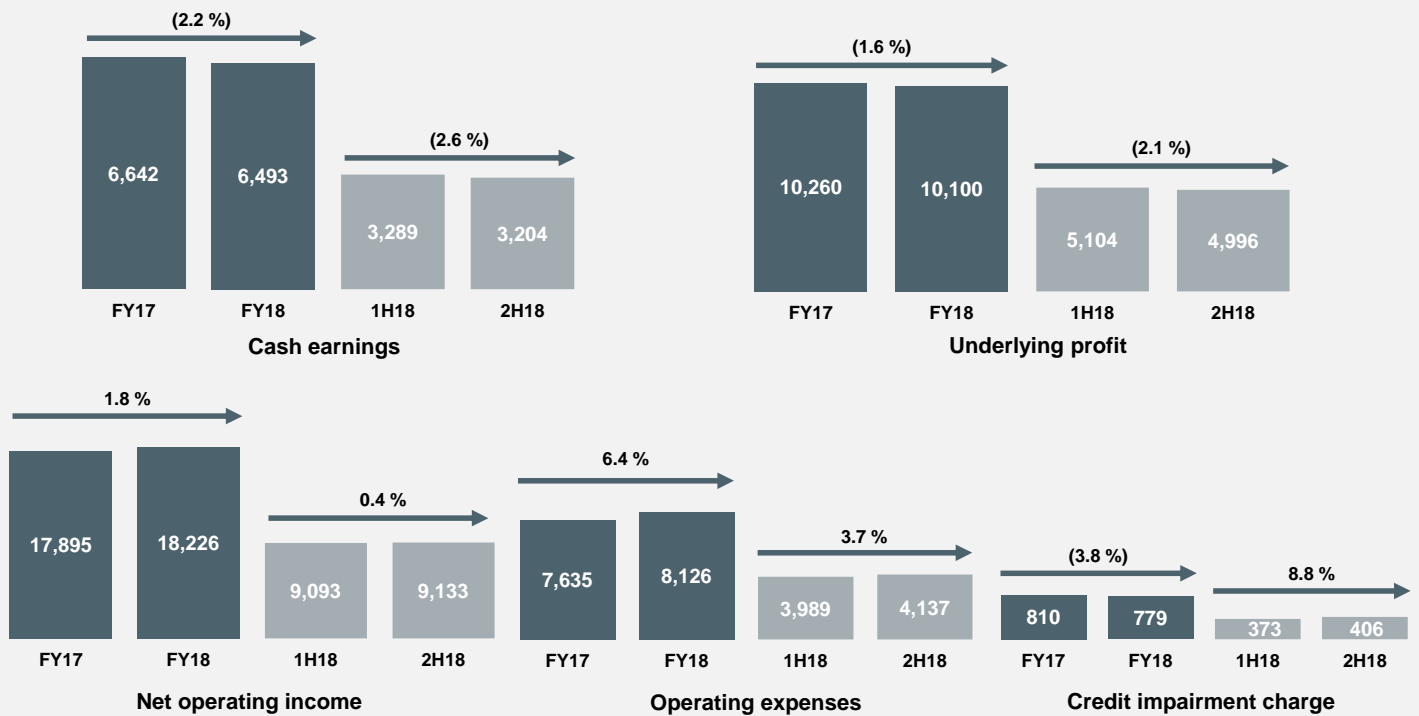
# FY18 FINANCIALS

**GARY LENNON**  
Chief Financial Officer

# GROUP FINANCIAL PERFORMANCE

## GROWTH BY KEY FINANCIAL INDICATORS (EX RESTRUCTURING-RELATED COSTS & CUSTOMER-RELATED REMEDIATION)

(\$m)

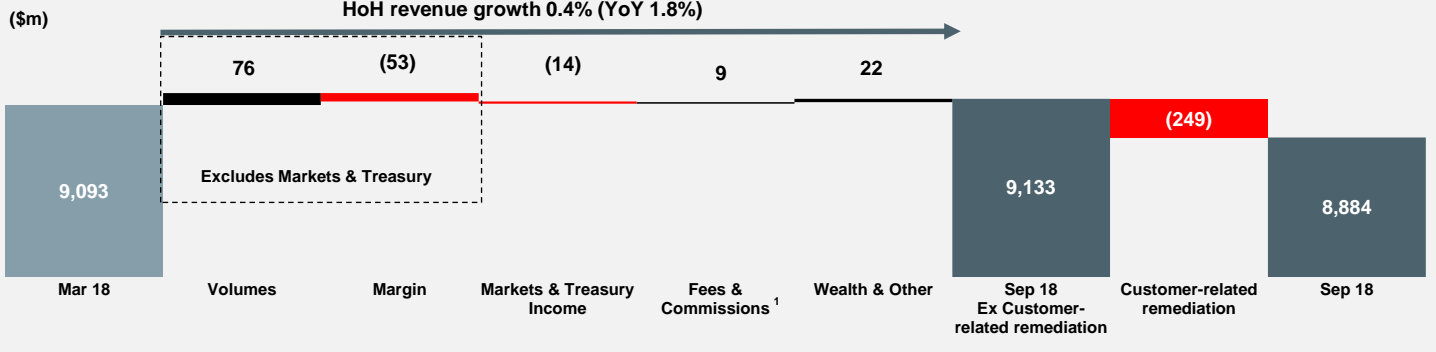


12

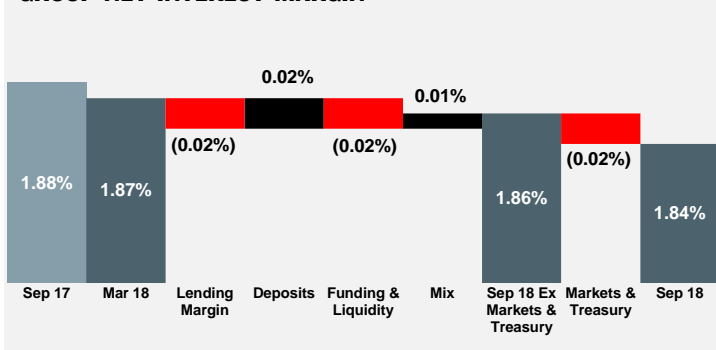


# REVENUE PERFORMANCE

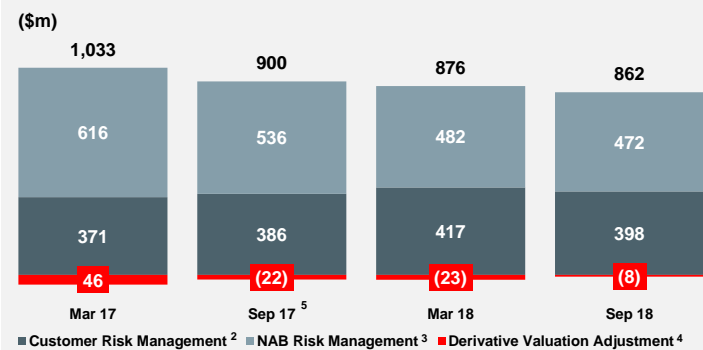
## NET OPERATING INCOME



## GROUP NET INTEREST MARGIN



## GROUP MARKETS & TREASURY INCOME



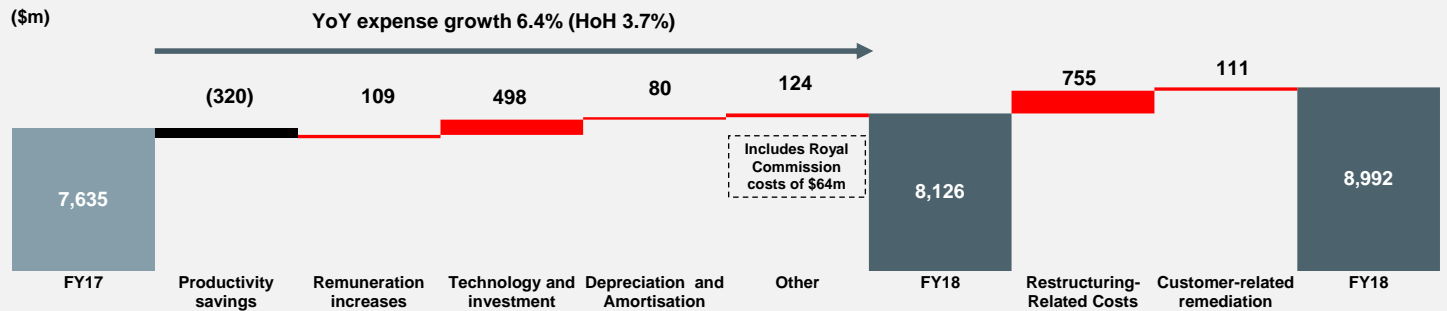
(1) Excludes Markets & Treasury income  
 (2) Customer risk management comprises OOI  
 (3) NAB risk management comprises NII and OOI and is defined as management of interest rate risk in the banking book, wholesale funding and liquidity requirements and trading market risk to support the Group's franchises  
 (4) Derivative valuation adjustments include credit valuation adjustments and funding valuation adjustments  
 (5) Revenue has been restated to reflect updated treatment of collateral costs (\$26m) impacting NAB Risk Management income, together with reallocation of income from a business with Corporate & Institutional Banking to better reflect its underlying nature, impacting Customer Risk Management income (\$7m)

13



# OPERATING EXPENSE GROWTH DRIVEN BY INVESTMENT UPLIFT

## OPERATING EXPENSES



## EXPENSES TARGETS UNCHANGED<sup>1</sup>

- FY18 costs savings of ~\$320m
  - >\$1.0bn cost savings by FY20
- FY18 expense growth 6.4% (excluding restructuring-related costs and customer-related remediation) – consistent with 5-8% guidance range
- Targeting broadly flat expense growth for FY19 and FY20 (FY18 baseline of \$8,126m), excluding large notable expenses<sup>3</sup>

## 2H18 CUSTOMER-RELATED REMEDIATION COSTS

\$360m<sup>2</sup> impact split between revenue (\$249m) and expenses (\$111m) includes

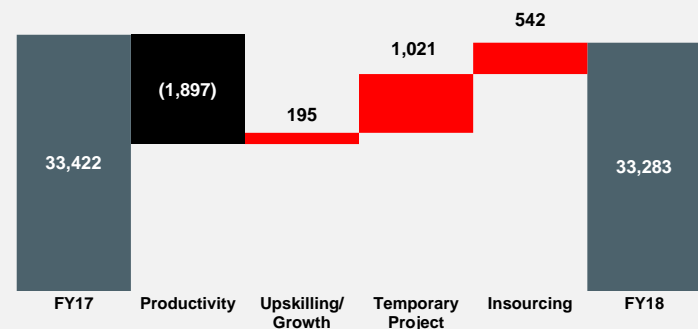
- Refunds and compensation in NAB's Wealth business, including adviser service fees, plan service fees, the Wealth advice review and other Wealth related issues
- Costs for implementing remediation processes
- Other charges associated with regulatory compliance investigations

(1) Refer to key risks, qualifications and assumptions in relation to forward-looking statements on page 110  
 (2) Excludes costs of \$75m reported in discontinued operations  
 (3) Large notable expenses include significant customer-related remediation costs

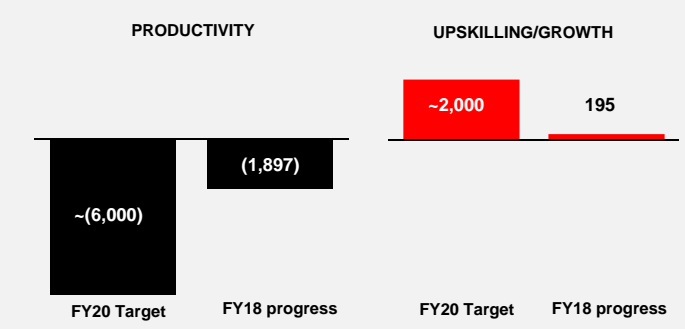


# FTE AND INVESTMENT SPEND

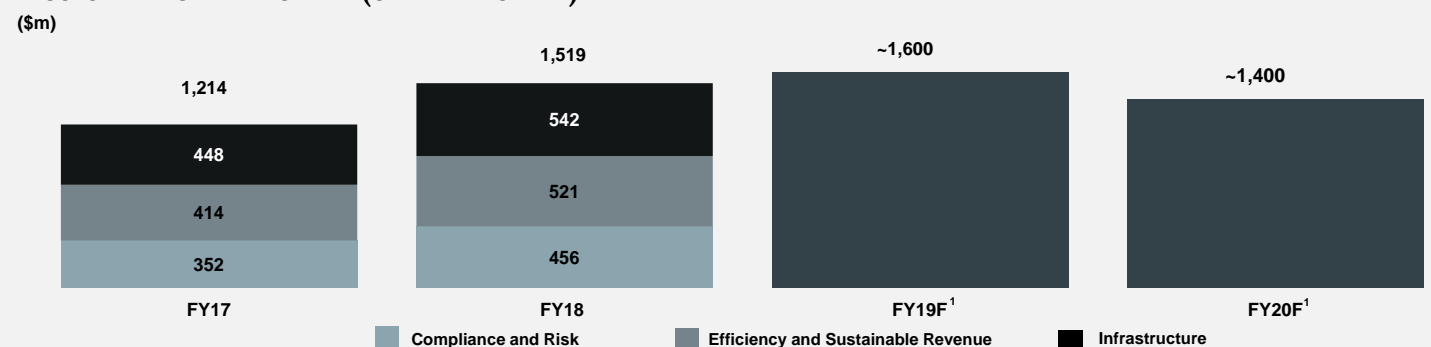
## FTE CHANGES



## PROGRESS ON FTE CHANGES<sup>1</sup>



## PROJECT INVESTMENT SPEND (OPEX AND CAPEX)



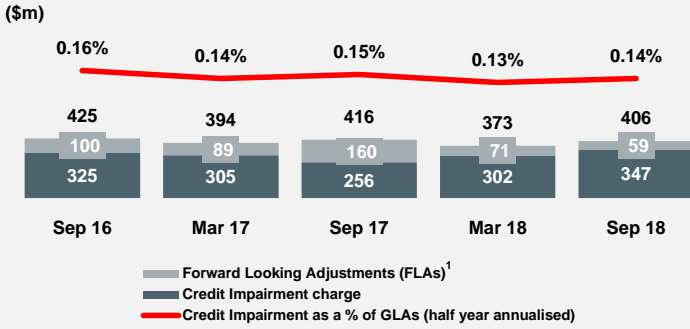
(1) Refer to key risks, qualifications and assumptions in relation to forward-looking statements on page 110



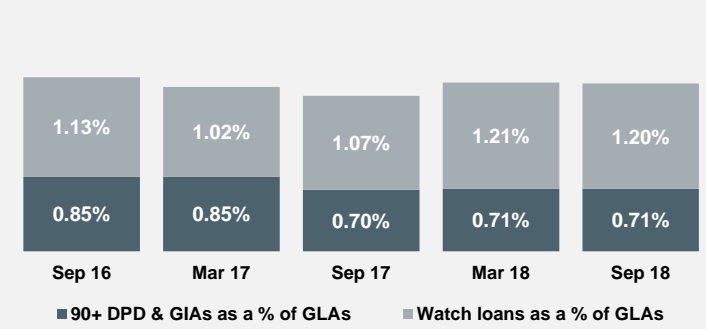


# ASSET QUALITY STABLE AND PROVISIONING REMAINS PRUDENT

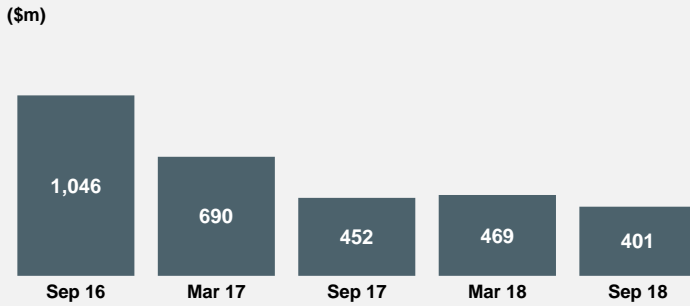
## CREDIT IMPAIRMENT



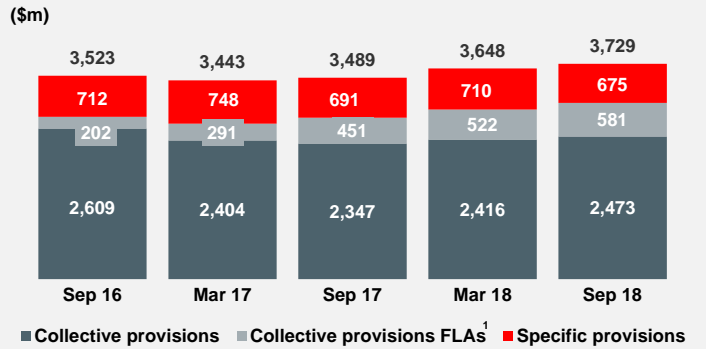
## 90+ DPD, GIAs & WATCH LOANS AS A % OF GLAs



## NEW IMPAIRED ASSETS



## COLLECTIVE AND SPECIFIC PROVISIONS



(1) Represents collective provision Forward Looking Adjustments (FLAs) raised for targeted sectors

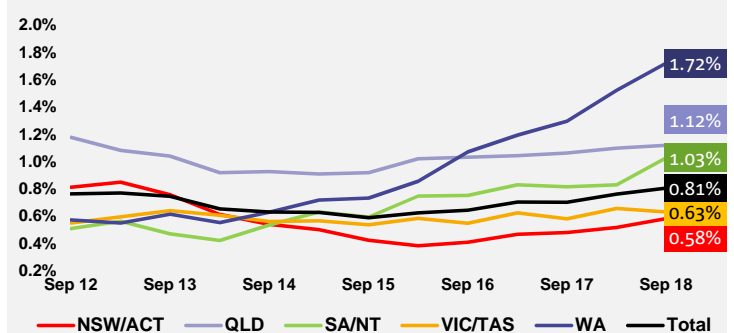


# AUSTRALIAN LENDING AREAS OF INTEREST

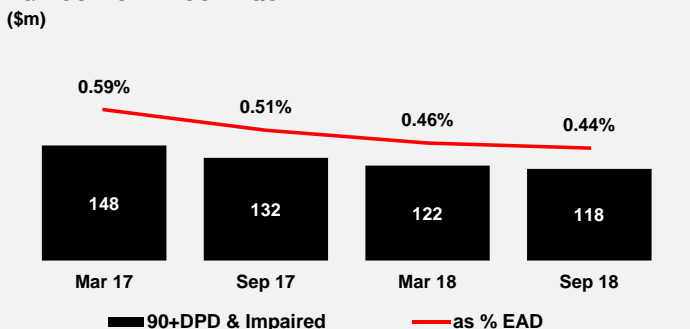
## HOUSING APPROVALS

- Only one material change to credit settings in FY18 with LTI limit reduced from 8x to 7x
- First pass approval rates remain in line with FY17
- Average loan size at drawdown slightly higher (\$376k 2H18 vs \$369k 2H17)
- Median time to unconditional approval faster than 12 months ago by >2 days

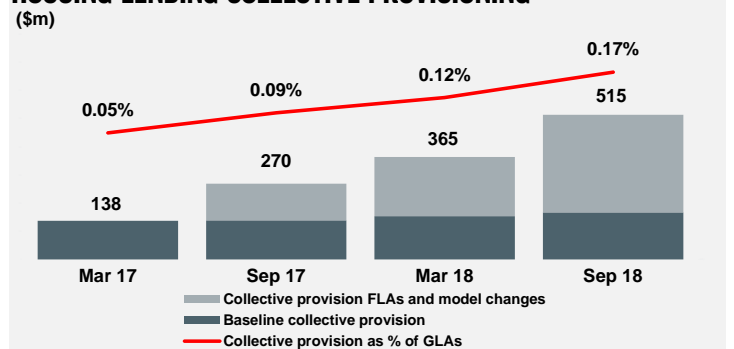
## HOUSING LENDING 90+ DPD & GIAs AS % GLAs



## AGRICULTURE ASSET QUALITY<sup>1</sup>



## HOUSING LENDING COLLECTIVE PROVISIONING

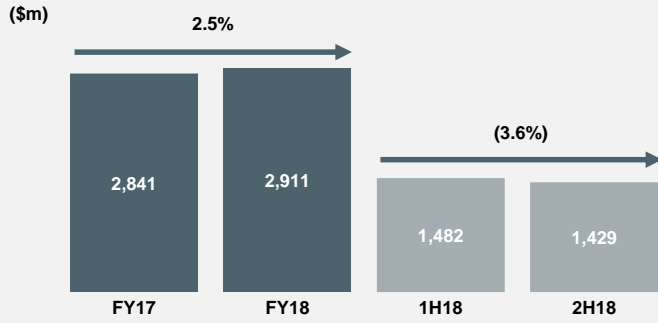


(1) Includes Forestry and Fishing with a total EAD of ~\$1Bn

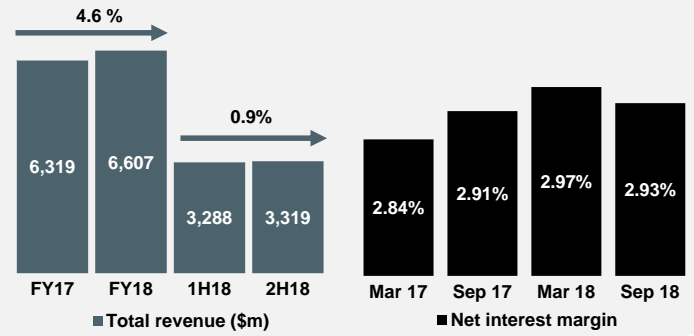


# BUSINESS & PRIVATE BANKING

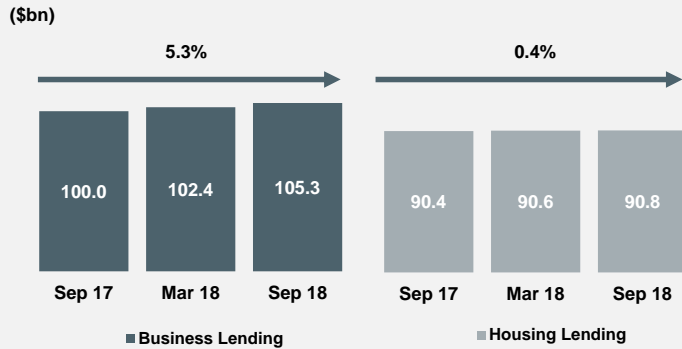
## CASH EARNINGS



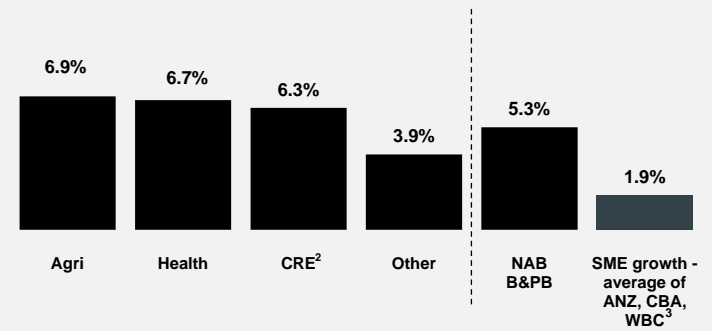
## REVENUE AND MARGIN



## BUSINESS & HOUSING LENDING GLAs



## BUSINESS LENDING GROWTH (SEPT 18 VS SEPT 17)<sup>1</sup>



(1) Growth rates are on a customer segment basis and not industry

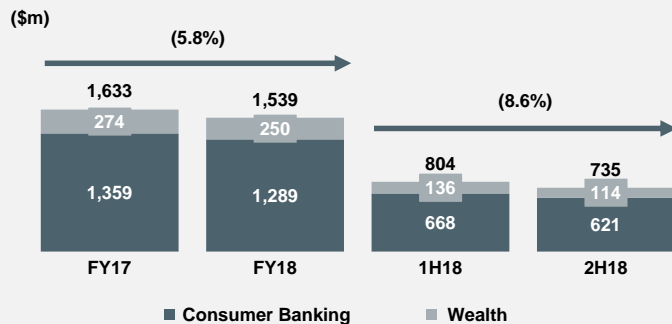
(2) CRE primarily represents commercial real estate investment lending across a range of asset classes including Retail, Office, Industrial, Tourism and Leisure, and Residential

(3) Represents NAB internal estimates of SME business lending growth for ANZ, CBA and WBC based on latest publicly available peer data

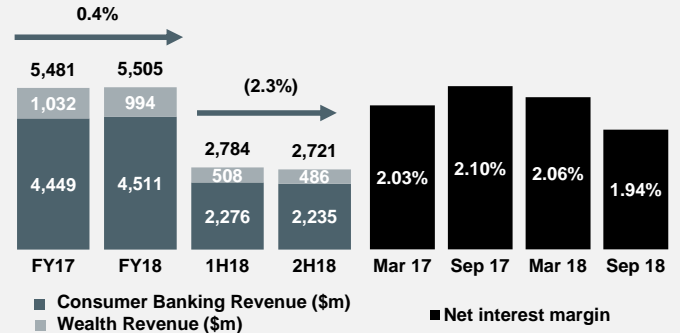


# CONSUMER BANKING & WEALTH

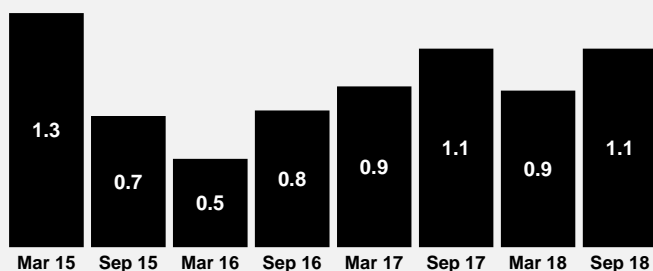
## CASH EARNINGS



## REVENUE AND MARGIN



## HOUSING LENDING MULTIPLE OF SYSTEM GROWTH<sup>1</sup>



## UPDATE ON DIVESTMENT OF MLC

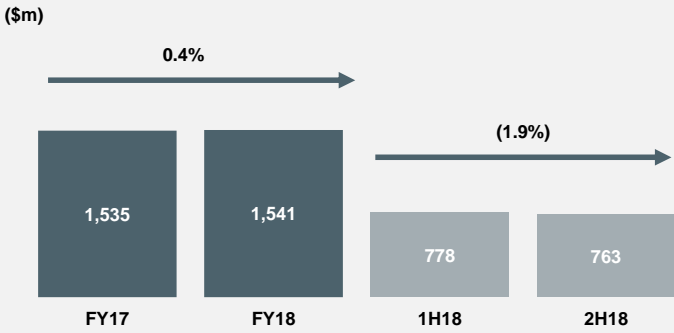
- Progressing towards public markets exit (demerger and IPO options), but retaining flexibility to consider trade sale
- Good progress in work required to separate MLC
- Geoff Lloyd appointed CEO of MLC
- MLC Investor briefing planned prior to 1H19 results announcement
- Targeting divestment by end of CY19, subject to market conditions, regulatory and other approvals

(1) APRA Monthly banking statistics – includes Owner Occupier, Investor and Securitised Home Lending balances

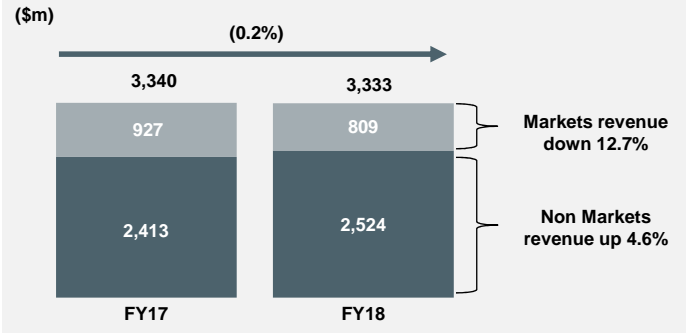


# CORPORATE & INSTITUTIONAL BANKING

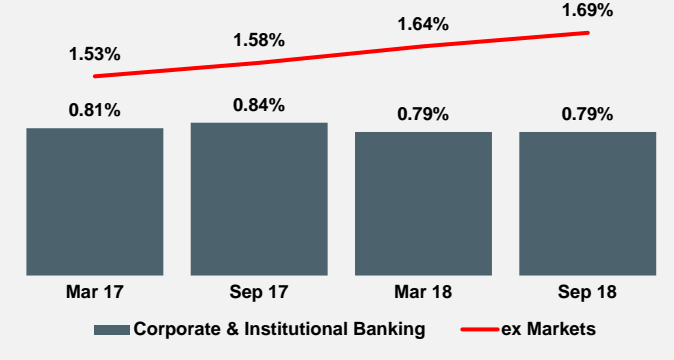
## CASH EARNINGS



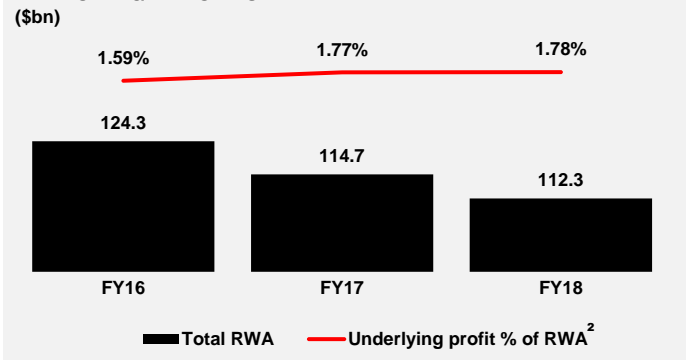
## REVENUE BREAKDOWN<sup>1</sup>



## NET INTEREST MARGIN



## IMPROVING RETURNS

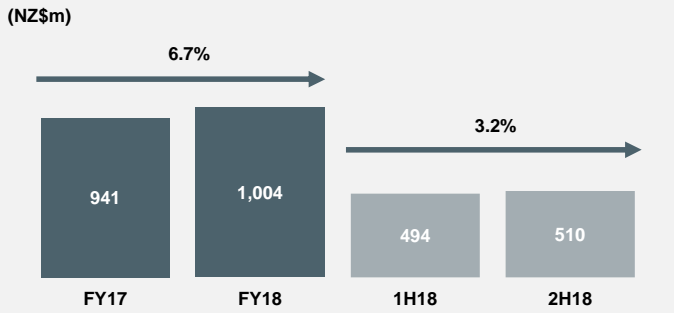


(1) Markets revenue represents Customer Risk Management and NAB Risk Management Revenue and includes derivative valuation adjustments  
 (2) Underlying profit represents cash earnings before income tax expense and credit impairment charges

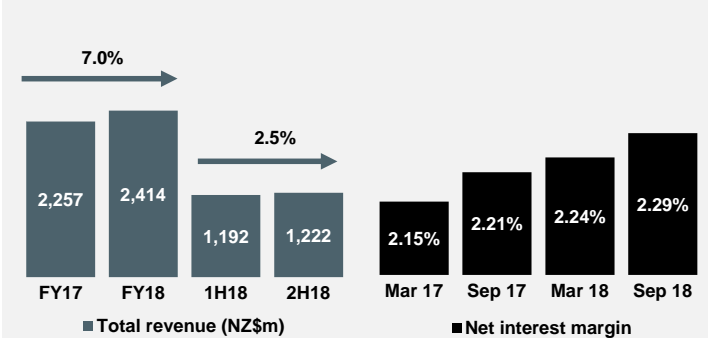


# NEW ZEALAND BANKING

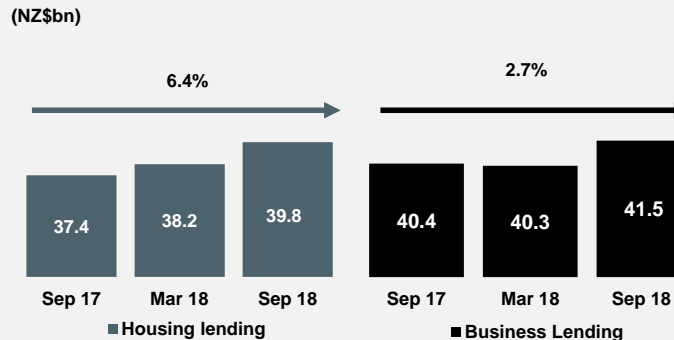
## CASH EARNINGS



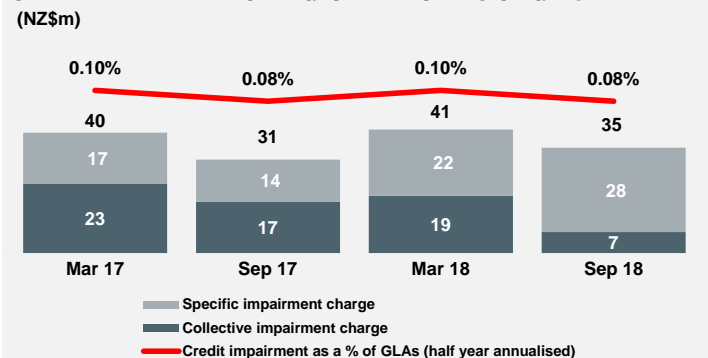
## REVENUE AND MARGIN



## BUSINESS & HOUSING LENDING GLAs

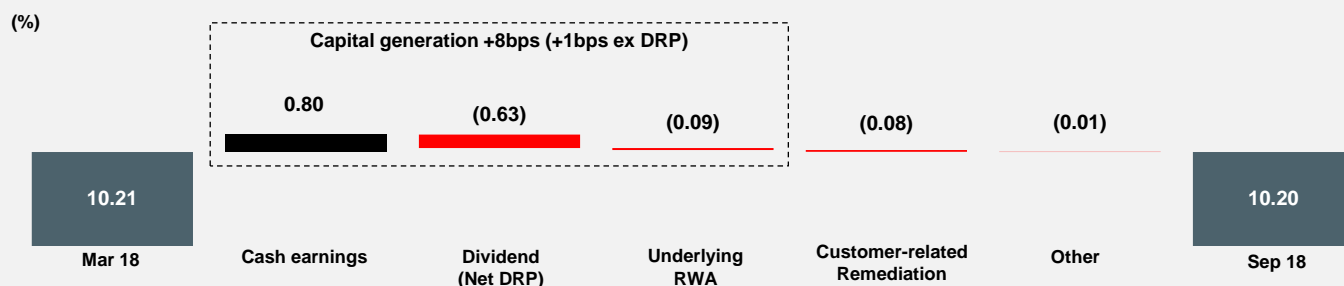


## CREDIT IMPAIRMENT CHARGES AND AS A % OF GLAs



# ON TRACK TO ACHIEVE 10.5% CET1 CAPITAL RATIO

## GROUP BASEL III COMMON EQUITY TIER 1 CAPITAL RATIO



### CAPITAL CONSIDERATIONS

- 1.5% discounted DRP on FY18 final dividend expected to generate 24bps<sup>1</sup> of CET1
- Sale proceeds from remaining stake in CIIT<sup>2</sup> expected to generate 6bps of CET1 in 1H19
- Impact from MLC divestment and any additional customer-related remediation costs uncertain
- On track to achieve 10.5% CET1 ratio benchmark in an orderly manner by 1 January 2020

### DIVIDEND CONSIDERATIONS

- FY18 payout ratio 82.6% (excluding restructuring and customer remediation costs) and 74% with normal DRP<sup>3</sup> participation
- FY18 underlying result impacted by accelerated investment – targeting flat expenses in FY19 & FY20
- Low RWA growth (FY18 2.0%) and path to 10.5% CET1
- Distribution of franking credits
- MLC divestment

(1) Assuming a DRP participation rate of 35%

(2) China Industrial International Trust

(3) Assumes FY18 final dividend participation rate of 10% based on zero discount to DRP, instead of actual expectation of 35% take-up with 1.5% DRP discount



## SUMMARY

- Results impacted by uplift in investment, restructuring spend and conduct costs
- Benefits of increased investment emerging
  - Delivered \$320m of productivity savings with ~1,900 FTE exits
  - Targeting broadly flat expenses for FY19 and FY20
  - Good momentum in Business & Private Banking
- Disciplined margin management and good volume trends
- Asset quality remains sound
- Clear path to achieve 10.5% CET1 target by 2020





# ACCELERATING OUR STRATEGY

**ANDREW THORBURN**  
Chief Executive Officer

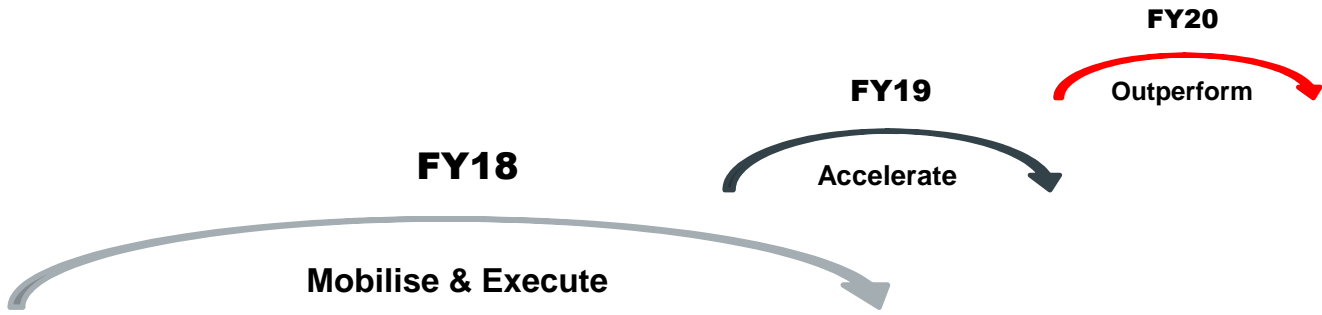
## LONGER TERM STRATEGIC FOCUS

<b>PURPOSE</b>	<b>BACK THE BOLD WHO MOVE AUSTRALIA FORWARD</b>	
<b>VISION</b>	<b>TO BE AUSTRALIA'S LEADING BANK, TRUSTED BY CUSTOMERS FOR EXCEPTIONAL SERVICE</b>	
<b>OBJECTIVES<sup>1</sup></b>	NPS positive and #1 of major Australian banks (priority segments)	
	Cost to Income ratio towards 35%	
	#1 ROE of major Australian banks	
	Top quartile employee engagement	
<b>HOW WE WILL WIN – BY BACKING OUR CUSTOMERS</b>		
Best Business Bank		Simpler and Faster
New and Emerging Growth Opportunities		Great Leaders, Talent and Culture
<b>GREAT PEOPLE LIVING OUR VALUES</b>		
<ul style="list-style-type: none"> <li>Passion for Customers</li> <li>Win Together</li> </ul>	<ul style="list-style-type: none"> <li>Be Bold</li> </ul>	<ul style="list-style-type: none"> <li>Respect for People</li> <li>Do the Right Thing</li> </ul>
<b>FOUNDATIONS</b>		
<ul style="list-style-type: none"> <li>Balance Sheet</li> </ul>	<ul style="list-style-type: none"> <li>Risk</li> </ul>	<ul style="list-style-type: none"> <li>Technology</li> </ul>

(1) Refer to key risks, qualifications and assumptions in relation to forward-looking statements on page 110



# COMPLETED THE 'MOBILISE AND EXECUTE' PHASE OF PLAN



- \$320m of savings, ~1,900 FTE exits
- Launched 'The Bridge' for people leaving NAB - 84% take up, 40% successfully transitioned so far
- Flattened organisation structure to 7 layers for 94% of staff (66% in FY17)
- 15% reduction in over the counter transactions
- Product numbers reduced from ~600 to 495
- New customer hub open extended hours, 7 days a week, for all metro small business customers
- Revenue per business banker up 10%
- QuickBiz digital platform now 35% of all new small business lending accounts
- New Technology Leadership team in place
- IT applications reduced by 5% and 3% migrated to the cloud



## BEST BUSINESS BANK

	KEY FOCUS AREAS	FY18 PROGRESS
<b>Empowering relationship bankers</b>	<p>Targeted revenue per banker (indexed)<sup>(1)</sup></p> <ul style="list-style-type: none"> <li>• Simpler processes and credit decisions</li> <li>• Increased capacity to focus on more complex customers</li> <li>• New career pathing, increased tenure, digital skills</li> </ul>	<ul style="list-style-type: none"> <li>• 10% increase in revenue per banker</li> <li>• Increased banker capacity by 13%<sup>(2)</sup> with migration of less complex customers to new customer hub</li> <li>• Added 155 dedicated resources to support mortgage origination</li> <li>• Business lending median time to unconditional approval improved from 4.8 to 3.4 days</li> </ul>
<b>Increasing industry specialisation</b>	<p>% of revenue by specialised banker</p> <ul style="list-style-type: none"> <li>• Broadening and deepening specialisation</li> <li>• Industry specific offerings</li> <li>• Data analytics driving better customer insights</li> </ul> <p>Legend: ■ Generalist, ■ Generalist banker with industry focus, ■ Specialised</p>	<ul style="list-style-type: none"> <li>• 27% of revenue now from specialised bankers (20% in 2017)</li> <li>• Rollout of Managing Partners model expanding specialisation geographically</li> <li>• Build-out of Professional Services specialisation with 27 dedicated bankers</li> <li>• Dedicated product for accountants, lawyers and financial planners – Partner Capital Loan</li> </ul>

(1) Reflects revenue generated in Business & Private Bank per relationship manager  
 (2) Average for Generalist, Professional Services and CRE bankers on the eastern seaboard



	KEY FOCUS AREAS	FY18 PROGRESS								
<b>Market leading digital and decisioning</b>	<ul style="list-style-type: none"> <li>Ability to approve ~80% of SME loans in 24 hours</li> <li>Same day on-boarding for all transaction accounts</li> <li>Integrated banker and customer digital platform</li> <li>Ability for customer service needs to be met digitally<sup>1</sup> to increase from 30% to 65%</li> <li>Expanded QuickBiz offering</li> </ul>	<ul style="list-style-type: none"> <li>80% of simple business transaction account applicants on-boarded via new digital platform in &lt;30 mins<sup>2</sup> (8 days in FY17)</li> <li>Commenced rollout of new CRM platform, providing mobile capability and consolidating 9 legacy CRM systems</li> <li>QuickBiz application and approval in &lt;10 mins</li> </ul> <p>Proportion of new small business lending generated via QuickBiz<sup>3</sup></p> <table border="1"> <tr> <th>FY</th> <th>Proportion</th> </tr> <tr> <td>FY16</td> <td>0%</td> </tr> <tr> <td>FY17</td> <td>20%</td> </tr> <tr> <td>FY18</td> <td>35%</td> </tr> </table>	FY	Proportion	FY16	0%	FY17	20%	FY18	35%
FY	Proportion									
FY16	0%									
FY17	20%									
FY18	35%									
<b>Strengthen small business customer proposition</b>	<ul style="list-style-type: none"> <li>More proactive, effective customer contact supported by analytics</li> <li>Empowered bankers with capabilities and tools to make decisions and resolve customer needs first time</li> <li>Leverage CRM and voice biometric authentication and routing</li> <li>Segment specific offerings for entrepreneurs and growth businesses</li> </ul>	<ul style="list-style-type: none"> <li>Established customer hub open 7 days a week with extended operating hours and first call resolution average of 77%</li> <li>Metro customers now managed via customer hub, expanding to Agri and regional customers in 1H19</li> <li>Extending specialisation to customer hub, with Health and Private Banking teams</li> </ul>								

(1) Proportion of business servicing processes which have digital capability for self-service

(2) On-boarding refers to the process of creating a profile of a business customer in NAB systems (including creating single or multiple accounts under that profile). Simple business transaction accounts applicants refer to sole traders and private business customers

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



## SIMPLER AND FASTER – STRUCTURE, PRODUCTS & NETWORK

	KEY FOCUS AREAS	FY18 PROGRESS																
<b>Flatter organisational structure</b>	<ul style="list-style-type: none"> <li>Max 7 layers from CEO to customer</li> <li>Closer connection between CEO and Exec Leadership team with our employees and customers</li> </ul>	<p>% FTE 7 layers or less from CEO</p> <table border="1"> <tr> <th>FY</th> <th>% FTE</th> </tr> <tr> <td>FY17</td> <td>66%</td> </tr> <tr> <td>FY18</td> <td>94%</td> </tr> <tr> <td>FY20</td> <td>100%</td> </tr> </table>	FY	% FTE	FY17	66%	FY18	94%	FY20	100%								
FY	% FTE																	
FY17	66%																	
FY18	94%																	
FY20	100%																	
<b>Smarter physical network</b>	<ul style="list-style-type: none"> <li>Smaller, compact and multi-format footprint</li> <li>Targeting 50% reduction in OTC transactions by FY20-22</li> <li>Full Smart ATM rollout</li> </ul>	<p>Smart ATM fleet</p> <ul style="list-style-type: none"> <li>Retail network reduced by 70 branches<sup>1</sup></li> <li>15% reduction in OTC transactions</li> <li>Smart ATM rollout complete</li> </ul> <table border="1"> <tr> <th>FY</th> <th>Fleet Size</th> </tr> <tr> <td>FY16</td> <td>233</td> </tr> <tr> <td>FY17</td> <td>505</td> </tr> <tr> <td>FY18</td> <td>805</td> </tr> </table>	FY	Fleet Size	FY16	233	FY17	505	FY18	805								
FY	Fleet Size																	
FY16	233																	
FY17	505																	
FY18	805																	
<b>Fewer &amp; more digitised products</b>	<p>Total # of products</p> <table border="1"> <tr> <th>Year</th> <th>Total # of products</th> </tr> <tr> <td>FY17</td> <td>~600</td> </tr> <tr> <td>FY18</td> <td>495</td> </tr> <tr> <td>3-5 Years</td> <td>~300</td> </tr> </table> <p>% products<sup>2</sup> capable of digital origination</p> <table border="1"> <tr> <th>Year</th> <th>% products capable of digital origination</th> </tr> <tr> <td>FY17</td> <td>~10%</td> </tr> <tr> <td>FY18</td> <td>19%</td> </tr> <tr> <td>3-5 Years</td> <td>~60%</td> </tr> </table>	Year	Total # of products	FY17	~600	FY18	495	3-5 Years	~300	Year	% products capable of digital origination	FY17	~10%	FY18	19%	3-5 Years	~60%	<ul style="list-style-type: none"> <li>Retired 40 products and consolidated 71</li> <li>19% of on-sale products capable of digital origination (10% in 2017)</li> <li>169 of remaining products are wealth related</li> </ul>
Year	Total # of products																	
FY17	~600																	
FY18	495																	
3-5 Years	~300																	
Year	% products capable of digital origination																	
FY17	~10%																	
FY18	19%																	
3-5 Years	~60%																	

(1) Data driven process analysing branch usage patterns to identify closures which minimise customer disruption

(2) Excludes Off Sale products that are unavailable to new customers



# SIMPLER AND FASTER – TECHNOLOGY & PROCUREMENT

## BUILDING WORLD CLASS TECH TEAM



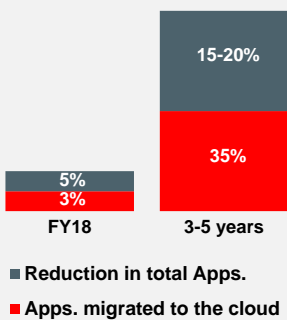
- New technology leadership team with 10 new executives
- Hired from major tech firms and international banks including: Microsoft, Amazon, Walmart Labs, HSBC and Scotiabank
- Recruited leading technology expertise in systems architecture, cloud services, data, security and transformation

## INSOURCING FOR EFFICIENCY, CONTROL AND SPEED



- Insourced 542 full time employees at lower cost
- Technology skills uplift and increased responsiveness and accountability
- Strengthens controls and reduces operational risk

## SIMPLIFYING WITH CLOUD FIRST AGENDA



- Reduction of 120 IT applications
- 70 IT applications migrated to the cloud (including 30 applications in 50 days during 2H18)
- Migration to cloud can reduce costs by up to 60% per application
- Largest Australian population of cloud practitioners and certified cloud engineers in a single organisation

## DELIVERING THIRD PARTY SAVINGS



- Delivered \$123m in annualised savings from review of ~\$2.2bn of third party spend in FY18
- >\$2.0bn of third party spend still to be reviewed in FY19-FY20
- Benchmarked to global best rates across multiple categories
- Simplified contracting to ensure cost transparency

30



# NEW AND EMERGING GROWTH OPPORTUNITIES

	KEY FOCUS AREAS	FY18 PROGRESS								
<b>Urban growth corridors</b>	<ul style="list-style-type: none"> <li>• Forecast growth of 0.9m people in 5 years<sup>1</sup> in Greater Western Sydney and Greater Melbourne</li> <li>• Investing where growth is and tilting to industries driving jobs and innovation - infrastructure, healthcare, government &amp; education</li> </ul> <p><b>NAB office tower at 3 Parramatta Square</b></p> 	<ul style="list-style-type: none"> <li>• Relocated/added 40 bankers servicing Greater Western Sydney and Greater Melbourne</li> <li>• 7 new and refreshed points of presence in growth corridors</li> <li>• Open Saturdays in 8 key locations</li> <li>• Parramatta Square, NAB flagship hub for Greater Western Sydney, on track for 2020 completion</li> <li>• Supporting Transurban's 51% acquisition of WestConnex, Australia's largest road infrastructure project connecting Western Sydney with CBD, ports and airport precincts</li> </ul>								
<b>Global infrastructure financing</b>	<ul style="list-style-type: none"> <li>• US, Europe, Asia &amp; Australia infrastructure needs of \$80 trillion between 2016-2040<sup>2</sup></li> <li>• Greater Western Sydney &gt;\$40 billion pipeline</li> <li>• Leverage NAB's top 15 global position in infrastructure financing<sup>3</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Closed 63 deals with total project debt of \$48bn across US, Europe, Asia and Australia</li> <li>• Leading role distributing deals to diverse mix of institutional and retail investors</li> </ul> <p><b>NAB Global Infrastructure Revenue (\$m)</b></p> <p>19% →</p>  <table border="1"> <thead> <tr> <th>FY</th> <th>Revenue (\$m)</th> </tr> </thead> <tbody> <tr> <td>FY16</td> <td>336</td> </tr> <tr> <td>FY17</td> <td>364</td> </tr> <tr> <td>FY18</td> <td>399</td> </tr> </tbody> </table>	FY	Revenue (\$m)	FY16	336	FY17	364	FY18	399
FY	Revenue (\$m)									
FY16	336									
FY17	364									
FY18	399									

(1) 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  
 (2) Global Infrastructure Outlook, Oxford Economics, 2017  
 (3) IJGlobal League Tables (2018)

31





# NEW AND EMERGING GROWTH OPPORTUNITIES

	KEY FOCUS AREAS	FY18 PROGRESS
<b>Extend Private Banking reach</b>	<ul style="list-style-type: none"> <li>Only ~20% of Australian HNW customers have a Private Banker<sup>1</sup></li> <li>New product proposition and improved banker capability</li> <li>Leverage JBWere and nabtrade capability</li> </ul>	<ul style="list-style-type: none"> <li>NAB Private/JBWere revenue up ~7%</li> <li>Rollout of Private Banking customer hub</li> <li>Launch of Global Investment Desk - access to JBWere and self directed investments</li> </ul> <div style="text-align: right;"> <p><b>JBWere FUM</b></p> <p>(\$bn)</p> <p>43%</p> <p>FY16    FY17    FY18</p> </div>
<b>Australia's leading digital bank</b>	<ul style="list-style-type: none"> <li>Accelerating UBank standalone attacker strategy</li> </ul>	<ul style="list-style-type: none"> <li>Added 67k customers in FY18 – 17% increase</li> <li>Home loans grew at 4X system in 2H18</li> <li>Strategic NPS<sup>2</sup> +18</li> </ul>
<b>Partnerships &amp; Innovation</b>	<ul style="list-style-type: none"> <li>Scaling NAB Labs and NAB Ventures</li> <li>Key partnerships with local and global players (Realestate.com.au, Xero, Amazon, Google, etc)</li> </ul>	<ul style="list-style-type: none"> <li>Increased the NAB Ventures investment fund from \$50m to \$100m</li> <li>427k financial profiles created through Realestate.com.au</li> <li>Extending partnership with Xero's 583k Australia subscribers with integrated payments, payroll and data</li> </ul>

(1) Growth Mantra analysis primarily based on raw data from Investment Trends Segmentation Information 2015

(2) Strategic NPS measured via independent market research. 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



# GREAT PEOPLE, TALENT & CULTURE

## CULTURE THROUGH OUR VALUES AND BEHAVIOURS

<p><b>PASSION FOR CUSTOMERS</b></p> <p>Get it right for our customers, every single time</p> <p>Take a stand for our customers</p>	<p><b>BE BOLD</b></p> <p>Be exceptional</p> <p>Step in, step up, speak your mind</p>	<p><b>WIN TOGETHER</b></p> <p>One NAB, One Badge</p> <p>Make it simpler and faster</p>	<p><b>RESPECT FOR PEOPLE</b></p> <p>Show care for everyone</p> <p>Be candid with each other</p>	<p><b>DO THE RIGHT THING</b></p> <p>Act with integrity</p> <p>Be true to your word</p>
--	--	--	---	--

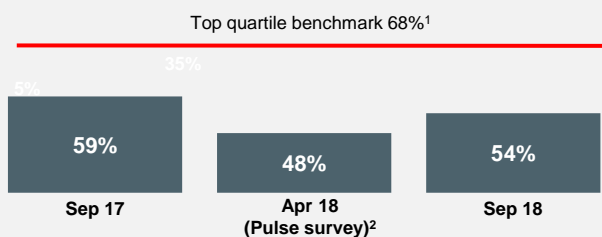
## NEW STANDARDS FOR LEADERS

**EMPATHY**  
**PERFORM**  
**IMAGINE**  
**CONNECT**



## STAFF ENGAGEMENT

### Engagement Survey Scores (%)



(1) Based on the top quartile of Australian and New Zealand companies; Source: Aon Hewitt 2018  
 (2) Pulse survey sent to a randomly selected subsection of the organisation, April 18

## THE BRIDGE

- Opened on 26 March 2018
- 84% of exited employees have engaged with The Bridge and commenced support
- Delivered ~2,700 hours of coaching and 638 workshops
- 40% of Bridge users successfully transitioned to desired pathway, including new positions, vocational training, self employment or retirement



## SUMMARY

- Well positioned for a challenging environment
- Focused on building a more sustainable business through exceptional customer service
- Investing in areas that will make a material difference
- Delivering on transformation objectives while growing core business

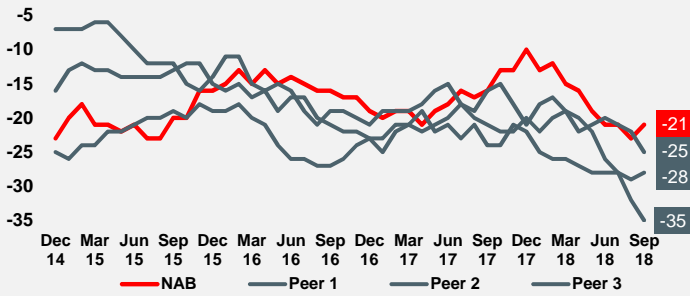


**ADDITIONAL INFORMATION**  
**AUSTRALIAN CUSTOMER EXPERIENCE**



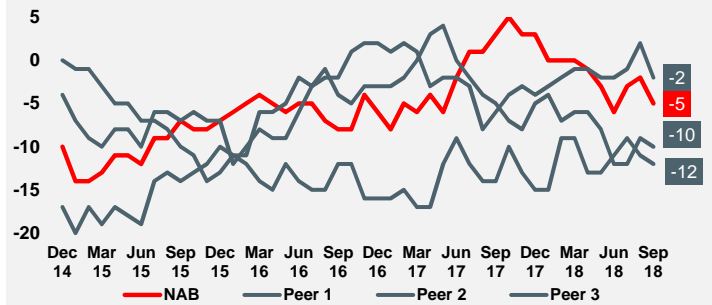
## SMALL BUSINESS

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



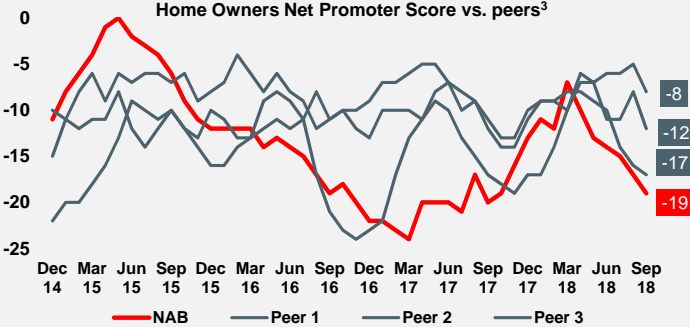
## MEDIUM BUSINESS

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



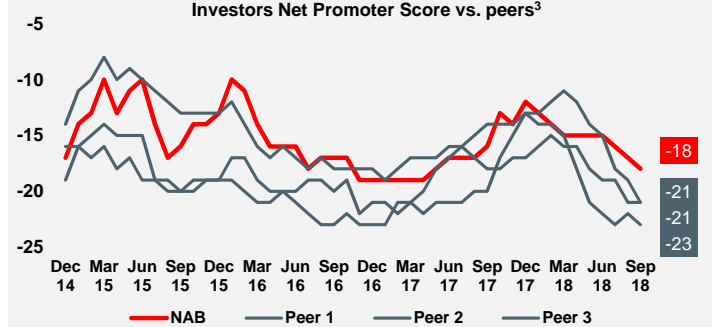
## HOME OWNERS

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



## INVESTORS

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

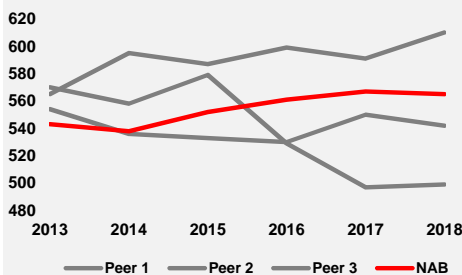


(1) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld  
 (2) September 2018. DBM Business Financial Services Monitor; all customers' six month rolling averages for Small Business (\$0.1m-\$5m) 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: Roy Morgan Single Source: NAB defined Home Owners (Home Loan @ Bank) and Investors, Australian population aged 14+, six month rolling average. Home owners definition has changed to Home Loan @ Bank, previously was customers with a Home Loan at any bank. History has been restated



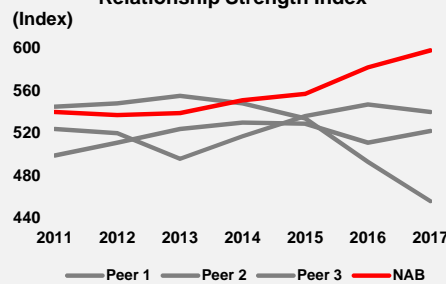
# CORPORATE & INSTITUTIONAL CUSTOMER METRICS

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



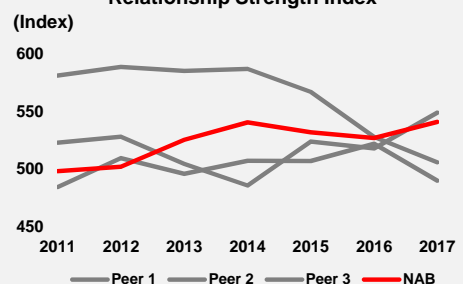
## INTEREST RATE HEDGING<sup>3</sup>

Relationship Strength Index

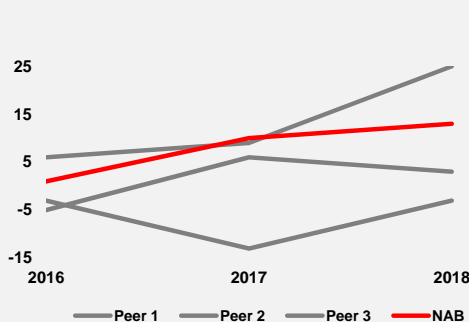


## FOREIGN EXCHANGE<sup>4</sup>

Relationship Strength Index

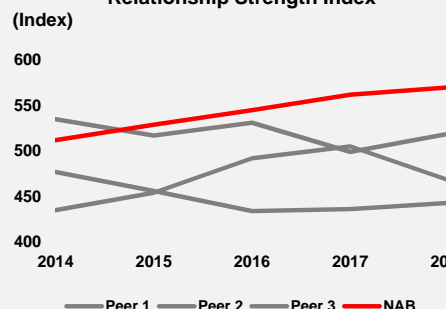


## INSTITUTIONAL NPS<sup>1,2</sup>



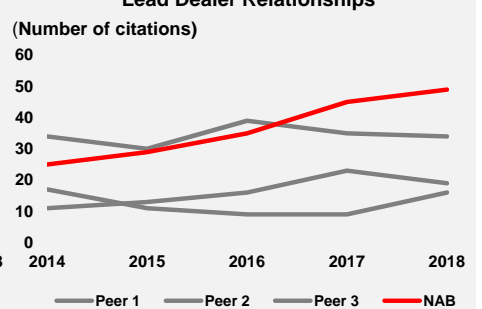
## DEBT MARKETS ORIGINATION<sup>5</sup>

Relationship Strength Index



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

Lead Dealer Relationships



(1) 2018 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 2017. Based on top four banks by penetration  
 (4) Peter Lee Associates – Foreign Exchange Survey Australia 2017. Based on top four banks by penetration  
 (5) Peter Lee Associates Debt Securities Origination Survey 2018. Based on top four banks by penetration



## WHY MIGRATE?



- Cloud computing provides on-demand access to wide range of leading-edge capabilities from tech giants such as Amazon (AWS) and Microsoft
- Provides world class security, scalability, and reliability
- Drives speed to market by enabling rapid development and deployment of technology projects
- Delivers savings by reducing infrastructure costs, software expenses and increasing developer productivity

## BUILDING CLOUD TALENT



- Senior technologists hired with experience from Microsoft, AWS and Walmart Labs
- Launched NAB Cloud Guild to train existing employees in both AWS and Microsoft Azure, with > 3,000 people trained and 300 certified engineers
- Highest number of cloud-certified practitioners and certified cloud engineers in Australia and NZ
- Only 2<sup>nd</sup> organisation in the world to be accredited to provide AWS training in-house

## THE ECONOMICS OF CLOUD

Physical Infrastructure	Cloud
• Large upfront investment	• No upfront cost
• Large sunk costs	• Variable cost
• Fixed capacity	• Scalable on demand
• High operating overhead	• Low operating overhead
• Long lead time	• Immediate access

## CLOUD FIRST, AT SCALE

- NAB's cloud first strategy means all new assets are to be delivered in the cloud where appropriate
- 70 applications in production (up from 12 in FY17) including 30 in the last 50 days of FY18
- CRM, Universal Workflow, enterprise data lake, machine learning platform, and other new digital services implemented on public cloud
- Movement of business applications from existing on premise services to externally managed cloud services provides up to a 60% cost reduction
- New capabilities implemented such as developer Launchpad, which provides speed and enforces security on demand



# CUSTOMER JOURNEYS

## OUR CUSTOMER JOURNEYS

### Everyday banking

- Term Deposit roll-over, both in branch and on-line, has been simplified to one-click, reducing the processing time by 70%

### Planning for retirement

- Direct Super account opening time reduced by 90%; improved on-boarding experience resulting in NPS uplift of +5pts<sup>1,5</sup>

### Business transaction on-boarding

- Business customer setup time reduced by 70% for simple structures and 80% for complex structures

### Small Business<sup>2</sup>

- Driven down average number of assisted contacts per business customers by 13% since FY16

### Personal credit cards

- Improved customer experience resulting in NPS uplift of +11pts<sup>3,5</sup>

### Home lending

- Deployed 24 initiatives in the last year improving banker and customer experiences and saved over 50K banker hours p.a.

### Business lending

- Designed the future state for end-to-end business lending and saved over 100k banker hours p.a. through 11 initiatives

## DELIVERING CUSTOMER AND BANKER BENEFITS



- Multi-disciplinary teams using high customer involvement and delivering initiatives 2x faster than traditional models
- 130 major deployments benefitting ~5 million consumer customers and >300k business customers
- Journey deliveries have focused on making things easier for our customers and bankers through process simplification, improving the digital experience and leveraging innovative technologies
- Targeted benefits<sup>4</sup>:

**NPS<sup>1</sup>**  
increase of  
**>20**

**Cost savings**  
~20%

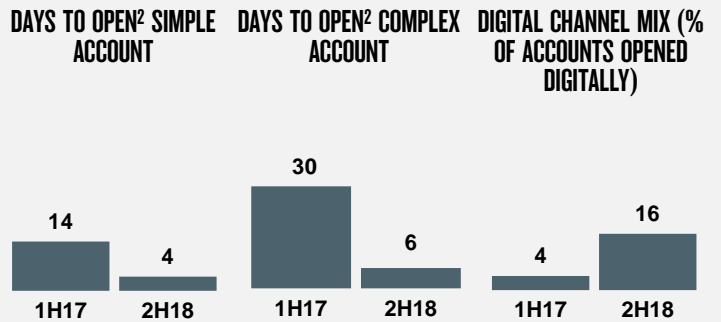
**Revenue benefits**  
5 - 10%

(1) Refers to the Operational NPS for the respective experiences, Operational NPS is derived from surveys sent by NAB to NAB customers who have recently gone through the respective experiences  
 (2) Business Servicing journeys renamed as Small Business due to change of scope  
 (3) Refers to the NPS for consumer credit cards, measured by an external firm via surveys sent to NAB customers  
 (4) Represents the targeted cost savings or revenue benefits by individual customer journey  
 (5) 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



## BUSINESS TRANSACTION ONBOARDING

- Simplified assisted on-boarding process via a single platform driving significantly shorter account set up times and improved customer experience:
  - 80% of simple business transaction account applicants are being onboarded<sup>1</sup> in <30 minutes via a new digital platform
  - 92% of applicants are on-boarded on their first attempt with no rework required
- Enhancements to the digital on-boarding experience have seen both an uplift in accounts opened digitally from 4% to 16% and over 40% increase in conversion of digital applications

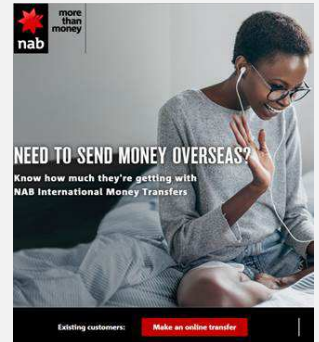


## BUSINESS LENDING

- Improved process efficiencies and banker tools, releasing over 100k banker hours per year
- Enabled bankers to decision more files and reduced time to approval for customers on average by 30 mins
- Digitised 70% of Fulfilment Centre print volume by transferring customer and guarantor contracts to email
- Improved customer experience by simplifying the multiple types of consent, reducing average banker touch time by 12 minutes

## SMALL BUSINESS

- Deployed 10 digital features benefitting 190k customers with over 4.5m uses
- Reduced average number of assisted contacts per business customers by 13% since FY16
- Uplifted customer experience and simplified fee structure in International Money Transfers; International transfers increased by 12%

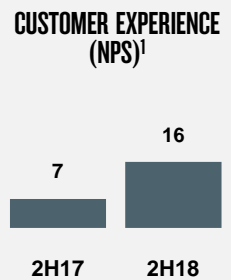
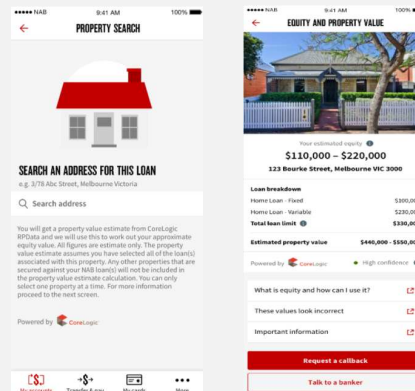


(1) On-boarding refers to the process of creating a profile of a business customer in NAB systems (including creating single or multiple accounts under that profile). Simple business transaction account applicants refer to sole traders and private business customers.  
 (2) Average number of days taken to open the account refers to time taken for a business account to be ready for transaction after KYC is completed



## HOME LENDING

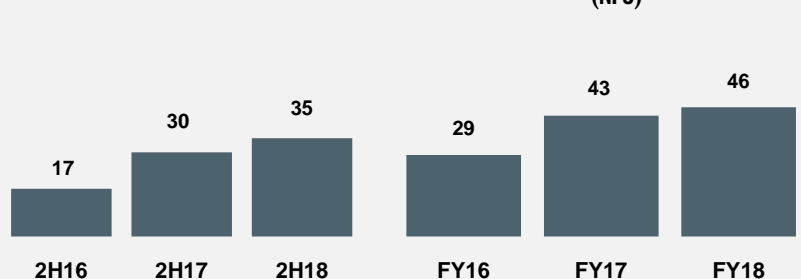
- Deployed 10 digital initiatives benefitting more than 250k customers; features include:
  - Allowing customers to see the value of their home and their net equity
  - Providing full self-service control to customers for home loan offsets with more than 12k visits so far
  - Uplifted online conditional approval for home loans, increasing online leads by 60% leading to greater number of applications
- Simplified banker processes by improving banker tools, releasing over 50k banker hours per year



## EVERYDAY BANKING

- Term Deposit roll-over, both in branch and on-line, has been simplified to one-click, reducing the processing time by 70%
- New customers can now join NAB and open personal transaction & savings account through the NAB app – average 5 new applications started every hour
- Existing customers can instantly open a new account with 1 click through the NAB App
- Improved customer experience significantly resulting in NPS uplift of +17 points<sup>1</sup>

### % DIGITAL ACCOUNT OPENINGS<sup>2</sup>



(1) Refers to the Operational NPS for the respective experiences, Operational NPS is derived from surveys sent by NAB to NAB customers who have recently gone through the respective experiences. 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) 6 monthly average of personal transaction accounts  
 (3) Transaction accounts only



## DIGITAL SMALL BUSINESS UNSECURED LENDING

- Access to unsecured finance for term loan overdraft, business cards and broker assisted customers
- Application and decisioning in **under 10 minutes**
- Direct connectivity to Xero or MYOB 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

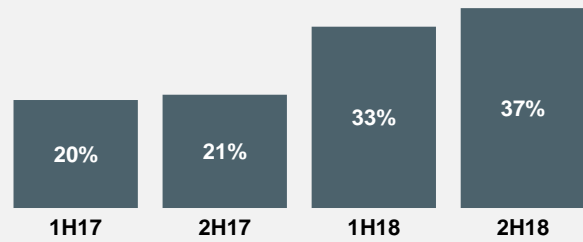
## FY18 EXPANSION

- Increased unsecured lending limit from \$50k to \$100k<sup>2</sup>, growing customers who qualified for a loan >\$50k by 24%
- Equipment finance quotes up to \$250k, and applications up to \$150k
- Reducing banker and fulfilment work effort through new streamlined work flow processes
- NPS uplift<sup>4</sup> of +12 (currently +54) since January 2018



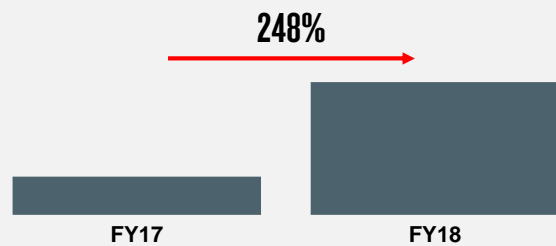
## SMALL BUSINESS UNSECURED LENDING VIA QUICKBIZ

Proportion of new small business lending generated via QuickBiz<sup>3</sup>



## QUICKBIZ APPLICATION GROWTH

# Applications

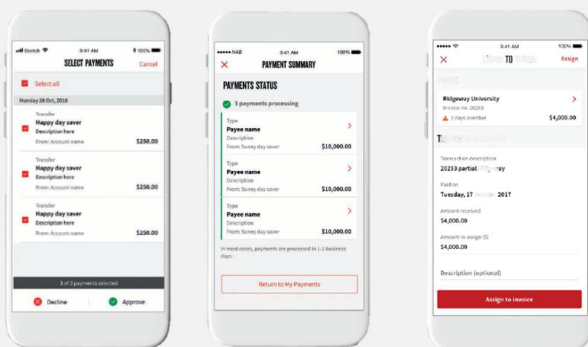


(1) Based on the assessment of business transaction account cash flow strength  
 (2) Upon receipt of completed contracts for term loan and overdraft, and 3-5 business days for business cards  
 (3) New QuickBiz loan and QuickBiz overdraft accounts as a percentage of total new term lending and overdraft accounts in the Small Business division  
 (4) Refers to the operational NPS metric, derived from surveys sent by NAB to NAB customers who have recently applied for a small business unsecured loan. 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



## STRENGTHENING PARTNERSHIP WITH XERO

- Working to provide 583,000 Xero subscribers in Australia<sup>1</sup> with access to NAB payments, payroll<sup>2</sup> and data integration to easily manage business accounting needs
  - Australian bank-leading APIs released by NAB for comprehensive set of product types
  - Market leading payments<sup>3</sup> capability, allowing small businesses to make payments more seamlessly and securely
- NAB customers with data feeds to Xero increased from 84,000 to 112,000



## EXPANDING HICAPS GO

- Continuing growth of digital platform that connects patients, health practitioners and health funds
- All 71,000 HICAPS customers have been migrated and technically enabled with HICAPS Go
- 43% of Australian Private Health Insurance members now have access to HICAPS Go with a plan to increase to 82% by March 2019
- Specsavers eCommerce instant claiming capability market first launch



(1) Xero Full Year Results to 31 March 2018  
 (2) Available mid 2019  
 (3) BETA release

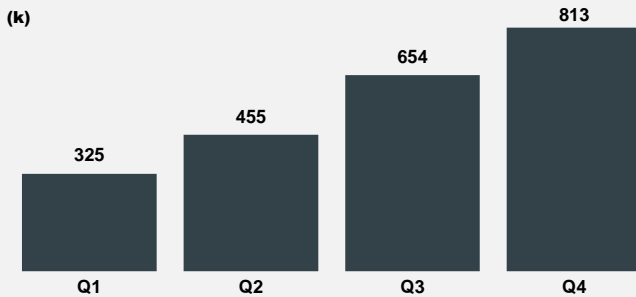


## NAB CONNECT MOBILE APP



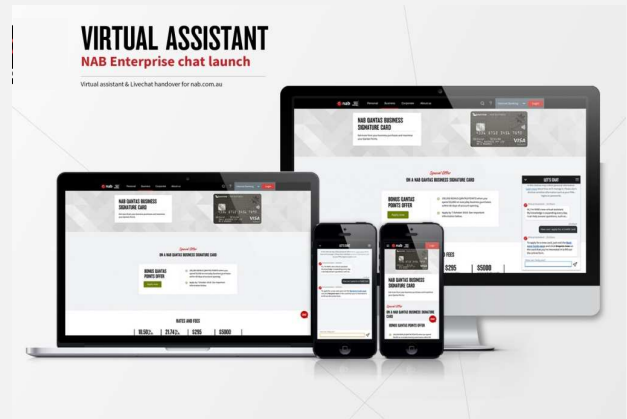
- Allows customers to easily manage business payments
- 39% increase in logins since March 2018
- NAB business customers actively using the app grew from 3% to 25% in FY18

## MONTHLY NAB CONNECT APP LOGINS



## VIRTUAL CHAT FOR BUSINESS

- Virtual Assistant programmed with over 1,000 customer FAQs launched in September 2018
- Integrated with Live Chat to provide seamless handover to NAB staff support
- Projected to remove 1 million calls out of the contact centre by 2020

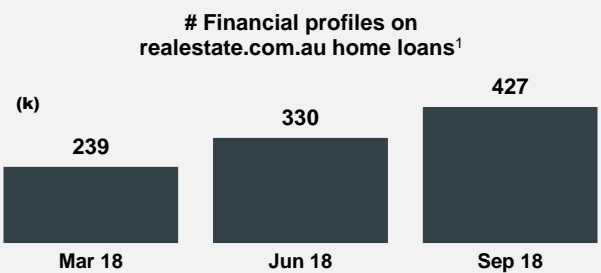


## STRATEGIC PARTNERSHIP WITH REALESTATE.COM.AU



- **Search:** Fully featured NAB powered home loan calculators available on realestate.com.au
- **Apply:** Conditional approval application available 24/7 with ability to pre-populate data from realestate.com.au
- **Buy:** Home Loan specialists available to provide customers with choice, options and support

## FY18 PROGRESS



- 427k unique financial profiles created at 1 October 2018, equating to >25k financial profiles created per month
- Strong digital engagement with >15k unique calculator interactions per day
- Customers showing strong preference for 24/7 experiences with 88% of applications coming from digital channels
- Digital engagement through to sales is encouraging with a growing number of customers moving through the sales pipeline

(1) The financial profile is a component of the realestate.com.au user profile. It allows a user to input their financial information (i.e. income, assets, expenses and debts) and borrower specifics (i.e. buyer type, purchase intent, marital status). This data can be used to pre-fill fields in calculators on realestate.com.au and sections of the Online Conditional Approval application form

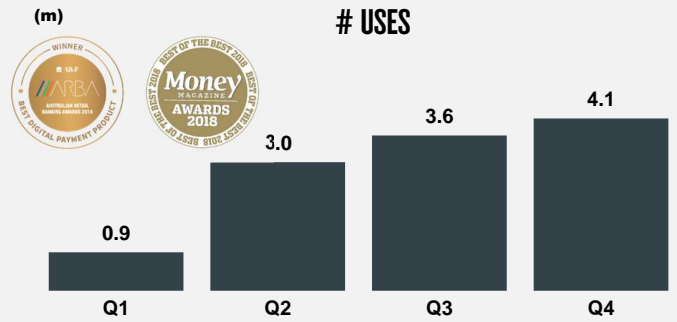


## NEW FEATURES DELIVERED IN 2H18

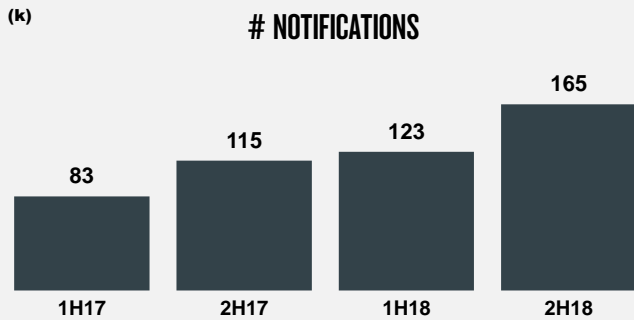


- Home loan equity view
- Manage (add/change) home loan offset account
- Payment instructions in Xero and approval in mobile app
- Credit card due date and amount owing
- Term deposit rollover
- SMS security registrations

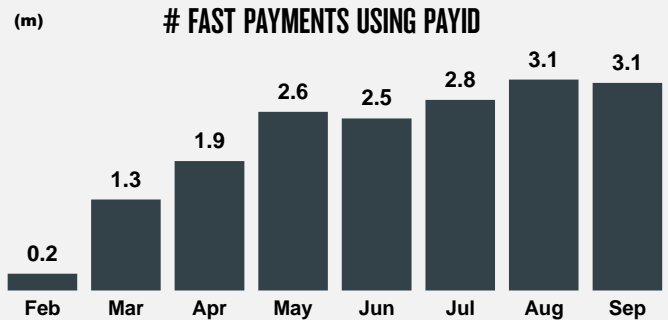
## FEATURE USE GROWTH – LOOK WHO'S CHARGING<sup>1</sup>



## FEATURE USE GROWTH – OVERSEAS TRAVEL NOTIFICATIONS



## FAST PAYMENTS ON MOBILE



(1) Feature that allows customers to see merchant details including location on a map for card payment transactions



# MORE INVESTMENTS TO CREATE THE FUTURE OF BANKING

*NAB Ventures investment fund increased from \$50m to \$100m*



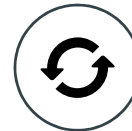
Up to \$5m investment



Often with co-investors



Strong interest in fintech...



Or sectors with natural synergies with NAB

- 1,750+ companies tracked → 500 opportunities qualified → 12 investments
- NAB Labs will build out Ventures investments to accelerate creating the future of banking

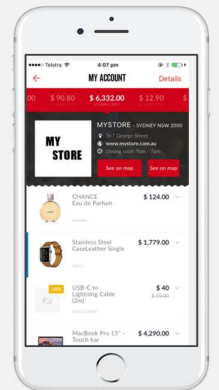
*2H18 investments include ...*



- Developed the next generation of smart payment terminals
- Proprietary Operating System to create an open ecosystem for third party developer to build rich merchant application
- NAB Ventures invested alongside Elavon in Poynt's US\$100 million Series C funding round

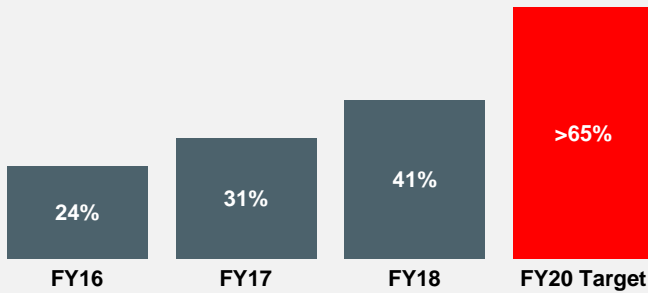


- Enabling merchants to instantly send customers a smart receipt or "Slyp" directly to the mobile banking app.
- Developing a range of smart receipt engagement modules that helps banks and merchants interact more meaningfully, including: intuitive ratings, offers and seamless loyalty enrolment





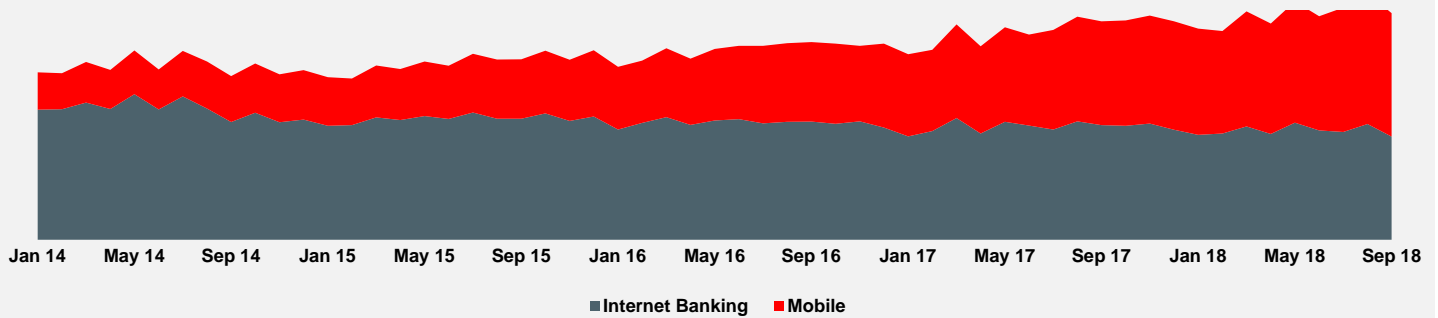
## SIMPLE CONSUMER PRODUCT SALES VIA DIGITAL<sup>1</sup>



## CREATING A WORLD CLASS DIGITAL EXPERIENCE

- Targeting >65% simple consumer product sales<sup>1</sup> by 2020 and focusing on improving our digital business sales offerings
- Focused on delivering a seamless personalised digital experience, including:
  - pre-population of data fields
  - save and retrieve forms
  - one click account openings
  - live chat and virtual assistants
  - proactive personalised insights

## INTERNET BANKING AND MOBILE TRANSACTIONS



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

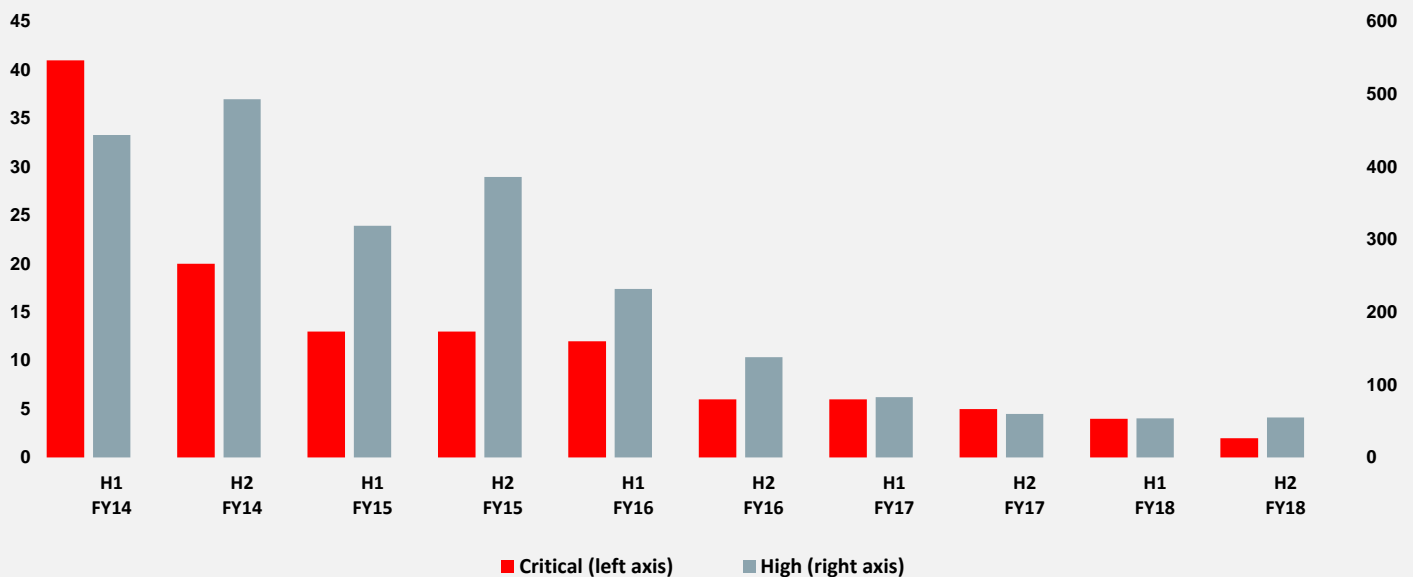


# REDUCTION IN CRITICAL AND HIGH PRIORITY INCIDENTS

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

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

- 88% reduction in "High" priority incidents
- 95% reduction in "Critical" priority incidents



(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





# ADDITIONAL INFORMATION

## SERVING OUR COMMUNITY

### NAB AT A GLANCE

SERVING OUR COMMUNITY

~33,000 Employees	~9 million Customers	~900 Branches/Business centres	160 years in operation
<b>CASH EARNINGS DIVISIONAL SPLIT<sup>1</sup></b>		<b>Key Financial Data</b> <span style="float: right;">FY18</span>	
		Cash Earnings <sup>1</sup>	\$6,493 m
		Cash ROE <sup>1</sup>	13.3 %
		Gross Loans & Acceptances	\$586 bn
		Non-performing loans to GLAs <sup>2</sup>	71 bps
		CET1 (APRA)	10.20 %
		NSFR (APRA)	113 %
<b>GROSS LOANS &amp; ACCEPTANCES SPLIT</b>		<b>Australian Market Share</b> <span style="float: right;">As at September 2018</span>	
		Business lending <sup>3</sup>	20.9%
		Housing lending <sup>3</sup>	15.4%
		Personal lending <sup>4</sup>	10.4%
		Cards <sup>3</sup>	13.6%
		<b>Credit Ratings</b> NAB Ltd LT/ST	<b>S&amp;P AA-/A-1+ (negative)</b>
			<b>Moody's Aa3/P-1 (stable)</b>
			<b>Fitch AA-/F1+ (stable)</b>

(1) Numbers are shown excluding restructuring-related costs and customer-related remediation. Refer to page 108 for definition of cash earnings and reconciliation to statutory net profit  
 (2) 90 days past due & Gross Impaired Assets to Gross Loans & Advances  
 (3) APRA Monthly Banking Statistics  
 (4) Personal loans business tracker reports provided by RFI (September 2018), represents share of RFI defined peer group data



## NAB REVENUE

- Supports all stakeholders and business partners
- Is shown after interest payments to 4.8 million Australian and New Zealand retail and business deposit customers who have deposited over \$405 billion with us

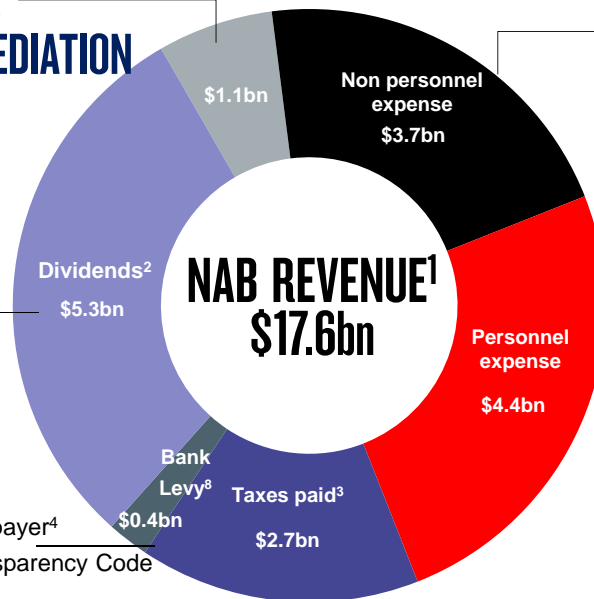
## RESTRUCTURING COSTS & CUSTOMER-RELATED REMEDIATION

## SHAREHOLDERS (INCL. SUPER FUNDS)

- Over 584,000 shareholders
- 97% in Australia and New Zealand

## GOVERNMENT

- Australia's third largest income tax payer<sup>4</sup>
- Signatory to the Voluntary Tax Transparency Code



## SUPPLIERS & COMMUNITY

- 1,800+ contracted suppliers
- 31,700+ microfinance loans provided<sup>5</sup>
- Carbon neutral since 2010, 78% of Australian key office buildings<sup>6</sup> are Green Star Rated
- \$6m+ in-kind value of volunteering to charitable organisations

## OUR PEOPLE

- Employ 33,283 people<sup>7</sup>
- Over 50% of our workforce directly engages with customers
- Focused on building the talent and capability to move NAB forward

Figures based on NAB's FY18 cash earnings

- (1) Revenue shown net of \$0.8bn of credit impairment charges and gross of \$0.4bn of Bank Levy
- (2) Dividends declared in respect of FY18
- (3) Includes income tax, GST, FBT, payroll tax and other taxes borne by NAB in Australia that were paid during the twelve months ended 30 September 2018
- (4) Based on ATO's "Report of Entity Tax Information" for the 2015-16 income year released on 7 December 2017
- (5) To Australians, delivered in partnership with Good Shepherd Microfinance
- (6) \*Key office buildings\* are all NAB commercial tenancies over 4,000m<sup>2</sup>
- (7) Represents full time equivalent employees as at 30 September 2018 for NAB Group
- (8) Bank Levy paid in FY18



# BACKING OUR PEOPLE & THE COMMUNITY

## INVESTING IN OUR PEOPLE

- > 350 Senior Managers participated in talent programs to identify current capability and future potential to fast track progress
- Launched People Hub Learning module, a more reliable and user-friendly solution making it easier for our people to access and complete learning and professional development

## INCLUSIVE WORKFORCE

- 93 Indigenous Australians recruited<sup>1</sup>, and 82 participants in the African Australian Inclusion Program in FY18
- Targeting 40-60% female representation at every level of the business by 2020<sup>2</sup>
- 72% of employees feel they experience an inclusive workplace at NAB<sup>3</sup>

## TALENT ACQUISITION

- 542 roles insourced and 195 new hires bringing in new skills and capabilities to support the Group's growth agenda
- Graduate program – shortened to 15 months, more locations, removed grade point average selection criteria

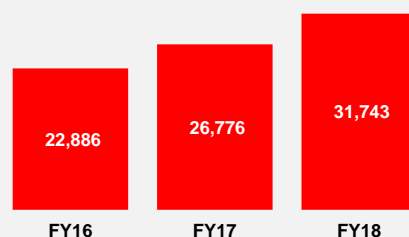
### NAB Graduate program applications



## FINANCIAL INCLUSION

- National launch of digital microfinance offering, 'Speckle'<sup>4</sup>
- Renewed focus on No-Interest Loans Scheme (NILS)<sup>5</sup> program, supporting overall growth in loans provided in FY18
- Microenterprise Loan Program re-launched, process re-worked, reducing complexity and time-to-decision for customers

### Number of microfinance loans provided<sup>6</sup>



## COMMUNITIES

- Presenting partner 2018 Special Olympics National Games, > 200 employee volunteer days
- Drought relief package offered to drought affected customers in QLD and NSW with ability to offset Farm Management Deposits
- Over 14,700 volunteering days provided by Australian and New Zealand employees with an in-kind value of \$6+ million

- (1) NAB's Indigenous recruitment program includes school-based and full-time traineeships, and internships
- (2) For more information on our gender equality targets and performance, see our Sustainability Report: <https://www.nab.com.au/about-us/corporate-responsibility/shareholders/performance-and-reporting>
- (3) Source: inclusion measure in annual Employee Engagement Survey conducted by Aon Hewitt
- (4) Speckle is the branded digital microfinance offering of Good Shepherd Microfinance, supported by NAB. The offering provides small loans of up to \$2,000 to customers who need access to finance
- (5) NILS are loans of up to \$1,500 (Australia) or NZ\$1,000 (New Zealand) for essential goods and services
- (6) To Australians, delivered in partnership with Good Shepherd Microfinance



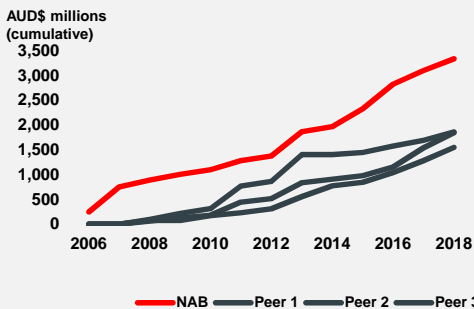
## MANAGING ESG RISK

- ESG Risk part of annual Risk Awareness training for employees since 2011
- Revised credit risk policy settings for oil and gas sector as part of phased review of carbon intensive, climate sensitive and low carbon sectors
- NAB on track to achieve operational environmental performance targets<sup>1</sup>
- NAB is one of 16 global banks that have been participating in a UNEP FI Pilot to test TCFD recommendations
- Climate risk disclosure in NAB's FY18 Annual Financial Report aligned to TCFD recommendations
- Released FY2018 Modern Slavery statement to comply with UK Modern Slavery Act

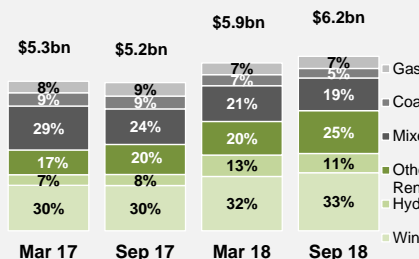
## SOCIAL & ENVIRONMENTAL IMPACT

- NAB Low Carbon Shared Portfolio finalised, giving investors access to \$200m pool of NAB loans funding existing renewable energy projects in Australia
- Launched Australia's first green Residential Mortgage-Backed Securitisation – \$300m
- Since 1 Oct 2015, provided \$10.4bn green infrastructure finance, capital markets and asset finance plus \$12.5bn new mortgage lending flow for 6 star residential housing in Australia

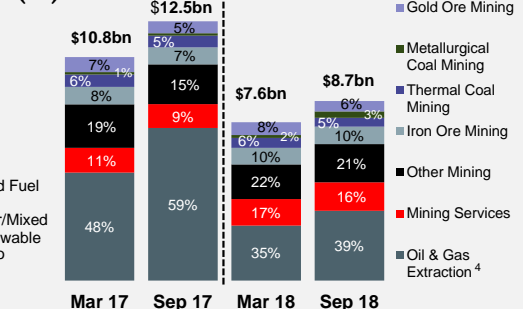
## LEADING ARRANGER OF PROJECT FINANCE FOR AUSTRALIAN RENEWABLE ENERGY<sup>2</sup>



## ENERGY GENERATION EXPOSURE AT DEFAULT BY FUEL SOURCE (%)<sup>3</sup>



## RESOURCE EXPOSURE AT DEFAULT BY TYPE (%)



(1) NAB's environmental performance targets include, but are not limited to, reductions in science-based GHG-emissions, energy use, office paper, water use and waste to landfill. Refer to 2018 Sustainability Report for more information  
 (2) Data Source: Thomson Reuters: Project Finance International 2006-2018 Asia Pacific Initial Mandated Lead Arrangers League Tables - 2018 AUD\$ Project Allocation, NAB analysis ranking against four major Australian banks - cumulative volume as at 30 June 2018  
 (3) Prepared in accordance with NAB's methodology (based upon the 1993 ANZSIC codes) at net EAD basis. Excludes exposure to counterparties predominantly involved in transmission and distribution. Vertically integrated retailers have been included and categorised as renewable where a large majority of their generation activities are sourced from renewable energy. More detail at <https://www.nab.com.au/about-us/corporate-responsibility>  
 (4) Oil & Gas extraction exposure is largely to Liquefied Natural Gas projects and investment grade customers (79%)



# CORPORATE RESPONSIBILITY PERFORMANCE

	FY16	FY17	FY18
Cumulative number of Australians assisted with microfinance products/services, in partnership with Good Shepherd Microfinance since 2005	449,844	513,973	585,005
Enterprise Employee Engagement score <sup>1</sup> (%)	Not comparable	59	54
Employee voluntary turnover rate (%)	9.9	11.4	11.3
Number of breaches of NAB Code of Conduct (Australia)	1,138	1,613 <sup>3</sup>	1,215
Community investment <sup>2</sup> (\$m)	48.8	44.6	54.4
Number of volunteering days contributed (Australia)	17,818	11,407	11,138
Cumulative aggregate financing to help address climate change and support the transition to low-carbon economy (\$bn)	6.1	13.4	22.9
Gross greenhouse gas emissions (Scope 1, 2 and 3) (tCO <sub>2</sub> -e) <sup>4</sup>	232,100	187,425 <sup>5</sup>	181,316
Percentage of material suppliers compliant with Group Supplier Sustainability Principles <sup>6</sup>	91	90	88

(1) 2018 Employee Engagement Survey conducted by Aon Hewitt. The engagement score indicates the percentage of employees at NAB that are strong advocates (SAY), demonstrate a commitment to NAB (STAY) and exert discretionary effort (STRIVE)  
 (2) Community investment ranges from short-term donations to longer-term capacity-building programs. It is calculated using the London Benchmarking Group methodology.  
 (3) The increase in the number of recorded breaches of our Code of Conduct in 2017 relates to 343 breaches attributable to one particular issue relating to the incorrect completion of forms and where appropriate disciplinary action was consistently applied following a thorough investigation  
 (4) Calculated for the environmental reporting year 1 July - 30 June. Gross totals are prior to renewable energy purchase. Emissions coverage includes all major operations under NAB's control  
 (5) Our 2017 gross greenhouse gas emissions have been restated due to a recalculation of Scope 3 2017 base building electricity within Australia  
 (6) There are variances in terminology and definition of a material or strategic supplier across our operations in different geographic regions





# ADDITIONAL INFORMATION

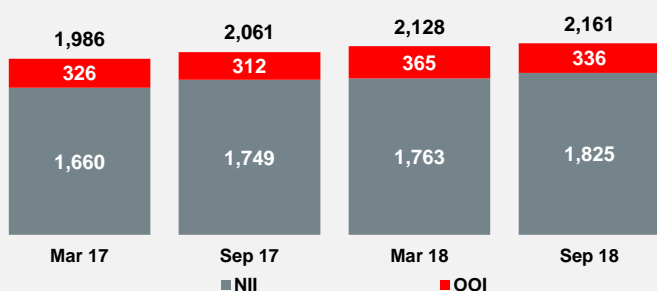
## AUSTRALIAN BUSINESS LENDING

### KEY METRICS

AUSTRALIAN BUSINESS LENDING

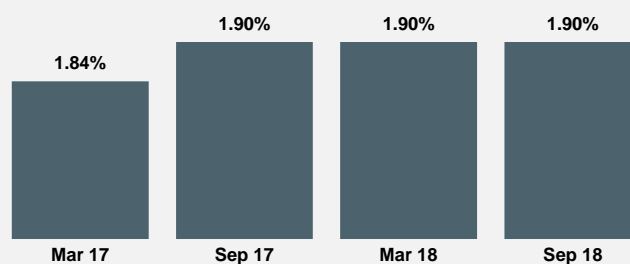
#### BUSINESS LENDING REVENUE

(\$m)



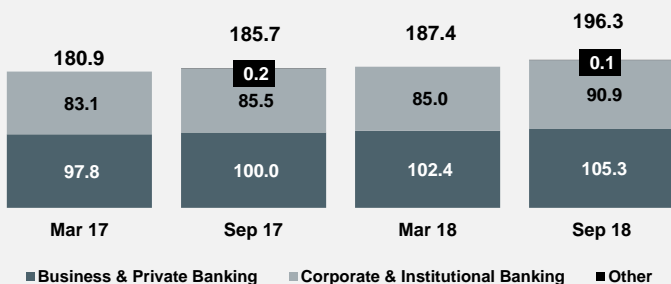
#### BUSINESS LENDING NET INTEREST MARGIN

(%)

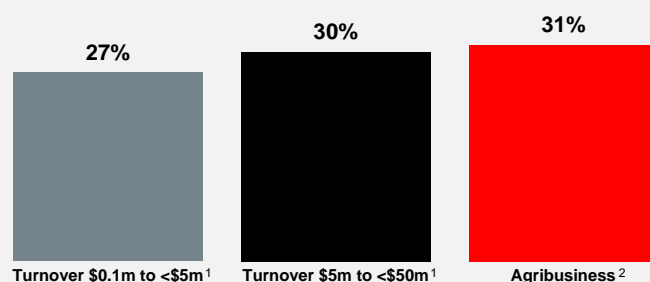


#### BUSINESS LENDING GLAs

(\$bn)



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

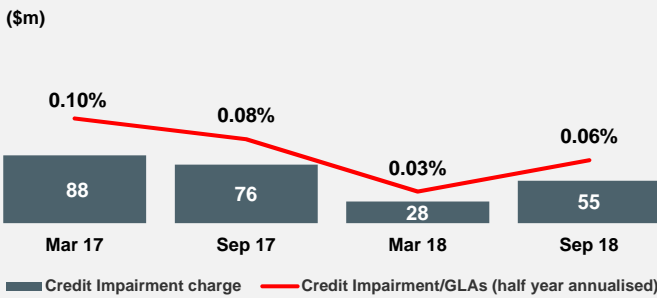


(1) September 2018 DBM Business Financial Services Monitor, APRA Aligned Lending Market Share. Australian businesses with an aligned product, excluding Finance & Insurance and Government. APRA Aligned Lending market share is based on the total lending dollars held at the financial institution, divided 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)

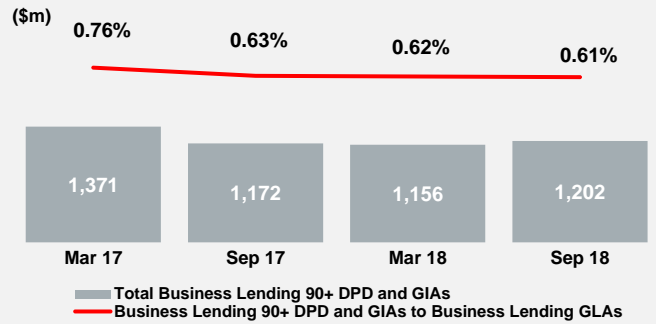
(2) June 2018/ NAB APRA submission / RBA System



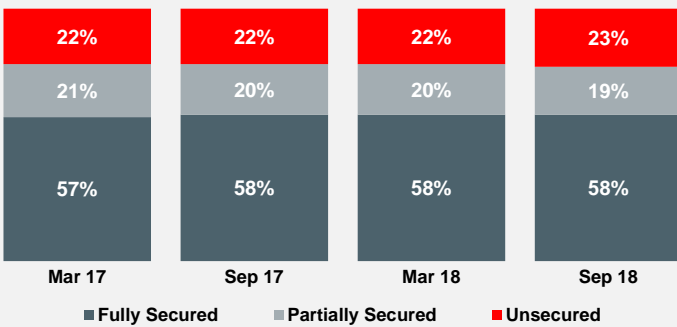
## BUSINESS LENDING CREDIT IMPAIRMENT CHARGE AND AS % OF GLAs



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



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

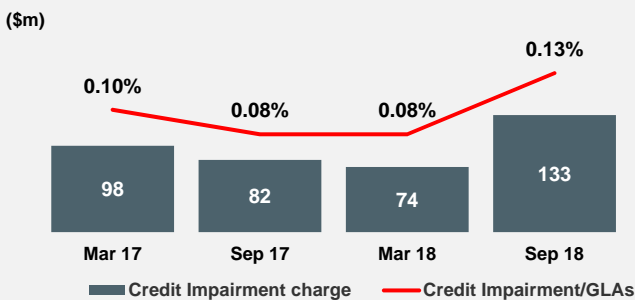


(1) Fully Secured is where the loan amount is less than 100% of the bank extended value of security; Partially Secured is where the loan amount is greater than 100% of the bank extended value of security; Unsecured is where no security is held and/or no value held against the security and negative pledge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

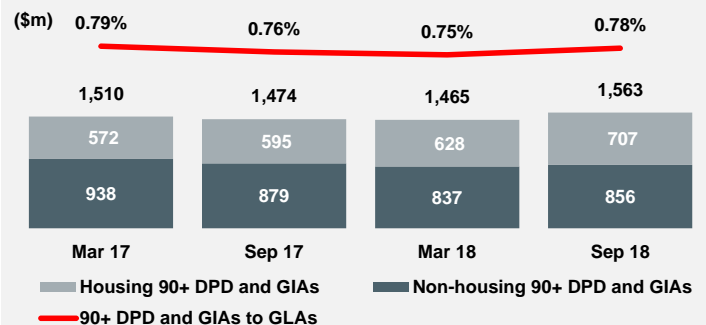


# BUSINESS & PRIVATE BANKING (B&PB) ASSET QUALITY

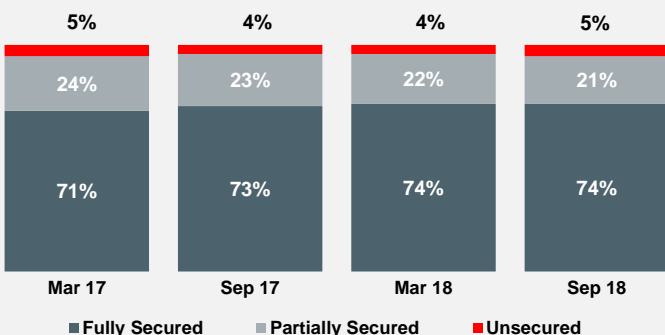
## B&PB CREDIT IMPAIRMENT CHARGE AND AS % OF GLAs<sup>1</sup>



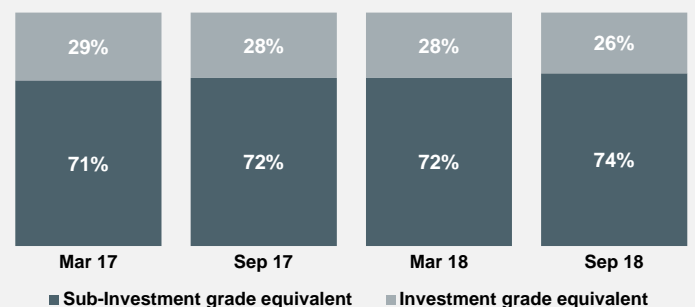
## B&PB 90+ DPD AND GIAs AND AS % OF GLAs



## B&PB BUSINESS LENDING SECURITY PROFILE<sup>2</sup>



## B&PB BUSINESS LENDING PORTFOLIO QUALITY



(1) Refers to the half year ratio annualised

(2) 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

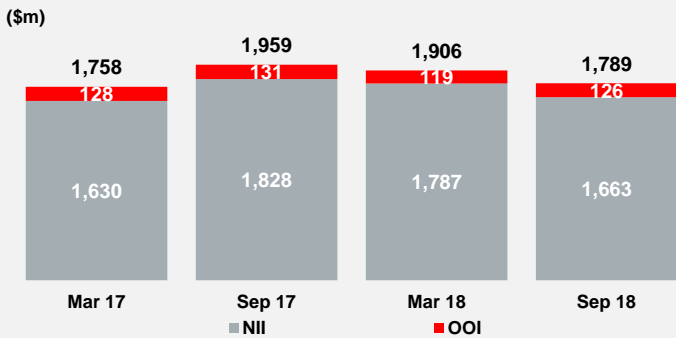
## AUSTRALIAN HOUSING LENDING



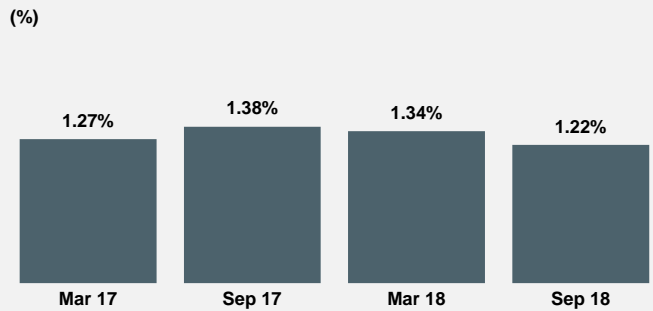
### KEY METRICS

AUSTRALIAN HOUSING LENDING

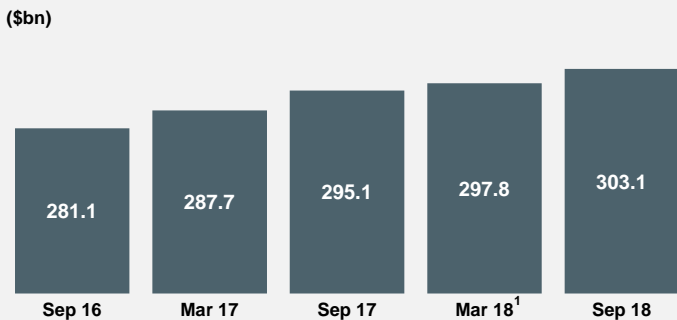
#### HOUSING LENDING REVENUE



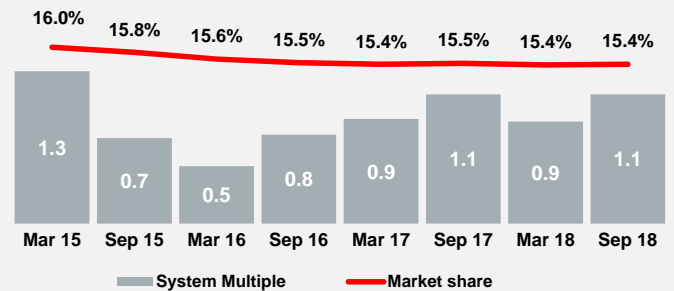
#### HOUSING LENDING NET INTEREST MARGIN



#### HOUSING LENDING GLAs



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



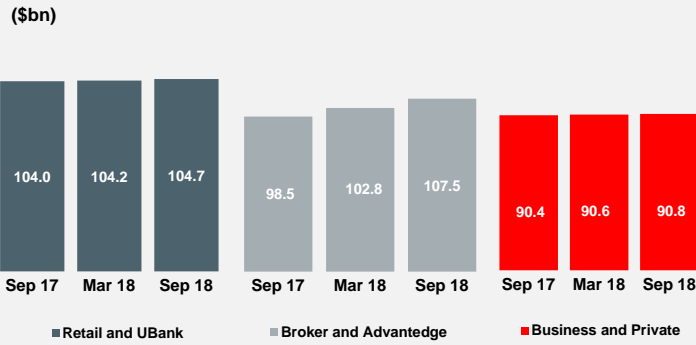
(1) March 18 includes \$2.0bn reduction due to Asia Private Wealth sale

(2) APRA Monthly Banking Statistics – includes Owner Occupier, Investor and Securitised Home Lending balances

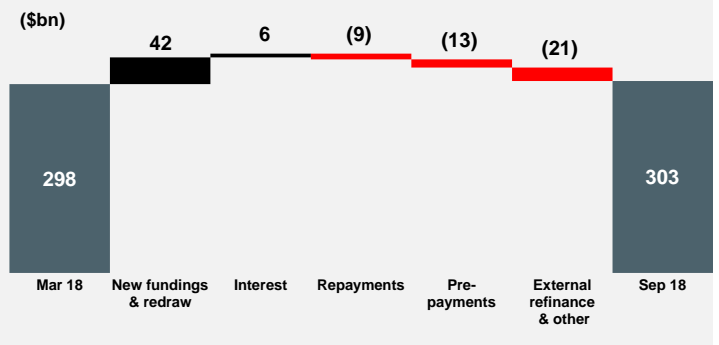
# HOUSING LENDING PORTFOLIO PROFILE

AUSTRALIAN HOUSING LENDING

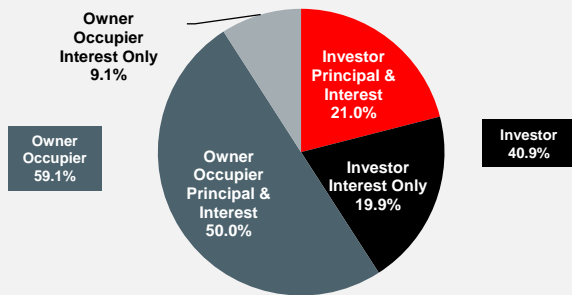
## HOUSING LENDING BY CHANNEL<sup>1</sup>



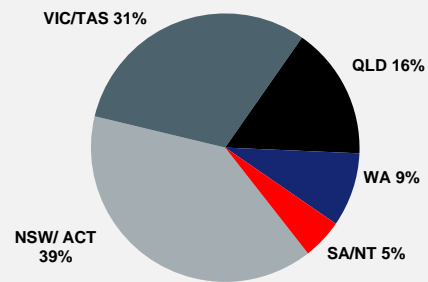
## HOUSING LENDING FLOW MOVEMENTS<sup>1</sup>



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



## AUSTRALIAN MORTGAGES STATE PROFILE



(1) Excludes Asia

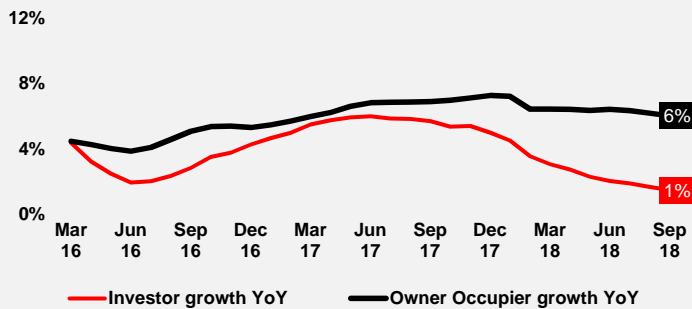
(2) Only includes housing loans to households based on APRA ARF 320.0 reporting definitions, and excludes counterparties such as private trading corporations



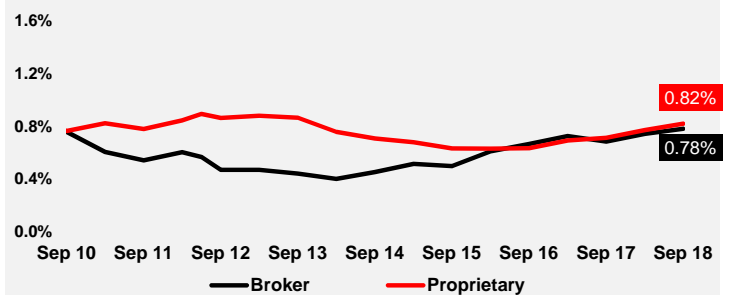
# HOUSING LENDING PORTFOLIO PROFILE

AUSTRALIAN HOUSING LENDING

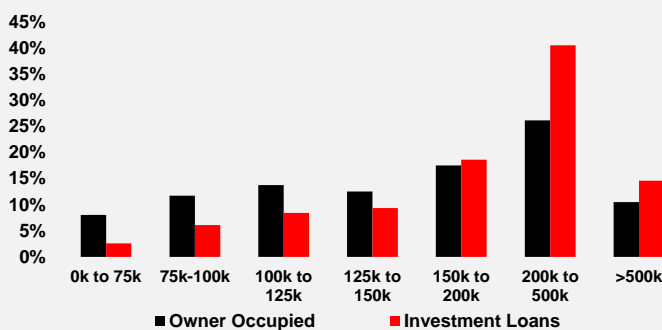
## INVESTOR AND OWNER OCCUPIER GROWTH YoY<sup>1</sup>



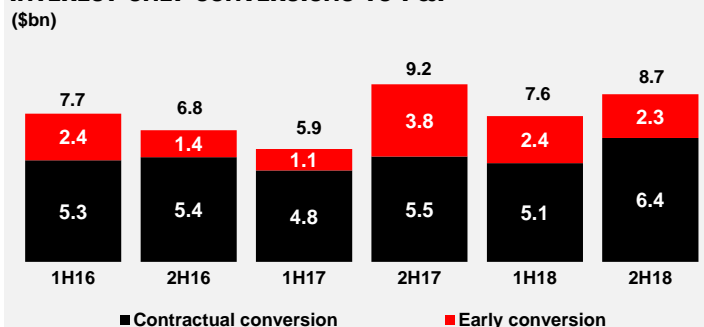
## 90+ DPD AND GIAs AS % OF TOTAL HOUSING LENDING GLAs – BY CHANNEL



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



## INTEREST ONLY CONVERSIONS TO P&I<sup>4</sup>



(1) Does not include Advantedge

(2) Drawdowns from Mar 18 – Sep 18

(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

(4) Prior period balances have been restated to include Advantedge





## KEY ORIGATION REQUIREMENTS

<b>Income</b>	Income verified using a variety of documents including payslips and/or checks on salary credits into customers' accounts  Apply a minimum 20% shading on less certain income, for example rental income shading since 2015
<b>Household expenses</b>	Use the greater of: <ul style="list-style-type: none"> <li>Customers' declared living expenses, enhanced in 2016 to break down into granular sub categories</li> </ul> or <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</li> </ul>
<b>Serviceability</b>	Assess customers' ability to pay based on the higher of the customer rate plus serviceability buffer (2.25%) or the floor rate (7.25%), with longstanding use of floor and updated in 2016
<b>Existing debt</b>	Verify using declared loan statements and assess existing mortgage debt using floor (7.25%) and buffer over customer rate (2.25%)  In 2017 tightened assessment of customer credit cards assuming repayments of 3% per month of the limit
<b>Interest only</b>	Assess Interest Only loans on the full remaining Principal and Interest term  Maximum Interest Only term for Owner Occupied borrowers of 5 years

## 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
- 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

64



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

Australian Housing Lending	Mar 17	Sep 17	Mar 18	Sep 18	Sep 17	Mar 18	Sep 18
	Portfolio				Drawdowns <sup>2</sup>		
Total Balances (spot) \$bn	285	293	298	303	36	31	33
Average loan size \$'000	297	300	302	306	369	370	376
By Product							
- Variable rate	76.3%	73.3%	72.1%	72.0%	66.8%	65.2%	70.4%
- Fixed rate	15.1%	18.8%	20.5%	21.1%	30.8%	32.3%	27.2%
- Line of credit	8.6%	7.9%	7.4%	6.9%	2.4%	2.4%	2.4%
By borrower type							
- Owner Occupied <sup>3,4</sup>	57.7%	58.0%	58.6%	59.1%	59.7%	62.0%	63.8%
- Investor <sup>3,4</sup>	42.3%	42.0%	41.4%	40.9%	40.3%	38.0%	36.2%
By channel							
- Proprietary	67.5%	66.3%	65.4%	64.5%	58.0%	58.4%	57.4%
- Broker	32.5%	33.7%	34.6%	35.5%	42.0%	41.6%	42.6%
Interest only <sup>5</sup>	32.1%	29.8%	27.0%	24.5%	25.2%	24.6%	25.4%
Low Documentation	0.8%	0.7%	0.6%	0.5%			
Offset account balance (\$bn)	26.2	27.2	28.2	28.7			
LVR at origination	69.0%	69.0%	69.0%	69.0%			
Dynamic LVR on a drawn balance calculated basis	44.4%	42.7%	42.7%	43.3%			
Customers in advance ≥1 month <sup>6</sup> (including offset facilities)	66.6%	66.2%	65.5%	66.1%			
Avg # of monthly payments in advance (including offset facilities)	33.6	33.6	33.8	33.9			
90+ days past due	0.58%	0.59%	0.67%	0.72%			
Impaired loans	0.11%	0.10%	0.09%	0.09%			
Specific provision coverage ratio	30.0%	30.0%	34.8%	33.7%			
Loss rate <sup>7</sup>	0.02%	0.02%	0.02%	0.02%			
Number of properties in possession	332	371	340	277			

(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

(4) Drawdowns sourced from management data

(5) Excludes line of credit products

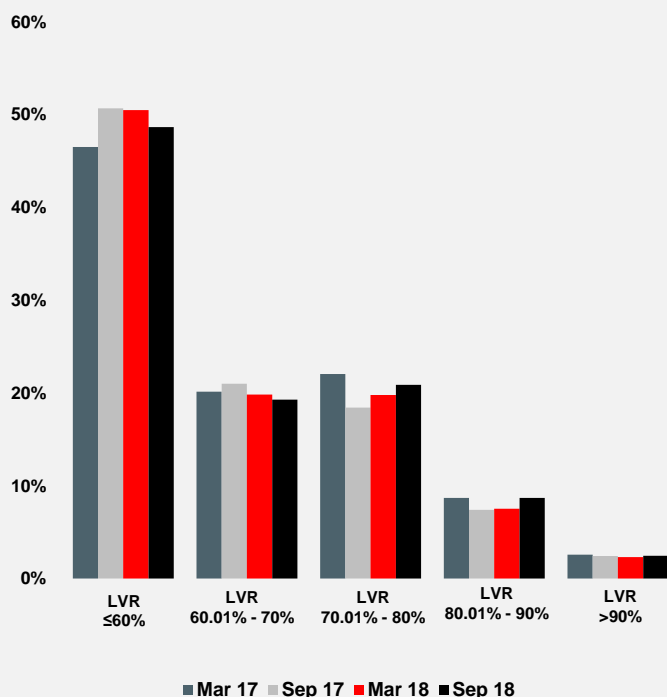
(6) Excludes Advantedge and line of credit

(7) 12 month rolling Net Write-offs / Spot Drawn Balances

65

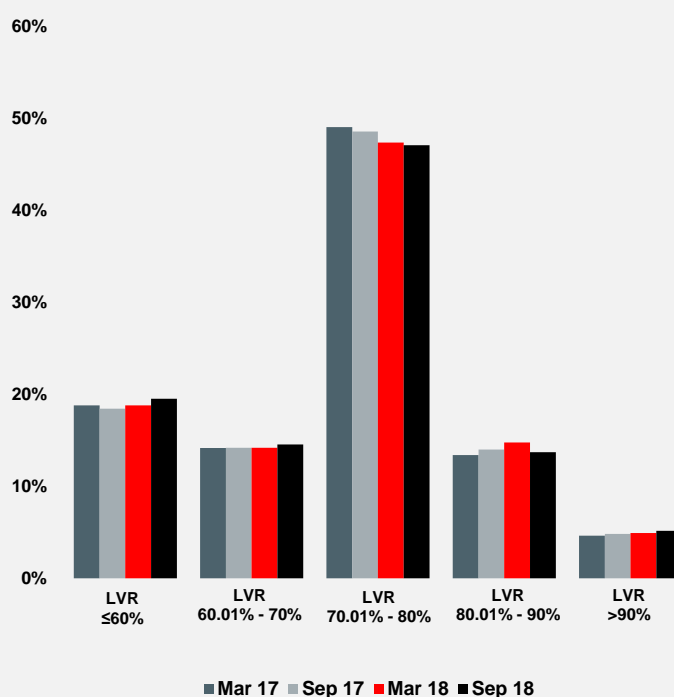


## HOUSING LENDING DYNAMIC LVR BREAKDOWN OF DRAWN BALANCE<sup>1</sup>



(1) Excludes Asia

## HOUSING LENDING LVR BREAKDOWN AT ORIGINATION<sup>1</sup>



# HOUSING LENDING STRESS TESTING

## HOUSING LENDING STRESS TESTING AT NAB

- The Group regularly undertakes stress testing on a Group-wide basis and on specific risk types
- Stress testing and scenario analysis aim to take 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

- The stress scenario remains unchanged from the one provided in the prior period
- The background of the scenario is a shock to the global economy that starts with a downturn in China
- Australia's GDP is impacted by two years of negative growth. Housing losses are mostly driven by increases in unemployment, decreases in house prices and movements in interest rates

### Results

- Estimated Australian housing lending net credit impairment charges under these stressed conditions are \$3.4bn cumulatively during the three years of the scenario
- Modelling of the lender's mortgage insurance (LMI) portfolio assumes 49% of claims will be rejected (\$474m losses on \$968m of claims)
- All LMI coverage is with external insurers

## STRESSED SCENARIO – MAIN ECONOMIC PARAMETERS

	Year 1	Year 2	Year 3
Annual GDP growth (%)	-1.7	-2.5	0.6
Unemployment rate (%)	7.1	9.1	10.1
House prices (% p.a. change)	-13.7	-14.0	-6.1

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

	Year 1	Year 2	Year 3
Portfolio size (exposure at default, \$bn)	351	348	344
Net Credit Impairment (\$m) <sup>3</sup>	536	1,165	1,670
Gross Credit Impairment (\$m)	667	1,322	1,875
Net Credit Impairment rate (%) <sup>4</sup>	0.15	0.34	0.49

(1) Australian IRB Residential Mortgages asset class. Includes Advantagedge. Excludes offshore branches

(2) Based on portfolio as at 30 June 2018

(3) Net of LMI recoveries (as opposed to Gross Credit Impairment which includes LMI recoveries)

(4) Stressed Credit Impairment rate is net of LMI recoveries and presented as a percentage of mortgage exposure at default





# ADDITIONAL INFORMATION

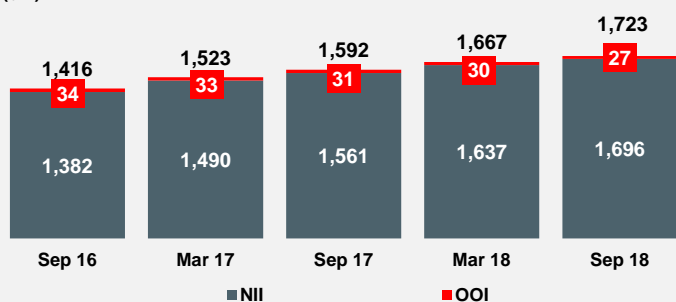
## OTHER AUSTRALIAN PRODUCTS

# DEPOSITS & TRANSACTION ACCOUNTS

OTHER AUSTRALIAN PRODUCTS

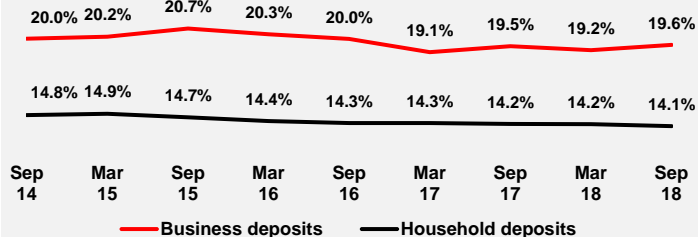
### DEPOSIT REVENUE

(\$m)



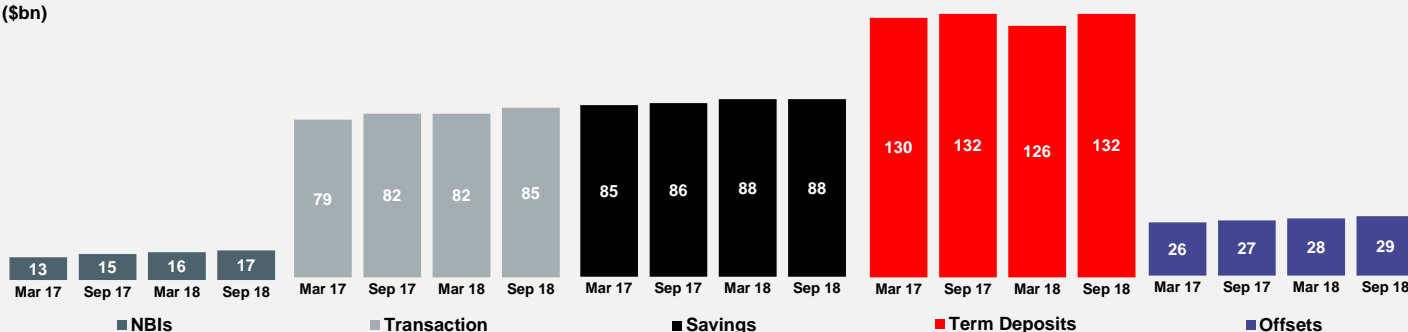
### BUSINESS AND HOUSEHOLD DEPOSIT MARKET SHARE<sup>1</sup>

(%)



### CUSTOMER DEPOSIT BALANCES BY PRODUCT

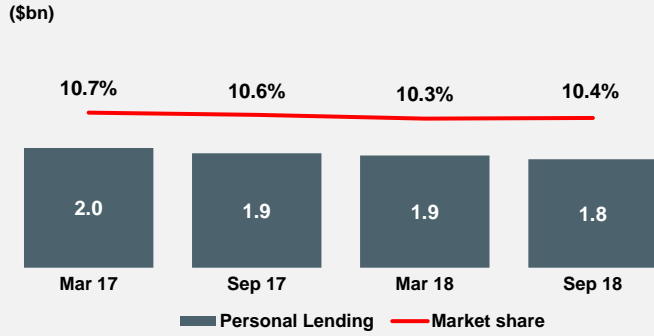
(\$bn)



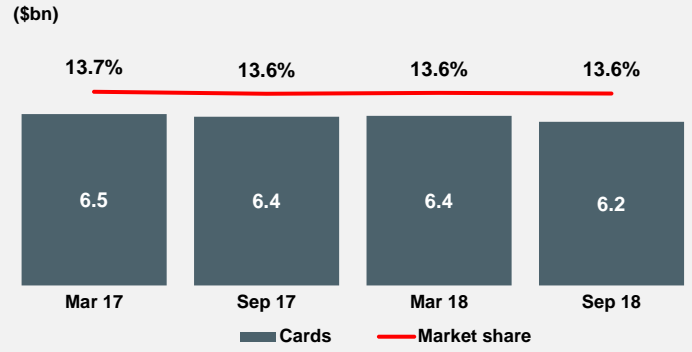
(1) APRA Monthly Banking Statistics



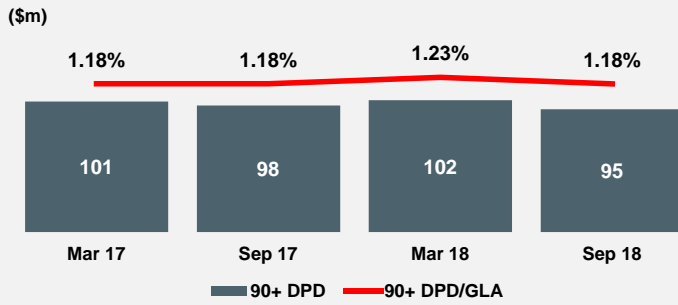
## PERSONAL LENDING BALANCE AND MARKET SHARE<sup>1</sup>



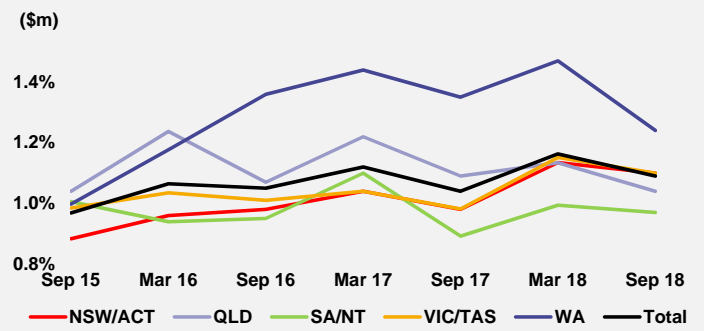
## CARDS BALANCE AND MARKET SHARE<sup>2</sup>



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



## CONSUMER CARDS 90+ DPD AS % OF OUTSTANDINGS

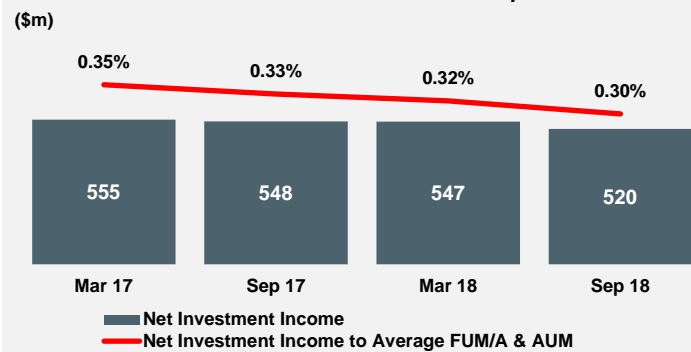


(1) Personal loans business tracker reports provided by RFI (September 2018) represents share of RFI defined peer group data  
 (2) APRA Monthly Banking Statistics

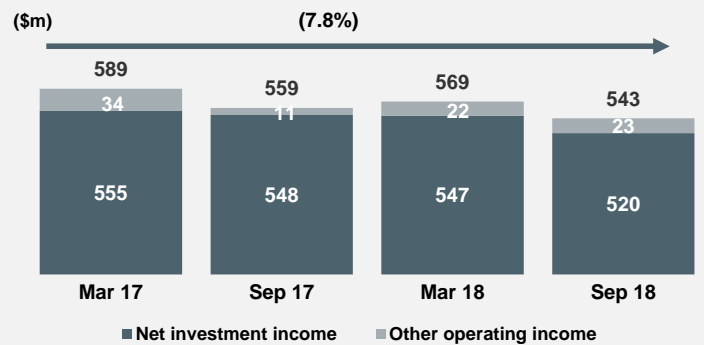


# WEALTH

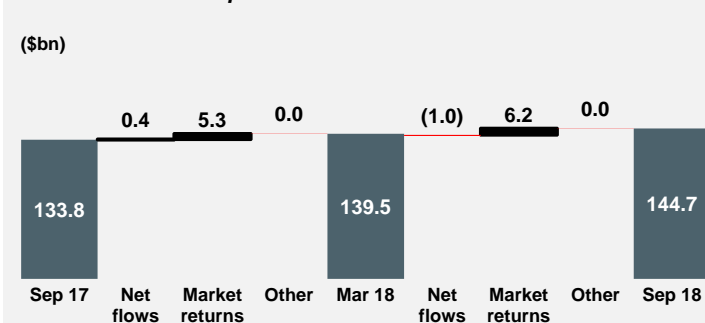
## NET INVESTMENT INCOME TO AVERAGE FUM/A AND AUM



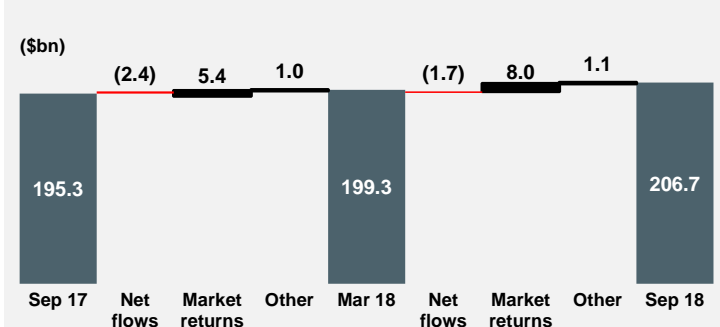
## WEALTH REVENUE



## MOVEMENT IN FUM/A<sup>1</sup>



## MOVEMENT IN AUM<sup>1</sup>



(1) FUM/A and AUM are presented in two separate disclosures that represent all managed funds and assets from which the Group derives revenue. Certain items will be represented in both FUM/A and AUM meaning the two should not be summed.





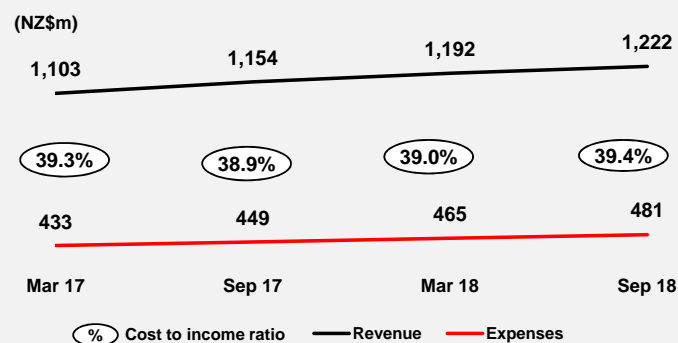
# ADDITIONAL INFORMATION

## NEW ZEALAND BANKING

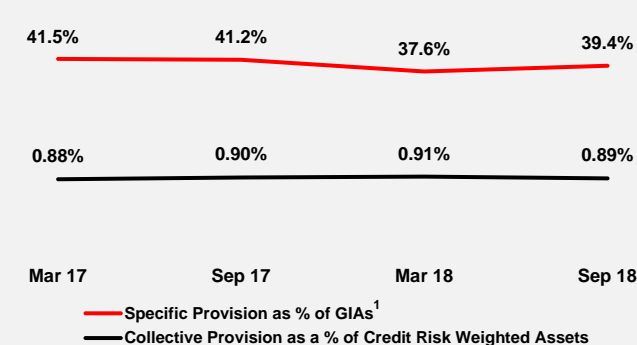
### KEY FINANCIAL METRICS

NEW ZEALAND BANKING

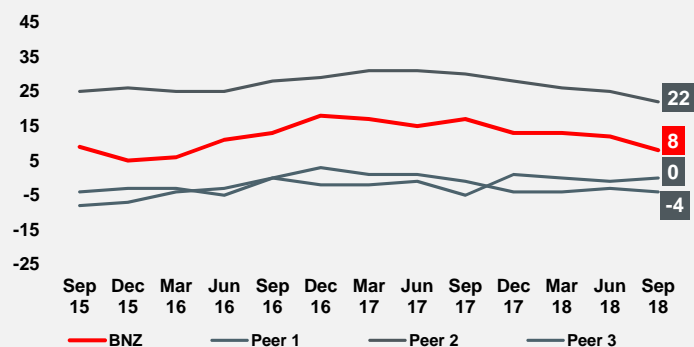
#### REVENUE v EXPENSE GROWTH



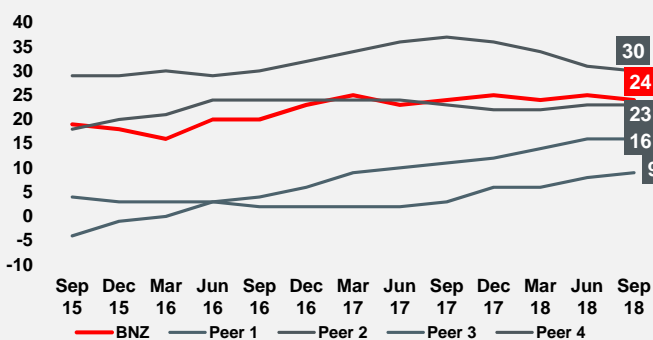
#### COLLECTIVE AND SPECIFIC PROVISION COVERAGE



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



#### BNZ CONSUMER AND WEALTH 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)

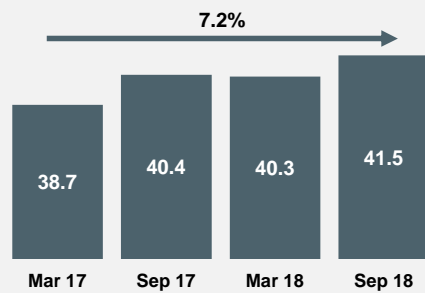
(3) Source: Camorra Retail Market Monitor (data on 12 month roll). Consumer and Wealth NPS data moved from a 6 month rolling average to a 12 month rolling average as at January 2018. Prior periods have been restated

(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 Reichhold



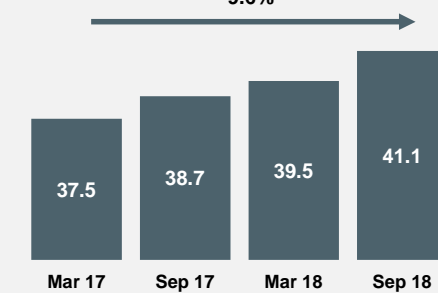
## BUSINESS LENDING GLAs<sup>1</sup>

(NZ\$bn)



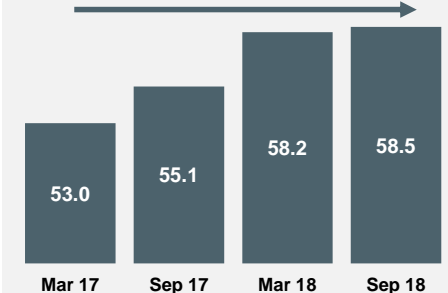
## RETAIL LENDING GLAs<sup>1</sup>

(NZ\$bn)

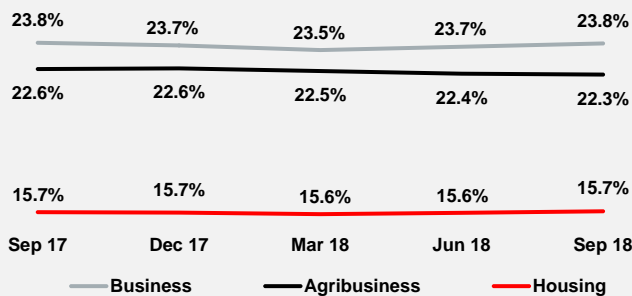


## CUSTOMER DEPOSITS<sup>1</sup>

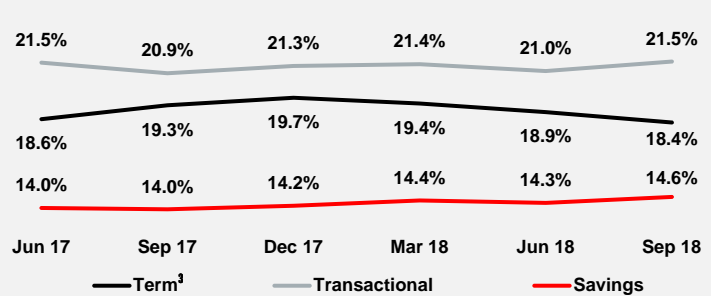
(NZ\$bn)



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



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



- (1) Spot volumes
- (2) Source RBNZ – September 2018
- (3) Prior periods have been restated due to changes in reporting classification



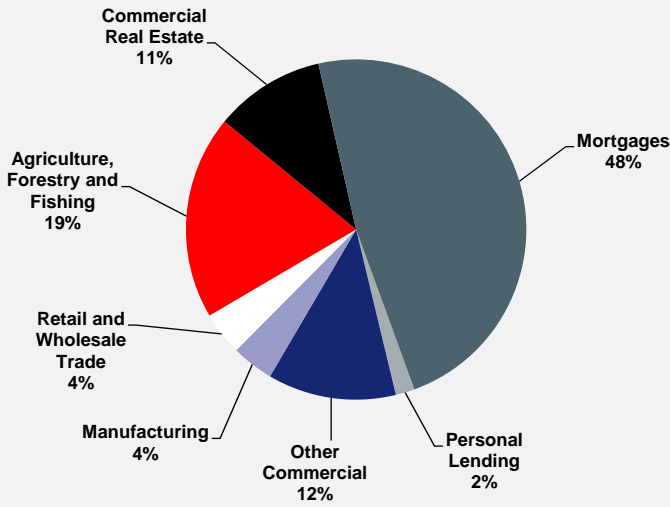
# HOUSING LENDING KEY METRICS

New Zealand Housing Lending	Mar 17	Sep 17	Mar 18	Sep 18			Sep 17	Mar 18	Sep 18
Total Balances (spot) NZ\$bn	36.2	37.4	38.2	39.8			4.8	4.2	5.3
By product									
- Variable rate	20.1%	20.4%	20.5%	19.6%			20.8%	22.8%	19.7%
- Fixed rate	77.1%	76.9%	76.8%	77.7%			78.3%	76.4%	79.6%
- Line of credit	2.8%	2.7%	2.7%	2.7%			0.9%	0.8%	0.7%
By borrower type									
- Owner Occupied	62.8%	63.4%	63.8%	64.6%			68.3%	70.2%	70.2%
- Investor	37.2%	36.6%	36.2%	35.4%			31.7%	29.8%	29.8%
By channel									
- Proprietary	92.2%	89.0%	87.0%	84.7%			76.4%	80.3%	76.1%
- Broker	7.8%	11.0%	13.0%	15.3%			23.6%	19.7%	23.9%
Low Documentation	0.1%	0.1%	0.1%	0.0%			0.0%	0.0%	0.0%
Interest only <sup>2</sup>	25.2%	23.9%	22.8%	22.1%			27.0%	25.8%	26.9%
LVR at origination	67.0%	66.3%	66.2%	66.2%					
90+ days past due	0.09%	0.09%	0.07%	0.05%					
Impaired loans	0.06%	0.05%	0.04%	0.03%					
Specific Impairment coverage ratio	39.0%	34.7%	30.3%	23.5%					
Loss rate <sup>3</sup>	0.02%	0.01%	0.01%	0.01%					

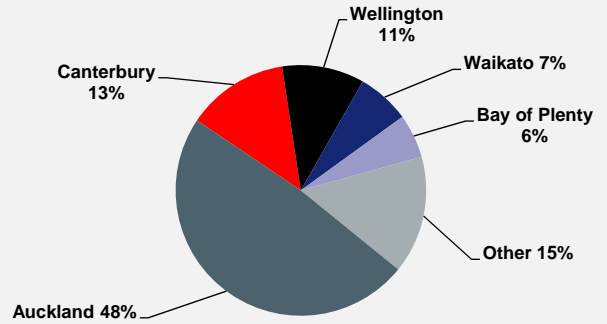
- (1) Drawdowns is defined as new lending including limit increases and excluding redraws in the previous six month period
- (2) Excludes line of credit products
- (3) 12 month rolling Net Write-offs / Spot Drawn Balances



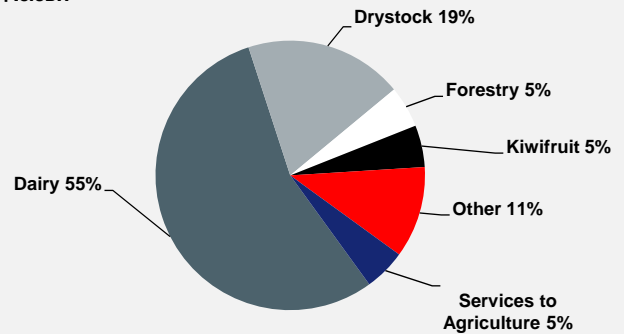
## PORTFOLIO BREAKDOWN – TOTAL NZ\$82.6BN



## MORTGAGE PORTFOLIO BREAKDOWN BY GEOGRAPHY – TOTAL MORTGAGE NZ\$39.8BN



## AGRIBUSINESS PORTFOLIO BREAKDOWN BY INDUSTRY – TOTAL AGRI NZ\$15.6BN



# DELIVERING FOR CUSTOMERS AND COMMUNITY

## SHOWING UP FOR OUR CUSTOMER



alongside

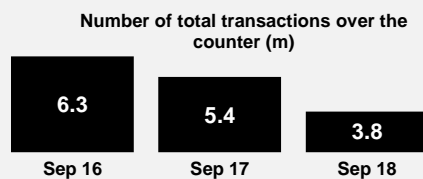
Best **Digital Bank** in NZ<sup>1</sup>

Most **Innovative Bank** in Asia Pacific Region<sup>1</sup>

Best **Private Bank** in New Zealand<sup>2</sup>

## CUSTOMER SELF SERVICE DELIVERY

- Accelerated distribution through 250 additional Smart ATMs, contributing to a 30% decrease in over the counter transactions
- BNZ now has the largest fleet of Smart ATMs in NZ



- Greater self service capabilities through online channels:
  - 49% of Retail sales through digital channels in FY18
  - 60% of digital sales completed through the mobile app in FY18
- Launched **Convert it** app, with 50,000 downloads, customers can now convert foreign currencies in real time
- First bank to deliver bilingual **Te Reo Maori** and English consumer digital banking channels

## COMMUNITY

- Committed NZ\$10bn to support business growth in regional NZ over the next five years
- Supporting New Zealanders' financial literacy through:
  - Closed for Good, BNZ's Company wide volunteer day, saw 2,400 employees providing financial know-how to 30,000 New Zealanders
  - Launching of a NZ Financial Literacy Index
- Continuing to support community finance by committing \$60m in lending, saving ~\$1.6 million in fees and interest for customers
- Created **Community 101**, an innovative co-workspace in Christchurch that is free of charge for all customers and non customers, earning a 2018 innovative excellence award



(1) Awarded at the Global Finance 2018 World's Best Digital Bank Awards  
 (2) Global Private Banking Awards





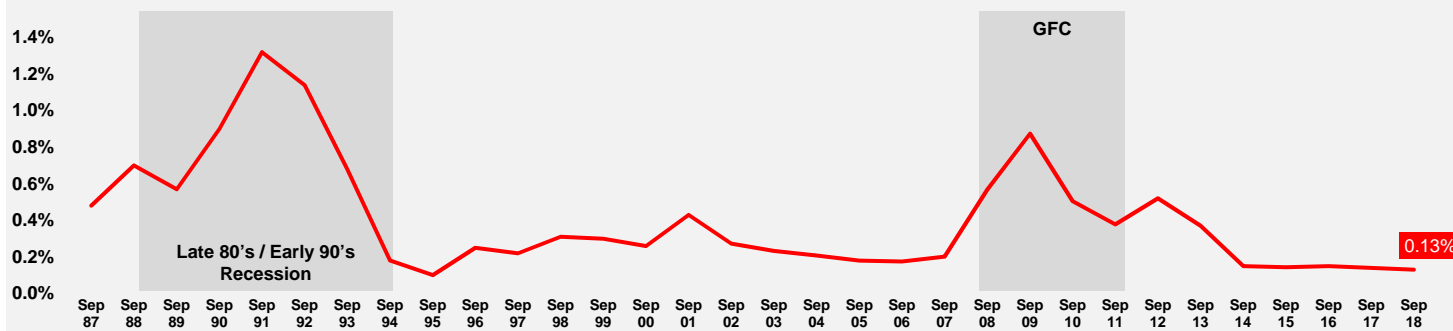
# ADDITIONAL INFORMATION

## GROUP ASSET QUALITY

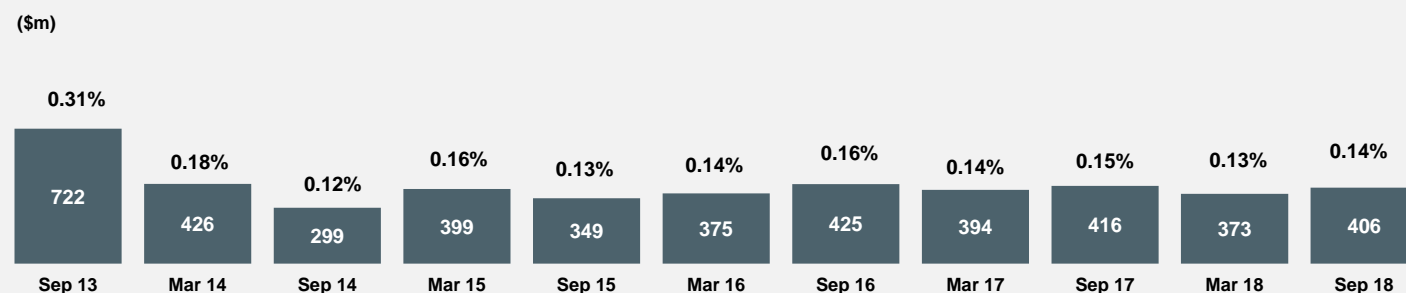
# GROUP CREDIT IMPAIRMENT CHARGE

GROUP ASSET QUALITY

### CREDIT IMPAIRMENT CHARGE AS % OF GLAs



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



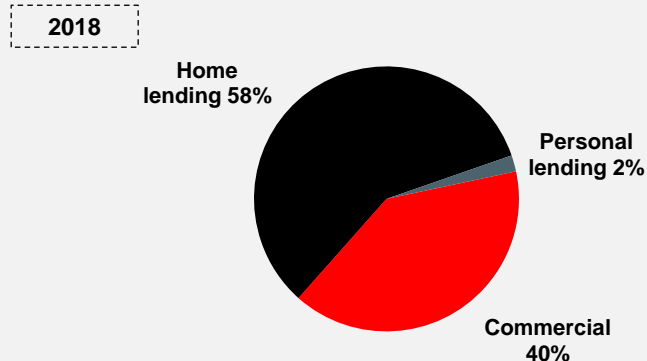
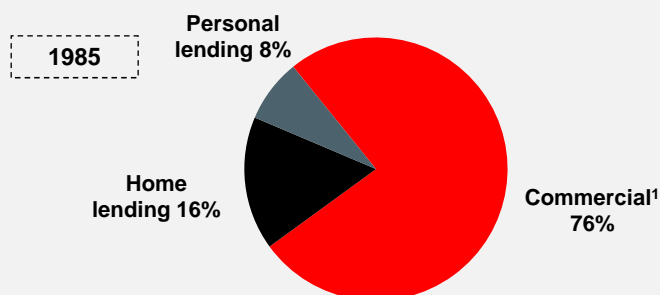
(1) Ratios for all periods refer to the half year ratio annualised



# GROUP ESTIMATED LONG RUN LOAN LOSS RATE 1985 TO 2018

GROUP ASSET QUALITY

## GROUP BUSINESS MIX – GLAs BY CATEGORY



## ESTIMATING LONG RUN LOAN LOSS RATE

NAB Australian geography net write off rates as a % of GLAs 1985 - 2018 <sup>2</sup>	Long run average
Home lending <sup>3</sup>	0.03%
Personal lending <sup>3</sup>	1.46%
Commercial <sup>3</sup>	0.55%
Australian average (1985-2018)	0.34%
<b>Group average<sup>4</sup> based on 2018 business mix</b>	<b>0.26%</b>
<b>Group average<sup>4</sup> based on 2018 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 - 2017) and NAB's Annual Financial Reports (1985 - 2006). 2018 net write-off rates is 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 2018. Commercial long run average net write off rate has been applied to acceptances

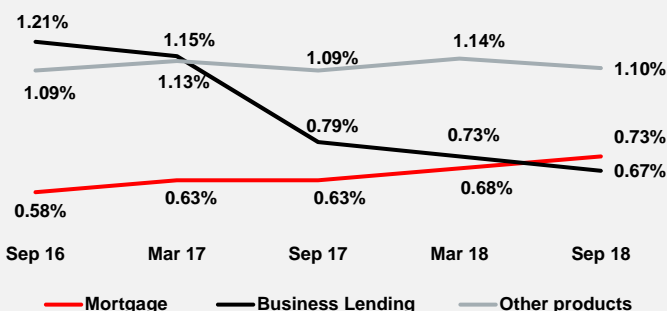


80

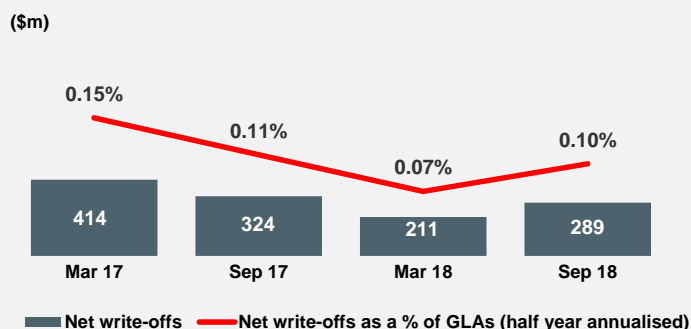
# GROUP ARREARS & NET WRITE-OFFS

GROUP ASSET QUALITY

## 90+ DPD & GIAS AS % OF GLAs BY PRODUCT



## NET WRITE-OFFS<sup>1</sup>



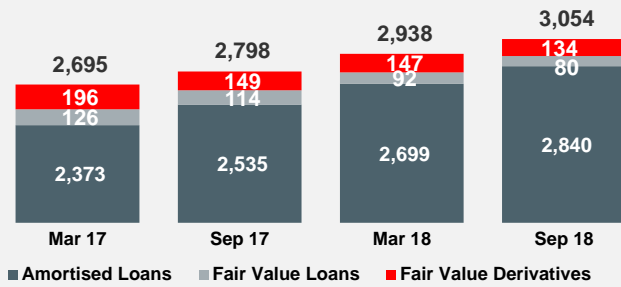
(1) Includes write-offs of fair value loans



81

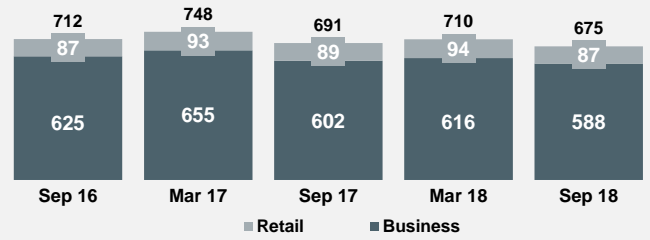
## COLLECTIVE PROVISION

(\$m)

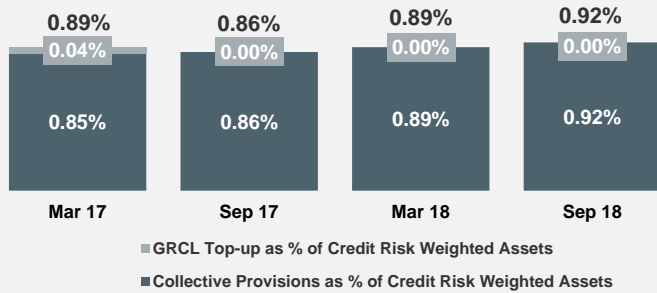


## SPECIFIC PROVISION

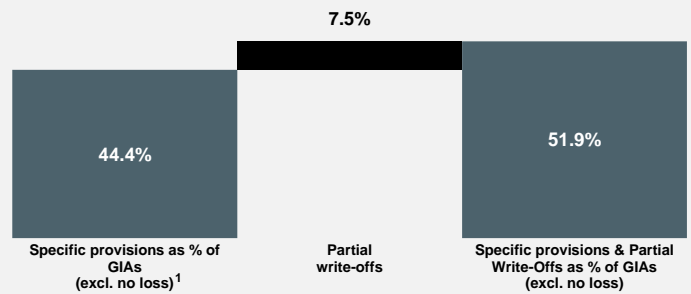
(\$m)



## COLLECTIVE PROVISIONS AND GRCL AS % OF CRWAs



## SPECIFIC PROVISION COVERAGE

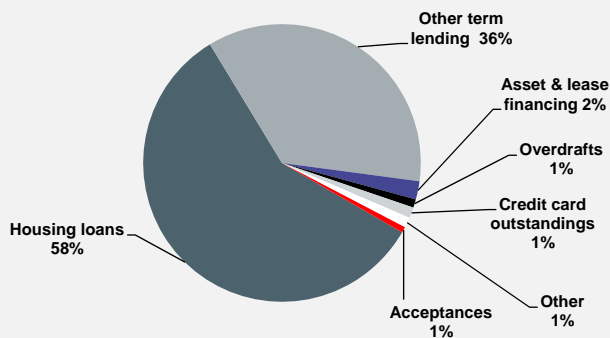


(1) Balances currently assessed as 'impaired no loss' are excluded from the reported specific provision coverage ratio as no specific provisions are held against these balances. Provisions associated with 'impaired no loss' balances are included within collective provision and therefore not included in these ratios

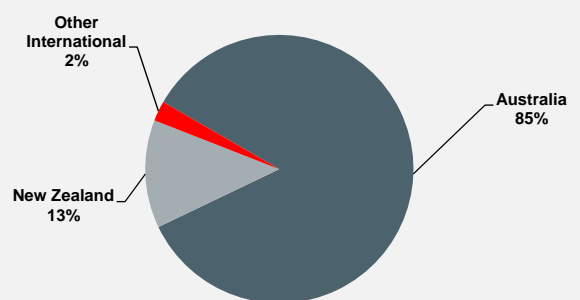


# GROUP LENDING MIX

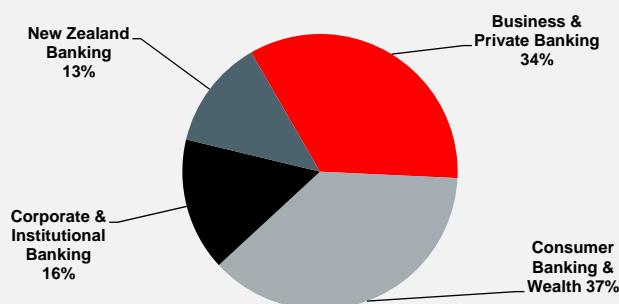
## GROSS LOANS AND ACCEPTANCES BY PRODUCT



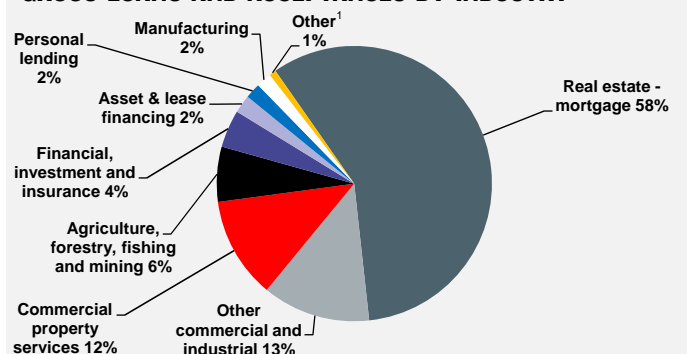
## GROSS LOANS AND ACCEPTANCES BY GEOGRAPHY



## GROSS LOANS AND ACCEPTANCES BY BUSINESS UNIT



## GROSS LOANS AND ACCEPTANCES BY INDUSTRY

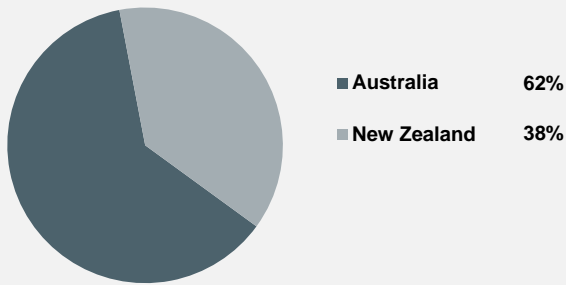


(1) Other includes: Real estate – construction, Government and public authorities



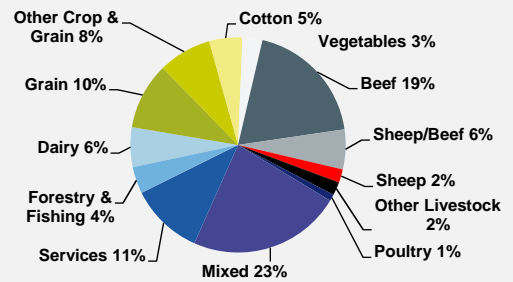
## AGRICULTURE, FORESTRY & FISHING EXPOSURES

Agriculture, Forestry and Fishing EAD \$43.2bn September 2018

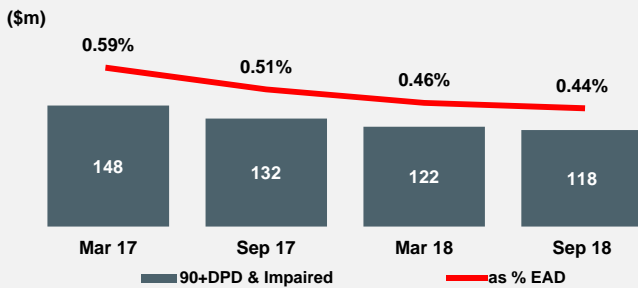


## AUSTRALIAN AGRICULTURE, FORESTRY & FISHING – EXPOSURES

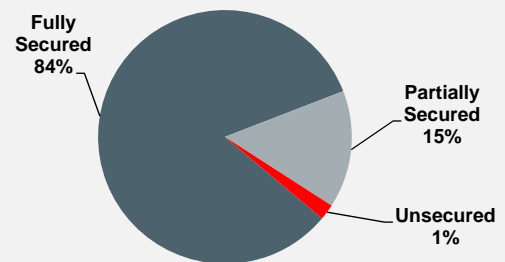
EAD \$26.9bn at September 2018



## AUSTRALIAN AGRICULTURE, FORESTRY & FISHING – ASSET QUALITY



## AUSTRALIAN AGRICULTURE PORTFOLIO – WELL SECURED<sup>1</sup>

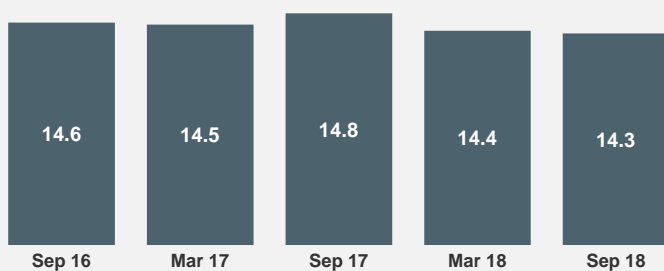


(1) Fully Secured is where the loan amount is less than 100% of the bank extended value of security; Partially Secured is where the loan amount is greater than 100% of the bank extended value of security; Unsecured is where no security is held and/or no value held against the security and negative pledge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



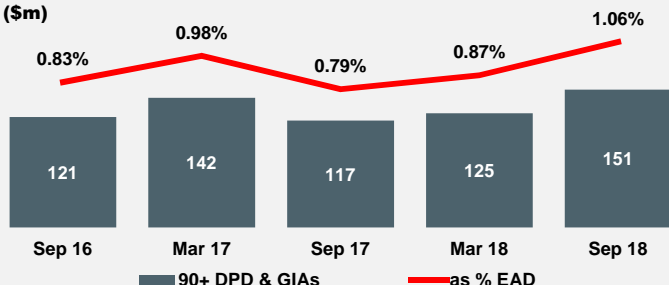
## RETAIL TRADE EXPOSURE AT DEFAULT (EAD)

(\$bn)



## RETAIL TRADE 90+ DPD AND GIAs AND AS % OF RETAIL EAD

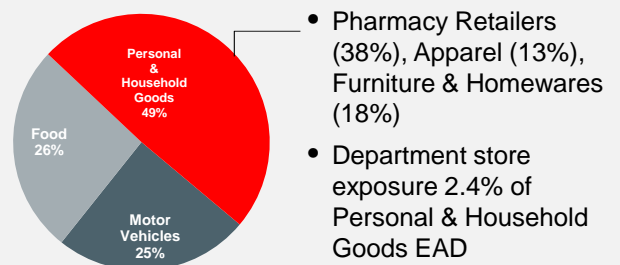
(\$m)



## ASSET QUALITY

- Retail Trade EAD ~1.7% of total Group net EAD
- 78% of portfolio is fully or partially secured
- Strong collective provision coverage including >\$100m of forward looking adjustments
- 2H18 increase in arrears largely relates to a small number of single name exposures

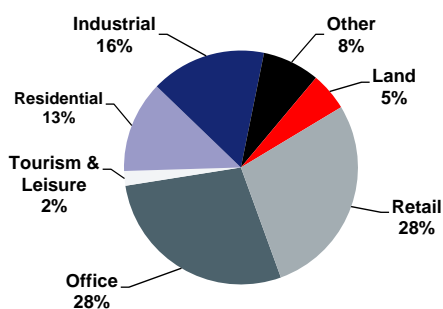
## RETAIL TRADE PORTFOLIO (EAD) SEP 2018



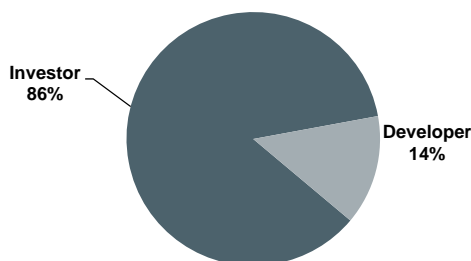
**Total \$62.1bn**  
**10.6% of Gross Loans & Acceptances**

	Aust	New Zealand	UK Region	Asia	Total	Trend	Mar 17	Sep 17	Mar 18	Sep 18
TOTAL CRE (A\$bn)	54.0	7.9	0.1	0.1	62.1	Impaired loans ratio	0.25%	0.22%	0.27%	0.27%
Increase/(decrease) on Sep 17 (A\$bn)	0.8	(0.1)	(0.0)	(0.1)	0.6					
% of geographical GLAs	10.9%	11.0%	1.5%	0.8%	10.6%	Specific Provision Coverage	38.6%	39.7%	33.9%	30.5%
Change in % on September 2017	(0.3%)	(0.5%)	(1.0%)	(1.7%)	(0.3%)					

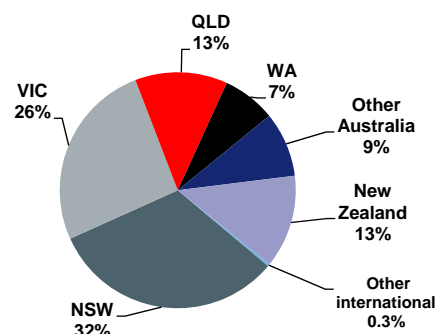
### Sector breakdown



### Borrower breakdown



### Geographic breakdown



(1) Measured as balance outstanding at September 2018 per APRA Commercial Property ARF 230 definitions

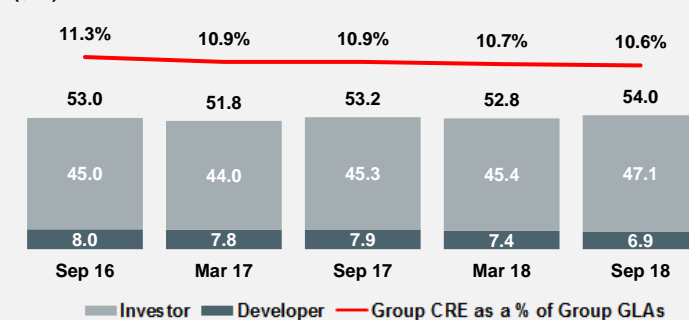


# AUSTRALIAN CRE AND RESIDENTIAL DEVELOPMENT

## MEASURED APPROACH TO CRE DEVELOPMENT LENDING

- \$54bn Australian CRE drawn balance, of which 13% is Developer
- Developer drawn balance includes \$1.4bn for land development and \$4.1bn for residential development. For residential development:
  - Exposure under construction limits down 20% since September 2016, Greater Brisbane and Greater Perth limits down >50%<sup>1</sup>
  - >90% of limits amortise within 2 years<sup>1</sup>
  - Higher risk inner city postcodes ~18% of total residential developer exposure<sup>1</sup>
  - Timely debt repayment on development completions to-date

## AUSTRALIAN COMMERCIAL REAL ESTATE PORTFOLIO<sup>2</sup>



## RESIDENTIAL DEVELOPMENT LENDING PRACTICES

- Tighter lending standards implemented from 2016 including:
  - Introduced cap on foreign buyer pre-sales
  - Reduced maximum loan to cost ratio by ~10%
  - Increased minimum pre-sales requirement
- More granular concentration risk approach, managed by apartment supply and exposure to postcode location since early 2016
- >90% of September 2016 apartment development limits<sup>1</sup> have been repaid

## RESIDENTIAL DEVELOPMENT EXPOSURE<sup>1</sup>



(1) 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

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





# ADDITIONAL INFORMATION

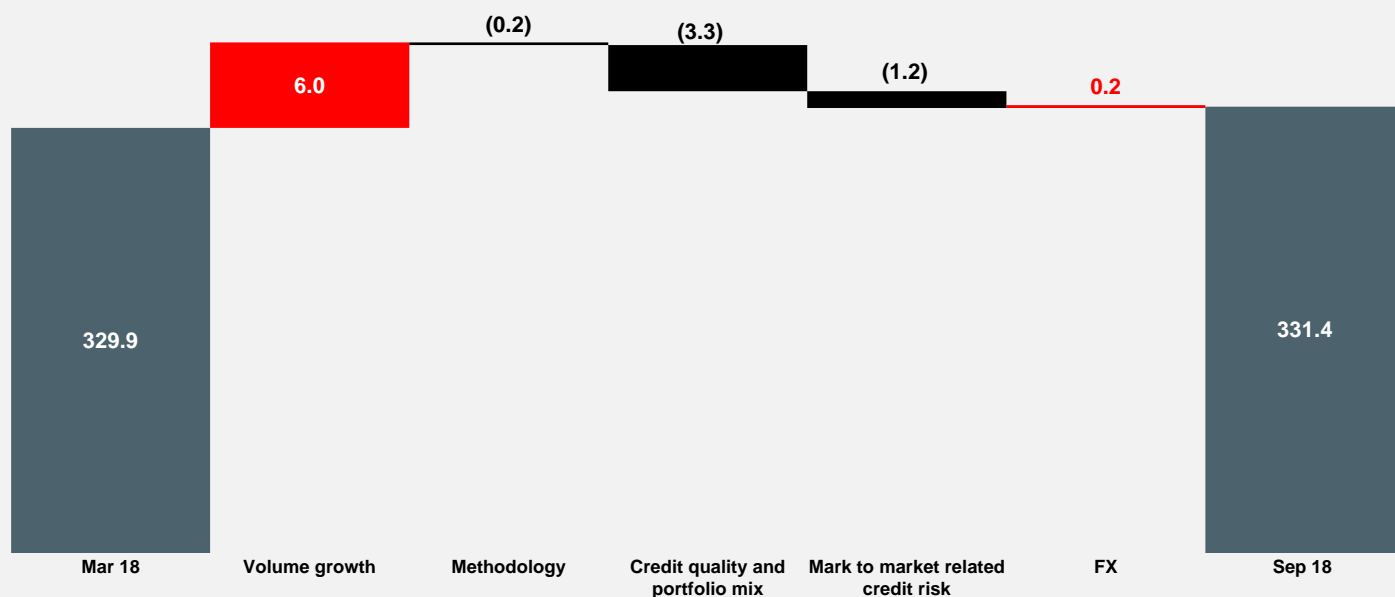
## CAPITAL & FUNDING

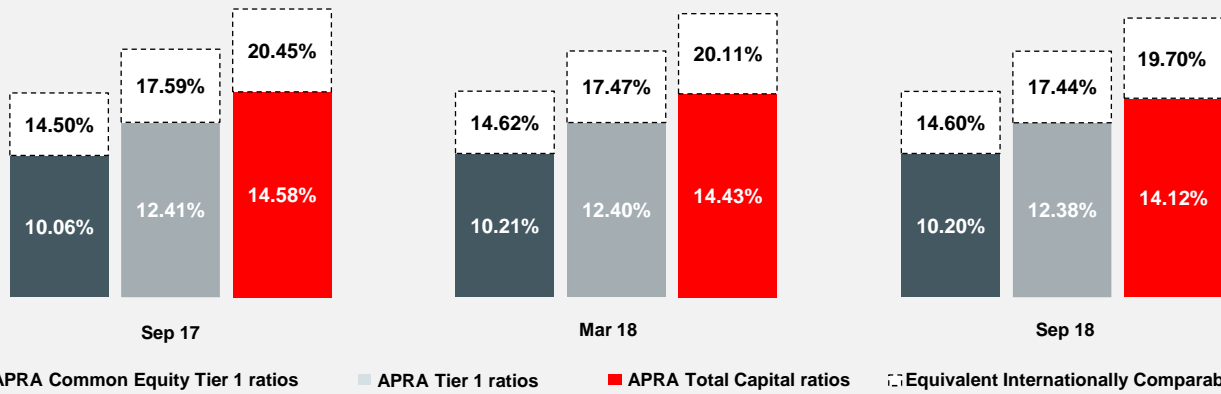
### CREDIT RWA MOVEMENT

CAPITAL & FUNDING

#### CREDIT RWA MOVEMENT SEPTEMBER 2018 VS MARCH 2018

(\$bn)





## APRA to Internationally Comparable CET1 Ratio Reconciliation

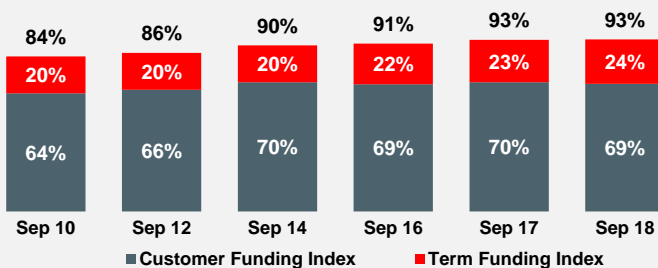
	CET1
NAB CET1 ratio under APRA	10.20%
APRA's Basel capital adequacy standards require a 100% deduction from common equity for deferred tax assets, investments in non consolidated subsidiaries and equity investments. Under Basel Committee on Banking Supervision (BCBS) such items are concessionally risk weighted if they fall below prescribed thresholds	+76bps
Mortgages – reduction in Loss given Default floor from 20% to 15% and adjustment for correlation factor	+149bps
Interest rate risk in the banking book (IRRBB) – removal of IRRBB risk weighted assets from Pillar 1 capital requirements	+32bps
Other adjustments including corporate lending adjustments and treatment of specialised lending	+183bps
NAB Internationally Comparable CET1	14.60%

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

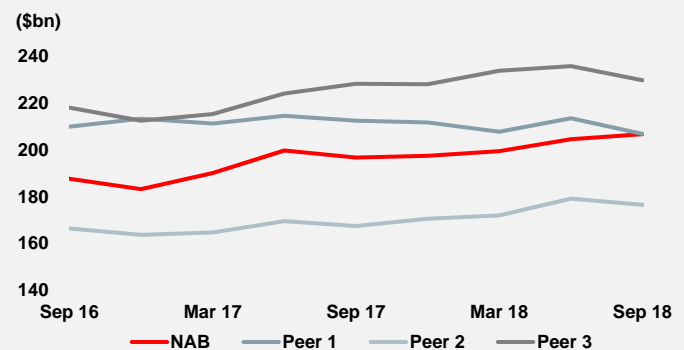


# FUNDING PROFILE

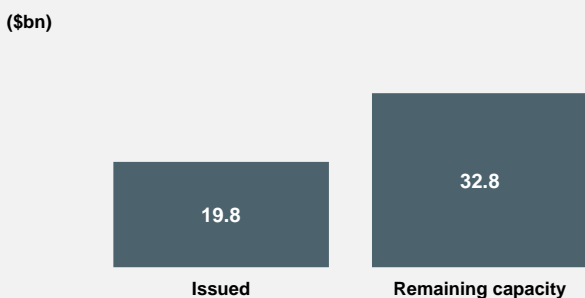
## GROUP STABLE FUNDING INDEX (SFI)



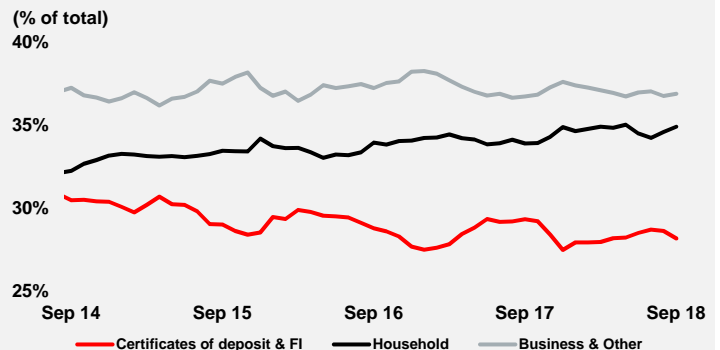
## AUSTRALIAN CORE FUNDING GAP<sup>1</sup>



## COVERED BOND ISSUANCE<sup>2</sup>



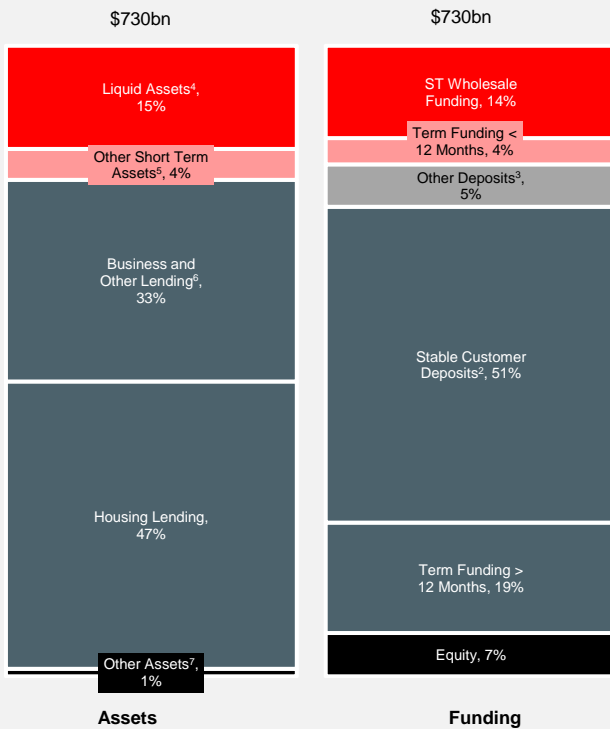
## DEPOSIT QUALITY<sup>3</sup>



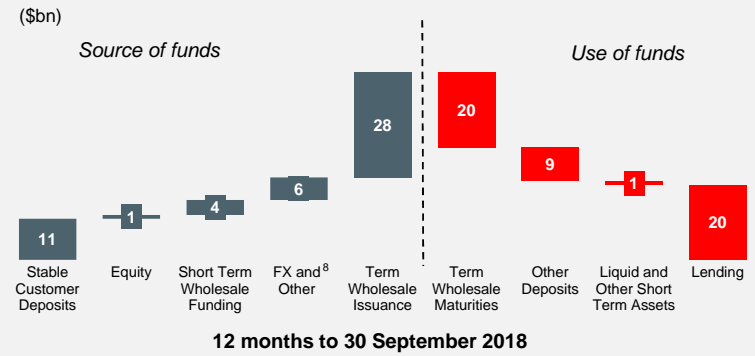
(1) Australian core funding gap = Gross loans and advances + Acceptances less Total deposits (excluding financial institution deposits and certificates of deposit). Source: APRA Monthly Banking Statistics  
 (2) Covered bond investor reports & APRA Monthly Banking Statistics. Remaining capacity based on current rating agency over collateralisation (OC) and legislative limit  
 (3) APRA Monthly Banking Statistics



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



## SOURCE AND USE OF FUNDS



## DEPOSIT GROWTH



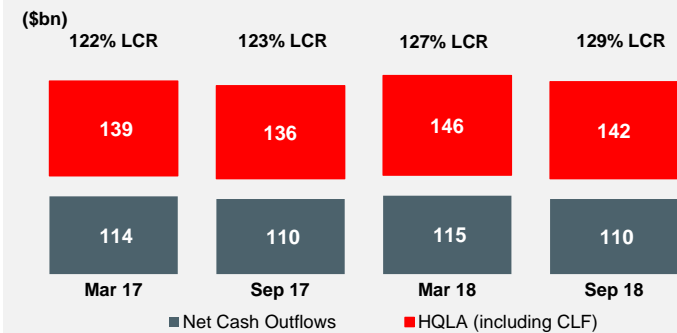
- (1) Excludes repurchase agreements, trading and hedging derivatives, insurance assets and liabilities and any accruals, receivables and payables that do not provide net funding
- (2) Includes operational deposits, non-financial corporate deposits and retail / SME deposits. Excludes certain offshore deposits
- (3) Includes non-operational financial institution deposits and certain offshore deposits
- (4) Regulatory liquid assets including high quality liquid assets and CLF eligible assets

- (5) Includes non-repo eligible liquid assets and 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) Largely related to FX movements on term wholesale funding and net movement in other assets and other liabilities



# LIQUIDITY

## LIQUIDITY COVERAGE RATIO (QUARTERLY AVERAGE)

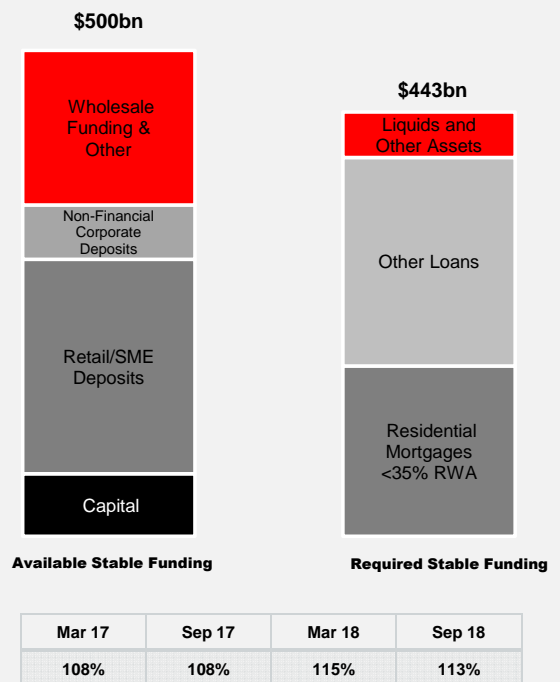


## LIQUIDITY OVERVIEW

Quarterly Average (\$bn)	Mar 17	Sep 17	Mar 18	Sep 18
High quality liquid assets	89	85	86	81
Alternative liquid assets <sup>1</sup>	46	46	55	55
RBNZ Securities	4	5	5	6
<b>Total LCR Liquid Assets</b>	<b>139</b>	<b>136</b>	<b>146</b>	<b>142</b>
<i>Net outflows due to</i>				
Customer Deposits	78	77	80	72
Wholesale funding	19	14	16	15
Other	17	19	19	23
<b>Net cash outflows</b>	<b>114</b>	<b>110</b>	<b>115</b>	<b>110</b>
<b>Quarterly average LCR</b>	<b>122%</b>	<b>123%</b>	<b>127%</b>	<b>129%</b>

## NET STABLE FUNDING RATIO COMPOSITION

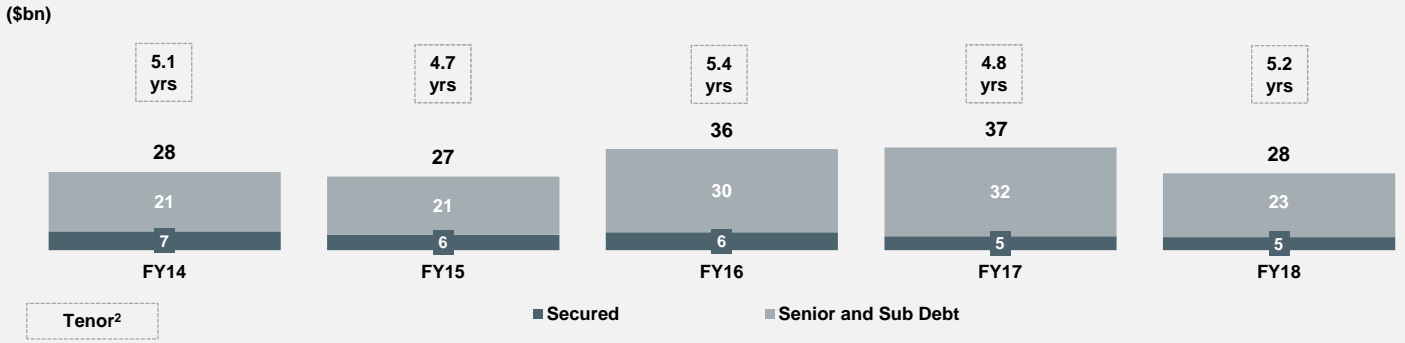
NAB Group NSFR 113% as at 30 September 2018



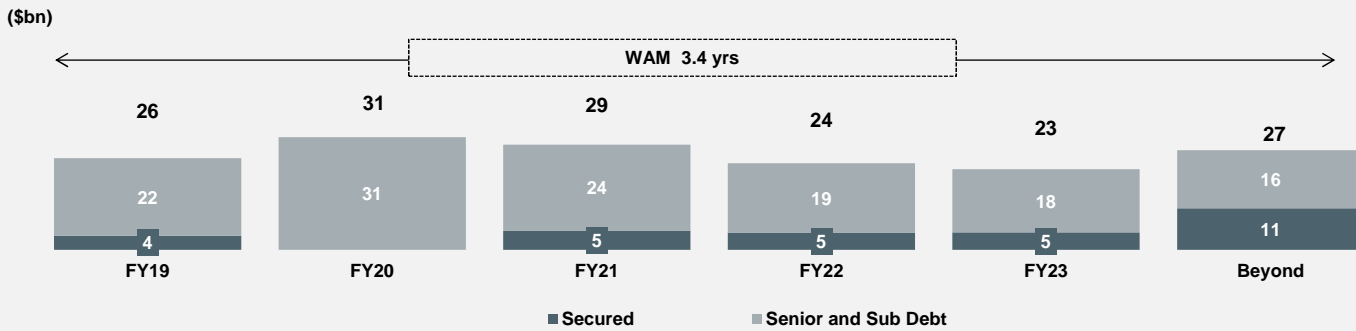
(1) Committed Liquidity Facility (CLF) value used in LCR calculation is the undrawn portion of the facility. Approved CLF of \$50.4 billion for 2017 and \$59.3 billion for 2018



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



## TERM FUNDING MATURITY PROFILE

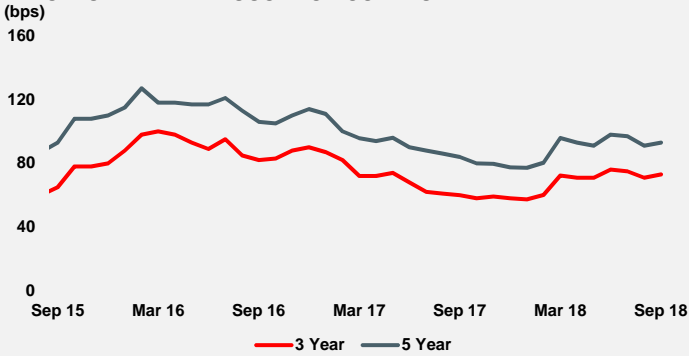


(1) Includes senior unsecured, secured (covered bonds and securitisation) and subordinated debt with an original term to maturity or call date of greater than 12 months  
 (2) Weighted average maturity (years) of funding issuance (greater than 12 months)

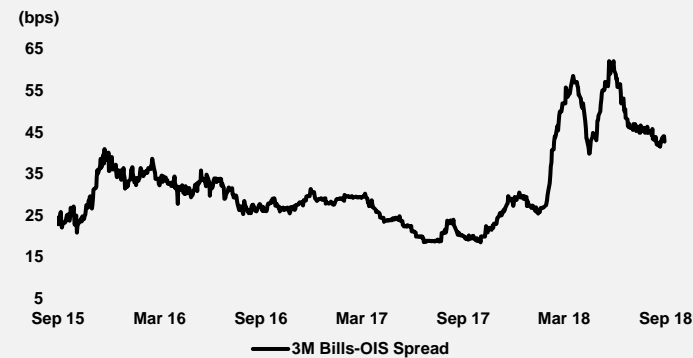


# WHOLESALE FUNDING COSTS

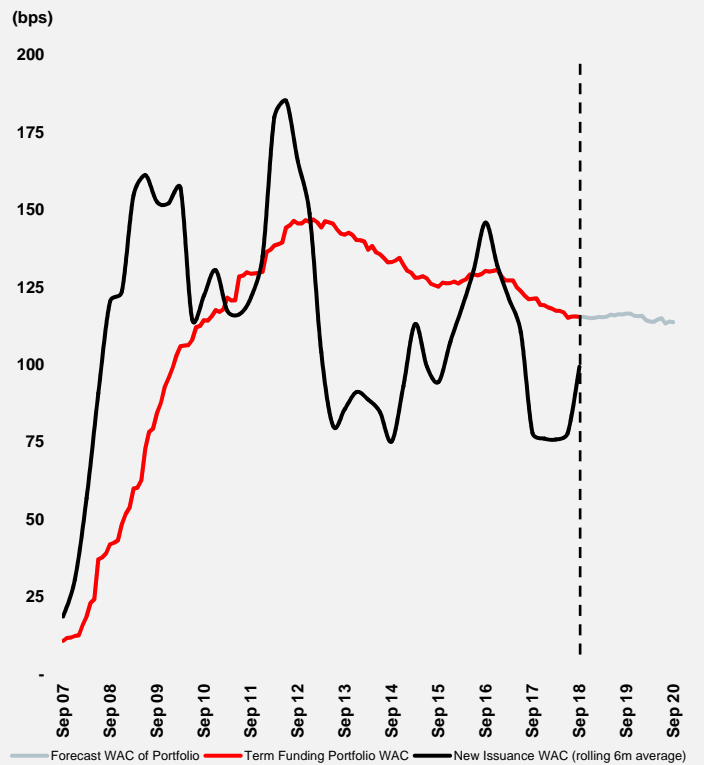
## WHOLESALE TERM ISSUANCE CURVES<sup>1</sup>



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



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

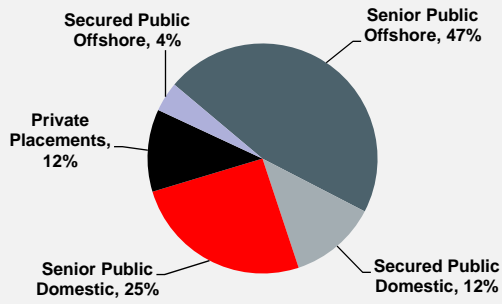


(1) AUD Major Bank Wholesale Unsecured Funding rates over BBSW (3 years and 5 years)  
 (2) NAB Ltd Term Wholesale Funding Costs >12 Months at issuance (spread to 3 month BBSW). Average cost of new issuance is on a 6 month rolling basis. Forecast assumptions based on current issuance cost  
 (3) Spread between 3 month AUD Bank Bills and Overnight Index Swaps (OIS). Source: Bloomberg

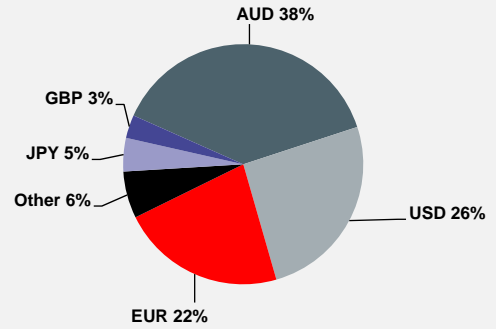




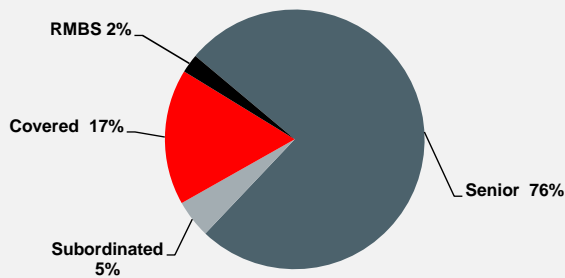
## FY18 ISSUANCE BY PRODUCT TYPE



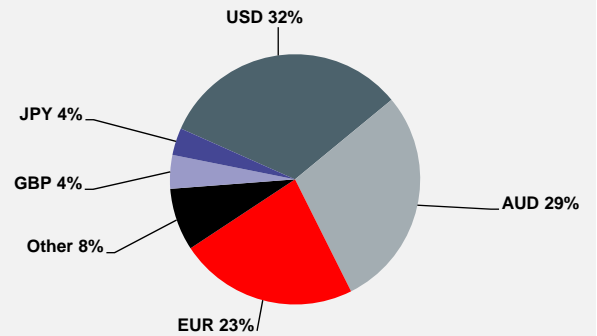
## FY18 ISSUANCE BY CURRENCY



## OUTSTANDING ISSUANCE BY PRODUCT TYPE



## OUTSTANDING ISSUANCE BY CURRENCY



## ADDITIONAL INFORMATION

**RESHAPING OF WEALTH MANAGEMENT - MLC MARKET POSITION UPDATE**

**ECONOMICS**

**GROUP CASH EARNINGS RECONCILIATION TO STATUTORY EARNINGS**

**ABBREVIATIONS**

**DISCLAIMER**



# RESHAPING OF WEALTH MANAGEMENT

## MORE FOCUSED WEALTH OFFERING

- High net worth customers supported by JBWere and NAB's Private Bank
- Self directed customers supported through nabtrade
- Explore on-going arrangement with MLC to provide NAB customers with continued access to advice

## INTEND TO PURSUE DIVESTMENT OF MLC<sup>1</sup>

- Commenced strategic review in mid 2017
- Focus on core strengths in banking consistent with simplification agenda
- Opportunity for MLC to set separate strategy and investment priorities
- Expect NAB ROE to increase on separation

## EXAMINING A BROAD RANGE OF EXIT OPTIONS, INCLUDING PUBLIC MARKETS

- Public market options include demerger and IPO
- Targeting listing of MLC by end of 2019 calendar year, subject to market conditions and Board, regulatory and other approvals
- Flexibility to consider trade sale

## MLC MARKET POSITION

- Trusted brand and history spanning over 130 years
- Over 1,100 financial advisers<sup>2</sup> (proprietary and aligned)
- Largest retail superannuation fund in Australia with FUM of \$78bn<sup>3</sup>
- Leading corporate superannuation provider by market share<sup>4</sup>
- Asset Management AUM of \$207bn
  - \$147bn in Portfolio Management
  - \$60bn in Investment Management
- ~3,100 staff<sup>2</sup>
- FY18 cash earnings of \$193m<sup>5</sup>

(1) Includes Advice, Platform & Superannuation and Asset Management businesses  
 (2) Excludes JBWere and nabtrade  
 (3) Source: APRA Annual Fund-level Superannuation Statistics, March 2018  
 (4) Source: Strategic Insight Market Overview as at 30 June 2018  
 (5) Based on earnings from businesses expected to be divested



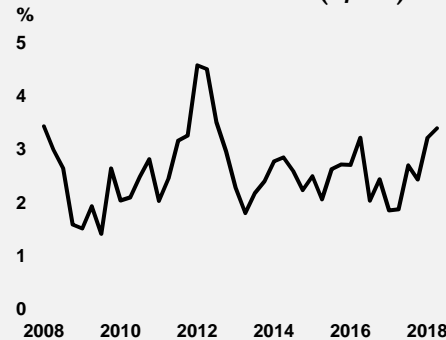
# AUSTRALIAN ECONOMY REMAINS SOUND

## ECONOMICS

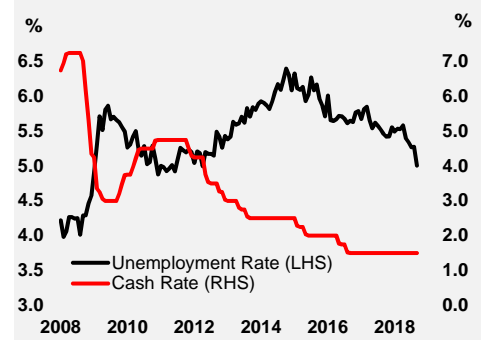
### AUSTRALIAN ECONOMY KEY STATISTICS<sup>1</sup>

<b>GDP CY18 (f)</b>	<b>3.3%</b>
CY19 (f)	2.7%
<b>Unemployment Rate CY18 (f)</b>	<b>5.3%</b>
CY19 (f)	5.0%
<b>Inflation CY18 (f)</b>	<b>1.9%</b>
CY19 (f)	2.1%
<b>Cash rate CY18 (f)</b>	<b>1.5%</b>
CY19 (f)	2.0%
<b>AUD / USD CY18 (f)</b>	<b>US\$0.71</b>
CY19 (f)	US\$0.75

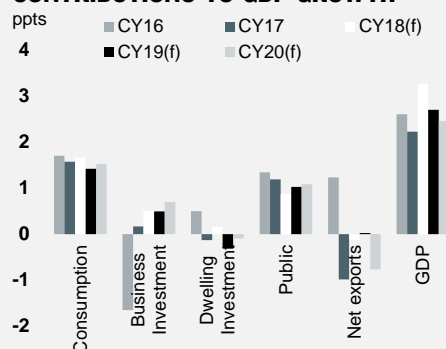
### AUSTRALIA GDP GROWTH<sup>2</sup> (Y/Y%)



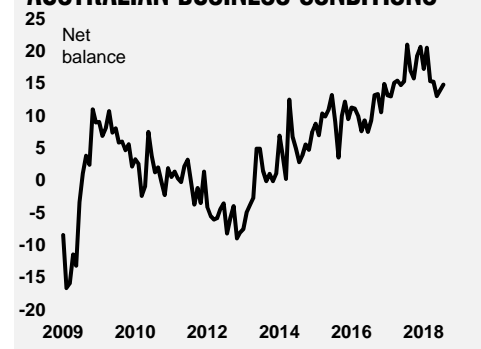
### UNEMPLOYMENT AND CASH RATE<sup>2</sup>



### CONTRIBUTIONS TO GDP GROWTH<sup>2</sup>



### AUSTRALIAN BUSINESS CONDITIONS<sup>3</sup>



(1) Source: NAB  
 (2) Source: ABS, RBA  
 (3) Source: NAB Business Survey



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

	CY16	CY17	CY18(f)	CY19(f)	CY20(f)
GDP growth <sup>2</sup>	2.6	2.2	3.3	2.7	2.5
Unemployment <sup>3</sup>	5.7	5.4	5.3	5.0	4.9
Core Inflation <sup>4</sup>	1.5	1.9	1.9	2.1	2.7
Cash rate <sup>3</sup>	1.5	1.5	1.5	2.0	2.5

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

	FY16	FY17	FY18	FY19(f)	FY20(f)
Housing	6.4	6.6	5.2	4.6	5.0
Personal	-0.9	-0.9	-1.5	1.0	2.0
Business	5.0	4.2	4.4	5.4	5.4
Total lending	5.5	5.3	4.6	4.7	5.0
System deposits	5.9	7.0	2.0	4.9	4.9

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

	CY16	CY17	CY18(f)	CY19(f)	CY20(f)
GDP growth <sup>2</sup>	4.0	2.8	2.9	2.8	2.6
Unemployment <sup>3</sup>	5.3	4.5	4.3	4.2	4.2
Inflation <sup>4</sup>	1.3	1.6	2.2	2.0	1.7
Cash rate (OCR) <sup>3</sup>	1.75	1.75	1.75	2.25	2.75

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

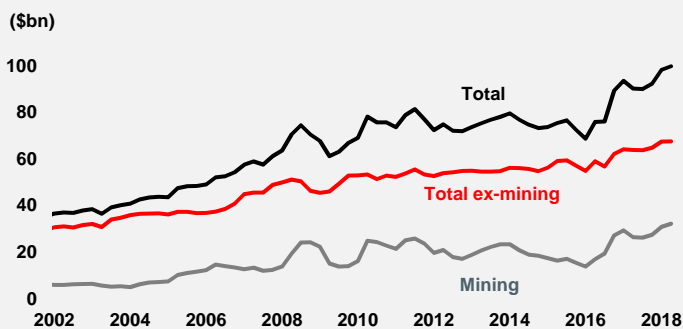
	FY16	FY17	FY18	FY19(f)	FY20(f)
Housing	9.1	6.6	6.0	5.7	5.6
Personal	3.3	7.8	4.7	5.3	5.1
Business	6.4	4.8	4.1	4.8	4.8
Total lending	7.8	5.8	5.2	5.5	5.4
Household retail deposits	6.7	7.7	6.9	6.6	6.3

- (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) December quarter on December quarter of previous year. Average of trimmed mean and weighted median indices
- (5) Source: RBA, RBNZ, NAB. Bank fiscal year-ended (September)

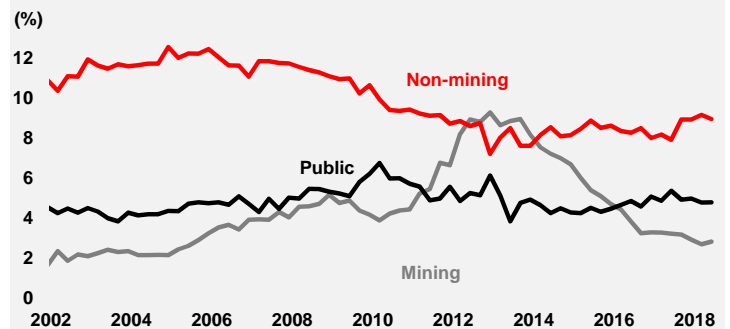


# MINING STABILISING, BUT AUSTRALIA CONTINUES TO TRANSITION AWAY

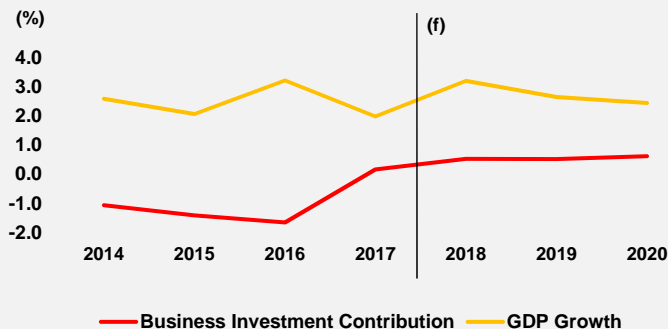
## BUSINESS PROFITS<sup>1</sup>



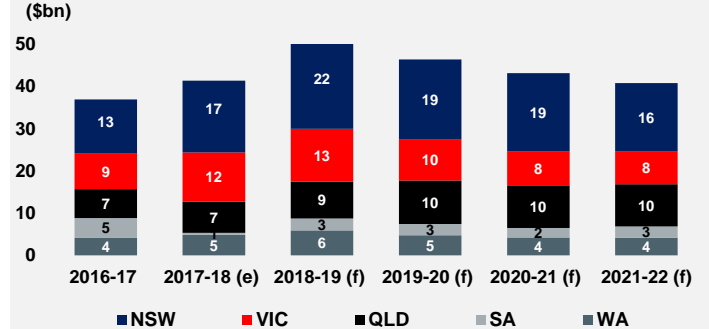
## MINING v NON-MINING INVESTMENT – SHARE OF GDP<sup>2</sup>



## BUSINESS INVESTMENT FORECAST TO SUPPORT GROWTH<sup>2</sup>



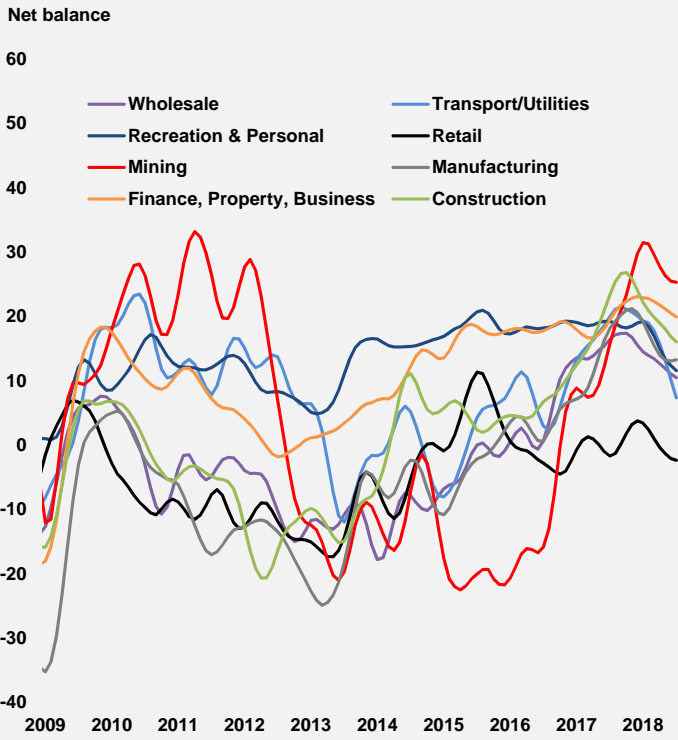
## STATE GOVERNMENT CAPITAL INVESTMENT<sup>2</sup>



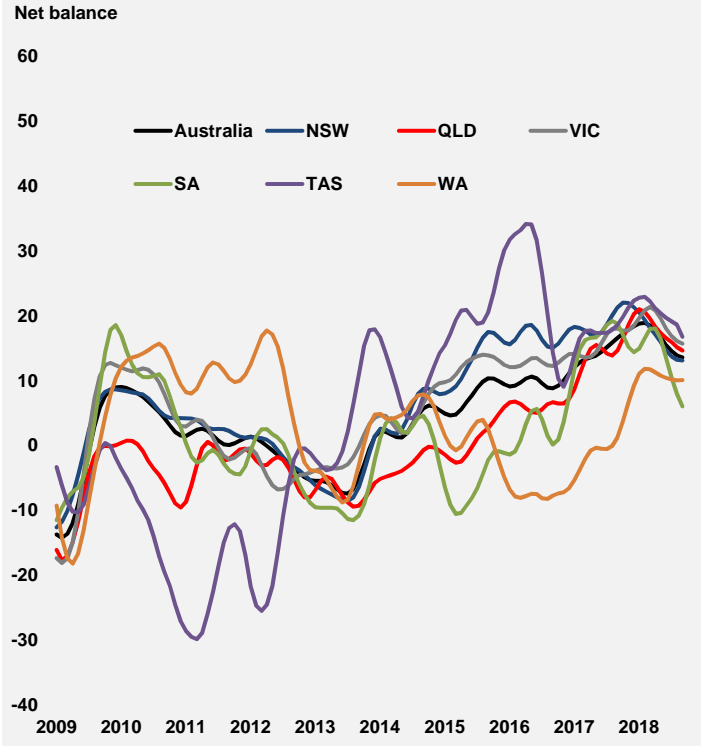
- (1) Gross operating profits. Source: NAB, ABS
- (2) Source: NAB, ABS. Calendar year average



## NAB BUSINESS CONDITIONS BY INDUSTRY<sup>1</sup>



## NAB BUSINESS CONDITIONS BY STATE<sup>1</sup>

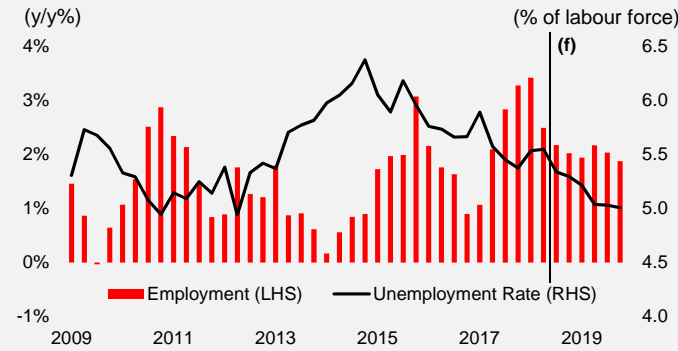


(1) Source: NAB Monthly Business Survey, 13-period Henderson moving average. Data to September 2018

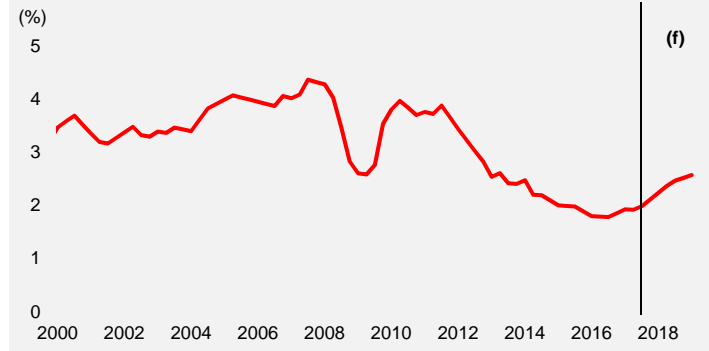


# HOUSEHOLD SPENDING SUBDUED BUT JOBS GROWTH PROVIDE SUPPORT

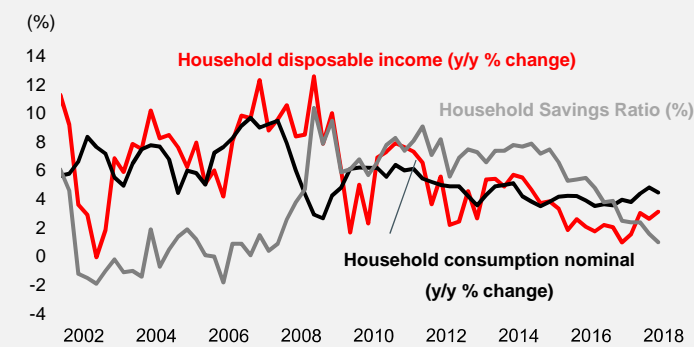
## JOBS GROWTH ROBUST & UNEMPLOYMENT FALLING<sup>1</sup>



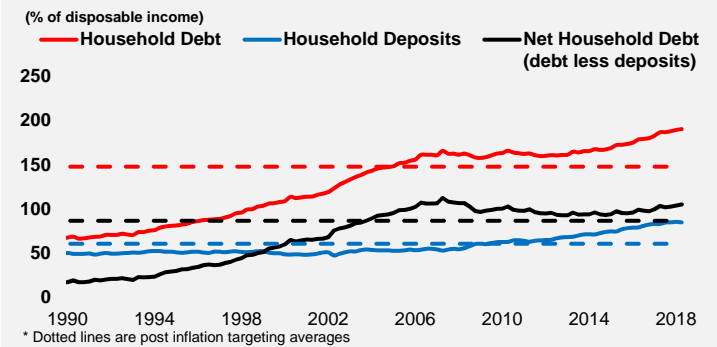
## PRIVATE WAGE GROWTH SUBDUED BUT SHOULD MOVE HIGHER<sup>1</sup>



## CONSUMER SPENDING ONLY MODEST BY PAST STANDARDS<sup>2</sup>



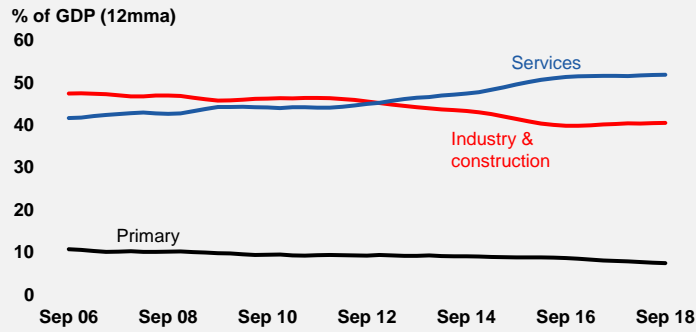
## HOUSEHOLD DEBT AND DEPOSITS<sup>3</sup>



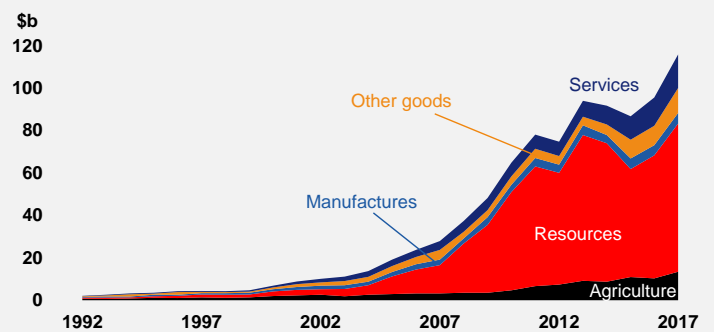
(1) Source: ABS, NAB. Actual data to 2018 Q2, thereafter NAB estimates  
 (2) Source: ABS, NAB. Actual data to 2018 Q2  
 (3) Source: RBA, NAB. Actual data to 2018 Q2



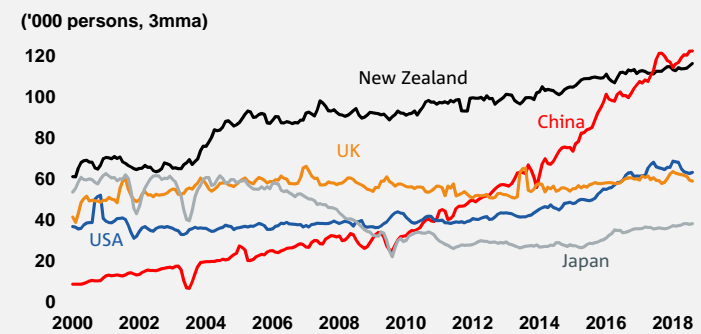
## COMPOSITION OF CHINA'S ECONOMY<sup>1</sup>



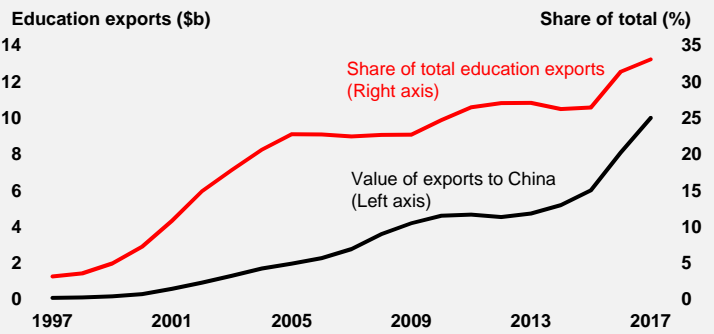
## AUSTRALIA'S EXPORTS TO CHINA<sup>2</sup>



## AUSTRALIA SHORT TERM PASSENGER ARRIVALS PER MONTH<sup>3</sup>



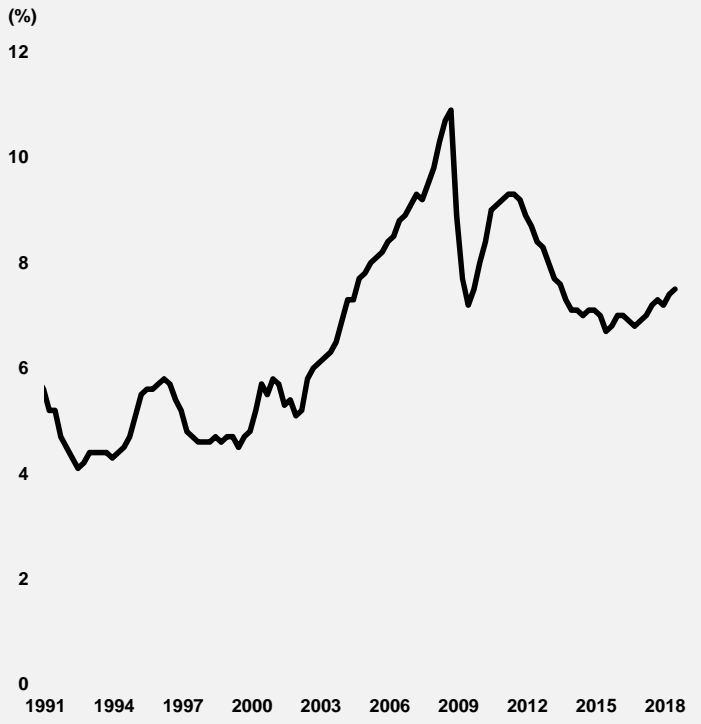
## AUSTRALIA EDUCATION EXPORTS<sup>4</sup>



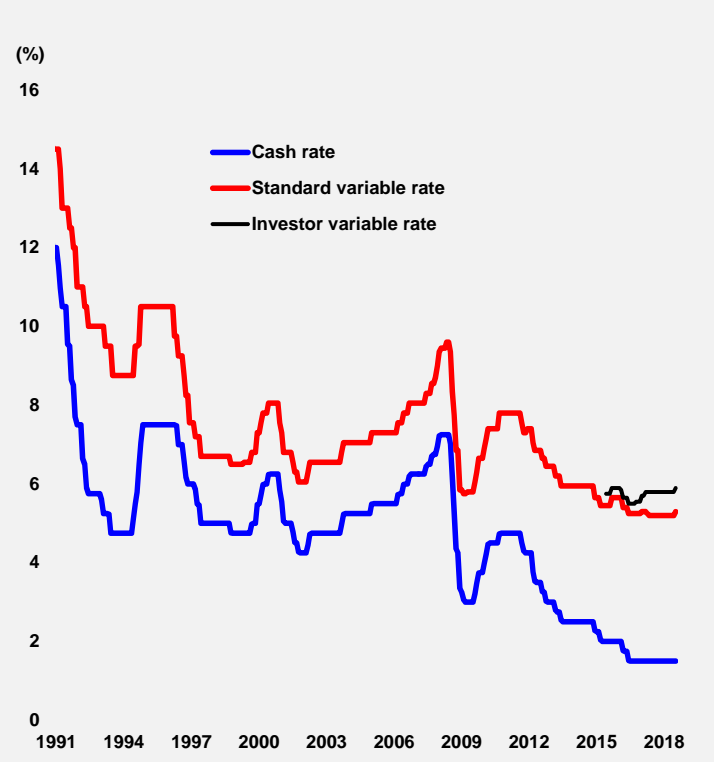
(1) Source: CEIC, 12mma denotes twelve month moving average  
 (2) Source: DFAT  
 (3) Source: ABS, 3mma denotes three month moving average  
 (4) Source: ABS



## HOUSEHOLD INTEREST PAYMENTS (% OF HOUSEHOLD DISPOSABLE INCOME)<sup>1</sup>



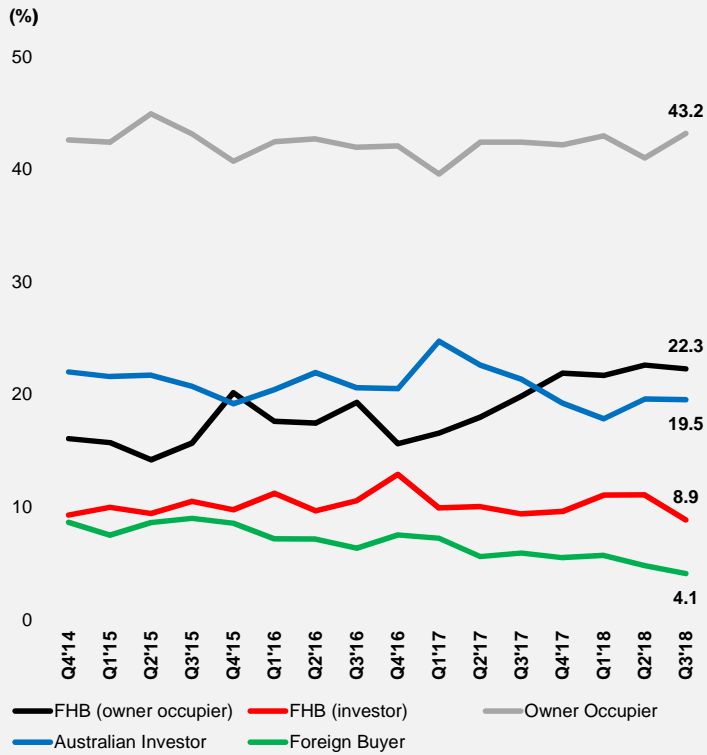
## AUSTRALIAN INTEREST RATES<sup>1</sup>



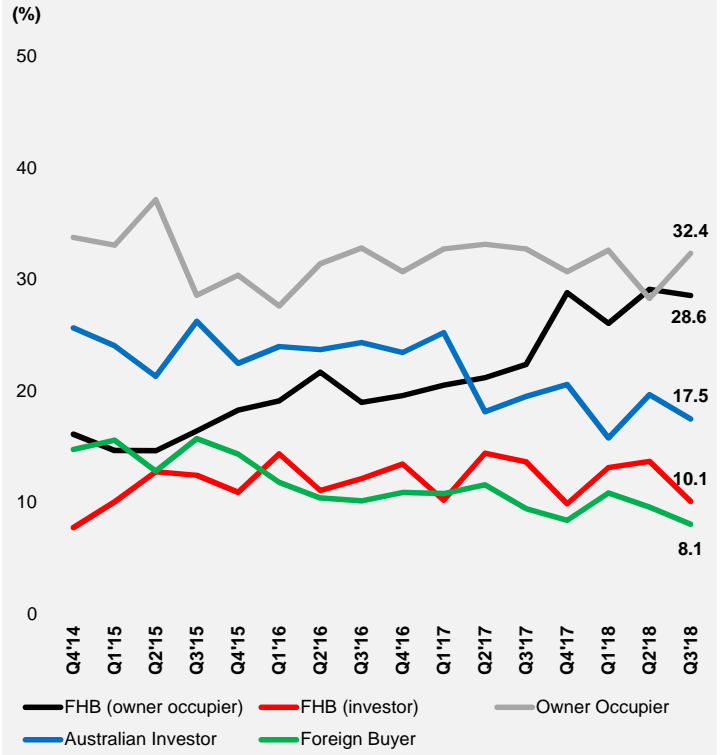
(1) Source: RBA.



**SHARE OF ESTABLISHED PROPERTY SALES BY TYPE OF BUYER<sup>1</sup>**



**SHARE OF NEW PROPERTY SALES BY TYPE OF BUYER<sup>1</sup>**

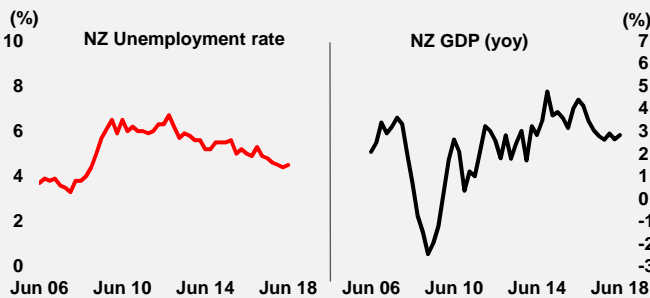


(1) Source: NAB, ABS. Relative to long-run average

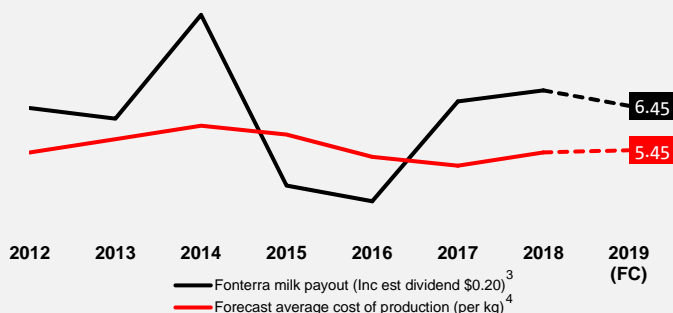


**NEW ZEALAND**

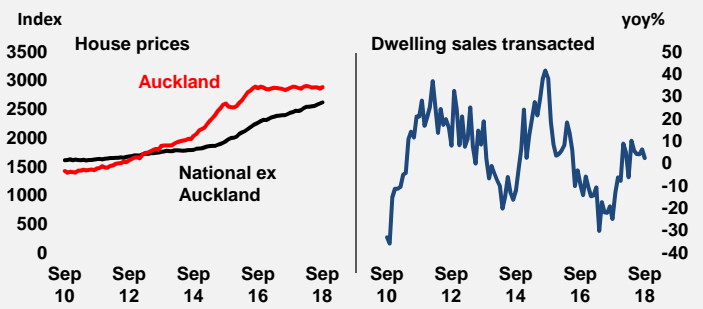
**NZ GROWTH HAS SLOWED BUT STILL SOLID, UNEMPLOYMENT LOW<sup>1</sup>**



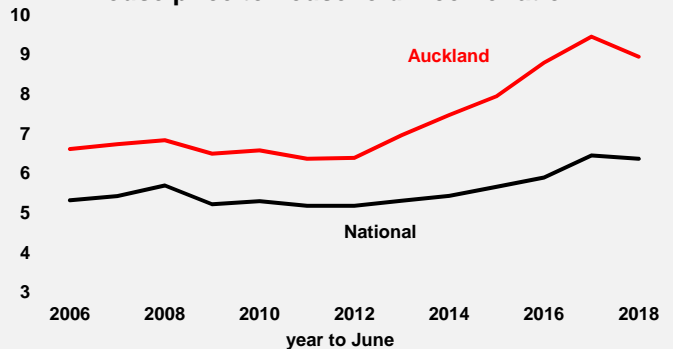
**FARM VIABILITY**



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



**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 (2019 forecast milk price range \$6.25 - \$6.50) plus BNZ (dividend estimate \$0.20)  
 (4) Source: Dairy NZ (Midpoint of forecast range \$5.40 - \$5.50)



# 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 2018 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 2018 Full Year Results Announcement.

	FY18 (\$m)	FY18 v FY17	2H18 (\$m)	2H18 v 1H18
<b>Cash earnings</b>	5,702	(14.2%)	2,943	6.7%
Non-cash earnings items (after tax)				
Distributions	100	2.0%	51	4.1%
Fair value and hedge ineffectiveness	182	large	101	24.7%
Amortisation of acquired intangible assets	(30)	(51.6%)	(15)	-
MLC Wealth Divestment transaction costs	(12)	large	(12)	large
Net profit from continuing operations	5,942	(3.8%)	3,068	6.8%
Net loss after tax from discontinued operations	(388)	(56.6%)	(97)	(66.7%)
<b>Statutory net profit attributable to owners of NAB</b>	5,554	5.1%	2,971	15.0%

108



## ABBREVIATIONS

<b>AUM</b>	Assets under Management
<b>CET1</b>	Common Equity Tier 1 Capital
<b>CFI</b>	Customer Funding Index
<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>NIM</b>	Net Interest Margin
<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>TFI</b>	Term Funding Index
<b>TSR</b>	Total Shareholder Returns
<b>UNEP FI</b>	United Nations Environment Programme - Finance Initiative

109



# DISCLAIMER

The material in this presentation is general background information about the NAB Group current at the date of the presentation on 1 November 2018. The information is given in summary form and does not purport to be complete. It is intended to be read by a professional analyst audience in conjunction with the verbal presentation and the 2018 Full Year Results Announcement (available at [www.nab.com.au](http://www.nab.com.au)). It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. No representation is made as to the accuracy, completeness or reliability of the presentation.

This presentation 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", "target", "project", "anticipate", "expect", "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.

Slides 3 to 34 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 3 May 2018 and the Group's Annual Financial Report for the 2018 financial year, which will be available at [www.nab.com.au](http://www.nab.com.au) on 16 November 2018.

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

**Ross Brown**

Executive General Manager, Investor Relations  
Mobile | +61 (0) 417 483 549

**Mark Alexander**

General Manager, Corporate Communications  
Mobile | +61 (0) 412 171 447

**Natalie Coombe**

Director, Investor Relations  
Mobile | +61 (0) 477 327 540

