

# FULL YEAR RESULTS 2016



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## Investor Presentation

27 October 2016

**Andrew Thorburn**

Group Chief Executive Officer

**Gary Lennon**

Chief Financial Officer

Neville Mock and daughter Mardi,  
**Mock Red Hill**



OVERVIEW

# OVERVIEW

**ANDREW THORBURN**

Group Chief Executive Officer

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 129 for legal disclaimer.

Financial information in this presentation is based on cash earnings, which is not a statutory financial measure. Refer to page 33 for definition and reconciliation to statutory net profit/loss.

## FY16 PERFORMANCE

### FINANCIALS (FY16 v FY15)<sup>1</sup>

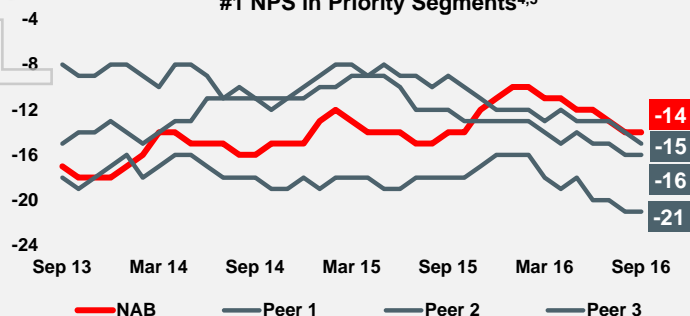
Cash earnings (\$m) <sup>2</sup>	6,483	↑	4.2%
Dividend	198cps	↔	flat
Cash ROE	14.3%	↓	50bps
Statutory profit (\$m)	352	↓	large

### BALANCE SHEET (FY16 v FY15)<sup>1</sup>

CET1	9.8%	↓	47bps
CET1 harmonised	14.0%	↑	47bps
NSFR	>100% <sup>3</sup>	-	NA
B&DD charge (% GLAs)	15bps	↓	1bp

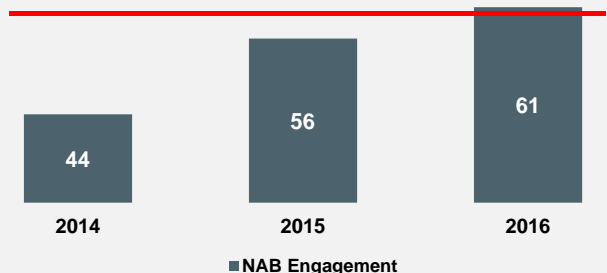
### CUSTOMER

#1 NPS in Priority Segments<sup>4,5</sup>



### EMPLOYEE ENGAGEMENT<sup>6</sup>

High performing organisation benchmark of 60



(1) Information is presented on a continuing operations basis including prior period restatements, unless otherwise stated

(2) Refer to page 33 for definition of cash earnings and reconciliation to statutory net profit

(3) Based on draft APRA rules

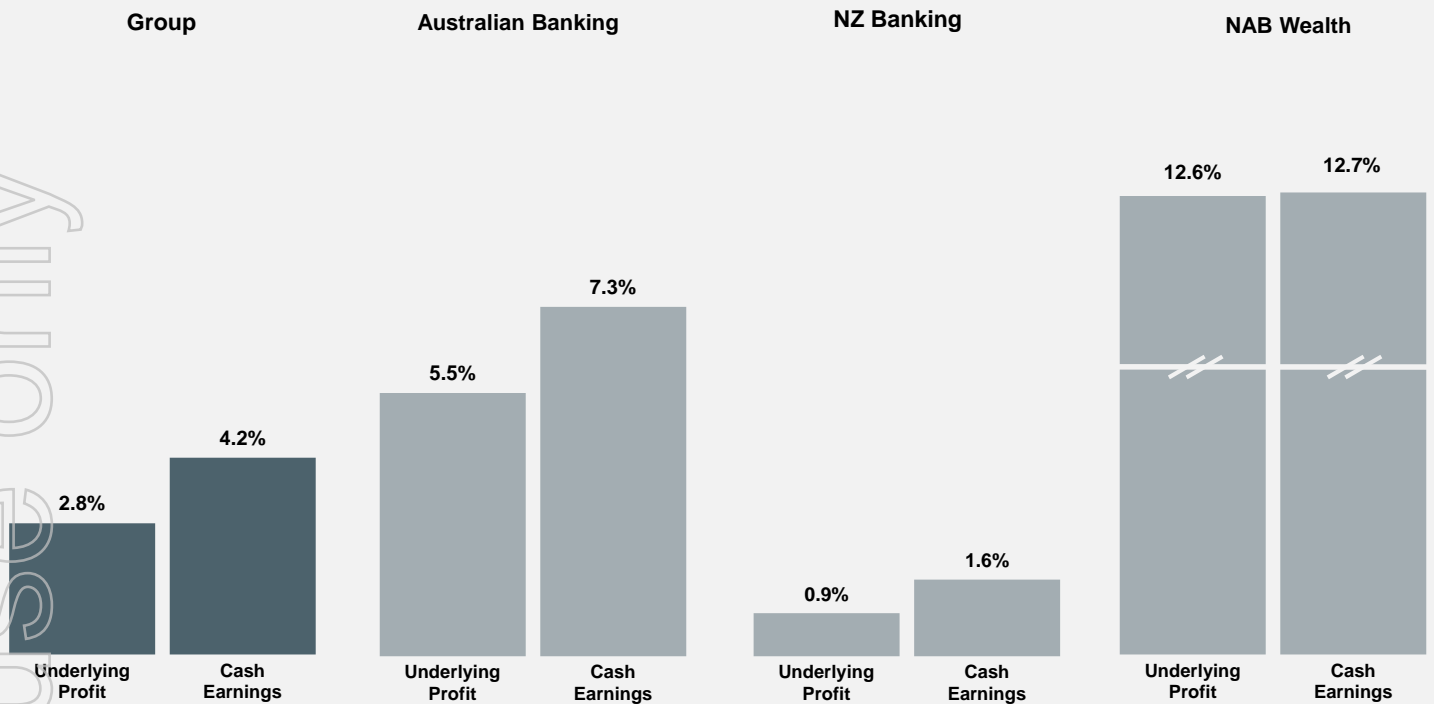
(4) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld

(5) Priority segments Net Promoter Score (NPS) is a simple average of the NPS scores of five priority segments: Mortgage Customers, Debt Free, Micro Business (<\$1m), Small Business (\$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

(6) As measured in NAB's annual employee engagement survey "Speak Up, Step Up" conducted by Right Management. Note: Historical engagement figures have been restated to exclude discontinued operations

# SOLID CONTRIBUTIONS ACROSS AUSTRALIA, NZ AND WEALTH

## CASH EARNINGS<sup>1</sup> AND UNDERLYING PROFIT<sup>2</sup> GROWTH (LOCAL CURRENCY) FY16 v FY15



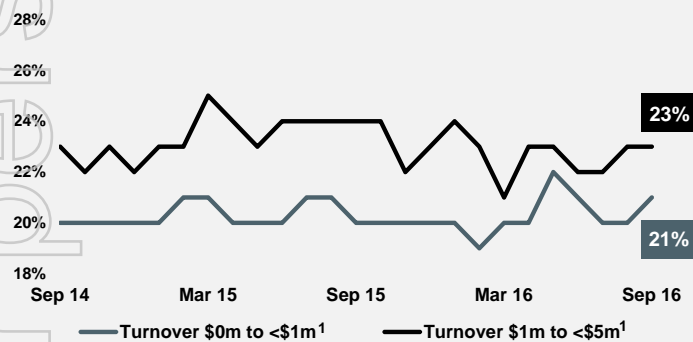
(1) Refer to page 33 for definition of cash earnings and reconciliation to statutory net profit

(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

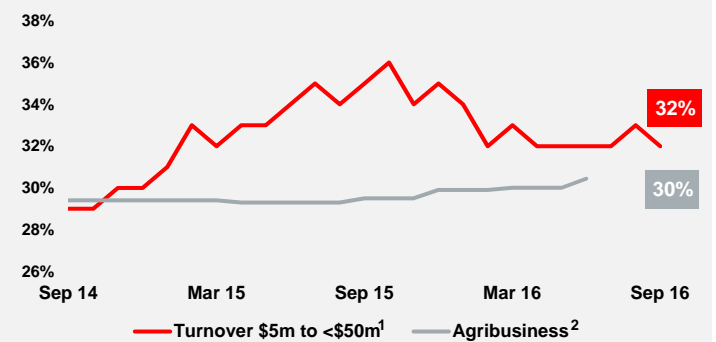


# MARKET SHARE TRENDS IN PRIORITY SEGMENTS

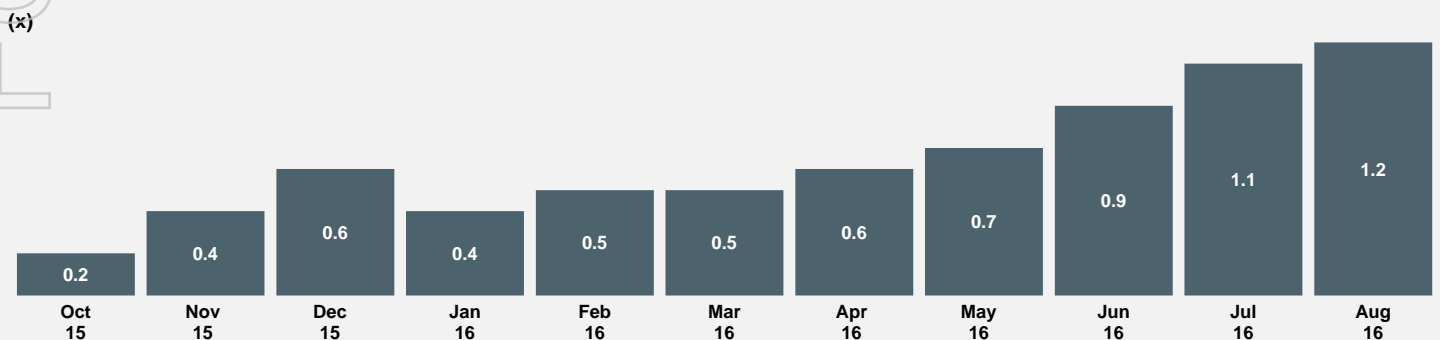
## MICRO AND SMALL BUSINESS



## MEDIUM BUSINESS AND AGRI



## HOUSING LENDING MULTIPLE OF SYSTEM GROWTH<sup>3</sup>



(1) September 2016. 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. Micro Business (<\$1m), Small Business (\$1m-<\$5m) and Medium Business (\$5m-<\$50m).

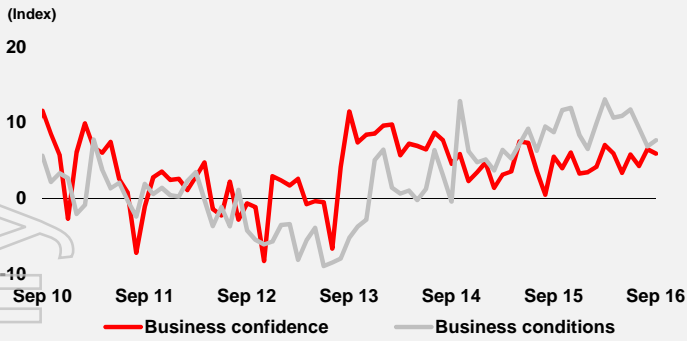
(2) June 2016. NAB APRA submission / RBA System

(3) Monthly RBA Financial System. Total Financial System Data: RBA Statistics Report



# AUSTRALIA AND NEW ZEALAND ECONOMIC CONDITIONS REMAIN FAVOURABLE

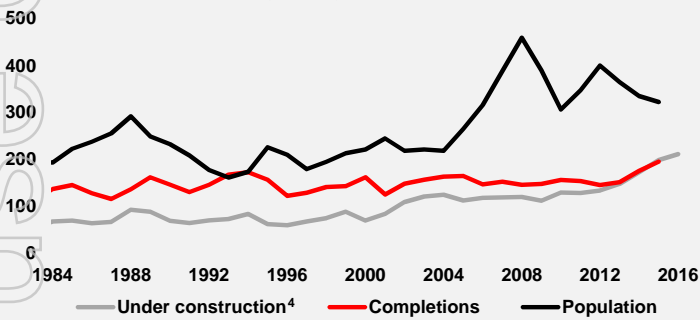
## NAB BUSINESS CONDITIONS AND CONFIDENCE<sup>1</sup>



## NON-MINING REAL GDP GROWTH ABOVE LONG RUN AVERAGE<sup>2</sup>



## AUSTRALIAN DWELLING COMPLETION V ANNUAL POPULATION GROWTH (000's)<sup>3</sup>



## ECONOMIC OUTLOOK (%)

		CY15	CY16(f)	CY17(f)
Australia	GDP growth <sup>5</sup>	2.4	3.0	2.8
	Unemployment <sup>6</sup>	5.8	5.7	5.6
NZ	GDP growth <sup>5</sup>	2.5	3.4	3.1
	Unemployment <sup>6</sup>	5.0	5.0	5.1

- (1) Australia only. Source: NAB  
 (2) Australia only. Source: NAB, ABS  
 (3) Source: NAB, ABS  
 (4) 2016 dwellings under construction as at Q2 2016  
 (5) Per cent change, average for year ended December quarter on average of previous year  
 (6) Per cent, as at December quarter



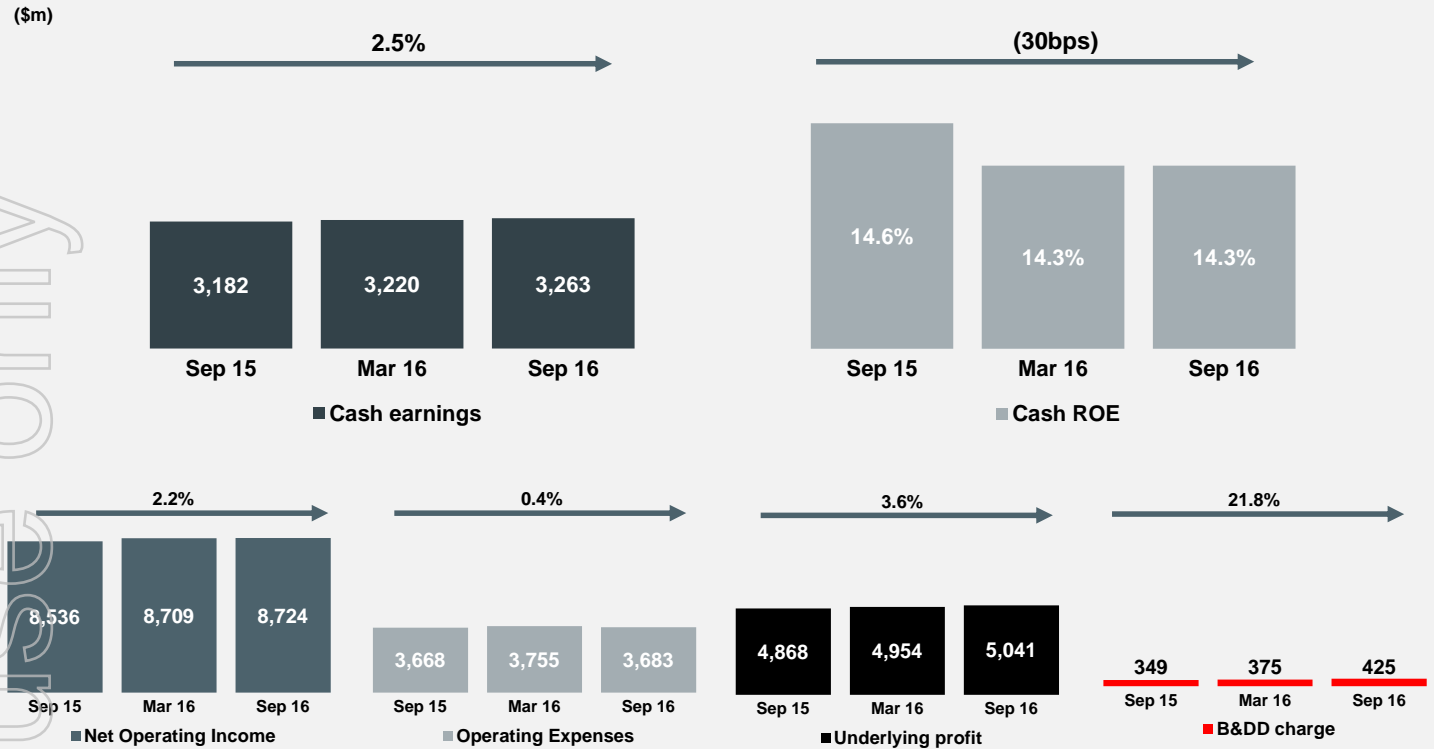
## FY16 FINANCIALS

**GARY LENNON**  
Chief Financial Officer



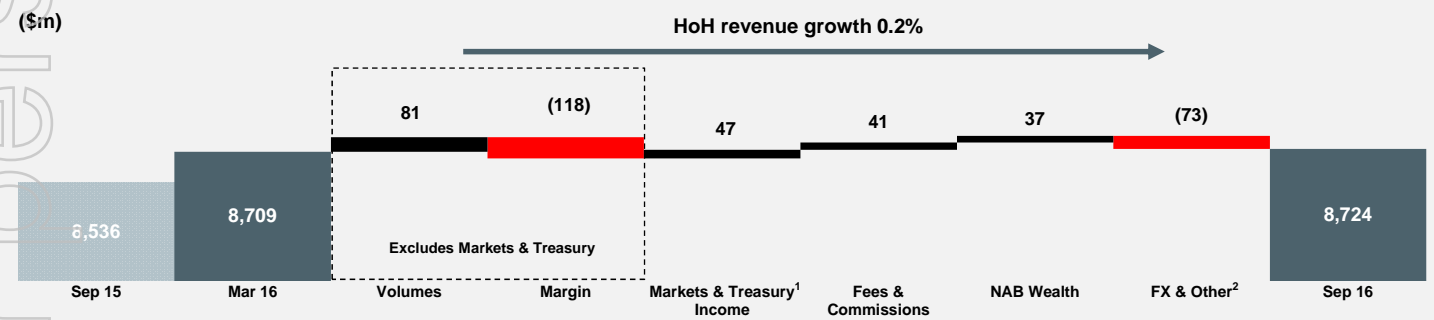
# GROUP FINANCIAL PERFORMANCE

## GROWTH BY KEY FINANCIAL INDICATORS (HoH)

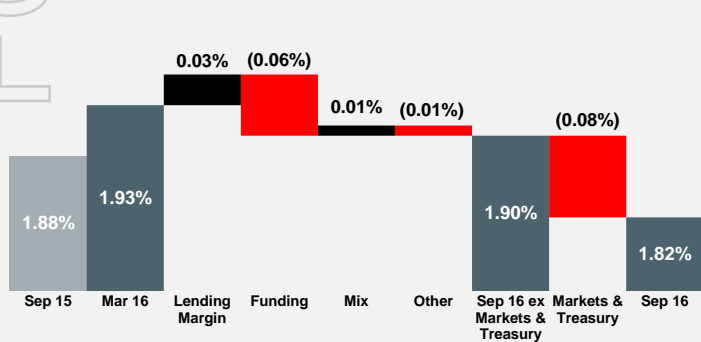


# GROUP REVENUE AND NET INTEREST MARGIN

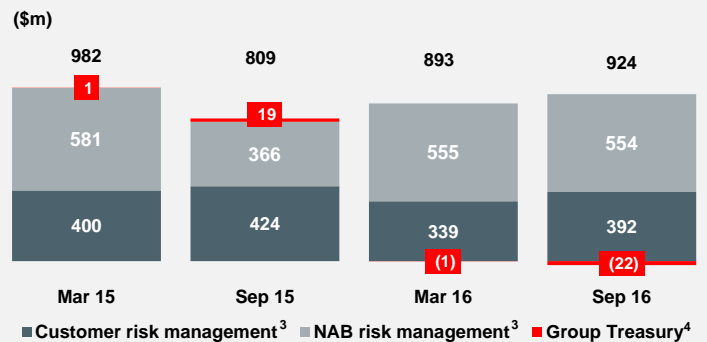
## NET OPERATING INCOME



## GROUP NET INTEREST MARGIN



## MARKETS & TREASURY INCOME



(1) Excludes FX and Fees & Commissions

(2) Largely relates to group funding and hedging activities and foreign exchange 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 comprises OOI

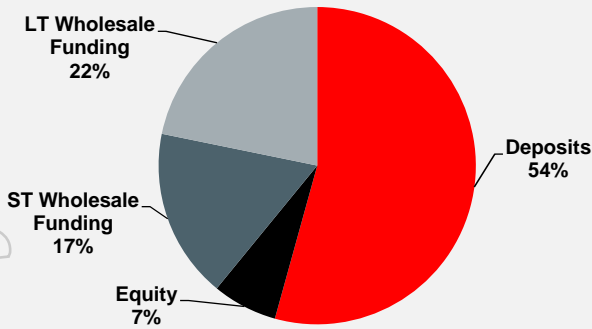
(4) Group Treasury prior periods have been restated to reflect the reclassification of Group Treasury income



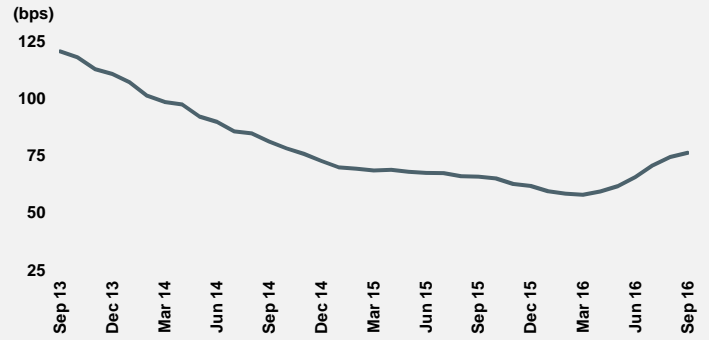


# KEY FUNDING COST DRIVERS

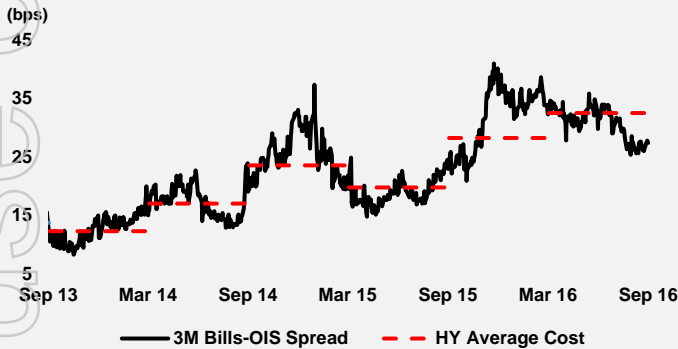
## FUNDING MIX – SEP 2016



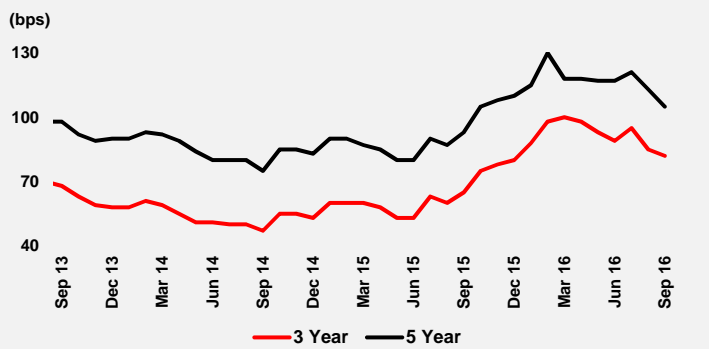
## TERM DEPOSITS<sup>1</sup>



## SHORT TERM WHOLESALE FUNDING<sup>2</sup>



## LONG TERM WHOLESALE FUNDING<sup>3</sup>



(1) Cost over market reference rate

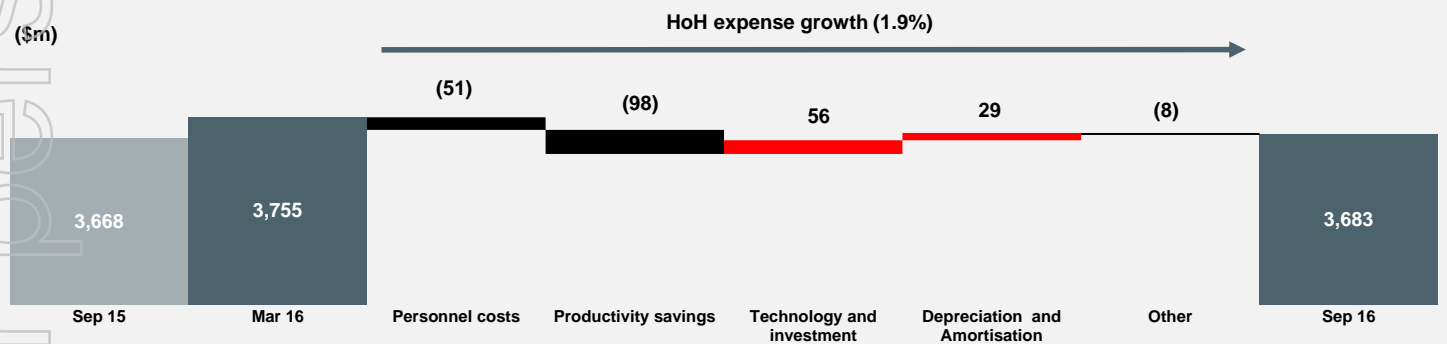
(2) Spread between 3 month AUD Bank Bills and Overnight Index Swaps (OIS). Half year average cost based on 3 month moving average. Source: Bloomberg

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



# GROUP OPERATING EXPENSES WELL MANAGED

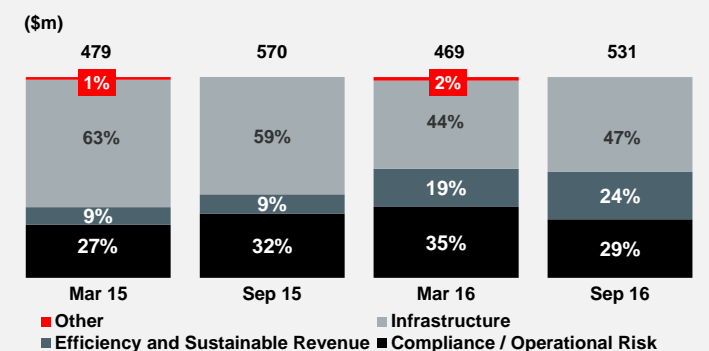
## OPERATING EXPENSES



## FURTHER DETAIL ON OPERATING EXPENSES

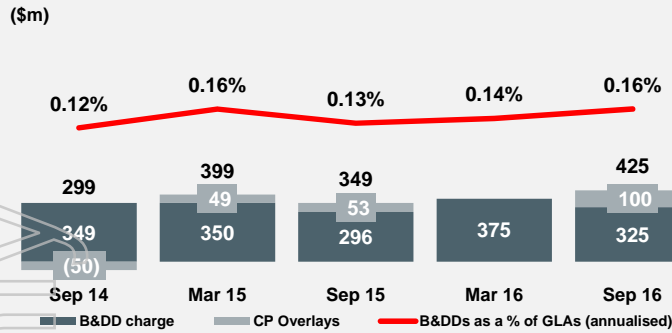
- Productivity savings delivered in FY16 of \$187m (2H16 increase \$98m)
- Targeting ongoing annual productivity savings of greater than \$200m pa with some reinvested
- Capitalised software balance increased \$312m over FY16 to \$2,344m (2H16 increase \$217m) due to Personal Bank Origination Platform (PBOP) and New Payments Platform (NPP) development

## PROJECT INVESTMENT SPEND (OPEX AND CAPEX)

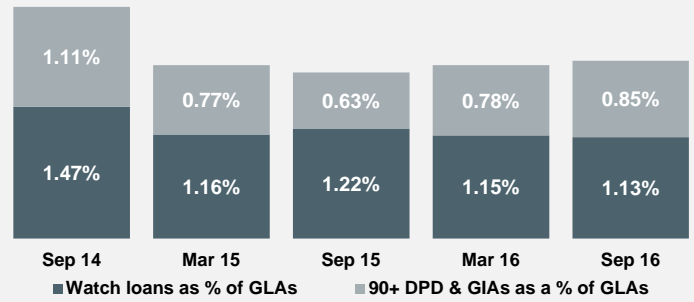


# ASSET QUALITY REMAINS SOUND

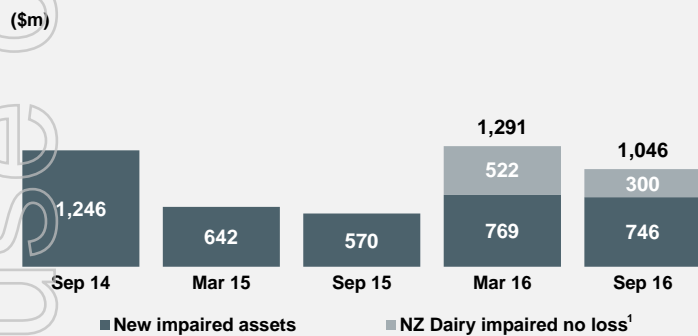
## B&DDs AND AS A % OF GLAs



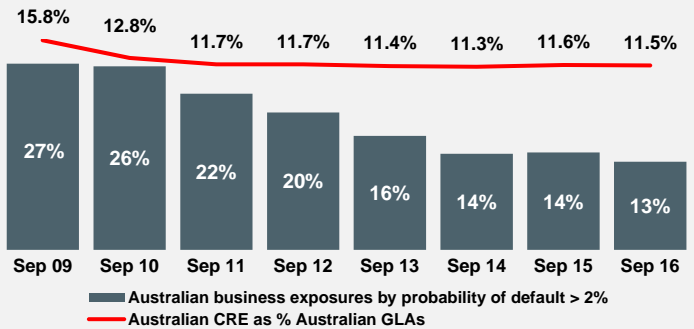
## 90+ DPD & GIAs, AND WATCH LOANS AS A % OF GLAs



## NEW IMPAIRED ASSETS



## AUSTRALIAN BUSINESS LENDING RISK PROFILE

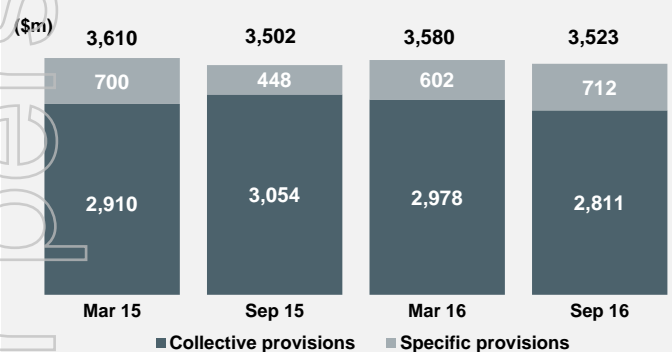


(1) NZ Banking dairy exposures currently assessed as no loss based on collective provisions and security held

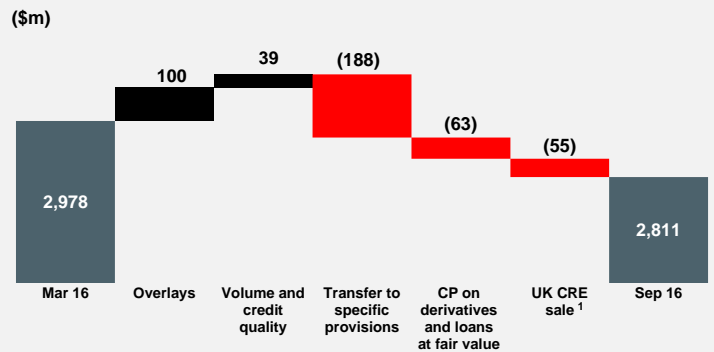


# COLLECTIVE AND SPECIFIC PROVISIONS

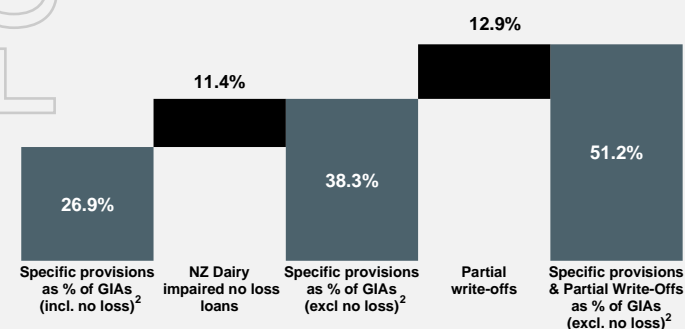
## COLLECTIVE AND SPECIFIC PROVISIONS



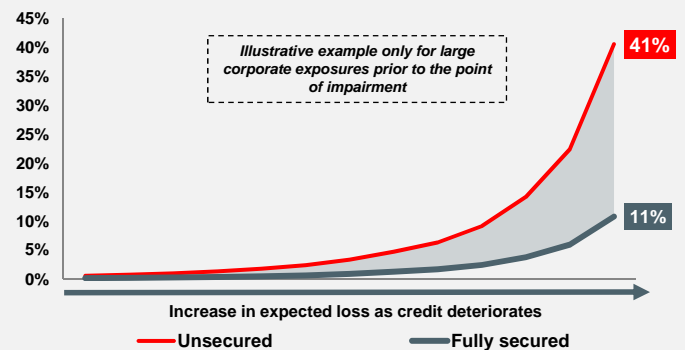
## COLLECTIVE PROVISION MOVEMENTS



## SPECIFIC PROVISION COVERAGE



## COLLECTIVE PROVISION COVERAGE AS % OF EXPOSURE<sup>3</sup>



(1) A \$55m benefit from the sale of a parcel of UK CRE loans was fully offset with other movements in the balance sheet including the de-recognition of loans and advances and the receivable on the consideration of the sale of the portfolio which results in a nil impact to cash earnings

(2) Balances currently assessed as 'impaired no loss' are excluded from the reported specific provision coverage ratio of 38.3% 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

(3) 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



# ASSET QUALITY AREAS OF INTEREST

## ASSET QUALITY CONSIDERATIONS

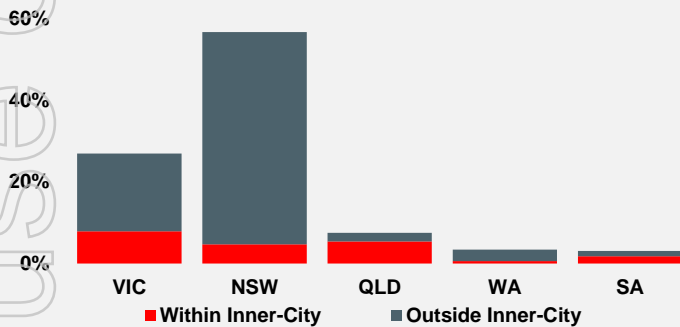
### NZ Dairy

- Outlook for NZ Dairy improved following Fonterra milk price forecast increase from NZ\$4.25 to NZ\$5.25
- 1.92% CP coverage of NZ Dairy book (~9.4% of impaired no loss portfolio)
- ~80% of dairy farm valuations updated in 2H16 resulting in 3% (~NZ\$307m) reduction in total valuations

### Residential Development

- Residential development lending exposure \$4.4bn and \$2.2bn for land. Exposure to higher risk inner city postcodes ~20% of total residential developer portfolio

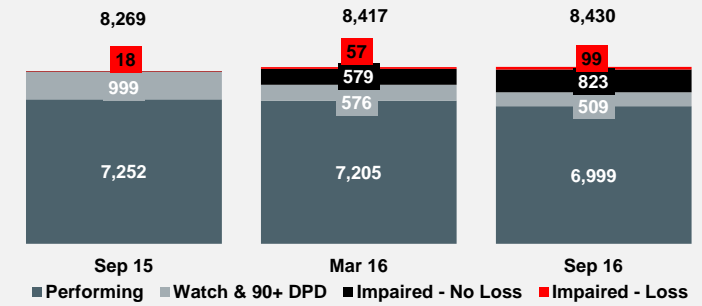
## RESIDENTIAL DEVELOPMENT EXPOSURE<sup>1</sup>



(1) 'Inner-City' includes CBD and adjoining postcodes. There is exposure to one development in each of the inner-cities of Darwin and Hobart. Includes transactions that are well advanced but not yet drawn-down

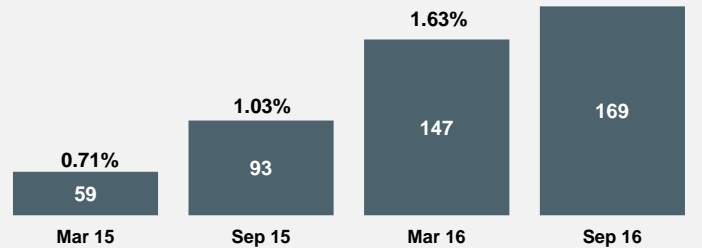
## NZ DAIRY PORTFOLIO BY CATEGORISATION

(NZ\$m)



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

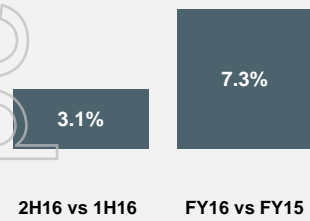
(NZ\$m)



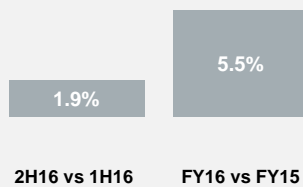
# SOLID AUSTRALIAN BANKING PERFORMANCE

## AUSTRALIAN BANKING

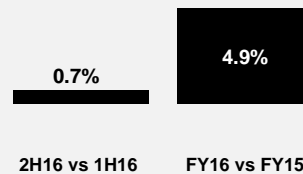
### Cash earnings



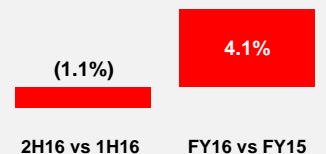
### Underlying profit<sup>1</sup>



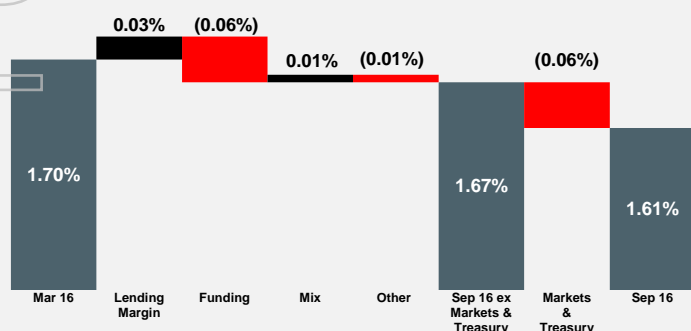
### Revenue



### Expenses

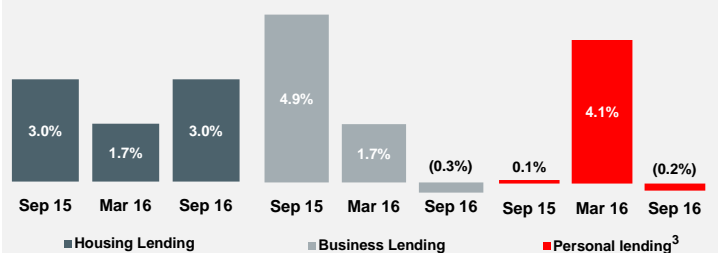


## AUSTRALIAN BANKING NET INTEREST MARGIN



## AUSTRALIAN BANKING LOAN GROWTH<sup>2</sup>

(%)



(1) 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

(2) Spot volumes

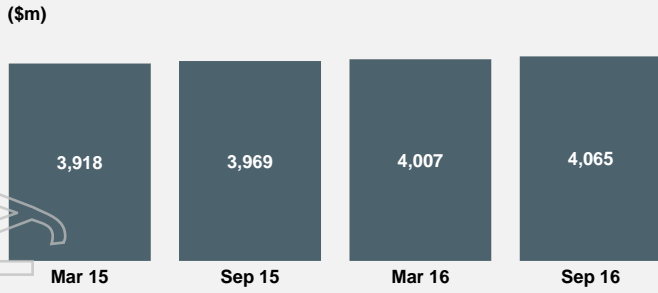
(3) Personal lending includes consumer cards and personal loans



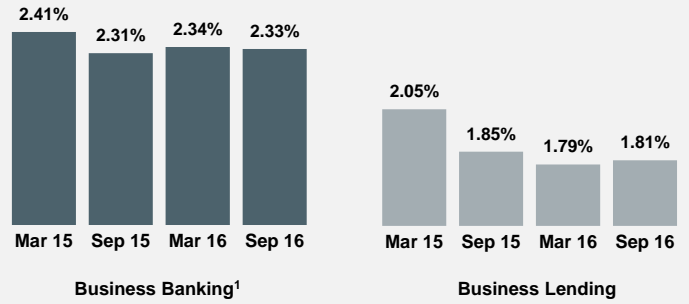


# BUSINESS BANKING MOMENTUM IMPROVING

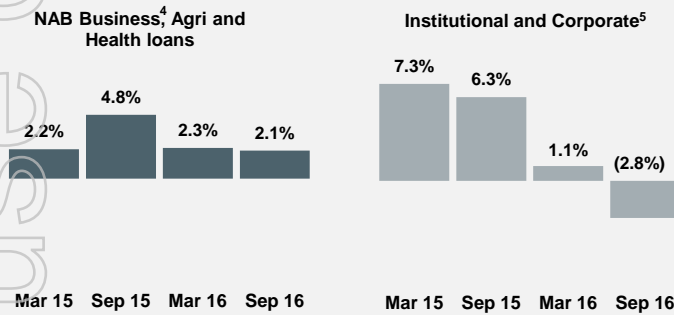
## BUSINESS BANKING CUSTOMER REVENUE<sup>1,2</sup>



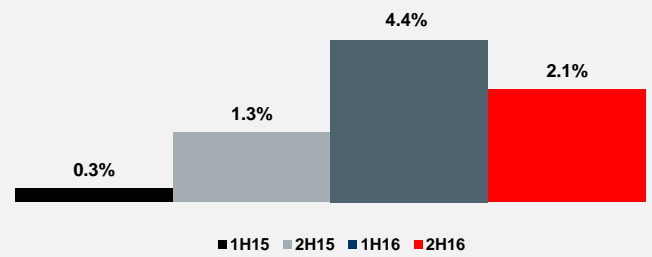
## NET INTEREST MARGIN<sup>3</sup>



## BUSINESS LENDING TO HIGHER RETURNING SEGMENTS



## REVENUE GROWTH IN PRIORITY SEGMENTS<sup>6</sup>



(1) Based on unaudited management information data

(2) Customer revenue numbers have been restated to reflect the transfer of customers between Business Banking and Personal Banking, consistent with where customers are domiciled in 2016

(3) Business Banking NIM is earned on home lending, deposit and business lending products. It includes the impact of cost of funds methodology changes between Housing Lending and Deposits products, resulting in a 1bp benefit in the Sep 16 half (nil impact for Australian Banking). Business Lending NIM is the product margin earned predominantly through distribution to Business Banking customers

(4) NAB Business is the segment of Business Banking which supports business customers with lending typically up to \$25m, excluding the Specialised Businesses

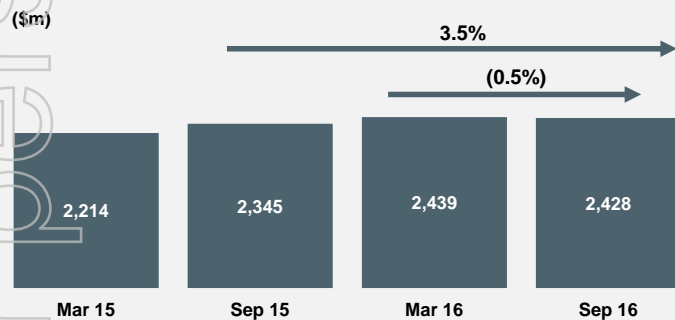
(5) Includes Institutional, Corporate, Corporate Property loans and Capital Finance

(6) Based on unaudited management information for NAB Business, Specialised Businesses and Private Wealth. Specialised Businesses includes Agri, Health, Government, Education and Community

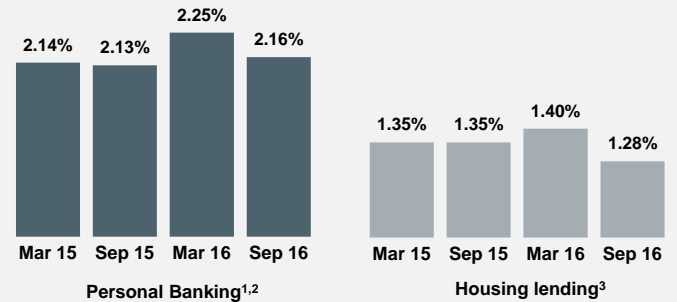


# PERSONAL BANKING REVENUE IMPACTED BY HIGHER FUNDING COSTS

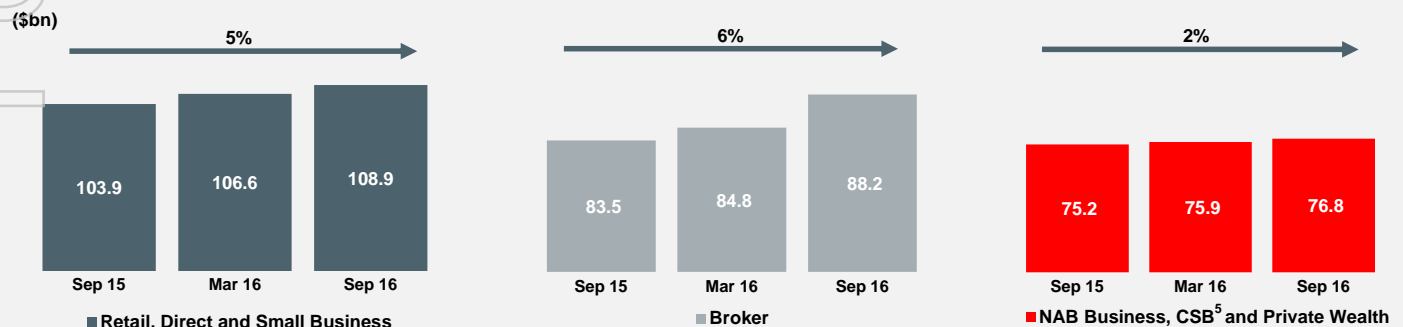
## PERSONAL BANKING CUSTOMER REVENUE<sup>1</sup>



## NET INTEREST MARGIN



## HOUSING LENDING BY CHANNEL<sup>1,4</sup>



(1) Based on unaudited management information

(2) Personal Banking NIM includes the impact of cost of funds methodology changes between Housing Lending and Deposits products, resulting in a 2bps NIM decline in the Sep 16 half year (nil impact for Australian Banking)

(3) Housing Lending NIM includes the impact of cost of funds methodology changes between Housing Lending and Deposits products, resulting in a 4bps NIM decline in the Sep 16 half year (nil impact for Australian Banking)

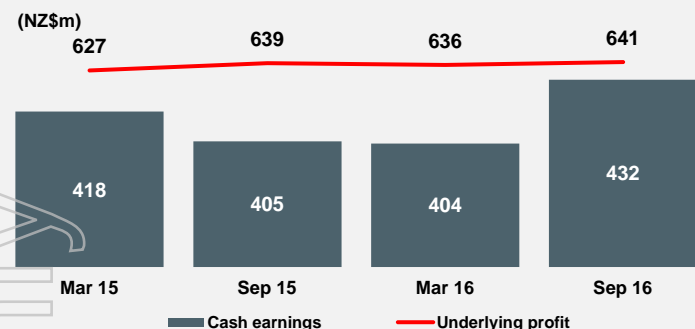
(4) Spot volumes. Excludes Ubank, Asia and Non-performing loans. Prior periods have been restated to reflect customer transfers

(5) Corporate and Specialised Business

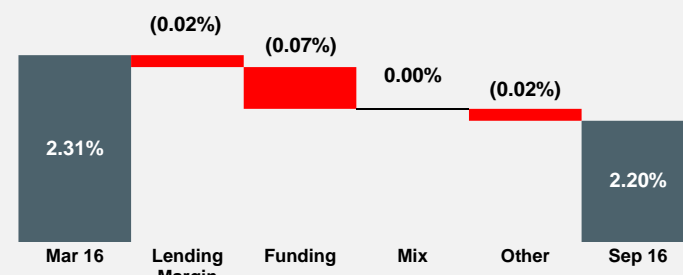


# NZ BANKING BENEFITING FROM MORE NORMAL B&DD EXPENSE

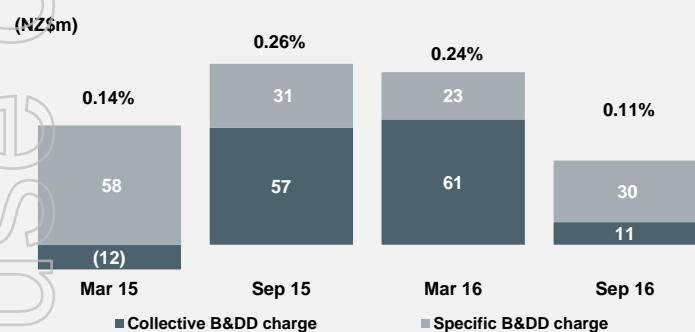
## CASH EARNINGS AND UNDERLYING PROFIT<sup>1</sup>



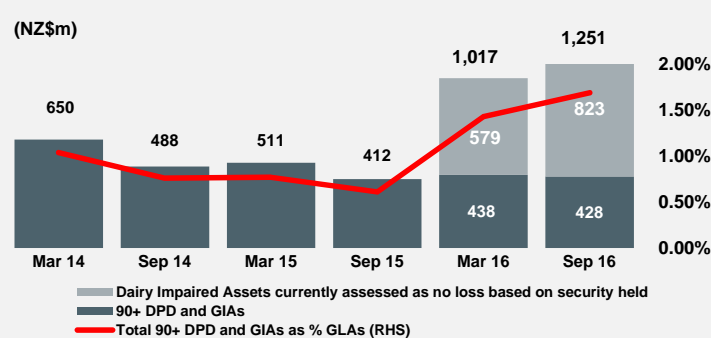
## NET INTEREST MARGIN



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



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

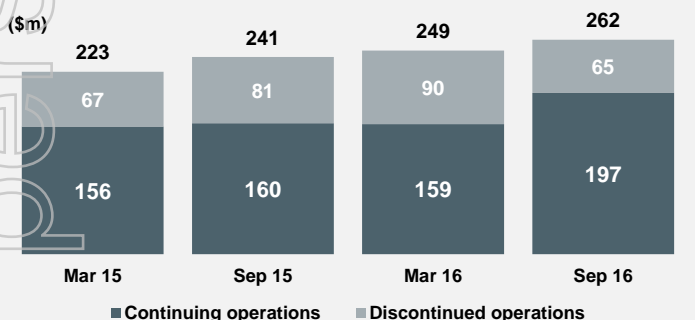


(1) Underlying profit represents cash earnings before various items, including tax expense and the charge for bad and doubtful debts. It is not a statutory financial measure  
 (2) Spot volumes. Half year B&DD as a % of GLAs annualised



# GOOD GROWTH IN NAB WEALTH EARNINGS

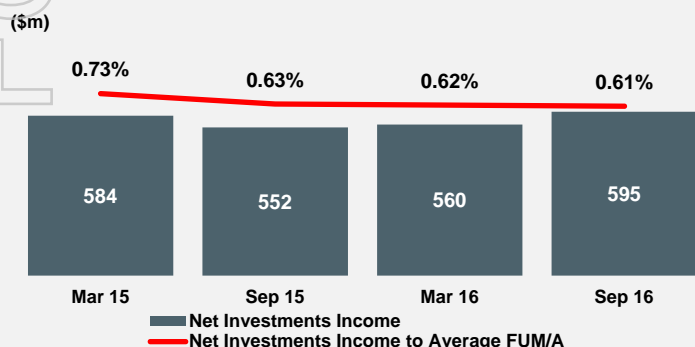
## NAB WEALTH CASH EARNINGS



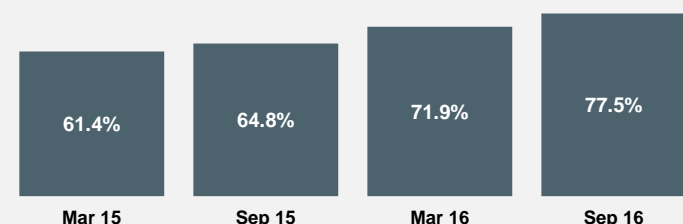
## LIFE INSURANCE SALE

- Sale of 80% of life insurance business to Nippon Life for \$2.4bn completed on 3 October and captured in FY16 results<sup>1</sup>
- CET1 capital benefit of 45bps
- NAB's 20% interest in MLC Life insurance business is included in continuing operations cash earnings and reported as a share of associate profit in NAB Wealth earnings
- Goodwill for the NAB Wealth business is reduced by \$1.7bn to \$2.4bn
- NAB retains MLC brand, but licensed for use by the MLC Life insurance business for 10 years. MLC brand will continue to be applied to NAB's superannuation, investments and advice business

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



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

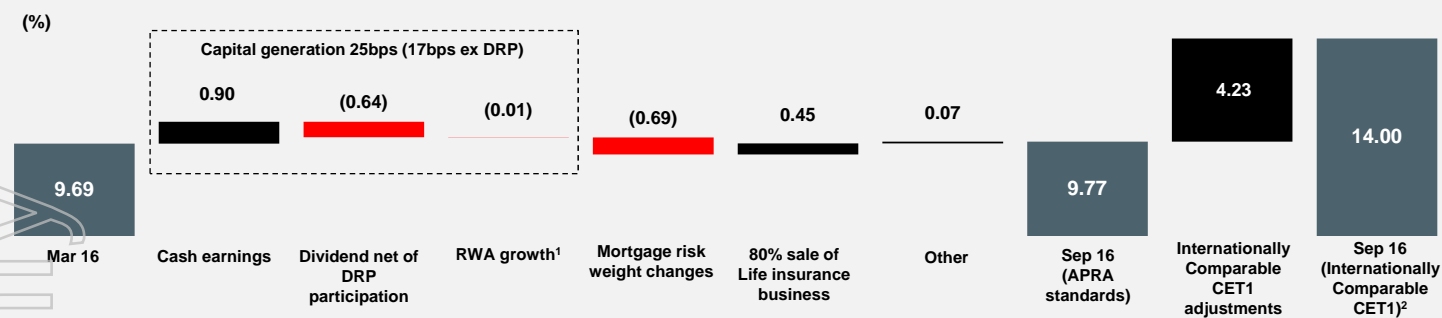


(1) Of the \$2.4bn, \$0.2bn was received as a dividend during FY16 and \$2.2bn was received on completion (3 October 2016). Loss of control and deconsolidation occurred on 30 September 2016  
 (2) Funds Under Management and Funds Under Administration on a proportional ownership basis. 2H16 margins exclude the life insurance business related FUM. Prior period margins have been restated  
 (3) This is a representative measure of performance across all asset classes which is inclusive of approximately 75% of Funds Under Management



# 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 is 5.7% on an APRA basis and 6.2% on an Internationally Comparable basis<sup>2,3</sup>
- Internationally Comparable CET1 ratio up 98bps in 2H16 to 14%, reflecting mainly mortgage risk weight change – ratio comfortably within top quartile of global peers based on recent studies

## NET STABLE FUNDING RATIO

- NAB Group NSFR is >100% as at 30 September 2016 based on draft APRA rules
- Minimum 100% compliance required by 1 January 2018
- Draft rules largely consistent with Basel with adjustment for assets supporting the CLF

(1) RWA growth excludes the impacts of mortgage risk weight changes, sale of 80% of NAB Wealth's life insurance business and reduction in operational risk capital

(2) Internationally Comparable CET1 ratio at 30 September 2016 aligns with the APRA study entitled "International Capital Comparison Study" released on 13 July 2015. Refer to appendix page 94 for more detail

(3) Leverage ratio calculated using an International Capital Tier 1 capital measure includes transitional relief for non-Basel 3 compliant instruments

20



## SUMMARY

- Solid operational performance with costs well managed
- Business Banking improvement – margins stable
- Asset quality sound – \$100m top up to collective provision overlay
- Well placed for any potential regulatory changes
  - Capital position strong – 9.77% CET1
  - NSFR above 100%





Leadership  
 Strategy  
 Performance  
 Risk  
 Compliance  
 Technology



# 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
- TSR<sup>1</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) TSR = Total Shareholder Return as measured against Australian Financial Services firms as listed in our 2015 Annual Financial Report

# PRIORITY SEGMENTS TO DRIVE GROWTH

	SMALL BUSINESS	MEDIUM BUSINESS	INVESTORS	HOME OWNERS
Segment definition	Turnover \$0.1m-\$5m	Turnover \$5m-\$50m	Building or maintaining wealth	Saving for or paying off own home
Contribution to Group revenue	7%	29%	20%	11%
Market share	22% <sup>1</sup>	32% <sup>1</sup>	13% <sup>2</sup>	12% <sup>2</sup>
Customer – NPS rank <sup>3</sup>	1 <sup>st</sup>	3 <sup>rd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>
Our focus	Accelerate use of digital products and direct channels to transform the customer experience	Extend and deepen industry specialisation	Seamless bank-wealth alignment and leverage Australia's largest retail superannuation fund	Simpler more integrated way for home owners to manage their financial affairs

(1) Small & Medium Business source: DBM Business Financial Services Monitor, September 2016. Data weighted to the ABS business population, shown on a 12mma. Market Share is APRA Aligned Lending Market Share based on the total lending dollars held at the FI, divided by the total lending dollars held at FIs reporting to APRA, for products and FIs reporting to APRA.  
 (2) MFI Customer Market Share (# NAB MFI customers in segment / # total MFI customers in segment). Based on NAB brand only using NAB defined customer segments. Source: Roy Morgan Research Single Source; Sep-16 12mma  
 (3) Net Promoter, Net Promoter Score and NPS are registered trademarks of Bain & Company, Inc., Satmetrix Systems Inc. and Fred Reichheld. NAB AFI NPS compared with three major Australian banks (ANZ, CBA, WBC). Small & Medium Business source: DBM Business Financial Services Monitor, September 2016 6mma. Medium Business weighted to the ABS business population. Small Business 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. Ranking is based on absolute scores, not statistically significant differences.

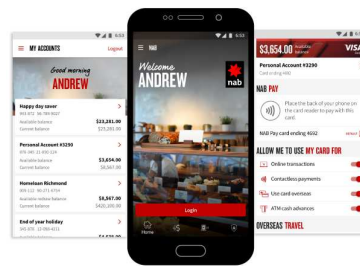


# TECHNOLOGY MAKING IT EASIER FOR OUR CUSTOMERS

## PBOP RETAIL ROLLOUT COMPLETE

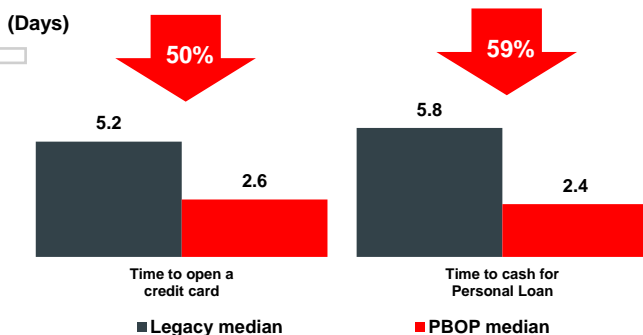
- ~8,000 bankers across branches, contact and fulfilment centres trained and using the platform
- Expect to switch off legacy system for origination of Credit Cards, Personal Loans and Home Loans in 2017 through personal bank
- Focus now on leveraging benefits and expanding capability to other channels
  - Uplift in Home Loan conversion rates
  - >70% Home Loan documents signed online
  - >90% Personal Loans documents signed online

## NEW MOBILE BANKING PLATFORM LAUNCHED OCTOBER 2016



- Android launched, iOS to follow shortly
- World leading self-service Card Controls
- Real-time provisioning of Credit Cards to use with NAB Pay
- API technology reusable across new platforms – cost and speed benefits

## FASTER TIME TO “YES” AND CASH



## NAB QUICKBIZ LOANS

Digital application for small business lending up to \$50k completed in as little as 10 minutes

- Decision **within 60 seconds** of completing online application
- Funding available **within three business days** with further improvements planned
- No physical security** required

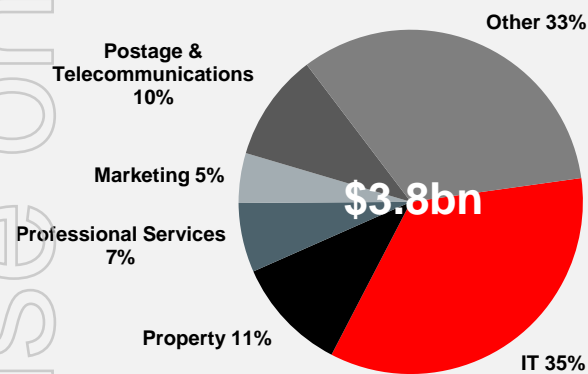


# RESHAPING OUR BUSINESS

## PRODUCTIVITY CONSIDERATIONS

- Managing for positive 'jaws'
- Investment spend more focused on customer and productivity initiatives
- Productivity savings – third party expenses, process automation, customer journeys, PBOP

### FY16 THIRD PARTY PAYMENTS



### PROCESS AUTOMATION

Piloting use of process automation technology

Seven processes automated in 2H16

Pipeline of >30 to be delivered in FY17

### CUSTOMER JOURNEYS

Redesigning customer journeys end-to-end to improve experience and efficiency

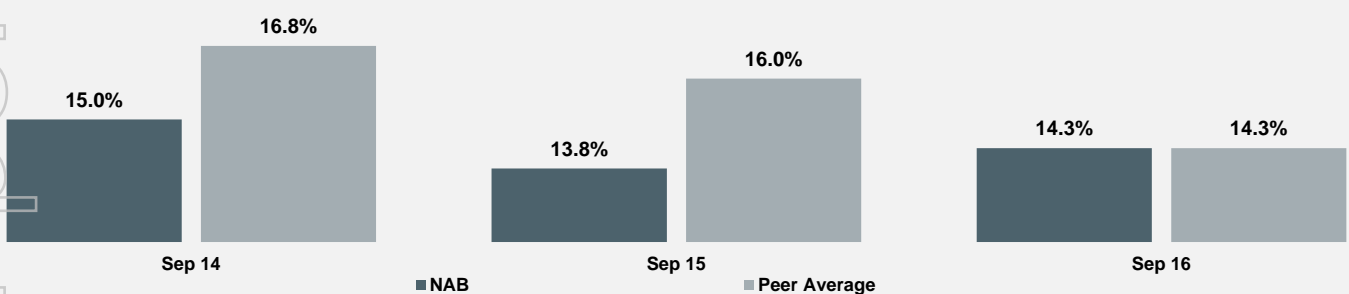
Merchant acquiring example

- Four day improvement in customer setup
- ~2x increase in multi-product sales



# GRANULAR FOCUS ON ROE

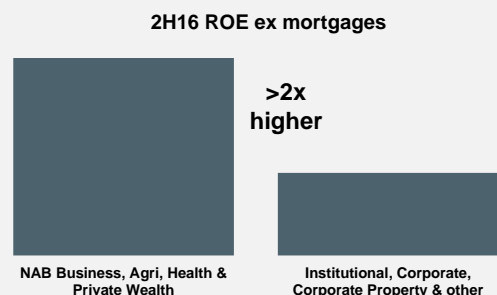
## CASH ROE v PEER AVERAGE (EX SPECIFIED ITEMS)<sup>1</sup>



### EMBEDDING ROE FOCUS

- Performance Unit framework enables granular ROE focus
- \$5.8bn of Corporate and Institutional loan run-off in FY16 – single digit ROEs. Further opportunities
- ROE is one of the main metrics in Business Banker performance scorecards
- Opportunities through better limit management and collateral matching

### ROE 'TILT' IN BUSINESS BANKING



(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. September 2015 peer average ROE assumes average of half year ROE excluding specified items for ANZ. NAB September 2016 ROE is on a continuing operations basis. September 2016 ROE peer average based on last reported peer result for ANZ, CBA, WBC and excluding specified items for ANZ





# STRONG CAPITAL POSITION SUPPORTS DIVIDEND

## DIVIDEND CONSIDERATIONS

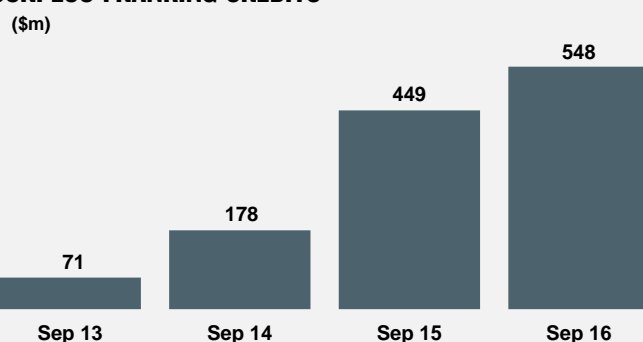
- Dividend in each half considered in the context of capital, earnings and outlook
- FY16 final dividend of 99 cents per share reflects current circumstances
  - Strong capital position (CET1 of 9.77% well above target range of 8.75-9.25%)
  - Current RWA growth and ROE
  - Surplus franking credits

## CAPITAL NEUTRAL PAYOUT RATIO SCENARIOS<sup>1</sup>

		Return on Equity			
		12%	13%	14%	15%
RWA Growth p.a.	1%	92%	93%	93%	93%
	2%	84%	86%	87%	87%
	3%	77%	79%	80%	81%
	4%	69%	72%	74%	75%
	5%	62%	65%	67%	69%
	6%	54%	58%	61%	63%
				93%	

     FY16 capital neutral payout ratio<sup>2</sup>

## SURPLUS FRANKING CREDITS<sup>3</sup>



(1) Illustrative scenarios assume maintenance of a 9.75% CET1 ratio, excludes DRP

(2) Full year 2016 underlying RWA growth 1.3%, excluding CYBG demerger, sale of 80% of NAB Wealth's life insurance business, operational risk, and mortgage risk weight changes

(3) After payment of final dividend



## OVERALL SUMMARY

- Completed all major legacy asset disposals
- Core business sound
  - Granular focus on ROE
  - CET1 ratio and asset quality strong
  - Tight management of expenses
  - Business Banking showing steady improvements
- Environment challenging but stable
- Clear future plan
  - Great customer experience
  - Deepen relationship with customers in our priority segments
  - Reshaping our business for the future environment – productivity, digital/physical, bank/wealth
  - Great leadership, talent and people



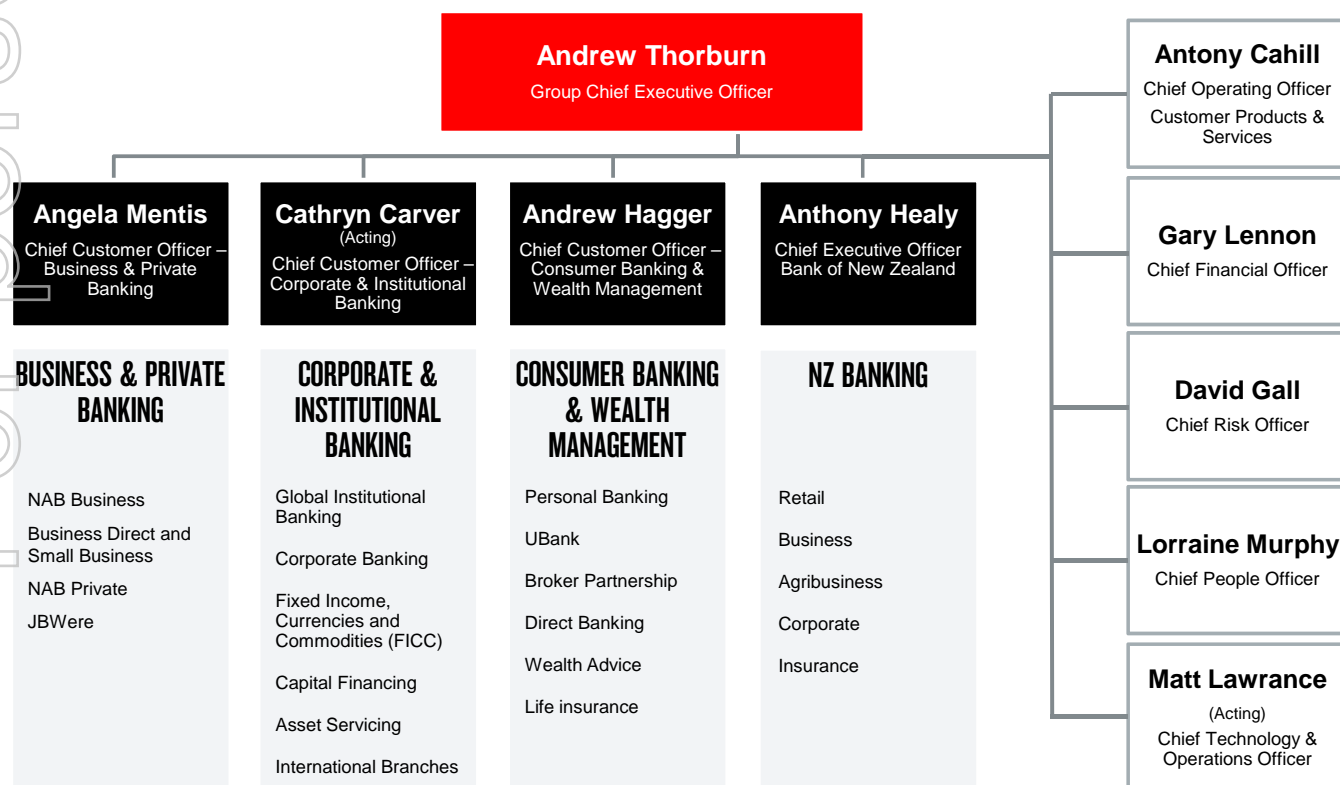


## ADDITIONAL INFORMATION

### GROUP

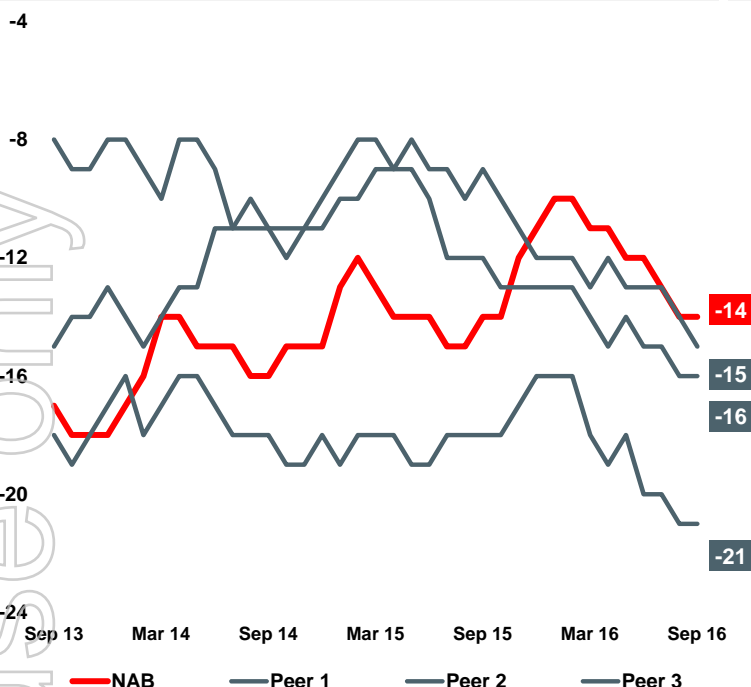
- Australian Banking
- NZ Banking
- NAB Wealth
- Group Asset Quality
- Capital and Funding
- Environmental, Social and Governance
- Economic Outlook
- Glossary

## NEW OPERATING AND REPORTING STRUCTURE



# CUSTOMER FOCUS

## FY16 PRIORITY SEGMENT NET PROMOTER SCORE<sup>1,2</sup>



## CONTINUING TO ADDRESS CUSTOMER PAIN POINTS

Over 100 pain point fixes delivered during FY15 and FY16, including:

- Business fundamentals package – multiple products under a single fee
  - 31,000 customers positively impacted
- Disputed transaction process
  - 480,000 customers positively impacted
- Support for overseas customers
  - 30,000 customers positively impacted
- Reduced Account Signatory requirements
  - 750,000 customers positively impacted

(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 five priority segments: Mortgage Customers, Debt Free, Micro Business (<\$1m), Small Business (\$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



# 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 2016 Full Year Results Announcement. Section 5 of the 2016 Full Year Result Announcement sets out the Consolidated Income Statement of the Group. 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, will be released on 13 November in NAB's 2016 Financial Report

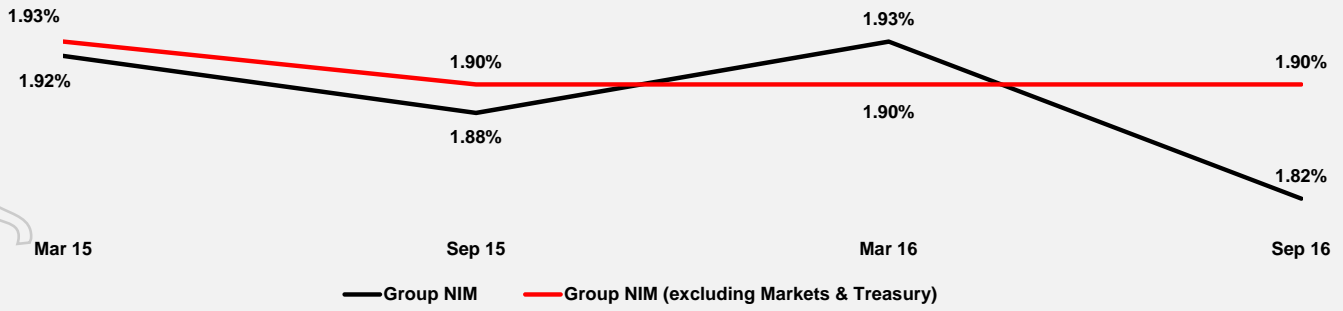
	FY16 (\$m)	FY16 v FY15	2H16 (\$m)	2H16 vs 1H16
<b>Cash earnings</b>	6,483	4.2%	3,263	1.3%
Non-cash earnings items (after tax)				
Distributions	124	(29.1%)	60	(6.3%)
Treasury Shares	61	large	(1)	large
Fair value and hedge ineffectiveness	(126)	large	(66)	(10.0%)
Life insurance 20% share of profit	(39)	(5.4%)	(17)	22.7%
Amortisation of acquired intangible assets	(83)	(3.8%)	(43)	(7.5%)
Net profit from continuing operations	6,420	(5.6%)	3,196	(0.9%)
Net (loss) after tax from discontinued operations	(6,068)	large	(1,102)	77.8%
<b>Statutory net profit attributable to owners of NAB</b>	352	(94.4%)	2,094	large



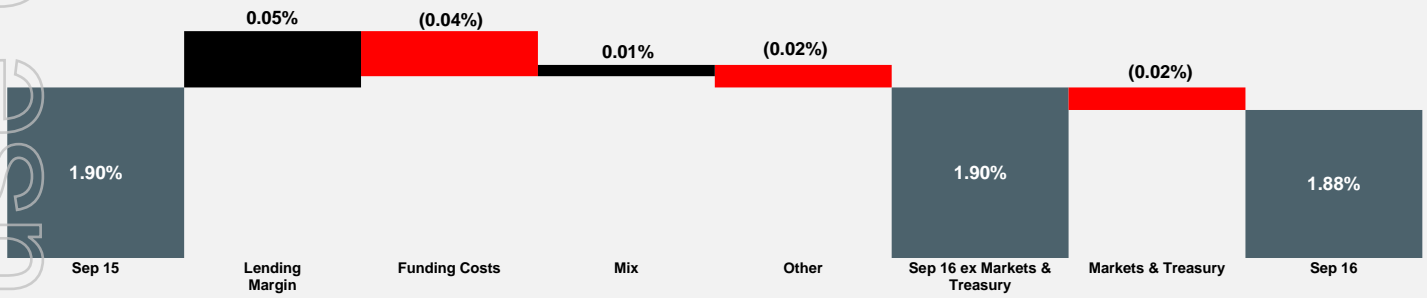


# GROUP NET INTEREST MARGIN

## GROUP NET INTEREST MARGIN AND EXCLUDING MARKETS & TREASURY IMPACT (HoH)



## GROUP NET INTEREST MARGIN SEPTEMBER 2016 v SEPTEMBER 2015



## ADDITIONAL INFORMATION

Group  
**AUSTRALIAN BANKING**

- NZ Banking
- NAB Wealth
- Group Asset Quality
- Capital and Funding
- Environmental, Social and Governance
- Economic Outlook
- Glossary

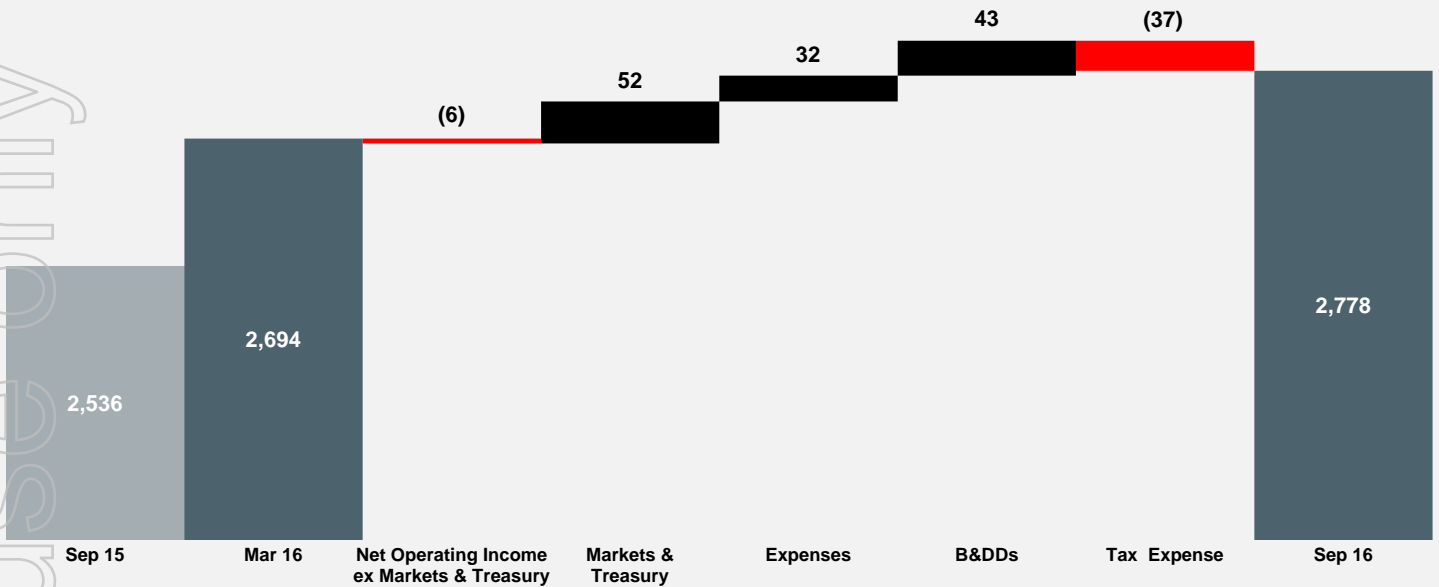
Personal use only



# AUSTRALIA BANKING

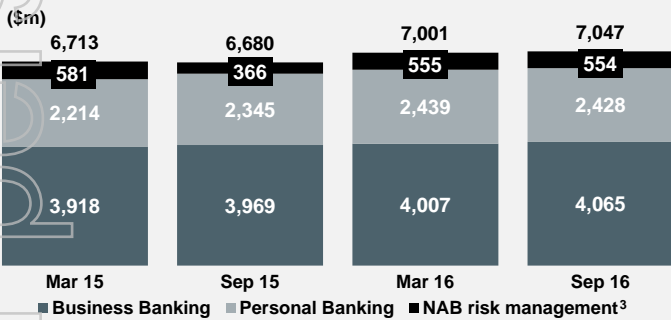
## CASH EARNINGS

(\$m)

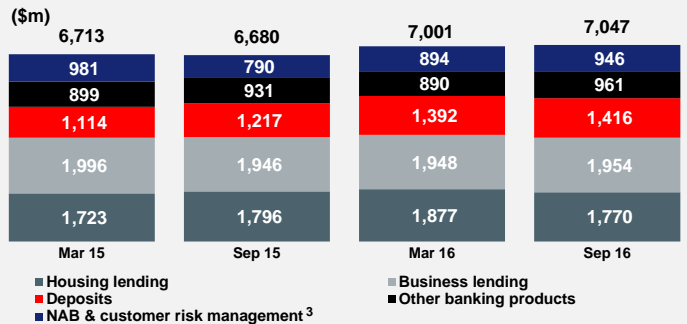


## AUSTRALIAN BANKING REVENUE

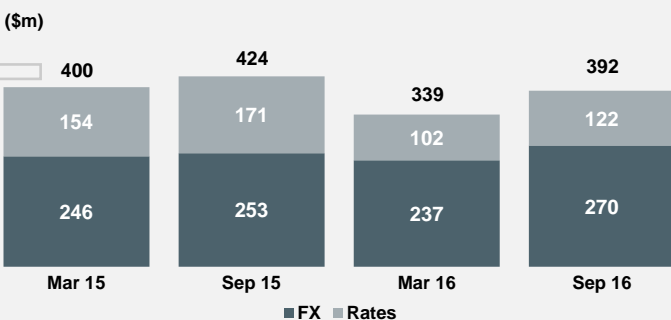
### TOTAL REVENUE BY KEY CUSTOMER SEGMENTS<sup>1,2</sup>



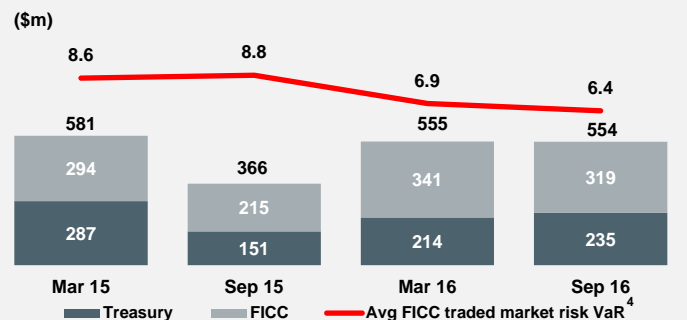
### TOTAL REVENUE BY PRODUCT



### CUSTOMER RISK MANAGEMENT REVENUE<sup>3</sup>



### NAB RISK MANAGEMENT REVENUE<sup>3</sup>



(1) Based on unaudited, management information

(2) Customer revenue numbers for Mar 15 and Sep 15 have been restated to reflect the transfer of customers between Business Banking and Personal Banking, consistent with where customers are domiciled in 2016

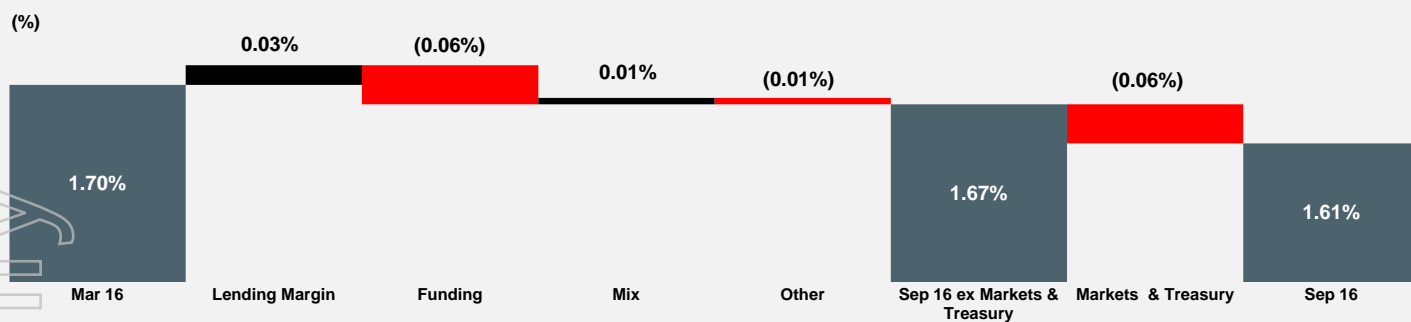
(3) Customer risk comprises OOI. NAB risk management comprises NII and OOI and is defined as management of interest rate risk in the banking book, wholesale funding and liquidity requirements and trading market risk to support the Group's franchises. Includes FX

(4) Average FICC traded market risk VaR for 2016 excludes the impact of hedging activities related to derivative valuation adjustments. Prior periods have not been adjusted as the hedging impact in these periods was immaterial to reported VaR

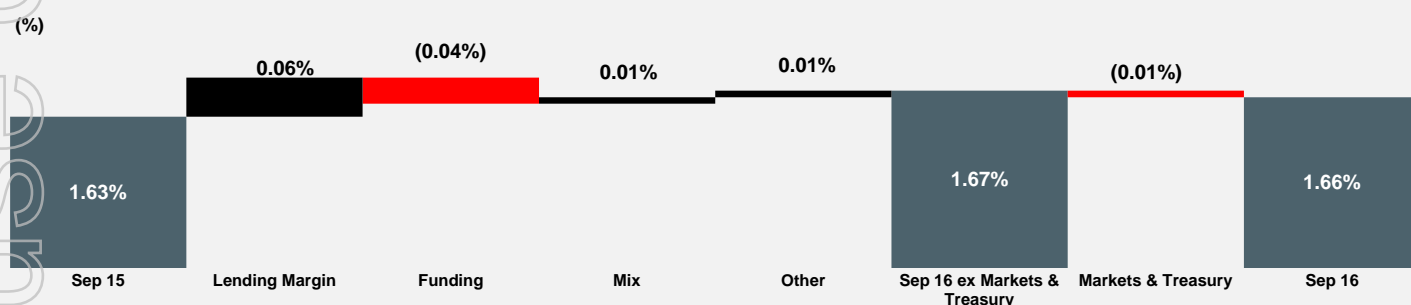


# AUSTRALIAN BANKING NET INTEREST MARGIN

## SEPTEMBER 2016 v MARCH 2016

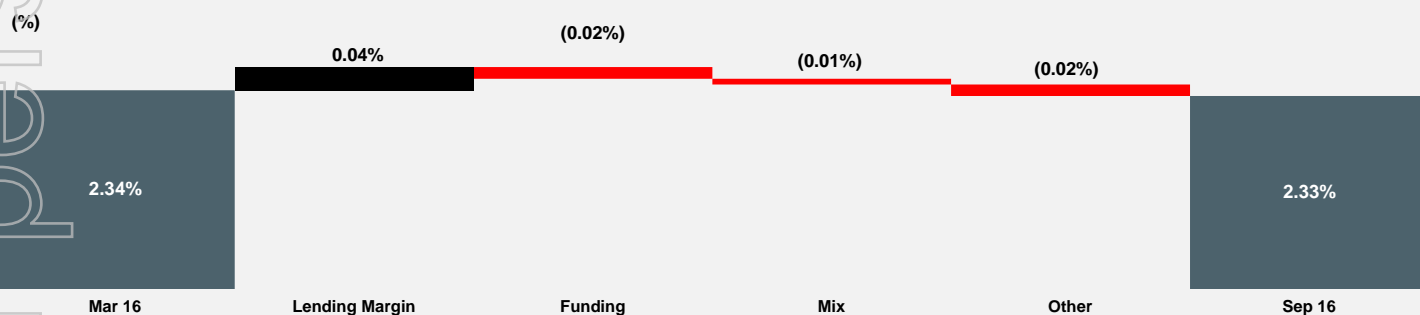


## SEPTEMBER 2016 v SEPTEMBER 2015

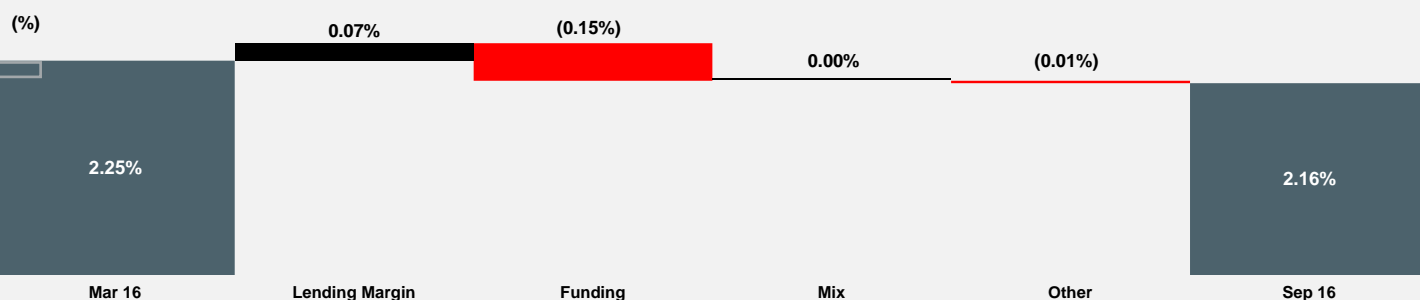


# BUSINESS AND PERSONAL BANKING NET INTEREST MARGIN

## BUSINESS BANKING NET INTEREST MARGIN<sup>1</sup> SEPTEMBER 2016 v MARCH 2016



## PERSONAL BANKING NET INTEREST MARGIN<sup>2,3</sup> SEPTEMBER 2016 v MARCH 2016

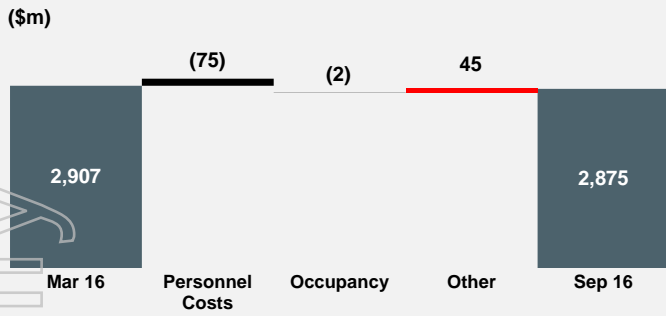


(1) Business Banking NIM includes the impact of cost of funds methodology changes between Housing Lending and Deposits products, resulting in a 1bp benefit in the Sep 16 half (nil impact for Australian Banking)  
 (2) Based on unaudited management information  
 (3) Personal Banking NIM includes the impact of cost of funds methodology changes between Housing Lending and Deposits products, resulting in a (2bps) NIM decline in the Sep 16 half year (nil impact for Australian Banking)

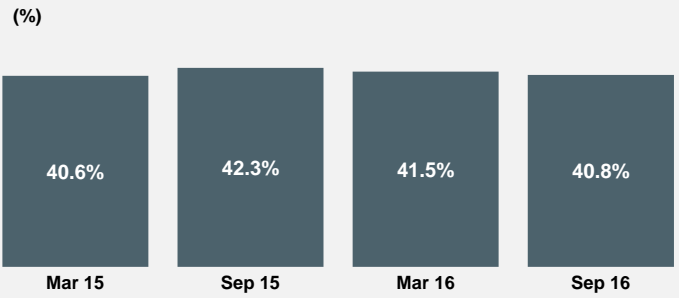


# AUSTRALIAN BANKING EXPENSES

## OPERATING EXPENSES

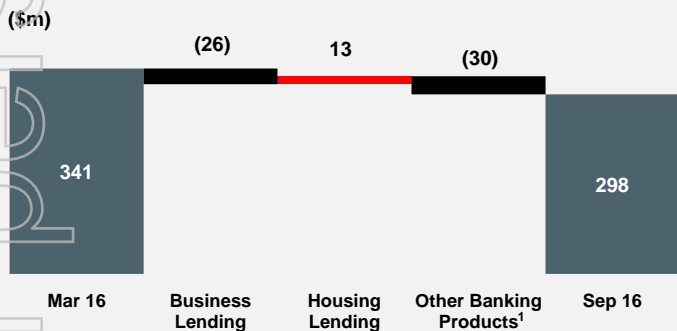


## COST TO INCOME RATIO

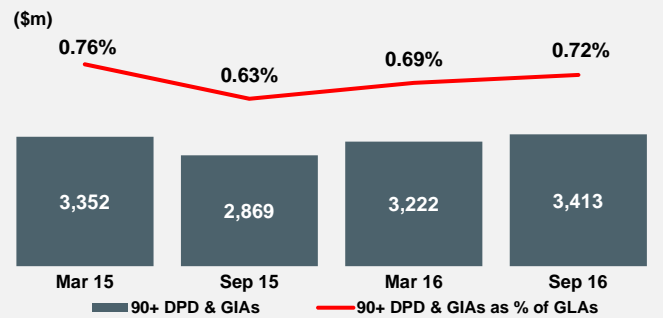


# AUSTRALIAN BANKING ASSET QUALITY

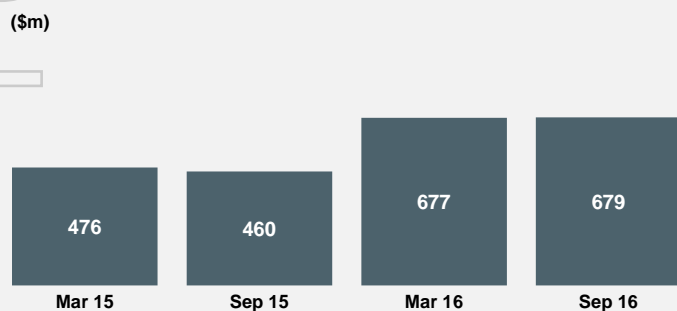
## B&DD CHARGE



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



## AUSTRALIAN BANKING NEW IMPAIRED ASSETS



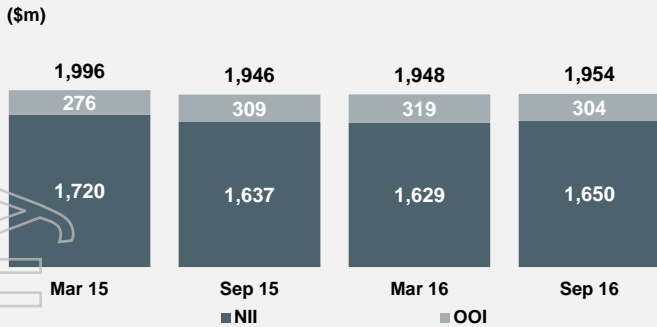
(1) Includes personal lending, credit cards, investment securities and margin lending



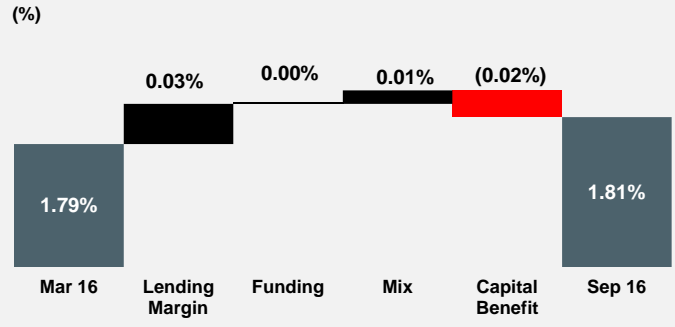


# AUSTRALIAN BANKING: BUSINESS LENDING

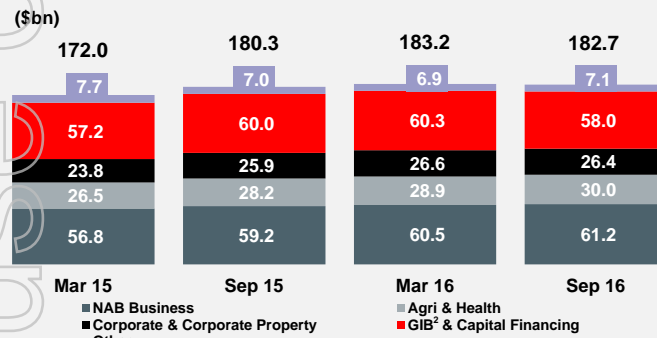
## BUSINESS LENDING REVENUE



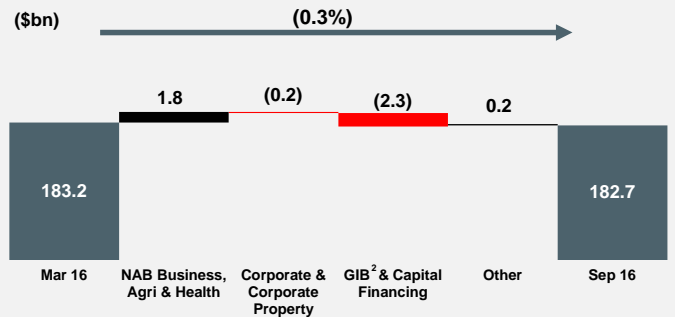
## BUSINESS LENDING NET INTEREST MARGIN



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



## BUSINESS LENDING FLOW MOVEMENTS

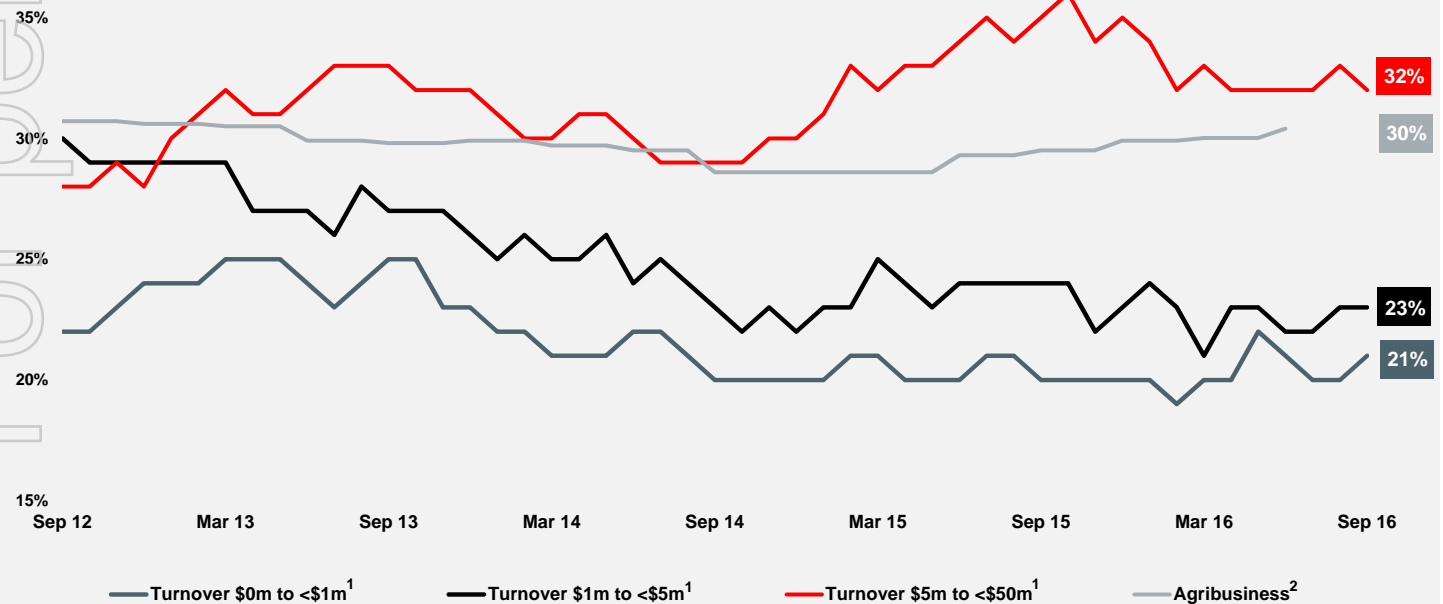


(1) Spot GLA volumes. Segment lending volumes are based on unaudited, management information data, and prior periods have been restated to reflect the transfer of customers, consistent with where customers are domiciled in 2016  
 (2) Global Institutional Banking



# AUSTRALIAN BANKING: BUSINESS PRIORITY SEGMENTS MARKET SHARE

## MARKET SHARE TRENDS BY PRIORITY SEGMENTS

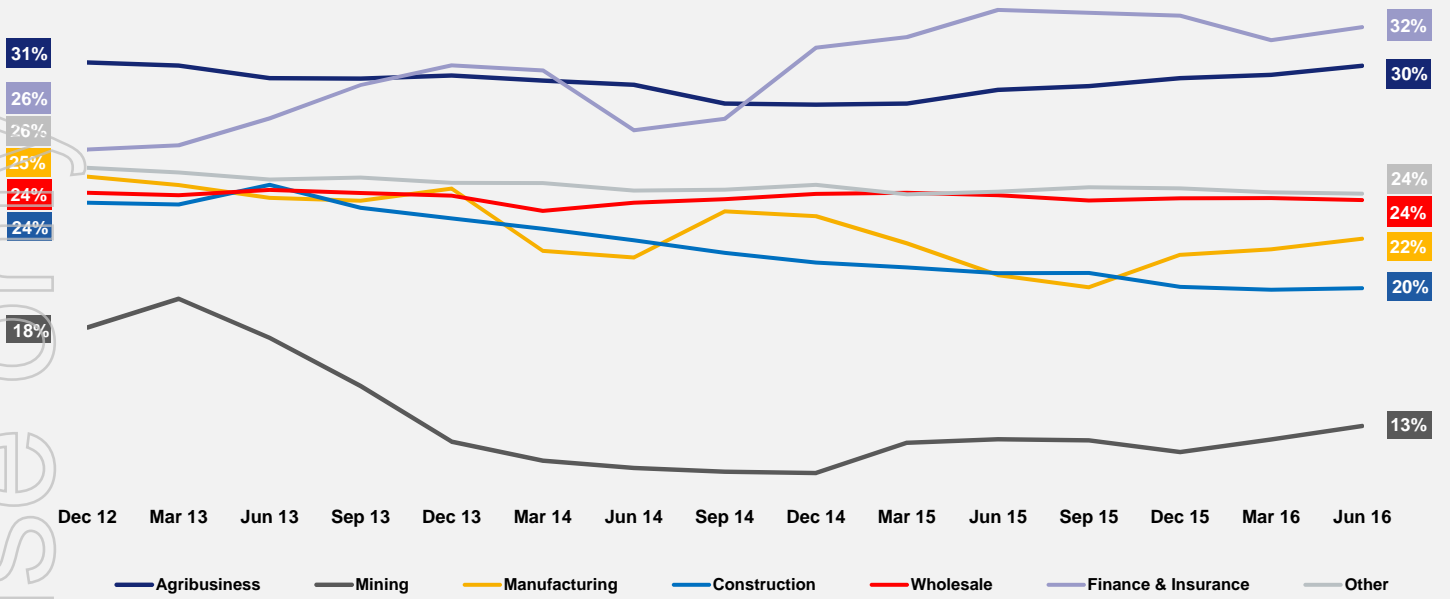


(1) September 2016. DBM Business Financial Services Monitor. APRA Aligned Lending Market Share. Australian businesses with an aligned product, excluding Finance & Insurance and Government. APRA Aligned Lending market share is based on the total lending dollars held at the financial institution, divided 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. Micro Business (<\$1m), Small Business (\$1m-<\$5m) and Medium Business (\$5m-<\$50m). #1 Ranking based on simple scores, not statistically significant differences  
 (2) June 2016. NAB APRA submission / RBA System



# AUSTRALIAN BANKING: BUSINESS LENDING MARKET SHARE

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

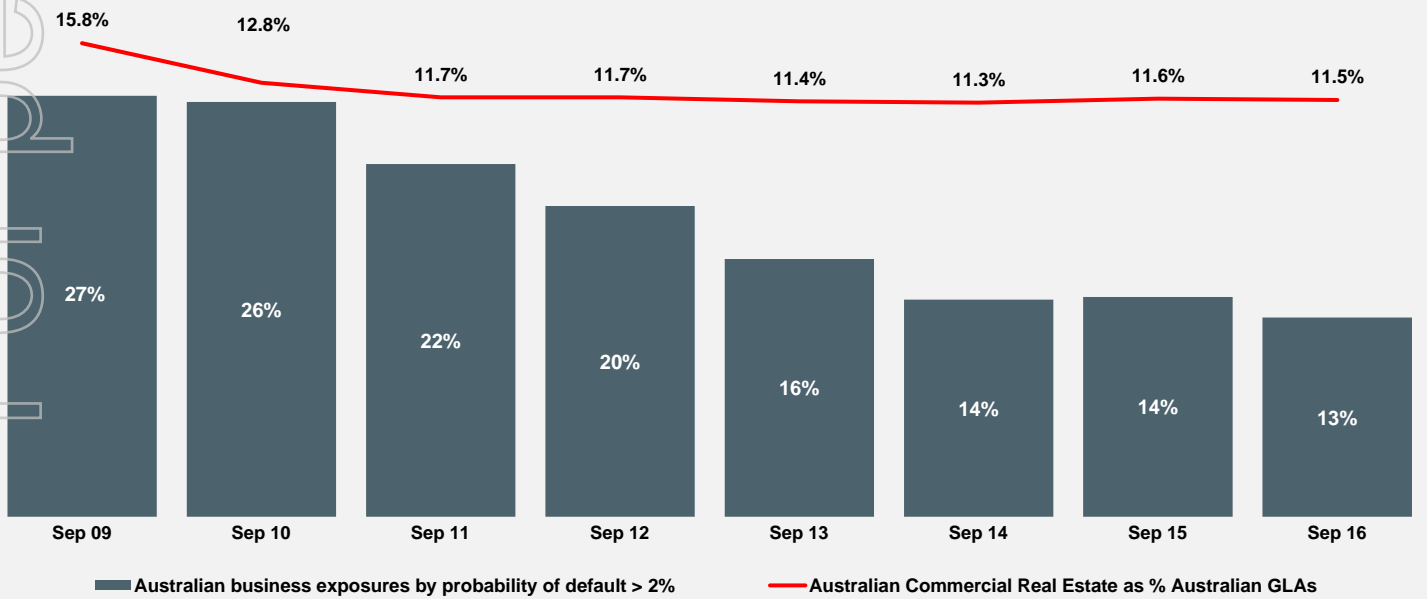


(1) June 2016. NAB APRA submission / RBA system



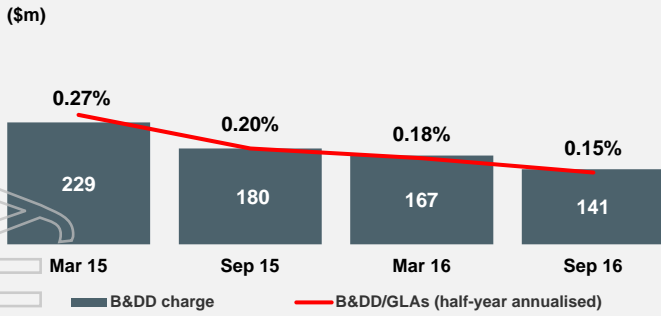
# AUSTRALIAN BANKING: BUSINESS LENDING ASSET QUALITY

## AUSTRALIAN BUSINESS LENDING RISK PROFILE

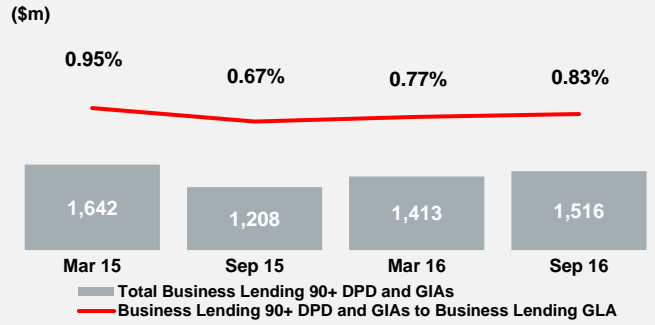


# AUSTRALIAN BANKING: BUSINESS LENDING – ASSET QUALITY

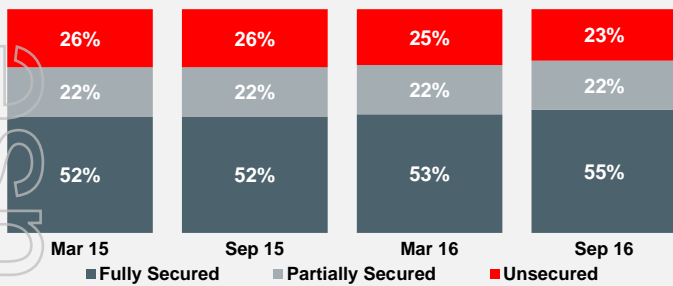
## B&DD CHARGE AND AS % OF GLAs



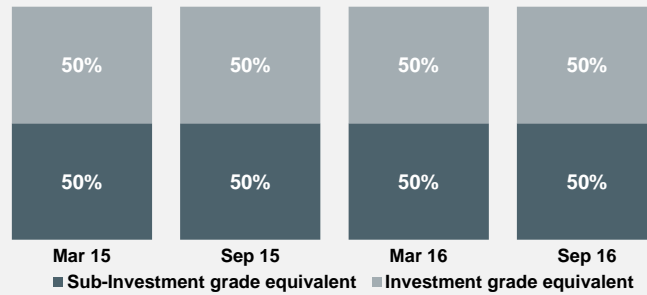
## 90+ DPD AND GIAs AND AS % OF TOTAL BUSINESS GLAs



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



## PORTFOLIO QUALITY<sup>2,3</sup>

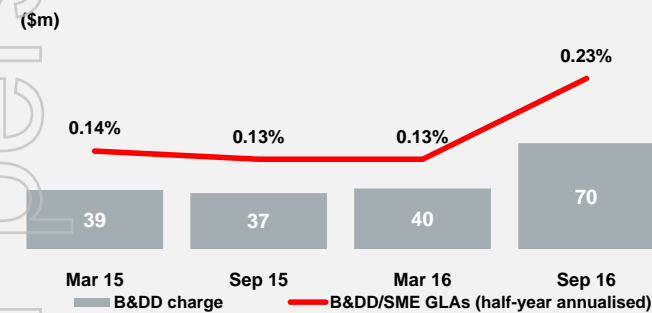


- (1) Represents assets within the Australian geography and offshore branches  
 (2) Portfolio quality on a probability of default basis  
 (3) Includes Asia

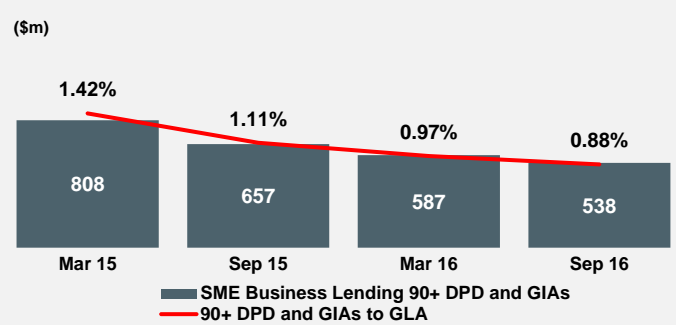


# AUSTRALIAN BANKING: BUSINESS LENDING – SME<sup>1</sup> ASSET QUALITY

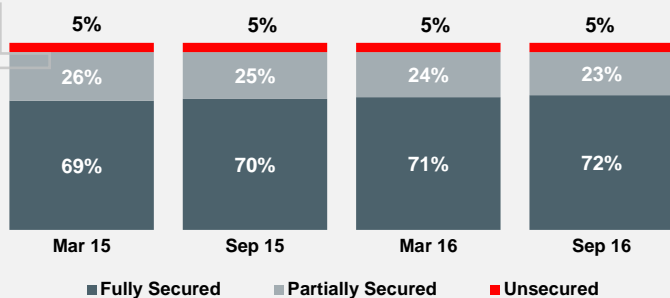
## SME B&DD CHARGE AND AS % OF SME GLAs



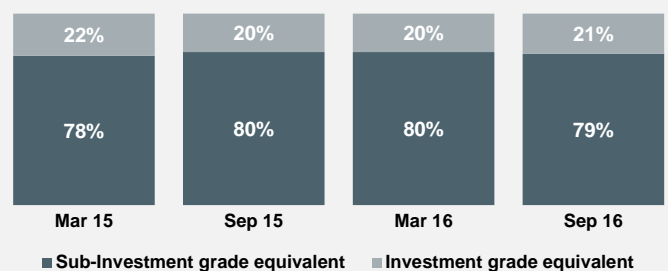
## SME 90+ DPD AND GIAs AND AS % OF SME GLAs<sup>2</sup>



## WELL SECURED – BUSINESS PRODUCTS



## PORTFOLIO QUALITY



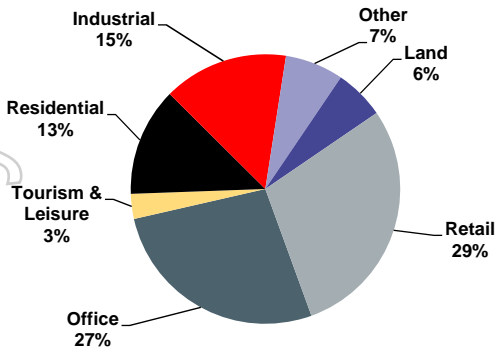
- (1) SME business data reflects the NAB Business segment of Business Lending which supports business customers with lending typically up to \$25m, excluding the Specialised Businesses. Based on unaudited, management information data. Represents assets within the Australian geography  
 (2) Prior periods have been restated to reflect the transfer of customers between Business Banking and Personal Banking, consistent with where customers are domiciled in 2016



# AUSTRALIAN BANKING: BUSINESS LENDING – COMMERCIAL REAL ESTATE

Total \$53.0bn<sup>1</sup>

11.5% of Gross Loans & Acceptances<sup>2</sup>



State	NSW	VIC	QLD	WA	Other	Total
Location	37%	28%	17%	9%	9%	100%
Loan Balance < \$5m	29%	41%	36%	34%	35%	35%
≥ \$5m < \$10m	11%	13%	14%	11%	14%	12%
≥ \$10m	60%	46%	50%	55%	51%	53%
Loan tenor < 3 yrs	75%	79%	79%	78%	83%	78%
Loan tenor ≥ 3 < 5 yrs	21%	17%	17%	18%	13%	18%
Loan tenor ≥ 5 yrs	4%	4%	4%	4%	4%	4%
Average loan size \$m	3.3	2.4	2.6	2.9	2.8	2.8
Security Level <sup>3</sup> – Fully Secured	72%	86%	86%	91%	87%	81%
Partially Secured	11%	10%	11%	6%	12%	11%
Unsecured	17%	4%	3%	3%	1%	8%
90+ days past due ratio	0.02%	0.02%	0.04%	0.06%	0.25%	0.05%
Impaired loans ratio	0.13%	0.11%	0.92%	0.04%	0.08%	0.25%
Specific provision coverage ratio	11.6%	24.4%	33.1%	0.0%	0.5%	26.5%
Construction/development	17%	16%	11%	18%	14%	15%
Investment	83%	84%	89%	82%	86%	85%

Portfolio breakdown	Retail	Office	Residential	Other <sup>4</sup>
Construction/development	2%	2%	63%	19%
Investment	98%	98%	37%	81%

Trend	Mar 15	Sep 15	Mar 16	Sep 16
90+ days past due ratio	0.12%	0.13%	0.07%	0.05%
Impaired loans ratio	0.47%	0.35%	0.29%	0.25%
Specific provision coverage ratio	19.7%	16.1%	20.8%	26.5%

(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

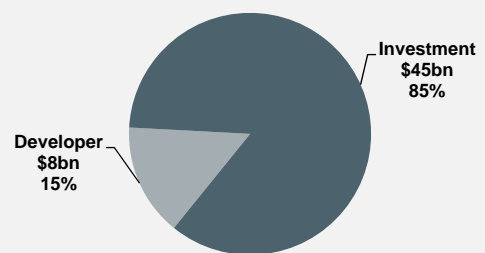


## AUSTRALIAN BANKING: DEVELOPER EXPOSURES

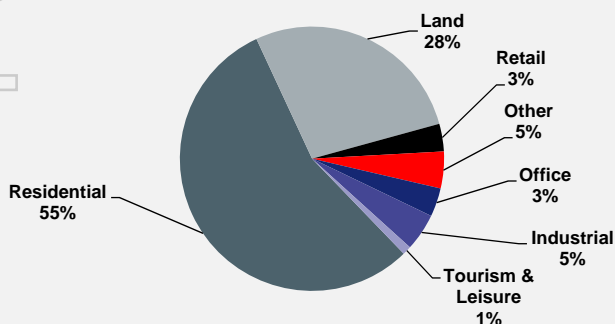
### LIMITED CRE LENDING TO DEVELOPERS

- \$53.0bn total Australian CRE exposure, of which
  - 85% is Investment; and
  - 15% is Developer
- Residential development lending exposure \$4.4bn and \$2.2bn for land. Exposure to higher risk inner city postcodes ~20% of total residential developer portfolio
- Exposure concentrated in NSW/ACT (43%) and VIC/TAS (30%)

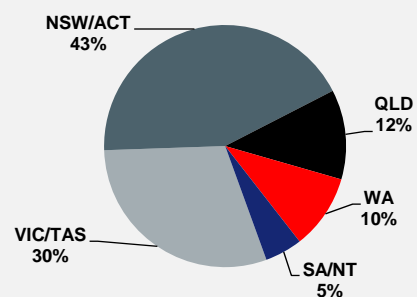
### COMMERCIAL PROPERTY – DEVELOPER v INVESTMENT



### DEVELOPER – COMMERCIAL PROPERTY BY TYPE



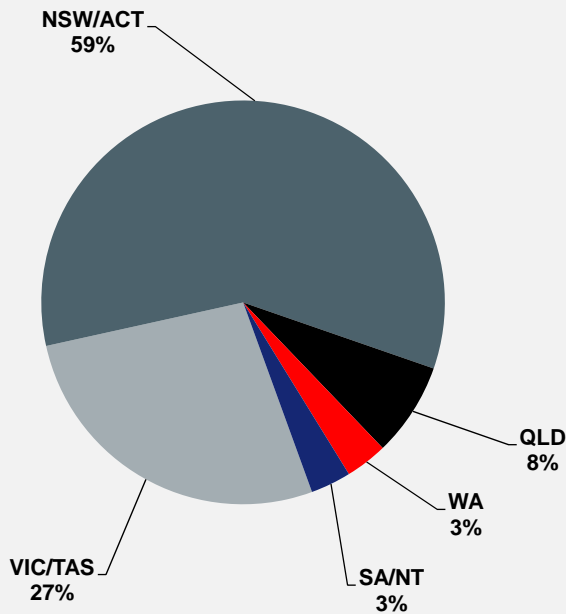
### DEVELOPER – COMMERCIAL PROPERTY BY STATE



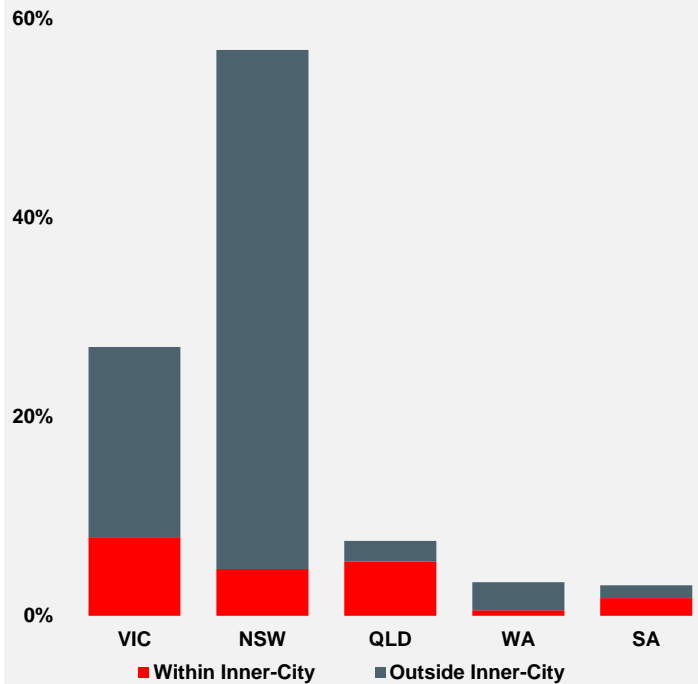


# AUSTRALIAN BANKING: RESIDENTIAL DEVELOPER EXPOSURES

## RESIDENTIAL DEVELOPER EXPOSURES – BY GEOGRAPHY



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

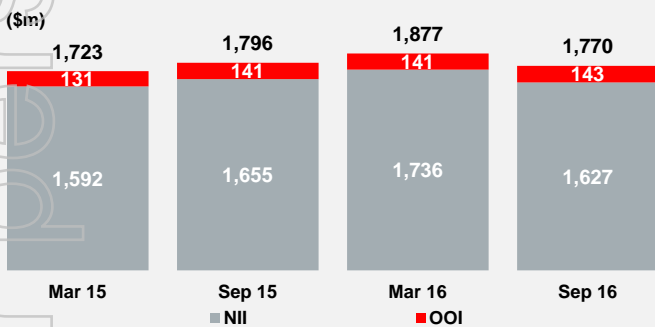


(1) 'Inner-City' includes CBD and adjoining postcodes. There is exposure to one development in each of the inner-cities of Darwin and Hobart. Includes transactions that are well advanced but not yet drawn-down

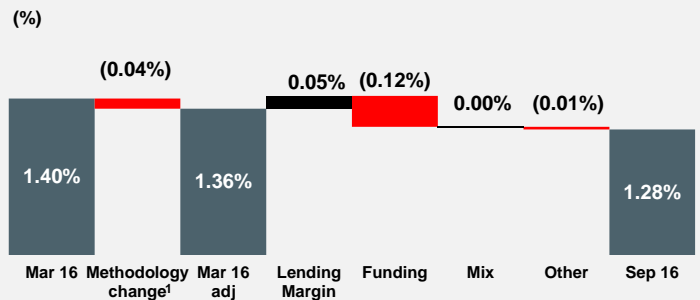


# AUSTRALIAN BANKING: HOUSING LENDING

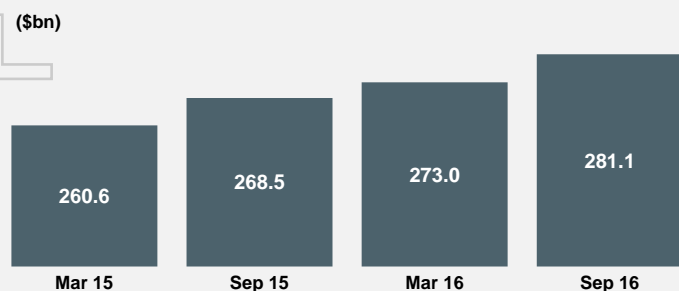
## HOUSING LENDING REVENUE



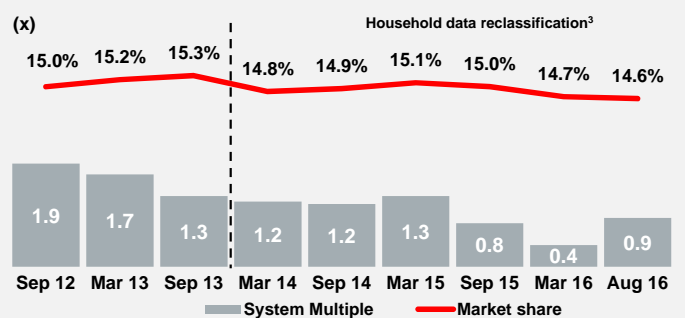
## HOUSING LENDING NET INTEREST MARGIN



## HOUSING LENDING GLAs



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



(1) Sep 16 Housing Lending net interest margin impacted by methodology change to the cost of funds, which is offset in Deposits and has nil impact at Australian Banking level

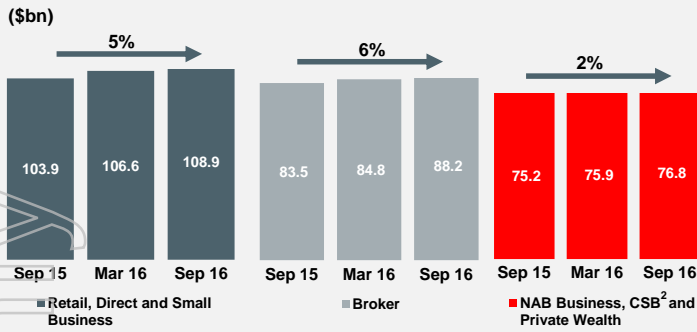
(2) Half year to date RBA Financial System

(3) Re-statement of APRA household data, including reclassification from housing to non-housing from July 13 to current. Sep 13 was not restated due to unavailability of Mar 13 data to calculate growth multiple for Sep 13 half year.

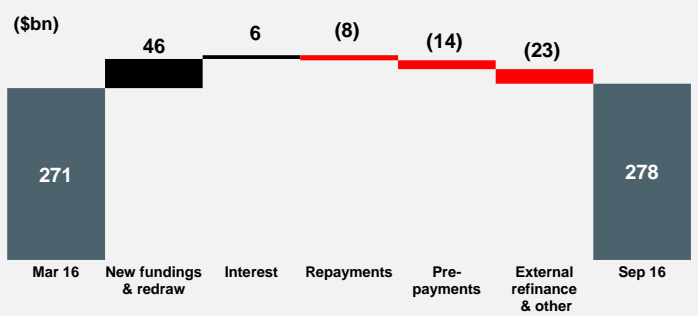


# AUSTRALIAN BANKING: HOUSING LENDING

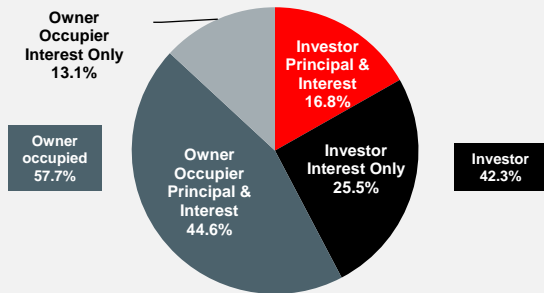
## HOUSING LENDING BY CHANNEL<sup>1</sup>



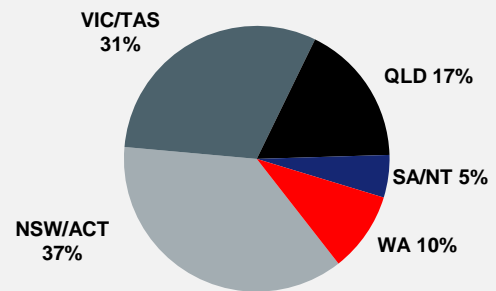
## HOUSING LENDING FLOW MOVEMENTS<sup>3</sup>



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



## AUSTRALIAN MORTGAGES BY GEOGRAPHY



- (1) Spot volumes. Excludes UBank, Asia and Non Performing Loans. Prior periods have been restated to reflect customer transfers
- (2) Corporate and Specialised Banking, history has been restated to include Medfin Home Loans
- (3) Excludes Asia
- (4) Based on APRA ARF 320.0 reporting definitions. Interest Only includes Line of Credit



# AUSTRALIAN BANKING: HOUSING LENDING AREAS OF INTEREST

## HOUSING LENDING PRACTICES AND CUSTOMER PROFILE

### Key practices

- Broker applications assessed centrally – verification, credit decisioning
- Floor interest rate 7.4% 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

- Customers an average of 15.0 monthly payments in advance
- 62.3% customers ≥1 month in advance<sup>1</sup>

## 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>2</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

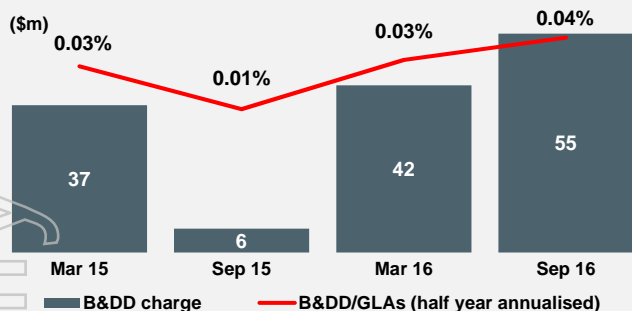
- NAB property survey suggests foreign buyer demand declined slightly in 2H16, but remains elevated at 10% of national new property sales and 7% established properties
- Lending to non-residents <3% of total housing book
- Maximum LVR 60%. 40% shading applies to foreign income

- (1) Not reported for Advantagedge. Excludes line of credit, interest only loans and the impact of offset accounts
- (2) Includes eight postcodes in mining areas in WA and QLD

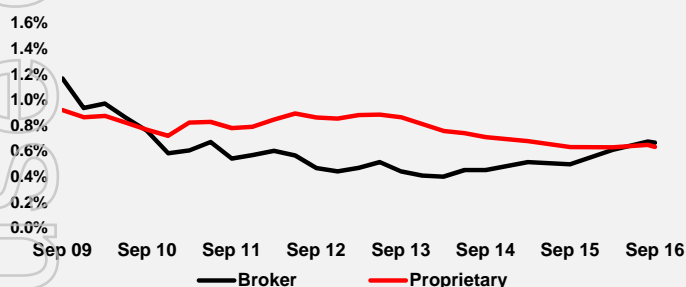


# AUSTRALIAN BANKING: HOUSING LENDING – ASSET QUALITY

## B&DD CHARGE AND AS % OF GLAs

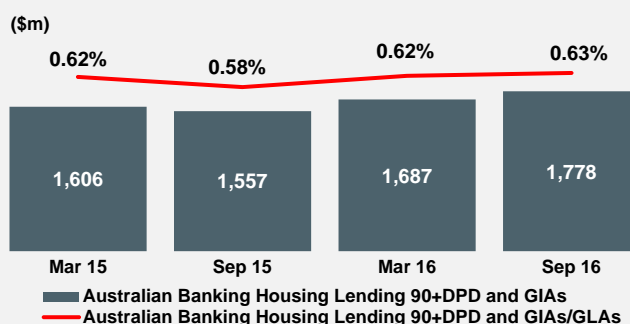


## 90+ DPD AND GIAs AS % OF TOTAL HOUSING LENDING GLAs – BY CHANNEL<sup>1</sup>

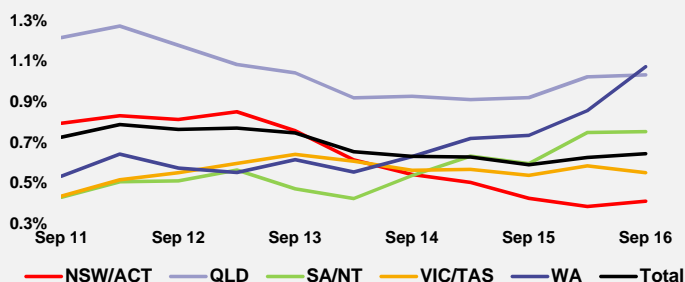


(1) Excludes Asia

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



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



# AUSTRALIAN BANKING: HOUSING LENDING – STRESS TESTING

## HOUSING LENDING STRESS TESTING AT NAB

- NAB 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 31% 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 B&DD charge under these stressed conditions is \$1.8bn cumulatively during the four years of the scenario of which \$296m are losses on the segment of the portfolio otherwise covered by Lenders Mortgage Insurance (LMI)
- All LMI coverage is with external insurers
- The results are comparable to the same stress test six months ago

## STRESSED SCENARIO – MAIN ECONOMIC PARAMETERS<sup>1</sup>

	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)
Cash rate (%)	2.3	1.0	0.6	0.3

## STRESSED LOSS OUTCOMES<sup>2,3</sup>

	Year 1	Year 2	Year 3	Year 4
Portfolio size (exposure at default, \$bn)	350	352	355	362
Net B&DD (\$m) <sup>4</sup>	68	625	595	491
Gross B&DD (\$m)	89	724	711	589
Net B&DD rate (%) <sup>5</sup>	0.02	0.18	0.17	0.14

(1) In order to provide comparison with previous half, macroeconomic parameters were kept consistent with 1H16 Results Announcement

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

(3) Based on portfolio as at 31 March 2016

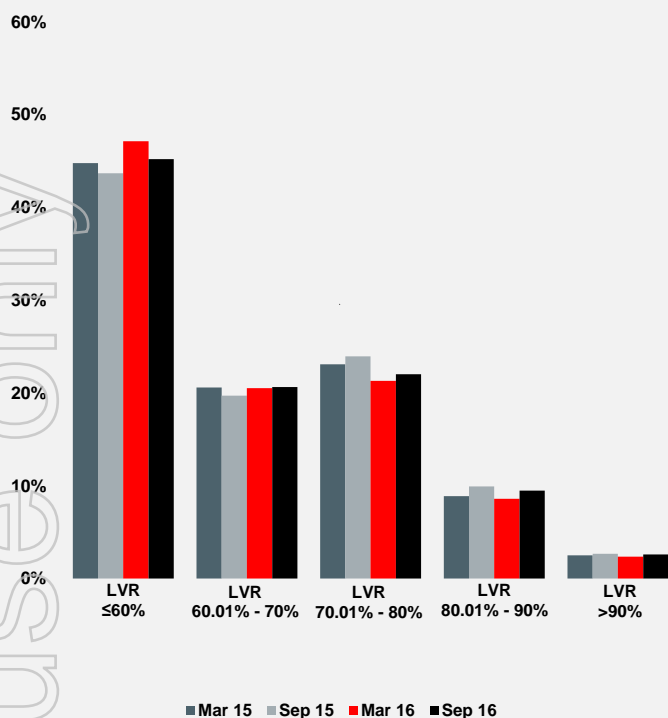
(4) Net of LMI recoveries (as opposed to Gross B&DD which includes LMI recoveries). Assumes that in a stressed scenario 47% of LMI claims will be rejected

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

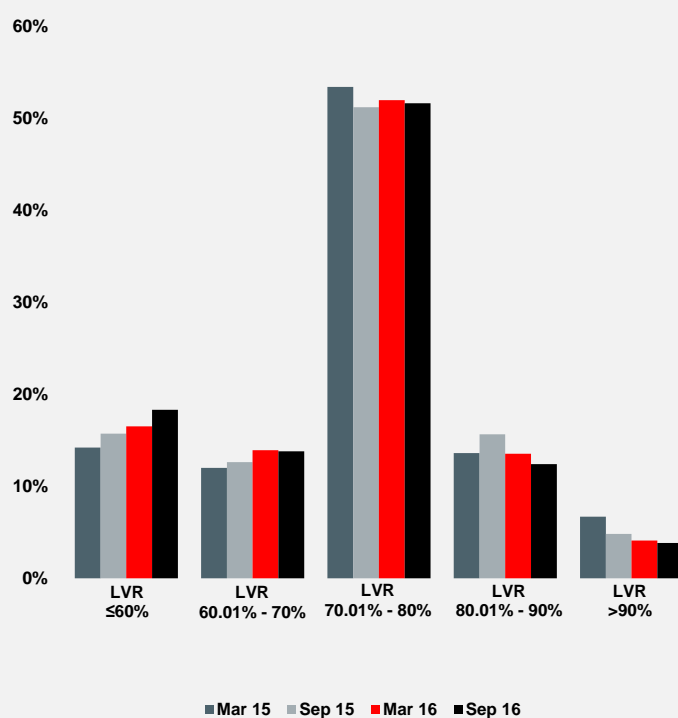


# AUSTRALIAN BANKING: HOUSING LENDING – LVR PROFILE

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



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



(1) Excludes Asia

56



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

Australian housing lending	Mar 15	Sep 15	Mar 16	Sep 16
Balances attributed to:				
- Variable rate	73.4%	75.7%	76.7%	77.5%
- Fixed rate	14.8%	13.3%	13.2%	13.2%
- Line of credit	11.8%	11.0%	10.1%	9.3%
Drawdowns attributed to:				
- Variable rate	81.0%	84.9%	84.3%	81.0%
- Fixed rate	16.7%	12.5%	13.9%	17.0%
- Line of credit	2.3%	2.6%	1.8%	2.0%
Interest only drawn balance <sup>2</sup>	35.3%	34.5%	32.5%	31.9%
Offset account balance (\$bn)	20.1	22.4	23.4	24.7
Balances attributed to:				
- Proprietary	69.1%	68.6%	68.7%	68.3%
- Broker	30.9%	31.4%	31.3%	31.7%
Drawdowns attributed to:				
- Proprietary	66.3%	67.4%	69.0%	65.6%
- Broker	33.7%	32.6%	31.0%	34.4%
Balances attributed to:				
- Owner Occupied <sup>3</sup>	57.6%	57.2%	57.6%	57.7%
- Investor <sup>3</sup>	42.4%	42.0%	42.9%	42.3%
Dynamic LVR on a drawn balance calculated basis	45.2%	45.8%	44.0%	45.1%
Customers in advance ≥1 month <sup>4</sup>	63.1%	62.9%	62.1%	62.3%
Avg # of monthly payments in advance	13.9	14.3	14.7	15.0
Average drawn balance (\$'000)	276	284	288	293
Low Documentation	1.4%	1.2%	1.1%	0.9%
Low Documentation LVR cap (without LMI)	60%	60%	60%	60%
90+ days past due <sup>5</sup>	0.48%	0.45%	0.51%	0.52%
Impaired loans <sup>5</sup>	0.14%	0.13%	0.11%	0.11%
Specific provision coverage ratio	26.3%	25.0%	24.5%	25.8%
Loss rate <sup>6</sup>	0.03%	0.02%	0.02%	0.03%

(1) Excludes Asia  
 (2) Excludes line of credit products  
 (3) Source: APRA Monthly Banking Statistics  
 (4) Not reported for Advantagedge. Excludes line of credit, interest only loans and the impact of offset accounts  
 (5) Includes Asia  
 (6) 12 month rolling Net Write-offs / Spot Drawn Balances



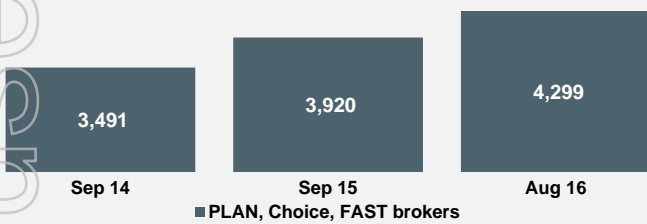


# AUSTRALIAN BANKING: HOUSING LENDING – BROKER

## BROKER CONSIDERATIONS

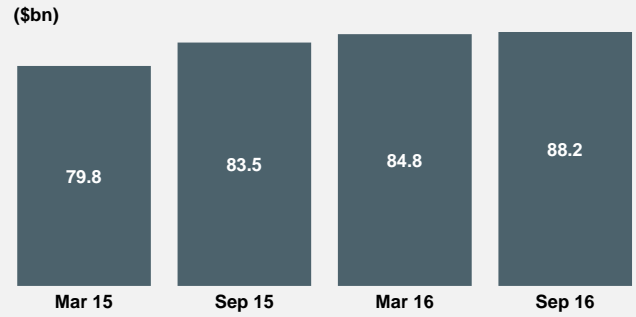
- Full NAB Product suite now available to brokers launched in September 2016
- Recruitment of an additional 379 brokers across NAB owned aggregators PLAN, Choice and FAST (10% increase)<sup>1</sup>

## NUMBER OF BROKERS UNDER OWNED AGGREGATORS

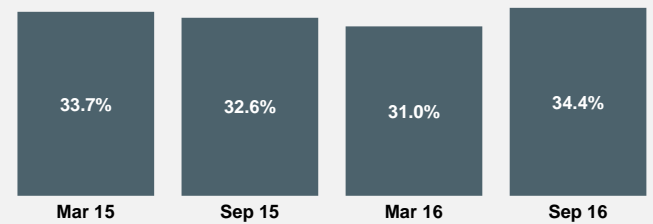


(1) For the 12 months ended 30 September 2016  
(2) Spot volumes

## HOUSING LENDING VOLUMES – BROKER<sup>2</sup>

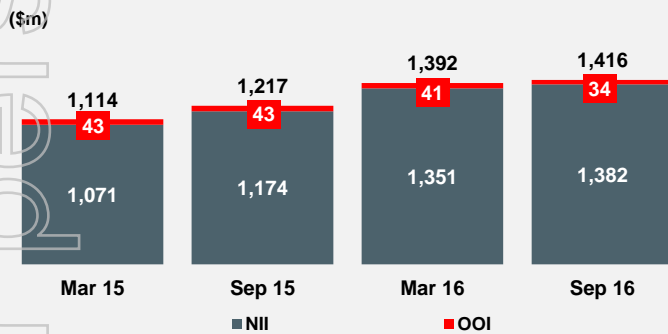


## DRAWDOWNS ATTRIBUTED TO BROKER

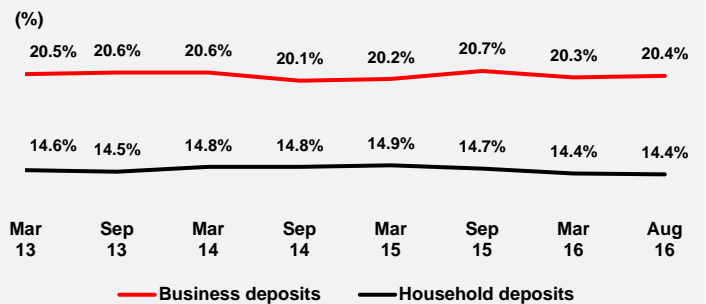


# AUSTRALIAN BANKING: DEPOSITS AND TRANSACTION ACCOUNTS

## DEPOSIT REVENUE



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



## CUSTOMER DEPOSIT BALANCES BY PRODUCT<sup>2</sup>

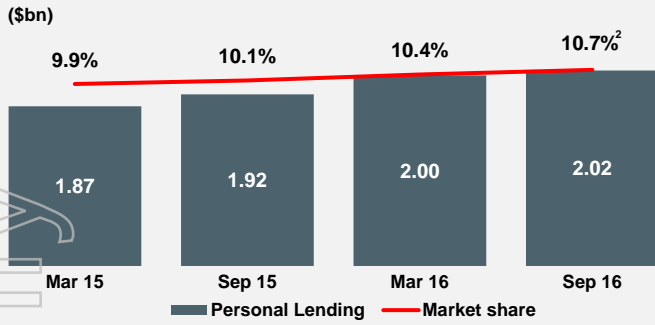


(1) APRA Banking System  
(2) Spot volumes. Transaction and savings deposits account total was previously disclosed as on demand deposits

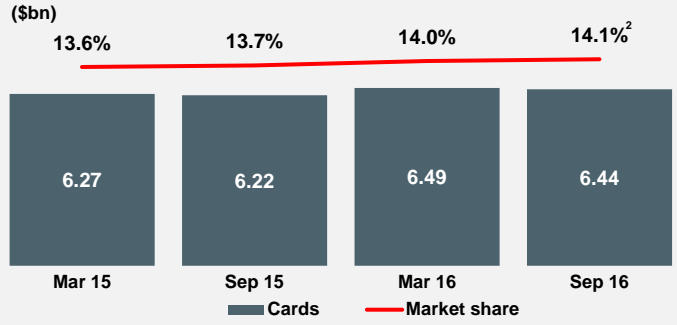


# AUSTRALIAN BANKING: OTHER BANKING PRODUCTS

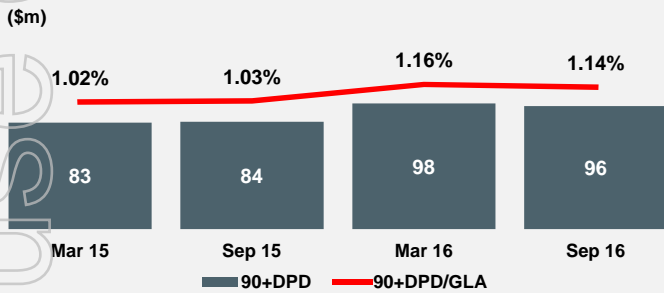
## PERSONAL LENDING BALANCE AND MARKET SHARE<sup>1</sup>



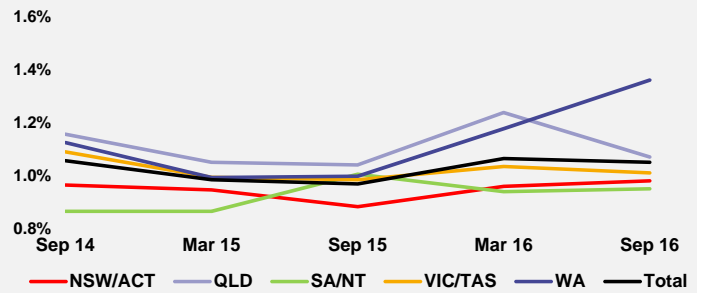
## CARDS BALANCE AND MARKET SHARE<sup>3</sup>



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



## CONSUMER CARDS 90+ DPD AS % OF OUTSTANDINGS

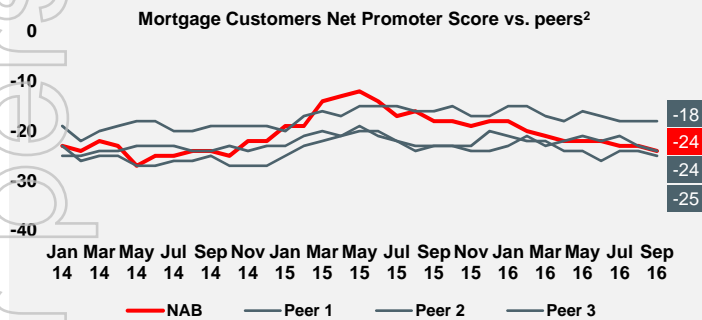


(1) Personal loans business tracker reports provided by RFI, represents share of RFI defined peer group data  
 (2) Market share based upon the latest available market data (August 2016)  
 (3) APRA Banking system

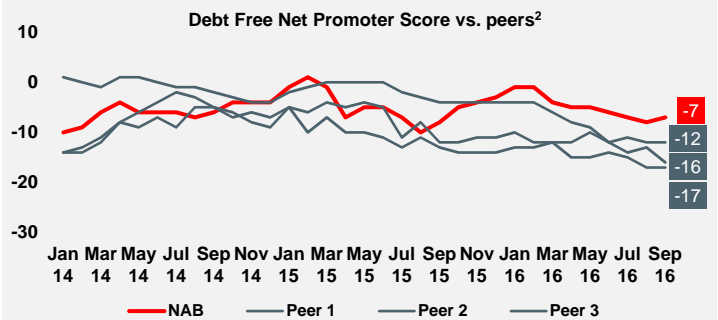


# AUSTRALIAN BANKING: CUSTOMER ENGAGEMENT – NET PROMOTER SCORE<sup>1</sup>

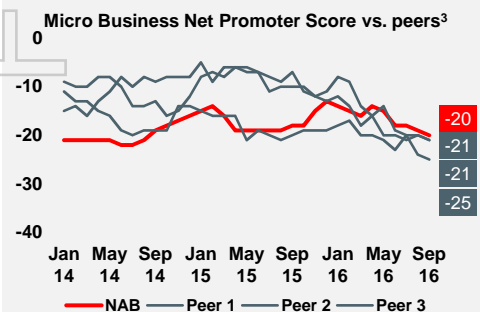
## MORTGAGE CUSTOMERS



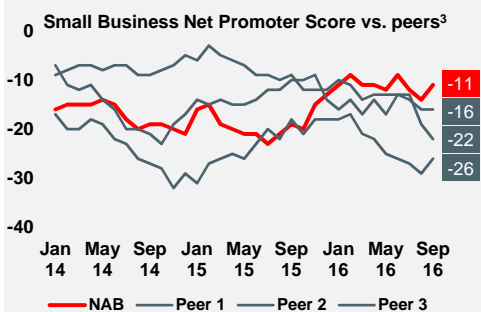
## DEBT FREE



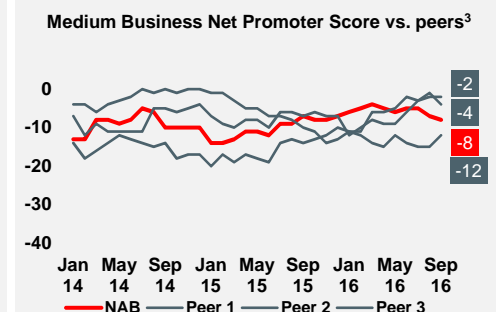
## MICRO BUSINESS



## SMALL BUSINESS



## MEDIUM BUSINESS



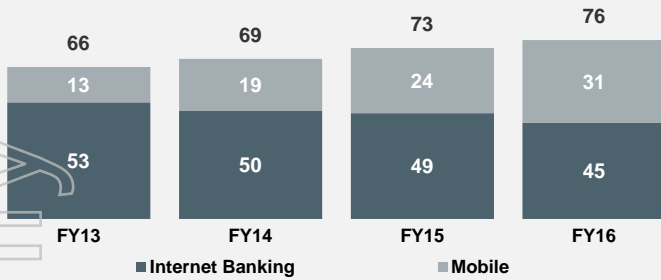
(1) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld  
 (2) Roy Morgan Research, NAB defined Mortgage Customers and Debt Free, Australian population aged 14+, six month rolling average  
 (3) DBM Business Financial Services Monitor; all customers' six month rolling averages for Micro Business (<\$1m), Small Business (\$1m-<\$5m) and Medium Business (\$5m-<\$50m)



# AUSTRALIAN BANKING: DIGITAL AND DIRECT

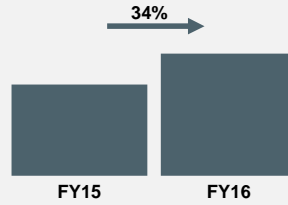
## CONTINUED MIGRATION TO DIGITAL AND MOBILE

% of value transactions via digital channels

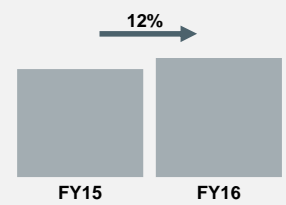


## INCREASED DIGITAL ENGAGEMENT

Mobile log-ons



Transactions via Digital



## UPLIFT IN ONLINE SALES

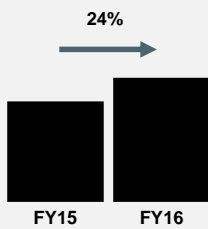
Mortgage redraw



Credit card opens

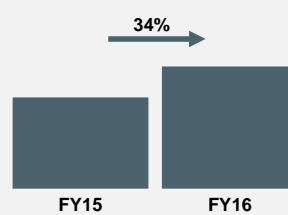


Personal loan opens

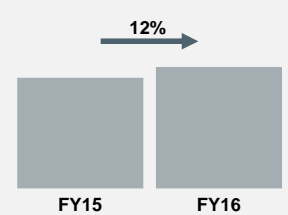


## DIRECT (CONTACT CENTRES)

Credit card opens



Personal loan opens



# AUSTRALIAN BANKING: DIGITAL – NAB PAY

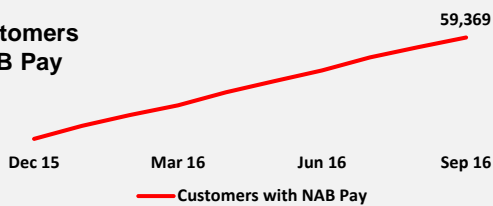
## NAB PAY LAUNCHED 2016 FOR ANDROID AND iOS



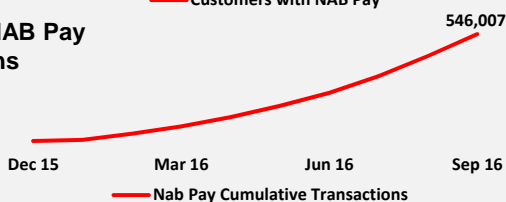
- NAB Pay launched in January 2016 to enable customers to make contactless purchases using an Android<sup>1</sup> phone
- NAB PayTag launched in September 2016 for Apple iOS customers

## STRENGTHENING CUSTOMER ENGAGEMENT

>59,000 customers enabled NAB Pay



>546,000 NAB Pay transactions



## NAB PAY BENEFITS AND PRODUCTIVITY



- Customers can apply, set up and use their **new cards on their mobile devices**



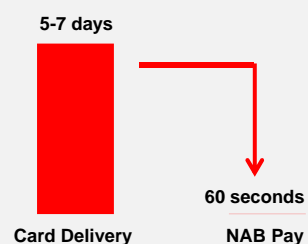
- In **less than 60 seconds**, customers can register and start using NAB Pay to make purchases



- **Instantly replace lost or stolen cards** without needing to wait for new cards to be delivered



- Reduced fraud – around **three times fewer fraudulent** transactions compared to physical credit card and debit cards



(1) With built-in NFC and running Android 4.4 or higher



# DIGITAL INITIATIVES

## NAB PROSPER

Customer relationship platform providing personalised advice, empowering customers to make informed financial decisions

### Features:

- Advice tailored to the customer
- Multi-channel support
- Convenient access to financial advice at all times
- Financial education

### Delivered to date:

- Two personalised advice modules – Retirement and Insurance
- Now live to ~250,000 NAB customers



## PROQUO

Online platform connecting Australian micro and small businesses to swap and trade services

- Joint initiative between NAB and Telstra
- Includes secure payment processing
- Platform live since July. Over 1,100 small business registered as users
- Proquo is open to any Australian business, not just NAB and Telstra customers



## XERO COLLABORATION

Enables mutual customers of NAB and Xero to set up NAB bank feeds and make lending enquiries directly from within Xero accounting

- Business customers can contact bank directly while working on their financials
- Customers can send their latest financials with a click of the button – avoiding the need to manually collate and send
- 65% increase in the number of bank feeds set up each month as a result of collaboration

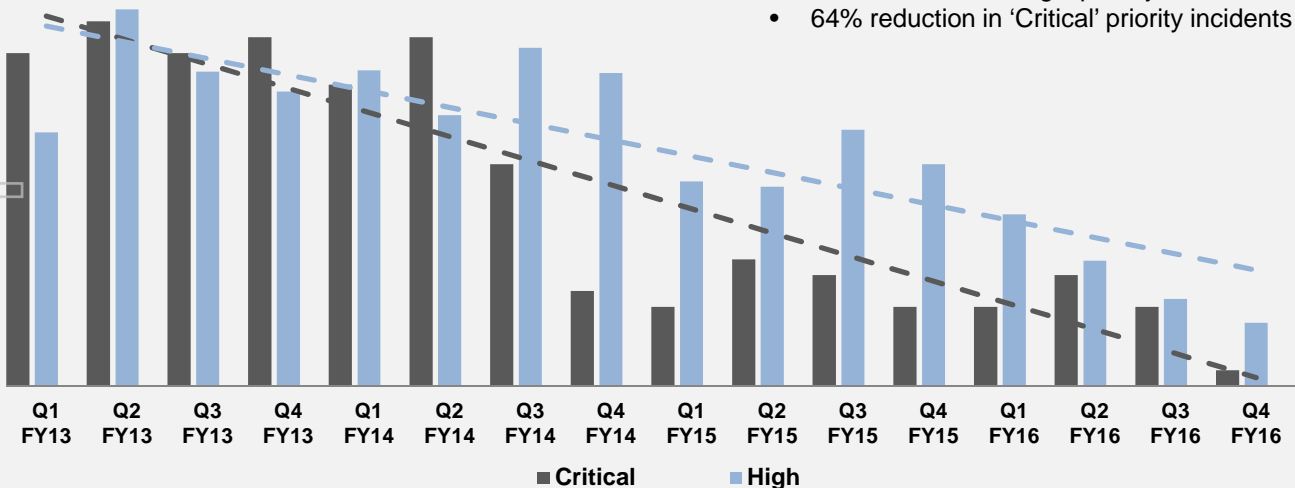


# TECHNOLOGY INVESTMENT IMPROVING CUSTOMER EXPERIENCE<sup>1</sup>

## 'CRITICAL' AND 'HIGH' PRIORITY INCIDENTS

Investment in technology driving lower instance of technology incidents over FY13 - FY16

- 79% reduction in 'High' priority incidents
- 64% reduction in 'Critical' priority incidents



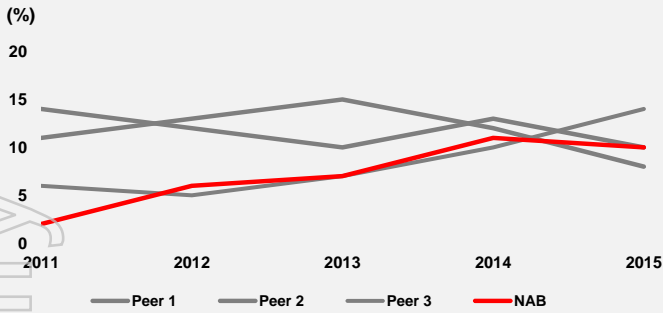
(1) Critical Incidents – Significant impact or outages to customer facing service or payment channels. High Incidents – Functionality impact to customer facing service or impact/outage to internal systems



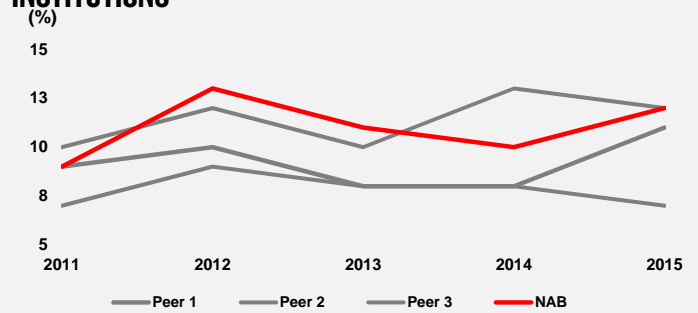


# AUSTRALIAN BANKING: MARKETS – MARKET SHARE TRENDS<sup>1</sup>

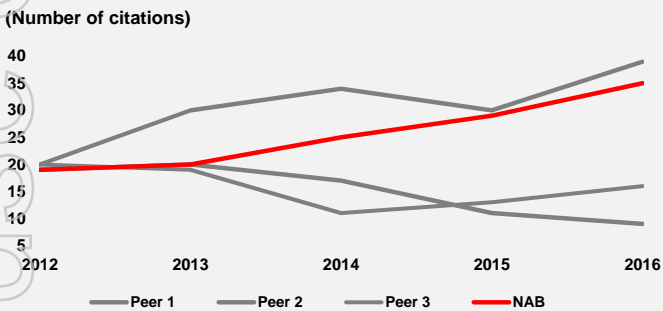
## GOVT AND SEMI-GOVT BONDS<sup>2</sup>



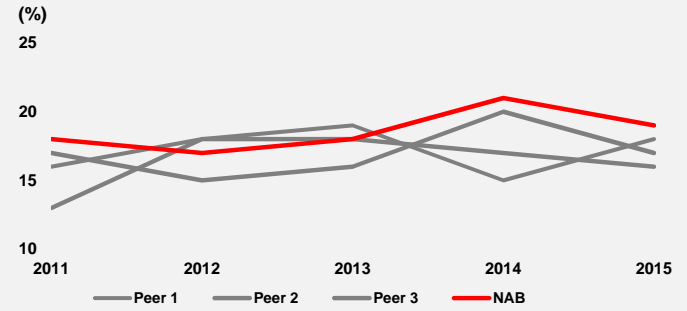
## FOREIGN EXCHANGE – CORPORATES AND FINANCIAL INSTITUTIONS<sup>3</sup>



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



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

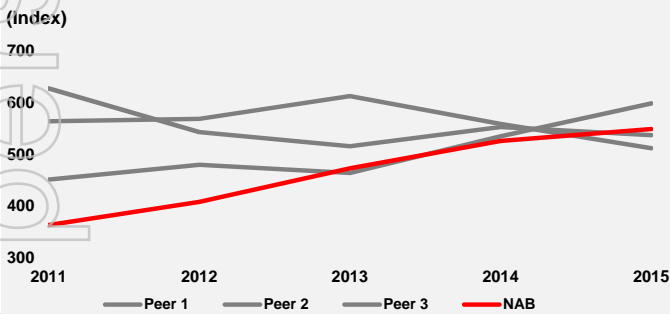


(1) All data is taken from the most recently published Peter Lee Associates surveys available  
 (2) Peter Lee Associates Debt Securities Investors Survey 2015 ('Most Active' Investors). Based on the four major domestic banks  
 (3) Peter Lee Associates Foreign Exchange Survey 2015. Based on top four 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 2015. Based on top four banks by penetration

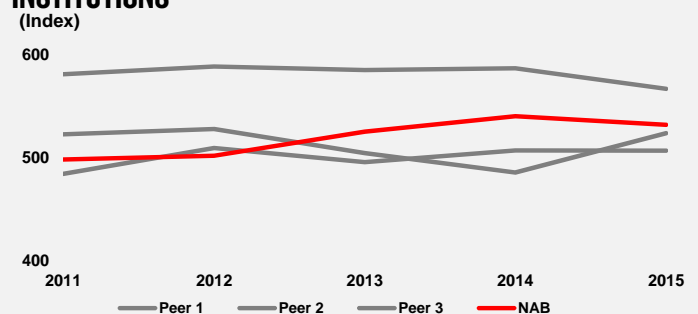


# AUSTRALIAN BANKING: MARKETS – RELATIONSHIP STRENGTH INDEX<sup>1</sup>

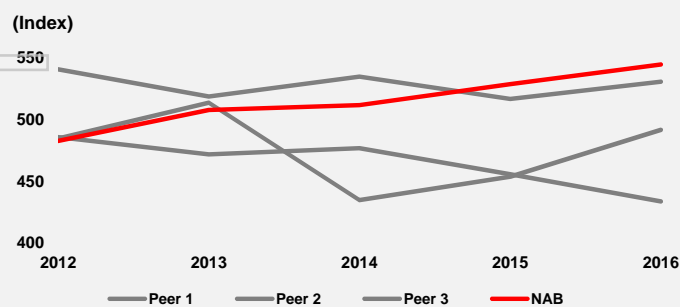
## GOVT AND SEMI-GOVT BONDS<sup>2</sup>



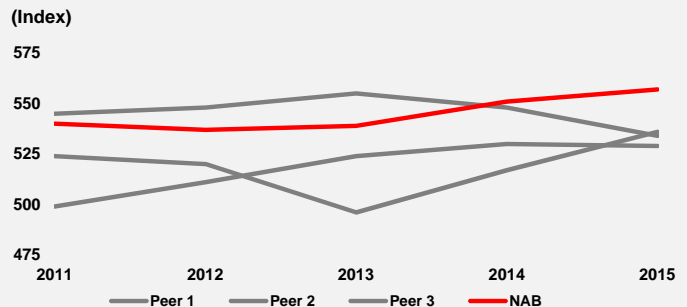
## FOREIGN EXCHANGE – CORPORATES AND FINANCIAL INSTITUTIONS<sup>3</sup>



## 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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 (3) Peter Lee Associates Foreign Exchange Survey 2015. Based on top four banks by penetration  
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 (5) Peter Lee Associates Interest Rate Derivatives Survey 2015. Based on top four banks by penetration





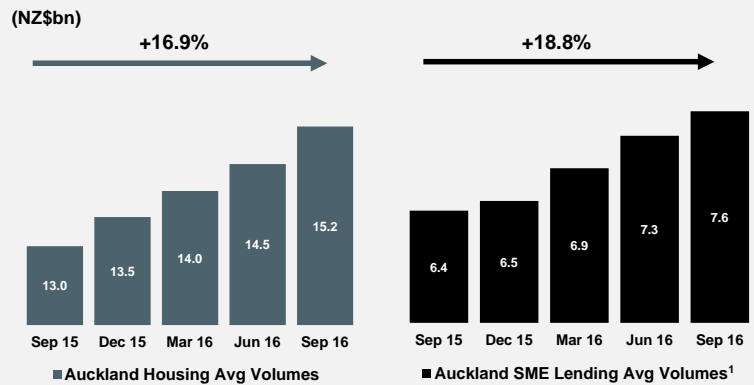
## ADDITIONAL INFORMATION

- Group
- Australian Banking
- NZ BANKING**
- NAB Wealth
- Group Asset Quality
- Capital and Funding
- Environmental, Social and Governance
- Economic Outlook
- Glossary

## TARGETED GROWTH IN AUCKLAND MARKET

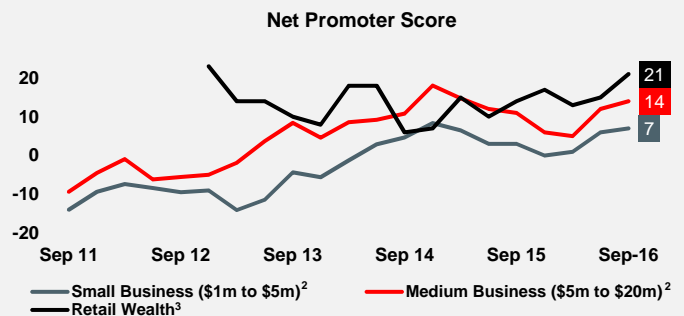
### AUCKLAND INVESTMENT GAINING TRACTION

- Investment in Auckland delivering strong volume growth with focus on priority segments
- Number of mortgage brokers in Auckland grown from ~100 in June 15 to ~400 in FY16
- FTE investment concentrated on Auckland small business, broker and housing



### IMPROVED CUSTOMER EXPERIENCE ENABLED BY TECHNOLOGY AND PROCESS SIMPLIFICATION

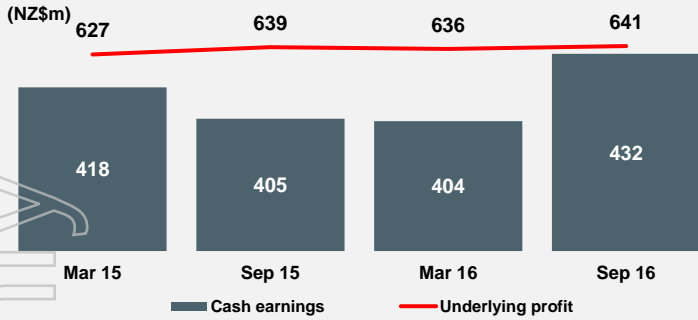
- All customers migrated to new Retail Digital Banking platform
- Customer basics programme:
  - Positively impacted ~1,000,000 customer interactions in FY16, enhancing customer experience
  - Corresponding 9% YoY drop in complaints
  - Process simplification leveraging new technology to improve 30% of core operational processes in FY17



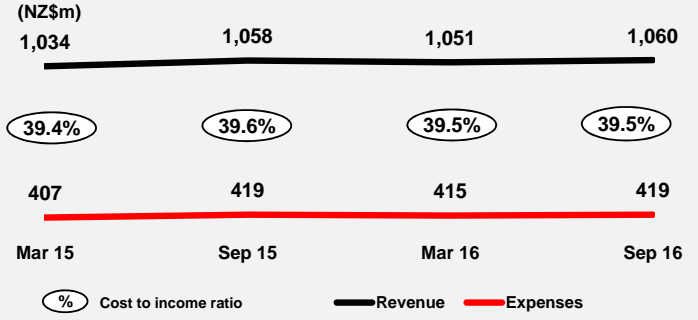
(1) Auckland SME includes housing products. December 15 - September 16 volumes based on new customer segmentation methodology  
 (2) Source: TNS Business Finance Monitor, 12 month roll  
 (3) Source: Camorra Research – Retail Market Monitor, 6 month roll

# NEW ZEALAND BANKING

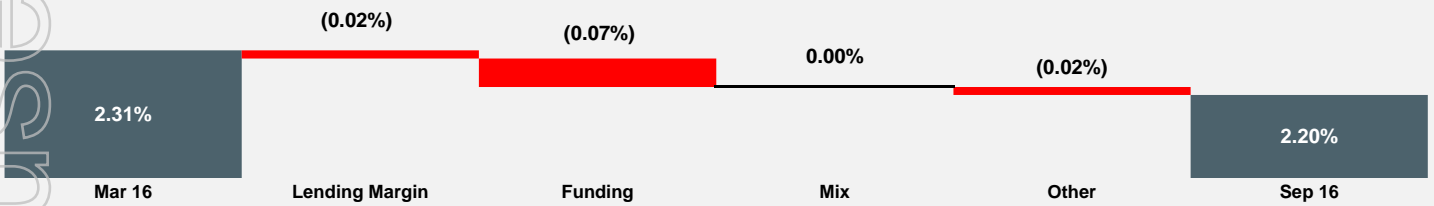
## CASH EARNINGS AND UNDERLYING PROFIT<sup>1</sup>



## REVENUE v EXPENSE GROWTH



## NET INTEREST MARGIN: MARCH 16 v SEPTEMBER 16

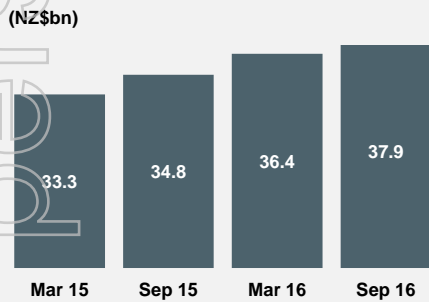


(1) Underlying profit represents cash earnings before various items, including tax expense and the charge for bad and doubtful debts. It is not a statutory financial measure

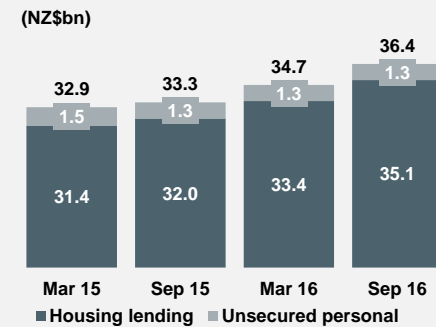


# NEW ZEALAND BANKING: VOLUMES AND MARKET SHARE

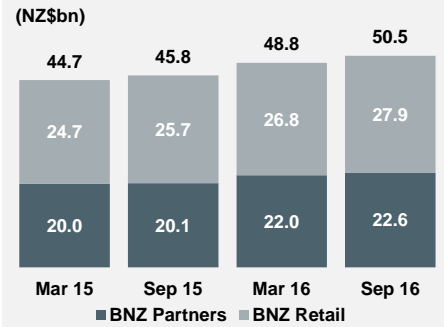
## BUSINESS LENDING<sup>1</sup>



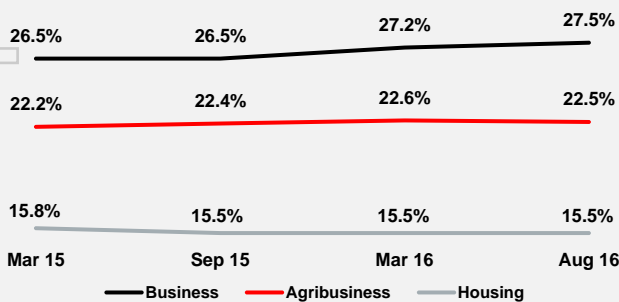
## RETAIL LENDING<sup>1</sup>



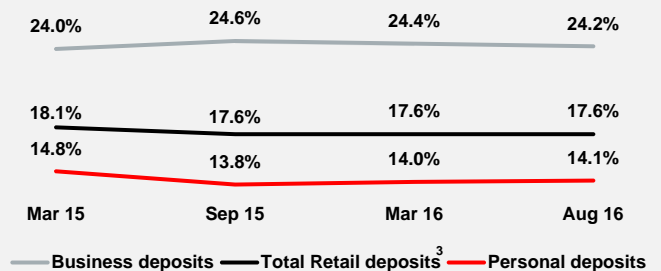
## CUSTOMER DEPOSITS<sup>1</sup>



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



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

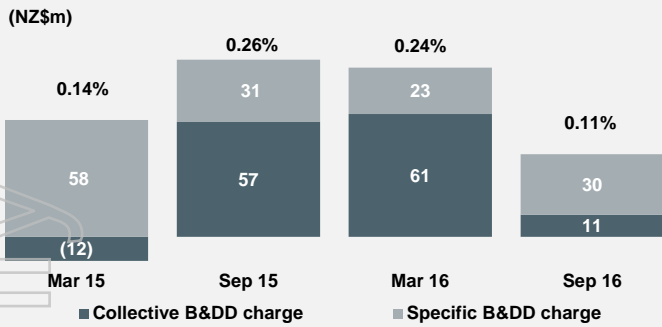


(1) Spot volumes  
 (2) Source RBNZ: August 2016  
 (3) Source RBNZ: Retail deposits include both Personal and Business deposits

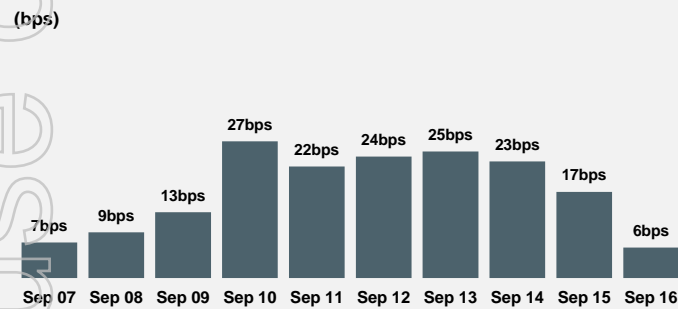


# NEW ZEALAND BANKING: ASSET QUALITY

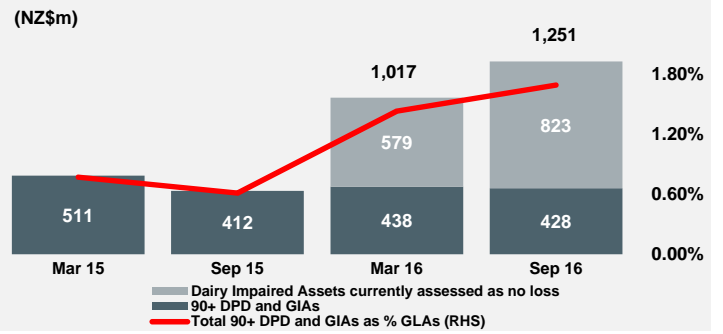
## B&DD CHARGE AND AS % OF GLAs<sup>1</sup>



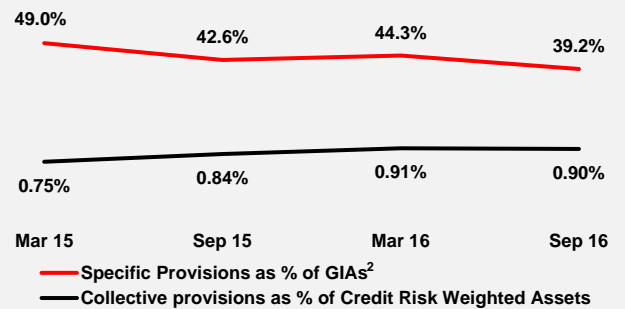
## NET WRITE-OFFS TO GLAs



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



## COLLECTIVE AND SPECIFIC PROVISION COVERAGE



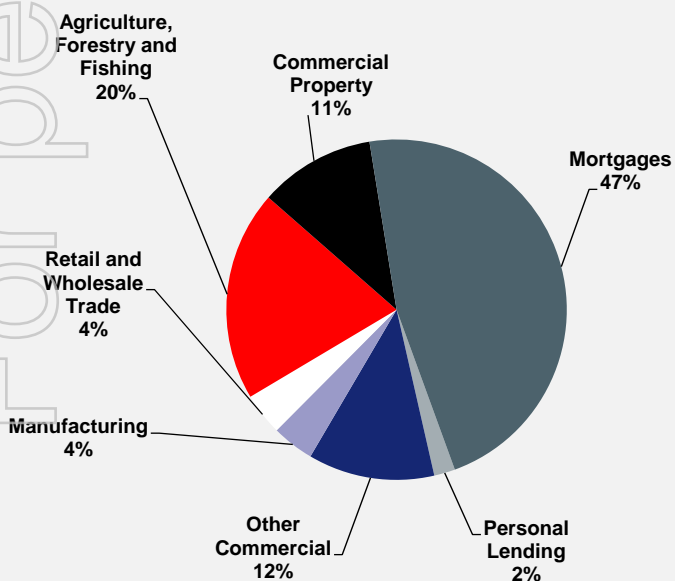
(1) Half year B&DD as a % of GLAs annualised

(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

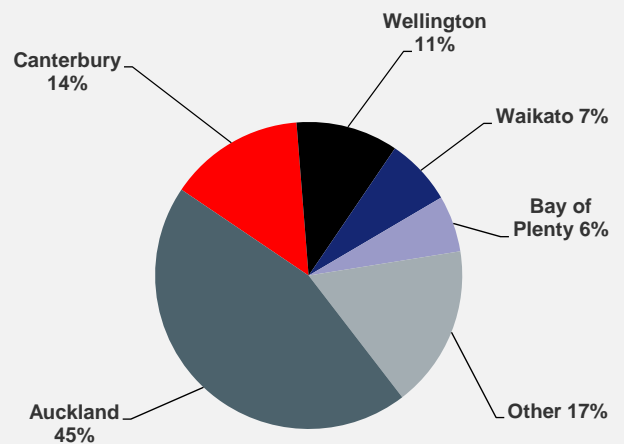


# NEW ZEALAND BANKING: LENDING MIX AND MORTGAGE PORTFOLIO BY GEOGRAPHY

## PORTFOLIO BREAKDOWN – TOTAL NZ\$74.1BN



## MORTGAGE PORTFOLIO BREAKDOWN BY GEOGRAPHY



# NEW ZEALAND BANKING: HOUSING LENDING – KEY METRICS

New Zealand housing lending	Mar 15	Sep 15	Mar 16	Sep 16
Low Documentation	0.15%	0.13%	0.10%	0.08%
Proprietary	100%	99.6%	97.1%	94.4%
Third Party Introducer	0.0%	0.4%	2.9%	5.6%
Variable rate lending drawn balance	25.5%	23.1%	21.1%	20.4%
Fixed rate lending drawn balance	70.8%	73.5%	75.7%	76.7%
Line of credit drawn balance	3.7%	3.4%	3.2%	2.9%
Interest only drawn balance <sup>1</sup>	23.2%	23.8%	24.0%	25.1%
Insured % of Total Portfolio <sup>2</sup>	8.5%	7.3%	6.1%	5.3%
Current LVR on a drawn balance calculated basis	63.5%	63.1%	62.8%	62.6%
LVR at origination	68.9%	68.4%	67.9%	67.8%
Average loan size NZ\$ ('000)	296	304	316	332
90+ days past due ratio	0.17%	0.14%	0.17%	0.09%
Impaired loans ratio	0.16%	0.13%	0.11%	0.09%
Specific provision coverage ratio	36.9%	35.5%	47.0%	35.9%
Loss rate <sup>3</sup>	0.04%	0.03%	0.02%	0.02%

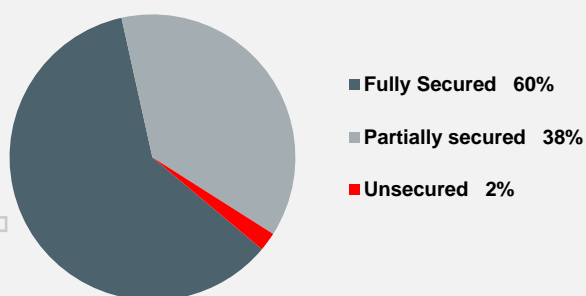
- (1) Excludes Line of credit  
 (2) Insured includes both LMI and Low Equity Premium  
 (3) 12 month rolling Net Write-offs / Spot Drawn Balances



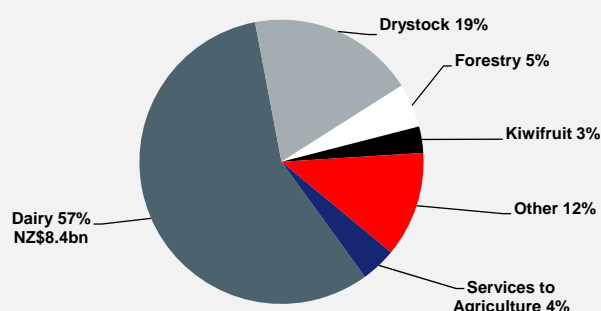
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# NEW ZEALAND BANKING: AGRIBUSINESS AND DAIRY PORTFOLIO

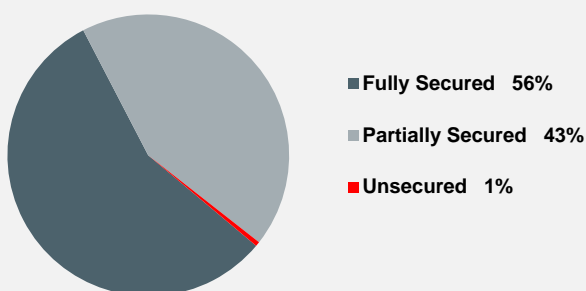
## AGRIBUSINESS PORTFOLIO



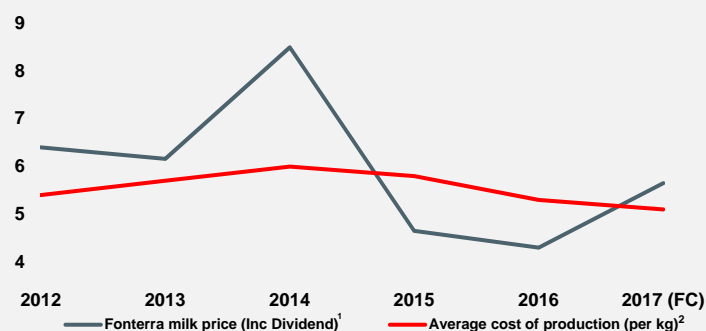
## AGRIBUSINESS NZ\$14.7BN – 19.8% OF TOTAL GLAs



## DAIRY PORTFOLIO



## FONTERRA MILK PRICE FORECASTS (INCLUDING DIVIDEND)



- (1) Source: Fonterra  
 (2) Source: DairyNZ. Cost of production includes interest and rent, RBNZ FSR

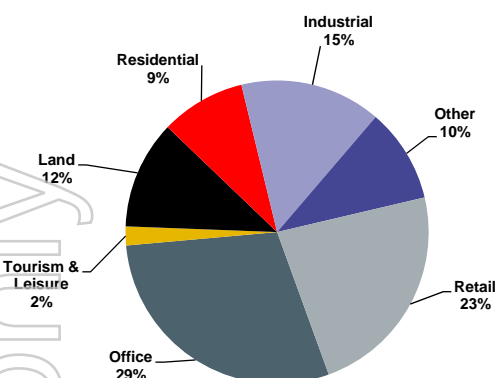


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# NEW ZEALAND BANKING: COMMERCIAL REAL ESTATE

Total NZ\$8.4bn  
11.4% of Gross Loans & Acceptances



Region		Auckland	Other Regions	Total	
Location		47%	53%	100%	
Loan Balance < NZ\$5m		22%	37%	30%	
Loan Balance > NZ\$5m<NZ\$10m		15%	14%	14%	
Loan Balance > NZ\$10m		63%	49%	56%	
Loan tenor < 3 yrs		97%	84%	90%	
Loan tenor > 3 < 5 yrs		1%	3%	2%	
Loan tenor > 5 yrs		2%	13%	8%	
Average loan size NZ\$m		5.7	3.1	4.0	
Security Level <sup>1</sup>					
Fully Secured		65%	64%	64%	
Partially Secured		30%	33%	32%	
Unsecured		5%	3%	4%	
90+ days past due		0.64%	1.07%	0.87%	
Impaired Loans		0.00%	0.05%	0.03%	
Specific Provision Coverage		0.00%	45.8%	45.8%	
<b>Trend</b>		<b>Mar 15</b>	<b>Sep 15</b>	<b>Mar 16</b>	<b>Sep 16</b>
90+ days past due		0.80%	0.76%	0.72%	0.87%
Impaired Loans		0.57%	0.27%	0.20%	0.03%
Specific Provision Coverage		21.5%	26.4%	28.5%	45.8%

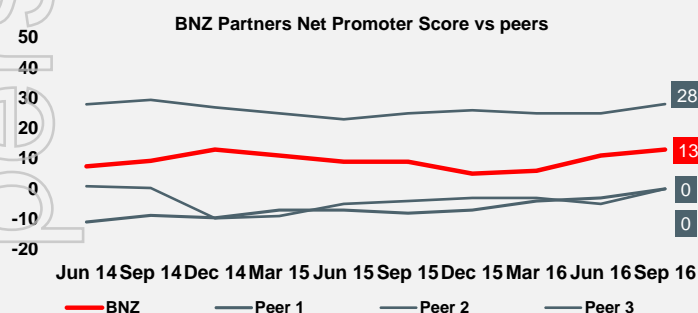
(1) Fully Secured is where the loan amount is less than 100% of the bank extended value of security; Partially Secured is where the loan amount is greater than 100% of the bank extended value of security; Unsecured is where no security is held and negative pledge arrangements are normally in place. Bank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

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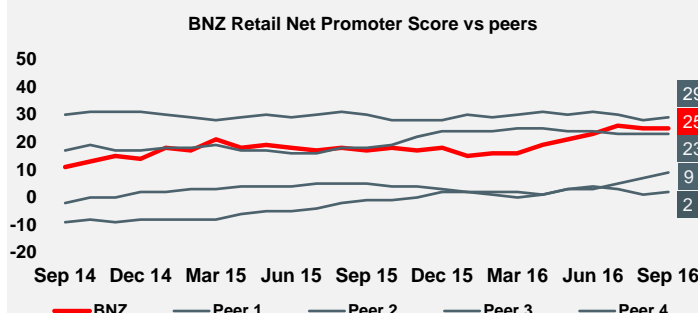


# NEW ZEALAND BANKING NET PROMOTER SCORE

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



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



(1) Source: Partner – Business Finance Monitor data on a 12 month roll; Retail Market Monitor data on six monthly roll

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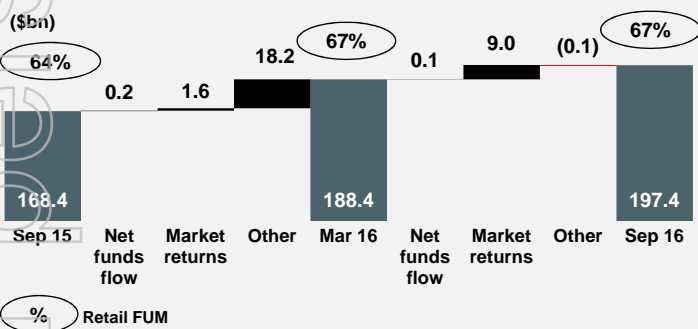


## ADDITIONAL INFORMATION

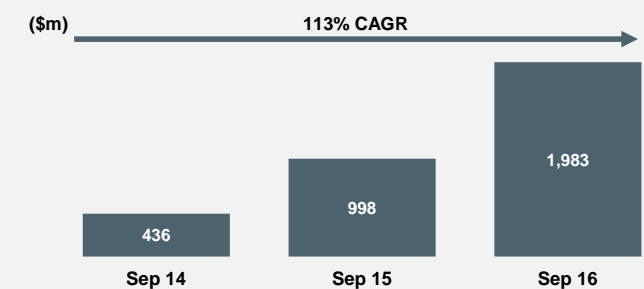
Group  
 Australian Banking  
 NZ Banking  
**NAB WEALTH**  
 Group Asset Quality  
 Capital and Funding  
 Environmental, Social and Governance  
 Economic Outlook  
 Glossary

## NAB WEALTH: INVESTMENTS

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



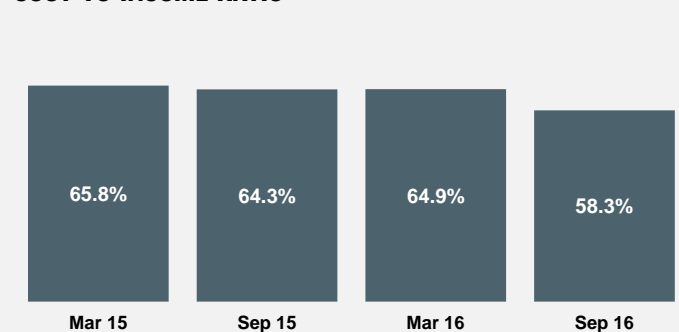
### NAB MORTGAGE SALES THROUGH ALIGNED ADVISOR NETWORK



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

Product group	1H15 Net Funds Flow (\$m)	2H15 Net Funds Flow (\$m)	1H16 Net Funds Flow (\$m) <sup>2</sup>	2H16 Net Funds Flow (\$m)	Spot FUM at 30 Sep 2016 (\$m)
Retail Platforms <sup>3</sup>	825	1,018	1,163	1,699	84,619
Business & Corporate Superannuation	(197)	(187)	(132)	(355)	36,111
Off-sale Retail Products and Other	(969)	(631)	(560)	(710)	11,486
Wholesale (Investment Management, JANA and Boutiques)	(641)	40	(303)	(550)	65,136
<b>Total Net Funds Flow</b>	<b>(982)</b>	<b>240</b>	<b>168</b>	<b>84</b>	<b>197,352</b>

### COST TO INCOME RATIO



(1) FUM and FUA on a proportional ownership basis  
 (2) This includes the JBWere opening balance following the acquisition of the remaining 20% in January 2016 and other FUM/A  
 (3) 1H16 net funds flow and spot FUM/A for Retail Platforms include JBWere, following the acquisition of the remaining 20% in January 2016



## ADDITIONAL INFORMATION

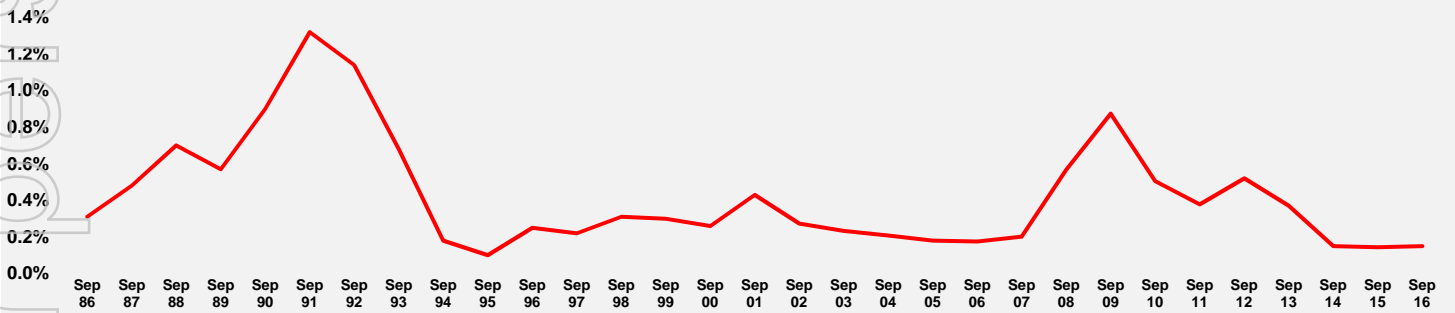
- Group
- Australian Banking
- NZ Banking
- NAB Wealth

## GROUP ASSET QUALITY

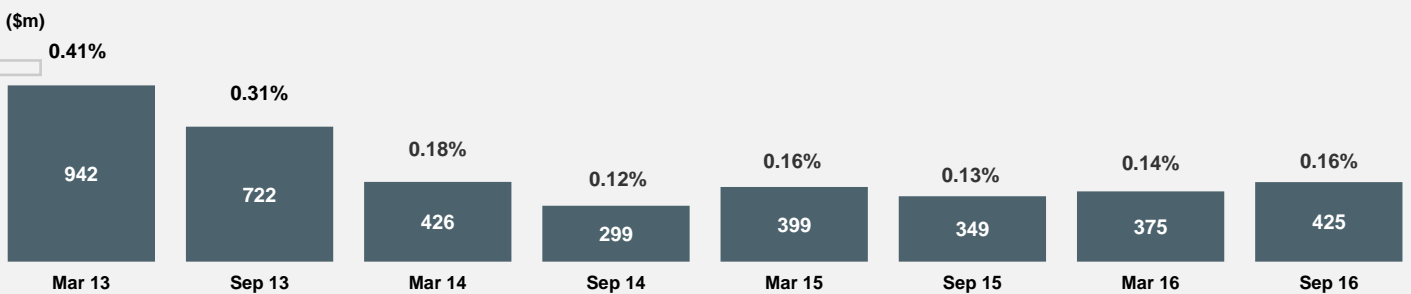
- Capital and Funding
- Environmental, Social and Governance
- Economic Outlook
- Glossary

## GROUP B&DD CHARGE

### B&DD CHARGE AS % OF GLAs



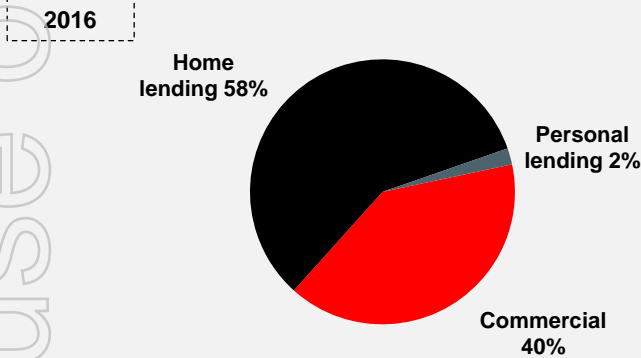
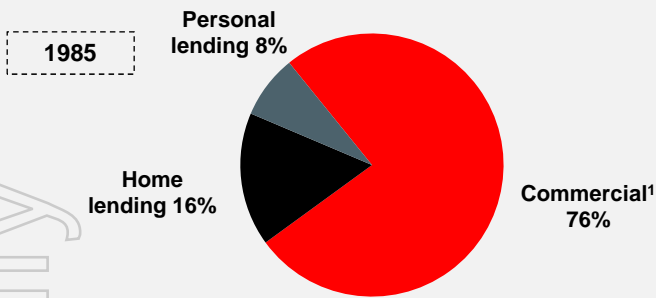
### B&DD CHARGE AND AS % OF GLAs<sup>1</sup>



(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

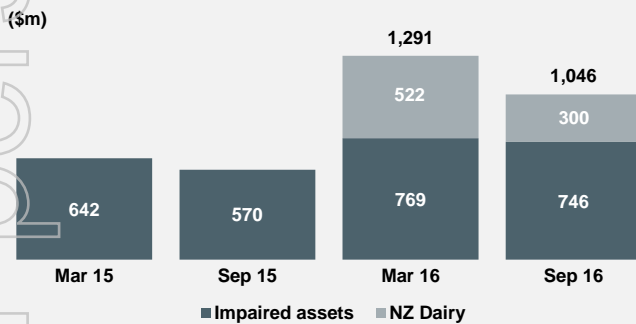
NAB Australian geography net write off rates as a % of GLAs 1985 - 2016 <sup>2</sup>	Long run average
Home lending <sup>3</sup>	0.03%
Personal lending <sup>3</sup>	1.39%
Commercial <sup>3</sup>	0.58%
Australian average (1985-2016)	0.36%
<b>Group average<sup>4</sup> based on 2016 business mix</b>	<b>0.28%</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 % 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 and acceptances by product as at 30 September 2016. Commercial long run average net write off rate has been applied to acceptances

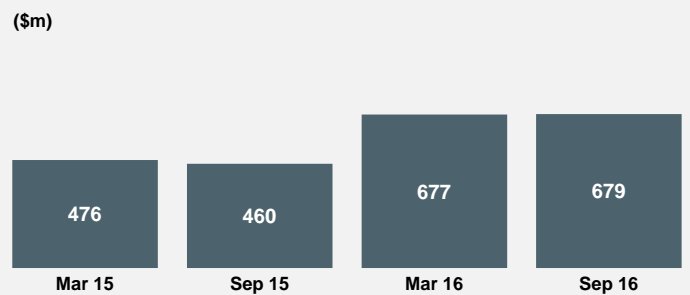


# GROUP ASSET QUALITY – NEW IMPAIRED ASSETS

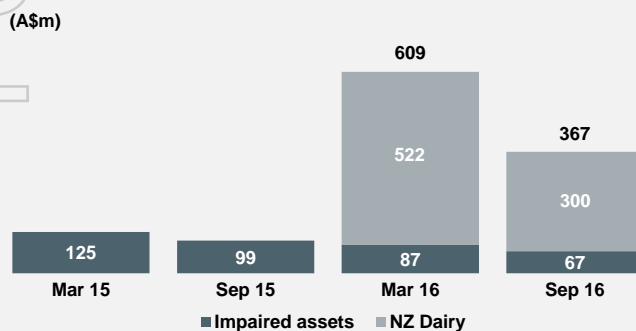
## GROUP



## AUSTRALIAN BANKING



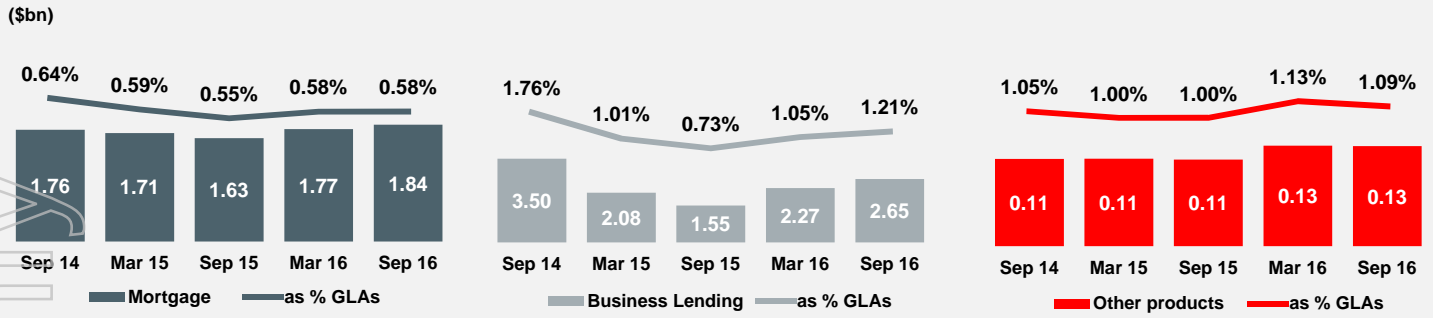
## NZ BANKING



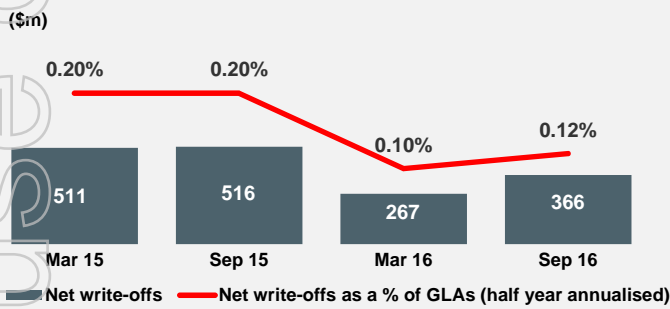


# GROUP ASSET QUALITY

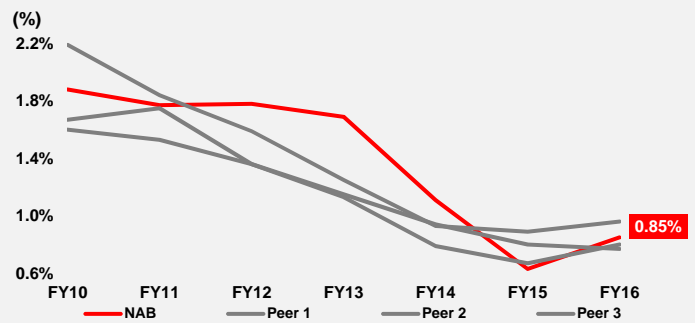
## 90+ DPD & GIAS AS % OF GLAs BY PRODUCT



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



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

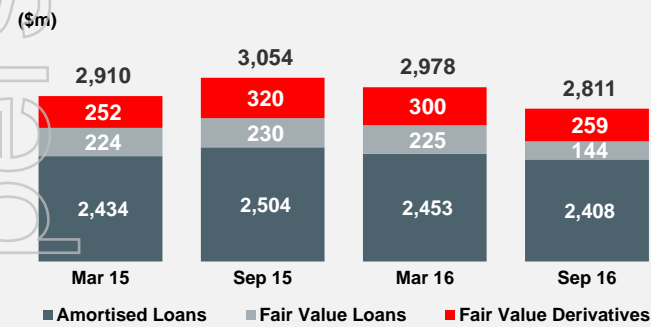


(1) Includes write-offs of fair value loans  
 (2) FY16 based on latest peer results announcements

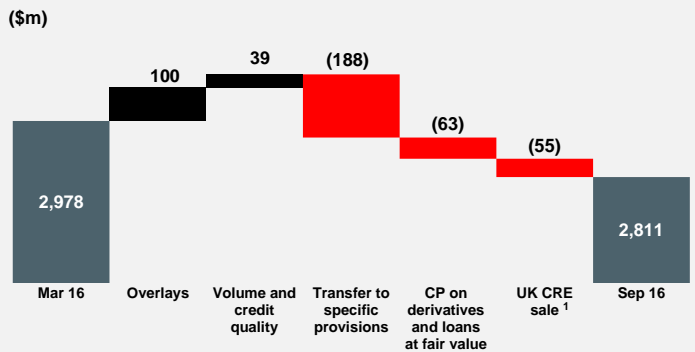


# GROUP PROVISIONS

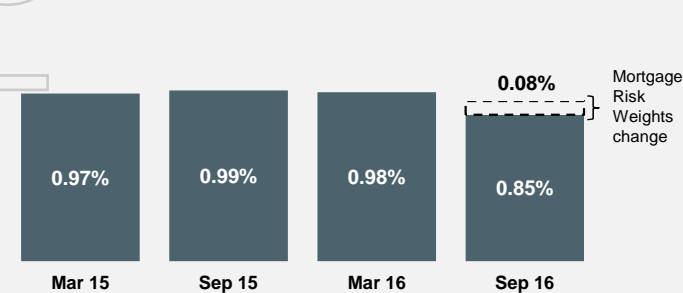
## COLLECTIVE PROVISION



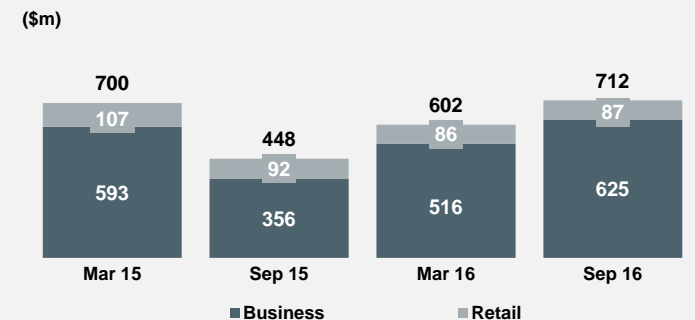
## COLLECTIVE PROVISION MOVEMENTS



## COLLECTIVE PROVISIONS AS % OF CRWAs



## SPECIFIC PROVISION BALANCES



(1) A \$55m benefit from the sale of a parcel of UK CRE loans was fully offset with other movements in the balance sheet including the de-recognition of loans and advances and the receivable on the consideration of the sale of the portfolio which results in a nil impact to cash earnings

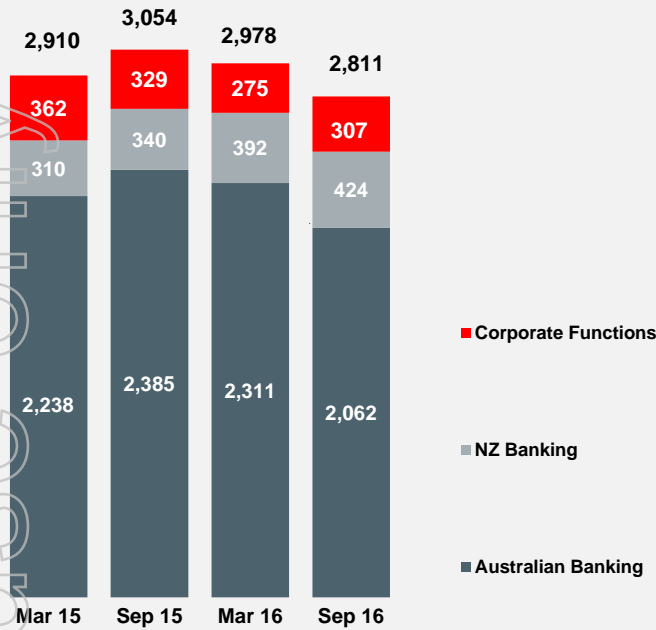




# GROUP PROVISION MOVEMENTS

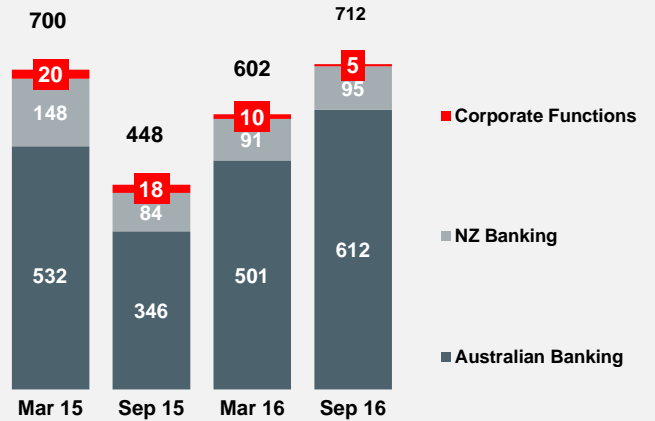
## COLLECTIVE PROVISION

(\$m)



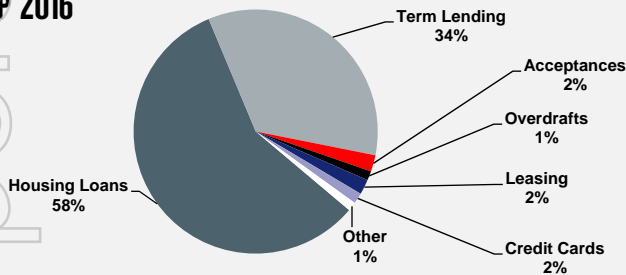
## SPECIFIC PROVISION

(\$m)

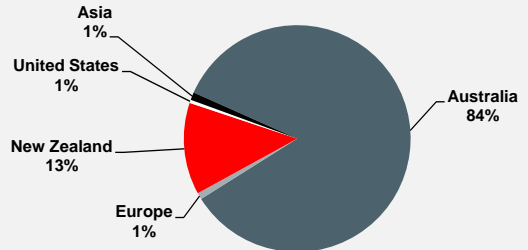


# GROUP PORTFOLIO – \$545.8BN

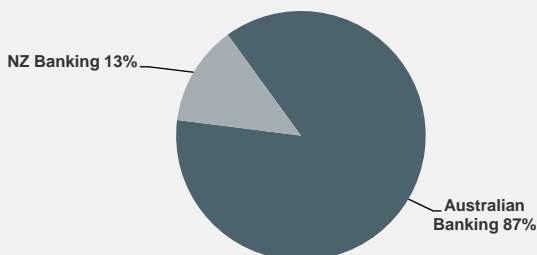
## GROSS LOANS AND ACCEPTANCES BY PRODUCT – SEP 2016



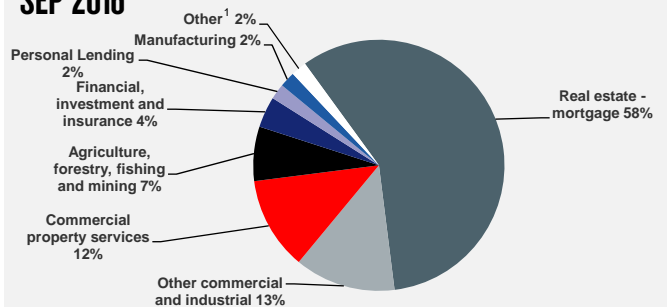
## GROSS LOANS AND ACCEPTANCES BY GEOGRAPHY – SEP 2016



## GROSS LOANS AND ACCEPTANCES BY BUSINESS UNIT – SEP 2016



## GROSS LOANS AND ACCEPTANCES BY INDUSTRY – SEP 2016

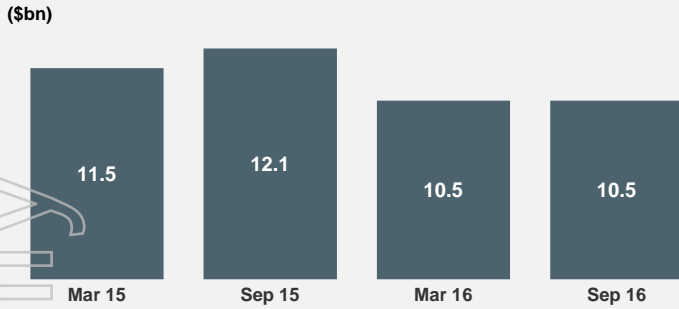


(1) Other includes: Real estate – construction, Government and public authorities

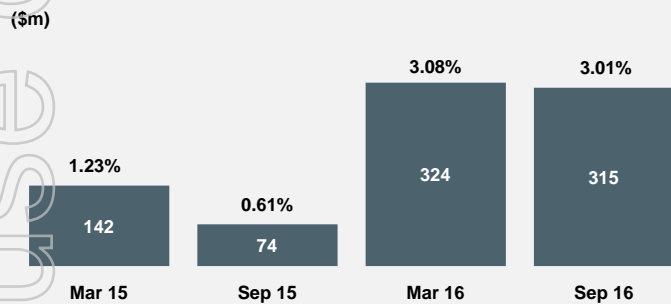


# RESOURCES EXPOSURES

## RESOURCES EXPOSURE AT DEFAULT



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

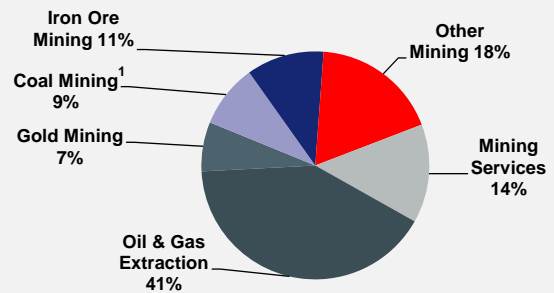


(1) Coal mining is composed of black coal mining (99.5%) and brown coal mining (0.5%)

## ASSET QUALITY

- Resources EAD ~1% of total Group EAD
- Exploration & Production exposures to stronger rated investment grade customers are 56%
- Oil & Gas extraction exposure is largely to LNG projects and investment grade customers (90%)
- Mining Services exposures reduced to 14% of resources EAD in Sep 16 vs Sep 15 (17%). The portfolio is 9% investment grade, 91% partially or fully secured
- Resources 90+ DPD & gross impaired to EAD declined to 3.01% in Sep 16 from 3.08% in Mar 16, predominantly due to the impairment of a small number of individual exposures

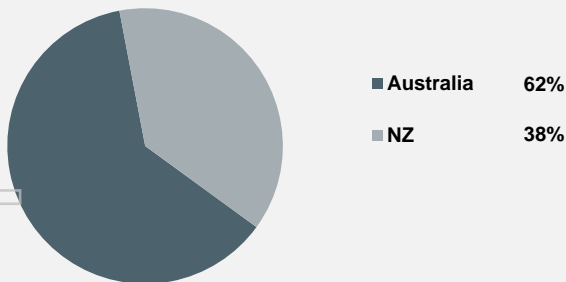
## RESOURCES PORTFOLIO BREAKDOWN



# AGRICULTURAL EXPOSURES

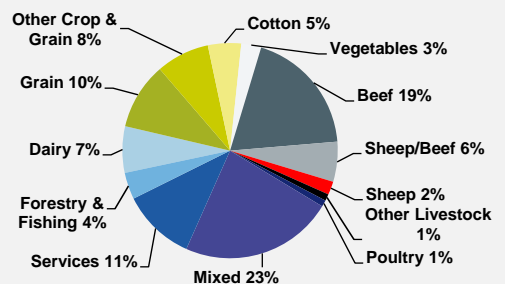
## AGRICULTURE, FORESTRY & FISHING EXPOSURES

Agriculture, Forestry and Fishing EAD \$39.5bn September 2016

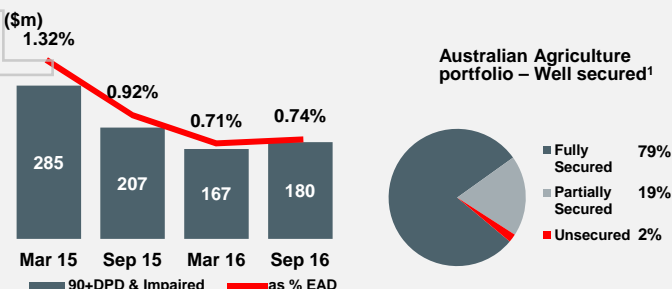


## AUSTRALIAN AGRICULTURE, FORESTRY & FISHING – EXPOSURES

EAD \$24.4bn September 2016



## 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



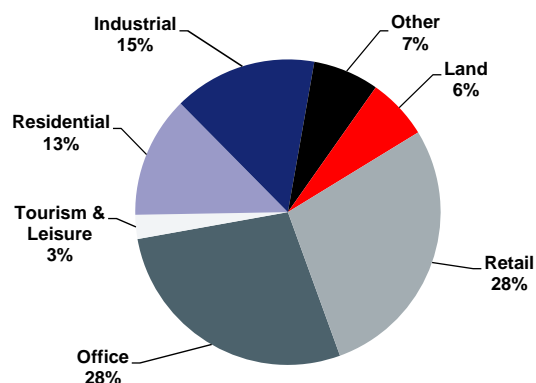
# COMMERCIAL REAL ESTATE – GROUP SUMMARY<sup>1</sup>

Total \$61.5bn

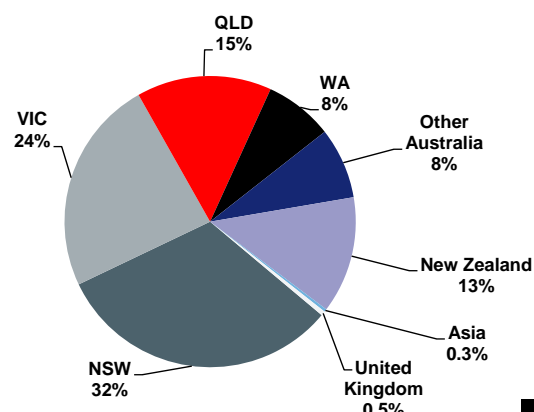
11.3% of Gross Loans & Acceptances

	Aust	NZ	UK Region	Asia	Total	Trend	Mar 15	Sep 15	Mar 16	Sep 16
TOTAL CRE (A\$bn)	53.0	8.0	0.3	0.2	61.5	Impaired loans ratio	0.58%	0.42%	0.30%	0.23%
Increase/(decrease) on Sep 15 (A\$bn)	1.9	1.3	(1.3)	(0.3)	1.6					
% of regional GLAs	11.5%	11.4%	6.2%	3.7%	11.3%	Specific Provision Coverage	22.7%	23.4%	23.5%	28.3%
Change in % on September 2015	(0.1%)	0.5%	3.9%	(1.8%)	1.0%					

Group Commercial Property by type



Group Commercial Property by geography



(1) Measured as balance outstanding at September 2016 per APRA Commercial Property ARF 230 definitions



## ELIGIBLE PROVISIONS AND REGULATORY EXPECTED LOSS

(\$m)	Mar 16		Sep 16		Movement	
	Defaulted	Non-Defaulted	Defaulted	Non-Defaulted	Defaulted	Non-Defaulted
General Reserve for Credit Losses	412	2,754	379	2,522	(33)	(232)
Specific Provisions	602		712		110	
less: Provisions on standardised portfolio	(8)	(75)	(8)	(63)	0	12
plus: Partial write-offs on IRB portfolio	605		481		(124)	
<b>Total Eligible Provisions (EP)</b>	<b>1,611</b>	<b>2,679</b>	<b>1,564</b>	<b>2,459</b>	<b>(47)</b>	<b>(220)</b>
Regulatory Expected Loss (EL)	1,485	2,567	1,564	2,528	79	(39)
Shortfall in EP over EL (100% CET1 Deduction)	0	0	0	69	0	69
Surplus in EP over EL (Tier 2 capital for non-defaulted)	126	112	0	0	(126)	(112)





## ADDITIONAL INFORMATION

- Group
- Australian Banking
- NZ Banking
- NAB Wealth
- Group Asset Quality

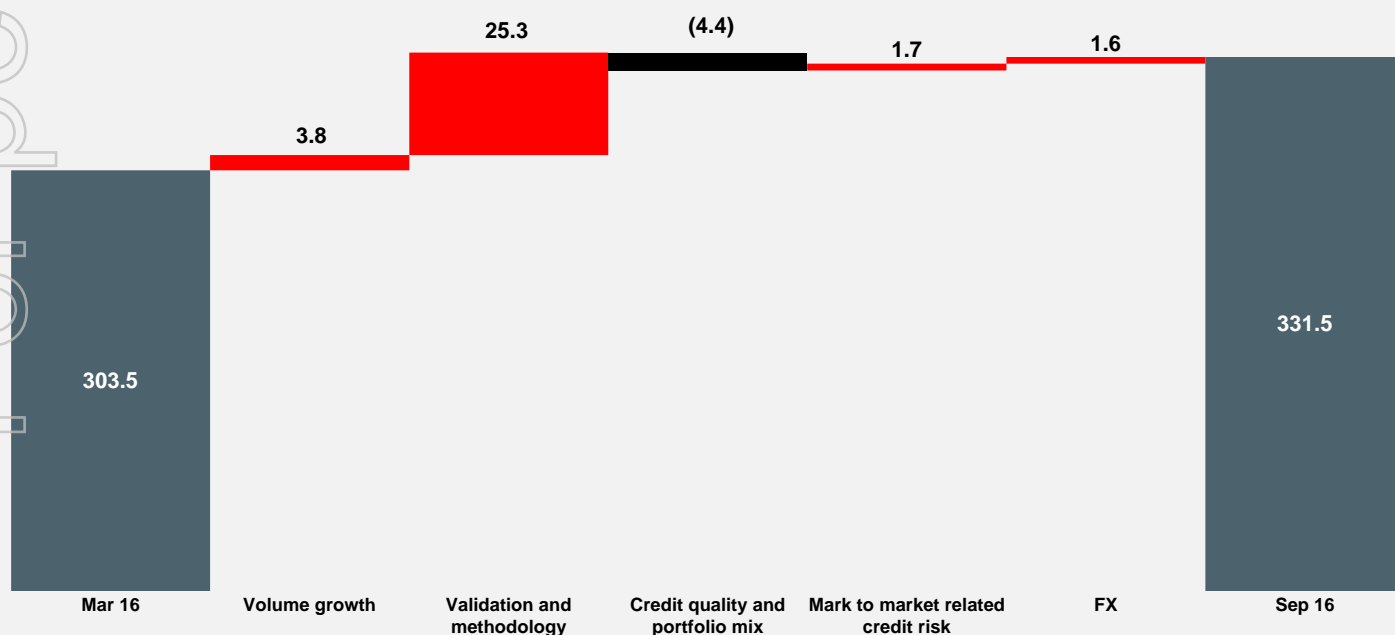
## CAPITAL AND FUNDING

- Environmental, Social and Governance
- Economic Outlook
- Glossary

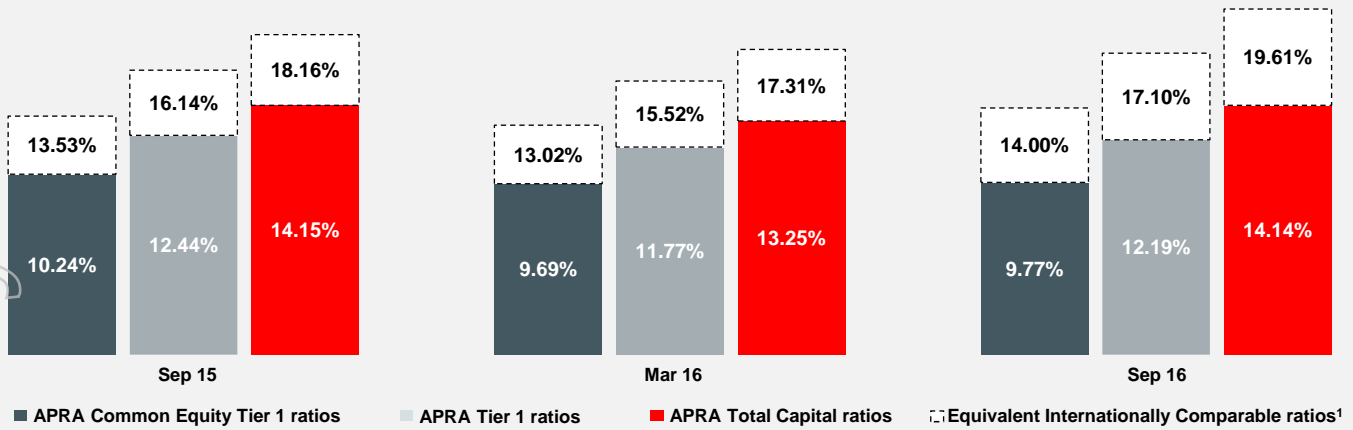
## CREDIT RWA MOVEMENT

### CREDIT RWA MOVEMENT MARCH 2016 v SEPTEMBER 2016

(\$bn)



# GROUP BASEL III CAPITAL RATIOS



## APRA to Internationally Comparable CET1 Ratio Reconciliation

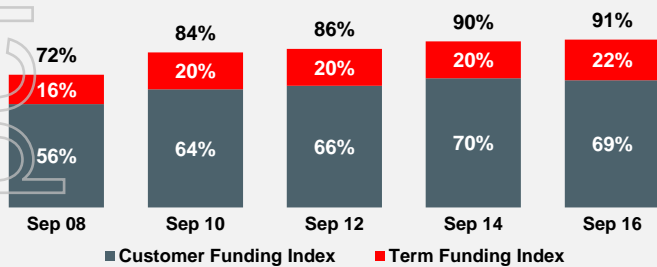
	CET1
NAB CET1 ratio under APRA	9.77%
APRA Basel capital adequacy standards require a 100% deduction from common equity for deferred tax assets, investments in non consolidated subsidiaries and equity investments. Under Basel Committee on Banking Supervision (BCBS) such items are concessionally risk weighted if they fall below prescribed thresholds	+87bps
Mortgages – reduction in LGD floor from 20% to 15% and adjustment for correlation factor	+128bps
Interest rate risk in the banking book (IRRBB) – removal of IRRBB risk weighted assets from Pillar 1 capital requirements	+33bps
Other adjustments including corporate lending adjustments and treatment of specialised lending	+175bps
NAB Internationally Comparable CET1	14.00%

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

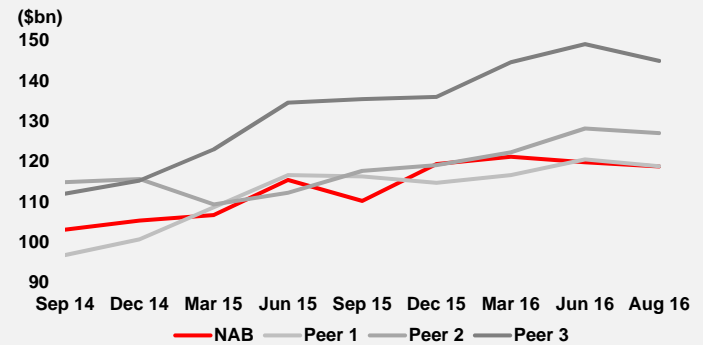


# ROBUST FUNDING PROFILE

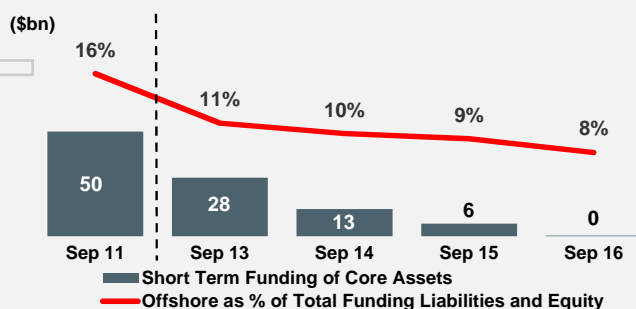
## GROUP STABLE FUNDING INDEX (SFI)



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



## RELIANCE ON SHORT TERM WHOLESALE FUNDING<sup>2</sup>



## GROUP FUNDING PROFILE

- Proportion of core assets funded by stable funding sources has steadily increased
- Increase in stable funding supports transition to NSFR compliance
- Reliance on short term funding has reduced significantly

(1) Australian funding gap = Gross loans and advances + Acceptances less Total deposits (excluding certificates of deposits). Source: APRA Monthly Banking Statistics August 2016  
 (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





# ASSET FUNDING – SEPTEMBER 2016

(\$bn)

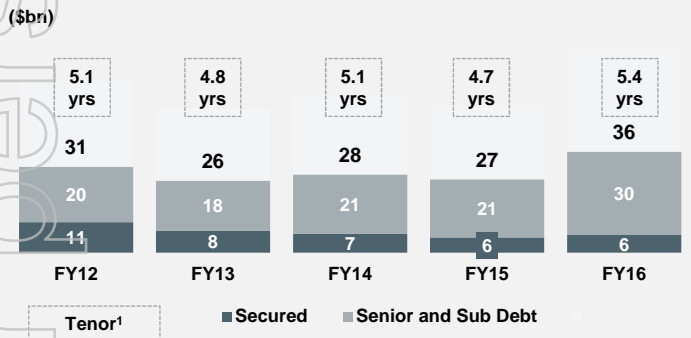
778		778	
Other Assets <sup>1</sup>	82	Other Liabilities <sup>1</sup>	55
Reverse Repurchase Agreements <sup>2</sup>	31	Repurchase Agreements <sup>2</sup>	35
Liquid Assets <sup>3</sup>	118	Short Term Funding	92
Core Assets	547	Term Funding < 12 Months	37
		Term Funding > 12 Months	120
		Customer Deposits	391
		Shareholders' Equity <sup>4</sup>	48
<b>Assets</b>		<b>Liabilities &amp; Equity</b>	

- (1) Other assets and liabilities include trading derivatives  
 (2) Repurchase agreements entered into are materially offset by reverse repurchase agreements with similar maturity profiles as part of normal trading activities, noting the cash holdings in our Exchange Settlement Account with the RBA contribute to the difference between balances  
 (3) Liquid assets are at market value and include non-regulatory qualifying securities  
 (4) Shareholders' equity excludes preference shares and other contributed equity

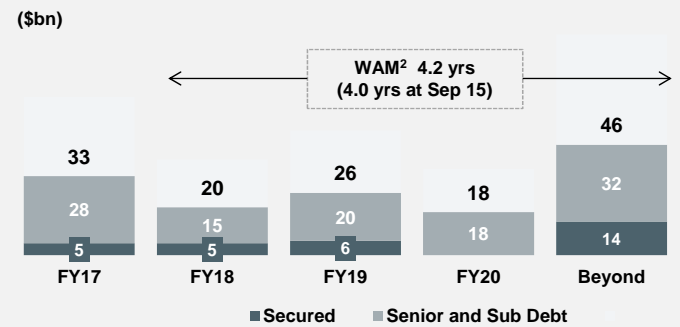


## FUNDING PROFILE

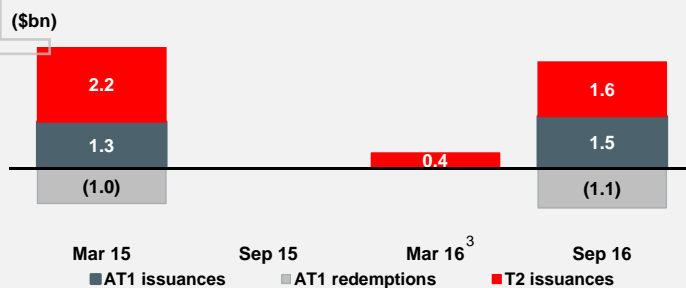
### HISTORIC TERM FUNDING ISSUANCE



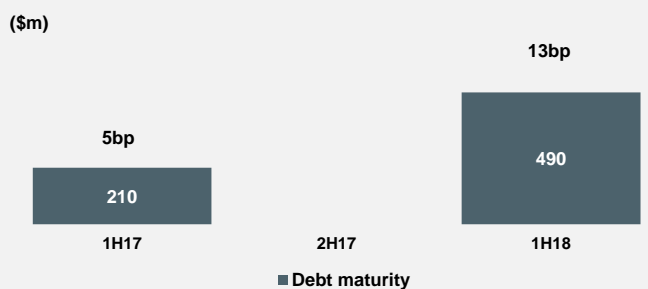
### TERM FUNDING MATURITY PROFILE



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



### DEBT MATURITY PROFILE OF NWMH AND ASSOCIATED CET1 IMPACT<sup>4</sup>

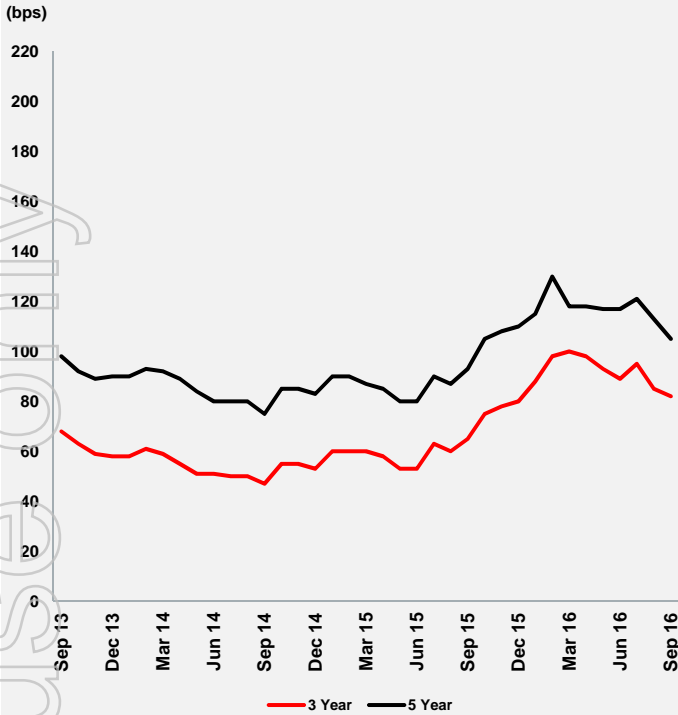


- (1) Weighted average maturity (years) of funding issuance (> 12 months)  
 (2) Weighted average remaining maturity of the Group's TFI qualifying term funding which only includes debt with more than 12 months remaining term to maturity  
 (3) BNZ notes net of regulatory deduction for Level 2 basis  
 (4) Estimated Level 2 CET1 impact based on 30 September 2016 RWA

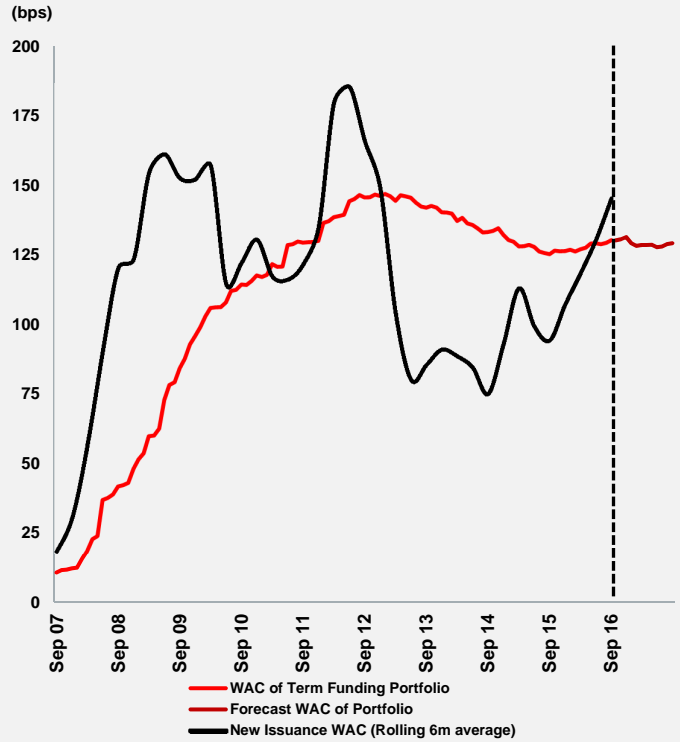


# WHOLESALE FUNDING COSTS

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



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



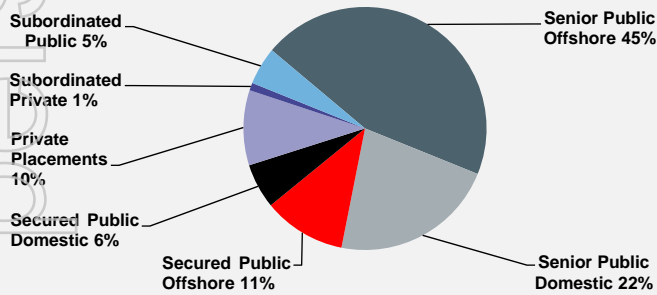
(1) AUD Major Bank Wholesale Unsecured Funding rates over BBSW (3 years and 5 years)

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

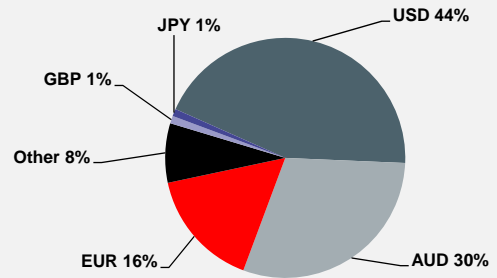


# DIVERSIFIED AND FLEXIBLE FUNDING ISSUANCE (\$36.4BN FY16)

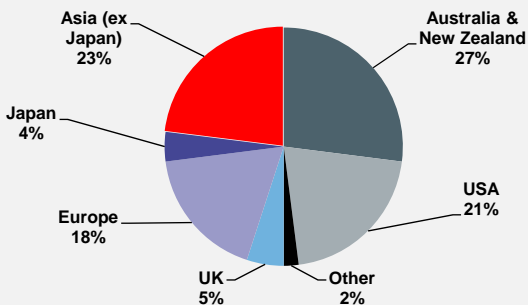
## TYPE Issuer split: NAB Ltd 87%, BNZ 13%



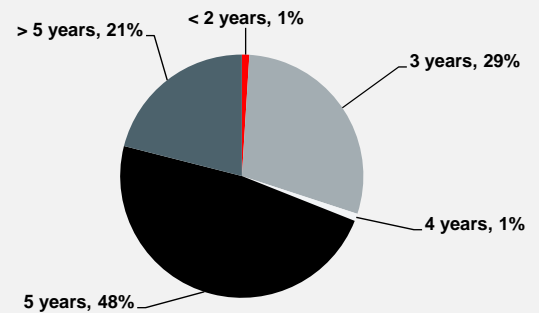
## CURRENCY



## INVESTOR LOCATION

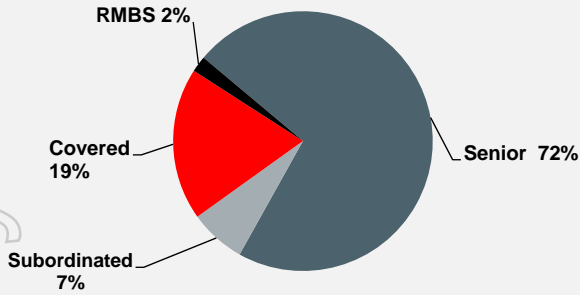


## TENOR

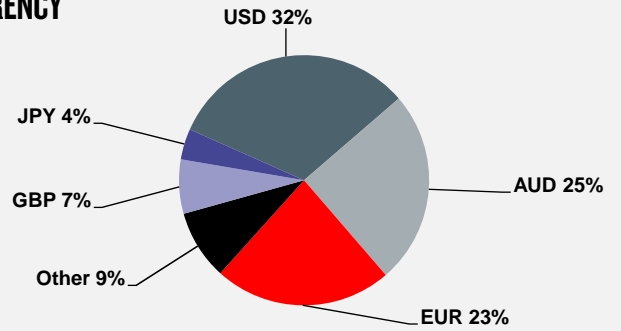


# DIVERSIFIED AND FLEXIBLE PORTFOLIO

## TYPE

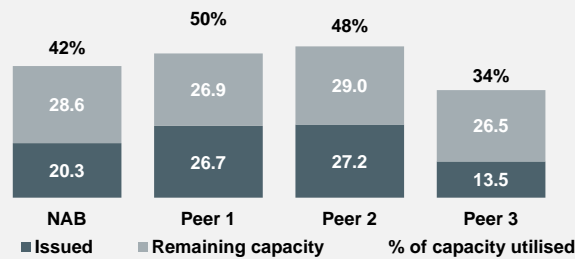


## CURRENCY



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

(\$bn)



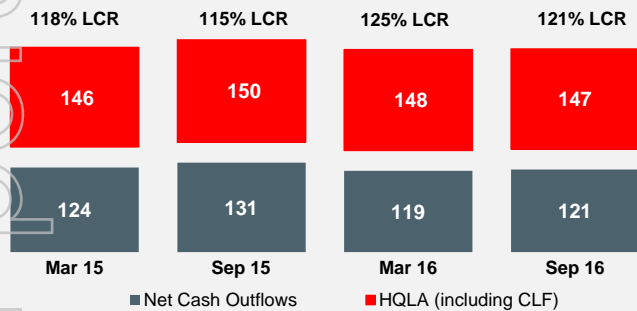
(1) Covered bond investor reports & APRA Monthly Banking Statistics as at August 2016. Remaining capacity based on current rating agency over collateralisation (OC) and legislative limit



# LIQUIDITY

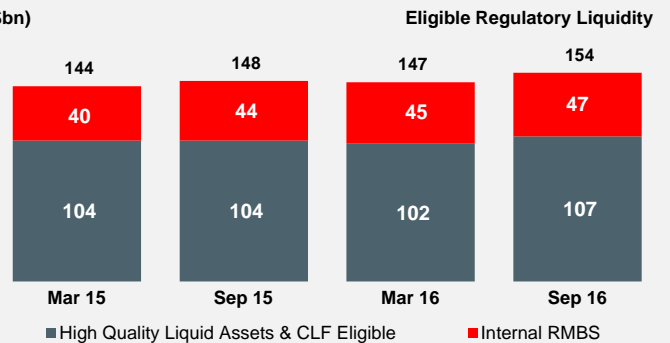
## LIQUIDITY COVERAGE RATIO (QUARTERLY AVERAGE)<sup>1</sup>

(\$bn)



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

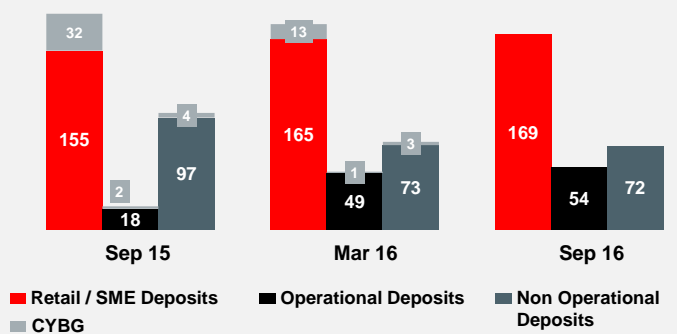
(\$bn)



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

Quarterly Average (\$bn)	Sep 15	Mar 16	Sep 16
High quality liquid assets	93	92	91
Alternative liquid assets <sup>2</sup>	54	51	51
RBNZ Securities	3	5	5
<b>Total LCR Liquid Assets</b>	<b>150</b>	<b>148</b>	<b>147</b>
<i>Net outflows due to</i>			
Retail deposits	20	19	18
Wholesale funding	96	83	86
Other	15	17	17
<b>Net cash outflows</b>	<b>131</b>	<b>119</b>	<b>121</b>
<b>Quarterly average LCR</b>	<b>115%</b>	<b>125%</b>	<b>121%</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 during the period 1 January 2016 to 31 December 2016

(3) Deposits included in 30 day LCR calculation (at call or maturing in 30 days). Operational and Non Operational Deposits include corporate deposits

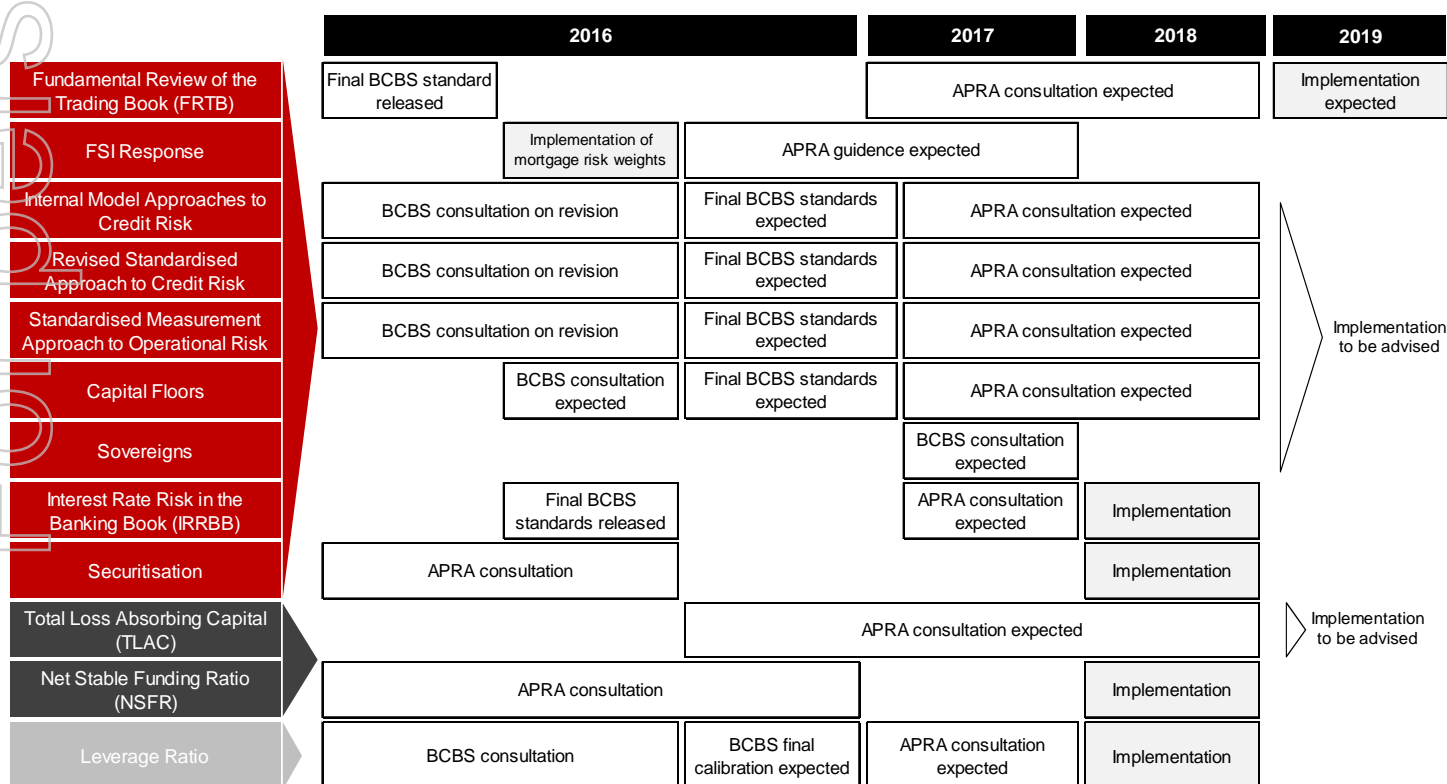


# KEY REGULATORY CHANGES IMPACTING CAPITAL AND FUNDING

	Description	International regulation status	Domestic regulation status
<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
<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 industry consultation released September 2016
<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
<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>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>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>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 proposal seeks to simplify securitisation for originating ADIs, and incorporate the updated BCBS securitisation framework	Final BCBS standard released December 2014	APRA industry consultation commenced November 2015



# KEY REGULATORY CHANGES IMPACTING CAPITAL AND FUNDING EXPECTED TIMELINES





## ADDITIONAL INFORMATION

- Group
- Australian Banking
- NZ Banking
- NAB Wealth
- Group Asset Quality
- Capital and Funding

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

- Economic Outlook
- Glossary

## CORPORATE RESPONSIBILITY

### OUR APPROACH TO CORPORATE RESPONSIBILITY

- To achieve NAB's vision of becoming Australia and New Zealand's most respected bank, NAB aims to make a positive and sustainable impact on the lives of its customers, people, shareholders and society. NAB is focused on supporting customers and communities through:
  - Financial inclusion and resilience
  - Social cohesion
  - Environmental wellbeing
- NAB's ESG Risk Management framework applies across the value chain (suppliers, workforce and operations, customers)

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



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

- Fortune 'Change the World' 2016 Ranking – First and only Australian company selected; recognition of NAB's Shared Value approach and specific financial hardship assistance program
- Dow Jones Sustainability Index series – NAB a global industry leader
- FTSE4Good Index series
- CDP – NAB has been awarded a position on the CDP 2016 Climate A List recognising NAB for climate change leadership and as a world leader for corporate action on climate change.

(1) Further information on the initiatives NAB participates in, and 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>



# PROGRESS IN NAB'S SOCIAL PRIORITY AREAS – 2016

## FINANCIAL INCLUSION AND RESILIENCE

- Assisted more than 440,000 Australians with microfinance products & services since 2005<sup>1</sup>
- Supported over 150,000 microfinance loans, with a value over \$190 million, since 2005<sup>1</sup>
- Committed an additional NZ\$50m in funding for the New Zealand community finance program
- Announced the launch of two 'Good Money'<sup>2</sup> stores in Queensland. To provide access to financial assistance, support services and products under the one roof
- Continued to support customers in getting back on track following financial hardship in 2016:
  - Over 21,000 customers assisted
  - 93% of customer accounts up-to-date within 90 days
  - Over \$70m in savings for NAB through avoided defaults

## SOCIAL COHESION

- Total community investment of \$48.8 million, including over 23,000 days of employee volunteering in 2016
- Published report card for 2015-2017 'Elevate' status Reconciliation Action Plan, outlining progress to date:
  - More than 200 Indigenous Australians employed as at 30 September 2016
  - 10 year partnership with CareerTrackers commenced
- Established a cross-business working group on the role of the financial services industry in family violence, support includes:
  - Family Violence Assistance Grants (up to \$2,500) for customers in financial hardship
  - Domestic violence leave and support resources available to employees
- Helped finance the third Social Impact Investment issued by the NSW Government – a program<sup>3</sup> to reduce reoffending by parolees and minimise re-incarceration

## ENVIRONMENTAL WELLBEING

- In 2016, \$7.3 billion in financing activities to support an orderly transition to a low-carbon and green economy
- Announced five climate change commitments in December 2015
- Established NAB's first science-based emissions reduction target for its operations – consistent with scientific estimates considered to be required to maintain global warming below the two degree threshold
- Provided over \$92 million in discounted loans to renewable energy and energy efficient assets from June 2015 to date, with support from the Clean Energy Finance Corporation
- Achieved close to 80% of NAB's key office buildings operating at a 4 Star NABERS Energy rating or better
- Met five out of six 2016 Group Environmental targets, missed NAB's waste diverted from landfill target due to an overall decrease in paper usage and waste, thereby lowering amount of waste that could be recycled

(1) In partnership with Good Shepherd Microfinance

(2) Supported by Good Shepherd Microfinance, Victorian and South Australian Governments and NAB, Good Money stores offer safe, affordable and responsible financial services for people on low incomes who are otherwise excluded from mainstream financial services

(3) Delivered by the Australian Community Support Organisation (ACSO)



# NAB'S CONTRIBUTION TO SOCIETY – 2016

## NAB REVENUE

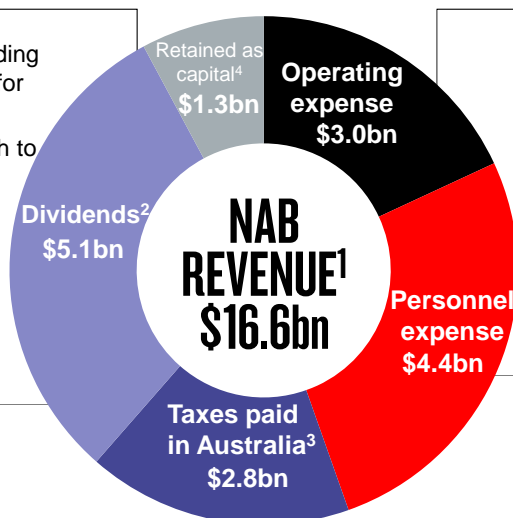
- Supports all stakeholders and business partners
- NAB revenue is shown after paying interest to 4.5 million Australian and New Zealand retail and business customers who have deposited over \$390 billion with us

## 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 \$4 billion a month to homeowners
- Total of over \$300 billion in Home Lending and \$200 billion in Business Lending

## SHAREHOLDERS (INCL. SUPER FUNDS)

- Approx. 582,000 shareholders
- Approx. 80% of NAB's profits distributed in dividends



## SUPPLIERS & COMMUNITY

- 1,700+ contracted suppliers
- Over 23,000 volunteering days contributed by employees this year
- Supported over 22,000 microfinance loans at a value of more than \$25.6 million in partnership with Good Shepherd Microfinance

## OUR PEOPLE

- Employ over 35,000 people (NAB Group)
- Over 50% of our workforce directly engages with customers

## GOVERNMENT

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

Figures based on NAB's FY16 cash earnings

(1) Revenue shown net of \$0.8bn of bad and doubtful debts

(2) Dividends paid in FY16

(3) Includes income tax, GST, FBT, payroll tax and other taxes borne by NAB

(4) Excluding the loss on sale of CYBG and the life insurance business and other items categorised as non-cash earnings



# CORPORATE RESPONSIBILITY PERFORMANCE – KEY METRICS

	2013	2014	2015	2016
Net Promoter Score (Priority customer segments) (Australia)	-19 (=4 <sup>th</sup> )	-18 (3 <sup>rd</sup> )	-16 (3 <sup>rd</sup> )	-14 (1 <sup>st</sup> )
Cumulative number of Australians assisted with microfinance products/services	268,864	335,934	394,277	<b>449,844</b>
Enterprise Employee Engagement score <sup>1</sup> (%)	Not comparable	44	56	<b>61</b>
Employee voluntary turnover rate <sup>1</sup> (%)	11%	10%	10%	<b>10%</b>
Community investment <sup>1</sup> (\$m)	55.2	56.5	54.4	<b>48.8</b>
Cumulative number of volunteering hours contributed (hrs) (Australia)	764,816	922,001	1,084,712	<b>1,222,798</b>
Progress towards September 2022 \$18bn clean energy financing commitment (\$bn)	-	-	Target established and defined	<b>7.3</b>
Gross Greenhouse Gas emissions (Scope 1, 2 and 3) (tCO <sub>2</sub> -e) <sup>2</sup>	311,024	297,691	276,584	<b>231,599<sup>3</sup></b>
Progress towards target percentage (90%) of material suppliers <sup>4</sup> that are signatories to NAB Group Supplier Sustainability Principles (%)	Target established and defined	32	47	<b>91</b>

Further information (including detailed definitions and calculations) on listed measures and additional performance indicators will be made available in the 2016 Annual Review and Dig Deeper (published 14 November 2016) – <http://digdeeper.nab.com.au>

(1) Historical figures have been restated to exclude discontinued operations

(2) Calculated for the environmental reporting year 1 July - 30 June. Gross totals are prior to renewable energy purchase

(3) Emissions from all major operations under NAB's control during the 2016 environmental reporting year, including one month of emissions from Great Western Bank and seven months of emissions from CYBG

(4) There are variances in terminology and definition of a material or strategic supplier across NAB's operations in different geographic regions. For a full explanation on the thresholds across operations, see the 2016 Dig Deeper



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## 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

This year, NAB has taken a number of steps to further integrate ESG considerations in the risk management framework, as outlined below

#### ENVIRONMENT

- Updated Group Environmental policies, including NAB's Environmental Reporting and Offset Management Policy
- Established post-2016 environmental targets including a science-based GHG emissions reduction target
- Continued participation in the United Nations Environment Program Finance Initiative / World Resources Institute / 2 Degrees Investing Initiative Portfolio Carbon Initiative (PCI)
- Improved disclosure of carbon risk exposure in the lending book

#### SOCIAL

- Developed a Human Rights Policy
- Integrated specific consideration of modern slavery into the Group Procurement Policy and Group Outsourcing and Offshoring Policy
- Established new supplier sustainability targets for the period 2016 to 2020
- Took further steps to enhance the culture of NAB (see next slide)

#### GOVERNANCE

- NAB's investment advisory business, JANA became a signatory to the Principles for Responsible Investment
- Updated and published NAB's Political Donations Policy – NAB no longer makes political donations
- Changes to BNZ credit policy have made it easier for bankers to identify and manage ESG risk

Further detail on NAB's approach to ESG risk management, including additional performance indicators and case studies, will be available in our 2016 Dig Deeper (published 14 November 2016), as well as on NAB's 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)



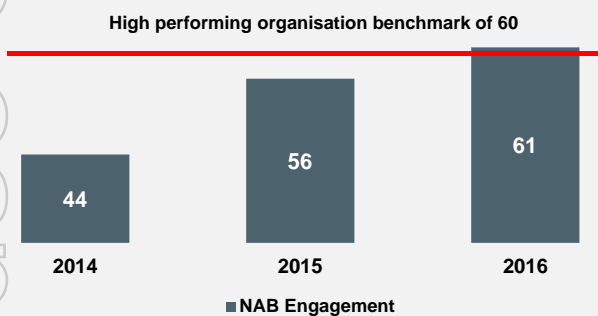
# ENGAGEMENT AND CULTURE

## VALUES-ALIGNED CULTURE

Embedding organisational values throughout NAB

- Employee engagement increased from 56 to 61, exceeding the global high performing organisation benchmark for the first time<sup>1</sup>
- The most significant driver of engagement is NAB's vision to become Australia and New Zealand's most respected bank
- Trust in NAB's whistle-blower processes has further improved (84) from a high base (82)<sup>1</sup>

## EMPLOYEE ENGAGEMENT<sup>1</sup>



(1) As measured in NAB's annual employee engagement survey "Speak Up, Step Up" conducted by Right Management. Historical engagement figures have been re-stated to exclude discontinued operations and provide consistent coverage for trend over time

## RISK CULTURE UPDATE

Banks are in the business of taking risk. NAB's aspirational risk culture is "our people understanding and living 'Do the right thing'. It's about taking the right risk, with the right controls for the right return." This applies not only to risks that might impact the bank's ability to perform, but also helping customers to manage their risk to enable them to reach their potential

Culture is a driver of conduct and is a key focus area for NAB's Board and management

- NAB's chairman and NAB Senior Executives have signed the Banking & Finance Oath to show NAB is committed to upholding the highest ethical standards
- NAB has committed to the Australian Bankers Association initiatives to increase transparency, accountability, build trust and confidence in the banking industry
- NAB is making it easier for customers when things go wrong. NAB has appointed an Independent Customer Advocate to support its Retail and Small Business customers in resolving serious complaints
- NAB is reaffirming support for employees who blow the whistle on inappropriate conduct
- Advocacy, NAB values, risk and compliance are embedded into how NAB assesses and manages performance

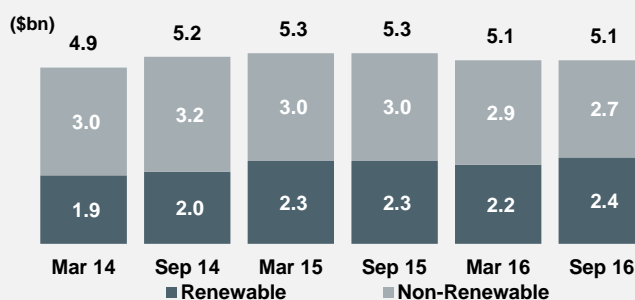


# ELECTRICITY GENERATION AND ENVIRONMENTAL FINANCING

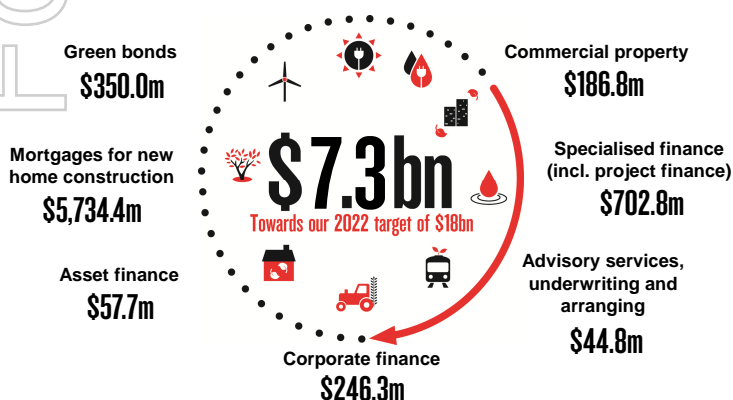
## ENVIRONMENTAL FINANCING

- 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
- Recognised as a 'green bond pioneer' by the London Stock Exchange and Climate Bonds Initiative for work developing the Australian green bond market
- Arranged and led the \$300m Victorian Government Green Bond, the world's first Climate Bond Standard Certified Green Bond issued by a semi-government authority

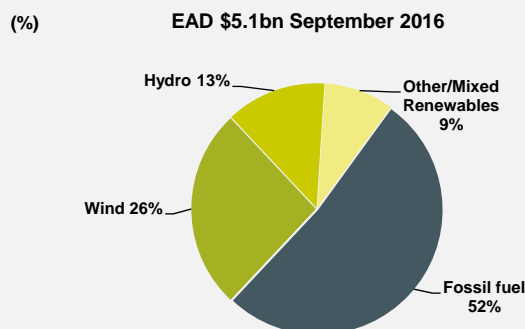
## ELECTRICITY GENERATION EXPOSURES BY FUEL SOURCE EXPOSURE AT DEFAULT<sup>2</sup>



## AGGREGATE AMOUNT OF FINANCING TOWARDS \$18BN TARGET<sup>1</sup>



## ELECTRICITY GENERATION EXPOSURES BY FUEL SOURCE



(1) A document outlining NAB's approach to measuring progress against its \$18bn financing will be published at the same time as the 2016 Dig Deeper on 14 November 2016, and made available on the 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>





## ADDITIONAL INFORMATION

- Group
- Australian Banking
- NZ Banking
- NAB Wealth
- Group Asset Quality
- Capital and Funding
- Environmental, Social and Governance

## ECONOMIC OUTLOOK

- Glossary

## AUSTRALIA REGIONAL OUTLOOK

- Real GDP growth was moderate in Q2, though the year-ended rate lifted to 3.3% – the fastest pace since mid-2012
- Activity remains variable by industry and state. Non-mining sectors (especially services) robust, but mining related industries struggling
- The NAB Business Survey is showing above-average conditions for the non-mining economy, though this has moderated recently
- Real GDP growth forecast is solid at 3.0% in 2016 and 2.8% in 2017, with support from LNG exports and growth in net services exports (including tourism and education). Domestic demand growth to remain subdued as mining contracts further, despite support from dwelling construction. There is potential upside from state government spending and farm GDP
- Real GDP is forecast to slow to 2.6% in 2018 due to LNG exports flattening, dwelling construction cycle downturn and fading benefit from currency depreciation since 2013. There is potential upside from further lowering of interest rates and currency depreciation
- Nominal GDP growth forecast is below historical average due to subdued commodity prices and weak wages growth. This will continue to challenge corporate profits, government revenue, and Australia's AAA rating
- Amidst a weak outlook for inflation, we expect two further rate cuts from the RBA in mid-2017. Further deterioration could prompt non-conventional monetary policy tools (e.g. asset purchases)
- Credit growth is forecast to remain solid. APRA's imposed 'speed limit' has slowed investor housing credit growth, but this has been largely offset by owner-occupier credit growth

### ECONOMIC INDICATORS (%)

	CY14	CY15	CY16(f)	CY17(f)	CY18(f)
GDP growth <sup>1</sup>	2.7	2.4	3.0	2.8	2.6
Unemployment <sup>2</sup>	6.1	5.8	5.7	5.6	5.6
Core Inflation <sup>3</sup>	2.2	2.0	1.6	1.8	2.0
Cash rate <sup>2</sup>	2.5	2.0	1.5	1.0	1.0

### SYSTEM GROWTH (%)<sup>4</sup>

	FY14	FY15	FY16(f)	FY17(f)	FY18(f)
Housing	6.0	7.2	7.0	6.7	6.4
Personal	0.8	1.0	(0.5)	(0.1)	1.5
Business	2.6	5.1	6.3	5.0	6.2
Total lending	4.5	6.1	6.3	5.8	6.1
System deposits	6.7	7.0	6.1	6.7	6.7

(1) Average for year ended December quarter on average of previous year  
 (2) As at December quarter  
 (3) December quarter on December quarter of previous year  
 (4) Average for year-ended September (bank fiscal year end) on average of previous year



# NZ REGIONAL OUTLOOK

- The New Zealand economy remains on a solid footing. Real GDP rose by 3.6% over the year to the June quarter 2016; its fastest pace since late 2014
- Factors supporting the economic growth include: strong population growth due to high net inward migration, construction, tourism, robust employment and investment trends, along with low interest rates
- Constraints on growth are: emerging capacity constraints domestically, mixed commodity export prices, the robust NZ dollar and tepid international conditions
- Dairy prices remain far from strong. However they have rebounded enough, since the recent low in April 2016, for Fonterra to increase its forecast of the 2016/17 farmgate milk price by \$1 to \$5.25 per kg of milk solids. This is now slightly above break-even for most dairy farmers. Non-dairy commodity prices generally remain mixed-to-strong
- High house price inflation is now broadening beyond Auckland
- The labour market continues to firm, although nominal wage growth remains moderate
- The Reserve Bank of New Zealand cut its OCR in August 2016 to a historically low 2.0%, while indicating that further policy easing will be required to meet its inflation target
- Credit growth was 7.5% yoy in August, around the level it has been since the start of 2016. Strength is most evident in housing credit, although new loan-to-value restrictions are expected to slow growth. Agriculture and consumer credit growth has been slowing

## ECONOMIC INDICATORS (%)

	CY14	CY15	CY16(f)	CY17(f)	CY18(f)
GDP growth <sup>1</sup>	3.8	2.5	3.4	3.1	1.9
Unemployment <sup>2</sup>	5.5	5.0	5.0	5.1	5.3
Inflation <sup>3</sup>	0.8	0.1	1.3	1.5	1.9
Cash rate <sup>2</sup>	3.5	2.5	1.75	1.5	2.5

## SYSTEM GROWTH (%)<sup>4</sup>

	FY14	FY15	FY16(f)	FY17(f)	FY18(f)
Housing	5.4	5.3	8.2	7.6	6.1
Personal	4.6	6.0	2.9	3.1	4.3
Business	3.4	6.0	6.8	6.0	5.6
Total lending	4.6	5.6	7.4	6.8	5.8
Household retail deposits	8.8	10.5	9.8	7.0	6.7

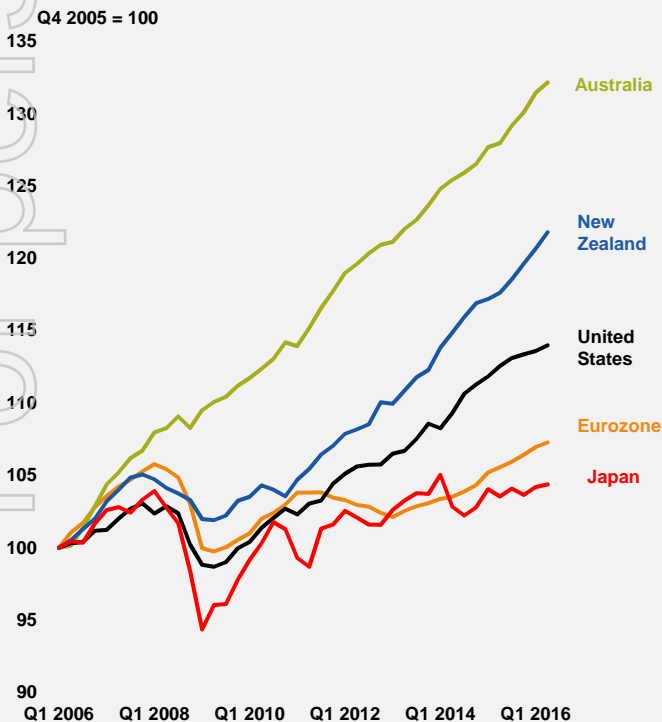
- (1) Average for year ended December quarter on average of previous year
- (2) As at December quarter
- (3) December quarter on December quarter of previous year
- (4) Average for year-ended September (bank fiscal year end) on average of previous year

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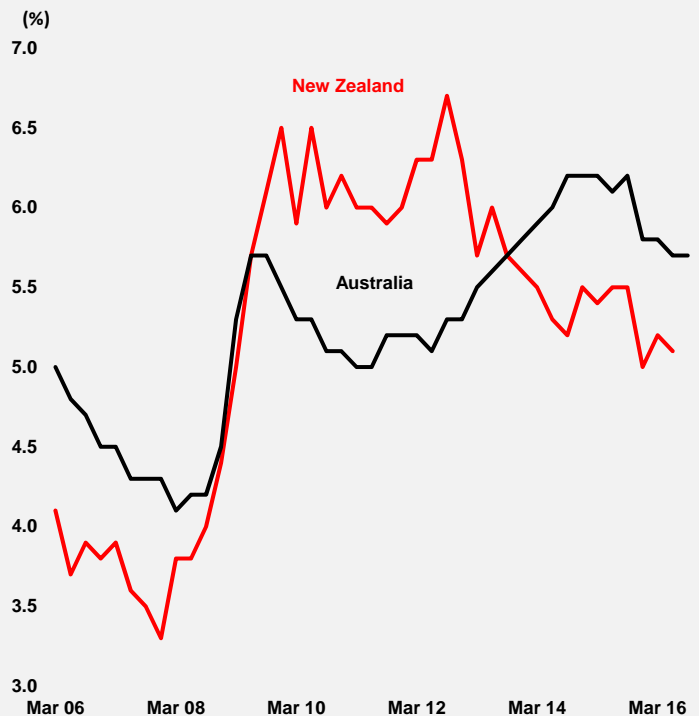


# AUSTRALIAN AND NZ ECONOMIES CONTINUE TO PERFORM WELL

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



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



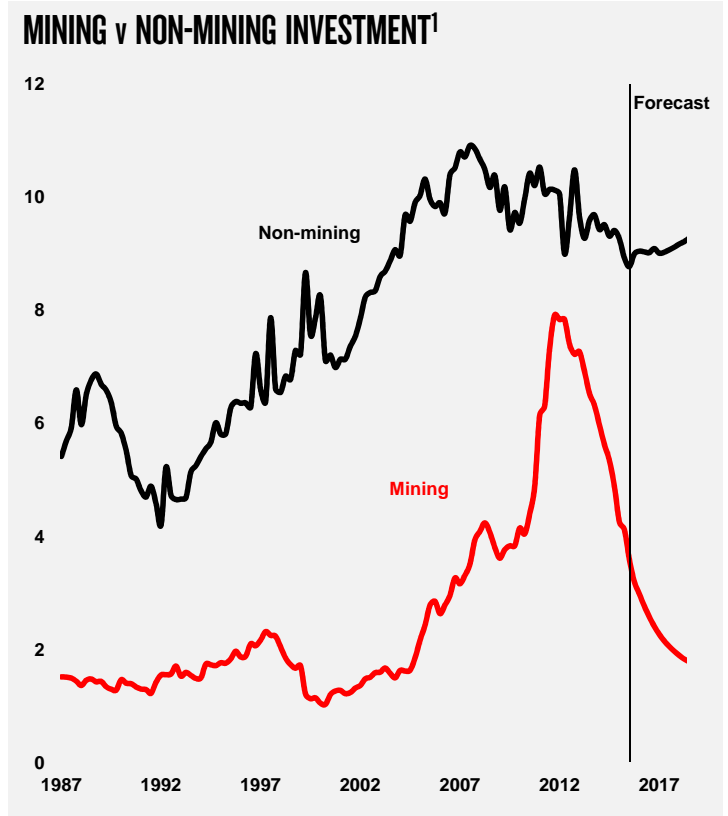
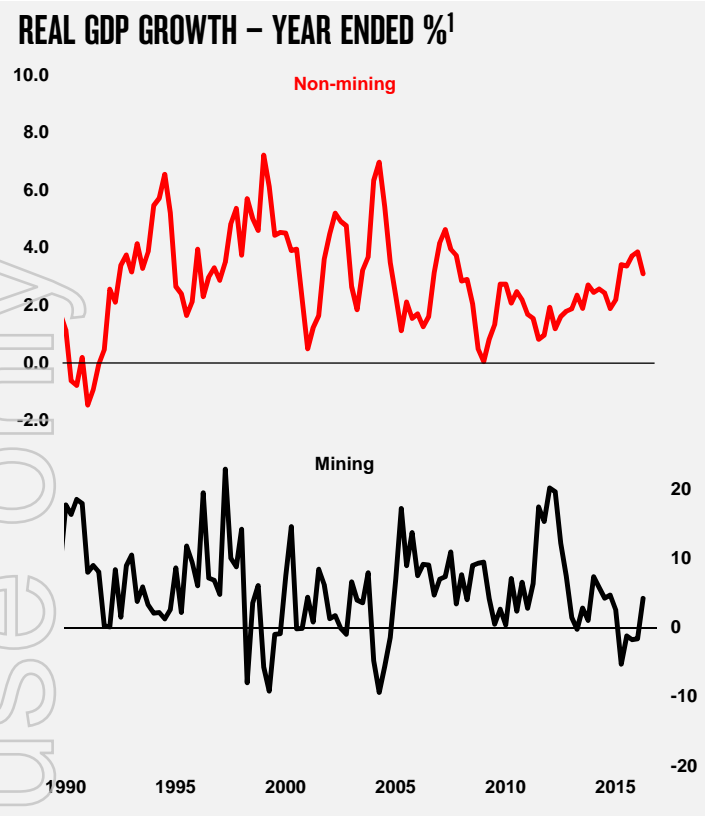
- (1) Henderson centred seven period moving average. Source: NAB
- (2) Source: NAB

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# AUSTRALIA CONTINUES TO TRANSITION AWAY FROM MINING

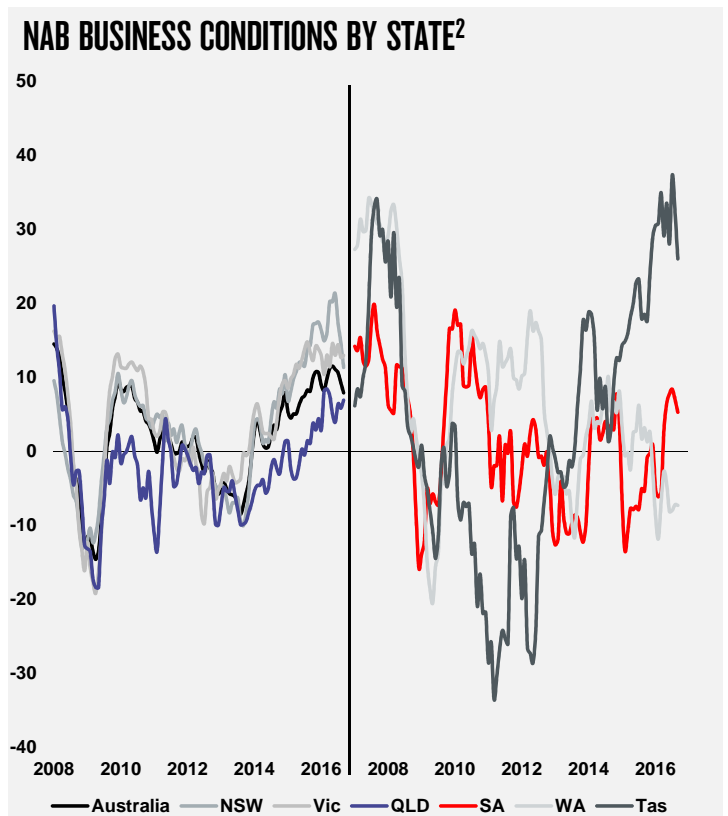
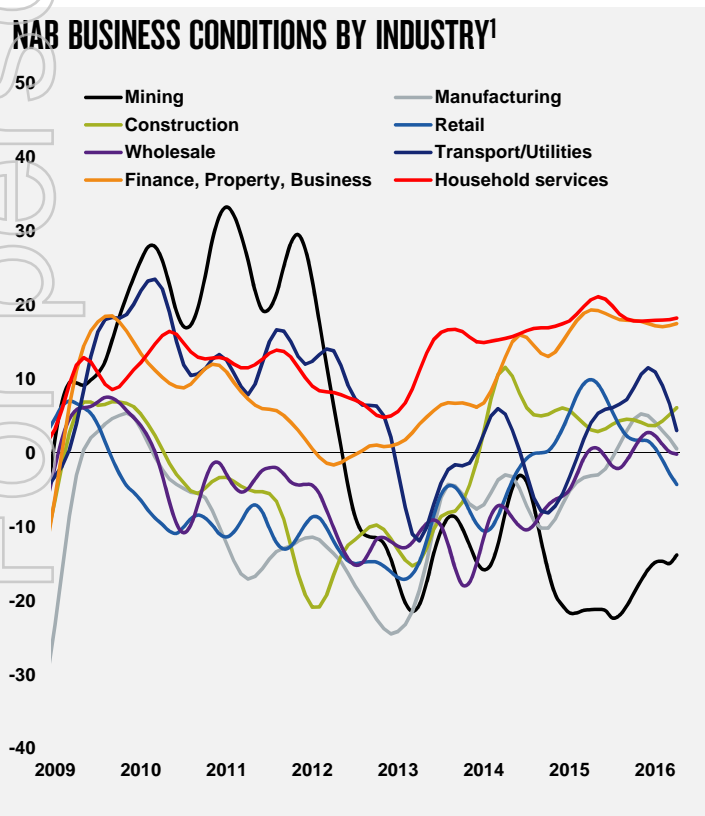


(1) Source: NAB, ABS

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# RESULTING IN DIVERSE CONDITIONS BY INDUSTRY AND REGION



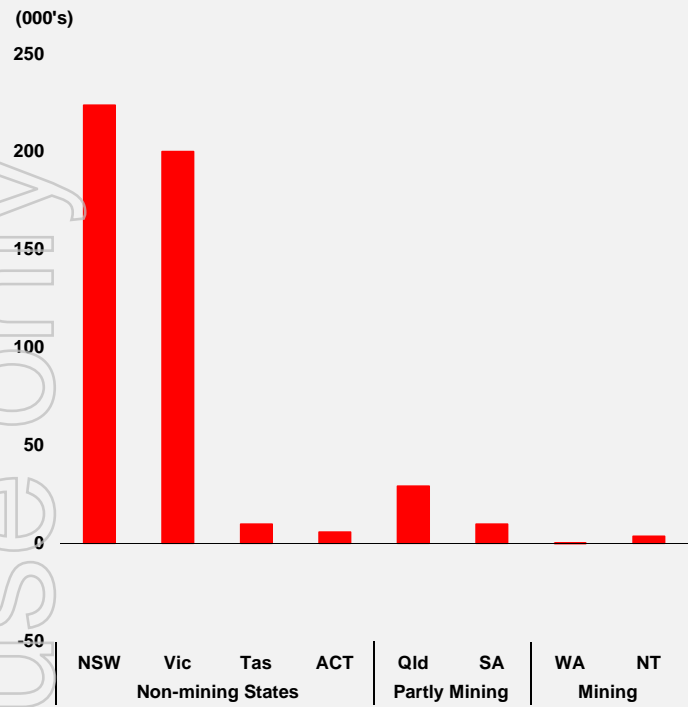
(1) 13 period Henderson trend. Source: NAB Monthly Business Survey  
(2) Source: NAB Monthly Business Survey

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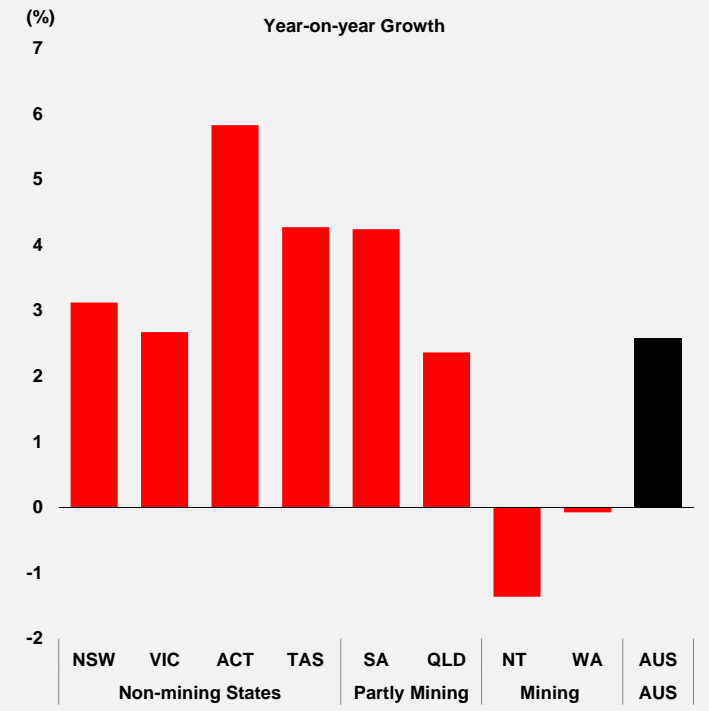


# ECONOMIC INDICATORS SUGGEST NON-MINING STATES ARE THRIVING

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



## RETAIL SALES BY STATE – AUGUST 2016<sup>1</sup>

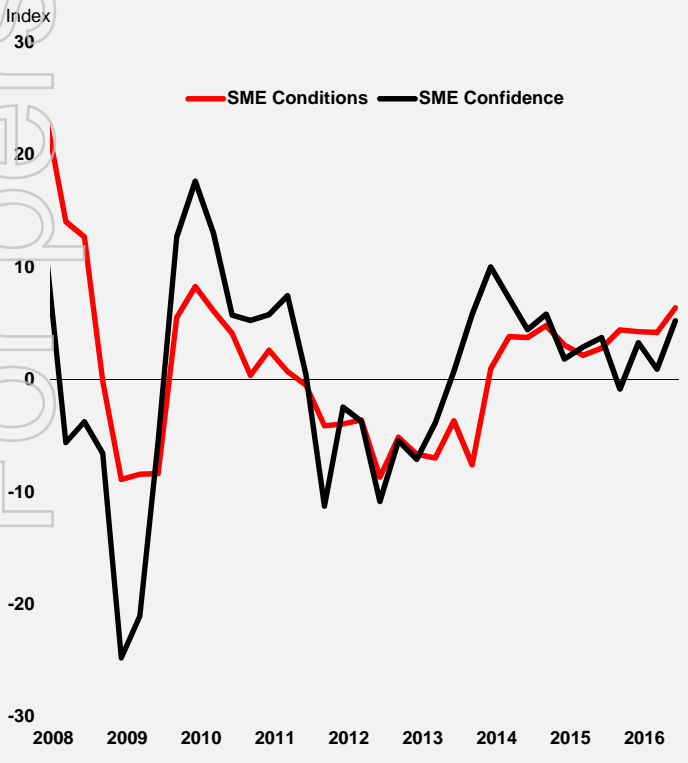


(1) Source: NAB, ABS

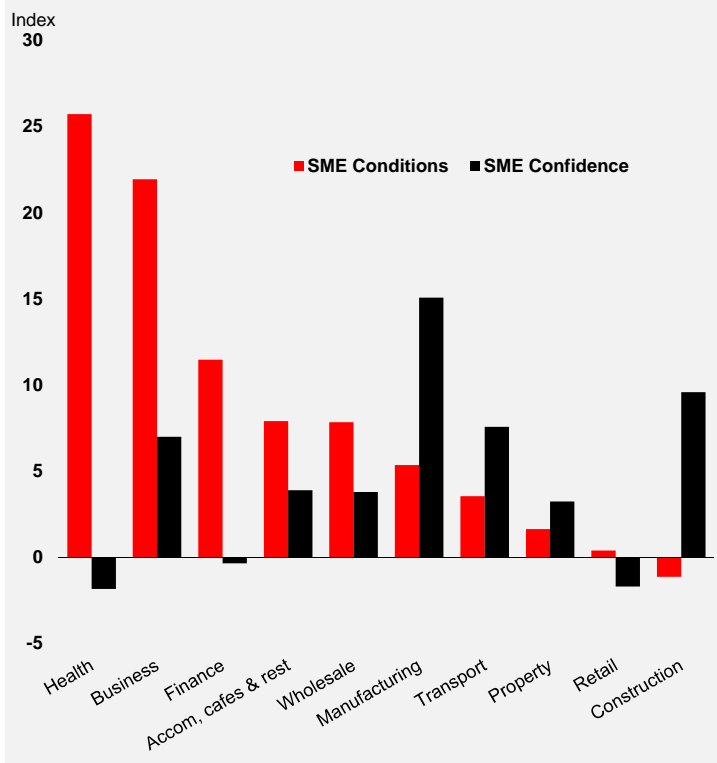


# SME CONDITIONS AND CONFIDENCE ESPECIALLY STRONG, HIGHEST IN SIX YEARS

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



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

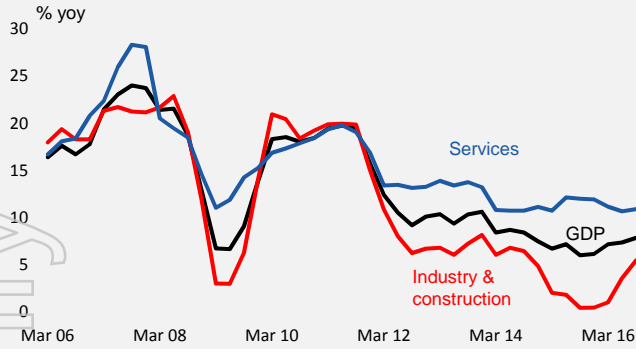


(1) Source: NAB Quarterly SME Survey

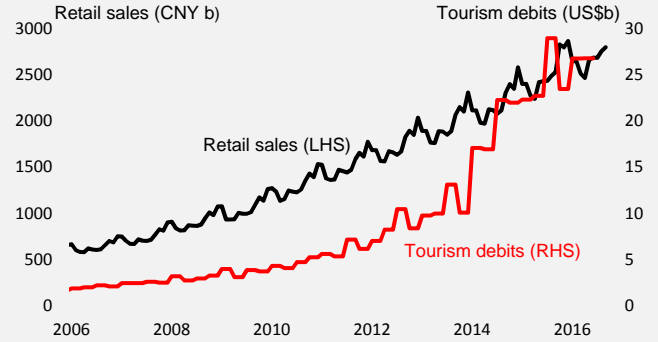


# CHINA ECONOMIC GROWTH SUPPORTING THE AUSTRALIAN TRANSITION

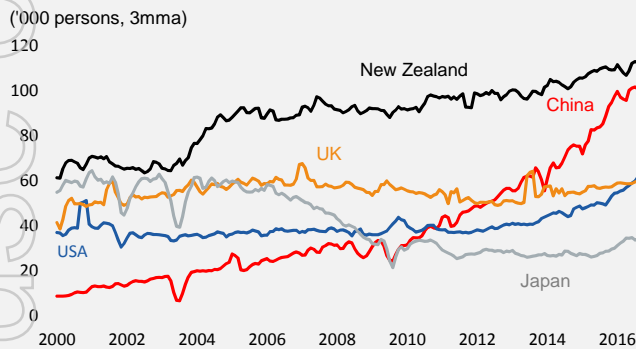
## CHINA NOMINAL GDP BY INDUSTRY<sup>1</sup>



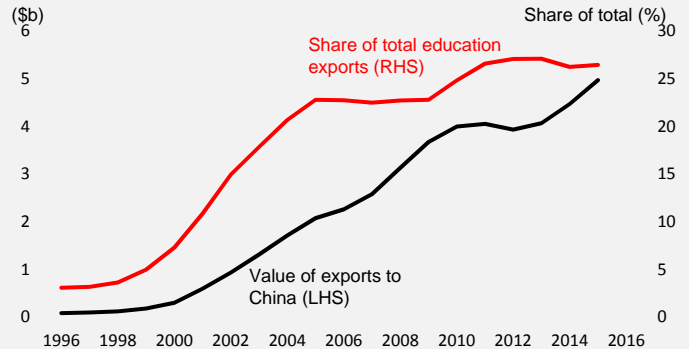
## CHINA RETAIL SALES & TOURISM DEBITS<sup>1</sup>



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



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

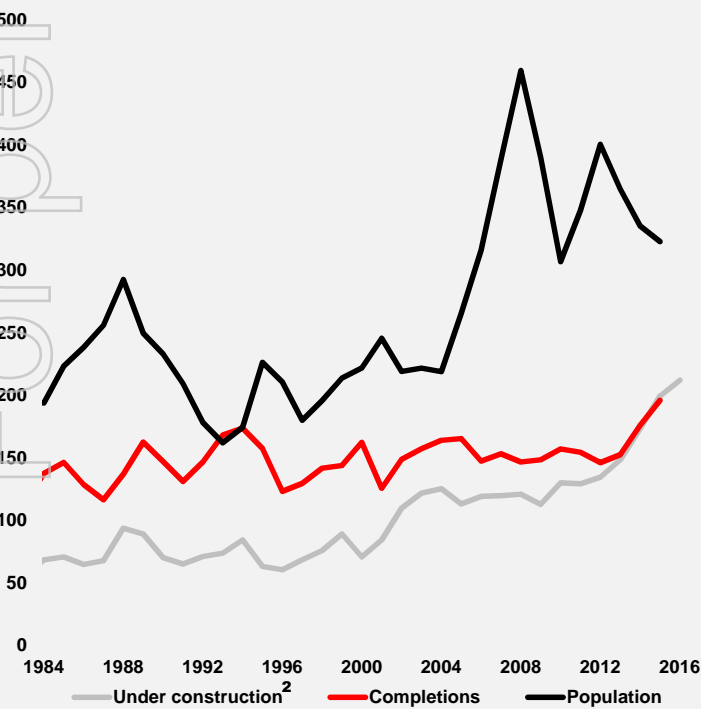


- (1) Source: CEIC
- (2) Source: ABS, 3mma denotes three month moving average
- (3) Source: ABS

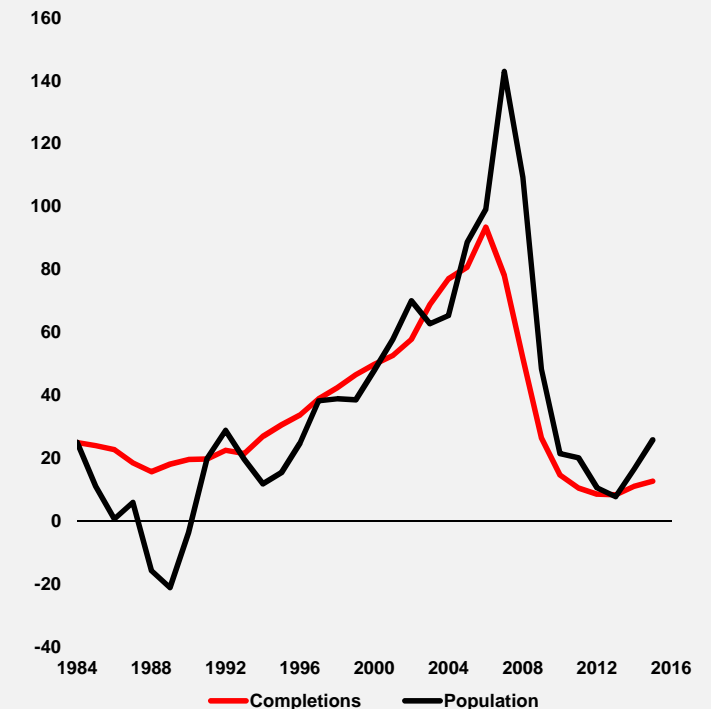


# HOUSING – COMPARISON WITH IRELAND

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



## IRELAND DWELLING COMPLETION v ANNUAL POPULATION GROWTH (000's)<sup>3</sup>

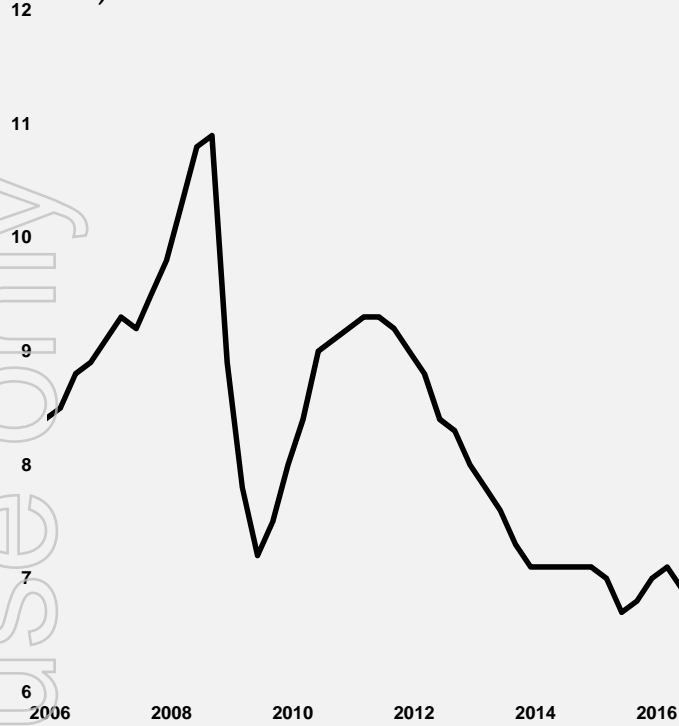


- (1) Source: NAB, ABS
- (2) 2016 dwellings under construction as at Q2 2016
- (3) Source: NAB, Thomson Reuters



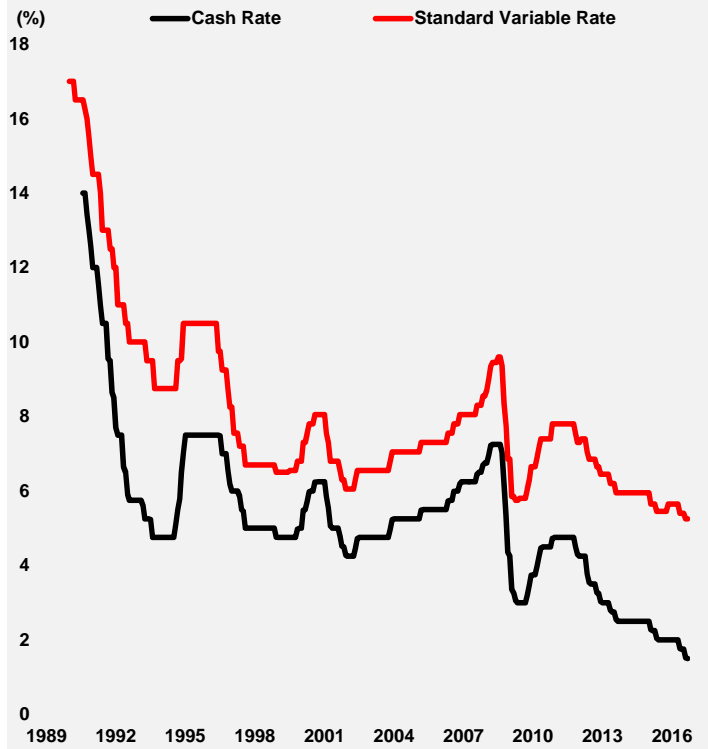
# HOUSING – STRONGER SERVICABILITY WITH LOW INTEREST RATE ENVIRONMENT

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



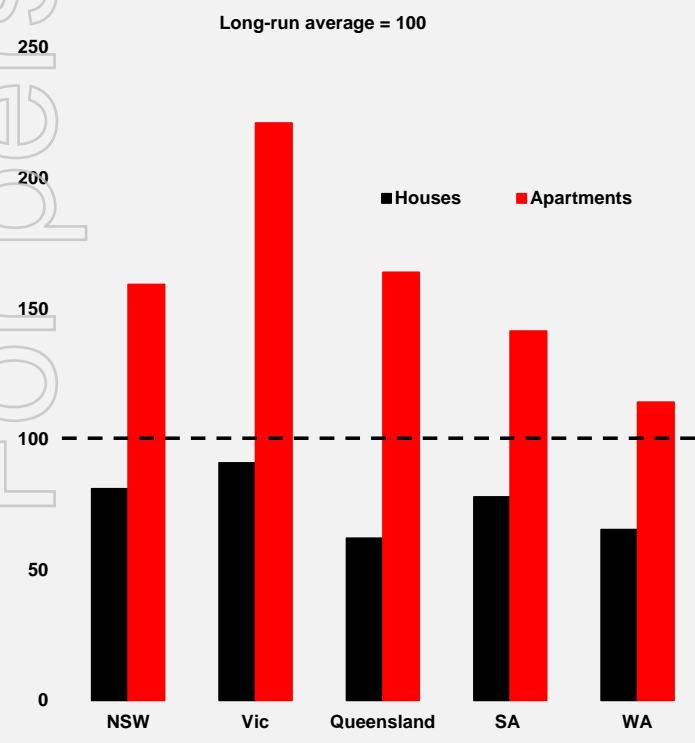
(1) Source: RBA  
(2) Source: NAB Monthly Business Survey, RBA

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

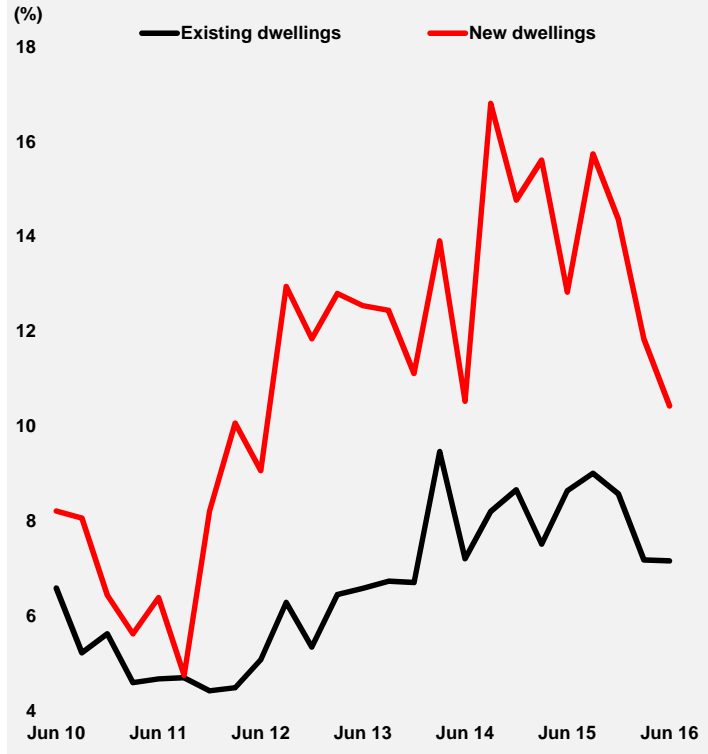


# HOUSING – APARTMENT OVERSUPPLY DEPENDENT ON FOREIGN DEMAND

**HOUSING APPROVALS TO POPULATION RATIO<sup>1</sup>**



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

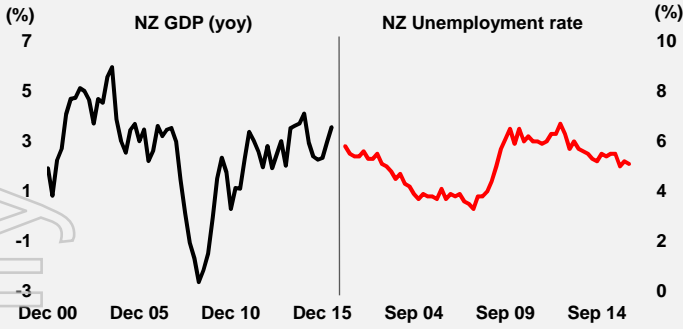


(1) Source: NAB, ABS  
(2) Source: NAB Residential Property Survey

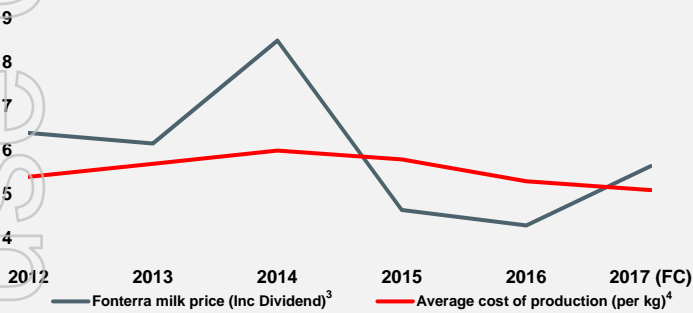


# NEW ZEALAND

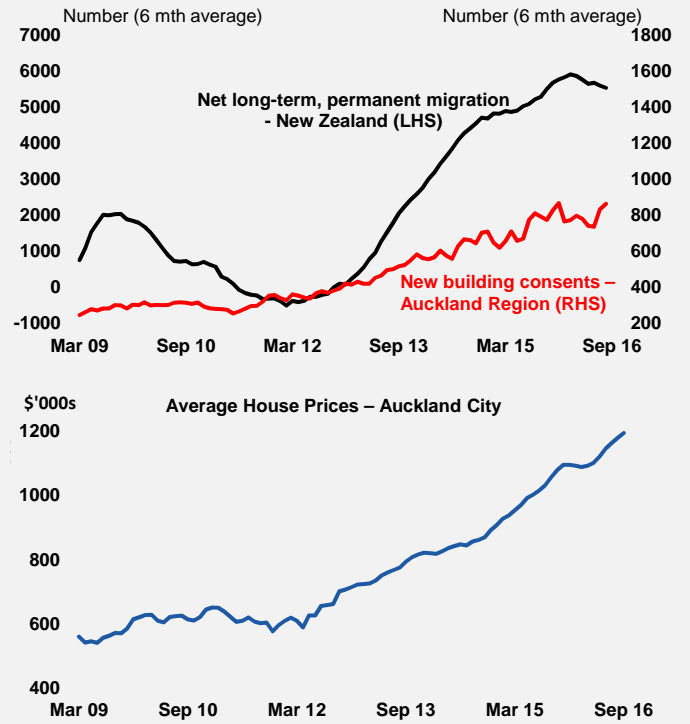
## NZ GROWTH SOLID, UNEMPLOYMENT BELOW 5YR AVERAGE<sup>1</sup>



## FONTERRA MILK PRICE FORECASTS (INCLUDING DIVIDEND)



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



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



## ADDITIONAL INFORMATION

- Group
- Australian Banking
- NZ Banking
- NAB Wealth
- Group Asset Quality
- Capital and Funding
- Environmental, Social and Governance
- Economic Outlook

## GLOSSARY



# GLOSSARY

<b>Assets 90+ days past due</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>Australian Banking</b>	Australia Banking offers a range of banking products and services to retail and business customers ranging from small and medium enterprises through to some of Australia's largest institutions. Australia Banking comprises the Personal Banking and Business Banking franchises, Fixed Income, Currencies and Commodities (FICC), Capital Financing, Asset Servicing and Treasury.
<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>Banking</b>	Banking operations include the Group's: - Retail and Non-Retail deposits, lending and other banking services in Australian Banking, NZ Banking and NAB Wealth - Wholesale operations comprising Global Capital Markets and Treasury, Specialised Finance and Financial Institutions business within Australian Banking, and - NAB UK CRE operations and Group Funding within Corporate Functions and Other.
<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>Capital ratios</b>	As defined by APRA under APS111 - Capital Adequacy: Measurement of Capital (unless stated otherwise).
<b>Cash Earnings</b>	Refer to page 2, Section 1 - Profit Reconciliation of 2016 Full Year Results Announcement for information about, and the definition of cash earnings.
<b>CET1 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>CFI Customer Funding Index</b>	Customer deposits (excluding certain short dated institutional deposits used to fund liquid assets) divided by core assets.

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# GLOSSARY

<b>DVA Derivative Valuation Adjustment</b>	Consist of Credit Valuation Adjustment (CVA), Funding Valuation Adjustment (FVA) and Overnight Index Swap (OIS) adjustment. CVA adjusts the fair value of over-the-counter derivatives and credit risk. FVA reflects the estimated present value of future market funding costs or benefits associated with funding uncollateralised derivatives.
<b>EAD 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 RWA.
<b>EPS 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 by a controlled entity of the Group employee share scheme trust and dilutive potential ordinary shares.
<b>FTE Full-time Equivalent Employees</b>	Includes all full-time staff, part-time, temporary, fixed term and casual staff equivalents, as well as agency temps 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.
<b>FUM/A Funds under Management and Administration</b>	Funds under Management and Administration
<b>GIAs 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 Gross Loans and Acceptances</b>	Gross Loans and Acceptances
<b>Group</b>	NAB and its controlled entities.
<b>Housing lending</b>	Mortgages secured by residential properties as collateral.
<b>HQLA 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>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>CLF 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>Continuing operations</b>	Continuing operations are the components of the Group which are not discontinued operations.
<b>Core assets</b>	Represents gross loans and advances including acceptances, financial assets at fair value, and other debt instruments at amortised cost (classified in comparative periods as investments held to maturity).
<b>Corporate Functions and Other</b>	The Group's 'Corporate Functions' business includes functions that support all businesses including Group Funding, Other Corporate Functions activities and the results of NAB UK CRE and Specialised Group Assets (SGA) (closed as at 31 March 2015). Group Funding acts as the central vehicle for movements of capital and structural funding to support the Group's operations, together with capital and balance sheet management. Other Corporate Functions activities include Enterprise Services and Transformation, and Support Units (which includes Office of the CEO, Risk, Finance, Strategy, People and Governance & Reputation).
<b>CPS</b>	Cents Per Share
<b>CTI Banking 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>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>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>DRP 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>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>IRB 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>LCR 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>Leverage ratio</b>	As defined by APRA (unless otherwise stated). A non-risk based supplementary measure to the risk-based capital requirements.
<b>LVR Loan to Value Ratio</b>	Mortgage loan to bank value of property expressed as a percentage.
<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>NAB Wealth</b>	NAB Wealth provides superannuation, investments and insurances solutions to retail, corporate and institutional clients. NAB Wealth operates one of the largest networks of financial advisers in Australia.
<b>NII Net Interest Income</b>	Net of revenues generated by interest-bearing assets and the cost of interest-bearing liabilities.
<b>NIM Net Interest Margin</b>	NII as a percentage of average interest earning assets.
<b>NPS 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 Net Stable Funding Ratio</b>	The NSFR is defined as the ratio of the amount of available stable funding to required stable funding.
<b>NZ Banking</b>	NZ Banking comprises the Retail, Business, Agribusiness, Corporate and Insurances franchises in New Zealand, operating under the 'BNZ' brand. It excludes BNZ's Markets operations.



# GLOSSARY

OIS	<b>Overnight Index Swap</b>	Interest rate swap involving the overnight rate being exchanged for a fixed interest rate.
OOI	<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.
RMBS	<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.
ROE	<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.
RWAs	<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.
SFI	<b>Stable Funding Index</b>	Term Funding Index (TFI) plus Customer Funding Index (CFI).
SME	<b>Small and Medium Enterprise</b>	A segment of NAB business lending which supports business customers with lending typically up to \$25m, excluding the Specialised Businesses.
TFI	<b>Term Funding Index</b>	Term wholesale funding (with a remaining maturity to first call date greater than 12 months) divided by core assets.
TSR	<b>Total Shareholder Returns</b>	Measured against Australian Financial Services firms as listed in our 2015 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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