

# FULL YEAR RESULTS 2020



## 2020 FINANCIAL HIGHLIGHTS

**\$2,559m**

Statutory net profit

**\$3,710m**

Cash earnings<sup>1</sup>  
Down 36.6% v FY19

**\$4,733m** cash earnings ex large notable items of \$1,023m  
Down 25.9% v FY19<sup>2</sup>

**30cPS**

Final dividend  
100% franked

**11.47%**

Group Common Equity Tier 1 (CET1) ratio

“Our operating environment is evolving through the ongoing challenges and uncertainties associated with COVID-19. While economic activity has been materially impacted, the significant stimulus for households and businesses provided in the Federal Budget, combined with an expected more complete reopening of domestic state borders, provide a bridge to economic recovery as support is reduced.

A strong balance sheet remains critical to allow us to support customers while keeping the bank safe. Building on our decisive actions in April to bolster capital and provisions, in 2H20 we added a further \$1,028 million in forward looking provisions, bringing total forward looking provisions raised in FY20 to \$1,856 million. The 2H20 increase reflects continuing uncertainty in the outlook combined with extra cover for specific sectors most heavily impacted by COVID-19.

Stronger provisions are the right thing to do but have impacted FY20 cash earnings, which are down 25.9% compared with FY19 (ex large notable items). In addition, low interest rates and lower fee income contributed to a decline in revenue. While we are acutely aware of the need for disciplined cost management, costs rose in FY20 as we adjusted to the COVID-19 environment and started implementing our strategy refresh announced in April.

We are progressing well with our strategy refresh which is creating a simpler, more accountable business, committed to execution. We have embedded a new organisational structure with end-to-end accountability. We are clear about our priorities, and we are focusing on our customers and colleagues to drive sustainable performance over time.

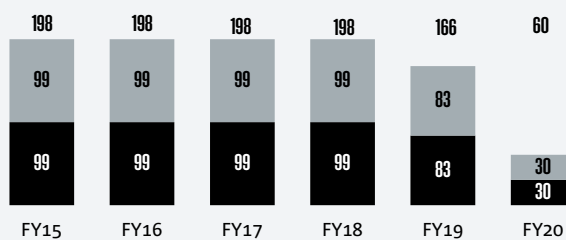
**ROSS MCEWAN** NAB CEO

## SHAREHOLDER OUTCOMES

### DIVIDENDS (CPS)

In respect of each financial year period

■ Interim ■ Final



## SUPPORTING OUR CUSTOMERS & COMMUNITIES IN 2020

- More than 1,000 resources added and re-directed to support customers managing the impacts of COVID-19
- Strategic Net Promoter Score (NPS)<sup>3</sup> for September 2020 up 5 points over the year to -11, with NAB maintaining a leading position during the year and finishing second of major banks
- Making things easier for customers with a range of digital tools launched including a new self-service online booking engine providing faster, more convenient home loan appointments

<sup>1</sup> Refer cash earnings note and reconciliation on page 6.

<sup>2</sup> Cash earnings large notable items after tax: customer-related and payroll remediation \$261m in FY20, \$192m in FY19; capitalised software policy change \$668m in FY20, \$344m in FY19; impairment of property-related assets \$94m in FY20.

<sup>3</sup> 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. Sourced from DBM Consultants BFSM and Consumer Atlas, measured on 6 month rolling average. Definition has been updated to give all customers in the Business and Consumer segments equal voice. The overall Strategic NPS result combines the Consumer and Business segment results using a 50% weighting for each. History has been restated.

# NAB 2020 FULL YEAR RESULTS

The September 2020 full year results are compared with the September 2019 full year results for continuing operations unless otherwise stated. Operating Performance and Asset Quality are expressed on a cash earnings basis.

## OPERATING PERFORMANCE FY20 V FY19

- Revenue down 1.4%. Excluding customer-related remediation<sup>4</sup>, revenue declined 1.5% mainly reflecting lower fee income given COVID-19 fee waivers and reduced transaction volumes in merchant acquiring and cards activities, combined with the non-repeat of asset sale gains in the prior year.
- Net Interest Margin (NIM) declined 1 basis point (bp) to 1.77%. Excluding a 1bp reduction from Markets & Treasury which includes the impact of holding higher liquid assets, NIM was flat with the benefits of home loan repricing and lower wholesale funding costs offset by impacts of the low interest rate environment combined with competitive pressures.
- Expenses rose 10.7%. Excluding large notable items<sup>4</sup>, expenses were up 2.0% primarily reflecting costs associated with the implementation of our strategy refresh, combined with higher technology-related costs including spend to strengthen the compliance and control framework, salary increases and COVID-19 related costs. This was partly offset by productivity benefits, lower performance-based compensation, and reduced travel and entertainment costs.

### FY20 V FY19 DRIVERS OF CASH EARNINGS CHANGE

(ex large notable items<sup>4</sup>)

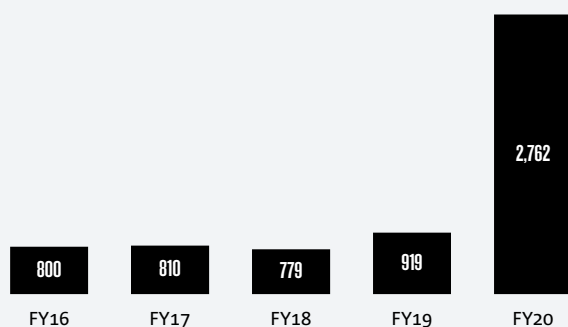


**“FY20 expense growth of 2.0% is above our target of broadly flat (excluding large notable items), mostly reflecting costs associated with early implementation of our strategy refresh, combined with lower than expected productivity benefits which in large part is COVID-19 related.”**

## ASSET QUALITY FY20 V FY19

- Credit impairment charges increased 201% to \$2,762 million, and as a percentage of gross loans and acceptances rose 31bps to 46bps.
- FY20 charges include \$1,856 million of additional forward looking collective provisions to reflect potential COVID-19 impacts. This includes a \$1,468 million top-up to the economic adjustment (EA) and \$388 million for targeted sectors experiencing elevated levels of risk including aviation, tourism, hospitality & entertainment, retail trade, and commercial property.
- The ratio of 90+ days past due and gross impaired assets to gross loans and acceptances increased 10bps to 1.03% largely due to rising delinquencies in the Australian home loan portfolio where customers are not part of the COVID-19 deferral program.
- Eligible customers receiving COVID-19 payment deferrals are treated as performing in accordance with APRA guidance.

### CREDIT IMPAIRMENT CHARGES (\$ MILLIONS)



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

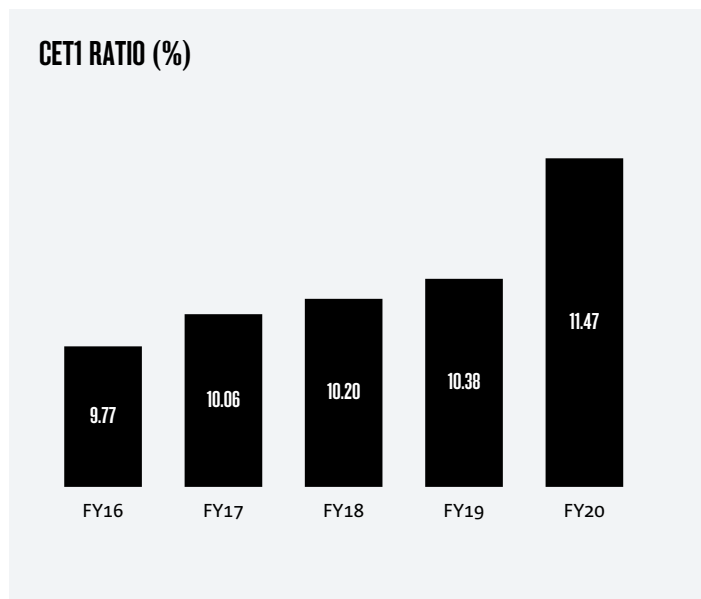


**“Asset quality is starting to deteriorate given economic disruptions caused by COVID-19. While the outlook remains uncertain, further deterioration is expected, which is why we have added \$1,856 million in additional forward looking collective provisions in FY20.”**

<sup>4</sup> Revenue excludes customer-related remediation \$129m in FY20, \$150m in FY19. Expenses excludes: customer-related and payroll remediation \$244m in FY20, \$123m in FY19; capitalised software policy change \$950m in FY20, \$489m in FY19; and impairment of property-related assets \$134m in FY20. Underlying profit represents cash earnings before credit impairment charges, income tax and distributions. Refer note on cash earnings and reconciliation on page 6.

# NAB 2020 FULL YEAR RESULTS

## CAPITAL, FUNDING & LIQUIDITY



### KEY RATIOS AS AT 30 SEPTEMBER 2020

- Group Common Equity Tier 1 (CET1) ratio of 11.47%, up 109bps from September 2019
- Includes \$4.25 billion (98bps) of proceeds received from the institutional placement and share purchase plan
- Completion of MLC Wealth sale expected to add a further ~35bps to CET1<sup>5</sup>
- NAB is considering an offer of a new ASX listed Additional Tier 1 capital security alongside the repayment of NAB Convertible Preference Shares II (CPS II)<sup>6</sup>
- Leverage ratio (APRA basis) of 5.8%
- Liquidity coverage ratio (LCR) quarterly average of 139%
- Net Stable Funding Ratio (NSFR) of 127%

## DIVISIONAL PERFORMANCE – CASH EARNINGS<sup>7</sup>

	FY20 (\$M)	% CHANGE FY20 V FY19	KEY DRIVERS FY20 V FY19
Business & Private Banking	2,489	(11.6)	Earnings decreased reflecting lower revenue mostly due to the low interest rate environment, and higher operating expenses including continued investment in technology and compliance initiatives.
Personal Banking	1,380	9.5	Higher earnings with increased revenue as a result of home loan repricing and lower funding costs in the housing lending portfolio, combined with lower credit impairment charges.
Corporate & Institutional Banking	1,469	(2.6)	A lower result due to higher credit impairment charges reflecting rating downgrades across COVID-19 impacted sectors, combined with higher operating expenses. This was partially offset by higher revenue given stronger Markets income.
New Zealand Banking (NZ\$m)	1,036	(1.8)	Earnings declined mainly reflecting higher credit impairment charges related to a small number of larger corporate exposures, and the impact of the low interest rate environment. This was partially offset by lower operating expenses and strong growth in home loans.

<sup>5</sup> Expected completion before middle of calendar year 2021, subject to timing of regulatory approvals.

<sup>6</sup> Any offer remains subject to market conditions and all relevant approvals being obtained. Any offer of ASX listed Additional Tier 1 capital securities by NAB will be made under a prospectus that will be available on NAB's website. If an offer is made, any person wishing to apply will need to do so as detailed in the prospectus.

<sup>7</sup> Excludes large notable items which form part of Corporate Functions and Other.

## STRATEGIC OVERVIEW

The close of FY20 marks the completion of our three year transformation program announced in 2017. Under this program we increased investment spend by \$1.67 billion and focused on improving customer experience by reducing complexity, delivering greater digital capability and establishing strong foundations in technology. Good progress was achieved including cumulative cost savings of \$1.2 billion, approximately 200 fewer products with 65% of simple consumer product sales now digital, a 7% reduction in IT legacy applications, 38% of IT applications migrated to the cloud and a 70% reduction in critical and high priority incidents.

Building on these achievements, in April we announced a refresh of our longer term strategy. This recognises the need to go further to create a simpler, more streamlined business with clear accountabilities, which is more productive, resilient and efficient.

We have a clear strategic ambition for NAB. We have narrowed our focus to initiatives that will make a real difference to our customers and colleagues, and support our desire to be known for being relationship-led, easy, safe and focused on the long term. Our priorities over the next three to five years include simplifying processes and policies for home and business lending, creating simpler transactional banking, providing enhanced data and analytics to customers and colleagues and growing our digital bank UBank. We will also continue to enhance our technology resilience via insourcing and migration of IT applications to lower cost, more reliable cloud platforms.

Despite the challenges of the current environment, we are moving rapidly to implement our refreshed strategy. We have a clear plan to achieve our key priorities including a discretionary investment spend program and specific commitments from each of our senior leaders which will bring our strategy to life.

Progress is already underway on several fronts.

We have embedded a new customer-centric organisational structure with clear end-to-end accountabilities, and our senior leadership team is now largely in place.

We are investing in our colleagues, with the rollout of Career Qualified in Banking, an education and accreditation program building skills and capability to best serve customers and to raise the bar of professionalism in the industry. In addition, a single Group-wide leadership program has been launched to ensure all colleagues can benefit from having great, consistent leadership.

In August, we announced an agreement to sell 100% of MLC Wealth (MLC) to IOOF Holdings Ltd (IOOF) for \$1,440 million, consistent with our strategy to simplify and focus on our core banking business while creating a stronger future for MLC through its combination with IOOF. Other than the announced sale of MLC, there are no major changes planned in our portfolio, although we will continue to explore some smaller opportunities to optimise and simplify the portfolio by divesting non-core businesses. We also regularly assess opportunities to acquire businesses that support our growth strategy.






We have also announced a number of customer initiatives which support our ambition to be easy to deal with. This includes the rollout of an online booking engine for home loan appointments available to customers via the NAB website, and customer information is now transferred automatically to home loan origination systems. A single home loan application experience across our retail network is being piloted by 50 bankers enabling them to provide customers with a faster, more seamless application process. The launch of the StraightUp card in September is another example. This is a simple credit card with no interest, a fixed monthly fee and no other fees or charges, and online conditional approval within 60 seconds. Our recently announced partnership with Pollinate will provide small business merchant customers with valuable real-time insights to help them better manage and grow their businesses including sales data, average transaction value, compare day periods and filter by payment type. Our business customers are also set to benefit from merchant choice routing, which will be rolled out later this year with one flat price of 1.15% on card transactions, replacing 10 separate pricing plans and enabling savings for businesses with contactless debit card payments automatically processed on the lowest cost network.

Having a strong balance sheet is a key requirement of our ability to serve customers well and help communities prosper. With this in mind, the final dividend of 30 cents per share (cps) has been held stable with the FY20 interim dividend, bringing the total dividend for FY20 to 60 cps. This represents a 64% reduction compared with FY19 and reflects the uncertain outlook for COVID-19 impacts and APRA's revised dividend guidance, balanced with consideration of the Group's strong capital position. The final dividend represents 42.7% of 2H20 cash earnings excluding large notable items and 48.4% including large notable items, and on a statutory earnings (continuing operations) basis represents a payout ratio of 49.8%.

In FY21, as we progress our strategy, we are also conscious of the need to further improve the resilience and safety of our bank and to support our customers as they manage through the challenges posed by COVID-19, while also building momentum for recovery as we emerge from this crisis. This includes extra resourcing for our consumer and business hardship areas, the addition of 550 new roles in our Business & Private Banking division to serve customers, combined with further investment in technology resilience and financial crime/anti money laundering systems and capabilities to keep our customers and bank safe. As a result, we expect modest growth in FY21 expenses (excluding large notable items) of approximately 0-2%.

Over time, the successful delivery of our refreshed strategy is expected to result in stronger, safer growth in our chosen businesses, more engaged colleagues and more satisfied customers, a more efficient organisation with absolute costs (excluding large notable items) targeted to be lower over three to five years, and improved, more sustainable shareholder returns.

## OUR ECONOMIC VALUE DISTRIBUTED

	<b>SUPPLIERS</b>	Payments made for the provision of utilities, goods and services.	<b>\$5.1bn</b>
	<b>COMMUNITY INVESTMENT</b>	Community partnerships, donations, grants, in kind support and volunteering.	<b>\$42.8m</b>
	<b>SHAREHOLDERS</b>	\$3.3 billion dollars in dividend payments to more than 641,000 shareholders.	<b>\$3.3bn</b>
	<b>COLLEAGUES</b>	Colleague salaries, superannuation contributions and incentives.	<b>\$4.0bn</b>
	<b>GOVERNMENTS</b>	Payments made to governments in the form of the Bank Levy (\$412 million) plus \$3.1 billion in income taxes, fringe benefit taxes and payroll taxes among others.	<b>\$3.5bn</b>
<b>▶ Total Economic Value Distributed<sup>1</sup></b>			<b>\$15.9bn</b>

### OUR INDIRECT ECONOMIC CONTRIBUTION

<b>\$66bn</b> in new home lending <b>\$82bn</b> in new business lending	<b>\$469bn</b> in deposits managed for retail and business deposit customers	<b>&gt;\$60bn</b> in total deferrals provided during COVID-19
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(1) Aligned to the Global Reporting Initiative Standards

## ECONOMIC OUTLOOK

**“Economic activity in Australia has been materially impacted by COVID-19, with GDP falling 7.0% in the June quarter 2020 and forecast to decline 4.7% over the year to December 2020. Recovery is likely to be gradual, supported by stimulatory fiscal and monetary policy combined with expected relaxation of Victorian restrictions and a more complete reopening of state borders. This sees forecast GDP growth of 4.6% over 2021 and 2.9% over 2022, albeit the outlook for the business sector remains highly uncertain and the pace of recovery is likely to be uneven across industries. Unsurprisingly, the hit to activity has seen a large deterioration in the Australian labour market, with unemployment expected to peak at 8.1% in early 2021 before a gradual but not complete recovery to 5.9% by the end of 2022. The New Zealand economy was also severely impacted by COVID-19 and associated containment measures and while a recovery is underway, like Australia, a full recovery is expected to take an extended time.”**

# NAB 2020 FULL YEAR RESULTS

## GROUP PERFORMANCE RESULTS

Cash earnings is a key financial performance measure used by NAB, the investment community and NAB's Australian peers with a similar business portfolio. NAB also uses cash earnings for its internal management reporting, as it better reflects what NAB considers to be the underlying performance of the Group. Cash earnings is not a statutory financial measure, is not presented in accordance with Australian Accounting Standards, and is not audited or reviewed in accordance with Australian Auditing Standards. The 2020 Full Year Results Announcement provides details of how cash earnings is defined on page 2 and a discussion of non-cash earnings items and full reconciliation of statutory net profit attributable to owners of NAB on pages 98 to 100.

	Year to			Half Year to		
	Sep 20 \$m	Sep 19 \$m	Sep 20 v Sep 19 %	Sep 20 \$m	Mar 20 \$m	Sep 19 v Mar 19 %
Net interest income <sup>8</sup>	13,920	13,614	2.2	7,012	6,908	1.5
Other operating income <sup>8</sup>	3,399	3,970	(14.4)	1,872	1,527	22.6
Customer-related remediation <sup>9</sup>	(129)	(150)	(14.0)	(49)	(80)	(38.8)
<b>Net operating income</b>	<b>17,190</b>	<b>17,434</b>	<b>(1.4)</b>	<b>8,835</b>	<b>8,355</b>	<b>5.7</b>
Operating expenses <sup>10</sup>	(7,679)	(7,528)	2.0	(3,932)	(3,747)	4.9
Customer-related and payroll remediation <sup>9</sup>	(244)	(123)	98.4	(194)	(50)	large
Capitalised software policy change <sup>9</sup>	(950)	(489)	94.3	-	(950)	large
Impairment of property-related assets <sup>9</sup>	(134)	-	large	(134)	-	large
<b>Underlying profit</b>	<b>8,183</b>	<b>9,294</b>	<b>(12.0)</b>	<b>4,575</b>	<b>3,608</b>	<b>26.8</b>
Credit impairment charge	(2,762)	(919)	large	(1,601)	(1,161)	37.9
<b>Cash earnings before tax and distributions</b>	<b>5,421</b>	<b>8,375</b>	<b>(35.3)</b>	<b>2,974</b>	<b>2,447</b>	<b>21.5</b>
Income tax expense	(1,672)	(2,439)	(31.4)	(963)	(709)	35.8
<b>Cash earnings before distributions</b>	<b>3,749</b>	<b>5,936</b>	<b>(36.8)</b>	<b>2,011</b>	<b>1,738</b>	<b>15.7</b>
Distributions	(39)	(83)	(53.0)	(17)	(22)	(22.7)
<b>Cash earnings</b>	<b>3,710</b>	<b>5,853</b>	<b>(36.6)</b>	<b>1,994</b>	<b>1,716</b>	<b>16.2</b>
<b>Cash earnings (excluding large notable items)<sup>9</sup></b>	<b>4,733</b>	<b>6,389</b>	<b>(25.9)</b>	<b>2,258</b>	<b>2,475</b>	<b>(8.8)</b>
Non-cash earnings items (after tax)	(212)	52	large	(37)	(175)	large
<b>Net profit from continuing operations</b>	<b>3,498</b>	<b>5,905</b>	<b>(40.8)</b>	<b>1,957</b>	<b>1,541</b>	<b>27.0</b>
Net loss after tax from discontinued operations <sup>11</sup>	(939)	(1,107)	(15.2)	(711)	(228)	large
<b>Net profit attributable to owners of NAB</b>	<b>2,559</b>	<b>4,798</b>	<b>(46.7)</b>	<b>1,246</b>	<b>1,313</b>	<b>(5.1)</b>
<b>Represented by:</b>						
Business and Private Banking	2,489	2,817	(11.6)	1,125	1,364	(17.5)
Personal Banking	1,380	1,260	9.5	657	723	(9.1)
Corporate and Institutional Banking	1,469	1,508	(2.6)	768	701	9.6
New Zealand Banking	977	997	(2.0)	442	535	(17.4)
Corporate Functions and Other <sup>12</sup>	(1,582)	(193)	large	(734)	(848)	(13.4)
Customer-related and payroll remediation	(261)	(192)	35.9	(170)	(91)	86.8
Capitalised software policy change	(668)	(344)	94.2	-	(668)	large
Impairment of property-related assets	(94)	-	large	(94)	-	large
<b>Cash earnings</b>	<b>3,710</b>	<b>5,853</b>	<b>(36.6)</b>	<b>1,994</b>	<b>1,716</b>	<b>16.2</b>

## SHAREHOLDER SUMMARY

	Year to			Half Year to		
	Sep 20	Sep 19	Sep 20 v Sep 19	Sep 20	Mar 20	Sep 20 v Mar 20
<b>Group – including discontinued operations</b>						
Dividend per share (cents)	60	166	(106)	30	30	-
Statutory dividend payout ratio	73.1%	98.5%	large	78.5%	67.9%	large
Statutory earnings per share (cents) – basic	82.1	168.6	(86.5)	38.2	44.2	(6.0)
Statutory earnings per share (cents) – diluted	80.5	164.4	(83.9)	37.6	42.6	(5.0)
Statutory return on equity	4.4%	9.1%	(470 bps)	4.2%	4.7%	(50 bps)
<b>Group – continuing operations</b>						
Cash dividend payout ratio	49.6%	79.3%	large	48.4%	51.0%	(260 bps)
Statutory dividend payout ratio from continuing operations	53.2%	79.7%	large	49.8%	57.7%	(790 bps)
Statutory earnings per share from continuing operations (cents) – basic	112.7	208.2	(95.5)	60.3	52.0	8.3
Statutory earnings per share from continuing operations (cents) – diluted	108.6	201.0	(92.4)	58.1	49.5	8.6
Cash earnings per share (cents) – basic	120.9	209.3	(88.4)	62.0	58.8	3.2
Cash earnings per share (cents) – diluted	116.2	202.0	(85.8)	59.7	55.5	4.2
Cash return on equity (ROE)	6.5%	11.4%	(490 bps)	6.8%	6.3%	50 bps
<b>Group – continuing operations (excluding large notable items)<sup>12</sup></b>						
Cash dividend payout ratio	38.9%	72.7%	large	42.7%	35.4%	730 bps
Statutory dividend payout ratio from continuing operations	41.1%	73.0%	large	43.8%	38.5%	530 bps
Statutory earnings per share from continuing operations (cents) – basic	146.1	227.3	(81.2)	68.5	78.0	(9.5)
Statutory earnings per share from continuing operations (cents) – diluted	139.3	218.7	(79.4)	65.7	72.5	(6.8)
Cash earnings per share (cents) – basic	154.3	228.4	(74.1)	70.2	84.8	(14.6)
Cash earnings per share (cents) – diluted	146.9	219.7	(72.8)	67.3	78.5	(11.2)
Cash return on equity (ROE)	8.3%	12.4%	(410 bps)	7.7%	9.1%	(140 bps)

<sup>8</sup> Excluding customer-related remediation.

<sup>9</sup> Refer to NAB's 2020 Full Year Results Announcement Section 1 Large notable items for further information.

<sup>10</sup> Excluding large notable items customer-related and payroll remediation, capitalised software policy change and impairment of property-related assets.

<sup>11</sup> Refer to NAB's 2020 Full Year Results Announcement Note 14 Discontinued Operations for further information.

<sup>12</sup> Includes an increase for the September 2020 full year in forward looking provision charges as a result of COVID-19. Excludes large notable items: customer-related and payroll remediation, capitalised software policy change and impairment of property-related assets.

## FOR FURTHER INFORMATION

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## DISCLAIMER – FORWARD LOOKING STATEMENTS

This Result Summary and the 2020 Full Year Results Announcement contain statements that are, or may be deemed to be, forward looking statements. These forward looking statements may be identified by the use of forward looking terminology, including the terms "believe", "estimate", "plan", "project", "anticipate", "expect", "target", "intend", "likely", "may", "will", "could" or "should" or, in each case, their negative or other variations or other similar expressions, or by discussions of strategy, plans, objectives, targets, goals, future events or intentions. Indications of, and guidance on, future earnings and financial position and performance are also forward looking statements. You are cautioned not to place undue reliance on such forward looking statements. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

There are many factors that could cause actual results to differ materially from those projected in such statements, including (without limitation) the risks and uncertainties associated with the ongoing impacts of COVID-19, changes to the Australian and global economic environment and capital market conditions, changes to the operating and regulatory environment of the Group and changes to the financial position or performance of the Group. Further information is contained in the Group's Luxembourg Transparency Law disclosures released to the ASX on 27 April 2020 and the Group's Annual Financial Report for the 2020 financial year, which will be available at [www.nab.com.au](http://www.nab.com.au) on 11 November 2020.