

# HALF YEAR RESULTS 2017



## Investor Presentation

4 May 2017

### **Andrew Thorburn**

Group Chief Executive Officer

### **Gary Lennon**

Chief Financial Officer





# NAB 2017 HALF YEAR 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 138 for legal disclaimer.

Financial information in this presentation is based on cash earnings, which is not a statutory financial measure. Refer to page 37 for definition and reconciliation to statutory net profit/loss.

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# OVERVIEW

**ANDREW THORBURN**  
Group Chief Executive Officer

# IMPROVING PERFORMANCE

## 1H17 v 1H16<sup>1</sup>

Cash earnings (\$m) <sup>2</sup>	3,294	↑	2.3%
Cash EPS (cps - diluted)	119.6	↑	2.1%
Dividend (cps)	99	↔	flat
Cash ROE	14.0%	↓	30bps
Statutory profit (\$m)	2,545	↑	large
CET1	10.1%	↑	42bps

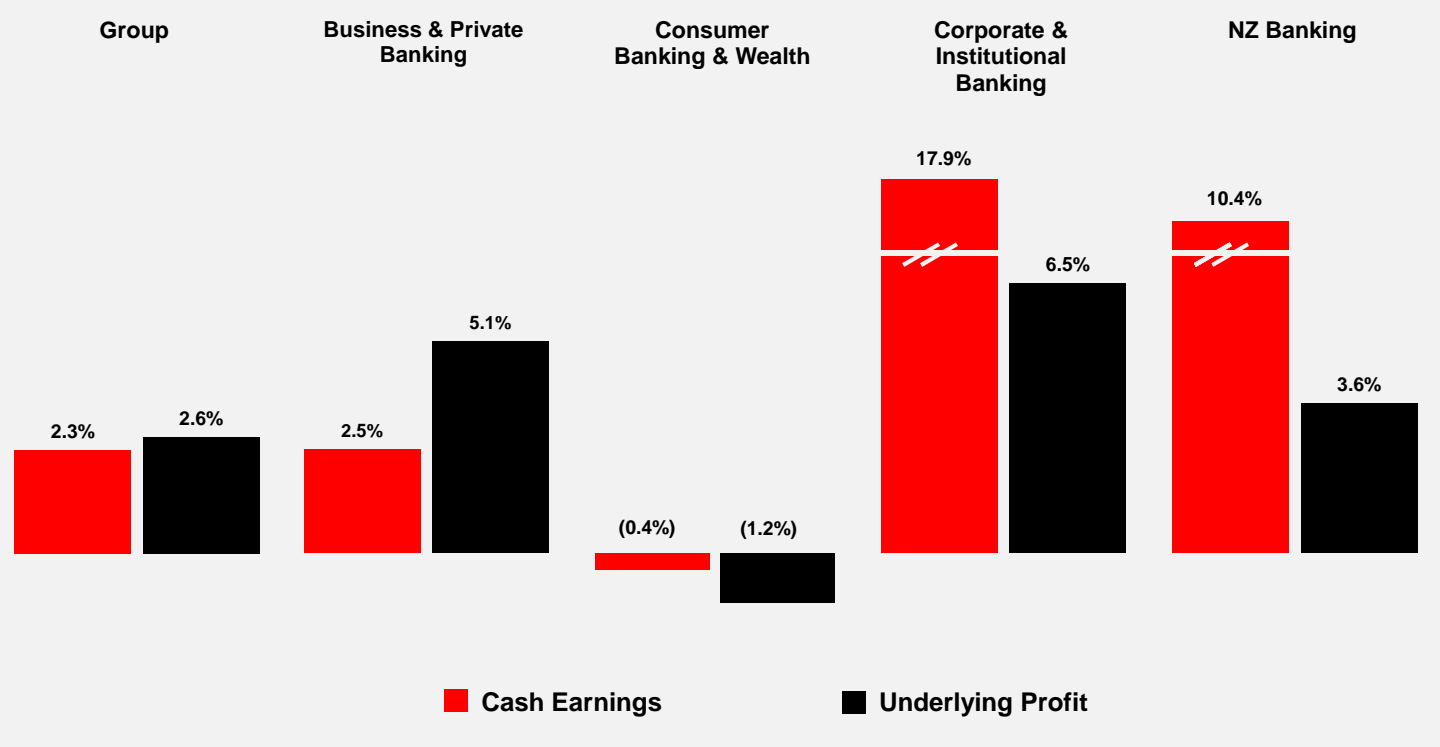
(1) Information is presented on a continuing operations basis including prior period restatements, unless otherwise stated  
 (2) Refer to page 37 for definition of cash earnings and reconciliation to statutory net profit



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# SOLID CONTRIBUTIONS ACROSS AUSTRALIA AND NEW ZEALAND

## CASH EARNINGS<sup>1</sup> AND UNDERLYING PROFIT<sup>2</sup> GROWTH (LOCAL CURRENCY) 1H17 v 1H16



(1) Refer to page 37 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 bad and doubtful debts. It is not a statutory financial measure



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National Australia Bank

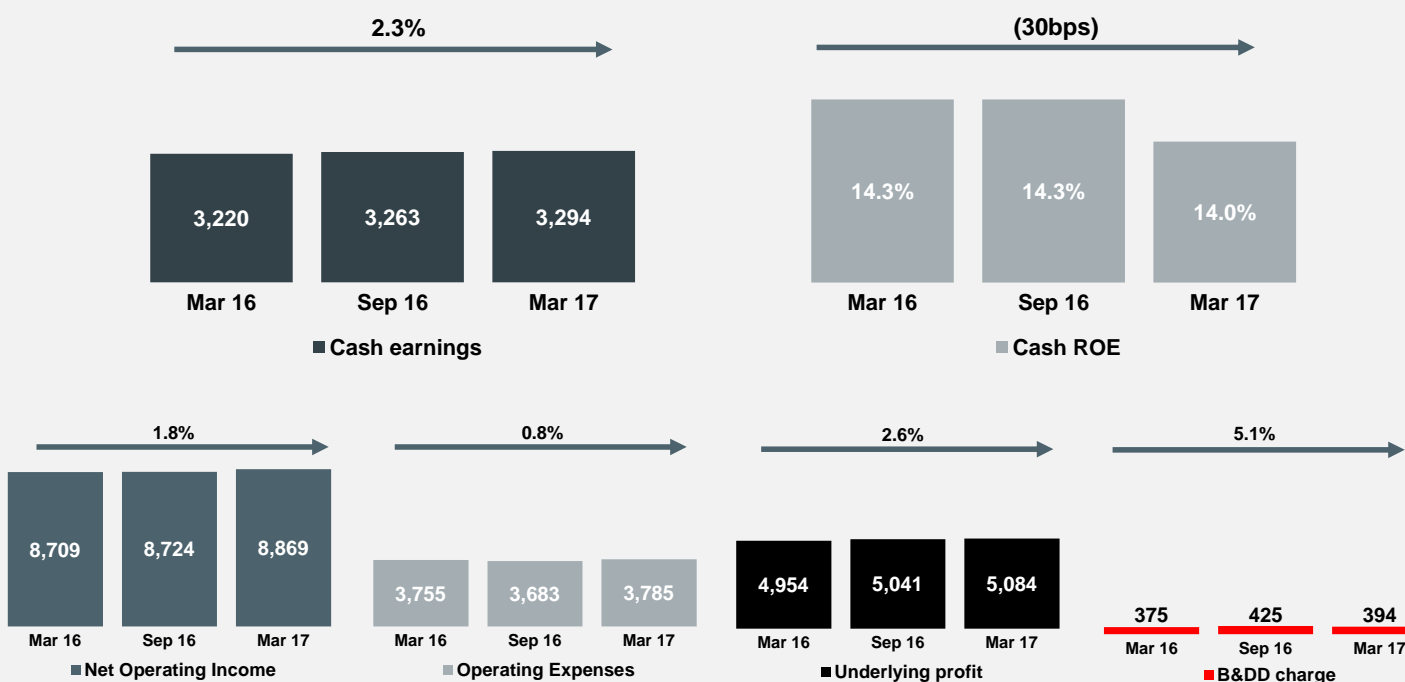
# 1H17 FINANCIALS

**GARY LENNON**  
Chief Financial Officer

## GROUP FINANCIAL PERFORMANCE

### GROWTH BY KEY FINANCIAL INDICATORS 1H17 v 1H16

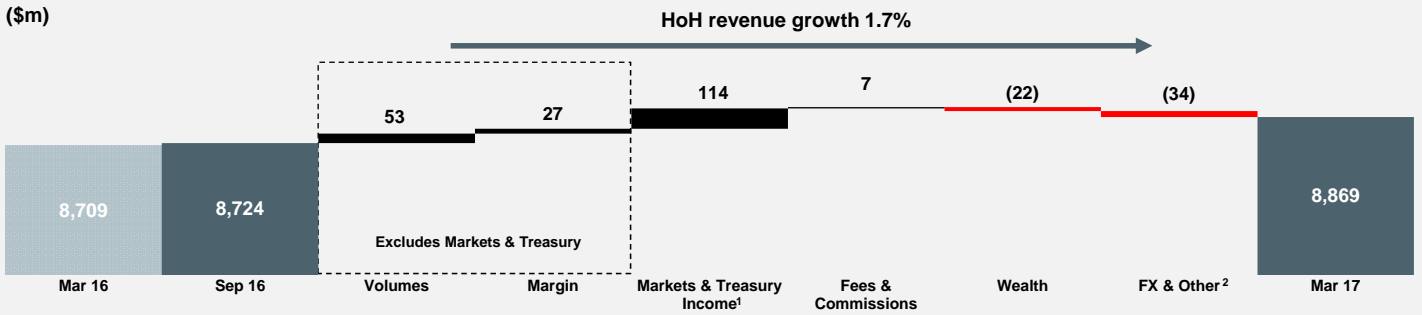
(\$m)



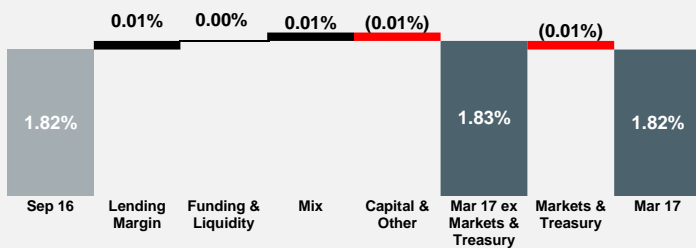
National Australia Bank

# STABLE NET INTEREST MARGIN & GOOD TRADING PERFORMANCE

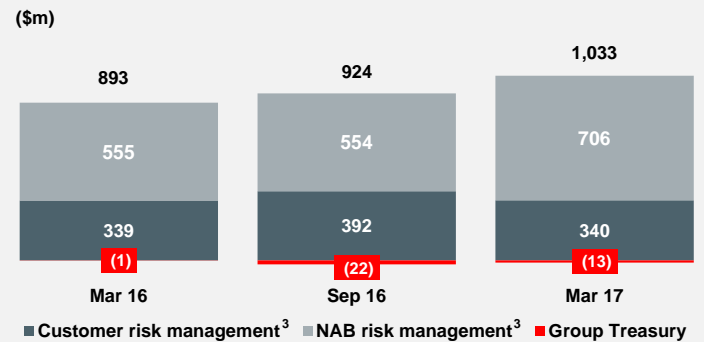
## NET OPERATING INCOME



## GROUP NET INTEREST MARGIN



## MARKETS & TREASURY INCOME



(1) Excludes FX and Fees & Commissions

(2) Other largely relates to unfavourable foreign exchange and earnings on capital movements

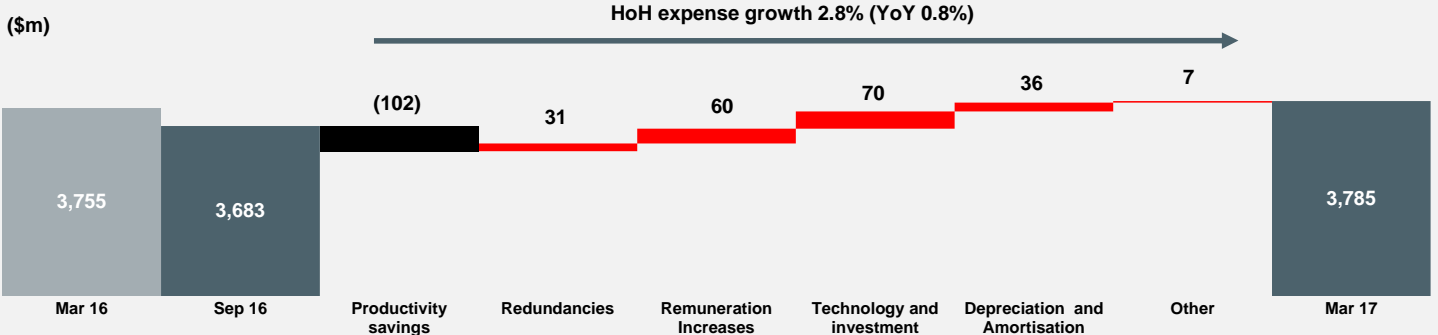
(3) NAB risk management comprises NII and OOI and is defined as management of interest rate risk in the banking book, wholesale funding and liquidity requirements and trading market risk to support the Group's franchises. Customer risk management comprises OOI

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# OPERATING EXPENSE GROWTH WELL CONTAINED

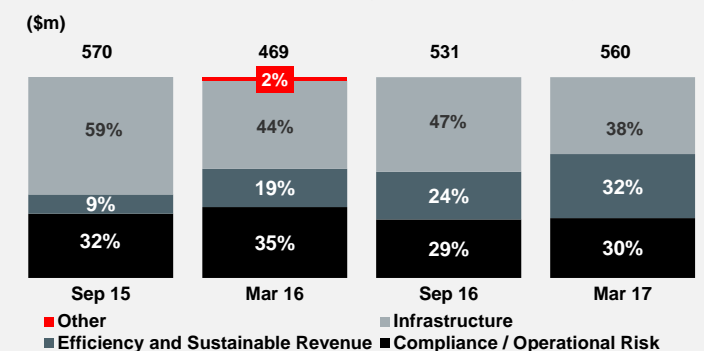
## OPERATING EXPENSES



## OPERATING EXPENSES CONSIDERATIONS

- Productivity savings delivered in 1H17 of \$102m
- 711 FTE reduction in 1H17 (2% decline)
- FY17 considerations
  - Targeting productivity savings of >\$200m pa
  - Investment spend and D&A likely to increase
  - Targeting positive 'jaws'

## PROJECT INVESTMENT SPEND (OPEX AND CAPEX)

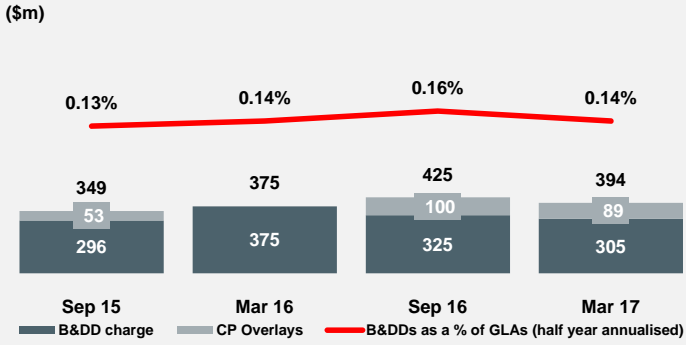


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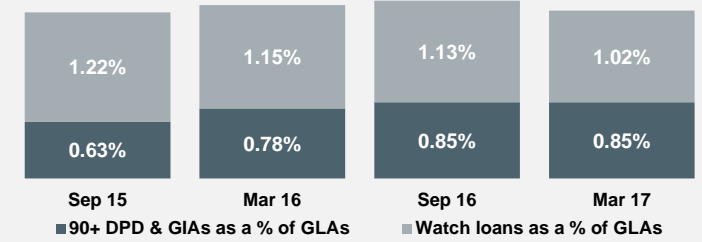


# ASSET QUALITY SOUND

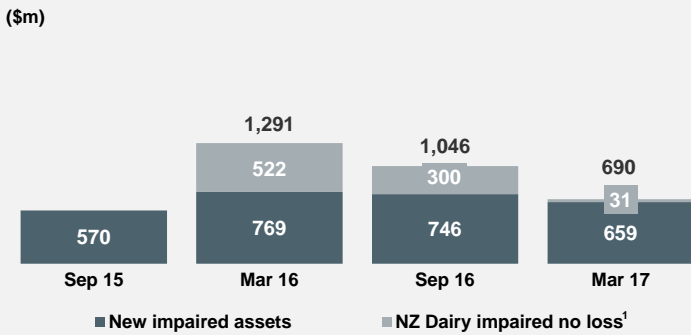
## BAD & DOUBTFUL DEBTS (B&DD)



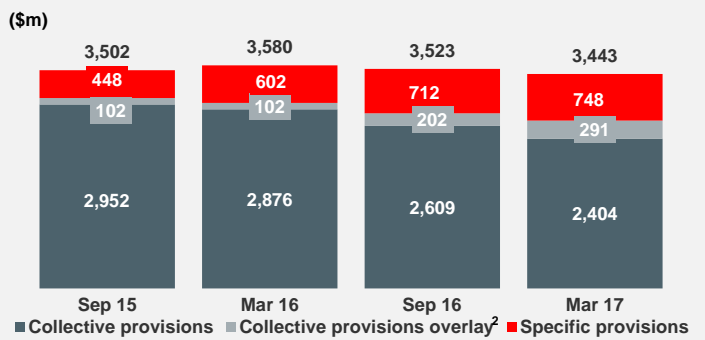
## 90+ DPD, GIAs & WATCH LOANS AS A % OF GLAs



## NEW IMPAIRED ASSETS



## COLLECTIVE AND SPECIFIC PROVISIONS

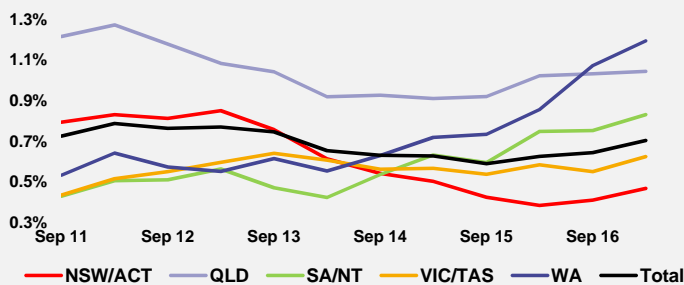


(1) NZ Banking dairy exposures currently assessed as no loss based on security held. Collective provisions are held against these loans  
 (2) Represents CP overlays held for commercial real estate, agriculture, mining and mining related sectors

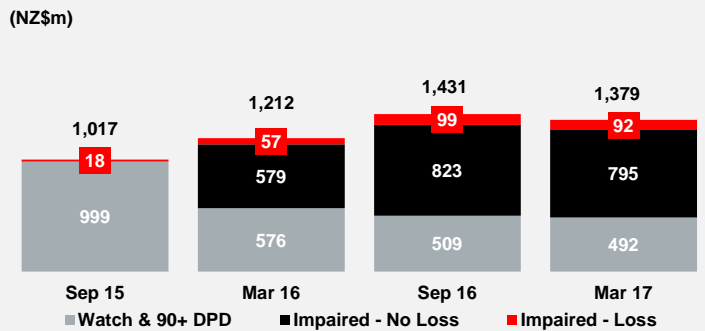


# ASSET QUALITY AREAS OF INTEREST

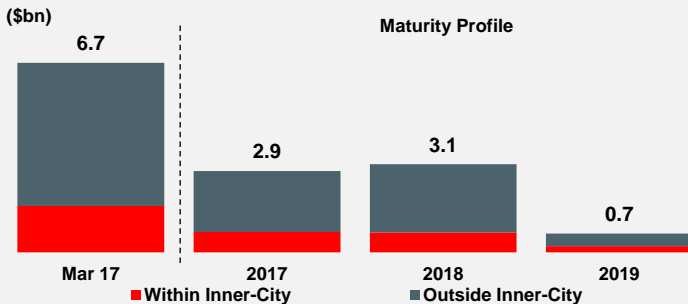
## AUSTRALIAN MORTGAGES 90+ DPD & GIAs AS % GLAs



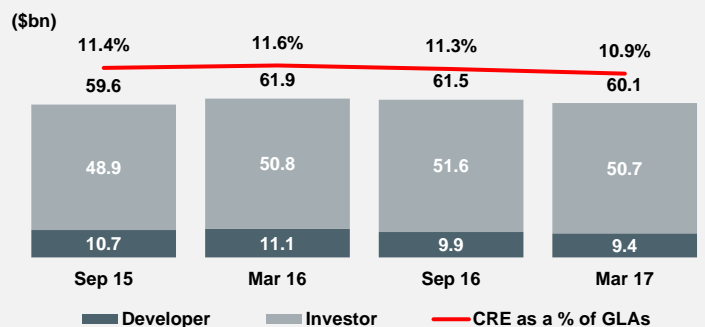
## NZ DAIRY PORTFOLIO BY CATEGORISATION



## AUSTRALIAN RESIDENTIAL DEVELOPMENT EXPOSURE & MATURITY<sup>1</sup>



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

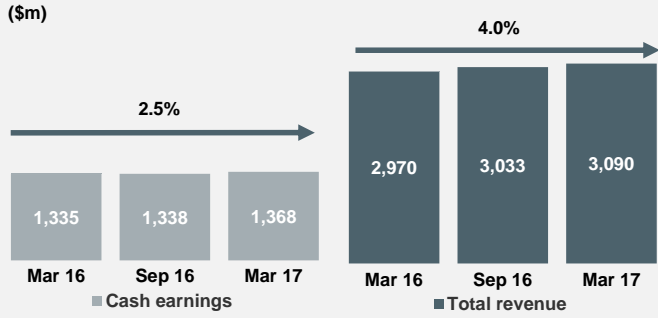


(1) Measured as limits for transactions >\$2m, including those that are well advanced but yet to draw-down. 'Inner-city' includes CBD and adjoining postcodes, along with Waterloo/Zetland in Sydney  
 (2) Measured as balance outstanding per APRA Commercial Property ARF 230 definitions

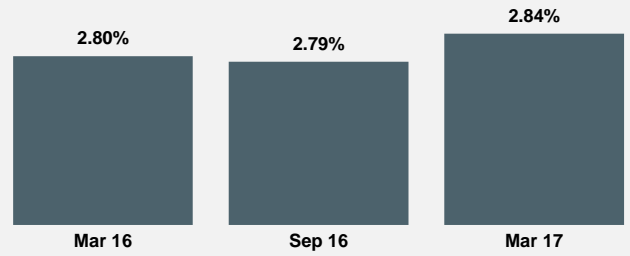


# BUSINESS & PRIVATE BANKING

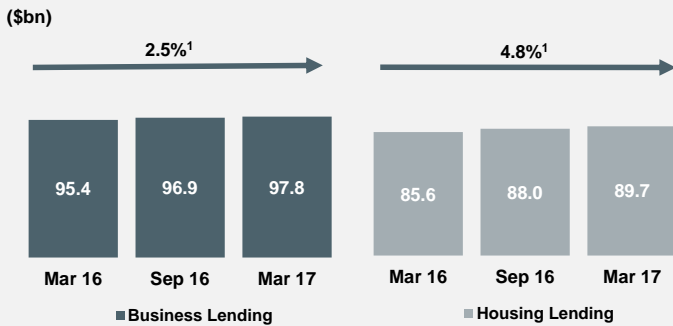
## CASH EARNINGS AND REVENUE



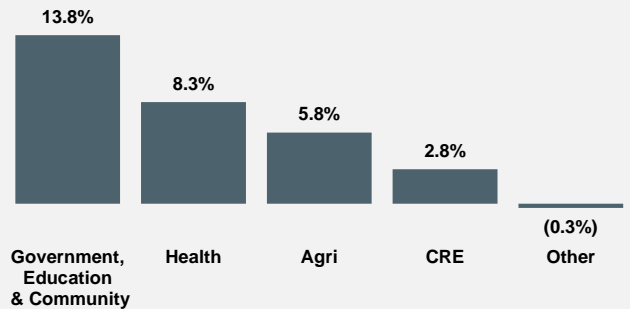
## NET INTEREST MARGIN



## BUSINESS & HOUSING LENDING GLAs



## STRONG SPECIALISED BUSINESS LENDING GROWTH (YOY)<sup>2</sup>

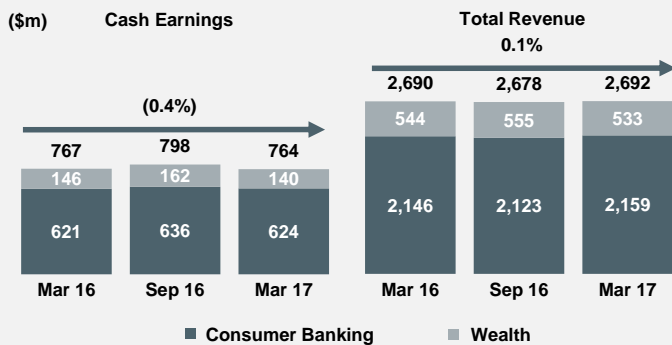


- (1) Includes \$660m reclassification of business lending to housing lending at September 2016  
 (2) Growth rates are on a customer segment basis and not industry

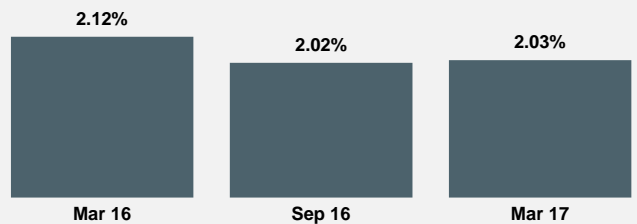


# CONSUMER BANKING & WEALTH

## CASH EARNINGS AND REVENUE



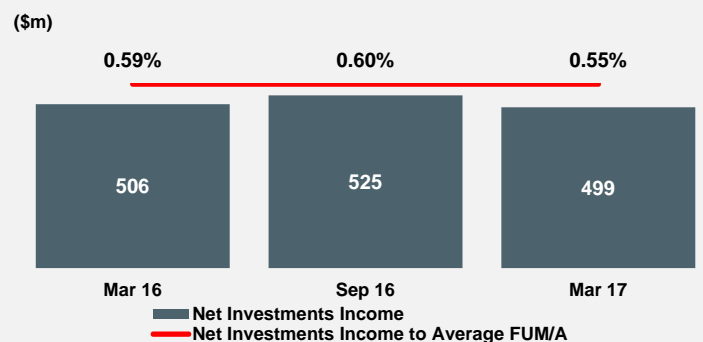
## NET INTEREST MARGIN



## HOUSING LENDING FRONT BOOK SVR DISCOUNT<sup>1</sup>



## NET INVESTMENTS INCOME TO AVERAGE FUM AND FUA<sup>2</sup>

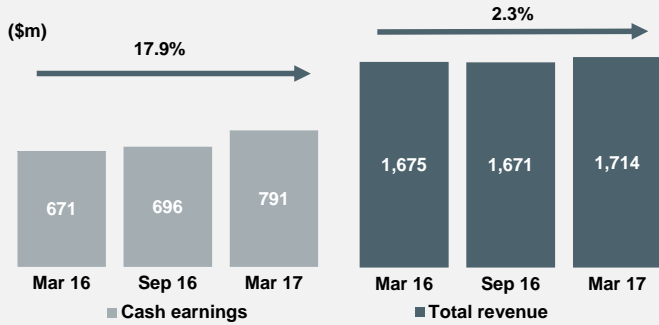


- (1) SVR is Standard Variable Rate. Discount represents monthly weighted average. Variable rate loans only. Excludes UBank and Advantagedge  
 (2) Funds Under Management and Funds Under Administration on a proportional ownership basis

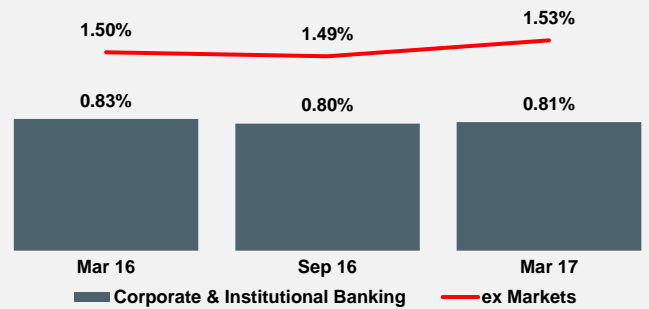


# CORPORATE & INSTITUTIONAL BANKING

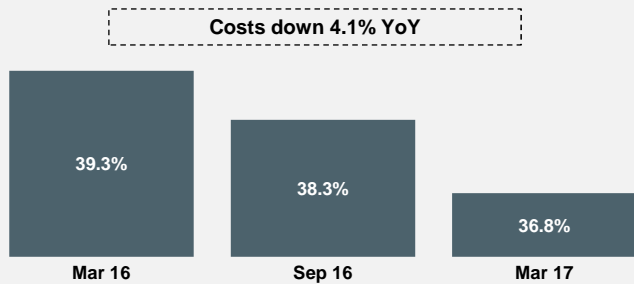
## CASH EARNINGS AND REVENUE



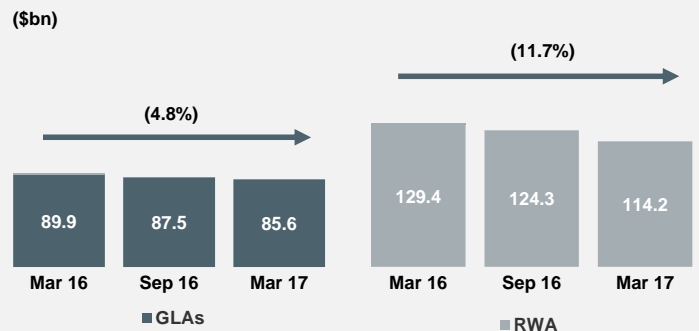
## NET INTEREST MARGIN



## COST-TO-INCOME RATIO



## GLAs AND RWAs

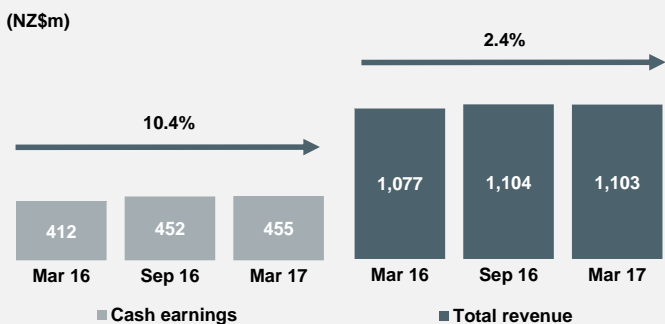


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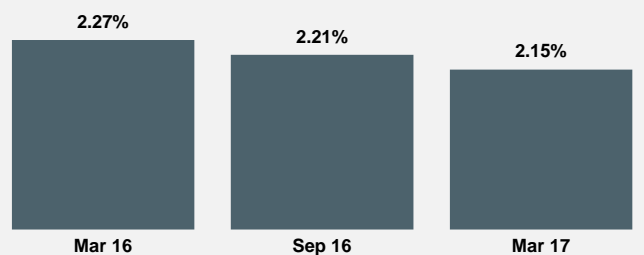


# NZ BANKING

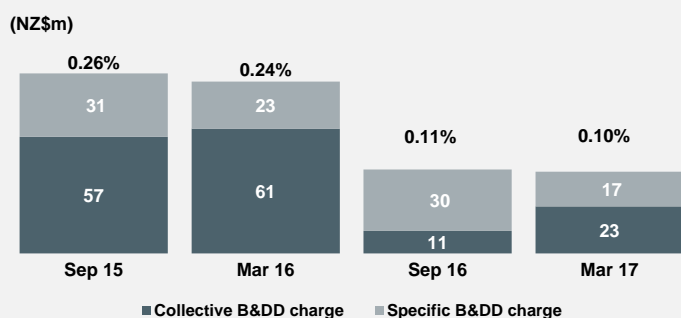
## CASH EARNINGS AND REVENUE



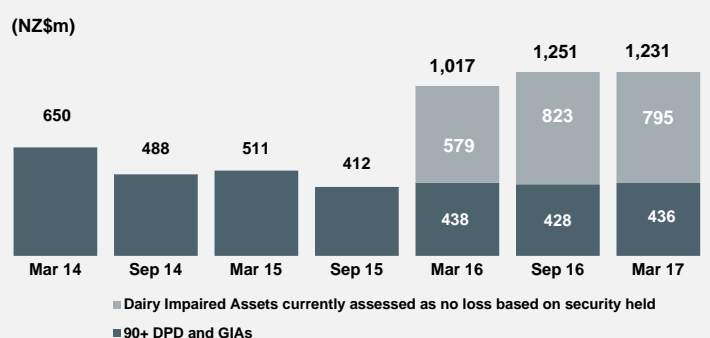
## NET INTEREST MARGIN



## BAD & DOUBTFUL DEBT CHARGE AND AS A % OF GLAs<sup>1</sup>



## TOTAL 90+ DPD AND GIAs



(1) Half year B&DD as a % of GLAs annualised

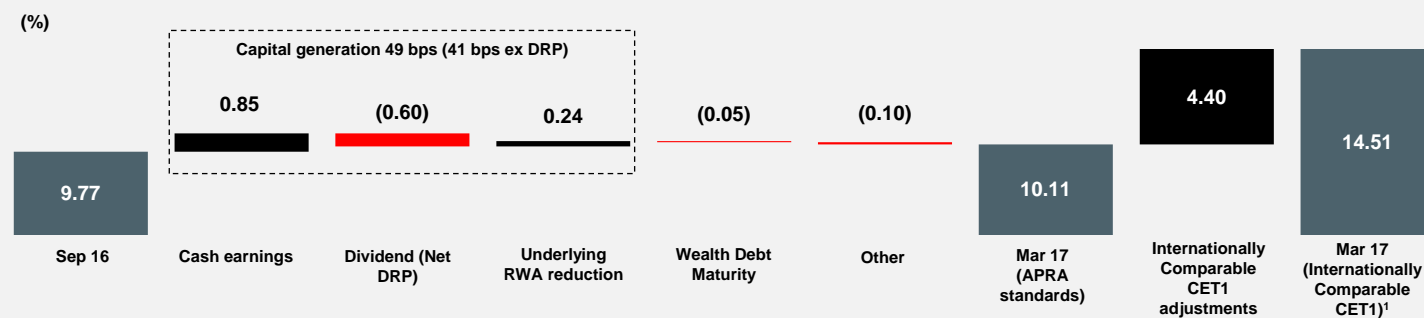
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# STRONG CAPITAL AND FUNDING POSITION

## GROUP BASEL III COMMON EQUITY TIER 1 CAPITAL RATIOS



### CAPITAL CONSIDERATIONS

- CET1 ratio operating target range of 8.75% – 9.25%
- Leverage ratio 5.5% on APRA basis and 5.9% on Internationally Comparable basis<sup>1,2</sup>
- Internationally Comparable CET1 ratio up 51bps in 1H17 to 14.5% – comfortably within top quartile of global peers
- Mortgage model changes in 2H17 expected to reduce CET1 by ~19bps
- \$490m (13bps) of maturing NWMH debt will not impact CET1 in 1H18 following revisions to Level 2 structure

### NET STABLE FUNDING RATIO

- NAB Group NSFR is 108%
- Minimum 100% compliance required by 1 January 2018

### LIQUIDITY COVERAGE RATIO

- NAB Group LCR is 122%
- Minimum 100%

(1) Internationally Comparable CET1 ratio at 31 March 2017 aligns with the APRA study entitled "International Capital Comparison Study" released on 13 July 2015. Refer to appendix page 102 for more detail

(2) Leverage ratio calculated using an Internationally Comparable Tier 1 capital measure, including transitional relief for non-Basel 3 compliant instruments



## SUMMARY

- Disciplined 1H17 performance – managing volume trade-offs
- Stable NIM
- Productivity savings of >\$200m for FY17 on track
- Asset quality remains very strong – \$291m of CP overlays
- NSFR of 108% well above minimum
- Good organic capital generation – CET1 ratio now >10%





# STRATEGIC PRIORITIES

**ANDREW THORBURN**  
Group Chief Executive Officer

## OUR STRATEGIC FOCUS

### VISION

**AUSTRALIA AND NEW ZEALAND'S MOST RESPECTED BANK**

### OBJECTIVES

Our customers are advocates

Generating attractive returns

Engaged people

### TARGETS

**NPS** – #1 vs major bank peers<sup>1</sup>

**TSR**<sup>2</sup> – #1 vs major bank peers

**ROE** – #1 for ROE improvement vs major bank peers

**Top quartile engagement** of Australian and New Zealand companies

### EXECUTION

Deliver a great customer experience

Deepen relationships in priority customer segments

Reshape our business to perform

Be known for great leadership, talent and people

### FOUNDATION

Strong balance sheet

Risk management

Technology

(1) In priority customer segments

(2) TSR = Total Shareholder Return as measured against a peer group of the Top Financial Services companies listed at <http://www.nabgroup.com>



# RAPIDLY CHANGING ENVIRONMENT

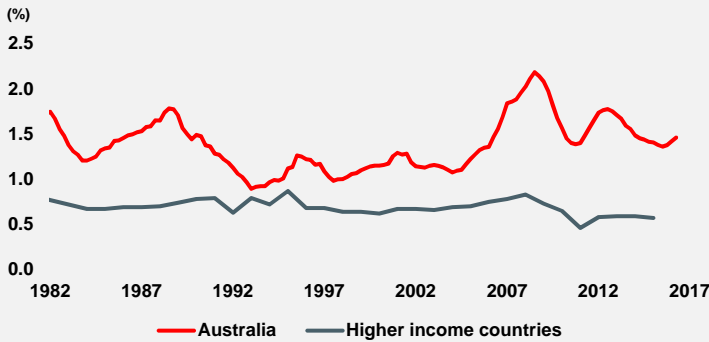
## OPERATING ENVIRONMENT RISKS & CHALLENGES

- Regulatory changes
- Historically high levels of household debt
- Digital disruption
- Changing customer and public expectations

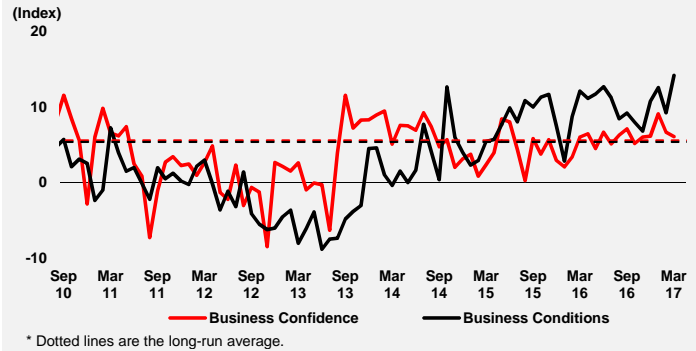
## OPERATING ENVIRONMENT OPPORTUNITIES

- Business conditions at 9 year high
- Strong population growth
- Economic growth outlook solid - 2.3% (CY17F)
- Low unemployment - 5.8% (CY17F)

## POPULATION GROWTH (YoY)<sup>1</sup>



## NAB BUSINESS CONDITIONS AND CONFIDENCE<sup>2</sup>



(1) Source: ABS, World Bank, NAB  
 (2) Source: NAB Monthly Business Survey

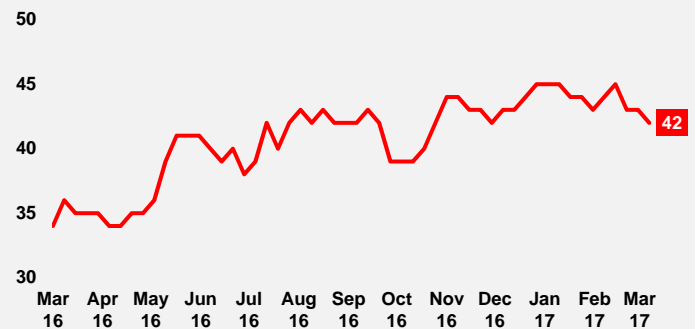


# CUSTOMER FOCUS

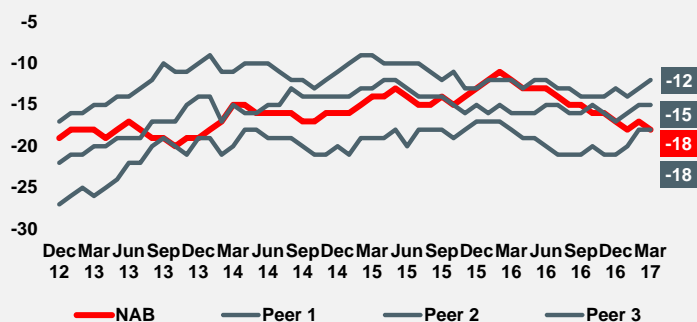
## OVERVIEW

- Sustained commitment to improving customer advocacy
  - Roll out of NPS throughout bank
  - Regular and disciplined use of data as part of management practices
- Promising signs with operational NPS
- Further improvement needed in strategic NPS

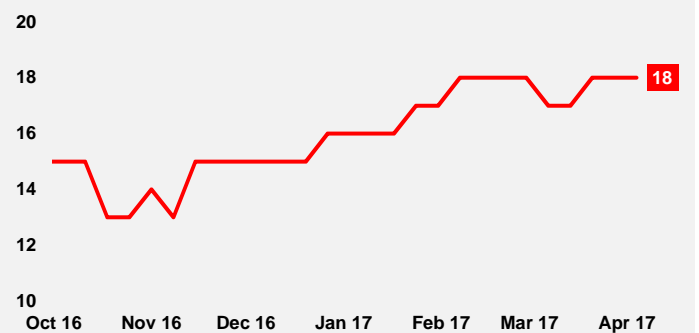
## BRANCH INTERACTION NPS



## FY17 PRIORITY SEGMENT NPS<sup>1,2</sup>



## NAB BUSINESS RELATIONSHIP NPS



(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: 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$$



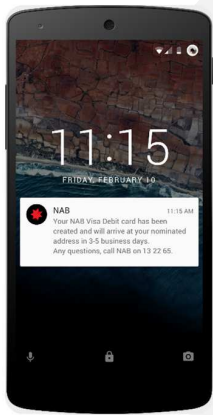
# CUSTOMER JOURNEYS

Currently redesigning 5 major customer journeys to enhance the end-to-end customer experience, with expected benefits of:

- NPS increase of >20
- Costs savings of ~20%
- Revenue benefits – 30% improvement in conversion rates

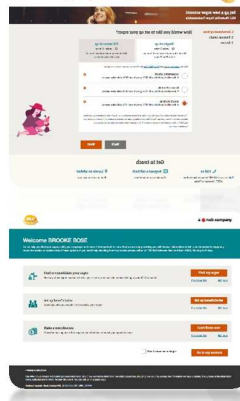
Will deliver further 10 redesigned customer journeys over the next 2 years

## EVERYDAY ACCOUNT ONBOARDING: PAPERLESS & 'FULLY DIGITAL'



- **Card & Pin self-activation** front end built; full deployment to customers by September
- **500,000 customers annually notified** via SMS of account and card status
- **Simplified and enhanced application and onboarding**
  - Intuitive product comparison feature
  - Faster and easier application experience (time reduced to 7mins)
  - Discontinued deposit books

## PLANNING FOR YOUR RETIREMENT: EASIER, SIMPLER, FASTER



- Enhanced superannuation **digital application and onboarding experience**
- 'Next Actions' on digital portal to help **customers better understand their retirement options**
- **E-forms prefilled** with existing customer data
- **Simplification of paper application and onboarding process:** reduced forms from 15 to 3 pages



# BUSINESS & PRIVATE BANKING: LEVERAGING MARKET LEADERSHIP

## OUR FOCUS

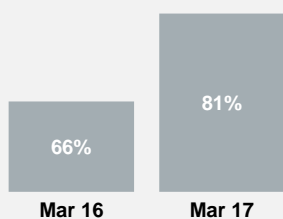
- Build on strong position in high returning sectors
  - #1 Small<sup>1</sup>, Medium<sup>1</sup> & Agri<sup>2</sup>
- Deepen and expand industry specialisation
- Banker disciplines and incentives focused on total customer needs and returns
- Simplification and digitisation

## DIGITAL DRIVING QUICKER APPROVAL TIMES

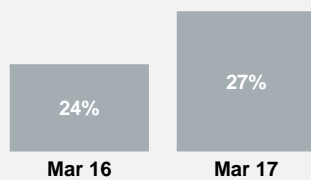
- Enhanced Lending Application (ELA) for bankers
  - Up to \$2m pre-qualified lending limits to ~93k eligible customers
  - Up to \$56bn funds available
  - On the spot approval
- QuickBiz Loans for small businesses
  - Up to \$50k unsecured lending
  - Application and decisioning under 5 mins

## FOCUSED ON BANKER DISCIPLINES

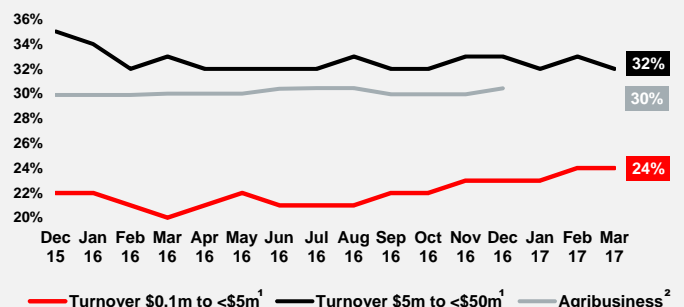
Fee collection rates<sup>3</sup>



Customers with a NAB Markets product



## SMALL, MEDIUM AND AGRI BUSINESS MARKET SHARE



(1) March 2017. 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. Small Business (\$0.1m-<\$5m) and Medium Business (\$5m-<\$50m)  
 (2) December 2016. NAB APRA submission / RBA System  
 (3) Represents front book line service fee collection rates. Line service fees represent over 60% of total BPB lending related fee income

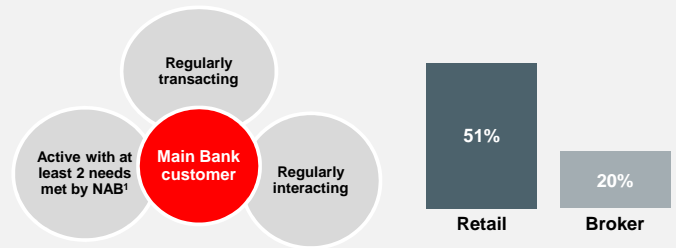


# CONSUMER BANKING & WEALTH: MAIN BANK OPPORTUNITY

## OUR FOCUS

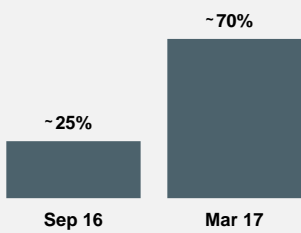
- Grow share and improve efficiency
  - Leverage digital investment and PBOP benefits
  - Optimise branch distribution
- Manage margin through better use of analytics
- Fulfil more customer needs
  - Grow 'Main Bank' customers
  - Provide a seamless Bank-Wealth experience

## MAIN BANK CUSTOMERS



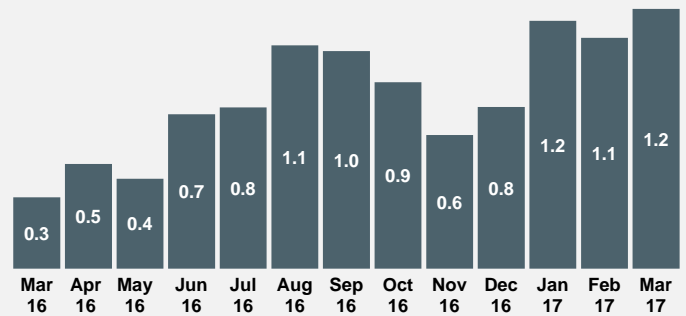
## MORTGAGE PRICING TOOL – LAUNCHED DECEMBER 2016

% customers receiving 'on the spot' mortgage pricing



- Customers receive 'on the spot' pricing
- Better pricing via improved analytics
- Bankers empowered to improve customer experience and margin outcomes

## HOUSING LENDING MULTIPLE OF SYSTEM GROWTH<sup>2</sup>



(1) The customer has at least two of the following: active credit card, active savings account, home loan, personal loan, term deposit, general insurance, NAB mortgage protection.  
 (2) APRA Financial System - Lending to households

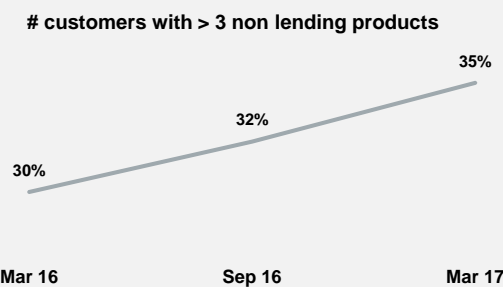


# CORPORATE & INSTITUTIONAL BANKING: DISCIPLINED GROWTH

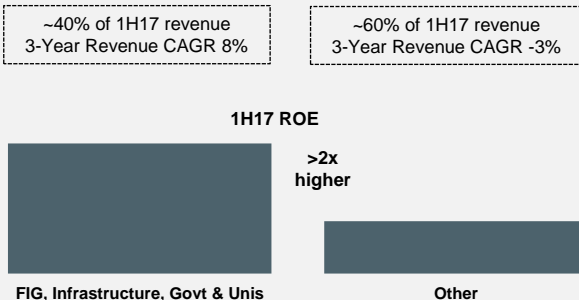
## OUR FOCUS

- Enhance strong positions in higher growth and higher returning sectors – FIG, Infrastructure, Govt & Unis, risk management
- Simplification, streamlining and digitisation
- Connecting investors and borrowers via innovative capital-lite solutions
- Disciplined use of balance sheet

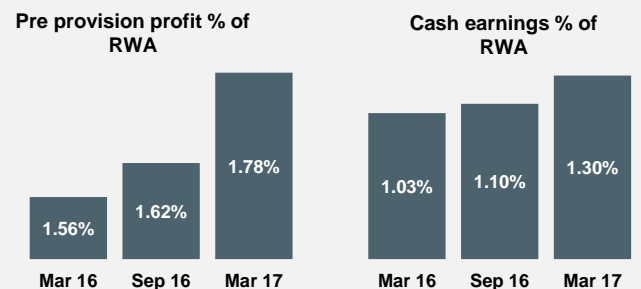
## CUSTOMER SOLUTIONS, NOT BALANCE SHEET



## GROWTH IN HIGHER RETURN SECTORS



## IMPROVING RETURNS ON RWA



# MACRO PRUDENTIAL HOUSING CHANGES

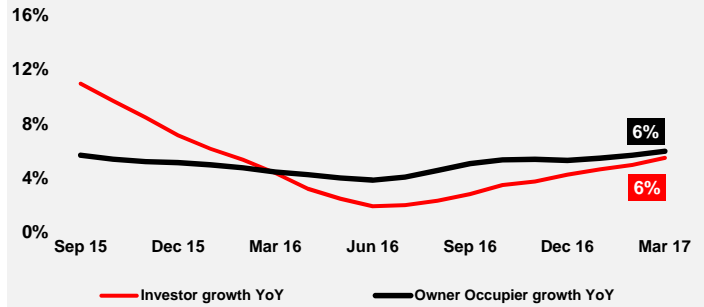
## RESPONSIBLE HOUSING LENDING PRACTICES

- Maximum 70% LVR limit on 'high risk' postcodes
- Differentiated pricing structure based on loan purpose and repayment type
- Conservative loan serviceability thresholds – 7.25% floor interest rate and 2.25% buffer
- Non-resident lending <3% of total housing

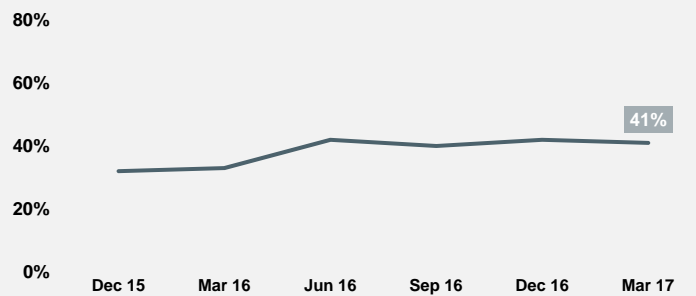
## INTEREST ONLY LENDING

- Expect to meet APRA's 30% limit within agreed timeframe
- Only 2% of IO flow >90% LVR lending
- Converts to P&I – maximum 5 years for owner occupied and 10 years investors
- Loan serviceability assessed on P&I basis

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



## INTEREST ONLY % OF NEW LENDING<sup>2</sup> (QUARTERLY)



(1) Only includes housing loans to households based on APRA ARF 320.0 reporting definitions, and excludes counterparties such as private trading corporations  
 (2) Loans to households originated and drawn within the quarter

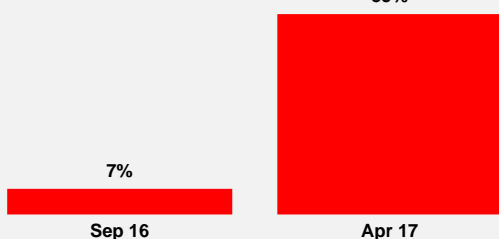


# OPTIMISING PERSONAL BANK ORIGINATION PLATFORM

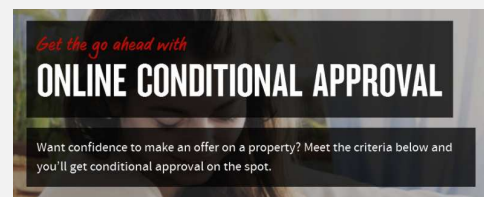
## FASTER TIME TO UNCONDITIONAL HOME LOAN APPROVAL

- PBOP roll out to all branches and contact centres completed Sept 2016 – 8,000 staff now using
- Significant improvement in Time to Unconditional Approval (TTUA) – median TTUA now <5 days
- Market leading customer functionality
  - Single application process for multiple products
  - Ability to receive, lodge and accept loan documents online
  - Regular updates on application status via internet banking, email and SMS

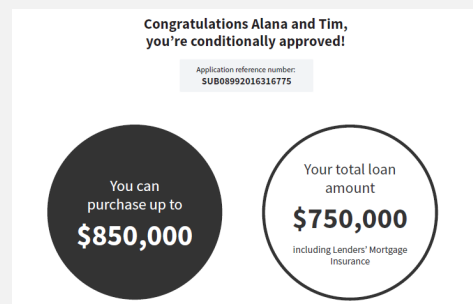
% of home loans TTUA within 5 days



## INSTANT ONLINE CONDITIONAL HOME LOAN APPROVAL



- Digital form built on PBOP platform, enabling instant online conditional approval response<sup>1</sup>
- Pre-population of existing customer information
- Provides real-time LMI premium estimate



(1) For existing NAB customers, excludes self-employed



# RESHAPING OUR BUSINESS – PRODUCTIVITY CONSIDERATIONS

## OVERVIEW

- Good progress on productivity agenda
- Scope to accelerate a number of initiatives
- Savings need to be balanced with increased investment

## PROCESS AUTOMATION

- Next wave of investment underway
- Involves automation of manual and repeatable processes
- Significant quality and productivity improvement (75% cost saves)
- ~200 FTE savings in 1H17, expect to accelerate

## THIRD PARTY PAYMENTS

- 1H17 supplier spend \$1.8bn – 80% from 212 suppliers
- Renegotiated 29 major contracts in 1H17 for \$40m saving

### TOP SUPPLIER CONTRACTS RENEWAL SCHEDULE



## BRANCH DISTRIBUTION

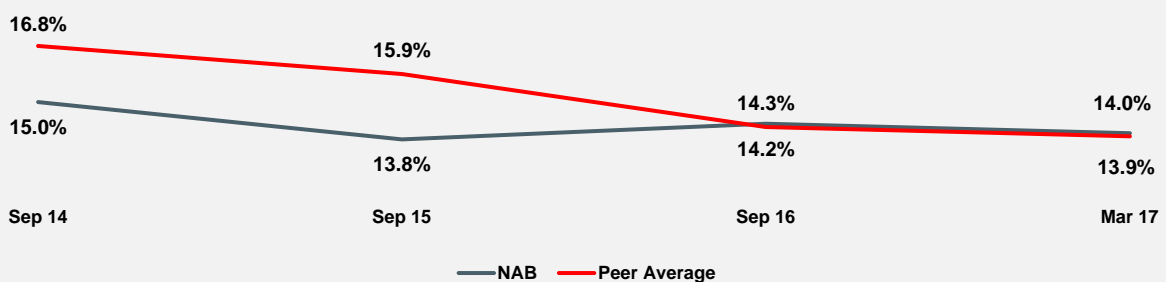
- Over-the-counter transactions are falling by ~10% a year
- >50% of all over the counter transactions in a branch can be done online or via smart-ATMs
- >90% of customer interactions via digital channels

28

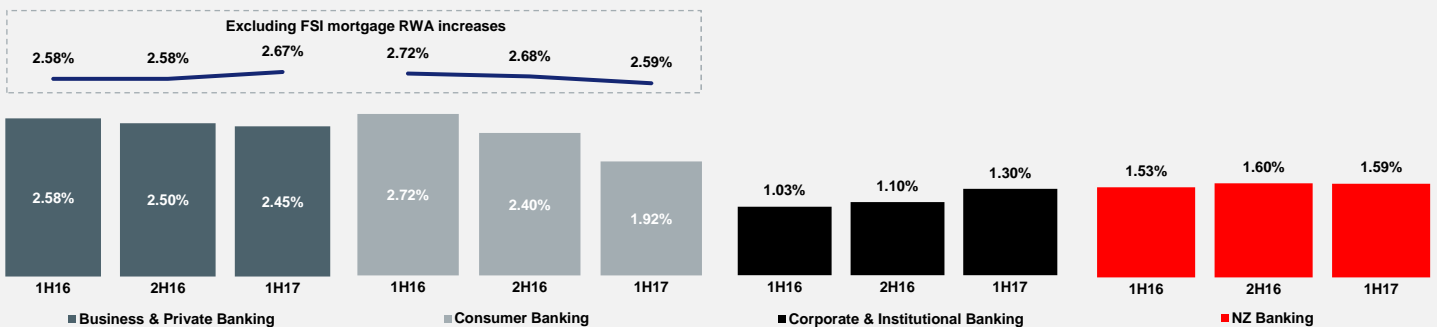


# GRANULAR FOCUS ON ROE

## CASH ROE v PEER AVERAGE (EX SPECIFIED ITEMS)<sup>1</sup>



## CASH EARNINGS TO RWA BY DIVISION



(1) NAB September 2014 and September 2015 ROE are as reported (excluding specified items), i.e. includes CYBG and 100% of NAB Wealth's life insurance business. NAB September 2016 ROE is on a continuing operations basis. September 2015 and September 2016 peer average ROE excludes specified items for ANZ. March 2017 ROE peer average based on last reported peer result for ANZ, CBA and WBC

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## OVERALL SUMMARY

- Sound overall financial results and a strong balance sheet
- Disciplined execution of our strategy
- Significant productivity opportunities emerging
- Continued focus on capital allocation disciplines
- Confident we have the right leadership team to lead the bank in to the future



## ADDITIONAL INFORMATION

### GROUP OVERVIEW





# GROUP OPERATING STRUCTURE



**Andrew Thorburn**  
Group Chief Executive Officer



**Angela Mentis**  
Chief Customer Officer –  
Business & Private Banking



**Andrew Hagger**  
Chief Customer Officer –  
Consumer Banking & Wealth



**Mike Baird**  
Chief Customer Officer –  
Corporate & Institutional Banking



**Anthony Healy**  
Chief Executive Officer –  
Bank of New Zealand



**Antony Cahill**  
Chief Operating Officer – Customer Products & Services



**Patrick Wright**  
Chief Technology & Operations Officer



**Gary Lennon**  
Chief Financial Officer



**David Gall**  
Chief Risk Officer



**Lorraine Murphy**  
Chief People Officer



**Sharon Cook**  
Chief Legal & Commercial  
Counsel



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## NAB AT A GLANCE

### VISION: TO BE AUSTRALIA AND NEW ZEALAND'S MOST RESPECTED BANK

34,000 Employees	~10 million Customers <sup>1</sup>	~1,000 Branches/ Business centres	>150 years in operation
<b>CASH EARNINGS DIVISIONAL SPLIT</b>		<b>Key Financial Data</b> Half Year Mar 17	
		Cash Earnings	\$3,294m
		Cash ROE	14.0%
		Gross Loans & Acceptances	\$550.0bn
		Non-performing loans to GLAs <sup>2</sup>	85bps
		CET1 (APRA)	10.1%
		NSFR (APRA)	108%
<b>GROSS LOANS &amp; ACCEPTANCES SPLIT</b>		<b>Australian Market Share</b> As at March 2017	
		Business lending <sup>3</sup>	21.5%
		Housing lending <sup>3</sup>	15.6%
		Personal lending <sup>4</sup>	10.7%
		Cards <sup>3</sup>	13.7%
		Credit Ratings NAB Ltd LT/ST	S&P AA-/A-1+ (negative)
		Moody's Aa2/P-1 (negative)	Fitch AA-/F1+ (stable)

(1) Australia and New Zealand retail and business customers only  
 (2) 90 days past due & Gross Impaired Assets to Gross Loans & Advances  
 (3) Source: APRA Banking System  
 (4) Personal loans business tracker reports provided by RFI, represents share of RFI defined peer group data

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# OUR ROLE IN THE BROADER COMMUNITY

## NAB REVENUE

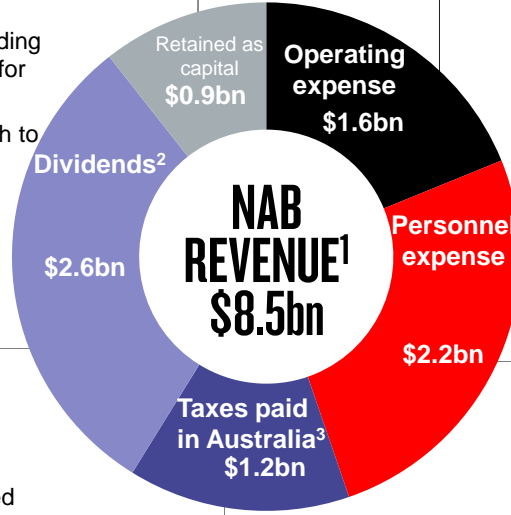
- Supports all stakeholders and business partners
- NAB revenue is shown after paying interest to 4.5 million Australian and New Zealand retail and business deposit customers who have deposited over \$380 billion with us

### BORROWERS

- Retained as capital to support new lending and further strengthen capital position for our existing loans
- NAB lends more than \$2 billion a month to businesses and more than \$5 billion a month to homeowners
- Total of over \$300 billion in Home Lending and \$200 billion in Business Lending

### SHAREHOLDERS (INCL. SUPER FUNDS)

- Approx. 569,000 shareholders
- Approx. 80% of NAB's profits distributed in dividends



### SUPPLIERS & COMMUNITY

- +1,700 supplier agreements
- Continuing to invest to deliver a great experience for our customers
- Carbon neutral since 2010, 75% of Australian key office buildings<sup>4</sup> are Green Star Rated

### OUR PEOPLE

- NAB employs ~34,000 people (NAB Group)
- Over 50% of our workforce directly engages with customers
- Over 35,000 volunteering hours contributed by employees

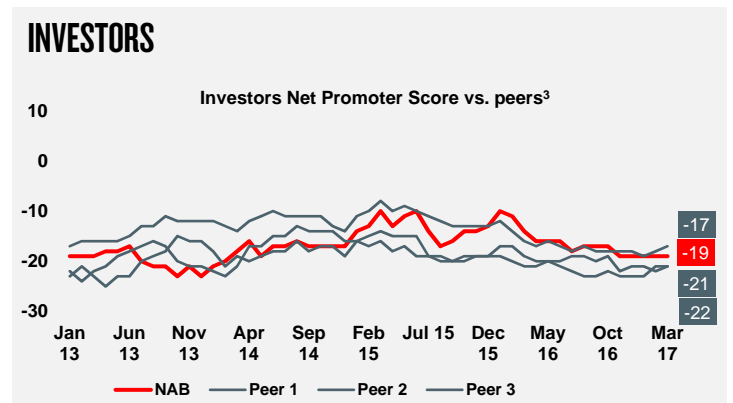
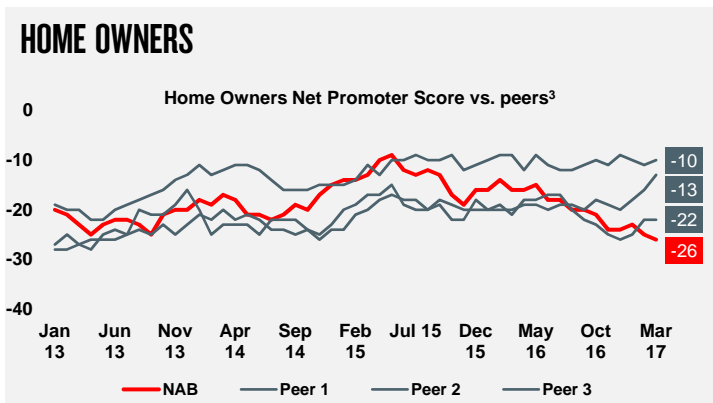
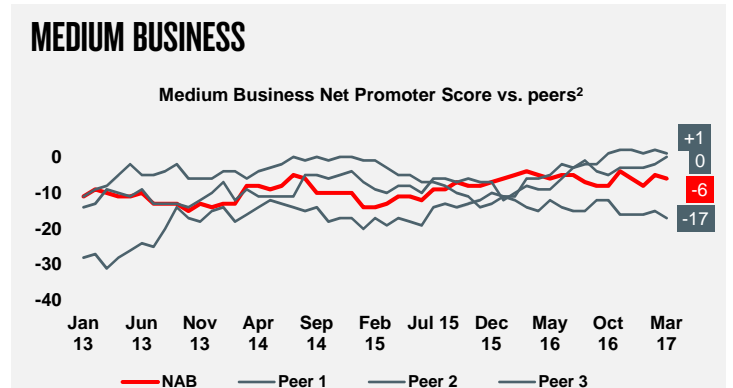
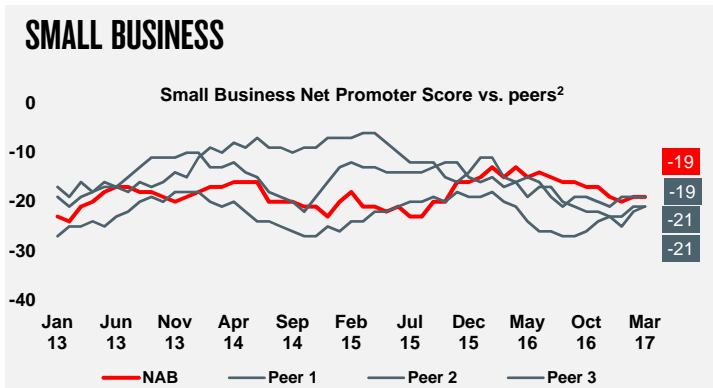
### GOVERNMENT

- Australia's fourth largest taxpayer
- Signatory to the Voluntary Tax Transparency Code

Figures based on NAB's 1H17 cash earnings  
 (1) Revenue shown net of \$0.8bn of bad and doubtful debts  
 (2) Dividends declared  
 (3) Includes income tax, GST, FBT, payroll tax and other taxes borne by NAB that are attributable to the half year ended 31 March 2017  
 (4) 'Key office buildings' are all NAB commercial tenancies over 4,000m<sup>2</sup>



# CUSTOMER FOCUS: PRIORITY SEGMENTS NET PROMOTER SCORES<sup>1</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) 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) Roy Morgan Research, NAB defined Home Owners and Investors, Australian population aged 14+, six month rolling average

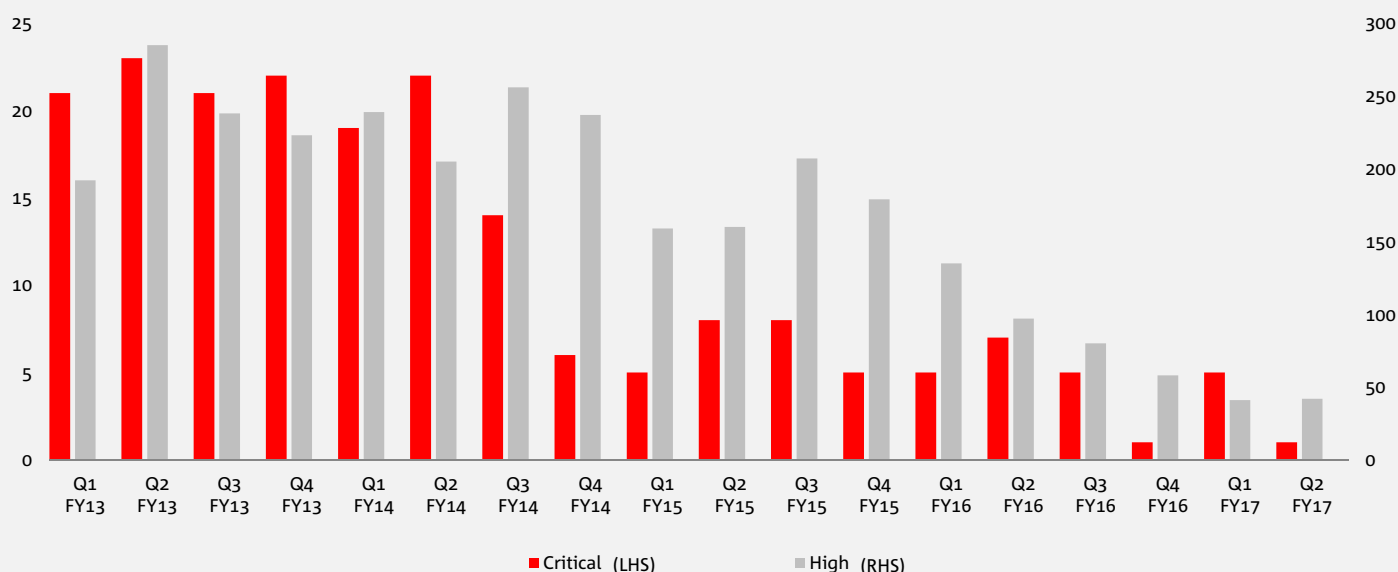


# AUSTRALIA TECHNOLOGY INVESTMENT IMPROVING CUSTOMER EXPERIENCE

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

Investment in technology driving lower instance of technology incidents over FY13 – FY17

- 82% reduction in “High” priority incidents
- 85% 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



## GROUP CASH EARNINGS RECONCILIATION TO STATUTORY NET PROFIT

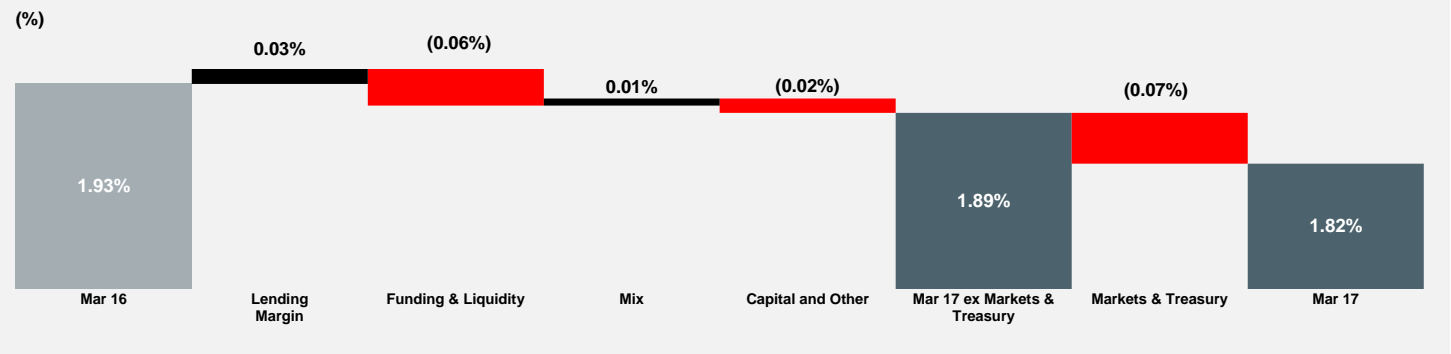
- NAB uses cash earnings (rather than statutory net profit attributable to owners of NAB) for its internal management reporting purposes and considers it a better reflection of the Group's underlying performance. Accordingly, information is presented on a cash earnings basis unless otherwise stated
- 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 2017 Half Year Results Announcement. The Group's financial statements, prepared in accordance with the Corporations Act 2001 (Cth) and Australian Accounting Standards and audited in accordance with Australian Auditing Standards, are set out in Section 5 of the March 2017 Half Year Results Announcement

	1H17 (\$m)	1H17 v 2H16	1H17 v 1H16
<b>Cash earnings</b>	3,294	1.0%	2.3%
Non-cash earnings items (after tax)			
Distributions	49	(18.3%)	(23.4%)
Treasury shares	-	Large	Large
Fair value and hedge ineffectiveness	(453)	Large	Large
Life insurance 20% share of profit	-	Large	Large
Amortisation of acquired intangible assets	(33)	(23.3%)	(17.5%)
Net profit from continuing operations	2,857	(10.6%)	(11.4%)
Net (loss) after tax from discontinued operations	(312)	(71.7%)	(93.7%)
<b>Statutory net profit attributable to owners of NAB</b>	2,545	21.5%	Large

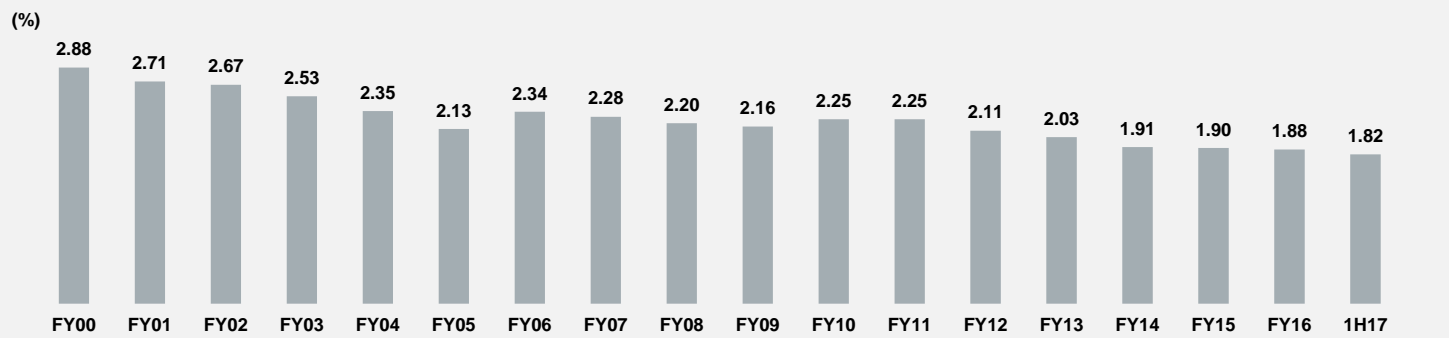


# GROUP NET INTEREST MARGIN

## GROUP NET INTEREST MARGIN (1H17 v 1H16)



## GROUP NET INTEREST MARGIN

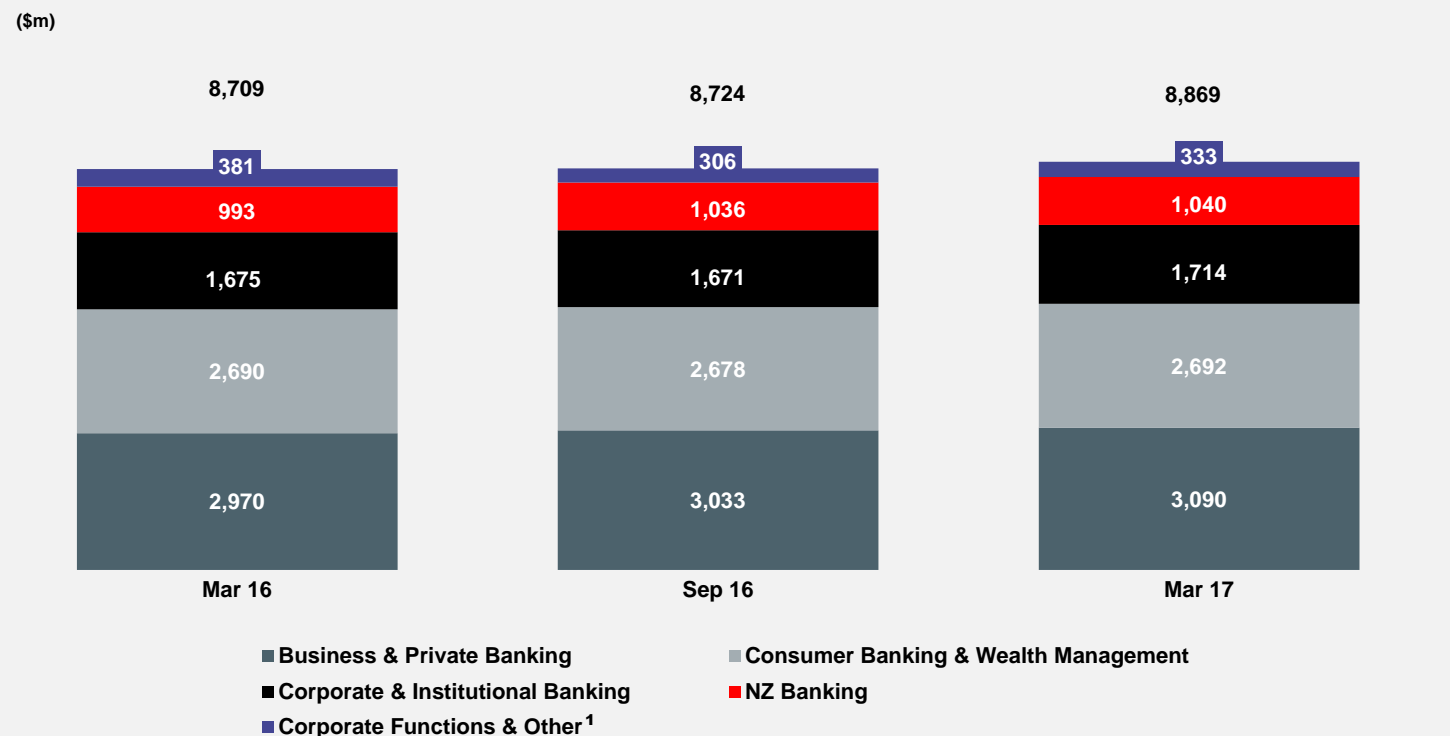


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# DIVISIONAL REVENUE CONTRIBUTIONS

## TOTAL REVENUE BY DIVISION



(1) Distributions & Eliminations are included in Corporate Functions & Other

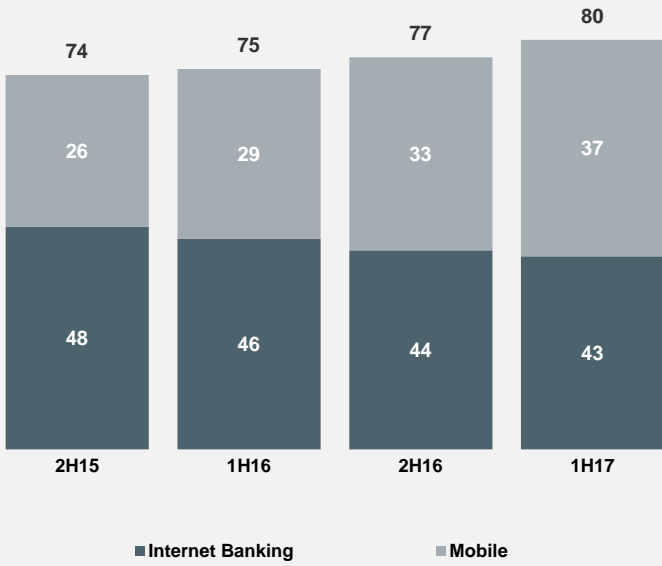
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# AUSTRALIAN DIGITAL TAKEUP

## CONTINUED MIGRATION TO DIGITAL AND MOBILE

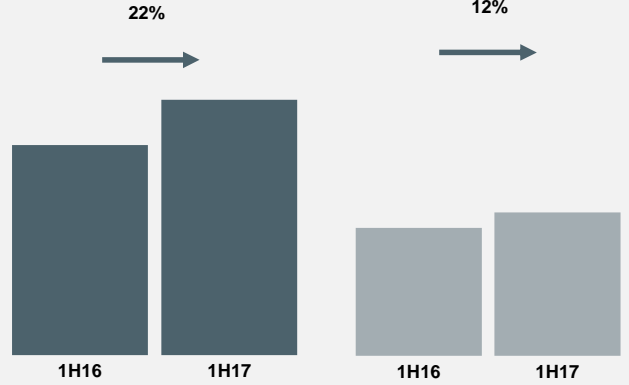
% of value transactions via digital channels



## INCREASED DIGITAL ENGAGEMENT

Mobile log-ons

Transactions via Digital

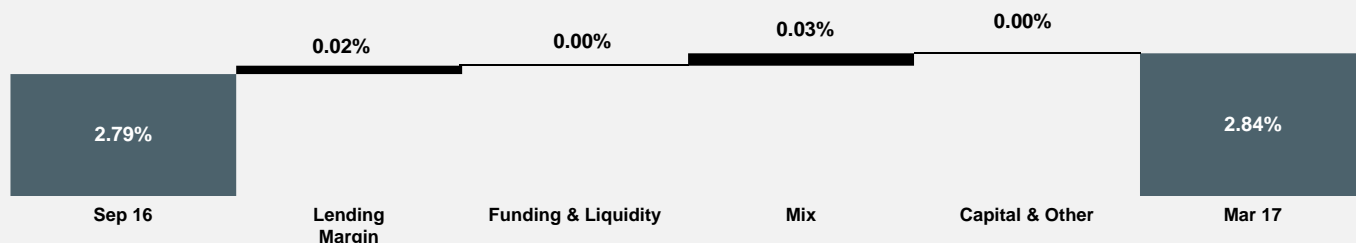


**ADDITIONAL INFORMATION**  
**BUSINESS & PRIVATE BANKING**

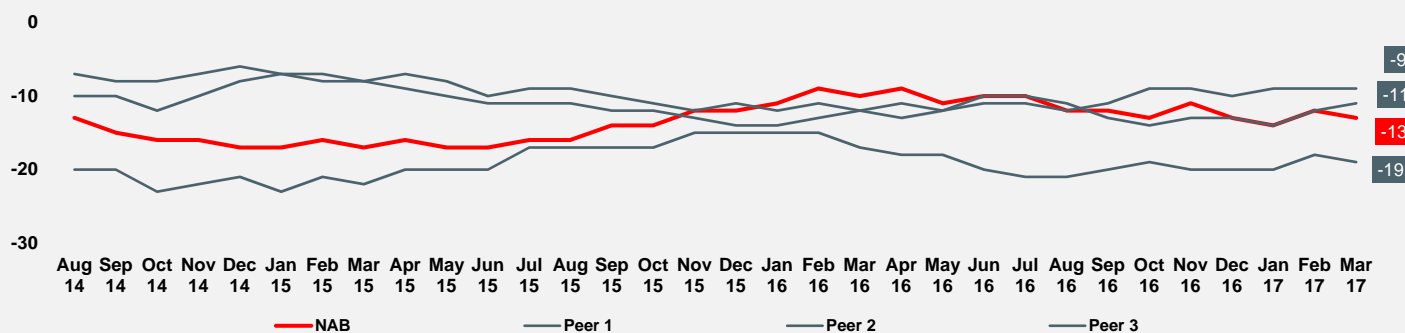
# BUSINESS & PRIVATE BANKING

## NET INTEREST MARGIN

(%)



## SMALL & MEDIUM BUSINESS NPS<sup>1</sup>

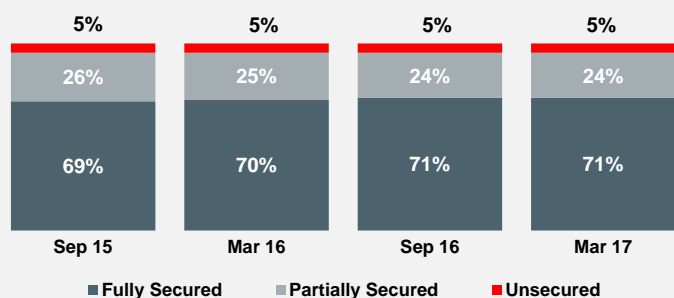


(1) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Chart shows a simple average of the NPS scores of Small Business (\$0.1m-~\$5m) and Medium Business (\$5m-~\$50m). Small Business (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

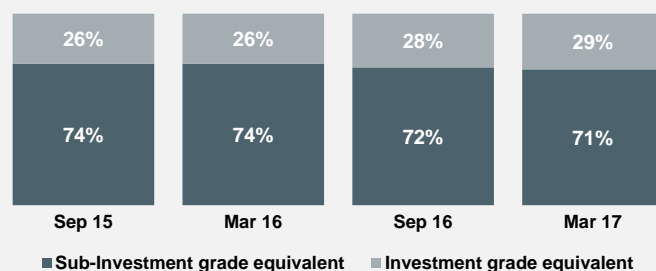


# BUSINESS & PRIVATE BANKING – BUSINESS LENDING ASSET QUALITY

## WELL SECURED – BUSINESS PRODUCTS



## PORTFOLIO QUALITY



# BUSINESS & PRIVATE BANKING: SPECIALISED BUSINESS DIGITAL INITIATIVES

## QUICKBIZ LOANS

Simple to use digital application for small business lending up to \$50k unsecured

- Better servicing small business customers
- Easy to apply, connectivity to Xero or MYOB data
- Application and decisioning process reduced from **2 weeks to under 5 minutes**<sup>1</sup>
- Funding available within **one business day**<sup>2</sup>
- **Mobile application** functionality

## ENHANCED LENDING APPLICATION (ELA)

New banker platform using data analytics to enable fast, simple credit outcomes, providing up to \$2m in pre-qualified lending limits to more than 93k eligible customers<sup>3</sup>

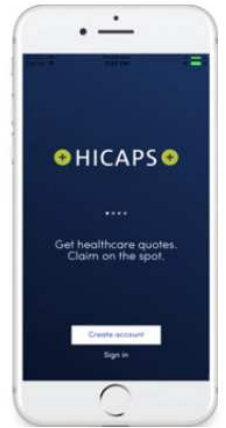
- **Same day approval for eligible customers**, previously could have taken weeks
- If further decisioning is required, **time to approval improved on average by 18%**
- **Full roll-out by end September 2017, NAB Business by end May 2017**

- (1) For existing customers  
(2) One business day from when receive a completed contract  
(3) Eligible customers are those with at least one business product and belong to B&PB

## HICAPS MOBILE APP

New digital platform offering real-time connection across the healthcare ecosystem. Joint venture between NAB and health-tech start-up Medipass Solutions

- Seamless digital experience for patients, practitioners and health funds to **make private health insurance claims simple**
- HICAPS Mobile facilitates **appointment booking, upfront health insurance quote and in-app payment** of insurance claims and GAP payments
- Utilising current HICAPS electronic claiming and payment system
  - Formed in 1998, HICAPS is **Australia's leading ancillary health claims billing solution** for healthcare providers
  - **HICAPS supports 98% of health funds**
  - **12 Practice Management System** suppliers certified with HICAPS Connect integration
- Currently in pilot phase, **launch expected late 2017**



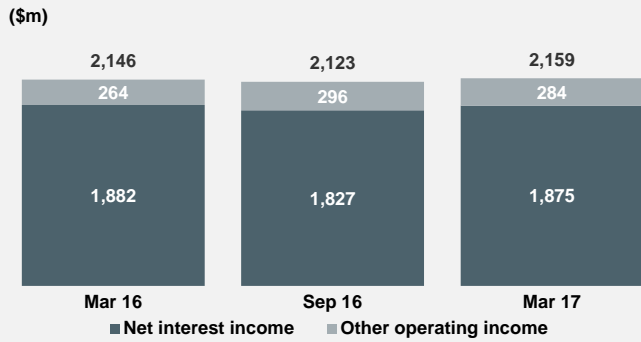
## ADDITIONAL INFORMATION

### CONSUMER BANKING & WEALTH

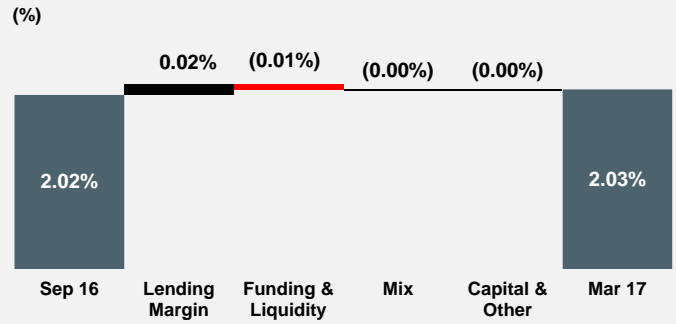


# CONSUMER BANKING & WEALTH: CONSUMER BANKING

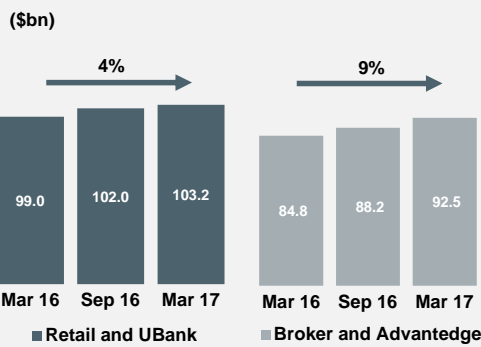
## CONSUMER BANKING REVENUE



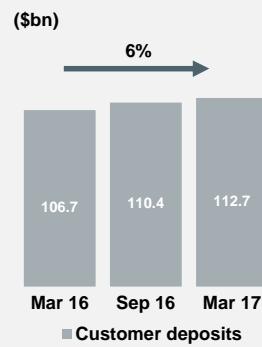
## NET INTEREST MARGIN



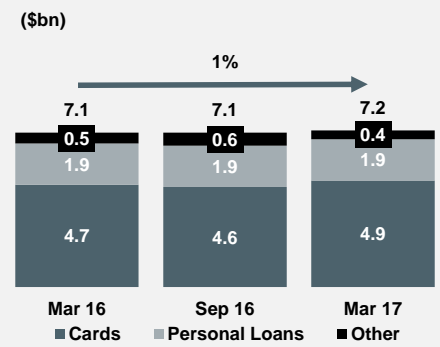
## HOUSING LENDING GLAs BY CHANNEL<sup>1</sup>



## CUSTOMER DEPOSITS



## OTHER LENDING BY PRODUCT

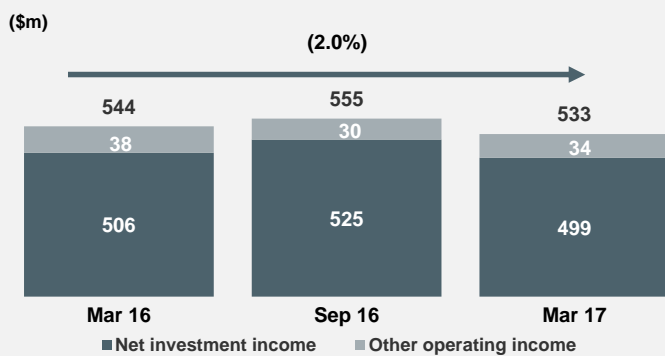


(1) Excludes Asia and Non Performing Loans. Prior periods have been restated to reflect customer transfers



# CONSUMER BANKING & WEALTH: NAB WEALTH

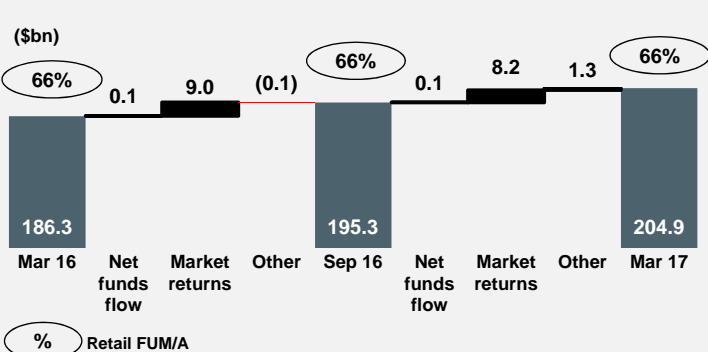
## WEALTH REVENUE



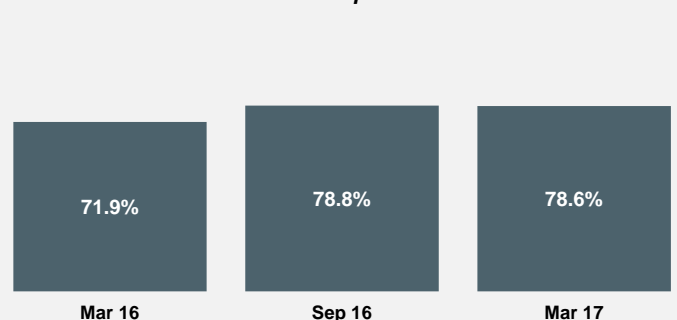
## NET FUNDS FLOW AND SPOT FUM/A BY PRODUCT GROUP<sup>1</sup>

Product group	1H16 Net Funds Flow (\$m)	2H16 Net Funds Flow (\$m)	1H17 Net Funds Flow (\$m)	Spot FUM/A at 31 March 2017 (\$m)
<b>On-sale</b>				
Retail Platforms and JBWere, Business & Corporate Superannuation	892	1,316	304	124,717
Wholesale (Investment Management, JANA and Boutiques)	(303)	(550)	372	68,984
<b>Off-sale</b>				
Retail Products and Other	(560)	(710)	(606)	11,168
<b>Total Net Funds Flow</b>	<b>29</b>	<b>56</b>	<b>70</b>	<b>204,869</b>

## MOVEMENT IN FUM AND FUA<sup>1,2</sup>



## 3 YEAR PERFORMANCE OF FUM/A EXCEEDING BENCHMARK<sup>3</sup>



(1) Includes JBWere  
 (2) Opening balances have been adjusted to reflect revisions to JBWere FUM/A reporting  
 (3) This is a representative measure of performance across all asset classes which is inclusive of approximately 75% of Funds Under Management



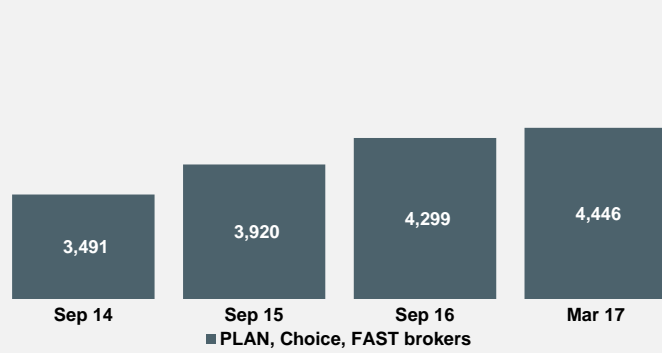


# CONSUMER BANKING & WEALTH: BROKER CHANNEL

## BROKER CONSIDERATIONS

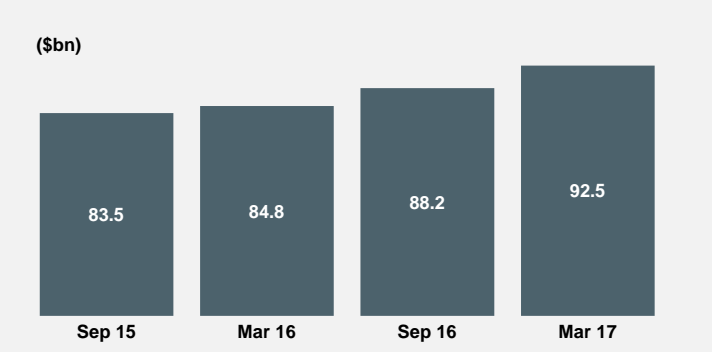
- Full NAB Product suite now available to brokers launched in September 2016
- Improved on-boarding experience to NAB for Broker customers
- Recruitment of an additional 147 brokers across NAB owned aggregators PLAN, Choice and FAST (3% increase) for the 6 months ended 31 March 2017

## NUMBER OF BROKERS UNDER NAB OWNED AGGREGATORS

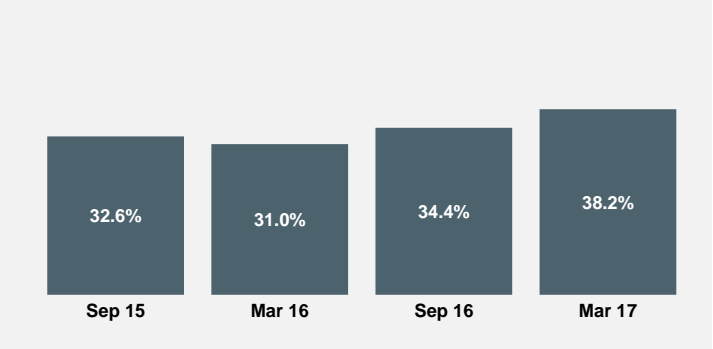


(1) Excluding non performing loans

## HOUSING LENDING VOLUMES – BROKER<sup>1</sup>



## DRAWDOWNS ATTRIBUTED TO BROKER



# CONSUMER BANKING & WEALTH: DIGITAL INITIATIVES

## A NEW NAB MOBILE BANKING EXPERIENCE

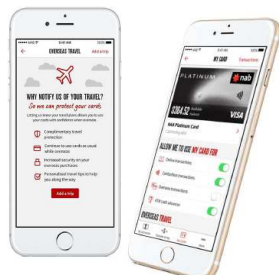
### NAB MOBILE BANKING APP

In Dec 2016 relaunched our mobile banking app

- Faster for customers to perform simple tasks
- New functionality (incl. biometric login)
- Increased customer self-management

### DIGITAL WALLET (INCL. NAB PAY)

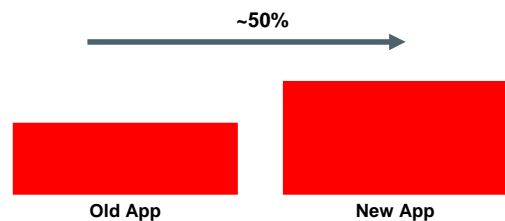
- Integrated offerings in NAB mobile banking app, progressively rolled out since Jan 2016
- NAB Pay – make payments with a virtual Visa card<sup>1</sup>
- Instantly use newly approved personal credit cards
- Awarded the Canstar award for Innovation Excellence
- Overseas travel notification feature
- Customisable consumer card control – turn on or off:
  - Contactless payments
  - ATM withdrawals
  - International purchases



(1) With built-in NFC and running Android 4.4 or higher  
 (2) Average. REA Group 2017 Half Year Results

## INCREASED MORTGAGE ENQUIRIES VIA MOBILE

Mortgage enquiries submitted via mobile



## REALESTATE.COM.AU – DIGITAL PARTNERSHIP



Largest and most engaged audience of property seekers in Australia – 47.9 million site visits per month<sup>2</sup>

- Entered into five-year strategic partnership
- Developing new end-to-end digital home buying experience – 2017 rollout
- Will offer suite of NAB home loans, a realestate.com.au branded white label product, and panel of other lenders





## ADDITIONAL INFORMATION

### CORPORATE & INSTITUTIONAL BANKING

## CORPORATE & INSTITUTIONAL BANKING

### FINANCING 46% OF REVENUE

Meeting borrowing customers' funding needs by connecting them with investors and deploying our own balance sheet

- Core business lending
- Debt capital markets
- Securitisation
- Project finance
- Asset financing & leasing

#### Highlights:

- #1 overall DCM quality of service<sup>1</sup>
- #2 overall relationship strength index<sup>2</sup>
- Australian Issuer Offshore Debt House of the Year<sup>3</sup>
- Australian Securitisation House of the Year and #1 in league tables past 5 years<sup>3</sup>
- Leading arranger of project finance for Australian renewable energy<sup>4</sup>
- Innovative new funding sources (Green and Gender Bonds)

### RISK MANAGEMENT 30% OF REVENUE

Provision of risk management products across NAB's Consumer, SME and C&I franchises, plus associated trading and structuring activity

- Consumer: FX
- SME: FX and rates hedging
- C&I: broad range of FX, rates, credit and commodities products and derivatives

#### Highlights:

- Strong links to broader NAB franchise:
  - +100,000 retail clients
  - +16,000 SME clients
- #1 rates market share<sup>5</sup>
- #1 Australian bank in FX swaps globally<sup>6</sup>
- #1 useful trade ideas & valuable/useful research for interest rate swaps<sup>7</sup>
- #1 technical, quant & domestic economic analysis for FX<sup>8</sup>
- Significant capital optimisation and simplification activities underway

### PAYMENTS & WORKING CAPITAL 24% OF REVENUE

Serving customers' transactional and payments needs in addition to custody services for domestic superannuation funds

- Payments and acquiring
- Cash & liquidity management
- Deposits
- Custody services

#### Highlights:

- Only Australian major bank with a custody service
- Safekeeping for 16.5% of assets under custody for Australian investors<sup>9</sup>
- Leading platform in the Higher Education sector (NAB & Unilink), used by over 50% of Australian universities
- HICAPS Mobile to strengthen specialised Health offering

(1) 2016 Peter Lee Associates Debt Securities Originations Survey Australia. Ranking against the four major domestic banks  
 (2) 2016 Peter Lee Associates Large Corporate and Institutional Relationship Banking Survey, Australia. Large Corporate & Institutional Relationship Strength Index (RSI) is based on a combined measure of most qualitative evaluations  
 (3) Kanga News  
 (4) Project Finance International 2006-2016 Asia Pacific Initial Mandated Lead Arrangers League Tables – Full Year 2016 US\$ Project Allocation, NAB analysis ranking against four major Australian banks – cumulative volume as at 31 December 2016  
 (5) 2016 Peter Lee Associates Interest Rate Derivatives Survey Australia. Ranking against all banks  
 (6) Euromoney FX Poll 2016  
 (7) 2016 Peter Lee Associates Debt Securities Investors Survey Australia. Ranking against the four major domestic banks  
 (8) 2016 Peter Lee Associates Foreign Exchange Survey Australia, Financial Institutions Respondents. Ranking against the four major domestic banks  
 (9) Australian Custodial Services Association market share data, 31 December 2016

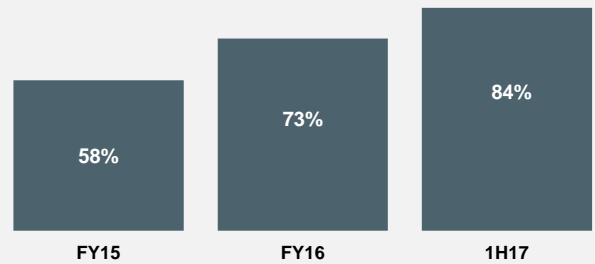


# CORPORATE & INSTITUTIONAL BANKING: DIGITAL & SIMPLIFICATION INITIATIVES

## FICC DIGITAL INITIATIVES

- NAB StarXchange: fully automated, institutional global FX
- NAB Connect FX dealing hours and deal limits extended, 84% of all SME & Corporate sales booked electronically
- Electronic market making and risk management extended across Emerging Market currencies and swaps

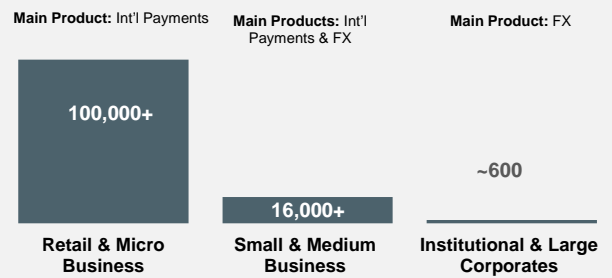
## NAB DIGITAL FX TRANSACTIONS AS SHARE OF TOTAL



## FICC BUSINESS MODEL SIMPLIFICATION

- Changes in trading, sales and support functions to digitise processing and adapt to regulatory changes
- Increased digital trade booking and processing for fixed income, FX and interest rate derivatives
- Streamlining and automating workflow
- Markets business migrating from >14 legacy systems to 2 main systems over next 18 months, \$139bn value of fixed income trades migrated so far

## FICC DIGITAL CUSTOMERS BY SEGMENT

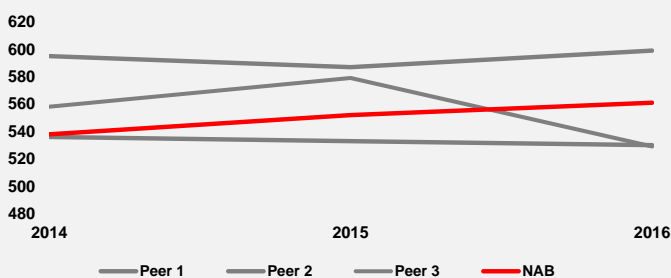


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# CORPORATE & INSTITUTIONAL BANKING: RELATIONSHIP STRENGTH

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



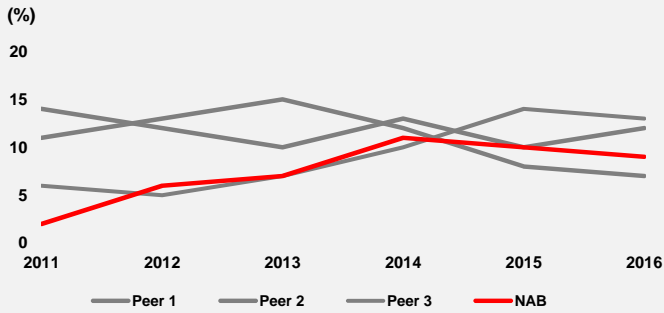
(1) 2016 Peter Lee Associates Large Corporate and Institutional Relationship Banking Survey, Australia. Large Corporate & Institutional Relationship Strength Index (RSI) is based on a combined measure of most qualitative evaluations

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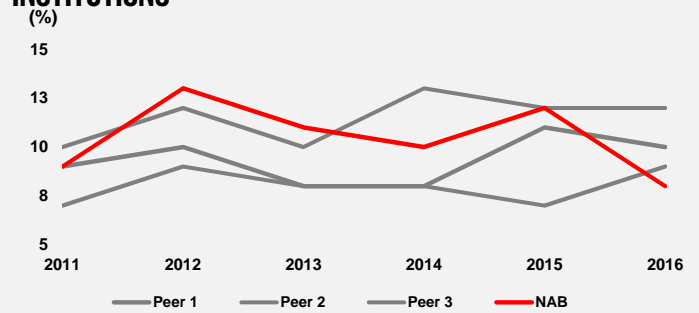


# CORPORATE & INSTITUTIONAL BANKING: MARKETS – MARKET SHARE TRENDS<sup>1</sup>

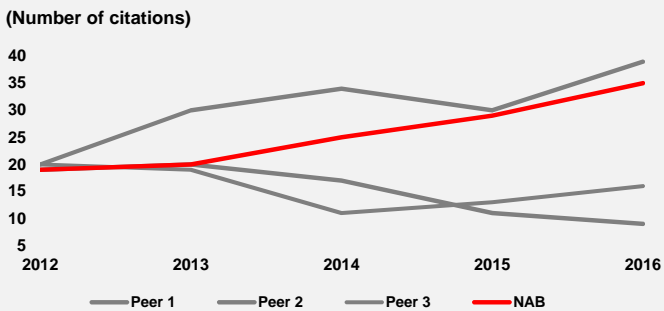
## GOVT AND SEMI-GOVT BONDS<sup>2</sup>



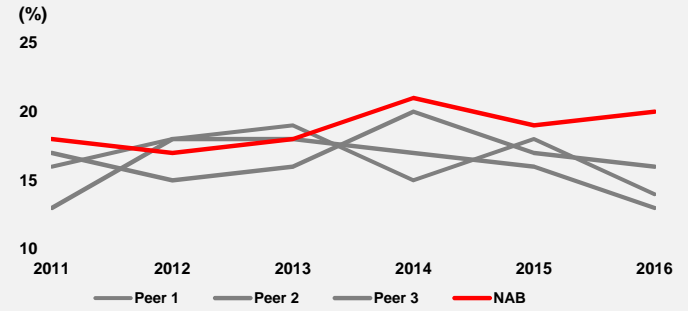
## FOREIGN EXCHANGE – CORPORATES AND FINANCIAL INSTITUTIONS<sup>3</sup>



## DEBT MARKETS ORIGATION<sup>4</sup> – LEAD DEALER RELATIONSHIPS



## INTEREST RATE HEDGING – CORPORATES<sup>5</sup>

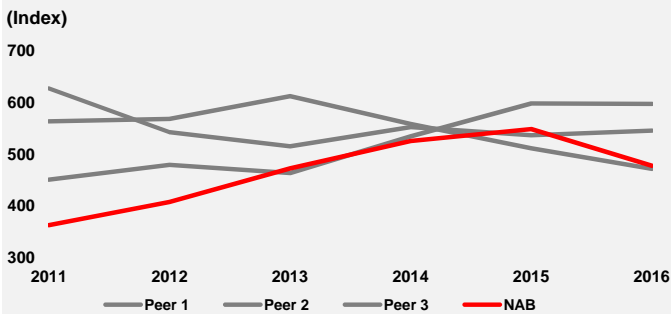


(1) All data is taken from the most recently published Peter Lee Associates surveys available  
 (2) Peter Lee Associates Debt Securities Investors Survey 2016 ('Most Active' Investors). Based on the four major domestic banks  
 (3) Peter Lee Associates Foreign Exchange Survey Australia 2016. Based on top four banks by penetration  
 (4) Peter Lee Associates Debt Securities Origination Survey 2016. Based on top four banks by penetration  
 (5) Peter Lee Associates Interest Rate Derivatives Survey Australia 2016. Based on top four banks by penetration

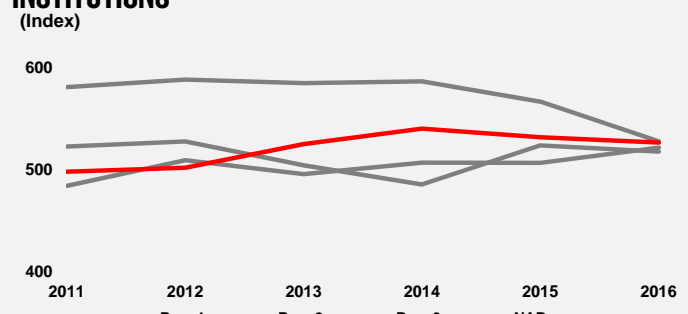


# CORPORATE & INSTITUTIONAL BANKING: MARKETS – RELATIONSHIP STRENGTH INDEX<sup>1</sup>

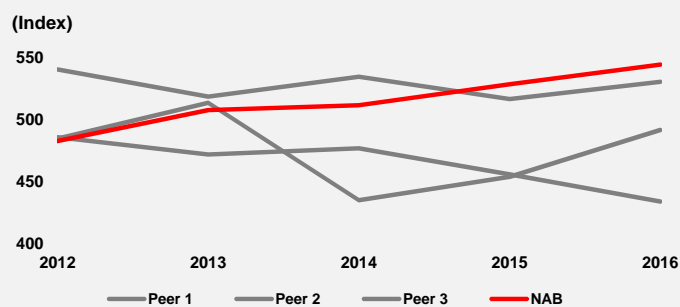
## GOVT AND SEMI-GOVT BONDS<sup>2</sup>



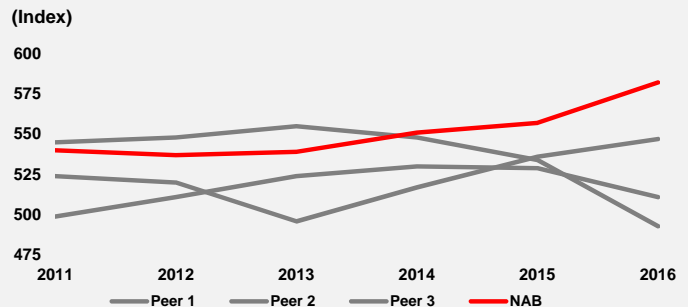
## FOREIGN EXCHANGE – CORPORATES AND FINANCIAL INSTITUTIONS<sup>3</sup>



## DEBT MARKETS ORIGATION<sup>4</sup>



## INTEREST RATE HEDGING – CORPORATES<sup>5</sup>



(1) All data is taken from the most recently published Peter Lee Associates surveys available  
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 (5) Peter Lee Associates Interest Rate Derivatives Survey Australia 2016. Based on top four banks by penetration



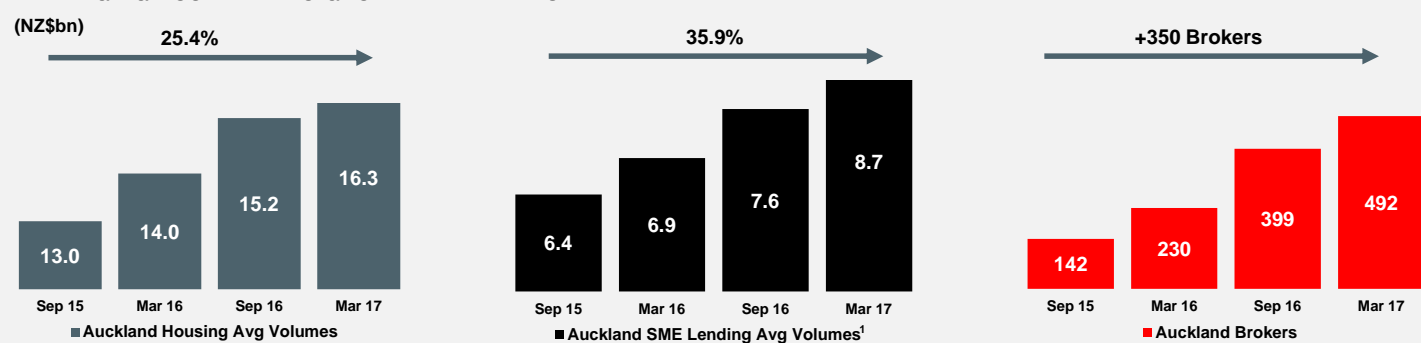


# ADDITIONAL INFORMATION

## NEW ZEALAND BANKING

### NEW ZEALAND BANKING: TARGETED GROWTH IN PRIORITY SEGMENTS

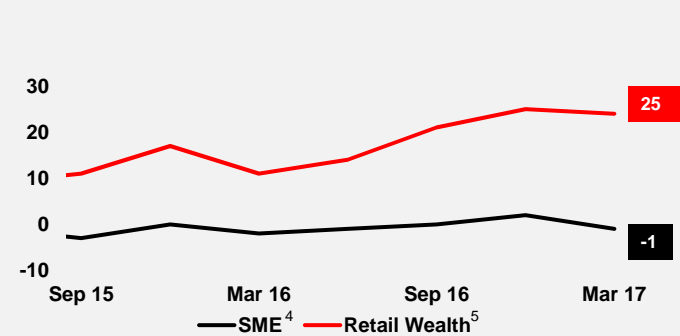
#### LEVERAGING AUCKLAND TO GROW RETAIL AND SME



#### LEVERAGE DIGITAL CAPABILITY TO IMPROVE CUSTOMER EXPERIENCE

- Increase in digital utilisation by customers for everyday banking (YoY)
  - 88% of customer-initiated transactions via digital<sup>2</sup>
  - 20% increase in mobile app users<sup>3</sup>
  - 51% increase in new product online applications
- Branch network optimisation
  - added 56 Smart ATMs in 1H17
  - 90% increase in Smart ATM network locations

#### FOCUS ON PRIORITY SEGMENT NET PROMOTER SCORE

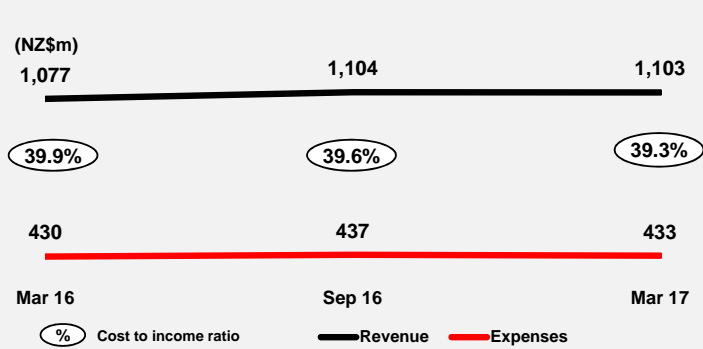


(1) Auckland SME includes housing products. December 15 - September 16 volumes based on new customer segmentation methodology  
 (2) Including PC Business Banking system, file transfers; excluding scheduled automated payments and merchant / POS transactions; as of February 2017  
 (3) As of February 2017  
 (4) Source: TNS Business Finance Monitor, 12 month roll  
 (5) Source: Camorra Research – Retail Market Monitor, 6 month roll

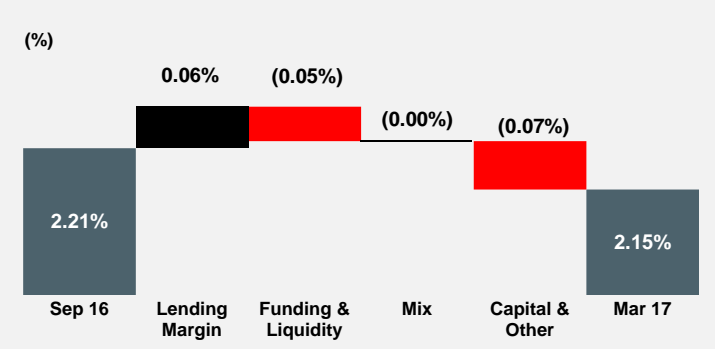


# NEW ZEALAND BANKING

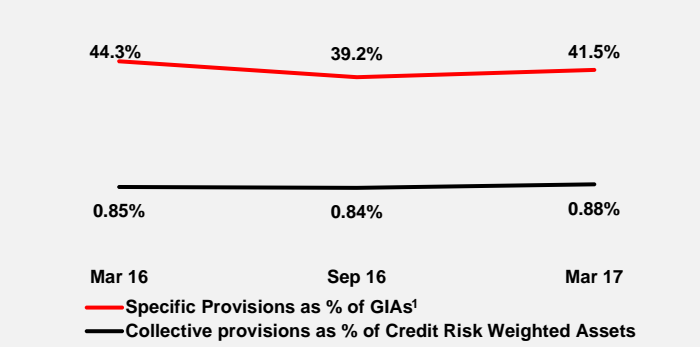
## REVENUE v EXPENSE GROWTH



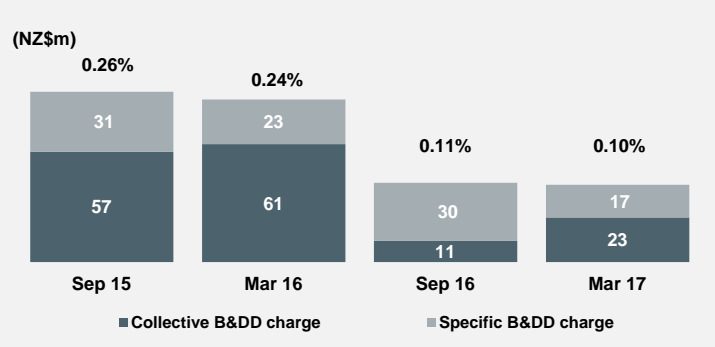
## NET INTEREST MARGIN



## COLLECTIVE AND SPECIFIC PROVISION COVERAGE



## B&DD CHARGE AND AS A % OF GLAs<sup>2</sup>

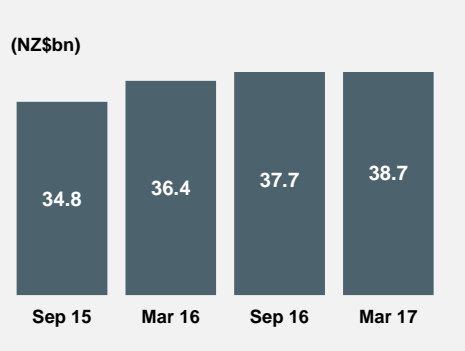


(1) Consists only of impaired assets where a specific provision has been raised and excludes New Zealand dairy exposures currently assessed as no loss based on security held  
 (2) Half year B&DD as a % of GLAs annualised

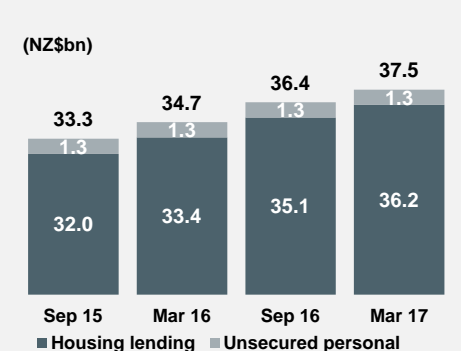


# NEW ZEALAND BANKING: VOLUMES AND MARKET SHARE

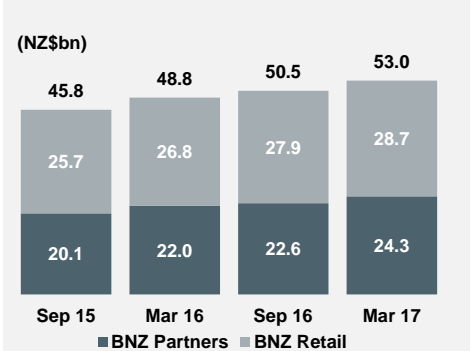
## BUSINESS LENDING<sup>1</sup>



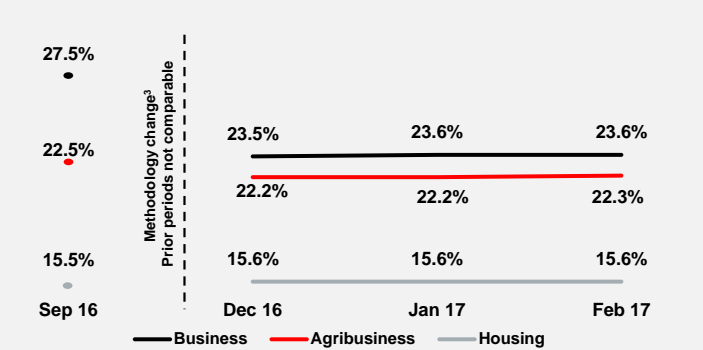
## RETAIL LENDING<sup>1</sup>



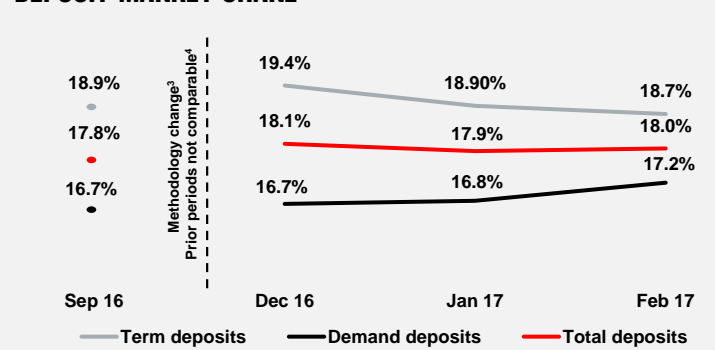
## CUSTOMER DEPOSITS<sup>1</sup>



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



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

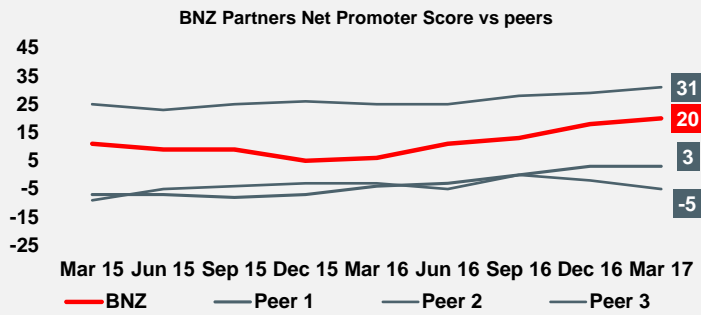


(1) Spot volumes  
 (2) Source RBNZ: February 2017  
 (3) In February 2017, RBNZ implemented a new collection template with all NZ Banks. The newly defined categories are not on a comparable basis to prior periods but result in a more consistent product definition within the banking sector and greater alignment to Disclosure Statements. Data available under the new process was published for the month ending 28 February 2017, including re-statements to December 2016 – January 2017 historical data  
 (4) New deposit product allocations under collection template, not consistent with prior periods

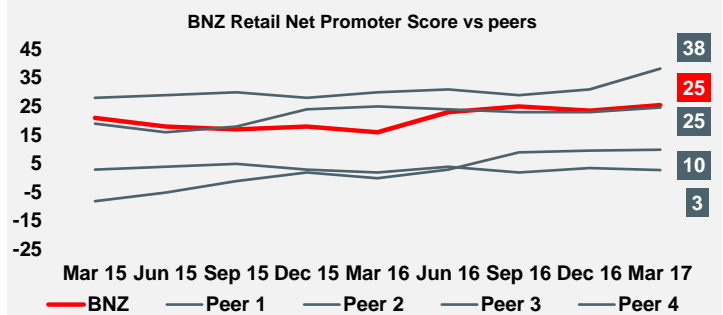


# NEW ZEALAND BANKING: NET PROMOTER SCORE

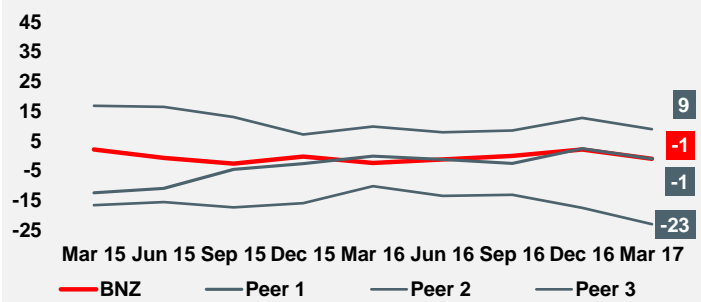
## NET PROMOTER SCORE – BNZ PARTNERS<sup>1</sup>



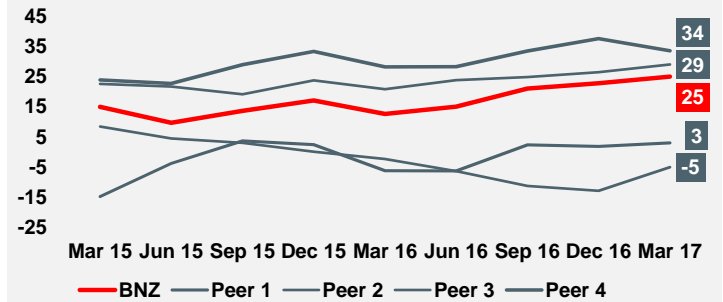
## NET PROMOTER SCORE – BNZ RETAIL<sup>2</sup>



## NET PROMOTER SCORE – SME<sup>1</sup>



## NET PROMOTER SCORE – RETAIL WEALTH<sup>2</sup>



(1) Source: TNS Business Finance Monitor (data on 12 month roll)  
 (2) Source: Retail Market Monitor (data on six month roll)



# NEW ZEALAND BANKING: DIGITAL INITIATIVES

## ANDROID PAY

- BNZ and Google jointly launched Android Pay in December 2016 to **enable BNZ customers to make contactless purchases** using an Android Phone
- **First to market in New Zealand**
- Integrated Android Pay into the BNZ app, making it easier for our customers to use this technology
- Customers can **instantly download and load their BNZ Flexi Debit Visa cards on their mobile device**
- >49,000 Android Pay transactions
- >7,000 customers registered



## FIGURED INVESTMENT



- In February 2016 BNZ made a **15.6% investment in Figured Ltd**, a cloud-based farm accounting software provider
- Figured allows farmers to manage their farming operations and, in real-time, **connect with their accountants, farm consultants and rural bankers on one platform**
- Partnership allows BNZ to distribute Figured software licenses to **agribusiness customers free of charge for two years**
- **~470 agribusiness customers utilising software**, with 4,000 expected by FY17 (57% of customer base)
  - Customers access planning and farm budgeting tools integrated with Xero software
  - Improved BNZ's agri advisory services
  - Integrated credit decisioning tools

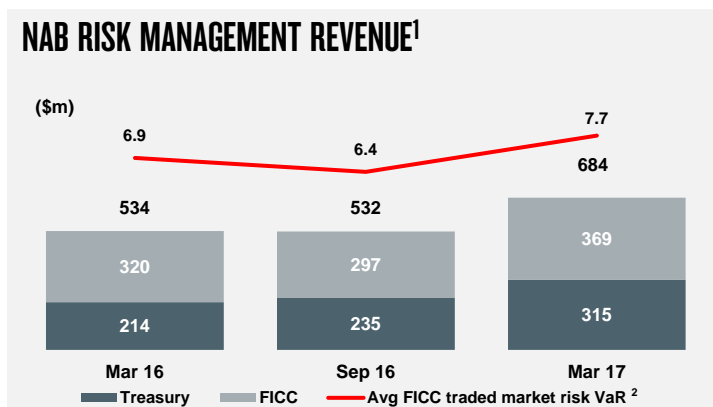
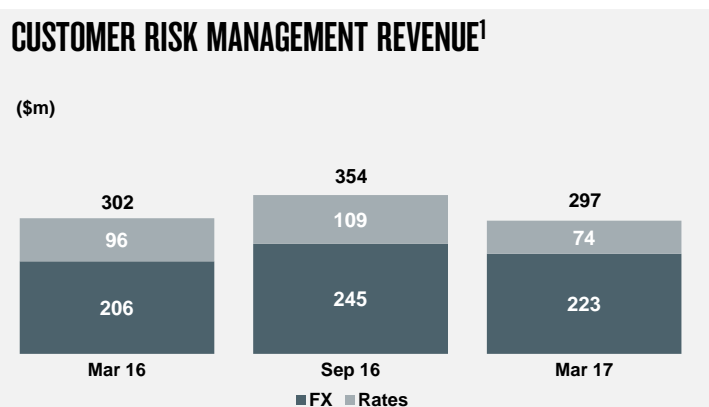
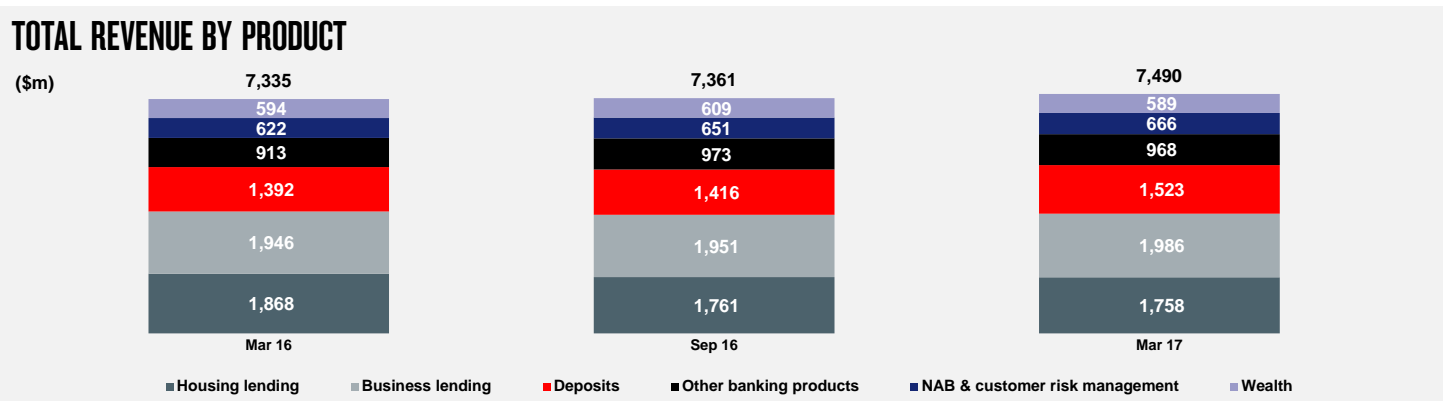




# ADDITIONAL INFORMATION

## PRODUCTS – AUSTRALIAN BANKING & WEALTH

### AUSTRALIAN BANKING & WEALTH PRODUCTS: REVENUE



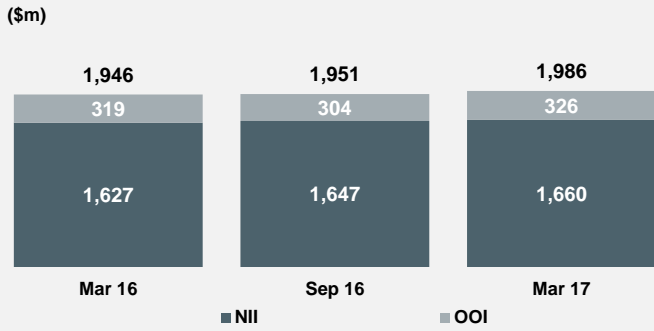
(1) Customer risk comprises OOI. NAB risk management comprises NII and OOI and is defined as management of interest rate risk in the banking book, wholesale funding and liquidity requirements and trading market risk to support the Group's franchises. Includes FX  
 (2) Average FICC traded market risk VaR for 1H17 excludes the impact of hedging activities related to derivative valuations adjustments. Prior periods have been adjusted as the hedging impact in these periods was immaterial to reported VaR



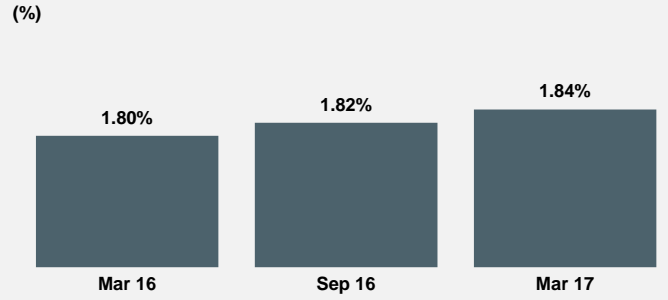


# BUSINESS LENDING

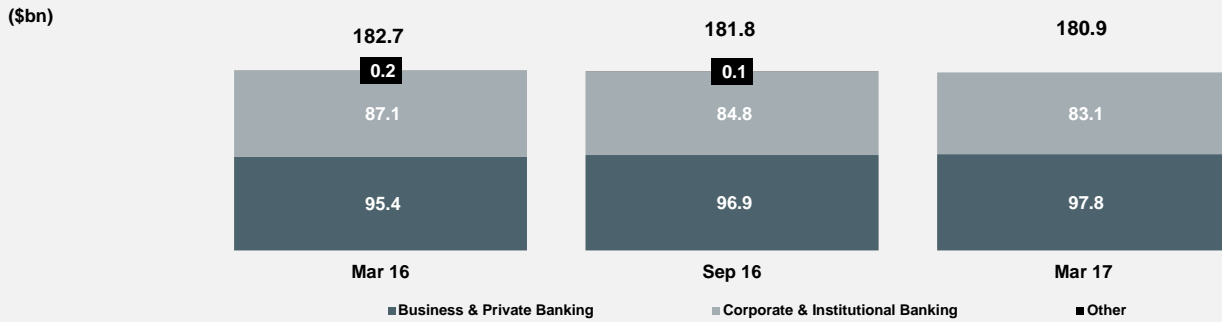
## BUSINESS LENDING REVENUE



## BUSINESS LENDING NET INTEREST MARGIN



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

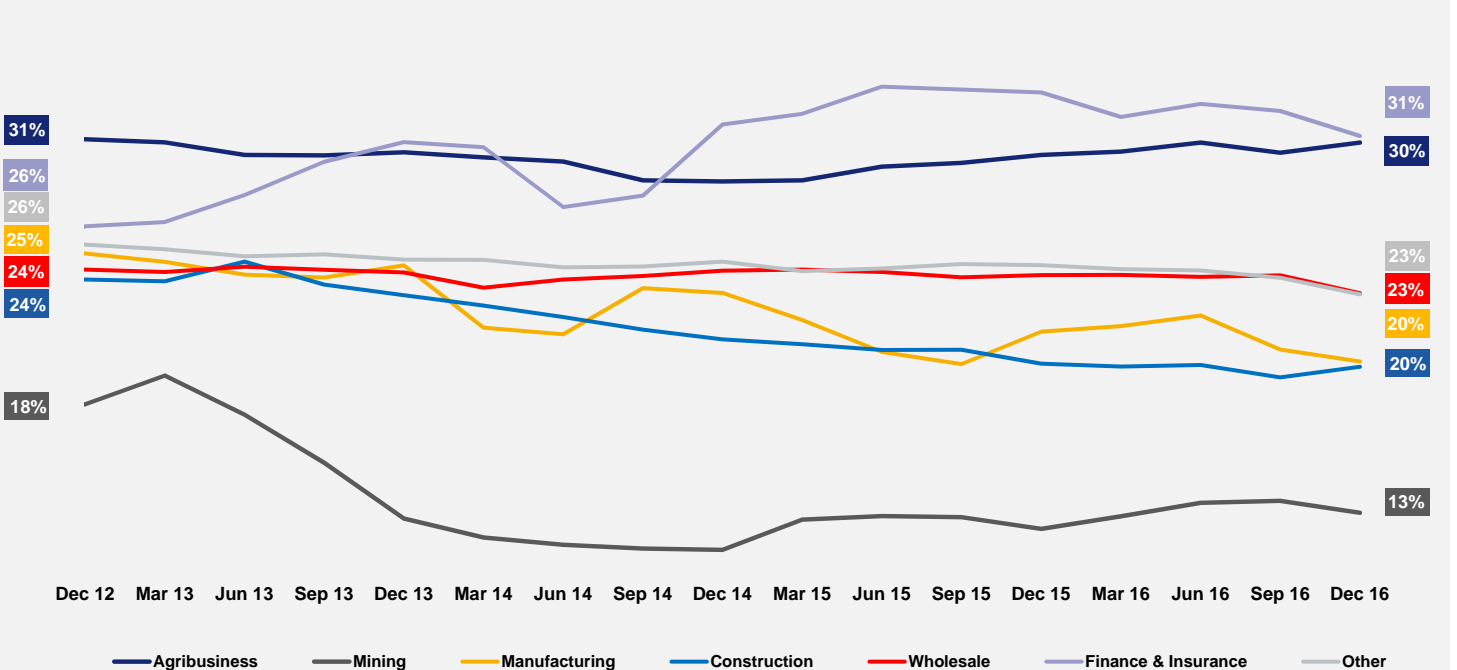


(1) Prior periods have been restated to reflect the transfer of customers, consistent with where customers are domiciled in 2017. Includes \$660m reclassification of business lending to housing lending at September 2016



# BUSINESS LENDING: MARKET SHARE

## MARKET SHARE BY INDUSTRY<sup>1</sup>

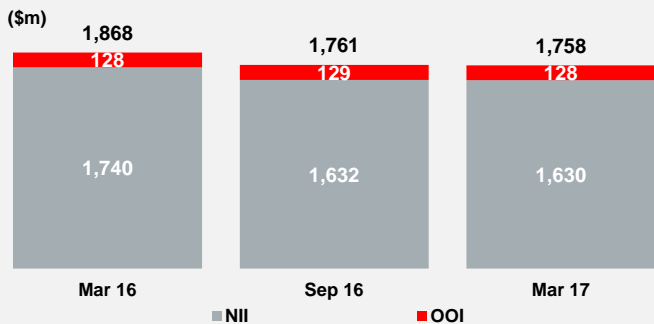


(1) December 2016. NAB APRA submission / RBA system

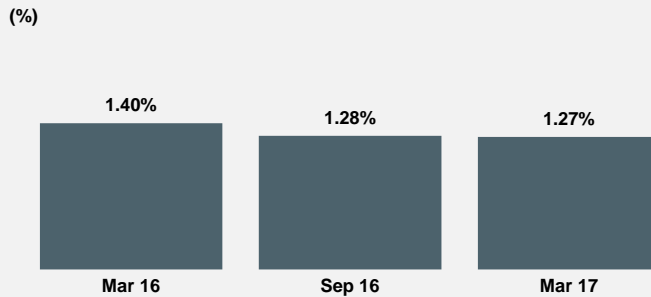


# HOUSING LENDING

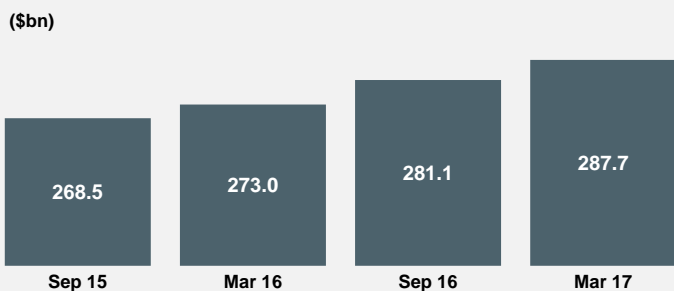
## HOUSING LENDING REVENUE



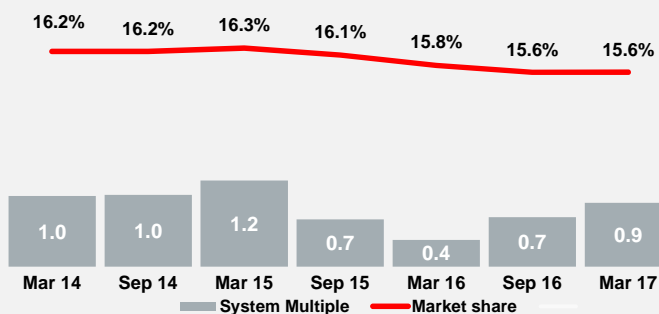
## HOUSING LENDING NET INTEREST MARGIN



## HOUSING LENDING GLAs



## HOUSING LENDING MARKET SHARE<sup>1</sup>

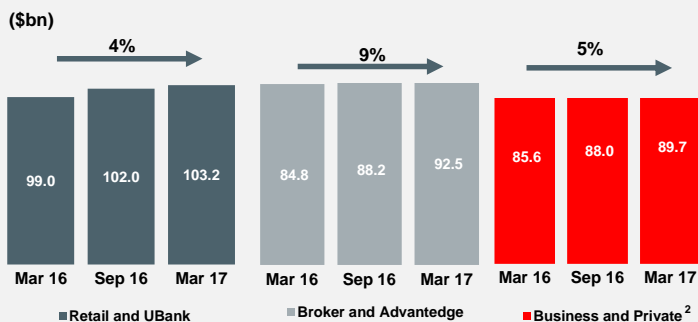


(1) APRA Financial System – Lending to Households

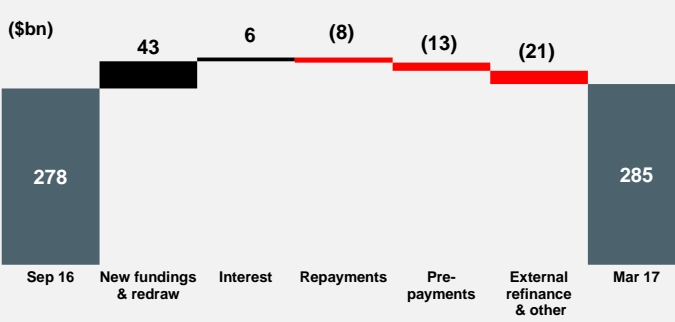


# HOUSING LENDING

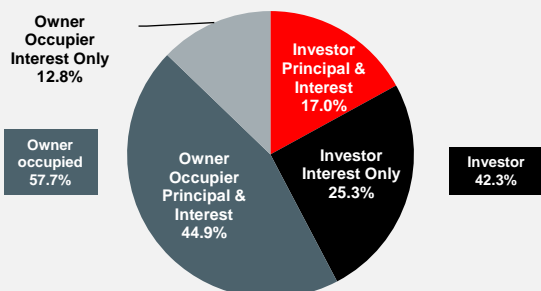
## HOUSING LENDING BY CHANNEL<sup>1</sup>



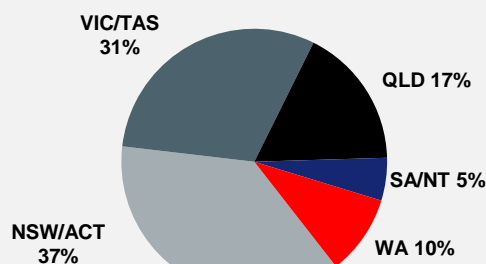
## HOUSING LENDING FLOW MOVEMENTS<sup>3</sup>



## HOUSING LENDING VOLUME BY BORROWER AND REPAYMENT TYPE<sup>4</sup>



## AUSTRALIAN MORTGAGES BY GEOGRAPHY



(1) Excludes Asia and Non Performing Loans. Prior periods have been restated to reflect customer transfers

(2) Includes \$660m reclassification of business lending to housing lending at September 2016

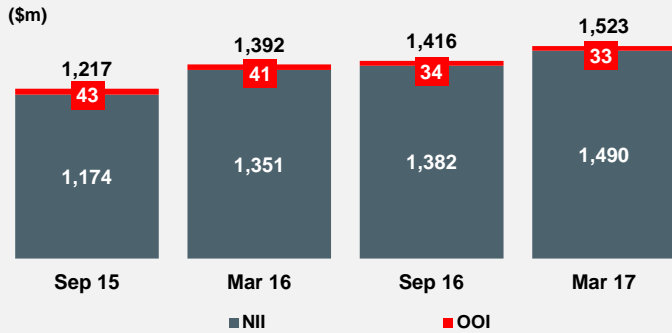
(3) Excludes Asia

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

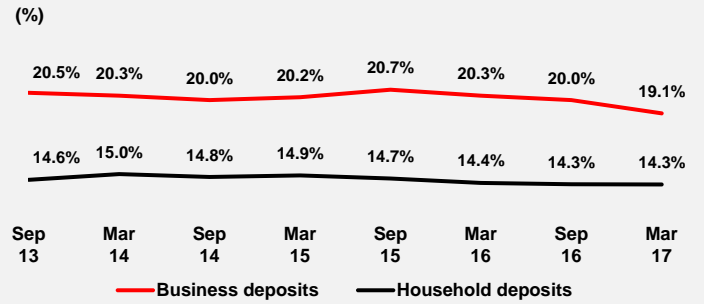


# DEPOSITS AND TRANSACTION ACCOUNTS

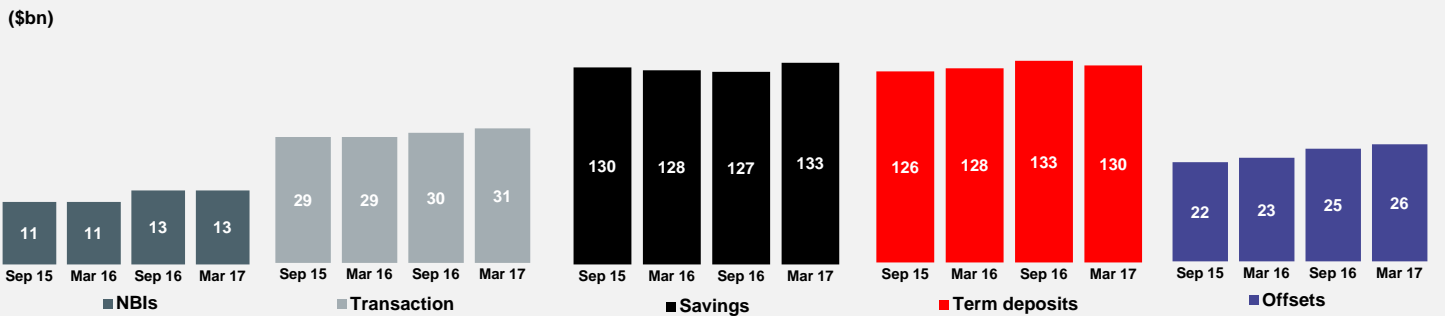
## DEPOSIT REVENUE



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



## CUSTOMER DEPOSIT BALANCES BY PRODUCT

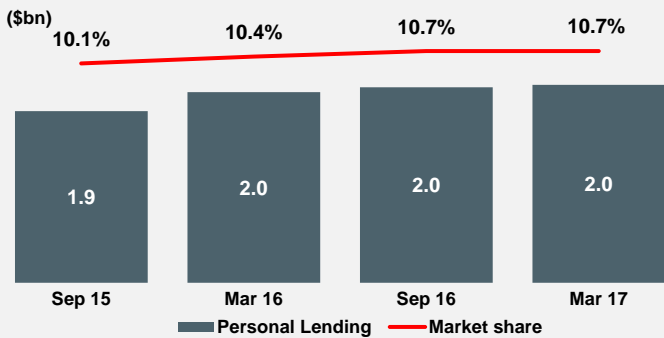


(1) APRA Banking System – 2013-2015 values have been restated

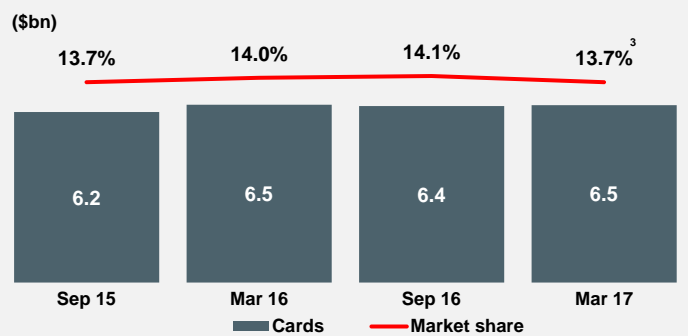


# OTHER BANKING PRODUCTS

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



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



(1) Personal loans business tracker reports provided by RFI (February 2017), represents share of RFI defined peer group data  
 (2) APRA Banking system  
 (3) Market share has been impacted by Citigroup acquiring Coles Credit Cards, which introduced balances not previously included in the APRA data



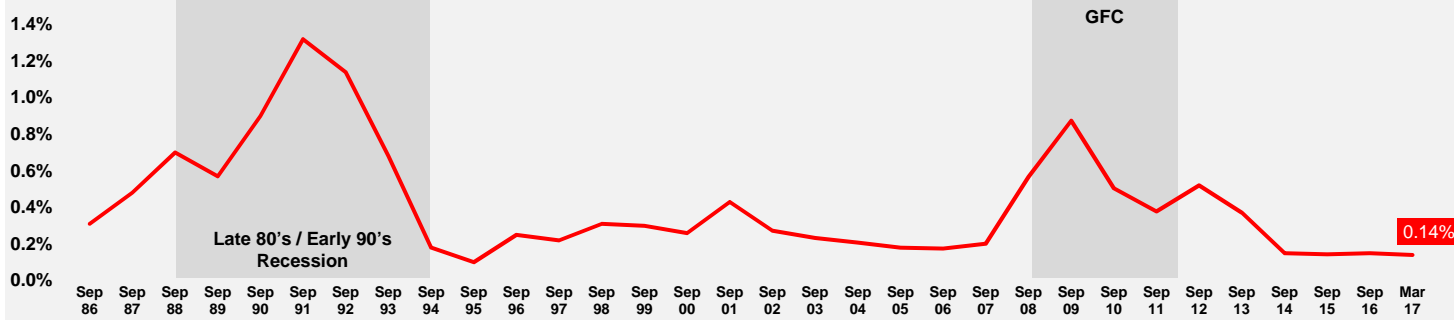


# ADDITIONAL INFORMATION

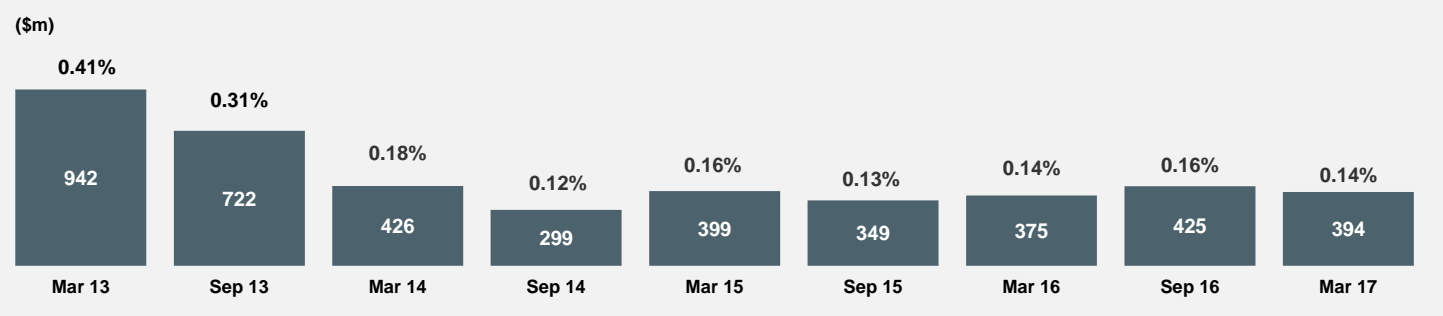
## ASSET QUALITY

### GROUP B&DD CHARGE

B&DD CHARGE AS % OF GLAs



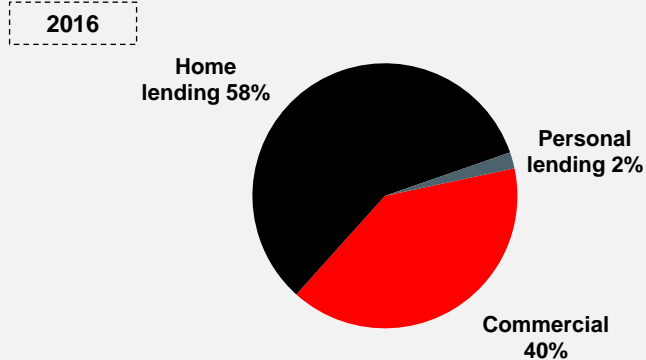
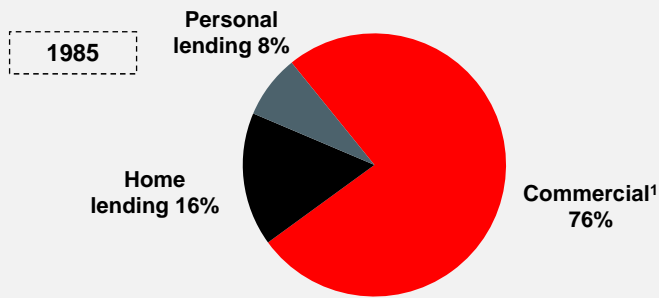
B&DD CHARGE AND AS % OF GLAs <sup>1</sup>



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

# ESTIMATED GROUP LONG RUN LOAN LOSS RATE – 1985 TO 2016

## GROUP BUSINESS MIX – GLAs BY CATEGORY



## ESTIMATING LONG RUN LOAN LOSS RATE

NAB Australian geography net write off rates as a % of GLAs 1985 - 2016 <sup>2</sup>	Long run average
Home lending <sup>3</sup>	0.03%
Personal lending <sup>3</sup>	1.39%
Commercial <sup>3</sup>	0.58%
Australian average (1985-2016)	0.36%
<b>Group average<sup>4</sup> based on 2016 business mix</b>	<b>0.28%</b>
<b>Group average<sup>4</sup> based on 2016 business mix excluding 1991-1993 and 2008-2010</b>	<b>0.20%</b>

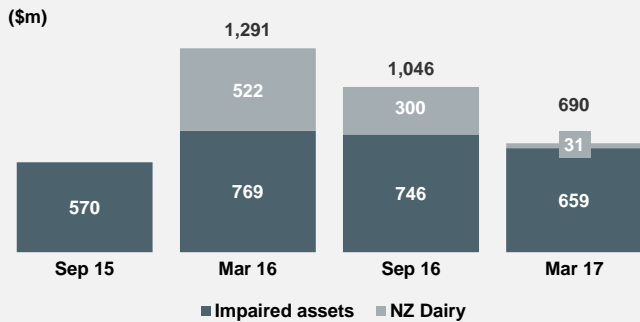
- (1) For 1985 Group business mix, all overseas GLAs are included in Commercial category  
 (2) Data used in calculation of net write off rate as a % of GLAs is based on NAB's Australian geography and sourced from NAB's Supplemental Information Statements (2007 - 2015) and NAB's Annual Financial Reports (1985 - 2006). 2016 net write off data is NAB unaudited estimates  
 (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 defined by source document  
 (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 2016. Commercial long run average net write off rate has been applied to acceptances



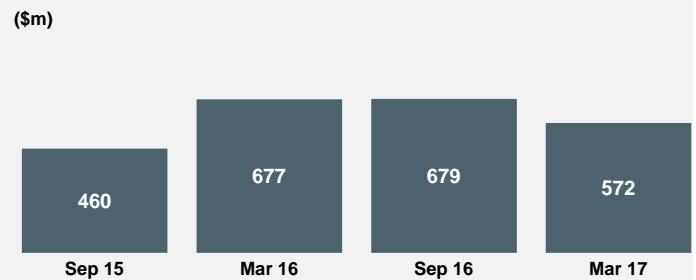
72

# NEW IMPAIRED ASSETS

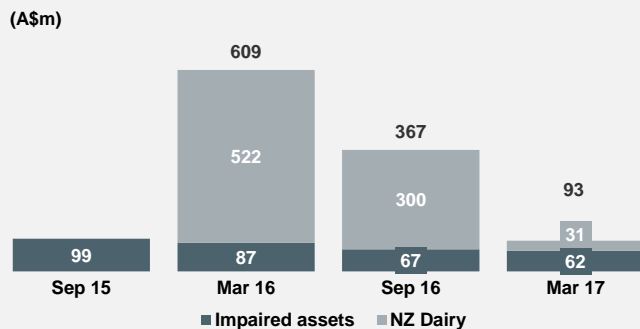
## GROUP NEW IMPAIRED ASSETS



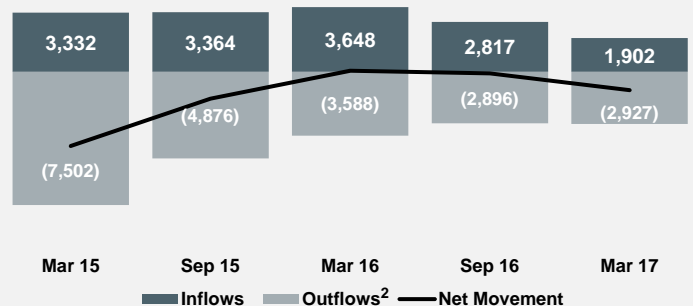
## AUSTRALIA BANKING NEW IMPAIRED ASSETS



## NEW ZEALAND BANKING NEW IMPAIRED ASSETS



## NON-RETAIL CATEGORISED LOANS<sup>1</sup>



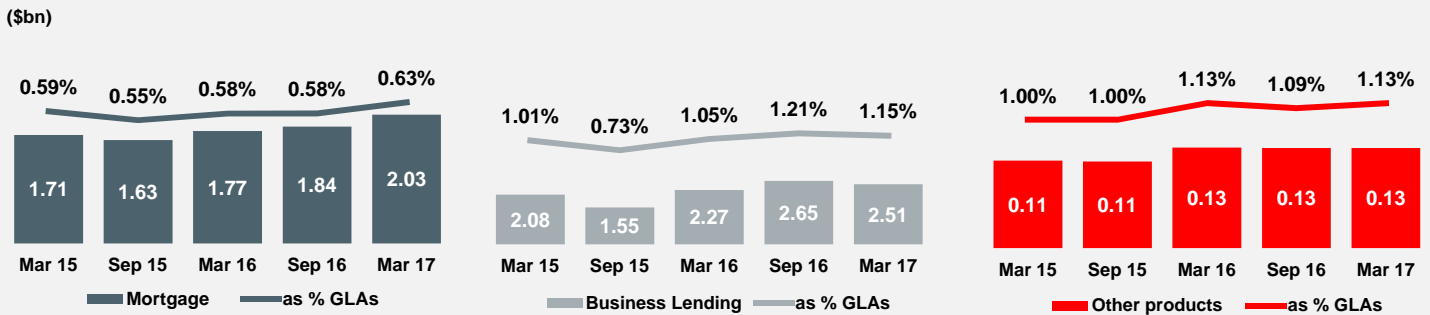
- (1) Based on total aggregate exposures, ie includes undrawn commitments and off balance sheet derivatives etc. and excludes small business up to \$2m  
 (2) Outflows includes: Repatriations, refinancing, asset sales, debt sales, insolvencies / liquidations – net of write-offs



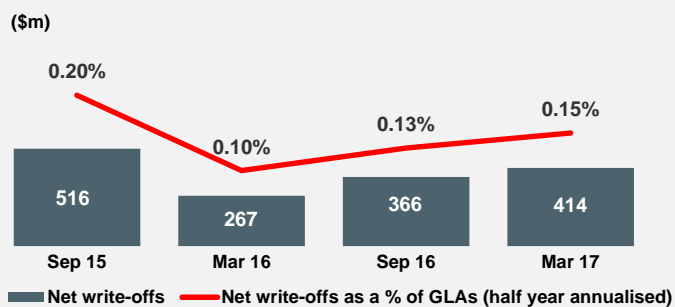
73

# GROUP ASSET QUALITY

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

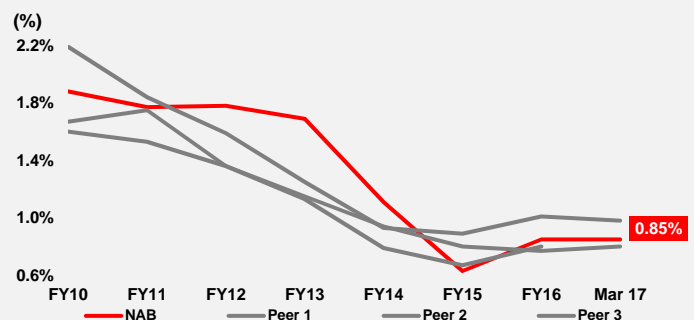


## NET WRITE-OFFS<sup>1</sup>



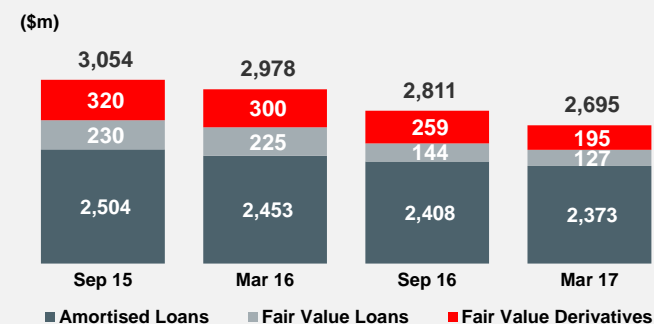
(1) Includes write-offs of fair value loans  
 (2) Based on latest peer results announcements

## 90+ DPD & GIAs TO GLAs<sup>2</sup>

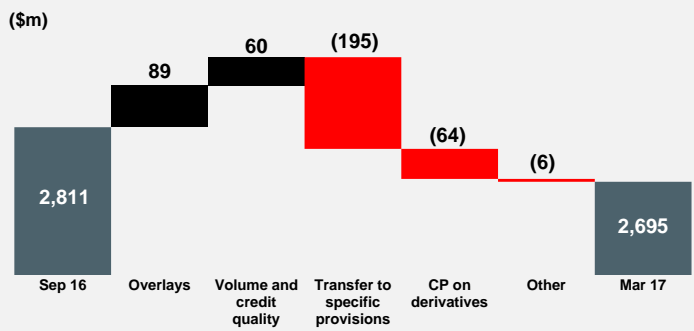


# GROUP PROVISIONS

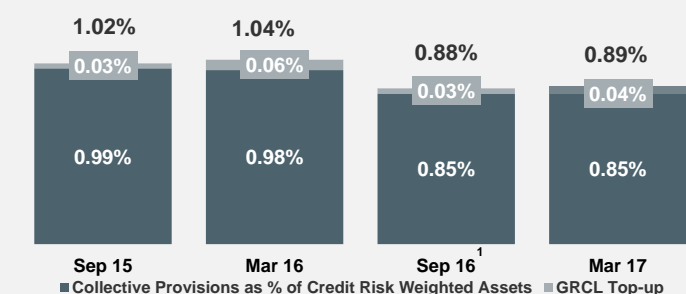
## COLLECTIVE PROVISION



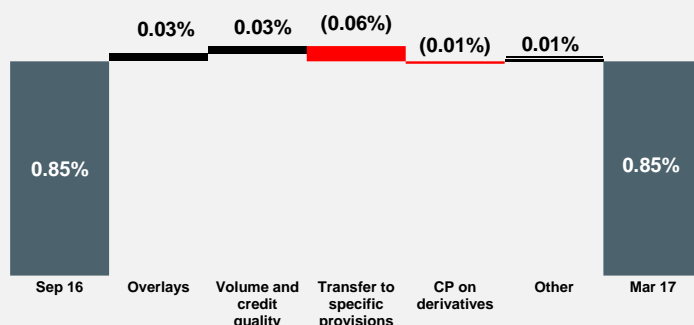
## COLLECTIVE PROVISION MOVEMENTS



## COLLECTIVE PROVISIONS AND GRCL AS % OF CRWAs



## COLLECTIVE PROVISION AS % OF CRWAs MOVEMENTS



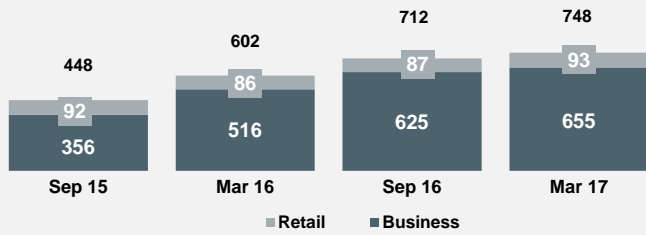
(1) Sep 16 Collective provision as a % of cRWAs reduced due to regulatory changes to the cRWA floor in respect of the Australian mortgage portfolio



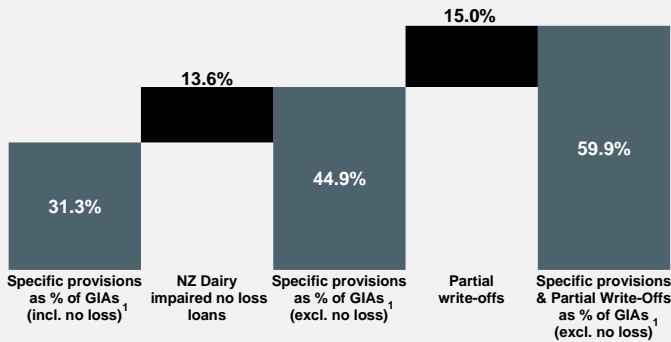
# COLLECTIVE AND SPECIFIC PROVISIONS

## SPECIFIC PROVISION BALANCES

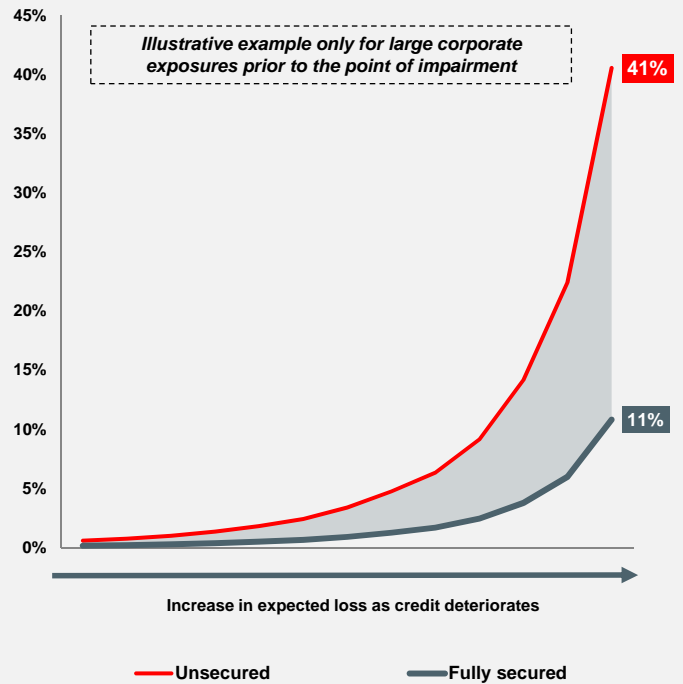
(\$m)



## SPECIFIC PROVISION COVERAGE



## COLLECTIVE PROVISION COVERAGE AS % OF EXPOSURE<sup>2</sup>

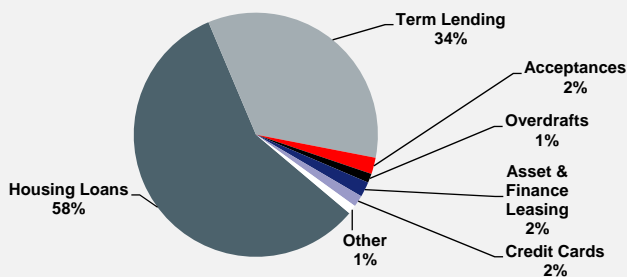


(1) Balances currently assessed as 'impaired no loss' are excluded from the reported specific provision coverage ratio of 44.9% as no specific provisions are held against these balances. Provisions associated with 'impaired no loss' balances are included within collective provision and therefore not included in these ratios  
 (2) Relates to large corporate exposure originated as investment grade. Includes migration from IFRS 9 Stage 1 to 2 followed by Stage 2 to 3. Also includes forward looking component of IFRS 9

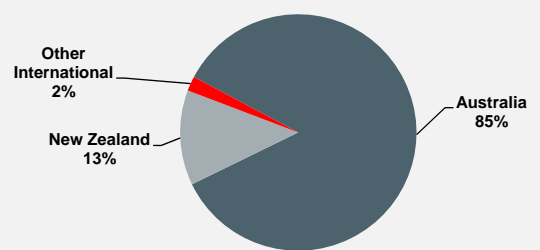


# GROUP PORTFOLIO – \$550.0BN

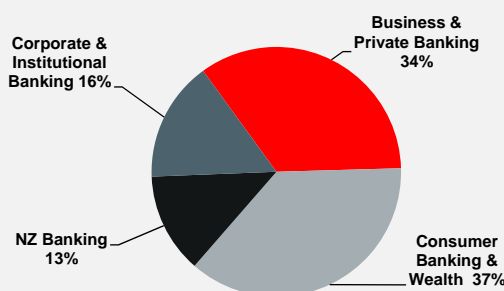
## GROSS LOANS AND ACCEPTANCES BY PRODUCT



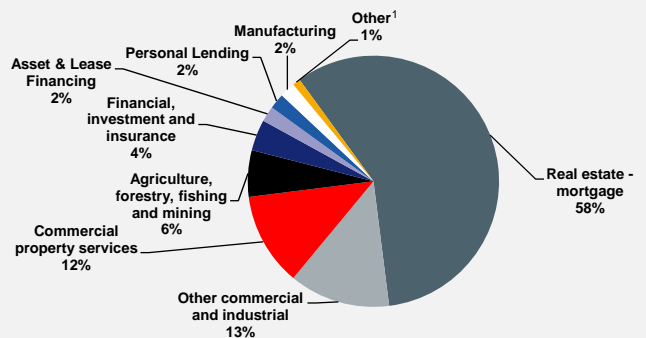
## GROSS LOANS AND ACCEPTANCES BY GEOGRAPHY



## GROSS LOANS AND ACCEPTANCES BY BUSINESS UNIT



## GROSS LOANS AND ACCEPTANCES BY INDUSTRY

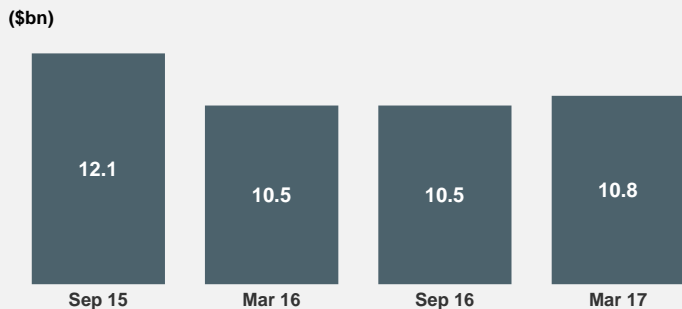


(1) Other includes: Real estate – construction, Government and public authorities

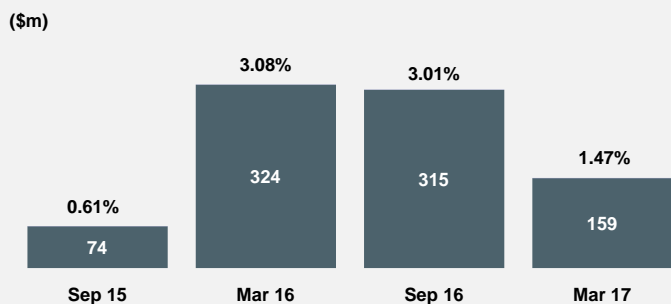


# GROUP RESOURCES EXPOSURES

## RESOURCES EXPOSURE AT DEFAULT (EAD)



## RESOURCES 90+ DPD AND GIAs AND AS % OF RESOURCES EAD

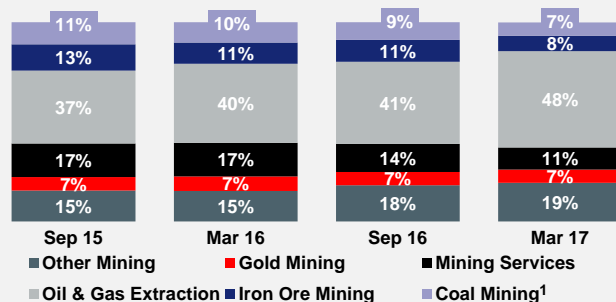


(1) Coal mining is composed of black coal mining (99%) and brown coal mining (1%)

## ASSET QUALITY

- Resources EAD ~1% of total Group EAD
- Exploration & Production exposure to stronger rated investment grade customers is 67%
- Oil & Gas extraction exposure is largely to LNG projects and investment grade customers (92%)
- Mining Services exposures reduced to 11% of resources EAD at Mar 17 vs 17% Sep 15, 92% of the mining services portfolio is partially or fully secured
- Resources 90+ DPD & gross impaired to EAD declined to 1.47% at Mar 17 from 3.01% at Sep 16, predominantly due to successful work-out strategies for a small number of larger exposures

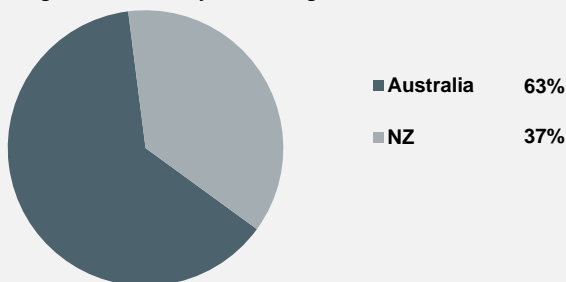
## RESOURCES PORTFOLIO BREAKDOWN



# GROUP AGRICULTURAL EXPOSURES

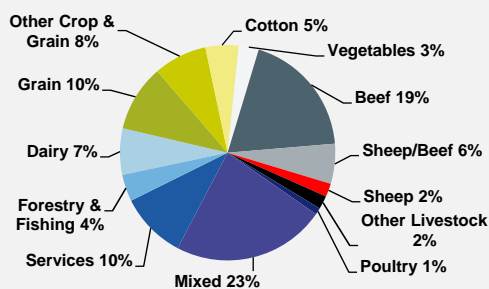
## AGRICULTURE, FORESTRY & FISHING EXPOSURES

Agriculture, Forestry and Fishing EAD \$40.0bn March 2017

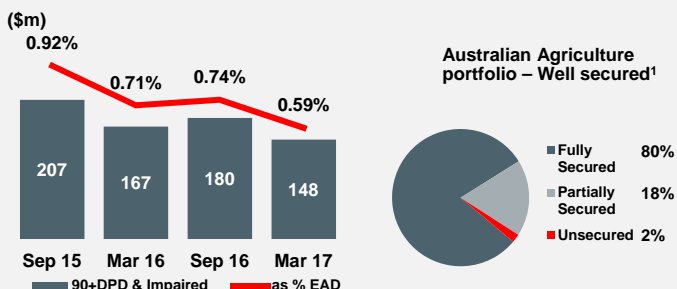


## AUSTRALIAN AGRICULTURE, FORESTRY & FISHING – EXPOSURES

EAD \$25.0bn March 2017



## AUSTRALIAN AGRICULTURE, FORESTRY & FISHING – ASSET QUALITY



(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 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





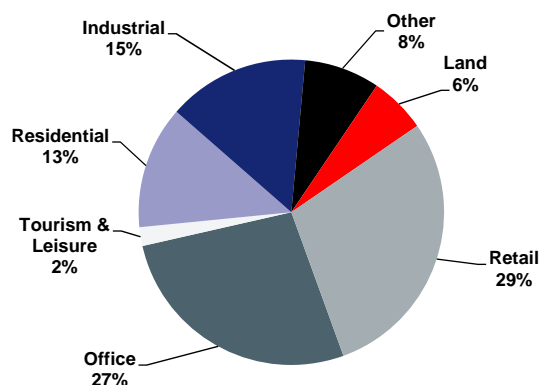
# GROUP COMMERCIAL REAL ESTATE<sup>1</sup>

Total \$60.1bn

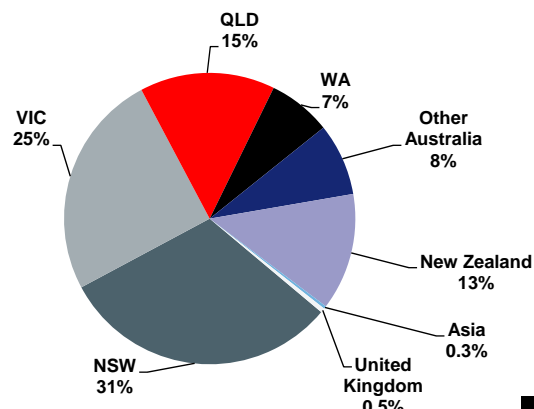
10.9% of Gross Loans & Acceptances

	Aust	NZ	UK Region	Asia	Total	Trend	Sep 15	Mar 16	Sep 16	Mar 17
TOTAL CRE (A\$bn)	51.8	7.8	0.3	0.2	60.1	Impaired loans ratio	0.42%	0.30%	0.23%	0.25%
Increase/(decrease) on Sep 16 (A\$bn)	(1.2)	(0.2)	0.0	0.0	(1.4)					
% of regional GLAs	11.1%	11.0%	5.8%	3.2%	10.9%	Specific Provision Coverage	23.4%	23.5%	28.3%	38.6%
Change in % on September 2016	(0.4%)	(0.4%)	(0.4%)	(0.5%)	(0.4%)					

Group Commercial Property by type



Group Commercial Property by geography



(1) Measured as balance outstanding at March 2017 per APRA Commercial Property ARF 230 definitions

80



# GROUP ELIGIBLE PROVISIONS AND REGULATORY EXPECTED LOSS

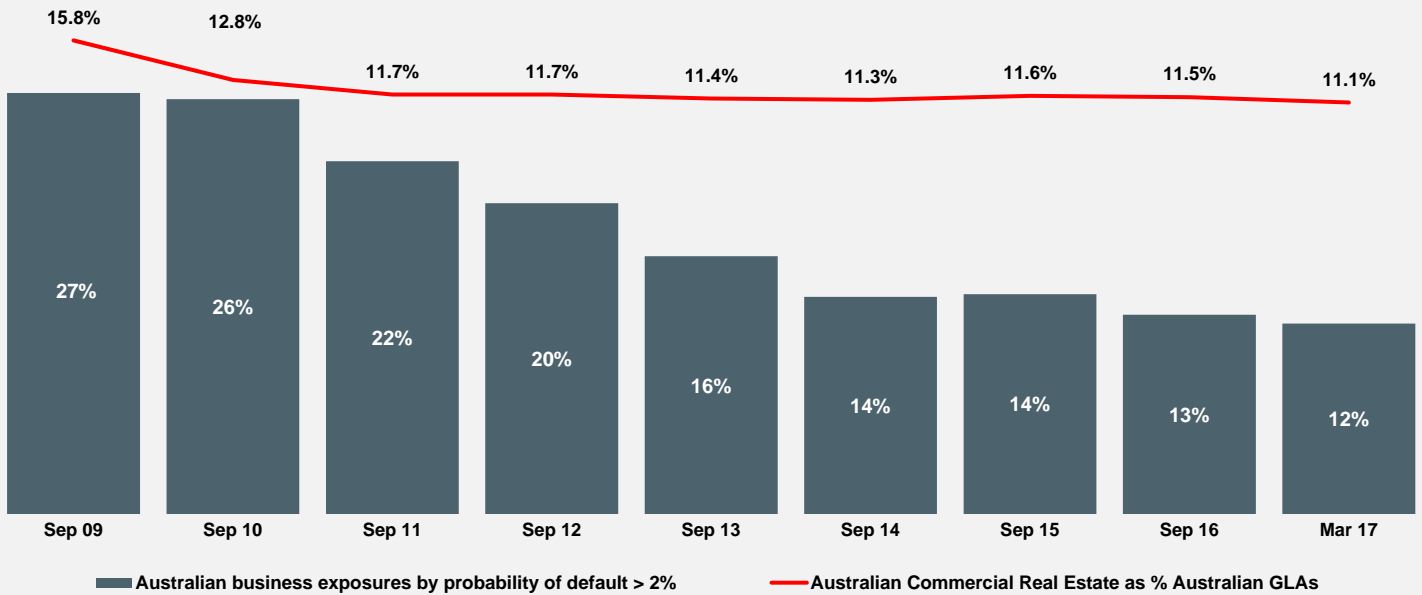
(\$m)	Sep 16		Mar 17		Movement	
	Defaulted	Non-Defaulted	Defaulted	Non-Defaulted	Defaulted	Non-Defaulted
General Reserve for Credit Losses	379	2,522	380	2,401	1	(121)
Specific Provisions	712		748		36	
less: Provisions on standardised portfolio	(8)	(63)	(8)	(60)	0	3
plus: Partial write-offs on IRB portfolio	481		614		133	
<b>Total Eligible Provisions (EP)</b>	<b>1,564</b>	<b>2,459</b>	<b>1,734</b>	<b>2,341</b>	<b>170</b>	<b>(118)</b>
Regulatory Expected Loss (EL)	1,564	2,528	1,724	2,472	160	(56)
Shortfall in EP over EL (100% CET1 Deduction)	0	69	0	131	0	62
Surplus in EP over EL (Tier 2 capital for non-defaulted)	0	0	10	0	10	0

81



# AUSTRALIAN ASSET QUALITY: BUSINESS LENDING

## AUSTRALIAN BUSINESS LENDING RISK PROFILE

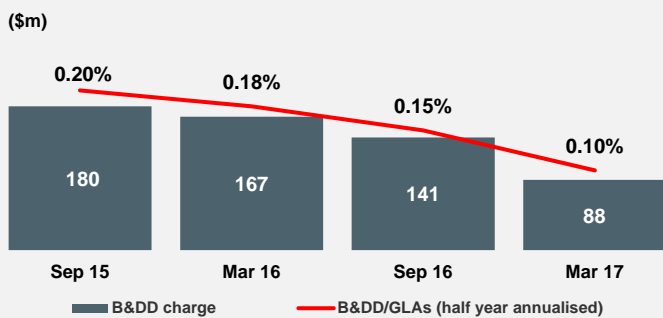


82

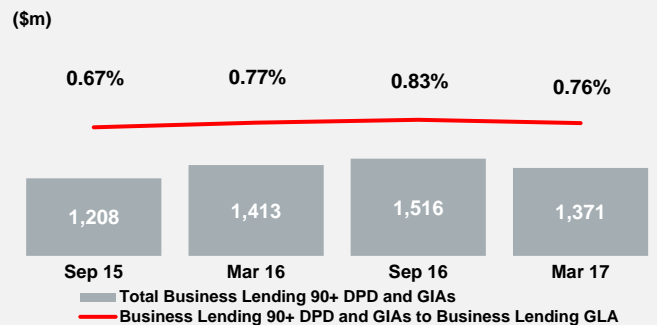


# AUSTRALIAN ASSET QUALITY: BUSINESS LENDING

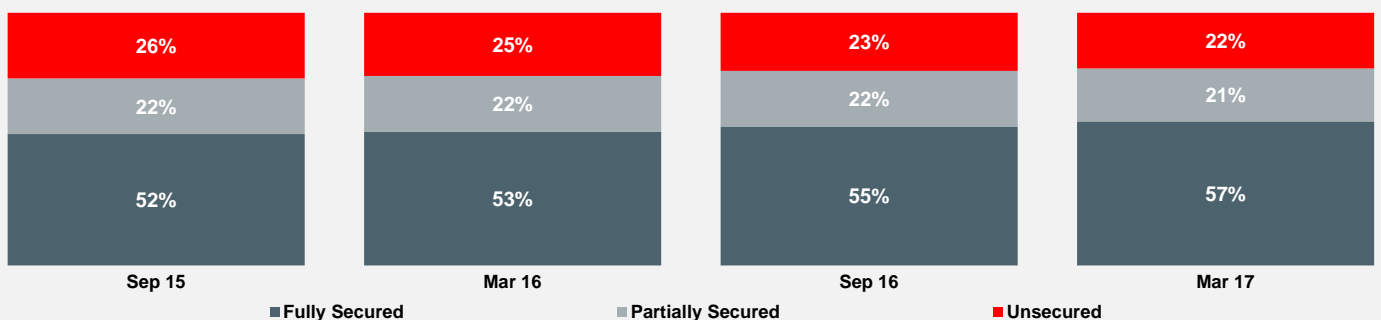
## B&DD CHARGE AND AS % OF GLAs



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



## WELL SECURED<sup>1</sup> – BUSINESS PRODUCTS



(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 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

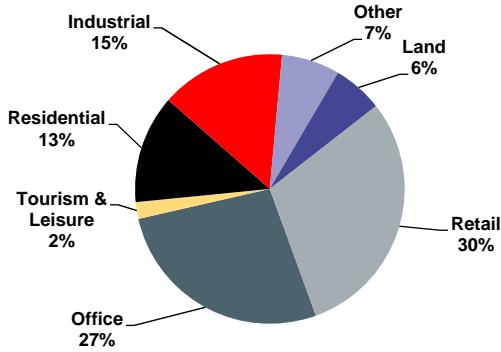
83



# AUSTRALIAN ASSET QUALITY: COMMERCIAL REAL ESTATE

Total \$51.8bn<sup>1</sup>

11.1% of Gross Loans & Acceptances<sup>2</sup>



State	NSW	VIC	QLD	WA	Other	Total
Location	35%	29%	18%	9%	9%	100%
Loan Balance < \$5m	31%	40%	36%	35%	37%	35%
≥ \$5m < \$10m	11%	13%	14%	12%	14%	13%
≥ \$10m	58%	47%	50%	53%	49%	52%
Loan tenor < 3 yrs	81%	85%	88%	84%	86%	84%
Loan tenor ≥ 3 < 5 yrs	15%	11%	9%	13%	10%	12%
Loan tenor ≥ 5 yrs	4%	4%	3%	4%	4%	4%
Average loan size \$m	3.1	2.5	2.6	2.8	2.7	2.7
Security Level <sup>3</sup> – Fully Secured	77%	88%	86%	92%	89%	84%
Partially Secured	9%	8%	11%	5%	10%	9%
Unsecured	14%	4%	3%	3%	1%	7%
90+ days past due ratio	0.06%	0.09%	0.00%	0.05%	0.01%	0.05%
Impaired loans ratio	0.04%	0.11%	0.66%	0.01%	0.22%	0.18%
Specific provision coverage ratio	11.6%	33.2%	36.8%	0.0%	22.3%	32.6%
Construction/development	16%	15%	11%	18%	15%	15%
Investment	84%	85%	89%	82%	85%	85%

Portfolio breakdown	Retail	Office	Residential	Other <sup>4</sup>
Construction/development	2%	2%	60%	20%
Investment	98%	98%	40%	80%

Trend	Sep 15	Mar 16	Sep 16	Mar 17
90+ days past due ratio	0.13%	0.07%	0.05%	0.05%
Impaired loans ratio	0.35%	0.29%	0.25%	0.18%
Specific provision coverage ratio	16.1%	20.8%	26.5%	32.6%

(1) Data has been prepared in accordance with APRA ARF230 guidelines

(2) Represents assets within the Australian geography

(3) 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 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

(4) Other consists of tourism and leisure, industrial, land and other

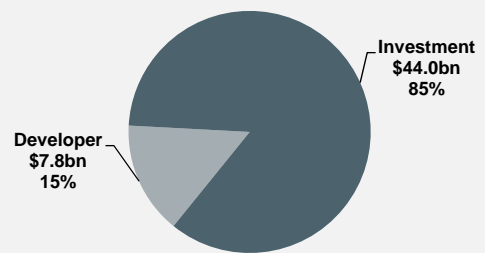


# AUSTRALIAN ASSET QUALITY: DEVELOPER BALANCE<sup>1</sup>

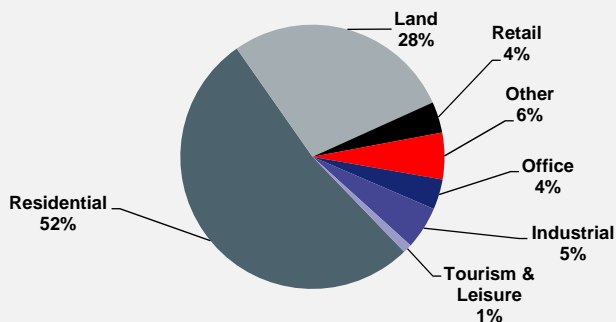
## LIMITED CRE LENDING TO DEVELOPERS

- \$51.8bn total Australian CRE balance, of which
  - 85% is Investment; and
  - 15% is Developer
- Residential development lending balance \$4.1bn and \$2.2bn for land. Exposure to higher risk inner city postcodes ~24% of total residential developer portfolio
- Balance concentrated in NSW/ACT (40%) and VIC/TAS (31%)

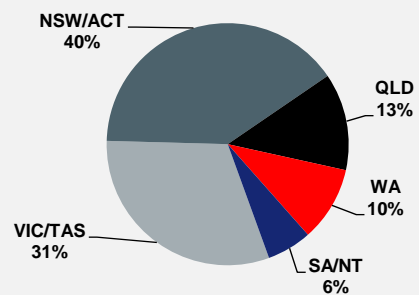
## COMMERCIAL PROPERTY – DEVELOPER v INVESTMENT



## DEVELOPER – COMMERCIAL PROPERTY BY TYPE



## DEVELOPER – COMMERCIAL PROPERTY BY STATE

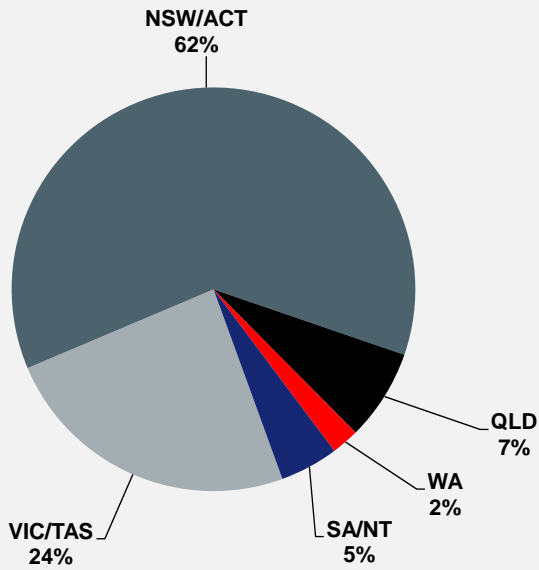


(1) Data has been prepared in accordance with APRA ARF230 guidelines

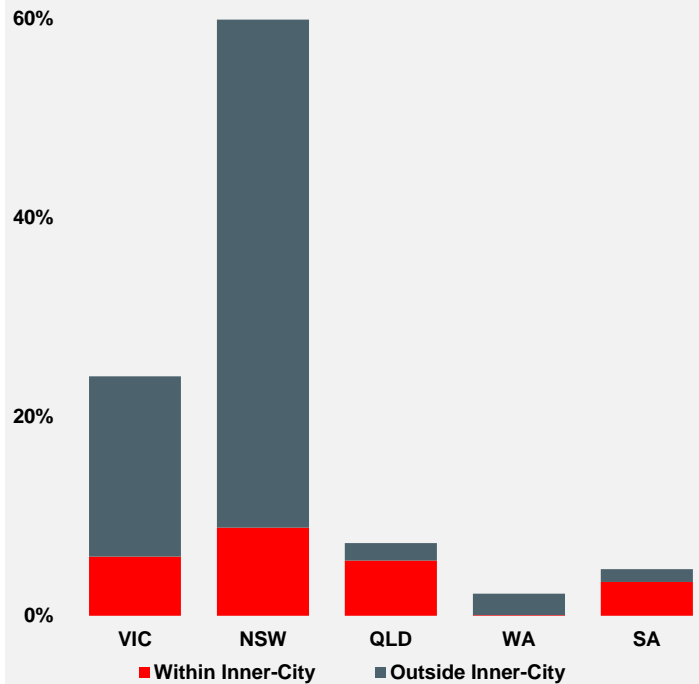


# AUSTRALIAN ASSET QUALITY: RESIDENTIAL DEVELOPER EXPOSURES

## RESIDENTIAL DEVELOPER EXPOSURES – BY GEOGRAPHY



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

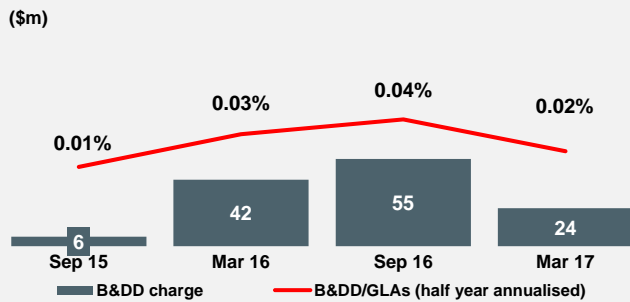


(1) "Inner-City" includes CBD and adjoining postcodes, along with Waterloo/Zetland in Sydney. There is exposure to one development in each of the inner-cities of Canberra, Hobart, and Perth. Transactions >\$2m, including those that are well advanced but yet to draw-down

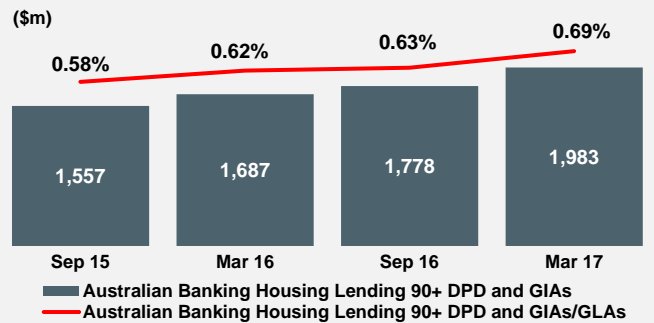


# AUSTRALIAN ASSET QUALITY: HOUSING LENDING

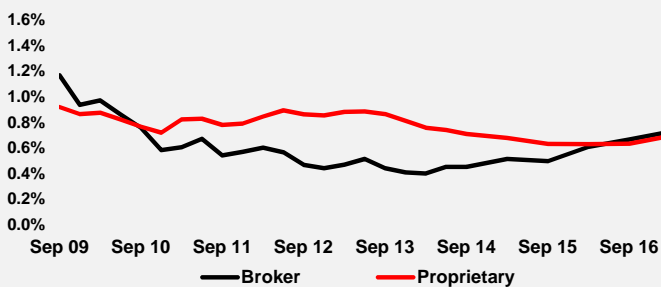
## B&DD CHARGE AND AS % OF GLAs



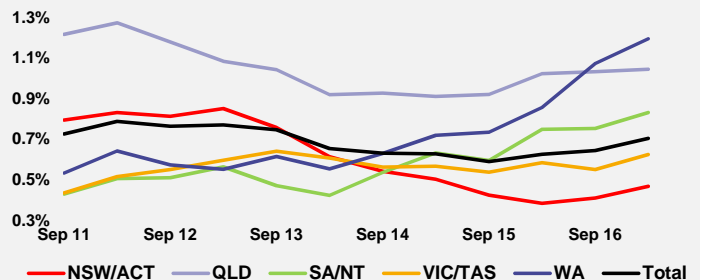
## 90+ DPD AND GIAs AND AS % OF HOUSING LENDING GLAs



## 90+ DPD AND GIAs AS % OF TOTAL HOUSING LENDING GLAs – BY CHANNEL<sup>1</sup>



## AUSTRALIAN MORTGAGES 90+ DPD AND GIAs AS % GLAs – BY STATE



(1) Excludes Asia



# AUSTRALIAN ASSET QUALITY: HOUSING LENDING CREDIT POLICIES

## HOUSING LENDING PRACTICES AND CUSTOMER PROFILE

### Key practices

- Broker applications assessed centrally – verification, credit decisioning
- Floor interest rate 7.25% and serviceability buffer 2.25% including on existing debt
- Maximum LVR 95% for owner occupier and 90% for investor – less for high risk postcodes, at-risk postcodes, inner city and non-residents
- Income typically verified using salary credits into customers' accounts
- 20% shading of rental and other uncertain income
- Interest only lending repayments assessed on the residual principal and interest period
- All brokers licensed and subject to accreditation requirements
- NAB conducts broker level monitoring using specific review triggers such as delinquency thresholds

### Customer profile<sup>1</sup>

- Customers an average of 29.7 monthly payments in advance
- 73.3% customers ≥1 month in advance<sup>2</sup>

(1) Including offset accounts

(2) Not reported for Advantedge. Excludes line of credit and interest only loans

(3) Includes eight postcodes in mining areas in WA and QLD

## MINING TOWNS

- WA and QLD housing exposure 10% and 17% of total housing book (NSW/ACT 37%, VIC/TAS 31%)
- Housing exposure to key mining towns<sup>3</sup> <1% of total housing book
- Captured in 'high risk postcodes' with max LVR 70%

## RESIDENTIAL APARTMENTS AND INNER CITY POSTCODES

- Closely monitor inner city postcodes including those with high apartment concentration
- Maximum LVR 80% for these postcodes
- Lending to these postcodes <2% of total housing book

## NON-RESIDENT LENDING

- Lending to non-residents <3% of total housing book
- Maximum LVR 60%
- 40% shading applies to foreign income

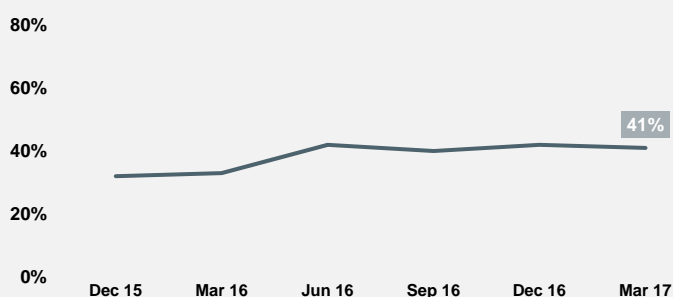


# AUSTRALIAN ASSET QUALITY: HOUSING LENDING – INTEREST ONLY & INVESTOR

## INTEREST ONLY (IO) LENDING

- Expect to meet APRA's 30% limit within agreed timeframe
- Only 2% of IO flow >90% LVR lending
- Converts to P&I – maximum 5 years for owner occupied and 10 years investors
- Loan serviceability assessed on P&I basis

## INTEREST ONLY % OF NEW LENDING<sup>1</sup> (QUARTERLY)



(1) Does not include Advantedge

(2) Data as of December 2016

## INVESTOR HOUSING LENDING

- Principal & Interest: 36.8%
- Interest only: 63.2%
- Units<sup>1,2</sup>: 26.8%
- Houses<sup>1,2</sup>: 73.2%
- Average LVR at origination: 71.6%
- Average loan size: \$350k
- 90+ days past due: 0.46%
- Impaired loans: 0.13%
- Specific provision coverage ratio<sup>1</sup>: 35.6%
- Loss rate<sup>1</sup>: 0.02%

## LENDING PRACTICES

- Apartment size must be 50 square metres or greater (including balconies and car park)
- Differentiated pricing applied to investors and interest only customers
- 20% shading of rental and other uncertain income
- 40% shading applies to foreign income and subject to additional income verification requirements
- Maximum LVR of 70% for high risk postcodes



# AUSTRALIAN ASSET QUALITY: 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 represents a severe recession. In a historical context, this recession is worse than in the early 1980s or 1990s, only exceeded by the 1930s recession. Unemployment rises to almost 11% at its peak, back to the worst post-war level reached in the early 1990s
- The downturn is sufficiently severe that it significantly impacts the property markets, with residential property prices declining by 28% in the shock scenario. Falls of this magnitude have not been seen in the housing market in the past one hundred years

### Results

- Estimated Australian housing lending net bad and doubtful debt (B&DD) charge under these stressed conditions are \$1.9bn cumulatively during the four years of the scenario of which \$298m are losses on the lender's mortgage insurance (LMI) portfolio
- All LMI coverage is with external insurers
- The results are comparable to the same stress test six months ago

## STRESSED SCENARIO – MAIN ECONOMIC PARAMETERS

	Year 1	Year 2	Year 3	Year 4
Annual GDP growth (%)	(1.4)	(1.8)	0.5	3.8
Unemployment rate (%)	7.9	9.9	10.9	10.5
House prices (% p.a. change)	(13.6)	(13.0)	(3.9)	(0.1)

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

	Year 1	Year 2	Year 3	Year 4
Portfolio size (exposure at default, \$bn)	359	361	364	371
Net B&DD (\$m) <sup>3</sup>	78	664	641	552
Gross B&DD (\$m)	103	772	757	650
Net B&DD rate (%) <sup>4</sup>	0.02	0.18	0.18	0.15

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

(2) Based on portfolio as at 30 September 2016

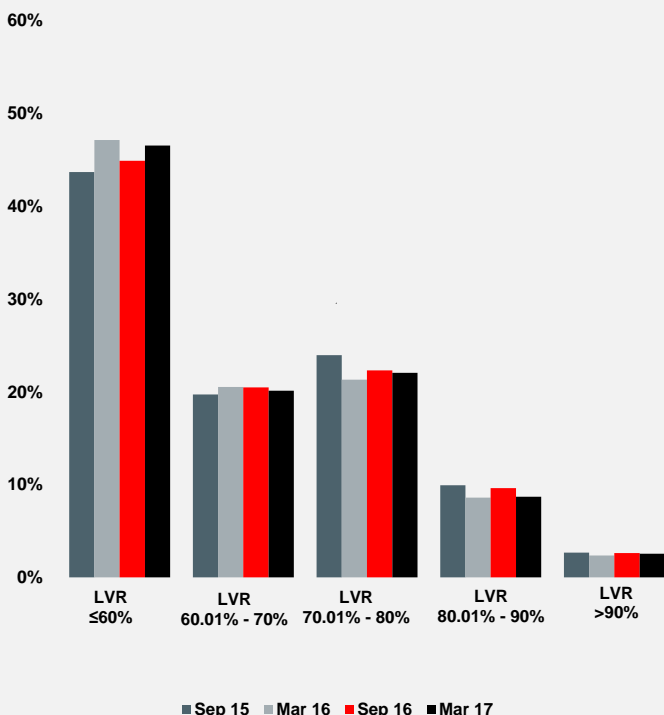
(3) Net of LMI recoveries (as opposed to Gross B&DD which includes LMI recoveries). Assumes that in a stressed scenario 46% of LMI claims will be rejected

(4) Stressed B&DD rate is net of LMI recoveries and presented as a percentage of mortgage exposure at default



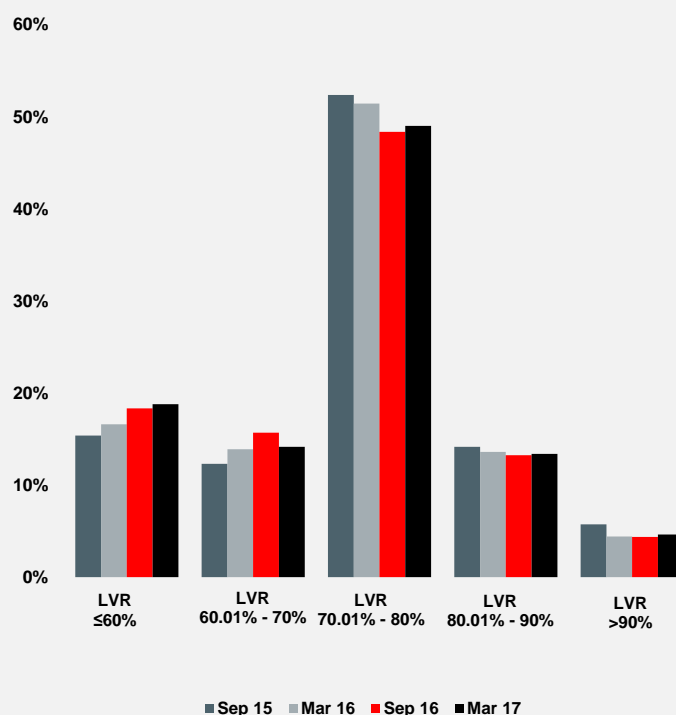
# AUSTRALIAN ASSET QUALITY: HOUSING LENDING – LVR PROFILE

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



(1) Excludes Asia

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



# AUSTRALIAN ASSET QUALITY: HOUSING LENDING – KEY METRICS<sup>1</sup>

Australian housing lending	Mar 16	Sep 16	Mar 17		Sep 16	Mar 17
	<b>Portfolio</b>				<b>Drawdowns<sup>2</sup></b>	
Total Balances (spot) \$bn	270.6	278.3	285.0		36.6	34.1
By Product						
- Variable rate	76.7%	77.5%	76.3%		81.0%	77.1%
- Fixed rate	13.2%	13.2%	15.1%		17.0%	20.9%
- Line of credit	10.1%	9.3%	8.6%		2.0%	2.0%
By borrower type						
- Owner Occupied <sup>3,4</sup>	57.6%	57.7%	57.7%		58.4%	57.9%
- Investor <sup>3,4</sup>	42.9%	42.3%	42.3%		41.6%	42.1%
By channel						
- Proprietary	68.7%	68.3%	67.5%		65.6%	61.8%
- Broker	31.3%	31.7%	32.5%		34.4%	38.2%
Low Documentation	1.1%	0.9%	0.8%			
Interest only <sup>5</sup>	32.5%	31.9%	32.1%			
Offset account balance (\$bn)	23.4	24.7	26.1			
LVR at origination	69.1%	69.0%	69.0%			
Dynamic LVR on a drawn balance calculated basis	44.0%	45.1%	44.4%			
Customers in advance ≥1 month <sup>6</sup>	62.1%	62.3%	61.4%			
Avg # of monthly payments in advance	14.7	15.0	15.3			
Customers in advance ≥1 month <sup>6</sup> (including offset facilities)	73.7%	74.0%	73.3%			
Avg # of monthly payments in advance (including offset facilities)	27.7	28.7	29.7			
90+ days past due <sup>7</sup>	0.51%	0.52%	0.58%			
Impaired loans <sup>7</sup>	0.11%	0.11%	0.11%			
Specific provision coverage ratio	24.5%	25.8%	30.0%			
Loss rate <sup>8</sup>	0.02%	0.03%	0.02%			

(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) Not reported for Advantedge. Excludes line of credit, interest only loans

(7) Includes Asia

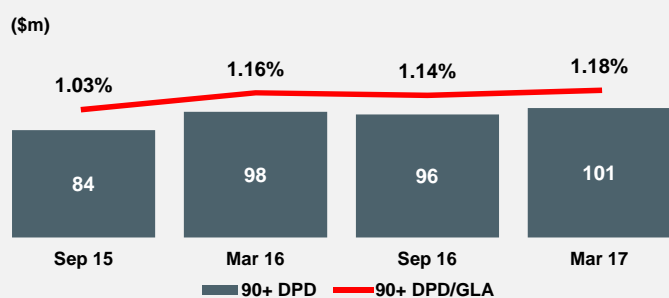
(8) 12 month rolling Net Write-offs / Spot Drawn Balances

92

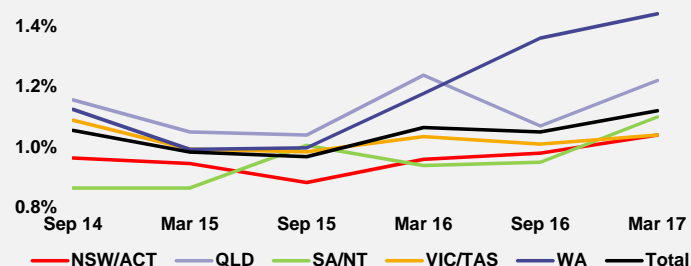


# AUSTRALIAN ASSET QUALITY: OTHER BANKING PRODUCTS

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



## CONSUMER CARDS 90+ DPD AS % OF OUTSTANDINGS

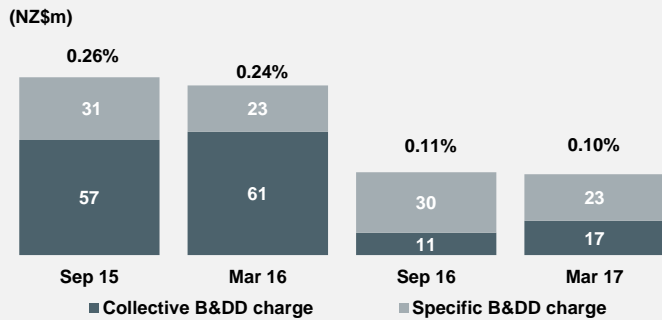


93

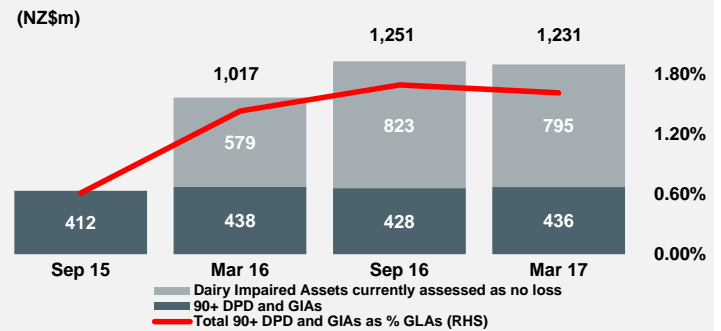


# NEW ZEALAND ASSET QUALITY

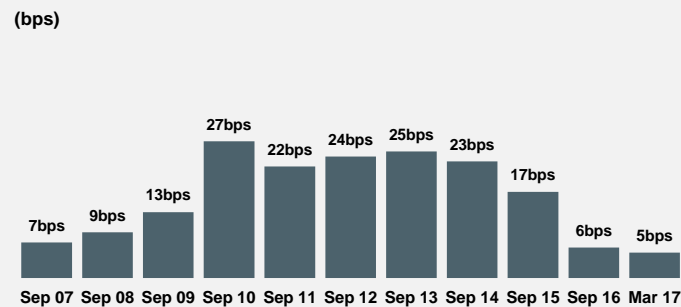
## B&DD CHARGE AND AS % OF GLAs<sup>1</sup>



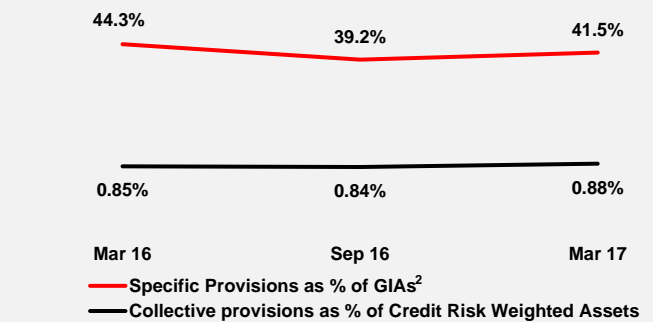
## TOTAL 90+ DPD AND GIAs AND AS % OF GLAs



## NET WRITE-OFFS TO GLAs



## COLLECTIVE AND SPECIFIC PROVISION COVERAGE



(1) Half year B&DD as % of GLAs annualised

(2) 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

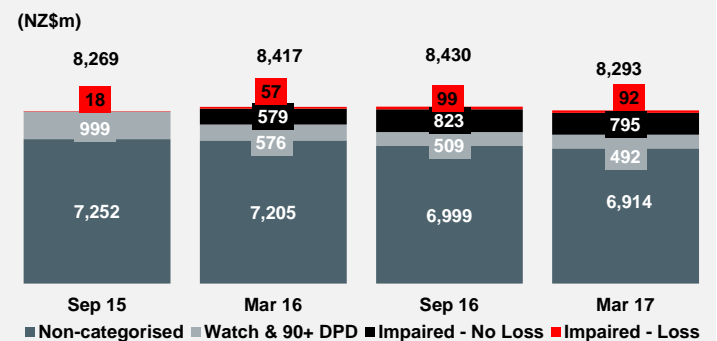


# NEW ZEALAND ASSET QUALITY: DAIRY

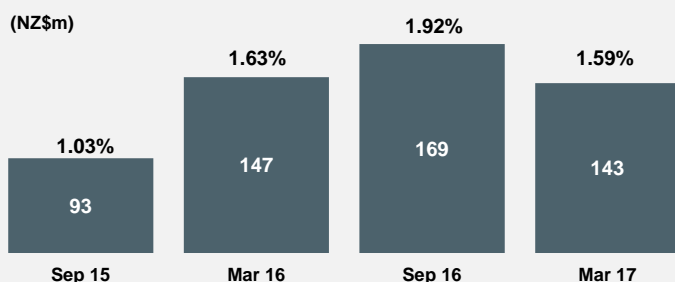
## ASSET QUALITY CONSIDERATIONS

- Outlook for NZ Dairy has improved following Fonterra milk price forecast increasing from NZ\$4.25 to NZ\$6.00 (plus \$0.40 dividend)<sup>1</sup> for the 2017 season
- CP coverage of the entire NZ Dairy book has decreased to 1.59% as a result of the improving Dairy outlook (9.1% of impaired no loss portfolio)
- The Real Estate Institute of New Zealand Dairy farm price index rose 8.6% in the year to January 2017, in response to improving commodity prices

## NZ DAIRY PORTFOLIO BY CATEGORISATION



## NZ DAIRY COLLECTIVE PROVISIONS AND AS % OF NZ DAIRY EAD



(1) Source: RBNZ & Fonterra





# NEW ZEALAND ASSET QUALITY: HOUSING LENDING – KEY METRICS

New Zealand housing lending	Mar 16	Sep 16	Mar 17	Drawdowns <sup>1</sup>	
	Portfolio			Sep 16	Mar 17
Total Balances (spot) NZ\$bn	33.4	35.1	36.2	5.5	4.7
By product					
- Variable rate	21.1%	20.4%	20.1%	22.1%	22.3%
- Fixed rate	75.7%	76.7%	77.1%	76.8%	76.9%
- Line of credit	3.2%	2.9%	2.8%	1.1%	0.8%
By borrower type <sup>2</sup>					
- Owner Occupied	61.6%	60.4%	62.8%	61.3%	61.6%
- Investor	38.4%	39.6%	37.2%	38.7%	38.4%
By channel					
- Proprietary	97.1%	94.4%	92.2%	83.3%	84.7%
- Broker	2.9%	5.6%	7.8%	16.7%	15.3%
Low Documentation	0.1%	0.1%	0.1%	0.0%	0.0%
Interest only <sup>3</sup>	24.0%	25.1%	25.2%	36.6%	34.1%
Insured % of Total Portfolio <sup>4</sup>	6.1%	5.3%	5.1%	3.4%	3.8%
LVR at origination	67.9%	67.8%	67.0%		
Current LVR on a drawn balance calculated basis	62.8%	62.6%	61.7%		
Average loan size NZ\$ ('000) <sup>5</sup>	154	159	162	203	191
90+ days past due	0.17%	0.09%	0.09%		
Impaired loans	0.11%	0.09%	0.06%		
Specific provision coverage ratio	47.0%	35.9%	39.0%		
Loss rate <sup>6</sup>	0.02%	0.02%	0.02%		

(1) Drawdowns is defined as new lending excluding limit increases and redraws in the previous six month period

(2) March 2016 and September 2016 based on Retail and Small business banking only. March 2017 based on total NZ Banking housing book. Drawdowns for September 2016 and March 2017 based on total NZ housing book

(3) Excludes line of credit products

(4) Insured includes both LMI and Low Equity Premium

(5) Based on total facility level

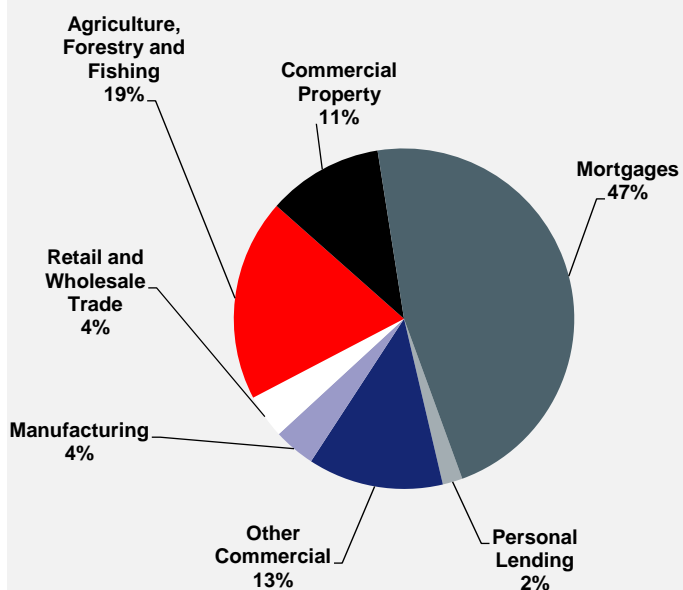
(6) 12 month rolling Net Write-offs / Spot Drawn Balances

96

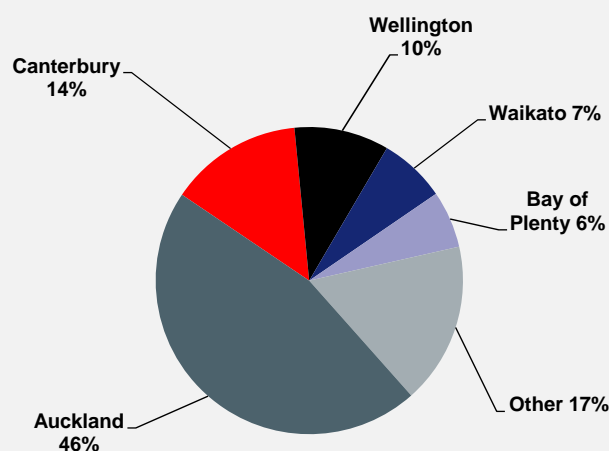


# NEW ZEALAND ASSET QUALITY: LENDING MIX

## PORTFOLIO BREAKDOWN – TOTAL NZ\$76.2BN



## MORTGAGE PORTFOLIO BREAKDOWN BY GEOGRAPHY

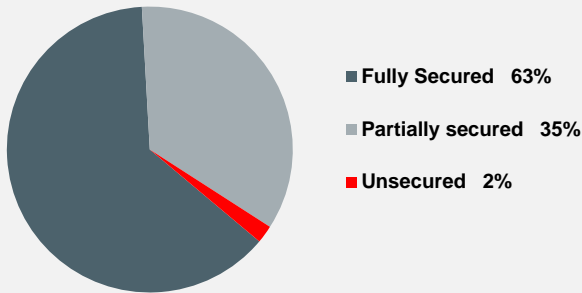


97

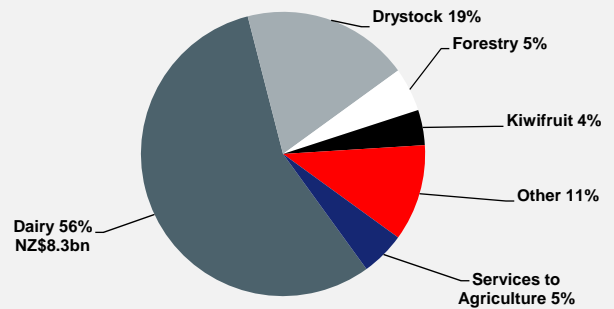


# NEW ZEALAND ASSET QUALITY: AGRIBUSINESS AND DAIRY PORTFOLIO

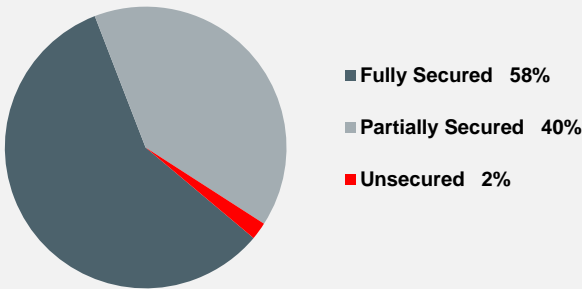
## AGRIBUSINESS PORTFOLIO<sup>1</sup>



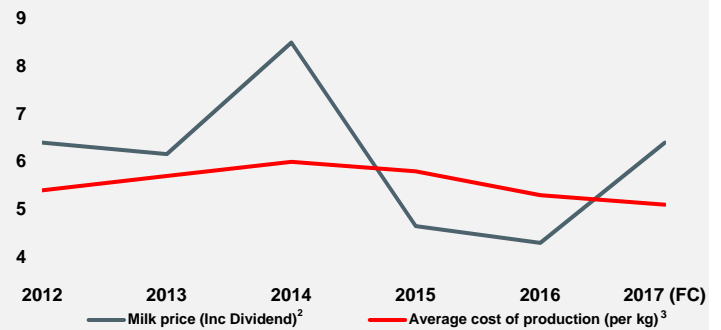
## AGRIBUSINESS NZ\$14.7BN – 19% OF TOTAL GLAs



## DAIRY PORTFOLIO<sup>1</sup>



## RETURNS AND COST OF PRODUCTION



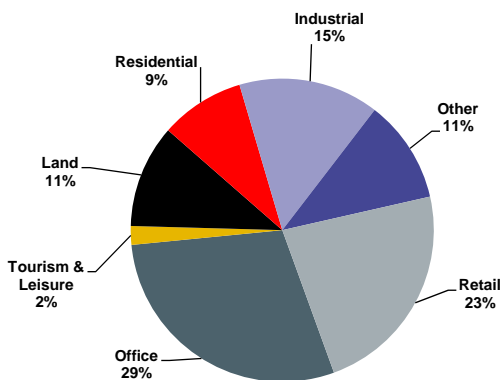
- (1) Fully Secured is where the loan amount is less than 100% of the bank extended value of security; Partially Secured is where the loan amount is greater than 100% of the bank extended value of security; Unsecured is where no security is held and negative pledge arrangements are normally in place. Bank extended value is calculated as a discount to market value based on the nature of the underlying security
- (2) Source: Fonterra
- (3) RBNZ FSR. Cost of production includes interest and rent

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# NEW ZEALAND ASSET QUALITY: COMMERCIAL REAL ESTATE

Total NZ\$8.5bn  
11.0% of Gross Loans & Acceptances



Region	Auckland	Other Regions	Total	
Location	48%	52%	100%	
Loan Balance < NZ\$5m	20%	36%	28%	
Loan Balance >NZ\$5m<NZ\$10m	16%	13%	14%	
Loan Balance > NZ\$10m	64%	51%	58%	
Loan to Value (current)	40%	44%	42%	
Loan tenor < 3 yrs	85%	88%	86%	
Loan tenor >3 yrs< 5yrs	9%	5%	7%	
Loan tenor > 5 yrs	6%	7%	7%	
Average loan size NZ\$m	\$6.0	\$3.2	\$4.2	
Security Level <sup>1</sup>				
	Fully Secured	71%	73%	72%
	Partially Secured	28%	24%	26%
	Unsecured	1%	3%	2%
90+ days past due	0.62%	1.24%	0.94%	
Impaired loans	0.00%	0.04%	0.02%	
Specific Provision coverage	0.00%	61.2%	61.2%	
<b>Trend</b>	<b>Sep 15</b>	<b>Mar 16</b>	<b>Sep 16</b>	<b>Mar 17</b>
90+ days past due	0.76%	0.72%	0.87%	0.94%
Impaired Loans	0.27%	0.20%	0.03%	0.02%
Specific Provision Coverage	26.4%	28.5%	45.80%	61.20%

- (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 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

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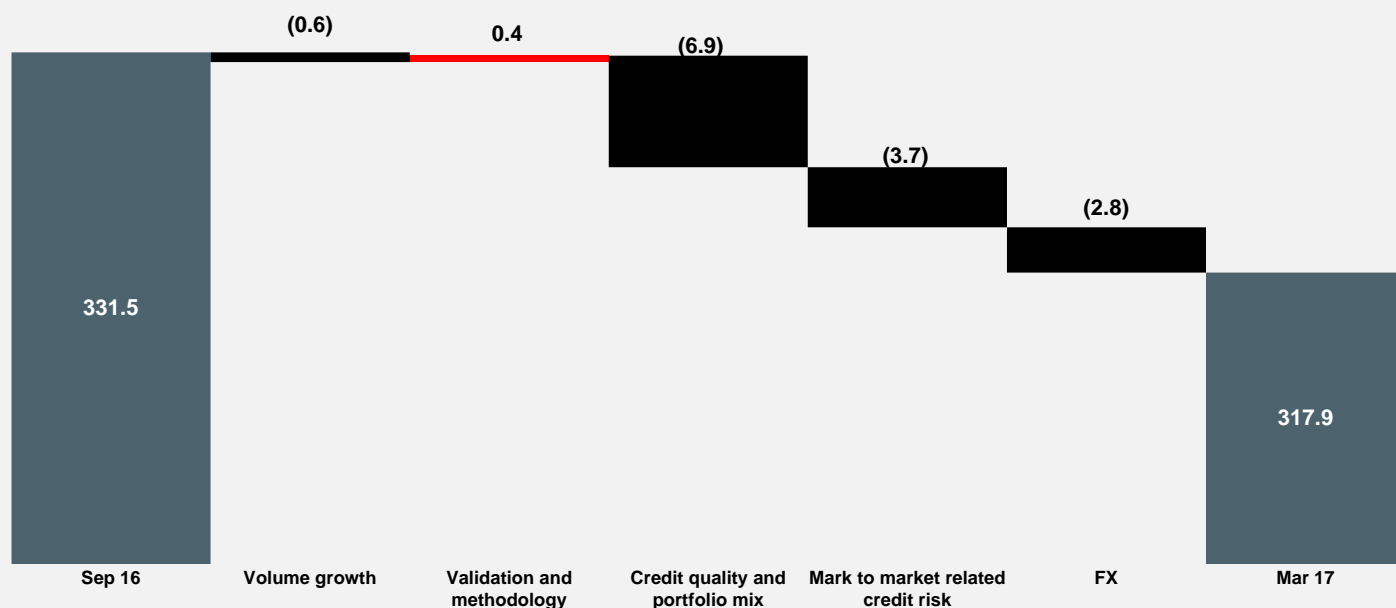
# ADDITIONAL INFORMATION

## CAPITAL AND FUNDING

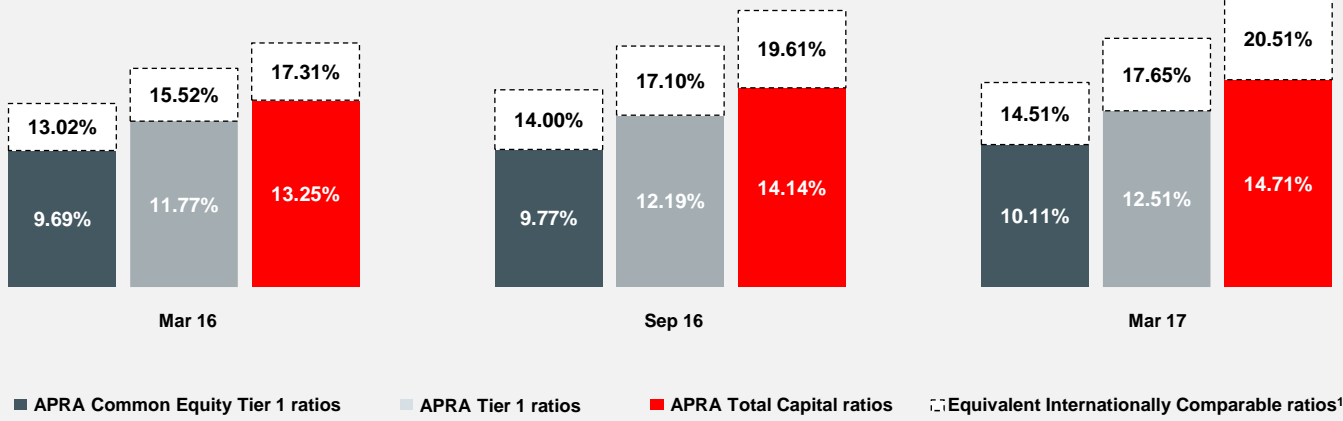
### CREDIT RWA MOVEMENT

CREDIT RWA MOVEMENT MARCH 2017 v SEPTEMBER 2016

(\$bn)



# GROUP BASEL III CAPITAL RATIOS



## APRA to Internationally Comparable CET1 Ratio Reconciliation

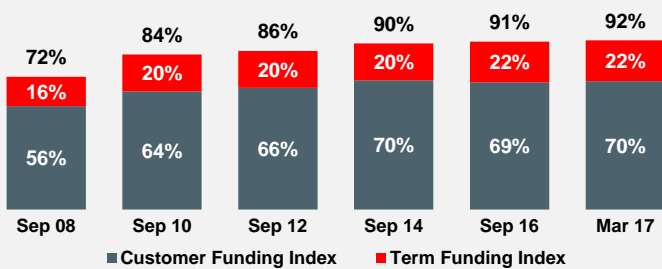
	CET1
NAB CET1 ratio under APRA	10.11%
APRA's Basel capital adequacy standards require a 100% deduction from common equity for deferred tax assets, investments in non consolidated subsidiaries and equity investments. Under Basel Committee on Banking Supervision (BCBS) such items are concessionally risk weighted if they fall below prescribed thresholds	+76bps
Mortgages – reduction in Loss given Default floor from 20% to 15% and adjustment for correlation factor	+136bps
Interest rate risk in the banking book (IRRBB) – removal of IRRBB risk weighted assets from Pillar 1 capital requirements	+36bps
Other adjustments including corporate lending adjustments and treatment of specialised lending	+192bps
NAB Internationally Comparable CET1	14.51%

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

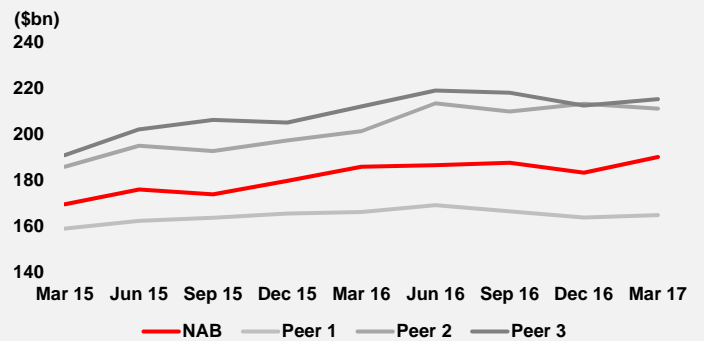


# ROBUST FUNDING PROFILE

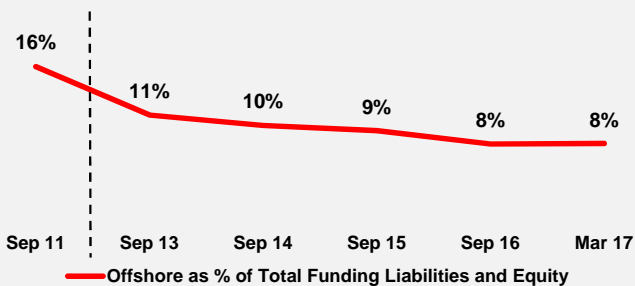
## GROUP STABLE FUNDING INDEX (SFI)



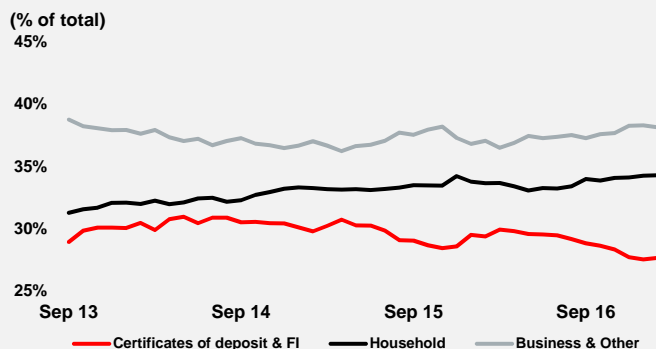
## AUSTRALIAN CORE FUNDING GAP<sup>1</sup>



## RELIANCE ON OFFSHORE SHORT TERM WHOLESALE FUNDING<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 March 2017  
 (2) September 2015 figures onwards presented on a continuing operations basis, prepared in accordance with AASB 9. Prior periods have not been restated per accounting methodology  
 (3) Source: APRA Monthly Banking Statistics March 2017



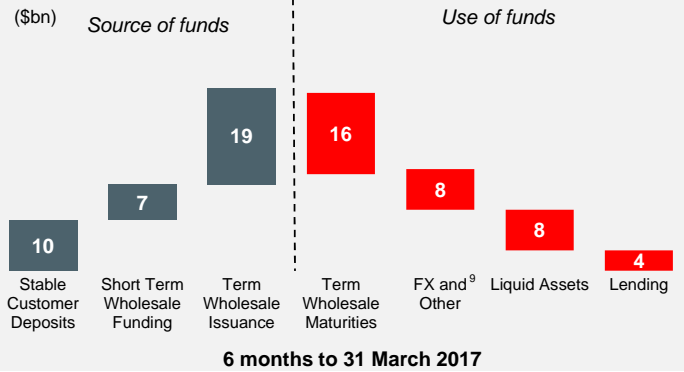
# ASSET FUNDING

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

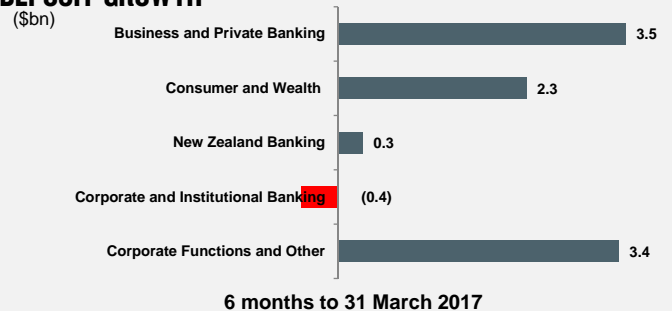


- (1) Excludes repurchase agreements, trading and hedging derivatives, insurance assets and liabilities and any accruals, receivables and payables that do not provide net funding
- (2) Includes operational deposits, non-financial corporate deposits and retail / SME deposits
- (3) Includes RBA exchange settlement account balance
- (4) Includes non-operational financial institution deposits and certain offshore deposits

## SOURCE AND USE OF FUNDS



## DEPOSIT GROWTH

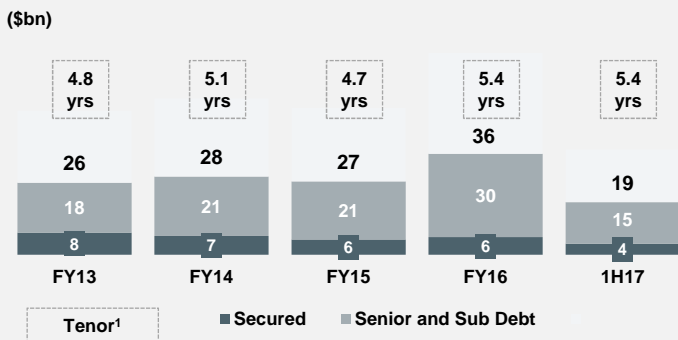


- (5) Regulatory liquid assets including high quality liquid assets and CLF eligible assets
- (6) Includes non-repo eligible liquid assets and trade finance loans
- (7) Excludes trade finance loans
- (8) Includes net derivatives, goodwill, property, plant and equipment and net of accruals, receivables and payables
- (9) Largely related to FX movements on term wholesale funding and movement in other assets and other liabilities

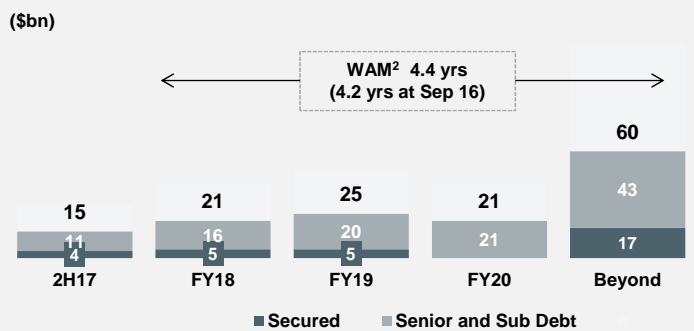


# FUNDING PROFILE

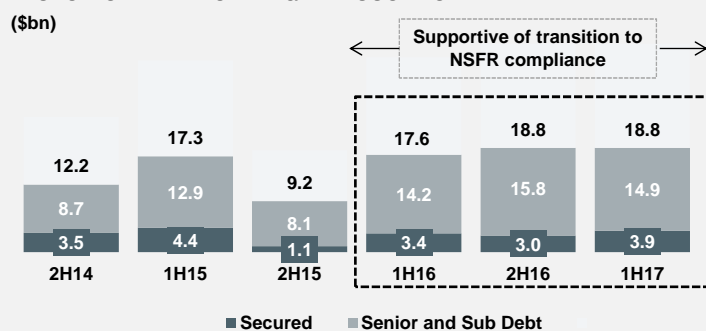
## HISTORIC TERM FUNDING ISSUANCE



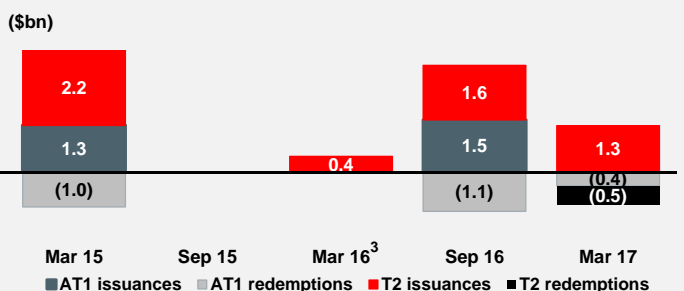
## TERM FUNDING MATURITY PROFILE



## HISTORIC TERM FUNDING HY ISSUANCE



## ADDITIONAL TIER 1 AND TIER 2 CAPITAL ISSUANCES AND REDEMPTIONS

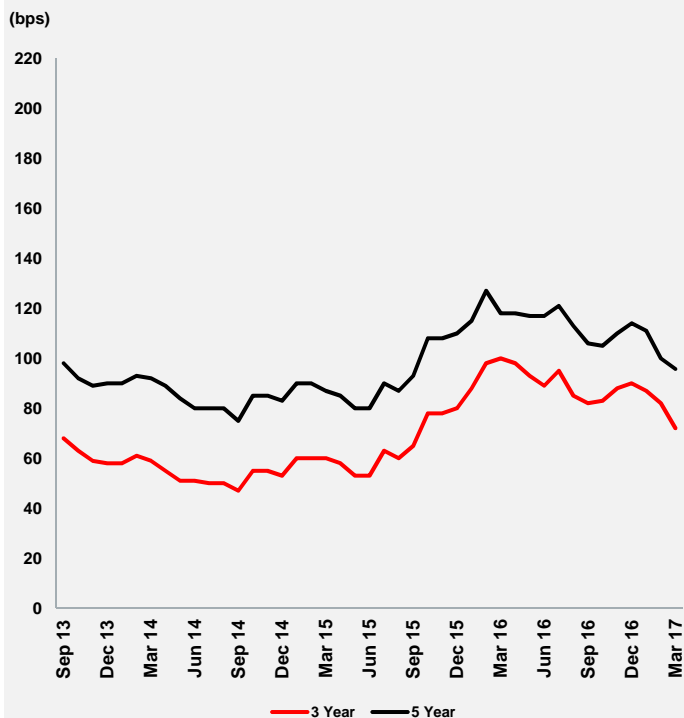


- (1) Weighted average maturity (years) of funding issuance (> 12 months)
- (2) Weighted average remaining maturity of the Group's TFI qualifying term funding which only includes debt with more than 12 months remaining term to maturity
- (3) BNZ notes net of regulatory deduction for Level 2 basis

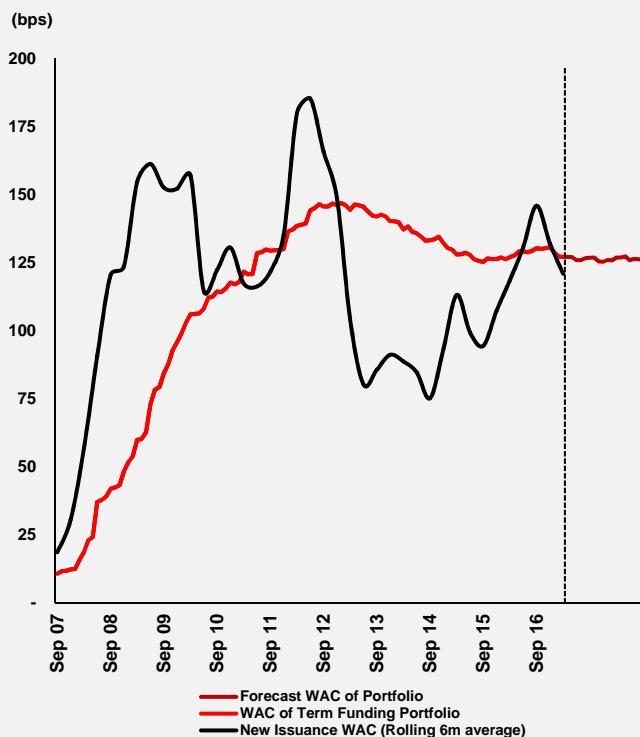


# WHOLESALE FUNDING COSTS

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



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



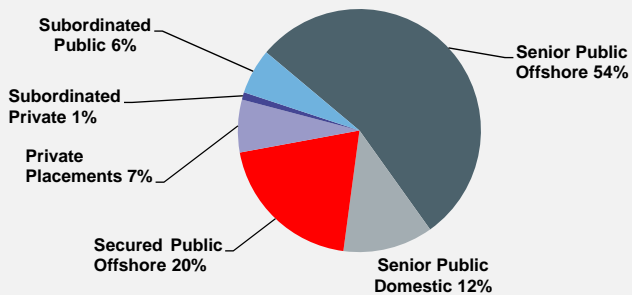
(1) AUD Major Bank Wholesale Unsecured Funding rates over BBSW (3 years and 5 years)

(2) NAB Ltd Term Wholesale Funding Costs > 12 Months at issuance (spread to 3month BBSW). Average cost of new issuance is on a 6 month rolling basis. Forecast assumptions based on current issuance

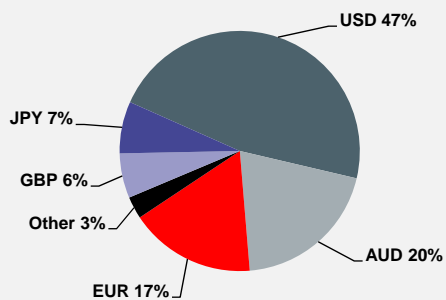


# DIVERSIFIED AND FLEXIBLE FUNDING ISSUANCE (\$18.8BN 1H17)

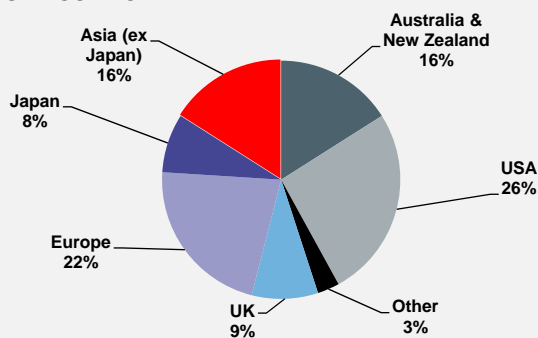
## TYPE Issuer split: NAB Ltd 90%, BNZ 10%



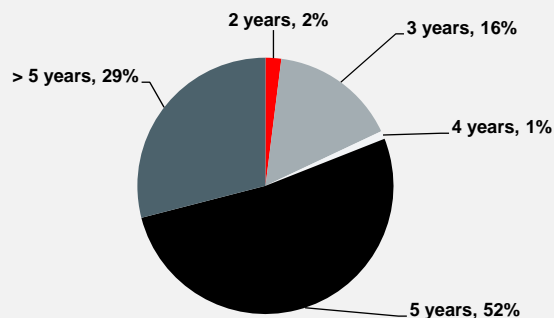
## CURRENCY



## INVESTOR LOCATION

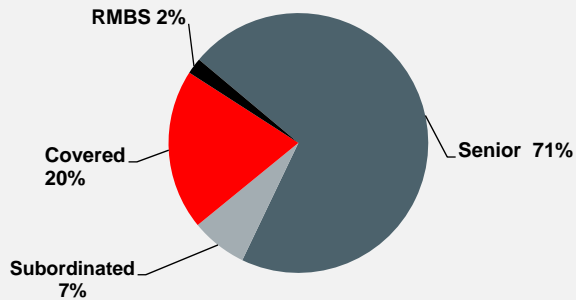


## TENOR

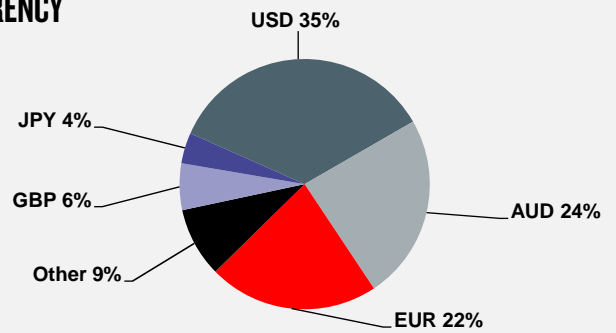


# DIVERSIFIED AND FLEXIBLE TERM FUNDING PORTFOLIO

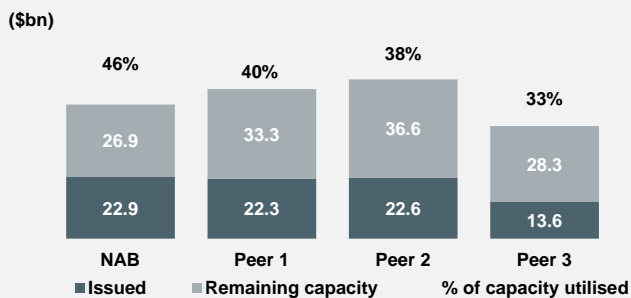
## TYPE



## CURRENCY



## AUSTRALIAN BANK COVERED BOND ISSUANCE<sup>1</sup>



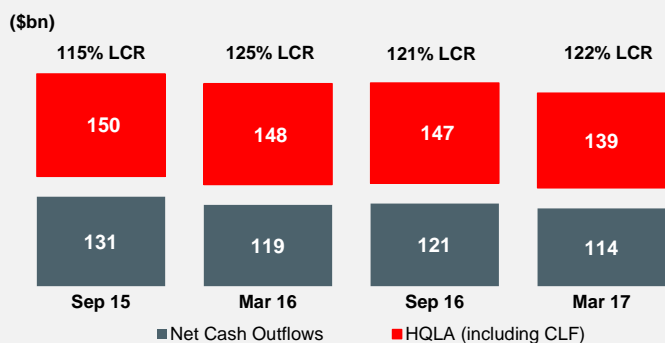
(1) Covered bond investor reports & APRA Monthly Banking Statistics as at March 2017. Remaining capacity based on current rating agency over collateralisation (OC) and legislative limit

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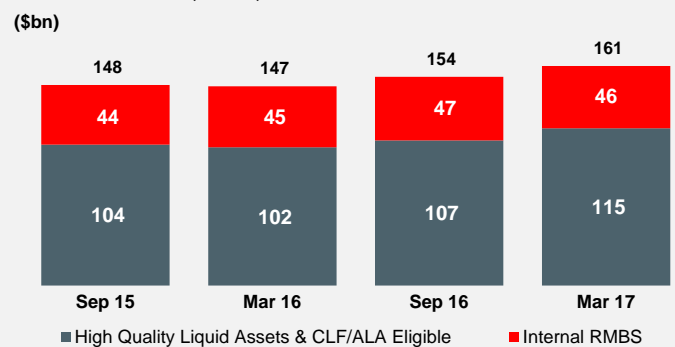


# LIQUIDITY

## LIQUIDITY COVERAGE RATIO (QUARTERLY AVERAGE)<sup>1</sup>



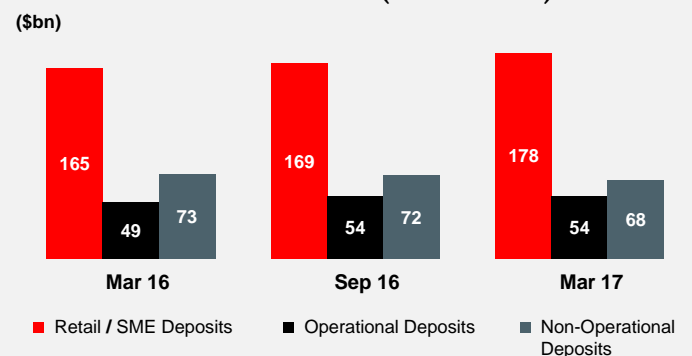
## LIQUID ASSETS (SPOT)<sup>1</sup>



## LIQUIDITY OVERVIEW<sup>1</sup>

Quarterly Average (\$bn)	Mar 16	Sep 16	Mar 17
High quality liquid assets	92	91	89
Alternative liquid assets <sup>2</sup>	51	51	46
RBNZ Securities	5	5	4
<b>Total LCR Liquid Assets</b>	<b>148</b>	<b>147</b>	<b>139</b>
<i>Net outflows due to</i>			
Retail deposits	19	18	22
Wholesale funding	83	86	75
Other	17	17	17
<b>Net cash outflows</b>	<b>119</b>	<b>121</b>	<b>114</b>
<b>Quarterly average LCR</b>	<b>125%</b>	<b>121%</b>	<b>122%</b>

## INCREASE IN DEPOSIT QUALITY (AVERAGE LCR)<sup>3</sup>



(1) September 2015 and March 2016 reported average LCR figures include CYBG  
 (2) Committed Liquidity Facility (CLF) value used in LCR calculation is the undrawn portion of the facility. Approved CLF of \$55.4 billion for 2016 and \$50.4bn for 2017  
 (3) Deposits included in 30 day LCR calculation (at call or maturing in 30 days). Operational and Non-Operational Deposits include corporate deposits

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# KEY REGULATORY CHANGES IMPACTING CAPITAL AND FUNDING EXPECTED TIMELINES

	2016	2017	2018	2019
FSI Response	Implementation of mortgage risk weights	APRA guidance expected for "unquestionably strong"		
Net Stable Funding Ratio (NSFR)	Final APRA standards released		Implementation <sup>1</sup>	
Fundamental Review of the Trading Book (FRTB)	Final BCBS standard released		APRA consultation expected	
Total Loss-Absorbing Capacity (TLAC)		APRA consultation expected		Implementation to be advised
Standardised Approach to Counterparty Credit Risk	APRA consultation released			Implementation expected
Interest Rate Risk in the Banking Book (IRRBB)	Final BCBS standards released	APRA consultation expected	Implementation expected	
Securitisation	Final APRA standards released		Implementation <sup>1</sup>	
Internal Model Approaches to Credit Risk		Final BCBS standards expected	APRA consultation expected	
Revised Standardised Approach to Credit Risk		Final BCBS standards expected	APRA consultation expected	
Standardised Measurement Approach to Operational Risk		Final BCBS standards expected	APRA consultation expected	
Capital Floors		Final BCBS standards expected	APRA consultation expected	
Sovereigns			BCBS consultation expected	
Leverage Ratio		BCBS final calibration expected	APRA consultation expected	Implementation

Other changes with less certain timelines: IFRS 9 Capital Provisioning, Step in Risk

(1) Compliance by January 2018



# KEY REGULATORY CHANGES IMPACTING CAPITAL AND FUNDING

	Description	International regulation status	Domestic regulation status
<b>Financial System Inquiry recommendation 'unquestionably strong'</b>	The Financial System Inquiry recommended APRA set capital standards such that Australian ADI capital ratios are 'unquestionably strong'.	N/A	APRA information paper expected 2017
<b>Net Stable Funding Ratio (NSFR)</b>	Aims to improve resilience in the banking sector by requiring banks to balance the amount of 'stable' assets they have on their balance sheet with the amount of 'stable' funding.	Final BCBS standard released October 2014	APRA final standards released December 2016
<b>Fundamental Review of the Trading Book &amp; Credit Valuation Adjustment (CVA)</b>	Aims to replace current trading book capital rules with a more coherent and consistent framework. The proposed CVA risk framework takes into account the market risk exposure component of CVA along with its associated hedges.	Final Basel Committee on Banking Supervision (BCBS) standard for FRTB released January 2016	Future APRA consultation expected; new market risk standard not expected until January 2020 at the earliest
<b>Total Loss Absorbing Capacity (TLAC) &amp; Resolution</b>	Enhanced loss-absorbing and recapitalisation capacity of banks in resolution. Initially intended for G-SIBs, but is expected for Australian D-SIBs. The TLAC holdings standard has been issued by BCBS, covering capital deductions for holding TLAC instruments.	Financial Stability Board (FSB) final standards issued in November 2015	Future APRA consultation expected, structure and timing of implementation currently unknown
<b>Standardised Approach to Counterparty Credit Risk</b>	A comprehensive approach for measuring counterparty credit risk associated with over the counter (OTC) derivatives, exchange-traded derivatives, and long settlement transactions. New requirements will not take effect until January 2019 at the earliest.	Final Standards released April 2014	APRA consultation released September 2016
<b>Interest Rate Risk in the Banking Book (IRRBB)</b>	Sets supervisory expectations for banks' identification, measurement, monitoring and control of IRRBB as well as its supervision; via an enhanced Pillar 2 approach.	Final BCBS standard released April 2016	Future APRA consultation expected
<b>Securitisation</b>	APRA rules seek to simplify securitisation for originating ADIs, and incorporate the updated BCBS securitisation framework	Final BCBS standard released December 2014	APRA final standards released November 2016
<b>Revised standardised approach to credit risk &amp; internal model approaches to credit risk</b>	Refresh of standardised credit risk standards to reduce RWA variability and strengthen the existing regulatory capital standard. BCBS proposed changes to the internal ratings-based approaches (IRB) and adoption of model-parameter floors for credit risk.	Standardised: Second BCBS consultation released December 2015 IRB: BCBS consultation released March 2016	Future APRA consultation expected
<b>Capital Floors</b>	A capital floor based on standardised approaches for credit and market risk. This may limit the influence of internal ratings-based models.	First BCBS consultation released December 2014	Future APRA consultation expected
<b>Revised standardised approach to operational risk</b>	Proposed revisions to standardised approach for operational risk removes the advanced measurement approaches and introduces a standardised measurement approach to calculate operational risk, using financial statement information and internal loss experience.	Second BCBS consultation released March 2016	Future APRA consultation expected
<b>Leverage Ratio</b>	A non-risk based supplementary measure to the risk-based capital requirements.	Consultation released April 2016	Disclosure requirements implemented, minimum requirement to be determined







## ADDITIONAL INFORMATION

### ENVIRONMENTAL, SOCIAL & GOVERNANCE PERFORMANCE



## CORPORATE RESPONSIBILITY

### OUR APPROACH TO CORPORATE RESPONSIBILITY

Our goal is to make a positive impact on the lives of our customers, people, shareholders, communities, and the environment in which we operate. This is crucial to our vision of becoming Australia and New Zealand's most respected bank. NAB adopts a strategic approach, balancing a portfolio of philanthropic, responsible business and shared value activities.

We're focused on taking action on the issues facing our customers and communities, and those issues on which we can have the greatest impact:

- Financial inclusion and resilience
- Social cohesion
- Environmental wellbeing

### EXTERNAL COMMITMENTS TO SUSTAINABLE PERFORMANCE<sup>1</sup>



### EXTERNAL ASSESSMENTS OF NAB'S ESG PERFORMANCE<sup>1</sup>

- Member of DJSI World – NAB is a global industry leader
- FTSE4Good Index – Top 4% of all financial services businesses
- Constituent of MSCI Global Sustainability Indexes
- CDP – Awarded a position in the CDP 2016 Climate "A List" recognising NAB for climate change leadership, as a world leader for corporate action on climate change
- 2016 Workplace Gender Equality Agency, Employer of Choice for Gender Equality citation

(1) Further information on: (I) the initiatives NAB participates in, and (II) external assessments of NAB's ESG performance, is available on our website: <http://www.nab.com.au/about-us/corporate-responsibility/responsibility-management-of-our-business/performance-and-reporting/memberships-commitments-and-recognition>

# ESG RISK MANAGEMENT

## ESG RISK APPROACH

NAB's ESG Risk Principles provide an overarching framework to integrate ESG risk considerations into day-to-day decision-making, including operational risk (direct operations and procurement), credit risk and investment due diligence and assessment processes.

Engaging in meaningful discussion with stakeholders is critical to understanding expectations. We regularly and proactively discuss our approach to ESG risk management with our stakeholders.

## ESG POLICY AND PROCESS UPDATES<sup>1</sup>

- Published our 2016 progress report on Improper Land Acquisition Statement
- Published our 2016 Equator Principles Report
- Continued engagement with NGOs and advocacy organisations on climate change, fossil fuel divestment, tobacco divestment, online gambling/gaming, improper land acquisition and human rights
- Disclosure and engagement with stakeholders on ESG issues has resulted in a reduction of complaints related to these issues, and improvement in levels of engagement with concerned parties

## INDUSTRIES OF INTEREST

- Through our Natural Value strategy we are working towards integration of 'natural capital' metrics within risk models over the next 3-4 years
- Further information on NAB's exposure to the power generation (slide 116), resources (slide 78) and agriculture (slide 79) sectors is detailed throughout this pack
- Lending exposure to major tobacco companies equates to less than 0.009% of EAD as at 31 March 2017
- Continuing to work with the finance sector on the impact of credit card usage for online gambling

(1) Further detail on NAB's approach to ESG risk management, including our position statements, our Equator Principles report and our latest progress update on Improper Land Acquisition Statement are available on our website: [www.nab.com.au/about-us/corporate-responsibility/shareholders/esg-risk-management](http://www.nab.com.au/about-us/corporate-responsibility/shareholders/esg-risk-management)



# ESG OPPORTUNITIES FOR GROWTH

## PRODUCT AND SERVICE INNOVATION

- Launched the world's first social bond (\$500m) to promote workplace gender equality. Enables institutional investors to invest in Australian organisations championing gender equality
- Launched a EUR 500m green bond, the first public offshore green bond issued by an Australian bank and largest ever green bond by an Australian issuer
- Since June 2015, NAB has provided over \$120 million in discounted loans to renewable energy and energy efficient assets, with support from the Clean Energy Finance Corporation

## STRONGER RELATIONSHIPS

- Over 5,400 (~20%) Australian employees were involved in NAB's corporate responsibility initiatives (e.g. volunteering) in 1H17
- Stronger understanding of links between natural capital management and farm profitability<sup>1</sup> is supporting deeper relationships with our agribusiness customers
- Renewed sponsorship with The Guardian, sharing stories on customers/partners addressing societal challenges. 600,000+ views to date; readers who have viewed content are twice as likely to consider NAB for banking needs<sup>2</sup>

## MARKET SHARE

- Strong historical track record and expertise has allowed us to retain our position as a leading arranger (by market share)<sup>3</sup> of project finance to the Australian renewable energy sector
- NAB has provided \$5.78bn in project financing for renewable energy projects since 2003. This is an increase of \$0.85bn in 1H17
- Size of impact investment market within Australia estimated to be \$32 billion by 2022<sup>4</sup>, presenting a significant opportunity for NAB as a provider of debt and equity capital
- The Impact Investment Ready: Growth Grant seeks to help drive the growth of Impact Investment in Australia. It supports mission-led organisations to scale their impact. To date, 18 grants totalling \$1.2m have been issued, resulting in eight organisations raising \$37m of capital

(1) Draft findings of CSIRO research funded by NAB. Public release in late 2017

(2) Guardian Australia Brand Aid Panel survey – December 2016

(3) Project Finance International 2006-2016 Asia Pacific Initial Mandated Lead Arrangers League Tables – Full Year 2016 US\$ Project Allocation, NAB analysis ranking against four major Australian banks – cumulative volume as at 31 December 2016

(4) IMPACT – Australia: Investment for social and economic benefit (Addis, McLeod, Raine 2013)



# SUPPORTING AN ORDERLY TRANSITION

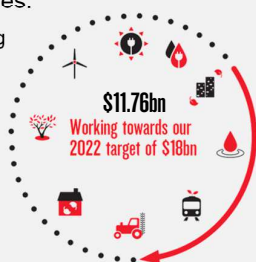
## MEETING OUR COMMITMENTS

- NAB committed to five climate change actions in November 2015. This included a commitment to undertake environmental financing activities of \$18 billion to 30 September 2022 to help address climate change and support the orderly transition to a low-carbon economy. See below for progress
- NAB has a working group reviewing the risks and opportunities facing NAB and our customers arising from a “2-degree world”
- Carbon neutral since 2010; we have continued to install renewable energy systems on our buildings, with solar panels now on 28 of our branches

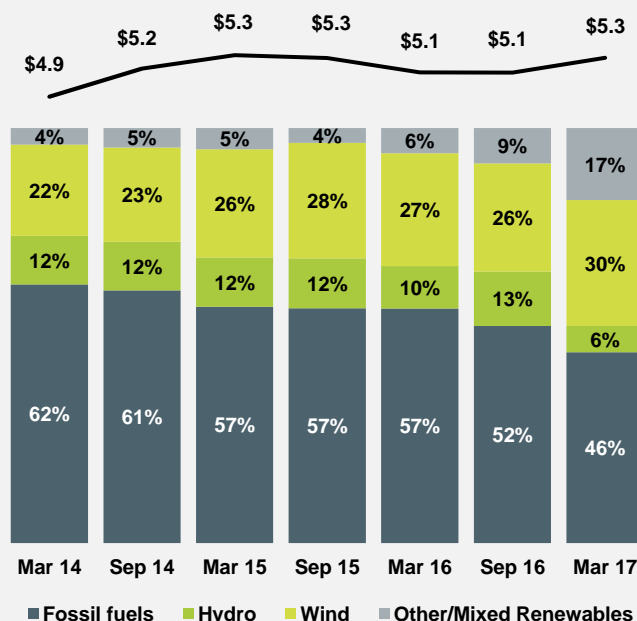
## PROGRESS TOWARDS \$18BN TARGET

NAB has continued to make progress towards our 2022 environmental financing goal, reaching \$11.76bn at 31 March<sup>1</sup>. Key progress during the March half includes:

- \$2,597m:** Mortgages for new homes meeting minimum 6 Star Standard
- \$843m:** Specialised/corporate finance for projects that reduce emissions (renewable energy generation)
- \$689m:** Green bonds
- \$275m:** Advisory, underwriting and arranging
- \$37m:** Asset finance



## POWER GENERATION EXPOSURES BY FUEL SOURCE (%) AND TOTAL EXPOSURE AT DEFAULT<sup>2</sup> (\$bn)



(1) A full update, including additional categories of finance, will be outlined in NAB's 2017 full year reporting. A document outlining our approach to measuring our progress against our \$18bn financing target is available on our website at: [www.nab.com.au/about-us/corporate-responsibility/shareholders/environmental-performance](http://www.nab.com.au/about-us/corporate-responsibility/shareholders/environmental-performance)  
 (2) Prepared in accordance with NAB's methodology (based upon the 1993 ANZSIC standard). 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>



# PROGRESSING INDUSTRY REFORMS

NAB is committed to supporting and progressing reforms at an industry-level to build trust and confidence in the banking sector, and continue to drive positive outcomes for customers.

NAB's progress against the the six initiatives outlined by the Australia Bankers' Association (ABA) in April 2016 is below. Former Auditor-General, Mr Ian McPhee AO PSM, is overseeing the implementation of the initiatives across the industry and is providing quarterly progress updates, available at: <http://www.betterbanking.net.au/>.

## 1. REVIEWING PRODUCT SALES COMMISSIONS

- NAB has committed to implementing the recommendations outlined in the Sedgwick review into remuneration practices, available at: <http://retailbankingremreview.com.au>

## 2. MAKING IT EASIER FOR CUSTOMERS WHEN THINGS GO WRONG

- Independent Customer Advocate, Catherine Wolthuisen, has been in role since August 2016, giving customers a stronger voice through independent review

## 3. STRENGTHENING WHISTLEBLOWER PROGRAM

- Implemented ABA whistleblower guidelines in February 2017
- Refreshed and simplified our Whistleblower Protection Policy
- Outsourced confidential whistleblower hotline to KPMG
- New Group Executive Whistleblower Champion
- Piloting Whistleblower Champion network

## 4. REMOVING INDIVIDUALS FOR POOR CONDUCT

- By 1 July 2017, NAB will have implemented a new Conduct Background Check Protocol for prospective employees within Australia, building on the Financial Adviser Referencing Checking and Information Sharing Protocol

## 5. STRENGTHENING THE CODE OF BANKING PRACTICE

- Working with the industry to redraft the Code of Banking Practice to be values-based, easy to understand and reflect our commitment to customers

## 6. SUPPORTING ASIC AS A STRONG REGULATOR

- NAB supports industry funding of ASIC, bringing it into line with APRA and AUSTRAC which are also industry funded

NAB is also supporting three additional initiatives, announced by the ABA in January 2017, focussed on financial hardship, support for small businesses and farmers, and helping customers better understand how they can switch accounts and banks

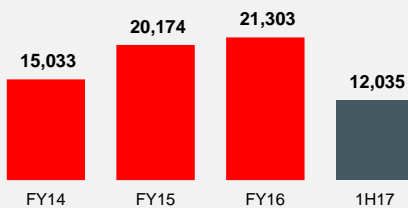


# KEY PROGRESS AGAINST PRIORITY AREAS – 1H17

## FINANCIAL INCLUSION AND RESILIENCE

- Launched NAB's Financial Inclusion Action Plan, and making progress on the 30 commitments
- Over 12,380 microfinance loans provided<sup>1</sup>, 13% increase on corresponding period, with a value of \$13.5m
- 97% of customers back to their normal, contractual payments 90 days after entering NAB Assist. Customers exit NAB Assist with average NPS<sup>2</sup> of 60+

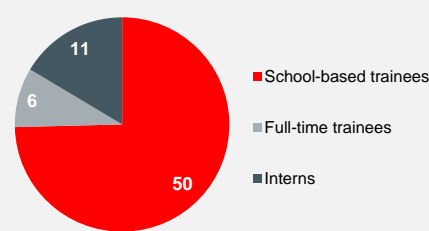
NUMBER OF CUSTOMERS PROVIDED FINANCIAL HARSHIP ASSISTANCE



## SOCIAL COHESION

- Launched NAB Foundation grants, up to \$500,000 available to not-for-profits and social enterprises with models to address impacts of financial shocks, and domestic and family violence
- Released our 2016 Reconciliation Action Plan scorecard, completing over 30 of the 53 targets
- NAB and AFL announced a three year deal as naming rights sponsor of the newly established NAB AFL Women's Competition

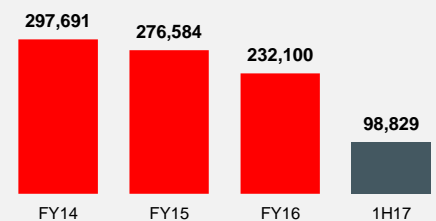
INDIGENOUS AUSTRALIANS RECRUITED DURING 1H17 (BY EMPLOYMENT TYPE)



## ENVIRONMENTAL WELLBEING

- NAB has provided an additional \$4.4bn of environmental financing in 1H17 towards our 2022 target of \$18bn, bringing our total to date to \$11.76bn<sup>3</sup>
- Increased the percentage of our customers receiving online only statements to 46%<sup>4</sup>, saving over 106 tonnes of paper in the March half
- NAB engaged CSIRO in 2015 to investigate existence of links between natural capital management and farm profitability. Initial results of research highlight significant linkages, published later in 2017

GROSS GROUP GHG EMISSIONS<sup>5</sup> (tCO<sub>2</sub>-e)



- (1) Loans supported through partnership with Good Shepherd Microfinance  
 (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) Progress made during the March Half does not incorporate all areas of financing. A full update will be provided in NAB's 2017 full year reporting  
 (4) Customer statements data is as at 31st December 2016 and for Australian and New Zealand businesses only  
 (5) Calculated for the environmental reporting year 1 July - 30 June. Gross totals are prior to renewable energy purchase. Historical emissions includes all major operations under NAB's control during the respective environmental reporting year. FY16 data has been restated to account for water consumption emissions, which is a requirement of the National Carbon Offset Standard

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# CORPORATE RESPONSIBILITY PERFORMANCE – KEY METRICS

	2014	2015	2016	1H17
Cumulative number of Australians assisted with microfinance products/services	335,934	394,277	449,844	479,740
Enterprise Employee Engagement score <sup>1</sup> (%)	44	56	61	Updated annually
Proportion of women in Executive Management <sup>2</sup> (%)	30	32	38	38
Employee voluntary turnover rate <sup>1</sup> (%)	10	10	10	5
Number of breaches of NAB Code of Conduct (Australia)	Not comparable	870	1,138	684
Community investment <sup>1</sup> (\$m)	56.5	54.4	48.8	Updated annually
Number of volunteering hours contributed (hrs) (Australia)	157,201	162,711	138,086	35,284
Cumulative progress towards September 2022 \$18bn clean energy financing commitment (\$bn)	-	Target established and defined	7.32	11.76 <sup>3</sup>
Gross greenhouse gas emissions (Scope 1, 2 and 3) (tCO <sub>2</sub> -e) <sup>4</sup>	297,691	276,584	232,100 <sup>5</sup>	98,829
Percentage of material suppliers <sup>6</sup> that are signatories to NAB Group Supplier Sustainability Principles (%)	32	47	91	92

Further information (including detailed definitions and calculations) on listed measures' historical performance is available in our 2016 Dig Deeper: <http://digdeeper.nab.com.au>

- (1) Historical figures have been restated to exclude discontinued operations  
 (2) Executive Management positions (also known as senior executive positions) are those held by Executive Leadership Team members, Executive Leadership Team members' direct reports and their direct reports. Support roles reporting in to these roles (for example, Executive Manager and Executive Assistant) are not included in the data  
 (3) Progress made during the March Half does not incorporate all areas of financing. A full update will be provided in NAB's 2017 full year reporting  
 (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 during the respective environmental reporting years  
 (5) Historical figures have been restated to account for water consumption emissions which is a requirement of the National Carbon Offset Standard  
 (6) There are variances in terminology and definition of a material or strategic supplier across our operations in different geographic regions. For a full explanation on the thresholds across our operations, see our 2016 Dig Deeper

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## ADDITIONAL INFORMATION

### ECONOMIC OUTLOOK

## AUSTRALIA REGIONAL OUTLOOK

- Real GDP rebounded in the December quarter 2016, following a surprise contraction in Q3, which was in large part driven by temporary factors. Looking through the volatility suggests growth momentum remains subdued, although the year – ended pace of growth lifted to 2.4% in Q4
- Activity continues to vary considerably across industries and states, although the drag from the mining sector appears to be subsiding. For the most part, the services sectors remain the outperformers, while construction is benefiting from the strong residential sector. The NAB Business Survey is showing above-average conditions for the non-mining economy, while mining conditions have improved considerably following recent commodity price movements
- Real GDP growth was disrupted in H1 due to Cyclone Debbie, but the anticipated recovery (including a return of coal exports) will see growth accelerate strongly in H2 (to be 2.3% for the year). Nevertheless, our forecasts show domestic demand remaining fairly soft, which keeps the unemployment rate elevated around 5¼%
- Real GDP is forecast to lift to 2.8% in 2018, but we see risks to the outlook as the contributions from LNG exports, temporarily higher commodity prices and residential construction fade, while household consumption remains constrained by weak labour income growth. These trends are reflected in softer growth in 2019
- Higher commodity prices have also boosted Australia's terms of trade, bolstering national income and government revenue receipts – alleviating some of the pressure on Australia's AAA rating. However, prices are expected to peak early this year, then resume their downward trend
- The RBA's current focus on financial stability considerations suggests it will remain on the sidelines, keeping the cash rate unchanged
- Credit growth is forecast to remain solid, although recent prudential tightening is expected to slow investor housing credit modestly

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

	CY16	CY17(f)	CY18(f)	CY19(f)
GDP growth <sup>2</sup>	2.5	2.3	2.8	2.6
Unemployment <sup>3</sup>	5.7	5.8	5.7	5.5
Core Inflation <sup>4</sup>	1.6	1.8	1.8	2.0
Cash rate <sup>3</sup>	1.5	1.5	1.5	2.0

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

	FY15	FY16	FY17(f)	FY18(f)
Housing	7.2	7.0	6.3	5.8
Personal	1.0	(0.5)	(0.8)	1.3
Business	5.1	6.3	4.4	5.5
Total lending	6.1	6.3	5.3	5.4
System deposits	7.0	6.0	6.8	6.4

(1) Sources: ABS, Econodata DX, RBA, NAB

(2) Average for year ended December quarter on average of previous year

(3) As at December quarter

(4) December quarter on December quarter of previous year

(5) Source: RBA, NAB. Average for year-ended September (bank fiscal year end) on average of previous year

# NEW ZEALAND REGIONAL OUTLOOK

- The New Zealand economy continues to show solid growth. Despite slowing to 0.4% qoq in the December quarter, mainly due to a drag from a correction in primary production, GDP growth in 2016 was above its historical average
- Factors supporting economic growth include: strong population growth due to high net migration, tourism, low interest rates, as well as the recovery in commodity prices. Over the course of 2016, consumption and building construction grew strongly
- Commodity export prices, in world price terms, increased over 20% between April 2016 and March 2017. The recovery has been strongest for dairy export prices but has been broad based
- The housing market is showing mixed signs, with house prices continuing to grow, but with significant regional variation and sales volumes have been declining
- Employment growth is strong, but with increasing workforce participation and strong net migration, the unemployment rate has remained broadly steady since the end of 2015, and was 4.9% in the March quarter 2017
- The Reserve Bank of New Zealand (RBNZ) cut the OCR in November 2016 to a historically low 1.75%. The RBNZ's February 2017 monetary policy statement projected the OCR to remain low for a prolonged period, but rising inflationary pressures represent a risk to this outlook
- Credit growth was 7.5% yoy in February 2017, around the level it has been since the start of 2016. The strongest growth is in housing credit. Annual growth in business credit has moderated since early 2016, primarily driven by a slowdown in agricultural credit growth

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

	CY16	CY17(f)	CY18(f)	CY19(f)
GDP growth <sup>2</sup>	3.1	2.7	2.5	1.8
Unemployment <sup>3</sup>	5.2	5.3	5.6	5.8
Inflation <sup>4</sup>	1.3	2.3	2.1	1.7
Cash rate <sup>3</sup>	1.75	1.75	2.5	3.5

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

	FY15	FY16	FY17(f)	FY18(f)
Housing	5.2	8.1	8.5	6.5
Personal	5.9	3.0	3.7	4.3
Business	5.7	6.9	5.6	5.6
Total lending	5.4	7.4	7.1	6.1
Household retail deposits	10.4	9.7	6.9	6.7

- (1) Source: Statistics New Zealand, Reserve Bank of New Zealand, NAB forecasts  
 (2) Average for year ended December quarter on average of previous year  
 (3) As at December quarter  
 (4) December quarter on December quarter of previous year  
 (5) Source: Reserve Bank of New Zealand, NAB forecasts. Average for year-ended September (bank fiscal year end) on average of previous year

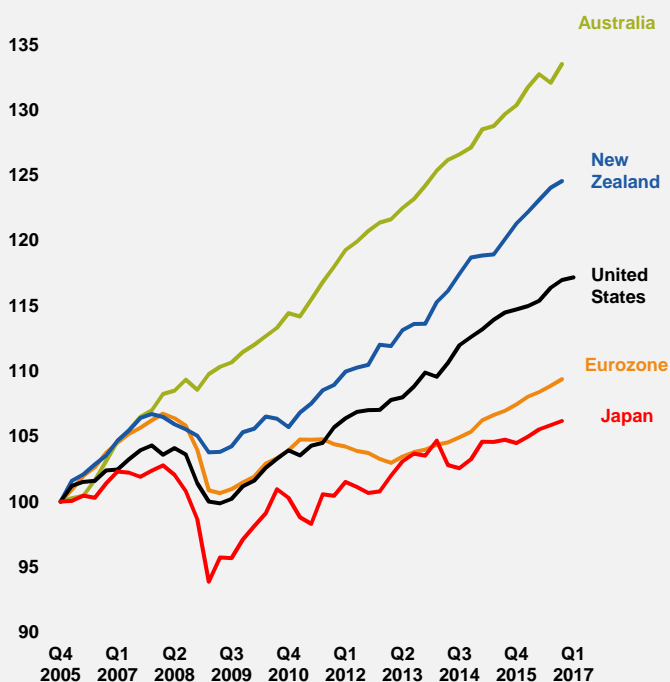
122



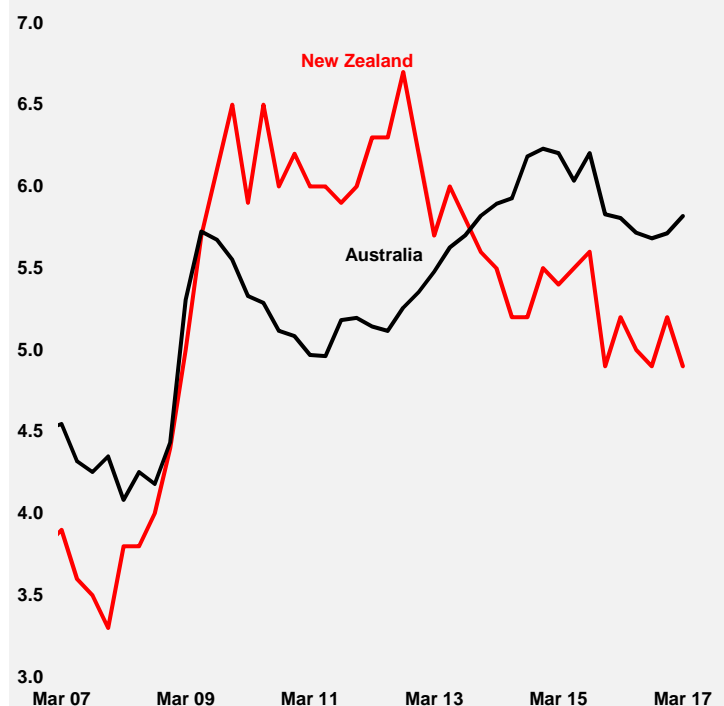
# AUSTRALIAN AND NZ ECONOMIES CONTINUE TO PERFORM WELL

## GDP (INDEXED)<sup>1</sup>

Q4 2005 = 100  
140



## AUSTRALIA AND NZ UNEMPLOYMENT RATE<sup>2</sup>

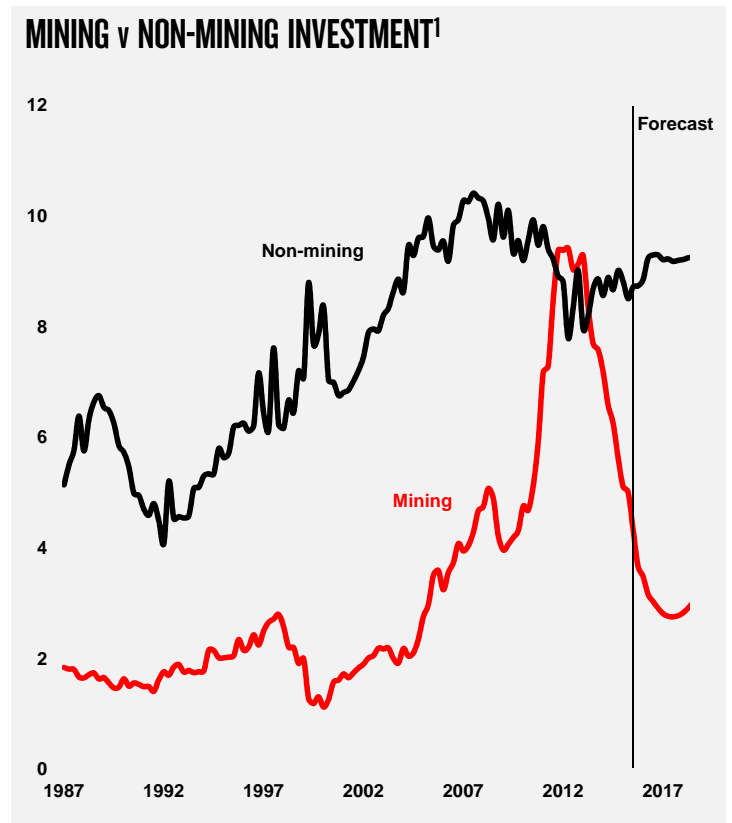
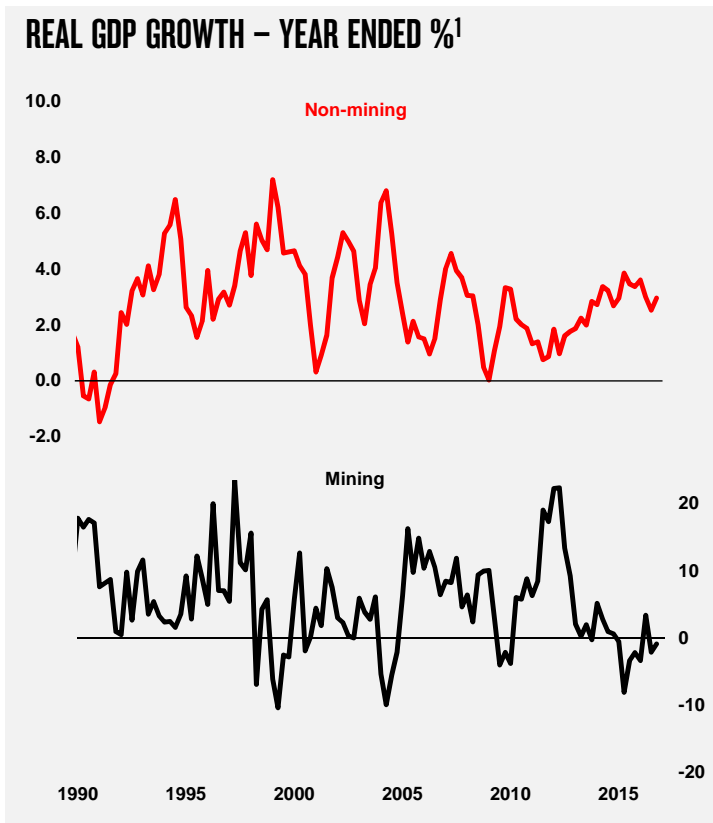


- (1) Based on seasonally adjusted, chain volume measures. Production GDP measure used for New Zealand. Source: Thomson Reuters, NAB calculations  
 (2) Source: Australian Bureau of Statistics, Econdata DX. Seasonally adjusted data. Quarterly data (quarterly average of monthly data for Australia)

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# AUSTRALIA CONTINUES TO TRANSITION AWAY FROM MINING, BUT MINING STABILISING

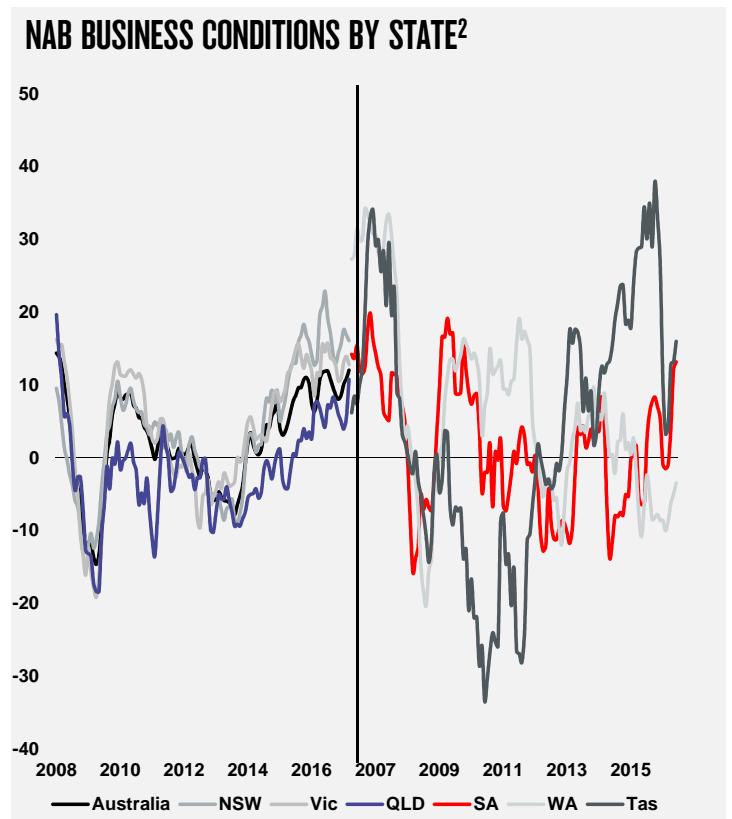
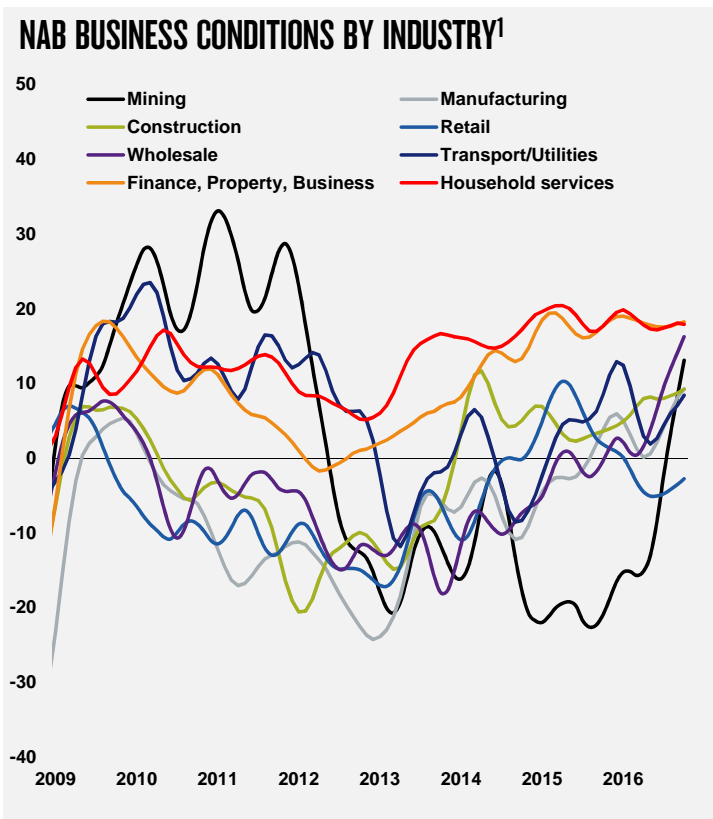


(1) Source: NAB, ABS

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# RESULTING IN DIVERSE CONDITIONS BY INDUSTRY AND REGION



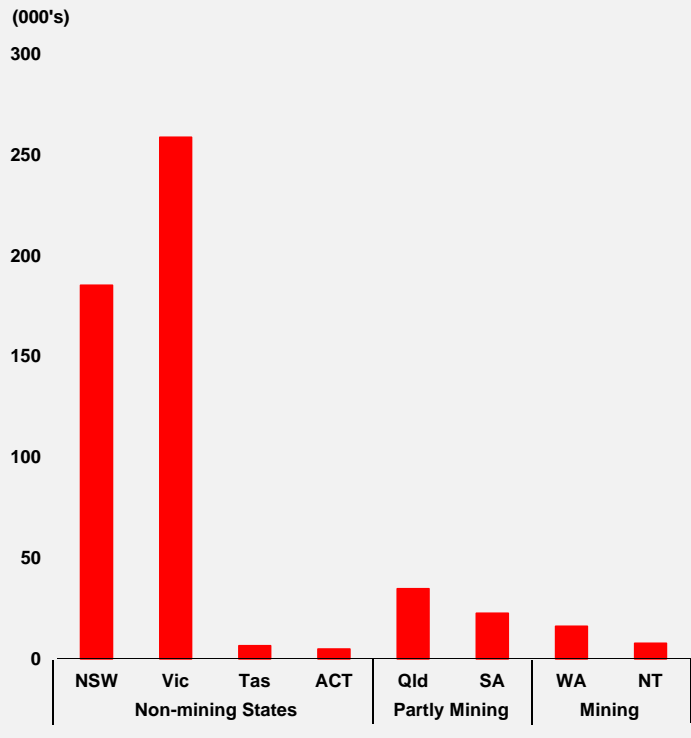
(1) 13 period Henderson trend. Source: NAB Monthly Business Survey  
 (2) Source: NAB Monthly Business Survey

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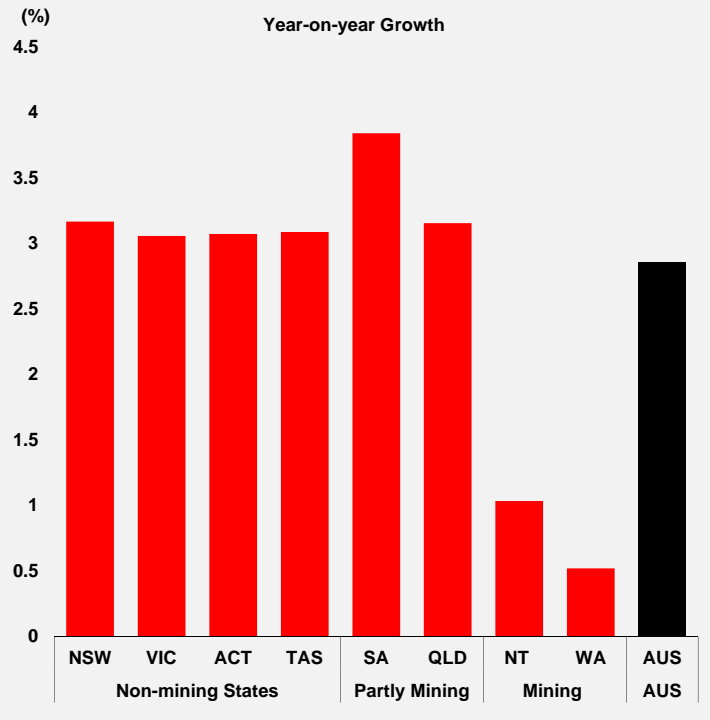
# NON-MINING STATES CONTINUE TO OUTPERFORM

## EMPLOYMENT GROWTH (JOBS CREATED IN PAST 3 YEARS)<sup>1</sup>



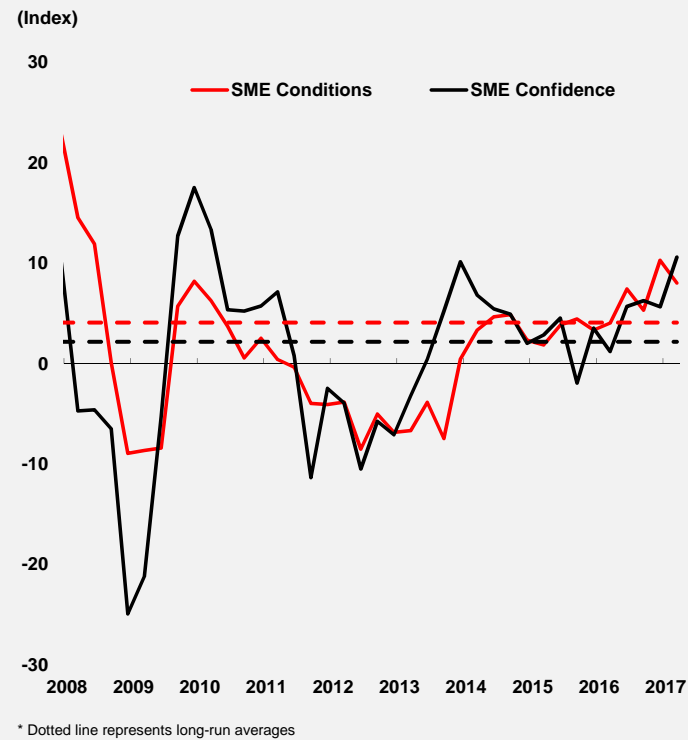
(1) Source: NAB, ABS

## RETAIL SALES BY STATE – FEBRUARY 2017<sup>1</sup>



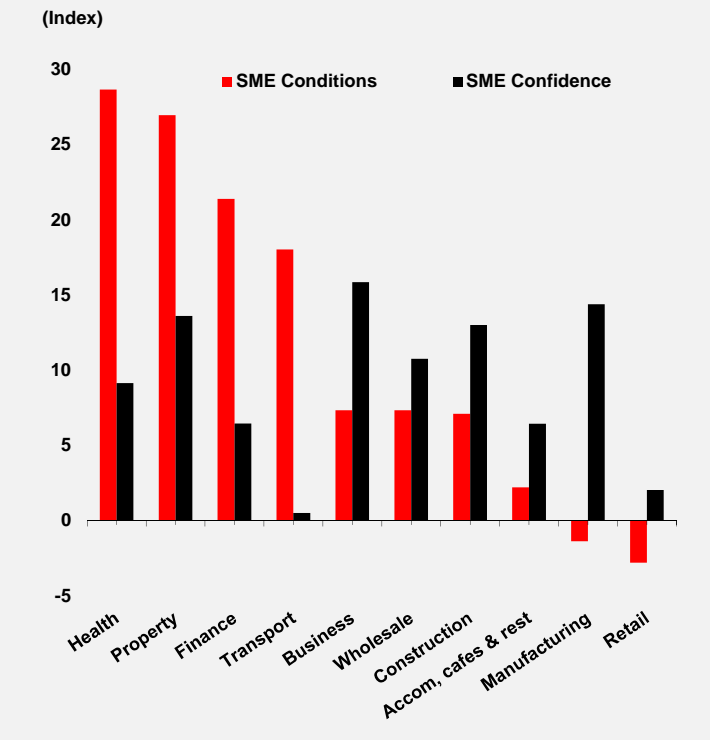
# SME CONDITIONS AND CONFIDENCE REMAIN ABOVE AVERAGE

## SME BUSINESS CONDITIONS & CONFIDENCE<sup>1</sup>



(1) Source: NAB Quarterly SME Survey

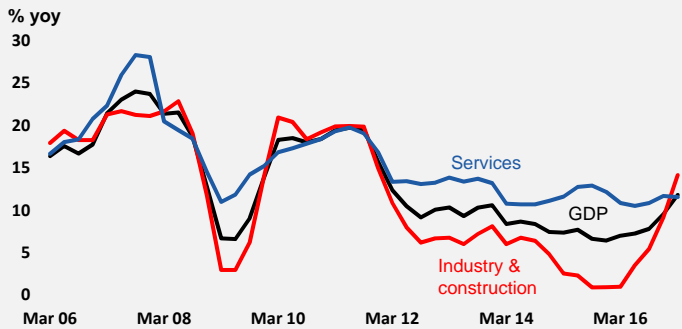
## SME BUSINESS CONDITIONS & CONFIDENCE BY INDUSTRY<sup>1</sup>



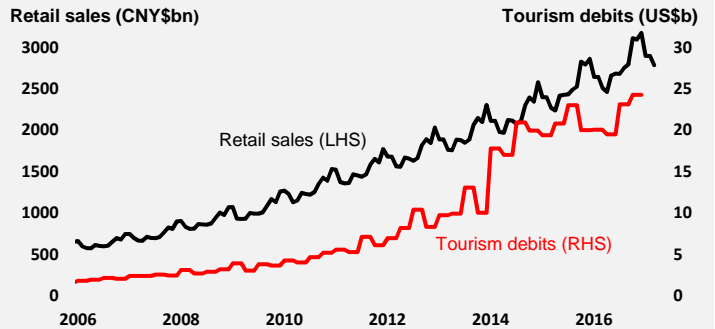


# CHINA ECONOMIC GROWTH SUPPORTING THE AUSTRALIAN TRANSITION

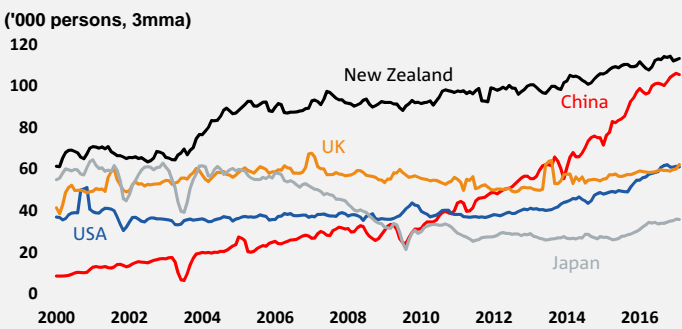
## CHINA NOMINAL GDP BY INDUSTRY<sup>1</sup>



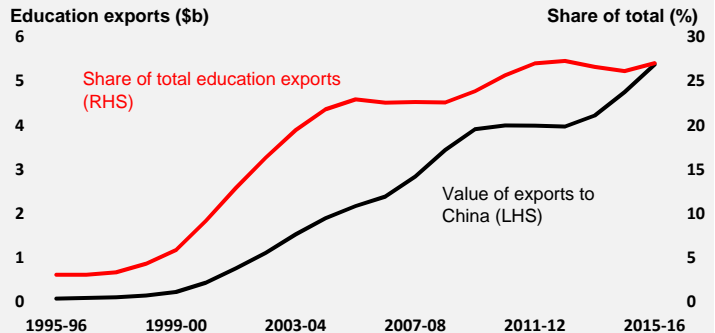
## CHINA RETAIL SALES & TOURISM DEBITS<sup>1</sup>



## AUSTRALIA SHORT TERM PASSENGER ARRIVALS PER MONTH<sup>2</sup>



## AUSTRALIA EDUCATION EXPORTS<sup>3</sup>

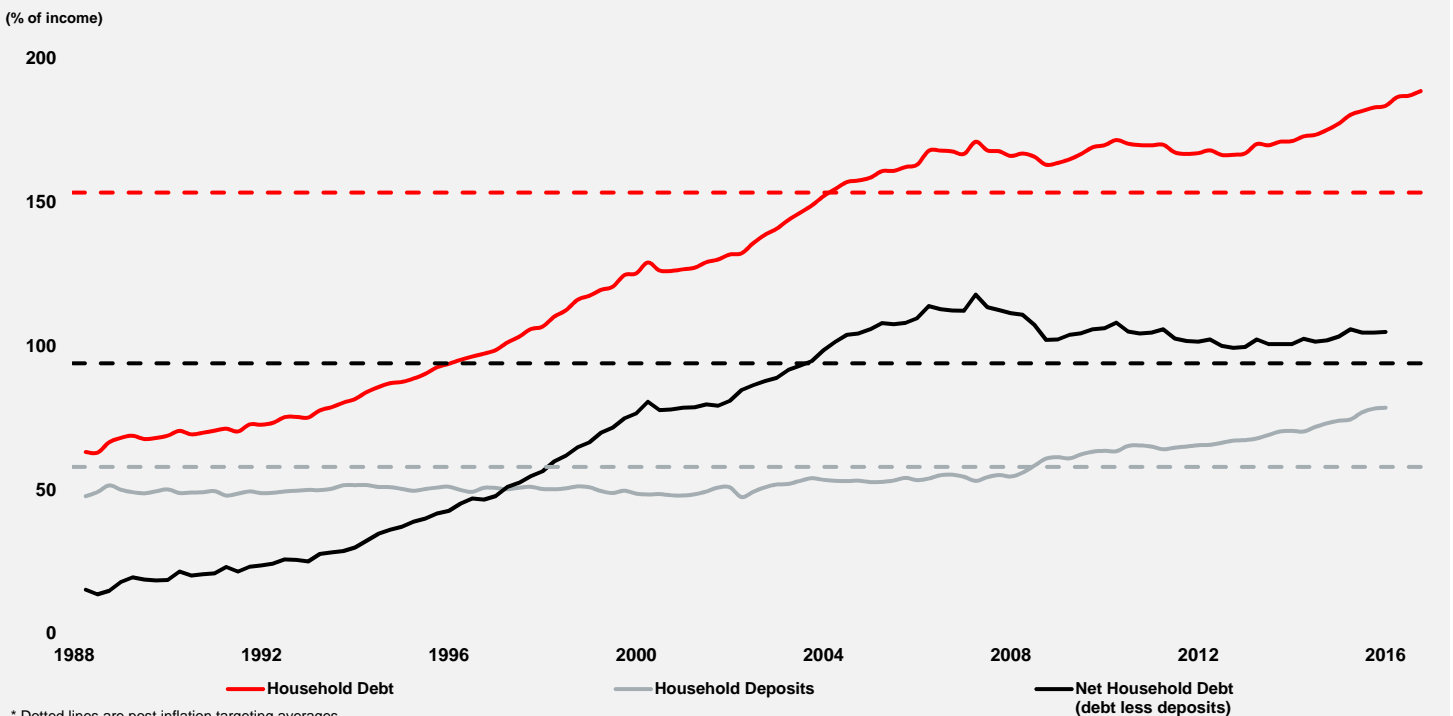


(1) Source: CEIC  
 (2) Source: ABS, 3mma denotes three month moving average  
 (3) Source: ABS



# HOUSEHOLD DEBT AT RECORD LEVELS BUT HOUSEHOLD DEPOSITS BUFFER RISING

## HOUSEHOLD DEBT AND DEPOSITS<sup>1</sup>



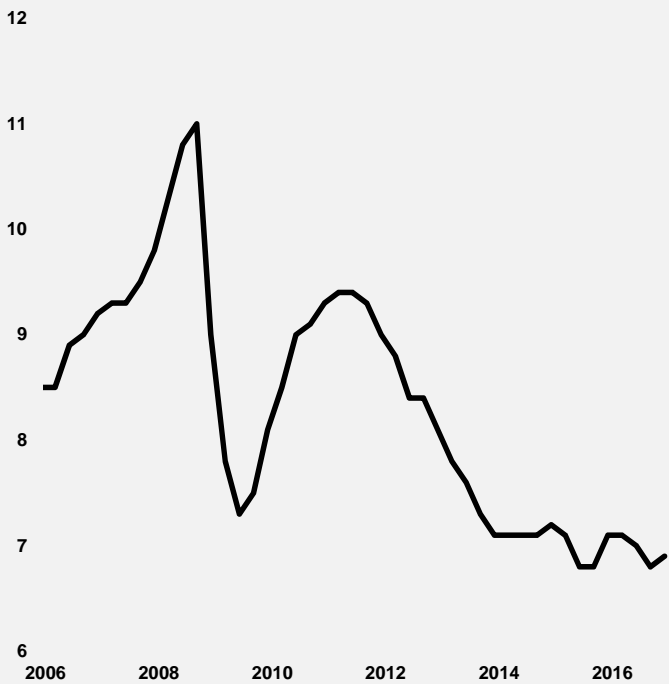
\* Dotted lines are post inflation targeting averages

(1) Source: ABS, World Bank, NAB

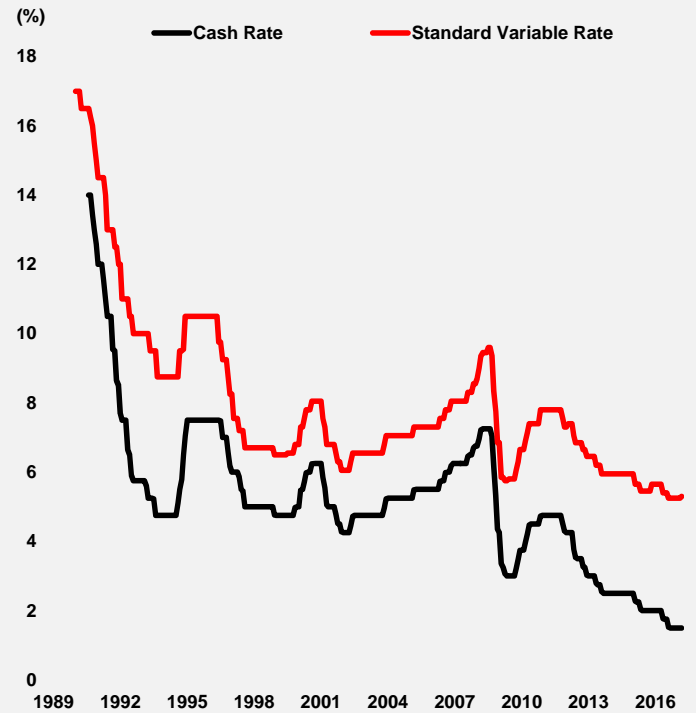


# HOUSING: STRONGER SERVICABILITY WITH LOW INTEREST RATE ENVIRONMENT

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



**AUSTRALIAN INTEREST RATES<sup>2</sup>**

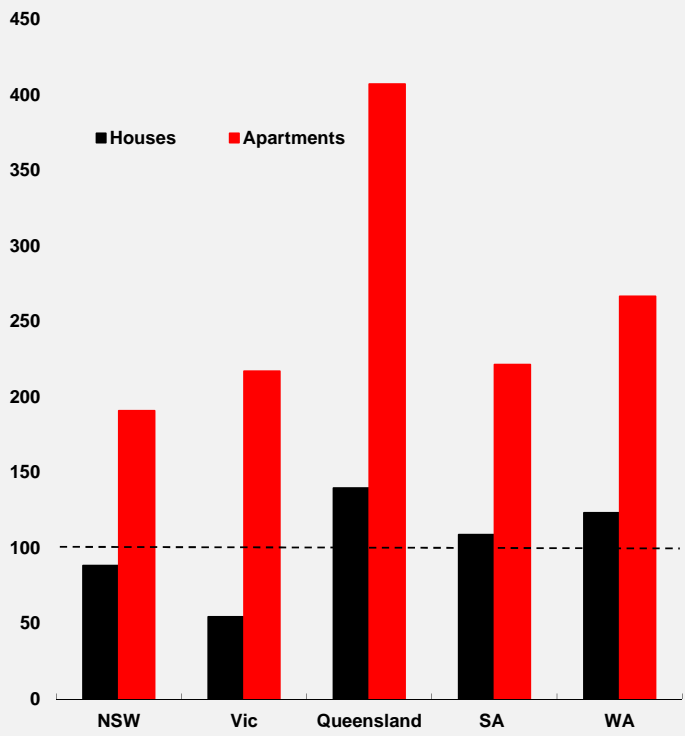


(1) Source: RBA  
 (2) Source: NAB Monthly Business Survey, RBA

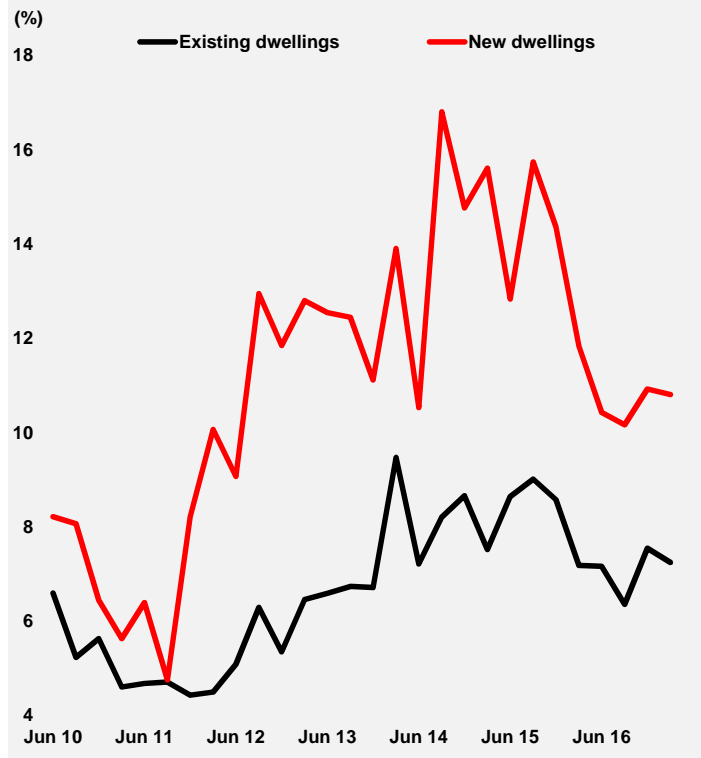


# HOUSING: APARTMENT OVERSUPPLY PARTIALLY DEPENDENT ON FOREIGN DEMAND

**HOUSING UNDER CONSTRUCTION TO POPULATION RATIO<sup>1</sup>**



**SHARE OF DEMAND FROM OVERSEAS BUYERS<sup>2</sup>**

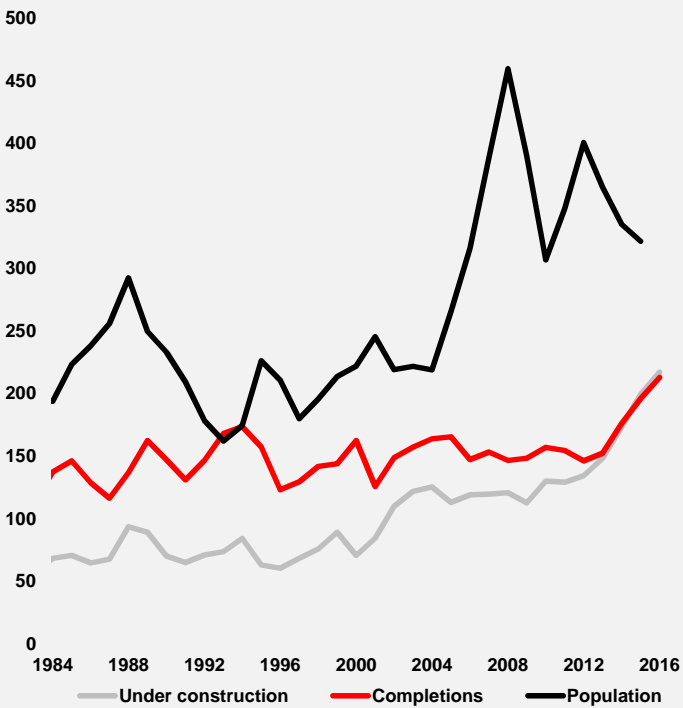


(1) Source: NAB, ABS. Relative to long-run average  
 (2) Source: NAB Residential Property Survey



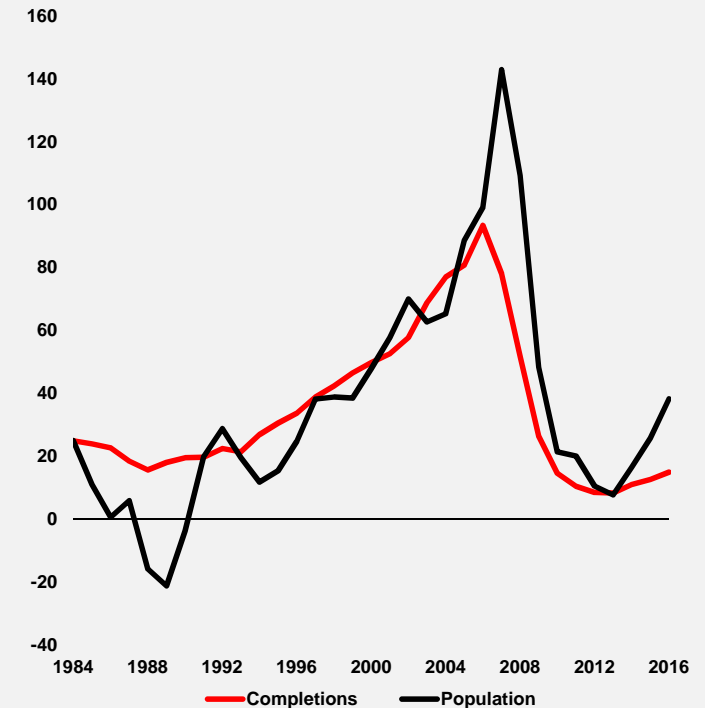
# HOUSING: COMPARISON WITH IRELAND

## AUSTRALIAN DWELLING COMPLETION v ANNUAL POPULATION GROWTH (000's)<sup>1</sup>



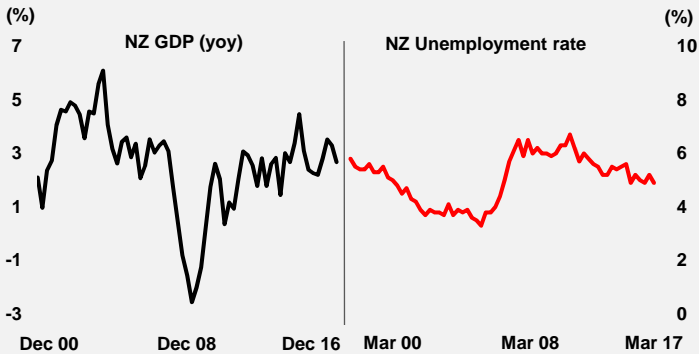
(1) Source: NAB, ABS  
(2) Source: NAB, Thompson Reuters

## IRELAND DWELLING COMPLETION v ANNUAL POPULATION GROWTH (000's)<sup>2</sup>

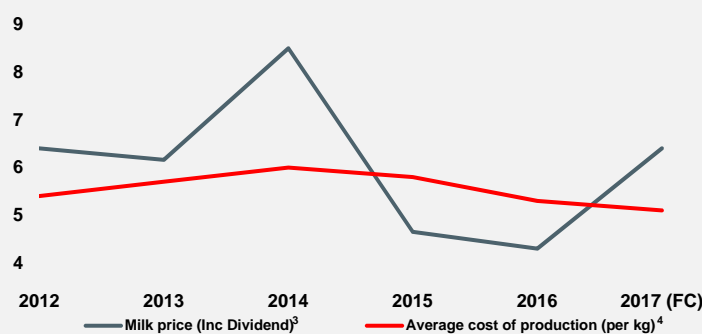


# NEW ZEALAND

## NZ GROWTH SOLID, UNEMPLOYMENT BELOW 5YR AVERAGE<sup>1</sup>

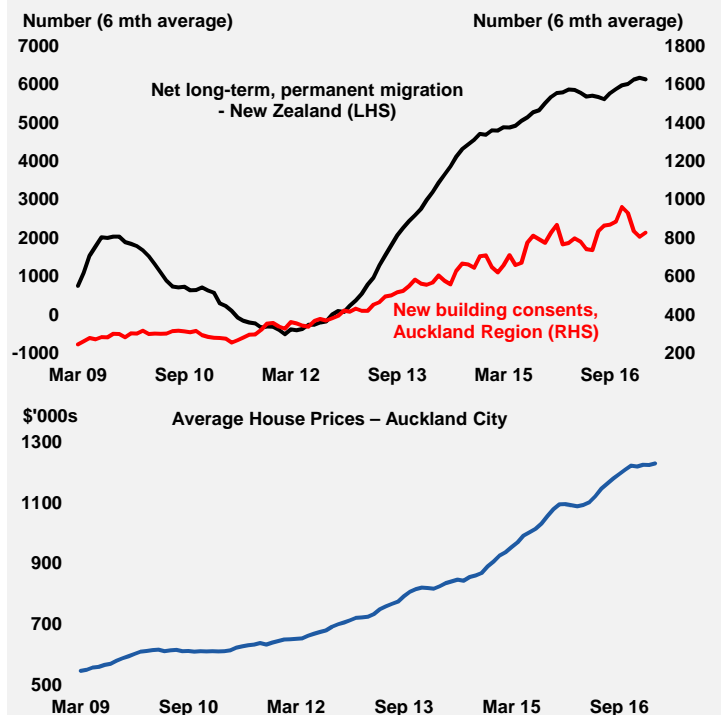


## FONTERRA MILK PRICE FORECASTS (INCLUDING DIVIDEND)



(1) Source: NAB, Econdata DX/Statistics NZ  
(2) Source: Econdata DX, ThomsonReuters Datastream (Statistics New Zealand, QV)  
(3) Source: Fonterra  
(4) Source: RBNZ FSR. Cost of production includes interest and rent

## STRONG MIGRATION: MANY GO TO AUCKLAND - INADEQUATE SUPPLY RESPONSE A FACTOR IN HOUSE PRICE GROWTH<sup>2</sup>



# ADDITIONAL INFORMATION

## GLOSSARY

## GLOSSARY

<b>90+ days past due assets</b>	Assets 90+ days past due consist of well-secured assets that are more than 90 days past due and portfolio-managed facilities that are not well secured and between 90 and 180 days past due.	<b>CTI</b>	<b>Cost to income ratio</b>	Represents banking operating expenses (before inter-segment eliminations) as a percentage of banking operating revenue (before inter-segment eliminations).
<b>Average assets</b>	Represents the average of assets over the period adjusted for disposed operations. Disposed operations include any operations that will not form part of the continuing Group. These include operations sold and those which have been announced to the market that have yet to reach completion.	<b>Capital ratios</b>		As defined by APRA under APS111 - Capital Adequacy: Measurement of Capital (unless stated otherwise).
<b>Banking</b>	Banking operations include the Group's: - Retail and Non-Retail deposits, lending and other banking services within Business and Private Banking, Consumer Banking and Wealth, Corporate and Institutional Banking, and NZ Banking - Wholesale operations comprising Global Capital Markets, Specialised Finance and Financial Institutions business within Corporate and Institutional Banking and NZ Banking, and - Treasury and NAB UK CRE operations within Corporate Functions and Other.	<b>Cash Earnings</b>		Refer to page 2, Section 1 - Profit Reconciliation of 2017 Half Year Results Announcement for information about, and the definition of cash earnings.
<b>Business and Private Banking</b>	Business & Private Banking brings together the Group's NAB Business division with Specialised Banking (including Agribusiness; NAB Health; and Government, Education, Community & Franchising); Business Direct & Small Business; NAB Private; and JBWere.	<b>Consumer Banking and Wealth</b>		Consumer Banking and Wealth is responsible for the NAB and UBank consumer banking franchises and the financial planning network, including NAB Financial Planning and aligned financial advisors. The division manages more than 5 million consumer relationships in Australia through its national network of branches and through centralised sales and service teams. The division also generates income and provides advice through independent third parties including mortgage brokers and a financial planning network of over 1,800 self-employed, aligned and salaried advisers in Australia.
<b>Business lending</b>	Lending to non-retail customers including overdrafts, asset and lease financing, term lending, bill acceptances, foreign currency loans, international and trade finance, securitisation and specialised finance.	<b>Continuing operations</b>		Continuing operations are the components of the Group which are not discontinued operations.
<b>CET1</b>	<b>Common Equity Tier 1 Capital</b> Common Equity Tier 1 (CET1) capital is recognised as the highest quality component of capital. It is subordinated to all other elements of funding, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date. It is predominately comprised of common shares; retained earnings; undistributed current year earnings; as well as other elements as defined under APS111 - Capital Adequacy: Measurement of Capital.	<b>Core assets</b>		Represents gross loans and advances including acceptances, financial assets at fair value, and other debt instruments at amortised cost.
<b>CFI</b>	<b>Customer Funding Index</b> Customer deposits (excluding certain short dated institutional deposits used to fund liquid assets) divided by core assets.	<b>Corporate and Institutional Banking</b>		Corporate & Institutional Banking provides a range of products and services critical to the success of the Group's Corporate and Institutional customers. Its offerings include lending and transactional solutions, capital and cash flow solutions. It utilises its sales, trading and research capabilities to support customers across traded markets including fixed income, money markets, credit, derivatives, currencies and commodities as well as providing innovative funding solutions and an access point to global capital markets. Corporate & Institutional Banking also provides institutional custody services and provides the management function for all of NAB's offshore branches.
<b>CLF</b>	<b>Committed Liquidity Facility</b> Made available by the RBA for qualifying ADIs to access in order to meet LCR requirements under APS 210 - Liquidity.	<b>Corporate Functions and Other</b>		The Group's 'Corporate Functions' business includes functions that support all businesses including Treasury, Other Corporate Functions activities and NAB UK CRE. Treasury acts as the central vehicle for movements of capital and structural funding to support the Group's operations, together with capital, balance sheet management and the liquid asset portfolio. Other Corporate Functions activities include Technology and Operations and Support Units (which includes Office of the CEO, Risk, Finance and People).
<b>CPS</b>	Cents Per Share			

# GLOSSARY

<b>Customer deposits</b>	Interest bearing, non-interest bearing and term deposits (including retail and corporate deposits).
<b>Customer risk management</b>	Activities to assist customers to manage their financial risks (predominantly foreign exchange and interest rate risks).
<b>DRP</b>	<b>Dividend Reinvestment Plan</b>
	Instead of receiving cash dividends, shareholders can elect to reinvest dividends to buy more shares without paying brokerage and other administration costs.
<b>Discontinued operations</b>	Discontinued operations are a component of the Group that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, which is part of a single co-ordinated plan for disposal.
<b>Distributions</b>	Payments to holders of other equity instrument issues such as National Income Securities, Trust Preferred Securities, Trust Preferred Securities II and National Capital Instruments.
<b>Dividend payout ratio</b>	Dividends paid on ordinary shares divided by cash earnings per share.
<b>EAD</b>	<b>Exposure at Default</b>
	EAD is an estimate of the total committed credit exposure expected to be drawn at the time of default for a customer or facility that the NAB Group would incur in the event of a default. It is used in the calculation of RWAs.
<b>EPS</b>	<b>Cash earnings per share – diluted</b>
	Calculated as cash earnings adjusted for distributions on other equity instruments and interest expense on dilutive potential ordinary shares. This adjusted cash earnings is divided by the weighted average number of ordinary shares, adjusted to include treasury shares held in the Group's consolidated investments businesses (until the Successor Fund Merger on 1 July 2016) and dilutive potential ordinary shares.
<b>FTE</b>	<b>Full-time Equivalent Employees</b>
	Includes all full-time staff, part-time, temporary, fixed term and casual staff equivalents, as well as agency temporary staff and external contractors either self-employed or employed by a third party agency. Note: This does not include consultants, IT professional services, outsourced service providers and non-executive directors.

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# GLOSSARY

<b>Leverage ratio</b>	As defined by APRA (unless otherwise stated). A non-risk based supplementary measure to the risk-based capital requirements.
<b>Markets &amp; Treasury Income</b>	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. Customer risk comprises OOI. Includes FX.
<b>NII</b>	<b>Net Interest Income</b>
	Net of revenues generated by interest-bearing assets and the cost of interest-bearing liabilities.
<b>NIM</b>	<b>Net Interest Margin</b>
	NII as a percentage of average interest earning assets.
<b>NPS</b>	<b>Net Promoter Score</b>
	Net Promoter Score measures the net likelihood of recommendation to others of the customer's main financial institution for retail or business banking. 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.
<b>NSFR</b>	<b>Net Stable Funding Ratio</b>
	The amount of available stable funding (ASF) relative to the amount of required stable funding (RSF).
<b>NAB Wealth</b>	NAB Wealth provides superannuation, investment and insurance solutions to retail, corporate and institutional clients. NAB Wealth operates one of the largest networks of financial advisers in Australia.
<b>NZ Banking</b>	NZ Banking comprises the Retail, Business, Agribusiness, Corporate and Insurance franchises and Markets Sales Operations in New Zealand, operating under the 'BNZ' brand. It excludes BNZ's Markets Trading operations.
<b>OIS</b>	<b>Overnight Index Swap</b>
	Interest rate swap involving the overnight rate being exchanged for a fixed interest rate.
<b>OOI</b>	<b>Other operating income</b>
	Revenue derived from non-interest bearing products, such as fees and premiums.
<b>Other banking products</b>	Personal lending, credit cards (consumer and commercial), investment securities and margin lending.

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<b>FUM/A</b>	Funds under management and administration
<b>GIAs</b>	<b>Gross Impaired Assets</b>
	Consist of: - Retail loans (excluding unsecured portfolio managed facilities) which are contractually past due 90 days with security insufficient to cover principal and arrears of interest revenue - Non-retail loans which are contractually past due and there is sufficient doubt about the ultimate collectability of principal and interest, and - Impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. - Unsecured portfolio managed facilities are also classified as impaired assets when they become 180 days past due (if not written off).
<b>GLAs</b>	Gross loans and acceptances
<b>Group</b>	NAB and its controlled entities.
<b>HQLA</b>	<b>High Quality Liquid Assets</b>
	Eligible assets that include cash, balances held with Central Banks along with securities issued by highly rated Governments and supranationals.
<b>Housing lending</b>	Mortgages secured by residential properties as collateral.
<b>IRB</b>	<b>Internal Ratings Based approach</b>
	Refers to the processes employed by the Group to estimate credit risk. This is achieved through the use of internally developed models to assess the potential credit losses using the outputs from the probability of default, loss given default and exposure at default models.
<b>Impaired – currently assessed as no loss</b>	Currently assessed as impaired but no loss due to the value of the security held being sufficient to cover the repayment of principal and interest amounts due.
<b>Internationally comparable</b>	Estimate of NAB's CET1 and leverage ratio calculated on rules and those applied to global peers. Methodology aligns with the APRA study entitled "International capital comparison study" released on 13 July 2015.
<b>LCR</b>	<b>Liquidity Coverage Ratio</b>
	LCR measures the amount of high quality liquid assets held that can be converted to cash easily and immediately in private markets, to total net cash flows required to meet the Group's liquidity needs for a 30 day calendar liquidity stress scenario.
<b>LVR</b>	<b>Loan to Value Ratio</b>
	Mortgage loan to bank value of property expressed as a percentage.



<b>RMBS</b>	<b>Residential Mortgage Backed Securities</b>	Where a bank sells a pool of mortgages to a related special purpose vehicle (SPV), and the SPV in turn issues debt securities. Internal RMBS is where those securities are held entirely by the bank which originated the mortgages. These securities are eligible for use as collateral in repurchase agreements with the Reserve Bank of Australia.
<b>ROE</b>	<b>Cash Return on Equity</b>	Calculated as cash earnings (annualised) divided by average shareholders' equity, excluding non-controlling interests and other equity instruments and adjusted for treasury shares.
<b>RWAs</b>	<b>Risk-weighted assets</b>	A quantitative measure of the Group's risk, required by the APRA risk-based capital adequacy framework, covering credit risk for on- and off-balance sheet exposures, market risk, operational risk and interest rate risk in the banking book.
<b>SFI</b>	<b>Stable Funding Index</b>	Term Funding Index (TFI) plus Customer Funding Index (CFI).
<b>SME</b>	<b>Small and Medium Enterprise</b>	A segment of NAB business lending which supports business customers with lending typically up to \$50m, excluding the Specialised Businesses.
<b>TFI</b>	<b>Term Funding Index</b>	Term wholesale funding (with a remaining maturity to first call date greater than 12 months) divided by core assets.
<b>TSR</b>	<b>Total Shareholder Returns</b>	Measured against Australian Financial Services firms as listed in our 2016 Annual Financial Report.
<b>Underlying profit</b>		Underlying profit is a performance measure used by NAB. It represents cash earnings before various items, including income tax expense and the charge to provide for bad and doubtful debts. It 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.
<b>Watch loans</b>		Loan facilities where customers are experiencing operating weakness and financial difficulty but are not expected to incur loss of interest or principal.



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