2019 FULL YEAR RESULTS SUMMARY

National Australia Bank

2019 FINANCIAL HIGHLIGHTS

$4,798M Statutory net profit	**$5,097M** Cash earnings[1] Down 10.6% v FY18 $6,545m cash earnings ex large notable items of $1,448m Up 0.8% v FY18[2]
83CPS Final dividend 100% franked	**10.38%** Group Common Equity Tier 1 (CET1) ratio

"This year has been very challenging, requiring significant actions for us to deal with past issues and make real changes aimed at earning trust with customers and the community.

Fixing things for customers is an important part of that process. We now have more than 950 people dedicated to remediating customers and in FY19 recognised additional charges of $1,100 million after tax for customer-related remediation[3]. These charges, along with a change in our software capitalisation policy, are the main reasons FY19 cash earnings are 10.6% lower than FY18. While this is a disappointing outcome, excluding these large notable items, cash earnings rose 0.8%.

We are now more than two years into our three year transformation. Becoming simpler and faster is delivering real benefits, allowing us to invest in better products and services as well as stronger compliance and controls while holding FY19 expenses broadly flat, as targeted.

While the operating environment has weakened, our SME franchise continues to perform strongly, growing business lending well above peers. We remain committed to continuing to lend and support our customers and the broader community.

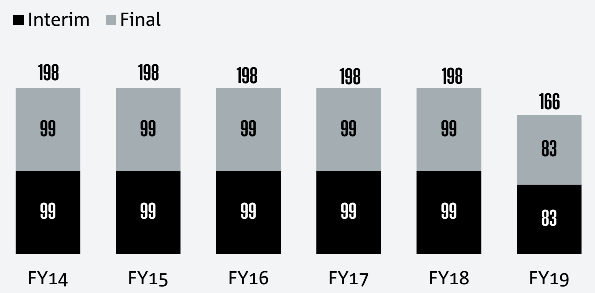
We are determined to move forward by fixing issues of the past and taking actions to meet customer and community expectations. A gap remains between where we are today and where we need to be for customers, but we are making progress and will execute with urgency, discipline and accountability to become the bank we can all be proud of."

PHILIP CHRONICAN
NAB CEO

SHAREHOLDER OUTCOMES

DIVIDENDS (CPS)

In respect of each financial year period



BACKING OUR CUSTOMERS & THE COMMUNITY IN 2019

- Priority Segments Net Promoter Score (NPS)[4] for September 2019 up 2 points over the year to -14, with NAB equal first of major banks
- Simplifying fees with 185 fees removed or reduced in FY19 across Australian Banking and Wealth
- Helping Australians access affordable housing with a $2 billion commitment to provide loans and new financing options for affordable and specialist housing, crisis accommodation and disability housing
- Supporting our customers and the community to tackle cybersecurity with educational forums and resources, and via research and funding alliances

[1] Refer cash earnings note and reconciliation on page 6.
[2] Cash earnings large notable items after tax: customer-related remediation $1,100m in FY19, $261m in FY18; capitalised software policy change $348m in FY19; restructuring-related costs $530m in FY18.
[3] Continuing operations only. The Group also recognised $257m after tax for customer-related remediation in discontinued operations in FY19.
[4] Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Priority Segments NPS data is based on six month moving averages from DBM Atlas & BFSM Research.

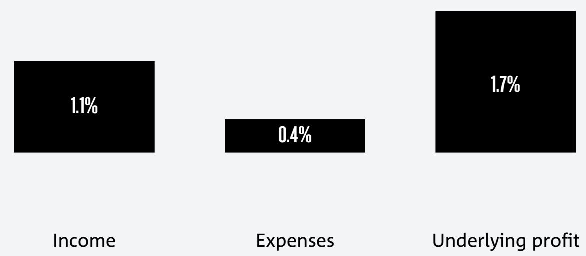
The September 2019 full year results are compared with the September 2018 full year results for continuing operations unless otherwise stated. Operating Performance and Asset Quality are expressed on a cash earnings basis.

OPERATING PERFORMANCE FY19 V FY18

- Revenue down 4.2%. Excluding customer-related remediation, revenue rose 1.1% mainly reflecting growth in business lending partly offset by lower margins.
- Net Interest Margin (NIM) declined 7 basis points (bps) to 1.78%. Excluding Markets and Treasury and customer-related remediation, NIM declined 4bps with home lending competition an important driver.
- Expenses rose 0.2%. Excluding large notable items[5], expenses were up 0.4% with productivity benefits and lower performance based compensation largely offsetting higher investment and increased spend to strengthen the compliance and control environment.

FY19 V FY18 DRIVERS OF CASH EARNINGS CHANGE

(ex large notable items[5])



"Our transformation is delivering productivity benefits, allowing us to absorb higher spend to strengthen the compliance and control environment while also investing in our business.

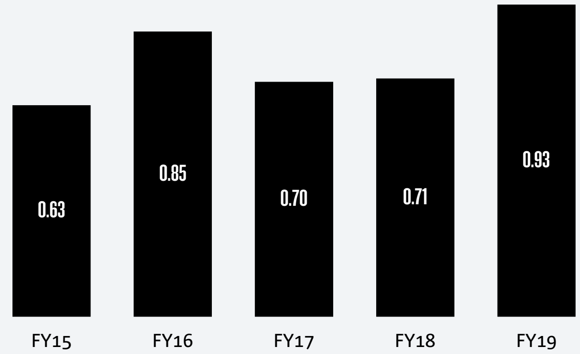
FY19 expense growth is broadly stable, consistent with our target. We continue to target broadly flat expenses over FY20[6]."

ASSET QUALITY FY19 V FY18

- Credit impairment charges increased 18% to $919 million, and as a percentage of gross loans and acceptances rose 2bps to 15bps.
- FY19 charges include $60 million of additional collective provision forward looking adjustments for targeted sectors experiencing elevated levels of risk.
- The ratio of 90+ days past due and gross impaired assets to gross loans and acceptances increased 22bps to 0.93%, largely due to rising Australian mortgage delinquencies.

CREDIT IMPAIRMENT CHARGES ($ MILLIONS)

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

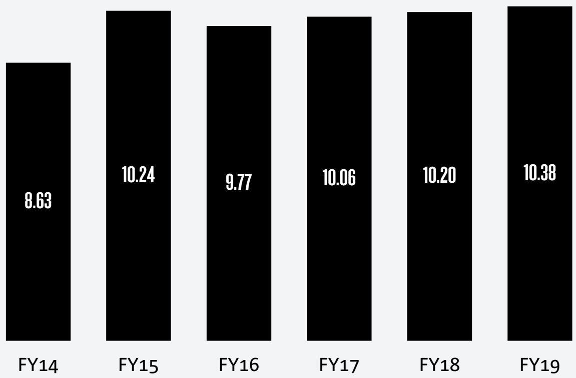


"Asset quality remains sound. While Australian housing arrears increased further, loss rates for this portfolio remain low at 2bps. Collective provision forward looking adjustments for targeted sectors increased over FY19 and now stand at $641 million."

[5] Revenue excludes customer-related remediation $1,207m in FY19, $249m in FY18. Expenses excludes: customer-related remediation $364m in FY19, $111m in FY18; capitalised software policy change $494m in FY19; restructuring-related costs $755m in FY18. Underlying profit represents cash earnings before credit impairment charges, income tax and distributions. Refer note on cash earnings and reconciliation on page 6.
[6] Excluding large notable items. Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 7.

CAPITAL, FUNDING & LIQUIDITY

CET1 RATIO (%)



KEY RATIOS AS AT 30 SEPTEMBER 2019

- Group Common Equity Tier 1 (CET1) ratio of 10.38%, up 18bps from September 2018
- Includes $1 billion (25bps) of proceeds received in July from the 1H19 underwritten Dividend Reinvestment Plan
- Includes 34bps adverse impact from regulatory changes relating to operating risk and derivative counter party credit risk measurement
- Leverage ratio (APRA basis) of 5.5%
- Liquidity coverage ratio (LCR) quarterly average of 126%
- Net Stable Funding Ratio (NSFR) of 113%

DIVISIONAL PERFORMANCE – CASH EARNINGS[7]

	FY19 ($M)	% CHANGE FY19 V FY18	KEY DRIVERS FY19 V FY18
Business & Private Banking	2,840	(2.4)	Lower earnings mainly reflecting higher credit impairment charges and higher investment spend. Revenue increased 1% reflecting good SME business lending growth.
Consumer Banking & Wealth	1,366	(11.2)	Banking earnings decreased given lower margins with competitive pressures in housing a key driver, combined with increased credit impairment charges. Wealth earnings also declined reflecting the impact of customer preferences and repricing on margins, and lower average funds under management and administration.
Corporate & Institutional Banking	1,508	(2.1)	A lower result reflecting higher credit impairment charges relating to impairment of a small number of larger exposures. Revenue increased 1% despite lower Markets income, with higher lending volumes benefitting from continued focus on growth segments.
New Zealand Banking (NZ$M)	1,055	5.1	Higher earnings with increased revenue benefitting from growth in lending, partly offset by increased investment spend and higher credit impairment charges.

[7] Excludes large notable items which form part of Corporate Functions and Other.

STRATEGIC OVERVIEW[8]

Our purpose is to back the bold who move Australia forward and our vision is to be Australia's leading bank, trusted by customers for exceptional service. We recognise the importance of our actions in achieving this, and that trust in our bank has been impacted when we have failed to meet customer and community expectations. Earning the confidence and trust of our customers and community through actions has been a key focus for FY19. We are making progress, but there is more to do.

An important part of earning trust involves making things right for customers who have been treated poorly in the past. During FY19 we further uplifted our customer remediation practices and now have more than 950 people (including NAB employees and external resources) solely dedicated to remediating customers. Our FY19 cash earnings includes charges of $1,100 million after tax for additional customer-related remediation[3]. In combination with provisions raised in 2H18 which have not yet been utilised, our provisions for customer-related remediation as at 30 September 2019 total $2,092 million. We now have in place provisions for the estimated costs and customer payments relating to all known material customer-related remediation matters based on information currently available. However, until all customer payments have been completed, the final cost of such remediation matters remains uncertain.

We also need to make sustainable change to avoid the mistakes of the past and get it right for customers every time. Addressing the recommendations contained in the Final Report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry is a key part of this. Of the 76 recommendations, 39 are currently capable of being addressed by NAB. We have completed five of these, and 34 are in progress. In some cases, we had already implemented improvements ahead of the Final Report including ceasing to charge default interest to farmers impacted by drought and removing grandfathered commissions for NAB-employed financial planning advisers[9].

Together with the Royal Commission recommendations, our APRA self-assessment into NAB's Governance, Accountability and Culture provides a roadmap for sustainable change to address shortcomings identified in our management of compliance, conduct and operational risk. It sets out a clear program of reform, with 26 actions we are committed to implementing. As an example, we launched a customer outcomes framework to systematically review our products and processes against a set of principles to embed fairness, simplicity and trust into product design and delivery. This initiative has been the key driver of 185 fees being reduced or removed across Australian Banking and Wealth in FY19. We have introduced SMS reminders for credit card payments to help customers avoid late fees. For customers who have regularly paid on time for the past 12 months we proactively waived late payment fees.

We are now over two years into our three year transformation. Our $1.5 billion targeted additional investment over three years is delivering better outcomes for all our stakeholders. Since the transformation started in September 2017, our focus on becoming simpler, faster and less complex for customers and employees has resulted in 30% fewer products, 30% less over-the-counter transactions and a 17% decrease in calls to our call centres. Over this same period the number of IT legacy applications reduced by 11% while 19% of current IT applications were migrated to more reliable, lower cost cloud platforms.

Cost savings of $480 million were achieved in FY19 bringing total savings since September 2017 to $800 million. These savings in FY19 have allowed us to absorb ongoing investment in better products and services, as well as higher compliance and control costs, while holding FY19 expenses broadly flat, consistent with our target. We continue to target cumulative cost savings of at least $1 billion by 30 September 2020.

Driving a significant uplift in capability and innovation in our already leading SME franchise via our Best Business Bank initiative remains a key part of our accelerated investment. This is supporting continued robust SME business lending of 3.5% over FY19, well ahead of major bank peers. We are increasing the capacity of our bankers to support more complex customer needs with revenue per relationship banker 20% higher since FY17. For our small business customers we are providing better access to banking services via our scalable customer hubs open 7 days a week, plus fast digital access to unsecured lending via Quickbiz, now accounting for 47% of all new small business lending accounts compared with 20% in FY17.

The reshaping of MLC Wealth continues to gain momentum. A new executive team is now largely in place with a new operating model structured around four business pillars: Advice, Platforms, Asset Management and Retirement & Investment Solutions. Significant work is underway to ensure the strength of each pillar. This includes a simpler, more customised advice business, a rebranding and leadership restructure in Asset Management, and more competitive pricing across the business. NAB continues to make progress towards a separation of MLC Wealth, targeting a public markets exit in FY20, together with exploration of alternative transaction structures and options. NAB will take a disciplined approach to the exit of MLC Wealth and will execute a transaction at the appropriate time having regard for the interests of all stakeholders. Any transaction remains subject to market conditions, regulatory and other approvals.

Our final fully franked dividend of 83 cents per share (cps) has been held stable with the 2019 interim dividend, bringing the total for FY19 to 166 cps. This represents a 16% reduction compared with FY18, reflecting a more challenging operating environment with further regulatory change and earnings volatility including additional customer-related remediation, combined with higher levels of capital needing to be held. In conjunction with a decision to partially underwrite and offer a discount on the final 2019 dividend reinvestment plan, we are well placed to meet APRA's 'Unquestionably Strong' capital benchmark by 1 January 2020.

While a gap remains between where we are today and where we need to be, we are making progress with a broad program of reform to change the way we operate and ensure NAB meets customer and community expectations. We know this is essential if we are to achieve our vision of being Australia's leading bank, trusted by customers for exceptional service.

[8] Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 7.
[9] For MLC Wealth superannuation and investment products.

NAB'S ROLE IN THE COMMUNITY

OUR ECONOMIC VALUE DISTRIBUTED

SUPPLIERS	Payments made for the provision of utilities, goods and services.	$5.1bn
COMMUNITY INVESTMENT	Community partnerships, donations, grants, in kind support and volunteering.	$57m
SHAREHOLDERS	$5 billion dollars in dividend payments to more than 573,000 shareholders.	$5.0bn
EMPLOYEES	Employee salaries, superannuation contributions and incentives.	$4.3bn
GOVERNMENTS	Payments made to governments in the form of the Bank Levy ($383 million paid) plus $2,725 million in income taxes, goods and services taxes, fringe benefit taxes and payroll taxes among others.	$3.1bn
	Total Economic Value Distributed[1]	**$17.6bn**

OUR INDIRECT ECONOMIC CONTRIBUTION

$61bn in new home lending.

$87bn in new business lending.

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

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

1. Aligned to the Global Reporting Initiative standards

ECONOMIC OUTLOOK

"Australian economic growth has slowed and is expected to remain below trend in 2020 and 2021, while New Zealand growth has slowed to a modest level. Key dynamics for Australia continue to be weak growth in consumption and a decline in dwelling investment, partly offset by a near term rise in exports and strength in public spending. Business investment is also expected to provide support but there are risks around this outlook. Against this backdrop, the Australian unemployment rate is forecast to edge higher, with only modest support provided by recent fiscal policy changes in addition to the easing in monetary policy."

GROUP PERFORMANCE RESULTS

Cash earnings is a key financial performance measure used by NAB, the investment community and NAB's Australian peers with a similar business portfolio. NAB also uses cash earnings for its internal management reporting, as it better reflects what NAB considers to be the underlying performance of the Group. Cash earnings is not a statutory financial measure, is not presented in accordance with Australian Accounting Standards, and is not audited or reviewed in accordance with Australian Auditing Standards. Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners of NAB for the September 2019 full year is set out on pages 2 to 8 of the 2019 Full Year Results Announcement under the heading "Profit Reconciliation".

	Year to			Half Year to		
	Sep 19 $m	Sep 18 $m	Sep 19 v Sep 18 %	Sep 19 $m	Mar 19 $m	Sep 19 v Mar 19 %
Net interest income[10]	13,614	13,467	1.1	6,838	6,776	0.9
Other operating income[10]	4,814	4,759	1.2	2,372	2,442	(2.9)
Customer-related remediation[11]	(1,207)	(249)	large	(863)	(344)	large
Net operating income	17,221	17,977	(4.2)	8,347	8,874	(5.9)
Operating expenses[12]	(8,155)	(8,126)	0.4	(4,100)	(4,055)	1.1
Customer-related remediation[11]	(364)	(111)	large	(244)	(120)	large
Capitalised software policy change[11]	(494)	-	large	(494)	-	large
Restructuring-related costs[11]	-	(755)	large	-	-	-
Underlying profit	8,208	8,985	(8.6)	3,509	4,699	(25.3)
Credit impairment charge	(919)	(779)	18.0	(470)	(449)	4.7
Cash earnings before tax and distributions	7,289	8,206	(11.2)	3,039	4,250	(28.5)
Income tax expense	(2,109)	(2,404)	(12.3)	(865)	(1,244)	(30.5)
Cash earnings before distributions	5,180	5,802	(10.7)	2,174	3,006	(27.7)
Distributions	(83)	(100)	(17.0)	(31)	(52)	(40.4)
Cash earnings	5,097	5,702	(10.6)	2,143	2,954	(27.5)
Cash earnings (excluding large notable items)[12]	*6,545*	*6,493*	*0.8*	*3,266*	*3,279*	*(0.4)*
Non-cash earnings items (after tax)	(10)	240	large	40	(50)	large
Net profit from continuing operations	5,087	5,942	(14.4)	2,183	2,904	(24.8)
Net loss after tax from discontinued operations[13]	(289)	(388)	(25.5)	(79)	(210)	(62.4)
Net profit attributable to owners of NAB	4,798	5,554	(13.6)	2,104	2,694	(21.9)
Represented by:						
Business and Private Banking	2,840	2,911	(2.4)	1,378	1,462	(5.7)
Consumer Banking and Wealth	1,366	1,539	(11.2)	728	638	14.1
Corporate and Institutional Banking	1,508	1,541	(2.1)	727	781	(6.9)
New Zealand Banking	997	922	8.1	494	503	(1.8)
Corporate Functions and Other[12]	(166)	(420)	(60.5)	(61)	(105)	(41.9)
Customer-related remediation	(1,100)	(261)	large	(775)	(325)	large
Capitalised software policy change	(348)	-	large	(348)	-	large
Restructuring-related costs	-	(530)	large	-	-	-
Cash earnings	5,097	5,702	(10.6)	2,143	2,954	(27.5)

SHAREHOLDER SUMMARY

	Year to			Half Year to		
	Sep 19	Sep 18	Sep 19 v Sep 18	Sep 19	Mar 19	Sep 19 v Mar 19
Group						
Dividend per share (cents)	166	198	(32)	83	83	-
Dividend payout ratio	91.1%	94.1%	(300 bps)	109.9%	77.4%	large
Statutory earnings per share (cents) – basic	168.6	201.3	(32.7)	73.0	95.9	(22.9)
Statutory earnings per share (cents) – diluted	164.4	194.0	(29.6)	71.8	92.1	(20.3)
Statutory earnings per share from continuing operations (cents) – basic	178.9	215.6	(36.7)	75.8	103.5	(27.7)
Statutory earnings per share from continuing operations (cents) – diluted	173.9	207.2	(33.3)	74.4	99.1	(24.7)
Cash earnings per share (cents) – basic	182.2	210.4	(28.2)	75.5	107.2	(31.7)
Cash earnings per share (cents) – diluted	177.0	202.4	(25.4)	74.1	102.5	(28.4)
Statutory return on equity	9.1%	11.2%	(210 bps)	7.8%	10.5%	(270 bps)
Cash return on equity (ROE)	9.9%	11.7%	(180 bps)	8.1%	11.7%	(360 bps)
Group (excluding large notable items)[12]						
Dividend payout ratio	70.9%	82.6%	large	72.1%	69.7%	240 bps
Statutory earnings per share (cents) – basic	229.5	230.5	(1.0)	114.6	114.9	(0.3)
Statutory earnings per share (cents) – diluted	220.7	220.9	(0.2)	110.3	109.6	0.7
Statutory earnings per share from continuing operations (cents) – basic	230.7	244.8	(14.1)	115.4	115.3	0.1
Statutory earnings per share from continuing operations (cents) – diluted	221.8	234.1	(12.3)	111.0	109.9	1.1
Cash earnings per share (cents) – basic	234.0	239.6	(5.6)	115.1	119.0	(3.9)
Cash earnings per share (cents) – diluted	224.9	229.3	(4.4)	110.7	113.3	(2.6)
Statutory return on equity	12.5%	12.8%	(30 bps)	12.3%	12.6%	(30 bps)
Cash return on equity (ROE)	12.7%	13.3%	(60 bps)	12.3%	13.0%	(70 bps)

[10] Excluding customer-related remediation.
[11] Refer to NAB's 2019 Full Year Results Announcement Section 2 Large notable items for further information.
[12] Excluding large notable items customer-related remediation, capitalised software policy change and restructuring-related costs.
[13] Refer to NAB's 2019 Full Year Announcement Note 14 Discontinued Operations for further information.

FOR FURTHER INFORMATION

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DISCLAIMER – FORWARD LOOKING STATEMENTS

This Result Summary and the 2019 Full Year Results Announcement contain statements that are, or may be deemed to be, forward looking statements. These forward looking statements may be identified by the use of forward looking terminology, including the terms "believe", "estimate", "plan", "project", "anticipate", "expect", “target”, "intend", “likely”, "may", "will", “could” or "should" or, in each case, their negative or other variations or other similar expressions, or by discussions of strategy, plans, objectives, targets, goals, future events or intentions. Indications of, and guidance on, future earnings and financial position and performance are also forward looking statements. You are cautioned not to place undue reliance on such forward looking statements. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

This Result Summary and the 2019 Full Year Results Announcement describe certain initiatives relating to the Group’s strategic agenda (“Program”), including certain forward looking statements. These statements are subject to a number of risks, assumptions and qualifications, including: (1) detailed business plans have not been developed for the entirety of the Program, and the full scope and cost of the Program may vary as plans are developed and third parties engaged; (2) the Group’s ability to execute and manage the Program in a sequenced, controlled and effective manner and in accordance with the relevant project and business plan (once developed); (3) the Group’s ability to execute productivity initiatives and realise operational synergies, cost savings and revenue benefits in accordance with the Program plan (including, in relation to CTI and ROE targets, the extension of improvements beyond the current Program plan); (4) the Group’s ability to meet its internal net FTE reduction targets; (5) the Group’s ability to recruit and retain FTE and contractors with the requisite skills and experience to deliver Program initiatives; (6) there being no significant change in the Group’s financial performance or operating environment, including the economic conditions in Australia and New Zealand, changes to financial markets and the Group’s ability to raise funding and the cost of such funding, increased competition, changes in interest rates and changes in customer behaviour; (7) there being no material change to law or regulation or changes to regulatory policy or interpretation, including relating to the capital and liquidity requirements of the Group; (8) for the purpose of calculating FTE cost savings and redundancy costs, the Group has assumed an average FTE cost based on Group-wide averages, and such costs are not calculated by reference to specific productivity initiatives or individual employee entitlements; and (9) NAB’s proposed divestment of its wealth management businesses (excluding JBWere and nabtrade) may have an impact on the timing, scope and cost of the Program, however the impact cannot be quantified at this time.

Further information on important factors that could cause actual results to differ materially from those projected in such statements is contained in the Group’s Luxembourg Transparency Law disclosures released to the ASX on 2 May 2019 and the Group’s Annual Financial Report for the 2019 financial year, which will be available at www.nab.com.au on 15 November 2019.