

THIRD QUARTER TRADING UPDATE 2019



Paul and Belinda Adams
Coastal Hydroponics
NAB customer

The June 2019 quarter results are compared with the quarterly average of the March 2019 half year results for continuing operations (excluding customer-related remediation) unless otherwise stated. Cash and statutory earnings are rounded to the nearest \$50 million. Revenue, expenses and asset quality are expressed on a cash earnings basis.

3Q19 FINANCIAL HIGHLIGHTS

\$1.70^{BN}

Unaudited statutory net profit

\$1.65^{BN}

Unaudited Cash earnings¹

1.0%

Cash earnings growth Vs 3Q18

10.4%

Group Common Equity Tier 1 ratio (CET1)

“ Against the backdrop of a challenging operating environment, including subdued home lending growth, our 3Q19 performance compared with the 1H19 quarterly average is solid, with revenue increasing and costs flat.

Our transformation remains on track, with SME lending growth over the quarter again a highlight as our ‘Best Business Bank’ initiatives deliver better customer outcomes. Our focus on being simpler and faster for our customers has resulted in a 27% reduction in over-the-counter transactions and an 18% reduction in call centre volumes since the transformation began.

As previously highlighted, customer remediation programs and regulatory compliance investigations are continuing with potential for additional costs. While amounts and timing remain uncertain, additional provisions are expected to be recognised in 2H19, including for adviser service fees for self-employed advisers.²

In July we announced the appointment of Ross McEwan as NAB’s new CEO³. Ross is an experienced banker with a track record for delivering the change required to be the bank we want to be for customers and restore community trust. ”

PHILIP CHRONICAN - NAB CEO

OPERATING PERFORMANCE

- Compared with the 1H19 quarterly average, cash earnings were up 1% (excluding customer-related remediation)
 - Revenue was up 1% reflecting growth in SME lending and a slightly higher group margin;
 - Net interest margin increased primarily due to lower short-term wholesale funding costs;
 - Expenses were flat given ongoing productivity savings from the transformation program, compensating for higher compliance and risk costs.

BACKING OUR CUSTOMERS & THE COMMUNITY

- Priority Segments Net Promoter Score (NPS)⁴ improved from -17 in March to -14 in June with NAB ranked equal first of the major banks.
- Launched an initiative from February to simplify and reduce fees, with 67 fees removed by the end of June.
- Pledged \$2 billion of funding over five years to help emerging technology companies build and grow their businesses.
- Announced a partnership with ClimateWorks Australia to enable farmers to adopt sustainable and profitable land management practices.

¹ Refer note on cash earnings on page 3.

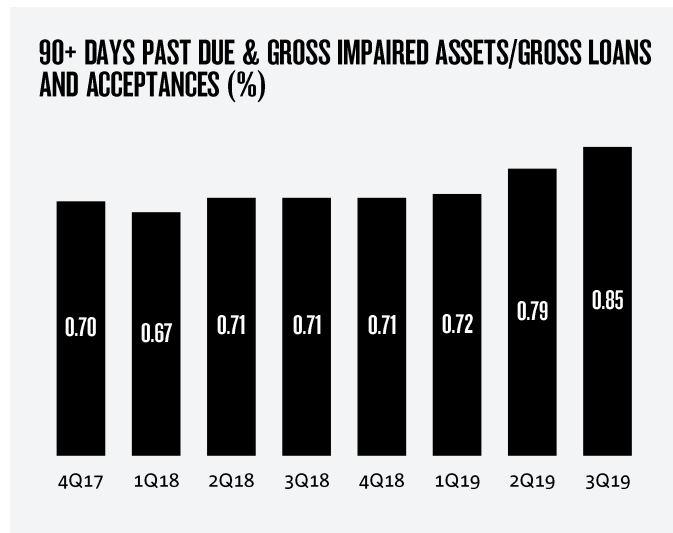
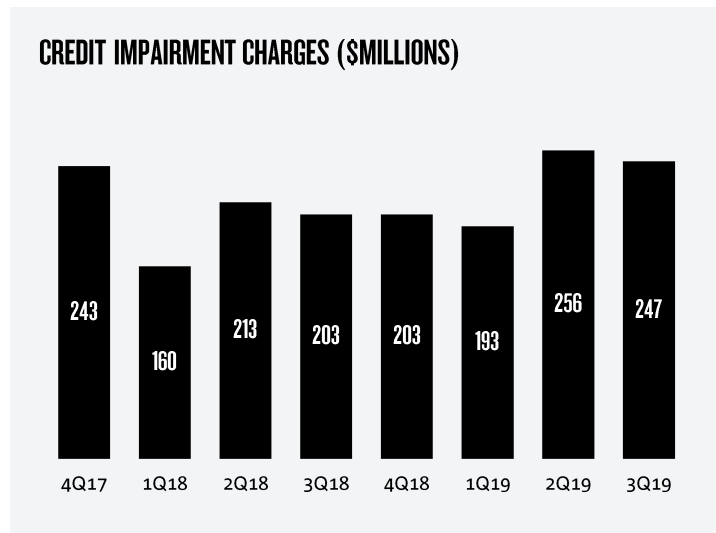
² Refer to Note 13 of the Financial Statements in NAB’s 2019 Half Year Results for further detail on disclosed items. The outcome of these items and other continuing regulatory investigations and customer remediation programs remain uncertain. Further detail will be provided with NAB’s 2019 Full Year Results.

³ Ross McEwan will start with NAB once his obligations to his current employer have been discharged, no later than April 2020. The appointment is subject to regulatory approvals.

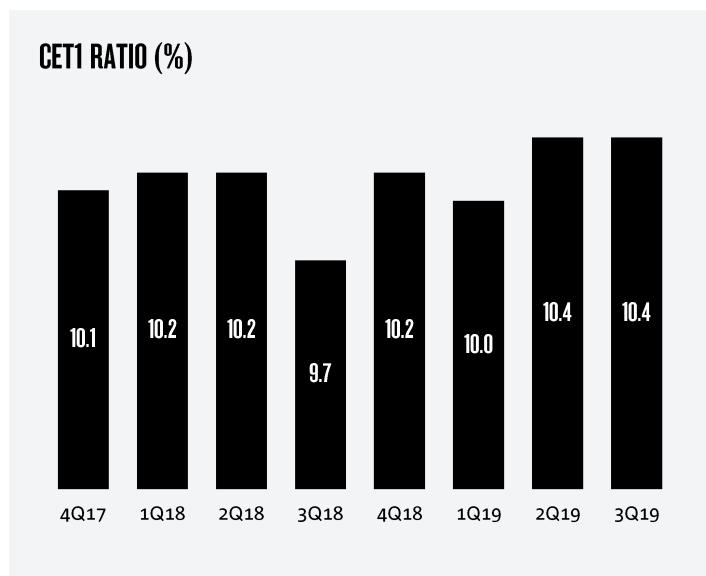
⁴ Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Priority Segment Net Promoter Score (NPS) is a simple average of the NPS scores of four priority segments: Home Owners, Investors, Small Business (\$0.1m-<\$5m) and Medium Business (\$5m-<\$50m). The Priority Segments NPS data is based on six month moving averages from Roy Morgan Research and DBM BFSM Research.

ASSET QUALITY

- Credit impairment charges increased 10% to \$247 million compared with the 1H19 quarterly average. The ratio of collective provisions to credit risk weighted assets increased 2 basis points (bps) to 96bps from March to June.
- The ratio of 90+ days past due and gross impaired assets to gross loans and acceptances increased from 0.79% to 0.85%, largely due to rising Australian mortgage delinquencies. Asset quality overall remains broadly sound.



CAPITAL, FUNDING & LIQUIDITY



KEY RATIOS AS AT 30 JUNE 2019

- Group Common Equity Tier 1 (CET1) ratio of 10.4%, compared with 10.4% at March 2019, but excludes \$1 billion (25bps of CET1) of 1H19 Dividend Reinvestment Plan underwrite proceeds, which were received in July.
- Leverage ratio (APRA basis) of 5.4%.
- Liquidity Coverage Ratio (LCR) quarterly average of 128%.
- Net Stable Funding Ratio (NSFR) of 113%.

FOR FURTHER INFORMATION

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DISCLAIMER – FORWARD LOOKING STATEMENTS

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

Page 1 of this announcement describes certain initiatives relating to the Group's strategic agenda, including certain forward-looking statements which were first announced at the Group's 2017 Full Year Results Announcement. These statements are subject to a number of risks, assumptions and qualifications. Please refer to the Group's 2019 Half Year Results Announcement for an updated description of the key risks, assumptions and qualifications.

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 2018 Annual Financial Report, which is available at www.nab.com.au.

NOTE ON CASH EARNINGS

The Group's results are presented on a cash earnings basis, unless otherwise stated. Cash earnings is a key financial performance measure used by NAB, the investment community and NAB's Australian peers with a similar business portfolio. NAB also uses cash earnings for its internal management reporting, as it better reflects what NAB considers to be the underlying performance of the Group. It is not a statutory financial measure, is not presented in accordance with Australian Accounting Standards, and is not audited or reviewed in accordance with Australian Auditing Standards. Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners of NAB for the half year ended 31 March 2019 is set out on pages 2 to 7 of the 2019 Half Year Results Announcement under the heading "Profit Reconciliation". The Group's financial statements, prepared in accordance with the Corporations Act 2001 (Cth) and Australian Accounting Standards, and reviewed by the auditors in accordance with Australian Auditing Standards, were published in the Group's 2019 Half Year Results Announcement.