



National
Australia
Bank

ANNUAL REVIEW 2019

ABOUT THIS REPORT

Our 2019 Annual Review provides an overview of our financial and non-financial performance and shows how we create value for our customers, people, shareholders and community.

This year we engaged with more than 470 stakeholders, including customers, industry associations, consumer advocates, the investment community and NAB leaders to help determine and validate the ESG issues we should focus our attention on.

These prioritised material themes, explored in detail in our Sustainability Report, are listed below. They represent both challenges and opportunities for our business.

Click on an icon to find out more

OUR COMMITMENT TO INTEGRATED REPORTING

The preparation of this report is guided by the Integrated Reporting Framework (IRF).¹ We are committed to the principles outlined in the IRF as they align with long-term value creation and our role as a bank in society.

OUR SCOPE AND CONTENT

Unless otherwise stated, all the information included in this report refers to the year ended 30 September 2019 and covers the NAB Group operations' financial and non-financial performance.

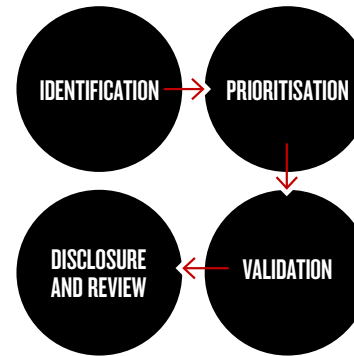
The content of this report was shaped by consulting a range of stakeholders, including our customers, people, shareholders and community, as well as the Integrated Reporting Business Network and International Integrated Reporting Council (IIRC).

Refer to [page 3](#) to see how this report interacts with and is different from, the rest of our annual reporting suite.

OUR MATERIALITY REVIEW

A key part of our engagement with stakeholders is our annual materiality review.² It identifies the important environmental, social and governance (ESG) themes that shape our business and impact our community.

The review involves four stages:



Read more about our materiality process in the [Sustainability Report](#) and on our [website](#).

2019 PRIORITISED THEMES

GOVERNANCE, CONDUCT AND CULTURE

What we have learned from the Royal Commission stakeholder feedback, and how we are responding and driving cultural change. This means behaving and acting in a way that puts customers' needs first.

CUSTOMER SUPPORT AND EXPERIENCES

Ensuring we get it right for customers every time, delivering fair customer outcomes. This includes building financial health, lending responsibly and providing fit-for-purpose products and great service.

ADDRESSING CLIMATE CHANGE AND ENVIRONMENTAL SUSTAINABILITY

How we take action on climate change and show leadership in environmental sustainability. We recognise that carbon risk and our role in the transition to a low-carbon economy are increasingly important to our stakeholders and the community.

ENGAGING OUR PEOPLE

How we manage, care for, listen to and develop our people. A happy, engaged and diverse workforce is essential in serving our customers well and delivering results for our business.

TRANSFORMATION AND TECHNOLOGY

How we are transforming the way we use technology to achieve better customer outcomes, bolster data security and privacy and ensure our success in an increasingly digital future.

STRONGER COMMUNITIES

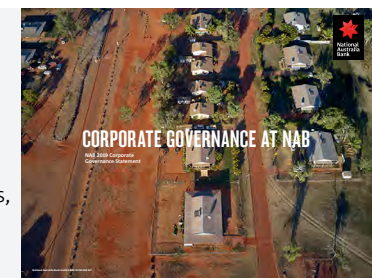
Our role in building a stronger economy, supporting communities and driving innovation. This includes backing small to medium businesses, rural and regional Australia and the for-purpose sector, as well as investing in critical infrastructure.

¹ The Integrated Reporting Framework, developed by the International Integrated Reporting Council (IIRC), aims to establish guiding principles and content elements that govern the overall content of an integrated report.

² More information on the materiality process, including how we conduct the annual materiality review and assessment, is available in our [2019 Sustainability Report](#).

HOW TO READ THIS REPORT

Our 2019 Corporate Governance Statement describes NAB's approach to corporate governance and complies with the ASX Corporate Governance Council's Principles and Recommendations (3rd edition). NAB's vision is to be Australia's leading bank, trusted by customers for exceptional service. NAB's purpose, vision and values guide and motivate our Board, our leaders and our people to deliver industry leading, sustainable outcomes for our customers, shareholders and the broader community. NAB's purpose, vision and values are supported by good corporate governance.



FINANCIAL PERFORMANCE



Our 2019 Annual Financial Report includes the Report of the Directors, together with the financial statements of the Group for the year ended 30 September 2019. The Report contains information prepared on the basis of the *Banking Act 1959* (Cth), *Corporations Act 2001* (Cth), Accounting Standards and interpretations issued by the Australian Accounting Standards Board and Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.



Our 2019 Annual Review provides information on the Group's activities and performance during 2019. It aims to show how we are creating value through our strategy, operating environment, governance and financial and non-financial activities.

GOVERNANCE PRACTICES

NON-FINANCIAL PERFORMANCE

Our 2019 Sustainability Report outlines our sustainability performance over the past year. The report shows how we have engaged stakeholders to identify, prioritise and manage environmental, social and governance themes to continue to create value for our customers, our people, our communities and make a positive impact on the environment in which we operate.



Our Sustainability Data Pack contains our non-financial data in spreadsheet form, as well as mapping content to the GRI Standards and other key sustainability indices and frameworks.

DATA

CONTENTS

Contents

Our customers need to be at the heart of everything we do.

PURPOSE VISION STRATEGY

We are building a bank that is simpler and faster for our customers and our people.

Purpose, vision and strategy

OUR VISION IS TO BE AUSTRALIA'S LEADING BANK, TRUSTED BY CUSTOMERS FOR EXCEPTIONAL SERVICE.

By definition, a vision is aspirational in nature and must be seen that way.

We need to have our customers at the heart of everything we do. This ambition is reflected in our purpose – to back the bold who move Australia forward.

To truly live our purpose, we should be our customers' trusted and experienced partner.

We know it will take a lot of work to get there.

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission) highlighted a gap between where we are today and where we need to be to meet customer and community expectations.

We recognise there has been a loss of confidence and trust in our industry and in our bank concerning the treatment of customers.

To realise our vision, we must have your trust. We will do this through the actions we take to fix our mistakes and the choices we make moving forward.

This requires us to live our values through our actions every day. Our values are:

- Passion for customers
- Be bold
- Win together
- Respect for people
- Do the right thing

Page 15 outlines how we are changing in response to recommendations made by the Royal Commission and the findings of our Self-Assessment into governance, accountability and culture.

Our strategy, governance and performance against our objectives in the context of our operating environment is measured and explored in this report.

We are building a bank that is simpler and faster. We must do this to become the bank our customers, people, shareholders and community want us to be.

Underpinning our long-term strategy are four key objectives:

1. Net Promoter Score (NPS) positive and #1 of major Australian banks (priority segments)
2. Top quartile employee engagement
3. Cost to income ratio towards 35%
4. #1 Return on equity of major Australian banks

In 2017, we announced the acceleration of our strategy to enable us to grow and be more productive. After laying solid foundations in 2018, implementation of our three-year transformation program remains on track.

Our transformation strategy involves a targeted \$1.5 billion increase in investment over the three years to September 2020, taking total investment spend to approximately \$4.5 billion over that period. As at 30 September 2019, investment spend was \$1.7 billion, bringing the cumulative total since September 2017 to \$3.2 billion.

The focus of our increased investment over three years is on four key areas to reach our objectives. We are seeking to be:

- The **best business bank**
- A bank that is seeking out **new and emerging growth** opportunities
- An organisation that is known for **great leaders, talent and culture**
- Making our bank **simpler and faster** for our people and our customers

As part of our transformation, we expect to deliver cumulative cost savings, currently targeted at greater than \$1 billion by 30 September 2020, as we significantly simplify and automate processes, reduce procurement and third-party costs and become closer to our customers with a flatter organisational structure.

As at 30 September 2019 full year, we achieved cost savings of \$480 million, bringing our cumulative cost savings since September 2017 to \$800 million.

For more information refer to our Chairman's message and the 'Our strategy' section of this report on **page 18**.

2019 AT A GLANCE

KEY PERFORMANCE MEASURES¹

9.9%

Cash return on equity²

—
180 basis points decrease from 2018

10.38%

Common equity tier 1

—
18 basis points increase from 2018

54%

Employee engagement score³

—
Compared to top quartile benchmark of 69%

-14

Priority segments net promoter score⁴

—
2 point increase from 2018, ranked equal #1 amongst major banks

2019 at a glance

\$4.80bn

Statutory net profit

\$5.10bn

Cash earnings²

—
10.6% decrease from 2018

\$6.55bn

Cash earnings^{2,5}
ex large notables of \$1,448m

—
0.8% increase from 2018

OTHER KEY PERFORMANCE MEASURES

71,817

Australians assisted with microfinance products and services⁶

—
1% increase from 2018

\$1.66

Dividend per share (for the full year)

—
32 cents lower than 2018

19,673

Number of customers assisted experiencing financial hardship

—
7% increase from 2018

1 For more information on how we have performed and created value for our stakeholders this year, refer to How we create value on [page 13](#) and Our performance on [pages 36-37](#).

2 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. NAB's audited financial statements, prepared in accordance with the Corporations Act 2001 (Cth) and Australian Accounting Standards, are set out in NAB's [2019 Annual Financial Report](#). Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners of NAB is set out in Note 2 of NAB's [2019 Annual Financial Report](#). A reconciliation of cash earnings to statutory net profit attributable to the owners of NAB is also set out on [page 36](#) of this 2019 Annual Review.

3 Source: Employee Engagement Survey conducted by Aon (now known as Kincentric). The engagement result indicates the percentage of employees at NAB that are strong advocates (SAY), demonstrate a commitment to the Bank (STAY) and exert discretionary effort (STRIVE). Benchmark is for companies in Australia and New Zealand.

4 Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter Systems are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Priority Segments Net Promoter Score (NPS) is a simple average of the NPS scores of four priority segments: NAB defined Home Owners (HL@bank) and Investors, as well as Small Business (\$0.1m-<\$5m) and Medium Business (\$5m-<\$50m). The Priority Segments NPS data is based on six month moving averages from DBM Atlas & BFSM Research for the September 2019 full year.

5 Cash earnings large notable items after tax: customer-related remediation of \$1,100 million (2018: \$261 million), capitalised software policy change of \$348 million (2018: \$nil), restructuring-related costs of \$nil (2018: \$530 million).

6 Delivered in partnership with Good Shepherd.

CHAIRMAN'S MESSAGE



The release of National Australia Bank's Annual Review coincides with my first day as Chairman. I have taken this position after eight months as interim Group CEO, more than three years as a Director and more than 37 years working in financial services.

This has been an extraordinarily challenging year for the organisation, in which it was clear that significant changes were necessary. We required a different approach.

The Board understands what has gone wrong within the bank and that we can only move forward if we deal with the past. We are determined to make things right, earn trust and build confidence in the future of our business.

We are pleased with the calibre of the incoming Group CEO, Ross McEwan, who is commencing on 2 December 2019. Ross is an experienced and proven CEO with a strong reputation for customer fairness, cost management, reputation recovery and leading industry reform. The Board stands ready to help Ross take the organisation forward to become the bank you want us to be.

At no stage will we seek to brush past the events and findings of the Royal Commission. We were rightly called out for failing to meet customer expectations and, in some cases, breaching their trust. We faced challenges and revelations that ultimately led to our outgoing Chairman and former Group CEO resigning.

The shareholders' first strike against our 2018 Remuneration Report at our AGM last year also sent a clear message. We needed to reshape our remuneration framework, including how we applied outcomes for executives.

Along the way, we lost trust with customers and the broader community. As interim CEO, I have responded to these disappointments by being clear on accountability and driving rigour and discipline in the way NAB operates.

LIFTING PERFORMANCE

We are addressing the issues of the past and preparing the bank for the future. We have taken clear actions designed to ensure we meet customer and community expectations.

The Board has increased rigour in assessing performance, with a clear focus to reward longer-term, sustainable customer and shareholder outcomes.

While 2019 underlying business performance was solid, NAB did not achieve some financial and non-financial targets. The Remuneration Report reflects the Board's decision that the Executive Leadership Team will receive no short-term variable reward and no fixed remuneration increase for the financial year.

We have strengthened our financial settings. We have increased customer-related remediation provisions. We have lowered our dividend payout, by 16% from financial year 2018, and we have raised a significant amount of capital to ensure we are on track to meet APRA's 'Unquestionably Strong' requirements for 1 January next year.

Our transformation, which has been underway for over two years, is delivering real benefits in terms of productivity and supporting business

growth in a challenging, low-rate environment. It is also improving the resilience of our technology and enabling us to adapt to a new digital future. Our focus on becoming simpler, faster and less complex for customers and employees has resulted in 30% fewer products, 30% fewer over the counter transactions and a 17% decrease in calls to our call centres.

We are making things right where we have made mistakes. We have improved processes to remediate customers fairly, consistently and more quickly, with a dedicated remediation team of more than 950 people driving this work.

A comprehensive program of work is well underway to improve non-financial risk management at NAB. We are focused on driving effective change to improve outcomes for customers and achieve sustainable, long-term performance.

We have begun an extensive and considered reform program to achieve cultural and risk transformation, arising out of the Self-Assessment and sitting alongside our Royal Commission response.

We take full accountability for our failings and have been transparent on our progress to address them. Intensive effort is underway to continue to overhaul processes and practices, but it is early days and there is more work to be done to achieve sustainable change.

CHAIRMAN'S MESSAGE

We are determined to ensure NAB meets the highest standards and to build a culture that puts customers at the centre of everything we do.

SUPPORTING CUSTOMERS AND THE BROADER COMMUNITY

NAB exists to serve customers, to keep their money safe and to facilitate borrowing and enable investment. In doing so, our core banking activities play an important role in the economy and the broader community – including \$5 billion paid in dividends to our mostly Australian-based shareholders and \$3.1 billion paid in taxes this year.

We are absolutely committed to doing our part to support growth for business and households. We know that increased prosperity in Australia relies heavily on business investment and the current caution in the private sector reflects broader global uncertainty.

The RBA cash rate is sitting at historic lows, which presents new challenges for our industry. We are determined to address the needs of depositors, borrowers and our shareholders in this dynamic environment – and remain very much open for business. This year we provided \$61 billion in

new lending for our Australian and New Zealand customers to buy or renovate their homes.

This year we enhanced our standing as Australia's largest business bank, growing market share in the small to medium sector. With NAB financing one in three dollars lent to Australian farmers, we are also the leading agribusiness bank.

We also want to make a positive impact on the lives of our customers, people, shareholders, communities and the environment in which we operate. Our employees took 13,464 volunteer days to support the community this year and in our 16th year of partnership with Good Shepherd, we have now funded \$293.6 million in loans to more than half a million Australians unable to access mainstream finance.

In a unique collaboration with the CSIRO, we launched the *Australian National Outlook* report in June, outlining a broad and compelling view about Australia's roadmap to 2060. We are committed to the communities in which we operate and understand we have an important role to play in Australia's economy.

We have more than 34,000 people

and are equally focused on caring for them; the bankers and teams across the bank who strive to deliver the best possible financial services to our customers every day. I am proud that our customers often call out their local branch employees as the highlight of their banking relationship with us.

We are working to foster a culture of inclusion and accessibility, enabled by leaders and employee-led volunteer groups. In our survey of NAB employees this year, 74% told us they experienced an inclusive workplace in 2019. Our aim is to reach the top quartile of organisations in Australia and New Zealand, which would require a result around 77% for inclusion.

THE FUTURE OF YOUR BUSINESS

As Chairman, I am acutely aware of what is expected of me and the Board in coming years. We will continue to actively pursue Board renewal, following the resignation of former Chairman Ken Henry, effective November 2019 and the planned retirement of Anthony Yuen after our AGM in December 2019.

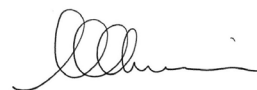
I take this opportunity to formally thank Ken and Anthony for their contributions and service since they

joined the Board in 2011 and 2010 respectively and wish them well for the future. I also thank our former Group CEO, Andrew Thorburn, who led the organisation for more than four years and whose passion for customers is well known.

I would also like to welcome Kathryn Fagg as a new director on our Board, effective 16 December 2019. Kathryn is a highly respected director with extensive leadership experience across several industries, including banking, and will stand for election at our AGM in December 2019.

The Board understands we are at the service of shareholders, as well as customers and the community. As customers and shareholders ourselves, we have a shared experience and perspective on NAB's performance.

After a year in which we were found to have fallen short in several areas, we look forward to demonstrating to all stakeholders that we are a company worthy of your support.



→ Philip Chronican, Chairman



Our business

OUR BUSINESS

WHAT WE DO

We help our customers to protect their money and achieve their financial goals. Our success is built on the strength of our partnerships with people, businesses and communities and delivering for our customers.

Today we are a diverse workforce of more than 34,000 people serving approximately nine million customers at almost 900 locations primarily in Australia and New Zealand (NZ), with offices also located in Asia, UK, Europe and the USA.

CUSTOMER DIVISIONS

At NAB, our customer-facing divisions are dedicated to the pursuit of exceptional customer service, helping people and businesses to achieve their financial goals:

Business & Private Banking (BPB)

We are open for business and backing customers.

As Australia's largest business bank, we play an important role in facilitating business investment, which drives productivity and growth in the economy and supports national prosperity.

Our team of business specialists and partners are located across more than 182 business banking points of presence around Australia and serve the needs of three priority customer segments – small business, medium businesses and investors.

We are responding to changing customers' needs, with more bankers across Australia, better technology solutions to deliver quick, simple finance and extended service at times that are convenient to many of our customers.

This year we introduced 163 new roles to support our small and medium enterprise customers, particularly in areas of the economy that are growing strongly, including agriculture, health, education, professional services and small business.

QuickBiz, our unsecured business lending solution, provides our customers with fast and easy access to finance of up to \$100,000 and

accounts for 47% of new unsecured small business lending with more than 80% of all transaction account applicants on-boarded within thirty minutes.

We also have deep connections to regional and rural Australia, with NAB financing one in three dollars lent to Australian farmers. We opened four new banking hubs in Tamworth (NSW), Bendigo (VIC), Toowoomba (QLD) and Bunbury (WA), investing more than \$2 million to uplift our regional presence this year.

We are working hard to support our drought-affected customers. We have ceased charging default interest for agriculture customers in government-declared drought areas, we continue to provide farm management deposit offset accounts and we have extended our Drought Assistance Package to customers affected by prolonged drought nationally.

2019 CASH EARNINGS ¹	A\$m
Business & Private Banking	\$2,840
Consumer Banking & Wealth	\$1,366
Corporate & Institutional Banking	\$1,508
New Zealand Banking	\$997
Corporate Functions & Other	(\$1,614)

Our business

¹ Refer to footnote 2 on page 6 for a definition of cash earnings.

OUR BUSINESS

DIVESTMENT OF MLC WEALTH

In May 2018, we announced plans to exit MLC Wealth. The reshaping of MLC Wealth continues to gain momentum. A new executive team is now largely in place with a new operating model structured around four business pillars: Advice, Platforms, Asset Management and Retirement & Investment Solutions. Significant work is underway to ensure the strength of each pillar. This includes a simpler, more customised advice business, a rebranding and leadership restructure in Asset Management and more competitive pricing across the business.

The Group continues to make progress towards a separation of MLC Wealth, targeting a public markets exit in the 2020 financial year, together with exploration of alternative transaction structures and options. The Group will take a disciplined approach to the exit of MLC Wealth and will execute a transaction at the appropriate time having regard for the interests of all stakeholders. Any transaction remains subject to market conditions, regulatory and other approvals.

Consumer Banking & Wealth (CBW)

The way our customers are banking with us is changing and we are there to support them every step of the way.

CBW supports approximately five million customers to keep their money safe and plan for the future. Our customers are increasingly banking with us digitally, online and on the phone and we continue to support customers in person for more complex transactions and advice. Every day, our frontline teams have more than 2.3 million customer interactions in our branches, through our contact centres and broker channels and with our digital offerings (including UBank – our fast-growing digital bank).

We are responding to changing customer preferences and are working hard to make our services easier, faster and more personal. This year we introduced Apple Pay for digital customers and committed to keep all regional and rural branches open until at least January 2021.

We are also saving money for our customers and protecting them online. From last September to January we held our Standard Variable Rate, saving around \$70 million for more than 930,000 NAB customers – the only major Australian bank to do so.

MLC Wealth provides end-to-end wealth solutions for clients in a complex and changing world. We are currently in the process of divesting our Wealth operations from the NAB Group, including our advice and superannuation services, mainly operating under MLC Wealth and other brands.

Corporate & Institutional Banking (CIB)

We are helping our customers navigate the complexities of local and global economies.

CIB supports the financing needs of more than 3,000 companies and institutions operating in the Australian and global economies, helping them to grow into new markets and facilitating investments into Australia and New Zealand.

As one of the world's top 10 providers of project finance we back the businesses that are building Australia's future infrastructure. This year, we focused our property and debt financing expertise on better supporting affordable and social housing for Australians. We committed \$2 billion in financing over three years to do what we can to address Australia's housing crisis.

The transition to a low carbon future is a major challenge for our customers. We are proud to be Australia's number one bank for global renewables transactions and a pioneer of the nation's green bond market.¹

We are also putting our support behind Australia's technology industry, announcing \$2 billion in financing to help emerging technology companies grow.

SUPPORT FUNCTIONS

Our customer-facing divisions are supported by:

Customer Experience (CX)

Our CX teams are responsible for all Australian banking products, delivery of digital experiences and marketing, as well as addressing business enablement and remediation activities.

Technology & Operations (T&O)

T&O powers our critical technology systems and operational processes including lending and payment operations, property management, strategic sourcing, project management and business management functions.

Risk

Risk includes specialist functions that provide expertise to support the Board, Board Risk Committee, Executive Leadership Team and risk committees in overseeing risk management and compliance.

Commercial Services

The Commercial Services division comprises our Group Governance and Legal teams, Customer Resolution and Remediation teams and our Corporate Affairs function.

Finance

Our Finance division includes Investor Relations, Treasury, Taxation, Strategy, Finance and Audit functions to support our business needs. Our Economics team also sits within Finance and provides independent insights for our business, our customers and the broader community.

People

Our People division provides valuable human resources insights and solutions to drive sustainable business performance and enable culture change; partnering with the business to invest in the skills and capability of our people so we can meet our customers' expectations.

NEW ZEALAND BANKING

We operate under the 'Bank of New Zealand' brand in New Zealand, with our banking operations comprising Consumer Banking, Wealth, Business, Agribusiness, Corporate, Insurance and Markets Sales. This excludes Bank of New Zealand's Markets Trading operations.

OUR EXECUTIVE LEADERSHIP TEAM



- **RACHEL SLADE**
Chief Customer Experience Officer
- **PATRICK WRIGHT**
Chief Technology and Operations Officer
- **SHAUN DOOLEY**
Group Chief Risk Officer
- **GARY LENNON**
Group Chief Financial Officer
- **PHILIP CHRONICAN**
Group Chief Executive Officer (Interim) until 14 November 2019 and Incoming Chairman
- **DAVID GALL**
Chief Customer Officer, Corporate and Institutional Banking
- **ANGELA MENTIS**
Chief Executive Officer and Managing Director of Bank of New Zealand
- **SHARON COOK**
Chief Legal and Commercial Counsel
- **ANTHONY HEALY**
Chief Customer Officer, Business and Private Banking
- **MIKE BAIRD**
Chief Customer Officer, Consumer Banking
- **JULIE RYNSKI**
Chief People Officer (Acting)

Our business

Our Executive Leadership Team is responsible for implementing our strategy to transform NAB into a simpler, faster bank for our customers and driving the right behaviour and culture that delivers for our people.

The Executive Leadership Team, alongside our Board, guides our business to remain true to our purpose and live our core values and behaviours. The Executive Leadership Team ensures that we deliver for our people, our shareholders and our communities and that all products and services we offer to our customers remain fit for purpose.

In February 2019, Group Chief Executive Officer (Group CEO) and Managing Director Andrew Thorburn resigned from NAB recognising that change was necessary after the business sustained damage due to its past practices as described in the Royal Commission final report. To ensure a smooth leadership transition, Philip Chronican led NAB as Interim Group CEO from March 2019 until November 2019.

We look forward to welcoming Ross McEwan from the Royal Bank of Scotland as our new Group CEO as of 2 December 2019. Ross is an experienced and proven CEO with a strong reputation for customer fairness, cost management, reputation recovery and leading industry reform.

Julie Rynski acted as Chief People Officer from March 2019 to September 2019 following the departure of Lorraine Murphy. Susan Ferrier commenced as our new Group Chief People Officer on 1 October 2019.

For more information on the background and experience of each member of the Group Executive Leadership Team, visit nab.com.au/about-us/our-business

HOW WE CREATE VALUE

Our long-term success depends on serving our customers well and generating value for our stakeholders and the community through our products, services and knowledge.

OUR KEY RESOURCES



FINANCIAL

We make use of shareholder capital and other forms of financial capital, including \$424.6 billion in customer deposits.



HUMAN, SOCIAL AND RELATIONSHIPS

We rely on an engaged and inclusive workforce of more than 34,000 people to deliver our strategy to approximately nine million customers, primarily in Australia and New Zealand.



NATURAL

We make use of energy and resources such as electricity, paper and water to conduct our business activities. We have committed to sourcing 100% of our energy from renewable sources by 2025.



INFRASTRUCTURE

We have 892 branches and business banking centres and 1,601 ATMs. We also rely on our mobile and internet banking services and call centres. 47% of our Australian branches are in regional and rural areas.

OUR BUSINESS ACTIVITIES

OUR CUSTOMERS

We provide financial services to individuals, businesses, for-purpose organisations and large corporate and institutional customers.

We aim to get it right for customers every time and deliver fair outcomes. This includes building financial health, looking after customers experiencing vulnerability, lending responsibly and providing fit-for-purpose products and services.

Where we do not get it right or fail to meet customer and community expectations, we provide fair remediation.

OUR BUSINESS MODEL

We earn income from interest earned on loans to our personal, business, corporate and institutional customers, as well as fees from transactional banking and other services. We received \$29.5 billion in interest this year.

We pay interest to customers and investors who have placed deposits with us and bought our bonds and other debt securities. This year we paid our depositors and other lenders a total of \$15.6 billion in interest.

Our earnings are reinvested to improve products and services for our customers and/or returned to our 573,000 direct shareholders and to the millions of indirect shareholders who invest in us through superannuation and managed funds. We paid our shareholders \$5 billion in dividends this year.

OUR PRODUCTS AND SERVICES

We offer a range of banking products and services across retail, business and private banking, corporate and institutional banking and wealth management.

We serve our customers through our NAB, UBank, BNZ and MLC network of branches and business banking centres, relationship managers, mobile and internet banking, contact centres, intermediary channels and ATMs.

We back people to build and grow businesses through innovative and tailored financing.

We support corporate customers and large finance projects offering financing, and risk management solutions.

HOW WE CREATED VALUE FOR OUR STAKEHOLDERS THIS YEAR¹



NEW LENDING, JOBS AND THE ECONOMY

- Provided \$61 billion in new home lending and \$87 billion in new business lending to Australian and New Zealand customers²
- Paid \$4.3 billion in salaries and superannuation to employees
- Paid \$3.1 billion in taxes including \$0.4 billion in bank levy³



FUNDING FOR THE FUTURE

- Committed \$2 billion in funding over five years to help emerging technology companies and innovators grow their businesses
- Pledged \$2 billion in financing over three years to support the social and affordable housing sector



CUSTOMER REMEDIATION

- Made ~473,000 remediation payments to customers with a total value of \$247 million since June 2018
- Increased provision for customer-related remediation as at 30 September to \$2,092 million



BUILDING FINANCIAL HEALTH

- In partnership with Good Shepherd, wrote more than \$40 million microfinance loans for Australians and New Zealanders
- Launched the Customer Support Hub - a specialist team of bankers dedicated to recognising and responding to signs a customer is experiencing vulnerability



REGIONAL AND RURAL AUSTRALIA

- Keeping all branches open in regional and rural areas until at least January 2021
- Opened four new Customer Connect Centres – in Tamworth, Bunbury, Bendigo and Toowoomba - to better serve regional communities
- Leading agribusiness bank, financing one in three dollars lent to Australian farmers



GIVING TO THE COMMUNITY

- Launched our eighth Reconciliation Action Plan, strengthening ties with Indigenous Australia through financial inclusion and business partnerships
- Invested \$57.1 million in the community,⁴ including \$1.7 million in charitable donations and 13,464 volunteering days from our employees



TRANSITION TO A LOW CARBON ECONOMY

- Increased our environmental financing target from \$55 billion by 2025, to \$70 billion by 2025
- Since 1 October 2015, provided \$17.5 billion in green infrastructure finance, capital markets and asset finance plus \$16.1 billion new mortgage lending flow for 6 star residential housing in Australia⁵
- Financed our 130th renewable energy transaction since 2003, cementing NAB's position as the top arranger of project finance for Australian renewable energy



AN INCLUSIVE WORKPLACE

- Targeting 40-60% of either gender represented at every level of the business, including NAB Board, by 2020
- Offered 76 new traineeships to Indigenous Australians
- Celebrated 10 years of our African Australian Inclusion Program with 465 skilled African-Australians gaining paid corporate experience since program inception

Our business

1 All value creation metrics based on 2019 performance year unless otherwise stated.

2 Based on drawdowns (excluding redraws) for home lending and new and increased (on and off balance sheet) commitments for business lending.

3 Includes income tax, GST, FBT, payroll tax and other taxes borne by NAB, paid during the year ended 30 September 2019.

4 Corporate community investment ranges from short-term donations to longer-term capacity-building programs. It is calculated using the London Benchmarking Group methodology.

5 Represented as a cumulative amount of new environmental finance since 1 October 2015. Refer to [2019 Sustainability Report and Data Pack](#) for more information.



OUR OPERATING ENVIRONMENT

Our operating environment

OUR OPERATING ENVIRONMENT

We are operating in a dynamic environment, characterised by significant social, economic, political and technological change. We continue to adapt and respond as a business, particularly in relation to regulatory reform and changing market conditions.

OUR SELF-ASSESSMENT INTO GOVERNANCE, ACCOUNTABILITY AND CULTURE

At the request of the Australian Prudential Regulation Authority (APRA), we undertook a self-assessment into our governance, accountability and culture in June 2018. This process identified shortcomings in aspects of our approach to non-financial risk management, with particular focus on operational, compliance and conduct risk. We voluntarily released our **Self-Assessment last November** which identified 26 actions to deliver structural, procedural and cultural change.

We have detailed the progress made against each of these actions in a report released on 7 November 2019. This report details the ways in which we are responding to the key findings, aligned to the following five goals:

- Bringing the voice of the customer firmly into the bank.
- Improving the rigour and discipline of our delivery.
- Strengthening our accountability and risk management practices.
- Overhauling our approach to issues.
- Realising our desired culture.

The Board will continue to monitor the impact of the initiatives to assess whether change is occurring in a sustainable manner.

A detailed report on our progress can be viewed [here](#).

ROYAL COMMISSION IMPLEMENTATION

On 1 February 2019, the Royal Commission Final Report was handed to the Governor-General by Commissioner, the Hon. Kenneth Hayne AC QC.

The Final Report included 76 recommendations and focused on the following key areas; banking, financial advice, superannuation, insurance, culture, governance and remuneration and Australia's financial regulators.

In March, we announced that we supported 72 of the 76 recommendations. Of the remaining four:

- We went further than the recommendation and led industry practice by extending protections for our small business customers beyond the Code of Banking Practice (with less than \$5 million in total borrowings, up from the industry level of less than \$3 million).
- We continue to work with the Government and regulators to respond to three recommendations, which relate to broker arrangements and Banking Executive Accountability Regime (BEAR) accountabilities.
- Launched a Customer Support Hub to provide specialised support for customers experiencing vulnerability, and created an Indigenous Customer Service Telephone Line to better support access for Aboriginal and Torres Strait Islander customers, particularly those living in remote areas.
- Removed grandfathered commissions on MLC Wealth superannuation and investment products for NAB Financial Planning employed advisers.
- Introduced 12-month service and fee agreements, to replace ongoing fee arrangements, for clients of NAB Financial Planning's employed advice channel.
- Announced our intention to support a transition to annual fee agreements for self-employed advisers, ahead of required legislation.

The Royal Commission rightly challenged us to close the gap between what we say and what we do. As we implement these recommendations and change as an organisation, we will be better focused on the needs of our customers.

We are actively progressing, or have completed, 39 of the recommendations with Group Executive Accountability and Board oversight.

To support our customers, we have:

- Since July 2018, ceased charging default interest to drought impacted farmers when they are in default (this has now been extended to customers impacted by other natural disasters, beginning with the recent 2019 Queensland floods).
- Ensured that land valuations are conducted independent of the loan origination, processing and decision processes.

Our introducer program was a case study during the Royal Commission. In March we announced that we would end referral payments to introducers commencing 1 October 2019, meaning that we now no longer make any referral payments to introducers.

In August 2019, ASIC launched civil proceedings against NAB in relation to our introducer program. This is currently before the courts.

A detailed update on our progress to address the findings of the Royal Commission can be read [here](#).

OUR OPERATING ENVIRONMENT

REMIEDIATION

In September 2018 we established the Centre for Customer Remediation to bring a consistent approach to remediating customers impacted by our mistakes.

Since then we have improved our remediation practices, including the establishment of clear policies, principles and governance frameworks, as well as regular reporting to senior management and the Board.

We have introduced measures to track timeliness and quality to ensure we understand how long it takes to compensate our customers and to ensure that our remediation programs are designed to prioritise consistent and fair customer outcomes.

Since June 2018, we have made significant progress towards fixing our mistakes and delivering better customer outcomes, with a dedicated remediation team of more than 950 people helping to bring greater discipline and focus to remediating customers. As at 30 September 2019, we have completed 44 remediation programs and made approximately 473,000 customer payments to a total of \$247 million. Provisions are now in place for the estimated costs of all known material customer-related remediation matters.

We have completed the process of refunding customers for Plan

Service Fees that had been incorrectly charged to some superannuation customers.

Our NAB Financial Planning remediation for advisor service fees has progressed and is on track for completion in June 2020 and we have commenced remediation for adviser service fees incorrectly charged by self-employed advisors.

We continue to prioritise restoring funds to customers who received inappropriate advice through Wealth Advice Review programs such as the Customer Response Initiative.

We are focused on remediating customers quickly, fairly and consistently. Until all customer payments have been completed, the final cost of customer-related remediation matters remains uncertain.

REGULATORY REFORM

We understand the significant impact that changing regulatory requirements and emerging issues within the financial services industry can have on our business.

Regulators play a key role in reinforcing community expectations, such as the importance of always dealing with customers in a fair and ethical manner and developing a culture that quickly addresses issues and promotes strong governance and accountability.

Over the year, there has been renewed activity as regulators adopt enhanced supervisory approaches, including onsite monitoring, executive level engagements and greater public disclosure of their enforcement activity.

This renewed activity is underpinned by an increased focus on accountability through regimes such as the Banking Executive Accountability Regime (BEAR), where regulators are increasingly engaging directly with accountable executives.

Regulatory areas of focus in 2019 and anticipated for 2020 include:

- **Consumer protection**

This includes financial hardship, customer vulnerability, banker conduct and accountability. For example, there are new product design and distribution obligations to ensure products are designed for customers' needs; and evidence of ASIC's use of its product intervention powers to identify and stop products that exploit or create consumer vulnerability.

In New Zealand, the RBNZ and Financial Markets Authority completed a review of conduct and culture across the banking and insurance industry. The report identified weaknesses in governance and management of conduct risks. Following the review, the NZ Government has announced proposed reforms to the regulation of conduct of financial institutions with draft legislation expected to be introduced to Parliament before the end of 2019.

- **Capital reform**

Capital strength remains a core focus for APRA as it continues to embed Basel III capital reforms.

With an aim to lift total loss absorbing capital, APRA has indicated a timeframe requiring the major banks to increase their total capital by 3% of risk weighted assets by 2024. The New Zealand regulator has a similar proposal to make banks safer with the RBNZ proposing a Tier 1 capital requirement for major banks equal to 16% of risk weighted assets with a transition period over a number of years.

- **Technology and operational resilience**

Banks' ability to respond to cyber security threats and cyber incidents has been identified by prudential regulators as a focus area as new risks emerge with technological advancements. For example, APRA's prudential standard on Information Security (CPS234) took effect on 1 July 2019.

We expect the high volume of regulatory change to continue over the next few years.

We understand there may be further regulatory enforcement action to come. NAB has formally adopted a model litigant policy which is based on the Commonwealth's Model Litigant Policy. This policy commits us to act honestly, consistently and fairly and ensures we will not take advantage of any imbalance of resources that might exist between our business and our customers.

ECONOMIC CONDITIONS

Our operating environment has been characterised by easing global and domestic economic growth over the last year.

Global growth in 2019 is expected to be well below its average (post-1980) growth rate. Growth is expected to stabilise and then

show some recovery, over 2020 and 2021, in part due to policy stimulus including an easing in monetary policy by a range of central banks. Trade disputes continue to be a source of risk to the outlook and in particular, the US-China trade and technology dispute.

Australian economic growth moderated around mid-calendar 2018. Gross Domestic Product (GDP) growth over the year to June quarter 2019 was 1.4%, the weakest growth recorded since 2009 and business conditions and confidence are below average. GDP growth is expected to increase by around 1.7% in calendar year 2019 but some improvement is expected in 2020 and 2021 with growth projected to rise above 2.0% but remain below trend.

The key dynamics continue to be a weak household sector with consumption growth modest and dwelling investment declining. Support is expected to come from public spending, business investment and, in the near term, commodity exports. With growth below trend, the unemployment rate is expected to increase slightly and policy stimulus – either monetary easing by the RBA or fiscal stimulus from the government – will be required to support activity.

New Zealand economic growth has also slowed. GDP growth is expected to be 2.2% in 2019, down from 2.8% in 2018 and to remain around this level over 2020 and 2021. The economy is facing supply constraints and low business confidence, as well as external headwinds due to the slowdown in the global economy. However, New Zealand's economy is supported by solid population growth (even though it has eased), elevated terms of trade, policy easing by the RBNZ, government spending and a low unemployment rate.

OUR OPERATING ENVIRONMENT

MARKET COMPETITION

Strong competition within the financial services industry benefits our customers. This includes the emergence of digital-only banks or 'neobanks', financial technology companies or 'fintechs' and potentially non-banking operators such as Facebook pushing into

traditional banking. This year we have seen new entrants granted Authorised Deposit-Taking Institution (ADI) licences as well as the arrival of international banks in the Australian market. Alongside new entrants, reforms such as Open Banking and Comprehensive Credit Reporting have combined with historically low rates and a

low-growth economy to fuel a competitive marketplace. We are prioritising the technology that supports our business strategy to give us the best platform to continue to deliver for our customers. Read more about our technology strategy on [page 27](#).







OPEN BANKING

We are approaching a significant development in the Australian financial services sector with Open Banking commencing in February 2020 as the first sector under the new economy-wide Consumer Data Right. Open

Banking will give customers more control of their data and has the potential to improve the speed of decision-making processes, create opportunities to enhance experiences and improve competition. We have undertaken substantial work to develop internal capability to implement this reform. We have actively participated in the discussion and consultation on the

Rules and Standards and continue to work closely with Data61 and the Australian Competition and Consumer Commission (ACCC) on implementation. While challenging timelines mean we are responding rapidly, speed should not compromise safety and experience. Getting it right is paramount to safeguarding trust and confidence in the new system.

OUR ECONOMIC VALUE DISTRIBUTED

	SUPPLIERS	Payments made for the provision of utilities, goods and services.	\$5.1bn
	COMMUNITY INVESTMENT	Community partnerships, donations, grants, in kind support and volunteering.	\$57m
	SHAREHOLDERS	\$5 billion dollars in dividend payments to more than 573,000 shareholders.	\$5.0bn
	EMPLOYEES	Employee salaries, superannuation contributions and incentives.	\$4.3bn
	GOVERNMENTS	Payments made to governments in the form of the Bank Levy (\$383 million paid) plus \$2,725 million in income taxes, goods and services taxes, fringe benefit taxes and payroll taxes among others.	\$3.1bn
 Total Economic Value Distributed¹			\$17.6bn

→ **Our role in building a stronger economy, supporting communities and driving innovation. This includes backing small to medium businesses, rural and regional Australia and the for-purpose sector, as well as investing in critical infrastructure.**

We do this by being a responsible employer, preparing our workforce for the future, investing in critical infrastructure, paying taxes and dividends and supporting the small to medium business and agricultural sectors.

We are also an important member of rural and regional communities with almost half of our Australian branches in regional and rural areas.

This year, we made landmark commitments to drive Australia towards a sustainable future. This was part of our participation in the **Australian National Outlook**, a multi-stakeholder collaboration with CSIRO and other organisations to map a sustainable path for Australia to reach its social and economic potential in 2060.

We made three key commitments to deal with key land, urban and industry shifts. These included launching a partnership with ClimateWorks Australia to develop sustainable agricultural metrics to improve natural asset management, investing \$2 billion in affordable housing and investing \$2 billion in the emerging technology sector to spur innovation by 2025.

Our operating environment

OUR INDIRECT ECONOMIC CONTRIBUTION

\$61bn in new home lending.
\$87bn in new business lending.

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

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

¹ Aligned to the Global Reporting Initiative standards



Our strategy

OUR STRATEGY

→ BEST BUSINESS BANK

We are making progress towards becoming the best business bank by aligning our business customers to the right service proposition, deepening our knowledge in growth sectors and simplifying our processes.

THIS YEAR, WE HAVE BEEN FOCUSING ON FOUR AREAS:

- Providing the right service propositions for our customers
- Getting the basics right
- Driving market-leading growth
- Achieving sustainable productivity

PROVIDING THE RIGHT SERVICE PROPOSITIONS FOR OUR CUSTOMERS

We have aligned our customers with the right banker and service proposition and clearly differentiated customer value propositions for diverse types of business customers. Our bankers have increased capacity to support more complex customer needs.

- Our Partners Model provides our customers with on the ground contact with a local Relationship Banker. We have a large footprint and continue to back local communities in regional and rural Australia.
- Our Connected Model provides access to experienced bankers and tailored

customer experience through our Connect Centres with extended hours every day of the week so that we are available when small business customers need us. We are focusing on making this phone-based servicing quick, easy and flexible.

- Industry specialists are embedded into both the Partners and Connected model, which means we understand the industries our customers operate within and their businesses.

GETTING THE BASICS RIGHT

Our business customers want us to make their lives easier. This means we need to get the basics of banking right first time, every time.

In the past year, we have been simplifying and standardising our core customer-facing processes.

This has included:

- Continuous improvement of the end-to-end lending process for our small and medium business customers.
- Simplification and automation of our processes to bring new customers onboard.
- Enhancing the ease of online self-service, including improvements to our NAB Connect platform (our solution for businesses with more advanced online banking needs).



Ensuring we get it right for customers every time, delivering fair customer outcomes. This includes building financial health, lending responsibly and providing fit-for-purpose products and great service.

Meeting our responsible lending obligations helps customers to better understand and manage their financial health. This is how we support vulnerable customers and provide remediation when things go wrong. It means listening to customers, learning from complaints and ensuring products are transparent, accessible and fair.

This year, we launched a customer outcomes framework to systematically review our products and processes against a set of principles to embed fairness, simplicity and trust into how our products are designed and delivered. Key changes from this work are simplifying how we serve customers. We reduced or removed 185 fees as part of our fee simplification.

We also introduced SMS reminders for credit card payments so our customers avoid fees. And for those who have regularly paid on time for the last 12 months, we proactively waived any late payment fees. We launched a Customers Experiencing Vulnerability Framework as part of the new Code of Banking Practice. All our employees were trained on the Code and our Vulnerable Customer framework, which sets out our responsibilities to provide accessible banking services to everyone.

A special Customer Support Hub was launched to support customers with complex needs such as older people, those from culturally and linguistically diverse backgrounds, people living in remote locations, and Indigenous Australians.

- Investing heavily in leadership and culture to make sure customers receive consistently excellent service from their bankers. This has included our Compass program for senior leaders and the Brilliant Banker master classes.
- We are not done yet. We will keep obsessing about simplifying our products, fees and processes and raising our service standards in 2020.

DRIVING MARKET-LEADING GROWTH

We back the bold within our business bank and are targeting our efforts on supporting 'growth sectors' that we believe are crucial to Australia's future. We continue to deepen our industry

expertise in sectors including Health, Agribusiness and Professional Services, which is helping us to have meaningful conversations with our customers and tailor our offering to their specific needs.

With NAB's sector specialisation approach and our broader drive to be the best business bank in Australia, we have been delivering above market growth for business lending in the small and medium business segment.

ACHIEVING SUSTAINABLE PRODUCTIVITY

Along with the rest of the NAB business, our business bank is focused on delivering productivity improvements by improving our core technology platforms, digitising the way we work and simplifying processes.

OUR STRATEGY

→ NEW AND EMERGING GROWTH



FROM THE DARK THE FUTURE LOOKS BRIGHT

Helen and Ian Chu left behind successful careers to start Majestic Mushrooms, with a vision to produce the highest quality mushrooms for the Australian market. From the business plan to their new state-of-the-art growing facility, they considered every little detail. It made growing something in the dark the shining light for their future.

Helen and Ian Chu
Majestic Mushrooms
 NAB customer, NSW

We pursue opportunities for growth by expanding our offering in chosen markets and building out key partnerships that deliver improved customer experience.

THE AREAS WHERE WE SEE GROWTH POTENTIAL INCLUDE:

- Supporting small and medium business growth
- Being the bank for Global Infrastructure and Renewable Energy
- Innovating for consumers; world first with UBank
- Partnering for innovation

NAB continues to finance and support the growing green and renewable energy market.

SUPPORTING SMALL AND MEDIUM BUSINESS GROWTH

We back Australian small and medium businesses right across the country. In addition to our specialisation on key growth sectors, we are seeing growth in areas such as:

- Our rapid, online QuickBiz loans. In 2019 we reduced the minimum annual revenue requirement to give access to more small businesses. We also added Intuit Quickbooks to the range of accounting packages that SME customers can use in the application process. 40% of applications occur outside of normal business hours.
- Population growth corridors in Greater Sydney and Melbourne.
- Supporting Indigenous businesses and customers expanding into e-commerce.

BEING THE BANK FOR GLOBAL INFRASTRUCTURE AND RENEWABLE ENERGY

There is strong growth in demand for funding of global infrastructure products because of population growth. Our

Corporate and Institutional division has a deep knowledge in infrastructure funding and is using our targeted global footprint to support customers as they grow into new geographies.

NAB continues to finance and support the growing green and renewable energy market. Our ongoing support has meant we have financed 130 renewable energy transactions since 2003. We have committed to \$70 billion in environmental financing by 2025 as the market continues to grow.

INNOVATING FOR CONSUMERS; WORLD FIRST WITH UBANK

In 2019, UBank saw its fastest ever year of customer growth, growing 19% with over 100,000 new customers. We are building in the next generation of customer experience tools to make banking simpler and faster for customers, with the launch of two innovative world firsts:

- Mia, UBank's latest artificial intelligence project, is the world's first digital human home loan application assistant and provides on-the-spot answers to

customer questions. Since Mia's arrival in February, it has provided more than 9,200 responses with an accuracy rate of 81% (against an IBM benchmark of 70% -80%).

- The world's first Green Term Deposit for consumers, certified by the Climate Bonds Initiative, allows customers to match their savings to renewable energy projects, such as wind and solar power and low carbon transport and buildings. Customers have shown how valuable they see this product through a consistent level of sign-ups.

OUR STRATEGY

→ NEW AND EMERGING GROWTH

PARTNERING FOR INNOVATION

We partner with innovative companies to advance our technology and growth strategies. Key partnership achievements in 2019 include:

- Strengthening our small and medium business offering with cloud-accounting software provider Xero, including the ability to approve multiple invoice payments in one click from within the NAB App and launching alerts for customers when invoices are paid.
- Launching Global Alliance FinTech Link, an online portal that will streamline the pitch process for fintechs seeking to partner with banks. Delivered, in collaboration with the Canadian Imperial Bank of Commerce (CIBC) in Canada and Bank Leumi in Israel, access to start-ups innovating around the world.

Our NAB Ventures initiative invests in technology start-ups linked to four investment themes:

- Connected business.
- Home ownership.
- Cashless world.
- Empowered investment.

Last year we committed to doubling funds available for fintech investment to \$100 million. At 30 September 2019, the NAB Ventures' investment portfolio comprised 14 companies in total, including five global start-ups.

- In July 2019, NAB Ventures led a \$14 million funding round into cyber security start-up Digital Shadows and a \$2.5 million investment round into lending platform start-up Earnd in March 2019.
- Other investments include Sply, Basiq, Poynt and Veem.



WORKING TO PROTECT THREATENED SPECIES

The NAB Foundation is supporting an innovative model of joint venture between a not-for-profit, Australian Wildlife Conservancy (AWC) and an indigenous organisation, Dambimangari Aboriginal Corporation (DAC) to deliver improved conservation and socio-economic outcomes along the Kimberley Coast in Western Australia (an area of international significance and located in the only section of mainland Australia to have suffered no extinctions).

Earlier this year, a team of DAC Rangers and AWC ecologists travelled to Augustus Island in Dambimangari country to complete wildlife surveys on the central habitats of threatened species.

Australian Wildlife Conservancy and Dambimangari Aboriginal Corporation

Cherylyn and Dominika set up a survey camera, WA

Melissa Bruton ©AWC

OUR STRATEGY

→ GREAT LEADERS,
TALENT AND
CULTURE

We are shaping our culture through our words and actions to reflect our shared purpose and vision.

PASSION FOR CUSTOMERS

Get it right for our customers, every single time

—
Take a stand for our customers

BE BOLD

Be exceptional

—
Step in, step up, speak your mind

WIN TOGETHER

One NAB,
One Badge

—
Make it simpler and faster

RESPECT FOR PEOPLE

Show care for everyone

—
Be candid with each other

DO THE RIGHT THING

Act with integrity

—
Be true to your word

In October 2018, we launched our new vision – to be Australia’s leading bank, trusted by customers for exceptional service. Our leadership team recognised that to achieve this vision and bring to life our desired culture, a set of behaviours would be required to ensure our values are reflected in our actions, describing expectations of everyone working at NAB.

The release of the Royal Commission final report in February 2019 has driven us to be more rigorous in putting customers first, more disciplined in our execution, to learn from our past experiences and to make things simpler for our people by removing complexity and building capability.

Key achievements delivered this year include:

- Launching and delivering the ‘Leading NAB’s Culture’ program to create awareness and understanding of our culture priorities and expectations for all people leaders.
 - Progressing on work to simplify our policies and strengthen compliance with more than 35% of all policies simplified to date.
 - Actively focusing on bringing rigor and discipline to linking individual values and behaviours to performance.
 - Continuing our assessment and monitoring of the effectiveness of NAB’s various reward and incentive programs to embed sustainable culture change.
- Redesigning our induction program ‘Welcome to NAB’ to immerse new employees in our values and behaviours and provide a clear context for the One NAB Plan.
 - Providing guides and toolkits to all people leaders to generate better customer outcomes and increase understanding of customer vulnerability and our culture priorities.
 - Making digital self-service learning available to all people relating to core skills required for NAB’s culture priorities including the delivery of additional Data Security and Banking Code of Practice training to improve protection for customers.

Our Self-Assessment identified the need for reporting on our culture to be more systematic, with clear targets set for risk and other relevant aspects of culture. We have developed a dashboard of employee survey metrics, coupled with business outcome measures provided to the Board on a quarterly basis. One of the critical measures is our monthly culture index. A group-wide uplift in the culture index this year suggests that our people are increasingly observing NAB’s desired behaviours being modelled by our people. However, we face ongoing challenges, including the need to ensure disciplined execution of these desired behaviours and making things simpler for our people.

Our long-term aspiration is to be in the top 25% on employee engagement across Australia and New Zealand which will require achieving an engagement score of around 69%. This year, the NAB Group engagement score was 54%, flat compared with 2018. While this is far from our aspiration, the result reflects a challenging year with leadership changes, the Royal Commission and the continued rollout of our transformation. We are actively focused on significantly lifting employee engagement and in 2020 we will implement more frequent measurement tools and increase people leader accountability to lift engagement.

OUR STRATEGY

→ GREAT LEADERS, TALENT AND CULTURE

DIVERSITY AND INCLUSION

Building a diverse and inclusive workforce that reflects our customers and communities drives innovation, engages our people, builds productivity and improves customer experience. We are creating a place where everyone feels respected and valued for who they are, trusts that they can speak up and be treated fairly and shares a sense of belonging.

Our Diversity & Inclusion Strategy fosters an inclusive culture to inspire creativity and drive innovation. It includes three priorities: gender equality, life stage and lesbian, gay, bisexual, transgender and intersex (LGBTI+) inclusion. We maintain a focus on cultural inclusion and accessibility. Our key enablers include leadership, flexibility and our employee resource groups.

74% of our people experience an inclusive workplace representing a 2% increase on 2018.¹ Our aim is to be in the top quartile of organisations in Australia and New Zealand which currently are 77% or higher.

We have set a bold target to achieve gender equality throughout our business next year – that is, by 30 September 2020 we will have 40-60% representation across every level at NAB, right up to Board level.

Despite an increase in representation of women within senior levels of the bank, we fell short of our 2019 targets. This has been addressed by our Executive Leadership Team and the Board and we remain committed to our 2020 goal. For more detail on our approach to gender equality, please refer to our [2019 Corporate Governance Statement](#).

74%
OF EMPLOYEES
EXPERIENCE
AN INCLUSIVE
WORKPLACE

More broadly:

- We achieved the 2018-2019 Workplace Gender Equality Agency Employer of Choice for Gender Equality citation and are included in the 2019 Bloomberg Gender-Equality Index.
- We are part of the Global Catalyst Supporter Community, which includes corporations, firms, associations, academic institutions and other organisations committed to accelerating progress for women through workplace inclusion.
- We partnered with Care Corporate to launch the NAB Care Program to support our people who are caring for young children, teenage children, persons with disability or elders. Our employees are supported with free access to a range of support services and resources.
- We achieved Gold Employer Status in the 2019 Australian Workplace Equality Index (AWEI). The AWEI is the definitive national benchmark on LGBTI+ workplace inclusion, driving best practice in Australia.
- We committed to a further three years as the Principal Partner of Midsumma Festival. We also advocated and supported other LGBTI+ community events around Australia including the Chillout Festival, Fair Day at Brisbane Pride and the Pride Cup Australia.
- We launched our Elevate Reconciliation Action Plan 2019-2021, helping create real outcomes and positive change in partnership with Aboriginal and Torres Strait Islander people, organisations and communities. We continued core Indigenous programs, which included offering 76 Indigenous Australian traineeships.
- We celebrated ten successful years of our African Australian Inclusion Program, a professional program for skilled African-Australians, providing six months paid corporate experience. Since its inception we have had 465 participants through the program.
- We launched our 'Better Together' Accessibility Action Plan (2019-2020) with the Australian Network on Disability.
- We launched our 'Neurodiversity at NAB' Program, designed to provide meaningful and sustainable employment for people on the autism spectrum.
- We announced our extended support of Special Olympics Australia to become Principal Partner until 2022.

[Our strategy](#)

We aim to have 40-60% of either gender represented at every level of the business by 2020.

OUR STRATEGY

→ GREAT LEADERS, TALENT AND CULTURE

How we manage, care for, listen to and develop our people. A happy, engaged and diverse workforce is essential in serving our customers well and delivering results for our business.

We must lead and care for our people, listen to them, develop their skills and communicate openly with them in times of change. And with so much digital disruption, the ability to adapt to change is increasingly important for a future-fit workforce.

This year, we embarked on a cultural change program to enhance our risk controls and increase awareness and accountability. Our Employee Engagement score remained steady at 54% this year. This is below our target of top quartile engagement (69%). We recognise that holding a stable score during a year of industry scrutiny and leadership change is a modest achievement.

54%
EMPLOYEE ENGAGEMENT SCORE

NAB is committed to developing the skills of all employees by offering a broad range of digital and face-to-face learning content.

INVESTING IN OUR PEOPLE

NAB has a global workforce of more than 34,000 people. To meet the needs of customers and the requirements of our regulators, we ensure People Leaders are clear on their expectations.

In response to the Royal Commission and our Self-Assessment, we set an ambition to have Only Outstanding Leaders at NAB. A number of initiatives were launched this year to address this including:

- A face-to-face program for all People Leaders to build awareness and create alignment around our three culture priorities – customer first, disciplined and simpler for our people.

- Additional face-to-face and virtual leadership training, including bi-monthly Workplace Live stream sessions with NAB leaders to discuss and role model learning.

In 2019, we went a step further, measuring our leadership expectations (as a People Leader Index) in our annual Employee Engagement Survey.

Building a pipeline of diverse leaders for the future and transforming the culture of our business relies on a robust approach to talent management. A consistent talent operating rhythm and practice has been established across the top four layers of the organisation, with robust and objective assessment data informing hiring decisions, investment and development of succession plans. In 2019, we

had 265 talent assessments completed and 60 senior leaders attended one of our talent development programs.

NAB is committed to developing the skills of all employees by offering a broad range of digital and face-to-face learning content. In 2019, our employees undertook an average of 17 learning hours per person.

There are many ways we recognise the achievements of our people. Our peer recognition program, NAB Recognise, highlights the people who display our values. Through our annual enterprise recognition program, NAB Honour, we acknowledge the top performers who have contributed significantly to achieving our strategic objectives, lived our values and put customers at the centre of everything they do.

Our strategy

WE ARE BECOMING SIMPLER AND FASTER BY:

- Simplifying our products and services
- Simplifying our processes and procedures
- Simplifying our organisation
- Redesigning customer experiences

185
FEES REDUCED OR REMOVED

OUR STRATEGY
→ **SIMPLER AND FASTER**

By simplifying our business we can better serve our customers, meet our regulatory requirements, sustainably lower our cost base and respond to market changes with agility.

SIMPLIFYING OUR PRODUCTS AND SERVICES

We continue to simplify our products to make it easy for customers to choose the best product for their needs and to ensure all our products offer great value. In 2019 we:

- Removed 72 products.
- Reduced or removed 185 fees.
- Launched the 'Future of Retail' in our branches which aims to achieve an improved customer experience, improved banker capability and increased banker availability.

SIMPLIFYING OUR PROCESSES AND PROCEDURES

We improved experiences for our people and customers in 2019, by:

- Piloting a new lending platform that enables bankers to capture everything they need to start a home loan application for business customers. The system pre-populates customer information and then guides the conversation with prompts to gather further details.
- Enabling NAB business customers to track their international payments in real-time and view where their money is, anywhere in the world.

- Establishing the NAB Customer Support Hub, a new specialist team to help vulnerable customers.
- Enabling customers to deposit cheques via new Mobile Cheque Capture on iOS and Android.
- Introducing a single platform and process for strategic sourcing.
- Rolling out new collaboration tools for our people including Zoom and Salesforce CRM.

SIMPLIFYING OUR ORGANISATION

We are reshaping our workforce to have the right people with the right skills for the future. In 2019:

- We reduced 1,816 Full Time Equivalents (FTE).
- We recruited 1,045 new FTE with new capabilities with strong focus this year on financial crime compliance and risk compliance.
- We insourced activities previously completed externally, equivalent to 637 FTE.

We will continue to build momentum into 2020 to deliver on our market commitments. These include removing 6,000 FTE and

bringing on board 2,000 new FTE with compliance, technology and regulatory related skills in the three years to 2020, plus keeping our cost base broadly flat (excluding large notable items) in the next year.

REDESIGNING CUSTOMER EXPERIENCES

It should be quick and easy for customers to open accounts with NAB and service accounts in a way that suits them. We have been redesigning and improving experiences for our customers in relation to Home Lending, Business Lending and Everyday Banking services. Some of our key achievements in 2019 were:

- End-to-end Home Lending redesigned.
- Expanded digital concierge experience in branches.
- Delivered new features in our NAB Mobile Banking and NAB Connect mobile apps.
- Launched Apple Pay in May.
- Improved experience for 'new to bank' customers applying for transactions and savings accounts with rollout of an electronic identification (electronic Know Your Customer) checklist.

How we are transforming the way we use technology to achieve better customer outcomes, bolster data security and privacy and ensure our success in an increasingly digital future.

This includes tackling the challenges of simplification, automation and creating more digitally-enabled customer experiences. This year, we continued to migrate our systems to cloud based technology making it faster for our people to serve customers. More than 400 applications have been migrated to the cloud. We boosted our financial crime and data security measures to respond to growing cyber risks.

We also trained more than 120 data stewards from every area of the bank, who are charged with promoting good data practices, resolving data issues and improving data quality. We launched the Data Guild and Analytics Guild to grow, retain and attract talent in the core future skill areas of data and analytics areas.

Our strategy

OUR FOUNDATIONS

Our foundations



OUR FOUNDATIONS

→ **TECHNOLOGY**

42%
DECLINE IN CRITICAL AND HIGH INCIDENTS

We continue to invest in technology that will help us become a simpler and faster bank, to make life easier for our customers.

Technology is the foundation for improving the customer experience. We are transforming to deliver more efficiency and resilience in our systems and services and to enable us to change more quickly as customer behaviours evolve.

ADOPTION OF CLOUD SERVICES, INSOURCING TECHNOLOGY AND IMPROVING THE RELIABILITY OF OUR SYSTEMS

Accelerated Migration to Cloud Platforms

We are leveraging the power of the public cloud providers to help us improve our speed of innovation and to reap their on-demand cost benefits. We are working with service providers such as Amazon Web Services, Microsoft Azure and Google Cloud to take advantage of the unique offerings of each provider and to protect ourselves from being dependent on any single provider.

We now have more than 400 applications running in the cloud and we have maintained 100% availability of our cloud infrastructure.

We have developed and implemented a framework to help us move to the cloud quickly but safely. The NAB Cloud Adoption Standards and Techniques (CAST) framework, enables safe and scalable migration of applications to public cloud. This framework defines a safe, repeatable and controlled delivery.

Insourcing Technology

While there has been an ongoing trend to outsource large parts of technology capabilities, times have changed. We are in the process of regaining control of the build and management of our technology – insourcing the customer-facing components for competitive edge and outsourcing customer-agnostic components to leverage global leaders. This model is designed to improve the overall quality and reliability of our services.

As we insource, we are investing in the capabilities of our people, particularly in cloud and data. More than 950 of our people have been industry certified in Amazon Web Services (AWS), Microsoft Azure and Google Cloud Platform. Our business contains the most AWS certified people within any business in Australia and New Zealand outside of AWS itself.

Improving System Reliability

Our customers are now beginning to see improvements as a result of our investment and strategic approach to technology changes, with a 42% decline in critical and high incidents compared with last year.¹ Significant progress has been made to address and fix our technology risks to improve our overall system reliability.

JULY DATA BREACH INCIDENT

In July 2019, our data protection software detected that a NAB employee had uploaded personal information from approximately 11,500 customer records to the servers of two data service companies. This information included the customer name, date of birth, contact details and in some cases, a government-issued identification number such as a driver's licence number.

The team mobilised quickly after confirming the upload was unauthorised. Regulators were notified within 72 hours, including the Office of the Australian Information Commissioner (OAIC), Australian Prudential Regulation Authority (APRA), Australian Securities and Investment Commission (ASIC) and the UK Information Commissioner's Officer (UK ICO). We began contacting affected customers immediately. We set up a 24/7 hotline for inbound customer calls with more than 80% of affected customers contacted through various channels within two business days. We offered compensation to replace government identification, where appropriate and to cover the cost of a subscription to 12 months of independent fraud monitoring.

The incident prompted a review. We strengthened the controls around our data leakage prevention and detection capabilities, and rolled out additional mandatory training for NAB staff globally. It covered privacy and data breach practice, procedure and obligations. This event enabled us to test our new Data Breach Playbook, particularly the role each stakeholder plays during a critical incident. The breach reinforced the need for quick, transparent action and prove how vital it is to manage risks and to swiftly engage and compensate customers when things go wrong.

CRITICAL SYSTEMS OUTAGE

On 2 September 2019 a hardware failure triggered a database issue which resulted in an outage, causing customers to be unable to access our New Zealand online banking channels for two hours. While BNZ identified the problem quickly, the outage caused intermittent impacts to our customers visibility of their individual transaction history and resolution took several days. A further outage on 5 September 2019 saw further disruptions causing increased calls to our contact centres and negative media coverage. Throughout this period, ATMs and card transactions were unaffected.

In response, we took full responsibility and we have apologised without reservation to all our customers. While payments were not impacted by this outage, provision was made for any customer that may have found themselves financially impacted by not having access to transaction history.

After a detailed review of the incident, we strengthened many of our operational processes to prevent a similar situation in the future.

OUR FOUNDATIONS

→ TECHNOLOGY

24/7

CYBER SECURITY OPERATIONS CENTRE ESTABLISHED

IMPROVING OUR SECURITY CAPABILITIES

The safety and security of our customers, their information and their finances is our highest priority. We are investing in strengthening our defenses, both physical and cyber, to do whatever we can to protect our people and our customers.

- Our security team presented to more than 3,000 customers last year through community outreach and provided insights and advice on measures customers can take to protect themselves from cybercriminals. We have invested in comprehensive resources available on nab.com.au/security for personal and business customers, including online training for small and medium business owners.
- We have established a global threat intelligence function partnering with law enforcement and government organisations around the world to access timely intelligence data to address and rapidly respond to threats facing our business.
- We have collaborated with universities and with the government-sponsored Cyber Security Co-operative Research Centre to fund and access leading research and insights.
- We have established a 24/7 cyber security operations centre, in response to the rising sophistication and number of cyber attacks globally.
- We have reduced email-based fraud, scams and phishing attacks targeting our customers which use email addresses that appear to be coming from NAB.

MODERNISING OUR DATA CAPABILITIES

Data is the currency of the future. Our economy is becoming increasingly digitised and the ability to capture and use data is fundamental to provide new and improved experiences.

To improve how we use data and better serve our customers, we have built new technology foundations, including a cloud-based data lake, an advanced analytics platform and new reporting tools.

The new reporting tools will enable our people across NAB to access appropriate and accurate data quickly and easily to service our customers. For example, bankers can access customer details and report on mobile digital devices out in the field. These foundations will be the platform upon which machine learning and artificial intelligence are developed.

We have simplified our data and analytics environment, significantly improving our data governance practices. We want to better understand our data and uplift the quality of our critical data. We have trained data stewards within each area of the bank, who are charged with promoting good data practices, resolving data issues and improving data quality. Improvement of customer data quality will result in better interaction and outcomes for our customers. Currently, approximately 14% of customer complaints are data quality related.

This year, we launched the Data and Analytics Guilds internal education and training programs, to grow, retain and attract talent in the core future skill areas. This community has already attracted almost 2,000 members since launching in July.

DANDELION PROGRAM

Australia is in the grips of a cyber skills shortage, with the need to train about 18,000 more people by 2026 to fight impending cyber security threats. Prioritising diversity is one way to ensure we have the right capability to meet this challenge – ensuring diversity of thinking and in particular, employing diverse problem-solving skills. This challenge is addressed with the introduction of the NAB Dandelion Program.

In partnership with with the DXC Dandelion Program, we have built valuable skills and careers for individuals on the autism spectrum.

The Dandelion Program will foster innovation and support diversity of thought within our business by helping us create a neurodiverse workforce that utilises the talents of people with autism.

The Dandelion Program enables access to a large population of potential employees to harness their skillset and provide a holistic employment experience. The Program is designed to provide substantial support to participants, both from a technical and autism perspective and to ensure that they are able to learn and grow as employees and as individuals.

The program has shown benefits with a 92% retention rate, a productivity increase of 30-40% and an average engagement score of >72%.

We commenced the program in February 2019 and as at May 2019, we have a cohort of six trainees, all of whom are working in our Enterprise Security team.

We are looking to extend the program across our business.

Diversity is one way to ensure we have the right capability to meet the challenge of cyber security threats.

OUR FOUNDATIONS

→ TECHNOLOGY

FUTURE FOCUS

We want our technology capability to be:

- **Fast:** able to experiment, deliver and learn quickly
- **Agile:** able to shift our technology as markets evolve
- **Efficient:** operate at top decile efficiency and productivity
- **Relevant:** deliver fit-for-purpose solutions that our customers value
- **Resilient:** operate world-class, resilient and secure systems
- **Deep:** develop and maintain strong technical capabilities

We want our digital channels to be accessible and convenient.

A CUSTOM SOLUTION FOR A GROWING CHALLENGE

The biggest problem for Burder Industries was keeping up with the flood of cheap imports in Australia's farming market. To tackle this challenge, George and his son Adam decided the best way to set themselves apart was to expand the business and offer something different from importers. They produce high quality, custom-made equipment with fast delivery for their customers.

Adam and Campbell Fendyk
Burder Industries
NAB customer, VIC



PRODUCT AND SERVICE INNOVATIONS

Our customers are connecting with us every minute of the day. The majority of these interactions are through our digital platforms. Our technology and digital capabilities will improve experiences without losing the sense of personal connection or trust with our customers. This is why we have made significant and ongoing investments in digital banking to improve the customer experience. These include:

- Launching a new 'manage my loan' section in our Mobile Banking App. It gives customers easy access to their home loan information and tools to support them in making informed financial decisions.
- Our customers can now make digital payments using Apple Pay, Google Pay and other third-party wallets.
- The new Cheque Deposit feature in the Mobile Banking App enabling customers to conveniently deposit cheques up to \$1,500 without the need to visit a branch or smart ATM.
- Through our partnership with cloud accounting company Xero, our customers now have the ability to make payments from within the Xero environment.
- Customers now have the option to receive more personalised notifications and alerts for payments made and received, approaching credit limits and credit card payment due dates.
- Our Virtual Assistant and Live Chat Capabilities now provide customers the ability to get instant help when they need it. More than 460,000 queries since the August 2018 launch have been conducted with thousands of customers taking advantage of live chat

support via Internet Banking. It's estimated that this will save more than one million calls to our call centres by the end of 2020.

- Customer service capabilities provided through Google Assistant and Amazon Alexa using voice activated technology provide customers information including account balances, recent deposits and any amount owing on a credit card.

OUR FOUNDATIONS

→ RISK MANAGEMENT

Risk management underpins everything we do. Our goal for managing risk is to protect our customers and enable sustained performance of our business. We are lifting the voice of the customer in our risk governance and decision-making, improving the way we manage non-financial risks, investing in new technology and strengthening our risk culture by putting our customers first.

Effective risk management,¹ including a sound risk culture, is essential to achieving our vision of being Australia's leading bank, trusted by our customers for exceptional service. Risk management is everyone's responsibility at NAB because risk exists in all aspects of our business and operating environment.

PUTTING CUSTOMERS AT THE HEART OF RISK MANAGEMENT

We know that we need to put our customers at the forefront of why and how we manage risk. To lift the voice of the customer, we have established our Board and Executive Customer Committees to ensure they are represented in our risk governance and decision-making.

We have simplified credit policies, lending authorities and credit decision-making processes so our bankers can have quality conversations, give clear guidance and respond quickly and appropriately to our customers. Our dedicated specialist team supports customers in financial hardship by offering short-term assistance to help them get back on track. This includes additional lending and restructuring of loans when they are unable to make repayments.

We have improved our product governance processes to better protect our customers. This includes assessing our new and existing products and

services to ensure they deliver value to our customers and monitoring the quality of that value. We have improved our event management and remediation processes to ensure we are reporting issues to regulators and compensating our customers as quickly as possible.

The new Banking Code of Practice was released in July 2019, driving ethical and sustainable practices, with greater protection for customers and their guarantors. We are implementing the Code by aligning our processes, strengthening controls, simplifying our documents and ensuring awareness across our business.

IMPROVING THE EFFECTIVENESS OF OUR RISK MANAGEMENT PRACTICES

Simplifying our policies makes things easier for our customers and our people. We are strengthening our controls environment with sustainable and intelligent controls to protect and serve customers better. We are doing this by applying a consistent framework to control design, identification, implementation, documentation,

governance, assurance, monitoring and reporting. We are also enhancing our capabilities in this area.

We recognise the importance of managing our non-financial risks and have further improved our risk management practices by:

- Investing in resource and capability uplift in non-financial risk management across compliance, conduct risk, technology and operations.
- Establishing a new Group Non-Financial Risk Committee to provide more rigorous oversight and governance of operational, compliance, conduct and regulatory risks, as well as related emerging risks.
- Implementing timely and insightful risk committee reporting that is focused on forward-looking information, emerging risks, improved tracking of remediation progress and increased insight into root causes.
- Strengthening our compliance risk management through re-designing the way we operate our Compliance and Financial Crime Risk functions.

- Investing in a new governance, risk and compliance management system, together with advanced reporting tools, which will be available in 2020.
- Streamlining how we define, classify and manage risks.

MANAGING CREDIT RISK

We have clearly defined risk appetite settings, policies and frameworks across the NAB group through which the credit risk portfolio is managed. Our credit portfolio remains sound.

Credit impairment charges increased 18% over the year and represent 0.15% of gross loans and acceptances. The ratio of loans which are more than 90 days in arrears and impaired as a percentage of gross loans and acceptances increased by 22 basis points over the year to 0.93%. This is largely due to rising Australian mortgage delinquencies and the impairment of a small number of larger exposures in the New Zealand dairy portfolio.

Our foundations

¹ The material risks managed by the Group are: strategic risk, credit risk, market risk, balance sheet and liquidity risks, operational risk, compliance risk, conduct risk and regulatory risk. More details on the material risks is available in the Corporate Governance section of our [website](#).

OUR FOUNDATIONS

→

RISK MANAGEMENT

Our provisions for credit impairment remain prudent, with total provisions on a cash earnings basis increasing 11% over the year to \$4,142 million.

We are closely monitoring and supporting our customers in key sectors, including:

- Australian mortgages due to rising arrears.
- Australian agriculture reflecting challenging weather conditions in New South Wales and Queensland, with further stress expected if drought conditions persist. We continue to support farming customers through disaster relief packages and a moratorium on branch closures in affected regions.
- New Zealand dairy with the impairment of a small number of larger exposures.
- Retail trade due to low household income growth in Australia, international entrants and the growth of online channels.

DISRUPTING FINANCIAL CRIME

Our approach to preventing financial crime is based on the following principles:

- **Vigilance** – Constantly identifying and reporting suspicious behaviour. In the past year we increased the breadth of our transaction monitoring.
- **Intelligence** – Predicting and preventing criminal activity through rigorous processes and technology.

- **Convergence** – Working collaboratively with outside partners, to protect communities locally and globally. As a direct result of our investment in investigator training and processes uplift, we have seen an increase in matters reported to regulators.

We are uplifting our financial crime prevention capabilities to minimise risk and improve operational performance.

STRENGTHENING OUR RISK CULTURE

Our Board and Executive Leadership Team lead our risk culture and ensure we remain focused on doing the right thing, speaking up about issues that impact our customers and facing into and fixing problems quickly.

Our Group Whistleblower Program continues to provide a safe and confidential channel for reporting wrongdoing. Every concern raised by our people matters and we encourage, support and protect people who speak up.

MANAGING REGULATORY CHANGE

We continue to pursue early, open and constructive engagement with our industry regulators to understand and prepare for ongoing regulatory changes within our operating environment.

We believe proper management of environmental, social and governance (ESG) risks and opportunities has a material impact on the long-term value and profitability of our business.

ESG RISK GOVERNANCE

We know that our long-term sustainable success is impacted by performance, culture and our impact on the environment and community. This is why we have integrated ESG risk management within our governance structures and Risk Management Framework, informed by our ESG Risk Principles. These Principles align with our values and vision and assist our people to consider ESG risk in day-to-day decision-making.

Our Board retains oversight for ESG risk management. ESG risks are identified, measured, monitored, reported and overseen in accordance with the Group's Risk Management Framework. The Group Non-Financial Risk Committee and Group Credit and Market Risk Committee oversee key aspects of ESG risk, including climate-related risk. Matters are escalated to the Executive Risk Committee, Board Risk Committee and Board as required.

ESG PERFORMANCE

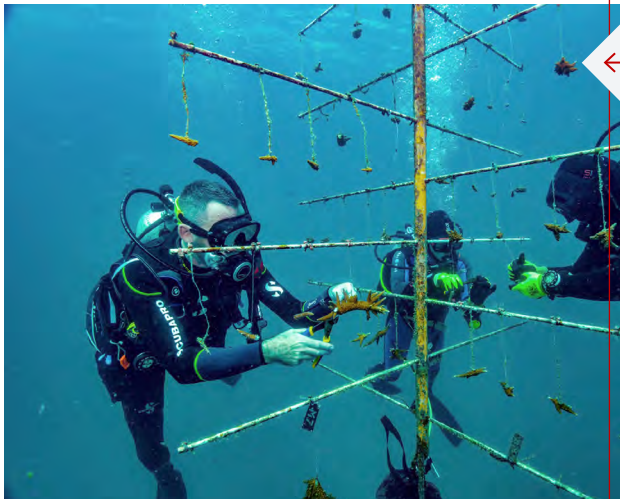
We consider ESG risk as part of managing our day-to-day business. This includes assessing the ESG risk management of potential and existing customer and supplier business relationships, particularly as part of our credit and procurement risk assessment and due diligence processes. Understanding how customers, suppliers and other third-parties manage ESG risks gives us valuable insights. We can make better risk-based decisions to protect our reputation, grow our business and help our customers achieve their ESG goals. ESG data informs our risk appetite and credit risk policy settings.

Key ESG risk management activities this year included:

- Developing Animal Welfare principles.
- Reviewing our Climate Change Strategy and climate risk management activities. This included work on climate data access, climate-related scenario analysis and review of credit risk policy settings. In late 2019, we joined the United Nations Environment Program Finance Initiative's Phase 2 project on implementing the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). Refer to the call out box on [page 32](#) for further information on our climate change work.
- Conducting our annual Human Rights Policy review which included dialogue with key social Non-Governmental Organisation (NGO) stakeholders.
- Contributing to customer ESG performance and risk management through provision of ESG-linked loans (such as margin reduction tied to meeting agreed ESG targets).
- Participating in the core group of 30 banks that led to the development of the [Principles for Responsible Banking](#) and becoming a founding signatory when the Principles launched in September 2019. Additionally, we joined the Principles for Responsible Banking Collective Commitment to Climate Action.
- Being an active supporter and participant in the [Australian Sustainable Finance Initiative](#). We are also part of the NZ Sustainable Finance Forum Technical Working Group. These initiatives are working on sustainable finance roadmaps for Australia and New Zealand.

OUR FOUNDATIONS

RISK MANAGEMENT



BREATHING LIFE INTO A WONDER OF THE WORLD

The Reef Restoration Foundation (RRF) is a not-for-profit, social enterprise helping one of the world's most important environmental wonders. Through funding provided by the NAB Foundation, the RRF established the first ocean-based coral nursery in the Great Barrier Reef to regenerate high-value tourism reefs affected by coral bleaching and secure permits to expand the program. Members of the RRF team attach coral fragments to frames to grow new, hardier corals that breathe life back into Australia's famous reef.

Stewart Christie
Reef Restoration Foundation
 NAB Foundation Partner, QLD

How we take action on climate change and show leadership in environmental sustainability. We recognise that carbon risk and our role in the transition to a low-carbon economy are increasingly important to our stakeholders and the community.

We believe a healthy planet is a key foundation for a prosperous economy and societal wellbeing. This view underpins our Environmental Agenda which focuses on climate change, natural value and resource scarcity. We believe we can make a difference with these key environmental challenges through our own operations and through helping our customers.

We recognise that climate change is a significant risk and opportunity for our business, the economy and society. Financial regulators have acknowledged climate change is a systemic financial risk which they are incorporating into supervisory frameworks. Investors and other stakeholders are interested in how we are managing climate-related risks and opportunities. Assisting our customers to transition, adapt and build resilience to climate change is critical for an orderly low carbon transition. NAB is supporting this transition by financing renewable energy projects and green infrastructure.

In 2019, we:

- Reviewed our climate change strategy and committed to a range of actions to help meet the goals of the Paris

Agreement while supporting security of energy supply in Australia and New Zealand and working with customers, related suppliers and their employees in which they operate. This includes increasing our environmental finance commitment from \$55 billion to \$70 billion by 2025. In 2019, we reached a total \$33.6 billion towards this goal.¹ We also increased our Australian renewable energy objective from 50% to 100% by 2025.

- Worked with the Energy Transitions Hub at the University of Melbourne to develop a process to geocode lending portfolio data to overlay it with transition and physical climate risk information for scenario analysis. We used this to examine the potential impact of climate scenarios related

to cyclones on our Australian retail mortgage portfolio.

- Performed further transition risk scenario analysis on the coal sector.
- Increased disclosure of climate-related credit risk policy settings – refer to page 44 of our [2019 Sustainability Report](#) for further detail. Our climate change disclosures align with the TCFD's recommendations and are provided throughout our annual reporting suite. Refer to our [2019 Annual Financial Report](#) pages 35-39 and our [2019 Sustainability Report](#) pages 21-29.

Our foundations

¹ Represented as a cumulative amount of new environmental finance since 1 October 2015. Refer to [2019 Sustainability Report and Data Pack](#) for more information.

OUR FOUNDATIONS

→ BALANCE SHEET STRENGTH

We maintained a strong capital, funding and liquidity position, in line with our ongoing commitment to balance sheet strength. We continually evaluate our position so we can respond to ongoing changes in regulatory and market conditions.

Our strategy focuses on maintaining balance sheet strength. The Stable Funding Index (SFI), which represents the proportion of our core assets that are funded by customer deposits and term wholesale funding with a remaining term to maturity of greater than 12 months has remained stable at 93.1% (2018: 93.3%).

We continue to access a diverse range of wholesale funding markets including diversification by tenor, product, currency and investor type. A highlight was the issuance of NAB's first USD Basel III Tier 2 compliant subordinated debt instrument. The Group raised \$26.2 billion of term wholesale funding for the September 2019 full year.

We have maintained strong liquidity throughout the year. The 30 September 2019 quarterly average Liquidity Coverage Ratio (LCR) was 126% and the Net Stable Funding Ratio (NSFR) was 113%, both above the APRA regulatory requirement of 100%.

Our capital management strategy concentrates on adequacy, efficiency and flexibility. The amount of capital we hold considers our risk appetite, informed by an internal risk-based assessment, regulatory requirements and shareholder expectations. We employ this approach across our business.

The Group's capital ratio operating targets are regularly reviewed in the context of our external economic and regulatory outlook with the objective of maintaining balance sheet strength. APRA's 'Unquestionably Strong' capital framework review is ongoing. We expect to meet APRA's 'Unquestionably Strong' capital benchmark from January 2020.

Our business remains well capitalised. As at 30 September 2019, NAB's CET1 ratio was 10.38% on an APRA basis and 14.34% on an internationally comparable basis. NAB's Leverage Ratio was 5.5%.



← A BUSINESS POWERED BY PASSION (AND PUDDING)

Paul's journey from a single pot operation to a nationally distributed dessert product started by understanding where Wicked Sister desserts could fit in the market. Paul's commercial insights and his passion for his products were clear. He established a relationship with NAB, who supported him to grow and achieve the full potential of his business.

Paul Polly
Wicked Sister
NAB customer, NSW

In New Zealand, RBNZ is undertaking a review of the capital adequacy framework applied to registered banks incorporated in New Zealand. In December 2018, the RBNZ proposed amendments to the amount of regulatory capital required of locally incorporated banks.

Final policy decisions are expected in December 2019. Implementation of any new capital rules is proposed to start from April 2020 with a transition period over a number of years before banks would need to meet the new requirements.

Our foundations

The Board is committed to bridging the gap between what we say and what we do identified in the Royal Commission final report. Although challenging and uncomfortable, this year has provided us with the opportunity to reflect and re-evaluate how and why we have done things, to focus on fixing our mistakes and earning trust.

There have been areas where NAB has not met the expectations of our customers, people, shareholders and the community. This resulted in the forfeiture of deferred variable reward previously awarded between 2016 to 2018 for the majority of the 2018 Executive Leadership Team (other than the former Group CEO), potentially worth \$5.5 million.¹ This is in addition to forfeiture of all deferred variable reward by former Group CEO Andrew Thorburn on resignation, potentially worth \$21 million.¹ The Board also recognised the need for accountability beyond the decision of the Chairman, Dr Ken Henry, to step down and determined that other directors would receive a reduction in fees for 2019, equivalent to 20% of 2018 base fees received.

EXECUTIVE REMUNERATION

In 2019, the Remuneration Committee invested significant time reviewing NAB's executive remuneration framework in response to concerns raised by shareholders in 2018. The new executive remuneration framework, applicable to the Group CEO and Executive Leadership Team, is designed to better meet shareholder expectations for long-term performance outcomes and more closely align the interest of executives and shareholders. The framework applies to 2019 onwards. The new executive remuneration framework is described in detail in the Remuneration Report within NAB's [2019 Annual Financial Report](#).

BEAR FRAMEWORK

The BEAR came into effect for NAB on 1 July 2018. For the purposes of the BEAR, NAB has registered certain individuals (including directors and senior executives) as 'Accountable Persons' with APRA.

Implementing BEAR has strengthened existing accountability structures and practices. It has provided greater clarity on accountabilities and resulted in clearer delegation and decision-making processes.

All NAB Accountable Persons have a letter of appointment (in the case of directors) or a written employment agreement (in the case of Executive Leadership Team members and other senior executives) which governs the terms of their appointment, as well as a detailed BEAR Accountability Statement lodged with APRA.

We will continue to further embed the principles and practices developed under BEAR in 2020.

CORPORATE GOVERNANCE FRAMEWORK

Our Corporate Governance Framework has evolved as we seek continual improvement. The Framework helps us to fulfil our vision to become Australia's leading bank, trusted by customers for exceptional service.

As a fundamental element of our culture and business practices, our Corporate Governance Framework guides effective decision making in all areas of the Group through:

- Strategic and operational planning.
- Risk management and compliance.
- Financial management and external reporting.
- Succession planning and culture.
- Managing customer experiences and outcomes.

What we have learned from the Royal Commission stakeholder feedback and how we are responding and driving cultural change. This means behaving and acting in a way that puts customers' needs first.

We must learn from the Royal Commission and from our Self-Assessment. This means improving how we make decisions, manage non-financial risks and drive cultural change. Our culture must change to be better for customers, our people and the community. This comes down to having a culture that drives the right behaviours and decisions.

This year, we started a governance and risk transformation program that aims to bring the voice of the customer back into the bank, build our people's capabilities to be more accountable and manage non-financial risks and embed customer outcomes into our products, systems and processes. Read about our progress against our Self-Assessment actions and Royal Commission response [online here](#).

Where actions or decisions made by our people do not align with our values, or breach our Code of Conduct, we act to address misbehaviour, taking all matters seriously.

In the 2019 performance year, our Employee Relations team managed 1,278 Code of Conduct breaches, a slight increase on last year. These instances range from personal misconduct (such as repeated unexplained absences) to deliberate breaches of our policies and procedures. This year, 292 cases led to employees exiting our business and 986 cases resulted in coaching or other remedial actions, including loss of performance-based incentives in some instances.

¹ Based on an indicative share price of \$25 and assuming full vesting of all rights, shares and cash awards and excluding the value of any dividends on unvested shares. Further information is provided in the [2019 Remuneration Report](#).



BOARD OF DIRECTORS

- **ANN SHERRY AO**
Non-Executive Director
- **ANNE LOVERIDGE**
Non-Executive Director
- **ANTHONY YUEN**
Non-Executive Director
- **KEN HENRY AC**
Non-Executive Director and Outgoing Chairman
- **DAVID ARMSTRONG**
Non-Executive Director
- **PHILIP CHRONICAN**
Non-Executive Director and Incoming Chairman
- **PEEYUSH GUPTA AM**
Non-Executive Director
- **GERALDINE MCBRIDE**
Non-Executive Director
- **DOUG MCKAY ONZM**
Non-Executive Director

The Board is determined to improve our culture, accountability and governance structures to make NAB the bank our customers want.

THE BOARD

Board renewal, alongside the implementation of the Royal Commission recommendations and our Self-Assessment¹ commitments will help earn customer and community trust in NAB.

Following the resignation of Group CEO Andrew Thorburn in February 2019, Philip Chronican led NAB as interim Group CEO from March 2019 until November 2019, based on the Board's recognition of his deep banking experience.

Former Chairman Dr Ken Henry announced his retirement from the Board on 7 February 2019, effective 14 November 2019.

Philip Chronican commenced as Chairman of the Board on 15 November 2019.

The Board has appointed Ms Kathryn Fagg, who will stand for election at NAB's 2019 Annual General Meeting (AGM) on 18 December 2019. Anthony Yuen will retire from the Board after the 2019 AGM.

The Board announced the appointment of Ross McEwan as incoming Group CEO on 19 July 2019 and he will commence in this role and as Managing Director on 2 December 2019.

Amongst other things, the Board has strengthened its governance

practices with stronger oversight of customer outcomes through the establishment of a Board Customer Committee. It has required management to improve the quality and frequency of information on risk management performance including non-financial risk, been more challenging of management and received regular updates on culture, trust and reputation.

The Board Customer Committee supports Board oversight of the significant lift in importance given to the voice of the customer within our business. The committee gathers insights from customer complaints and evaluates fairness and timeliness of remediation outcomes. This drives continuous improvement and increases our focus on customer outcomes.

As part of directors' continuing education, workshops were held during the year on a range of topics. The Board Customer Committee has participated in a workshop on a range of topics, which included spending time with teams managing customer remediation and providing assistance to customers experiencing financial hardship and vulnerability. The Board Customer Committee also participated in a workshop on customer advocacy. The full Board participated in workshops during the year on a number of matters that are directly important to our customers. These workshops covered topics such as financial crime, cyber security and projects underway to improve our lending processes and systems. These workshops provided the Board Customer Committee

and the Board with a deeper understanding of how we work with and protect our customers.

These improvements complement the existing work of the Board standing committees covering Audit, Risk, Remuneration and Nomination & Governance. Each of these Committees has a Charter that outlines its roles and responsibilities (found at www.nab.com.au/about-us/corporate-governance).

Although it will take time for our customers, people, shareholders and the community to feel the full effect of these changes, the Board is determined to improve culture, accountability and governance structures to enhance rigour and discipline within our business.

Governance

¹ NAB Self-Assessment on governance, accountability and culture, November 2018, <https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/nab-self-assessment-2018.pdf>

2019 GROUP FINANCIAL PERFORMANCE¹

RESULTS (\$M)^{2,3,4}	2019	2018
Net interest income ⁵	13,542	13,467
Other operating income ⁶	3,679	4,510
Net operating income	17,221	17,977
Operating expenses ⁷	-9,013	-8,992
Underlying profit	8,208	8,985
Credit impairment charge	-919	-779
Cash earnings before tax and distributions	7,289	8,206
Income tax expense	-2,109	-2,404
Cash earnings before distributions	5,180	5,802
Distributions	-83	-100
Cash earnings	5,097	5,702
Cash earnings (excluding large notable items)⁸	6,545	6,493
Non-cash earnings items (after tax):		
Distributions	83	100
Fair value and hedge ineffectiveness	-23	182
Amortisation of acquired intangible assets	-18	-30
MLC Wealth divestment transaction costs	-52	-12
Net profit from continuing operations	5,087	5,942
Net loss after tax from discontinued operations ⁹	-289	-388
Net profit attributable to owners of NAB (statutory net profit)¹⁰	4,798	5,554

KEY INDICATORS^{2,3,4}	2019	2018
Statutory earnings per share (cents) – basic	168.6	201.3
Statutory earnings per share (cents) – diluted	164.4	194.0
Cash earnings per share (cents) – basic	182.2	210.4
Cash earnings per share (cents) – diluted	177.0	202.4
Statutory return on equity	9.1%	11.2%
Cash return on equity (ROE)	9.9%	11.7%
PROFITABILITY, PERFORMANCE AND EFFICIENCY MEASURES^{2,3,4}		
Dividend per share (cents)	166	198
Dividend payout ratio	91.1%	94.1%
Cash earnings on average assets	0.61%	0.71%
Cost to income (CTI) ratio	52.3%	50.0%
Net interest margin	1.78%	1.85%
CAPITAL		
Common Equity Tier 1 ratio	10.38%	10.20%
Tier 1 ratio	12.36%	12.38%
Total capital ratio	14.68%	14.12%
ASSET QUALITY^{2,3,4}		
90+ days past due and gross impaired assets to gross loans and acceptances	0.93%	0.71%
Specific provision to gross impaired assets ¹¹	39.7%	44.4%
OTHER		
Full Time Equivalent Employees (FTE) (spot)	34,370	33,283

Our performance

1 Refer to [Glossary and definitions on page 41](#) of this report, for definitions of the above financial metrics.

2 Figures are in Australian dollars, unless otherwise stated.

3 Information is presented on a continuing operations basis. Refer to [Glossary and definitions on page 41](#) for definition of continuing operations and discontinued operations.

4 NAB's audited financial statements, prepared in accordance with the Corporations Act 2001 (Cth) and Australian Accounting Standards, are set out in NAB's [2019 Annual Financial Report](#). A definition of cash earnings is set out in the [Glossary and definitions on page 41](#) of this report. Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners of NAB is set out in Note 2 of NAB's [2019 Annual Financial Report](#).

5 Includes customer-related remediation of \$72 million (2018: \$nil).

6 Includes customer-related remediation of \$1,135 million (2018: \$249 million).

7 Includes customer-related remediation of \$364 million (2018: \$111 million), change in application of the software capitalisation policy of \$494m (2018: \$nil) and restructuring-related costs of \$nil (2018: \$755 million).

8 Cash earnings large notable items after tax: customer-related remediation of \$1,100 million (2018: \$261 million), capitalised software policy change of \$348 million (2018: \$nil) and restructuring-related costs of \$nil (2018: \$530 million).

9 Discontinued operations is defined in the Glossary and definitions on [page 41](#) and for the September 2019 full year includes losses relating to customer-related remediation and additional costs associated with the life insurance business sale.

10 Represents the Group's statutory profit after tax and reflects the amount of net profit that is attributable to owners.

11 2018 excludes \$2 million (NZ\$3 million) of New Zealand Banking dairy exposures that were assessed as no loss based on security held. Collective provisions are held against these loans.

OUR PERFORMANCE

GROUP NON-FINANCIAL PERFORMANCE

2019 GROUP NON-FINANCIAL PERFORMANCE ¹	2019	2018
Net Promoter Score (Home Loans – HL@bank) – Australia ^{2,3}	-13	-17
Net Promoter Score (Investors) – Australia ^{2,3}	-20	-19
Net Promoter Score (Small Business) – Australia ^{2,3}	-15	-21
Net Promoter Score (Medium Business) – Australia ^{2,3}	-8	-5
Net Promoter Score (Priority segments) – Australia ^{2,3}	-14	-16
Number of customer complaints – Australia & New Zealand ^{2,4}	226,714	236,696
Substantiated complaints concerning breaches of customer privacy from regulatory bodies and other outside parties – Australia & New Zealand ^{2,5}	169	DNR
Number of critical priority technology incidents – Australia ^{2,6}	7	6
Number of high priority technology incidents – Australia ^{2,6}	59	109
Number of branches and business banking centres – Group	892	911
Number of ATMs – Australia and New Zealand ⁷	1,601	3,328
% of registered internet banking customers that are active users – Australia	68%	75%
Number of microfinance loans written – Australia & New Zealand ^{2,8}	34,975	32,266
Value of microfinance loans written (\$m) – Australia & New Zealand ^{2,8}	40.4	36.0
Number of Australians assisted with microfinance products/services ^{2,8}	71,817	71,032
Number of customers assisted experiencing financial hardship – Australia ²	19,673	18,315
NAB Group overall employee engagement score ^{2,9}	54	54
NAB Group 'Inclusion Index' score ^{2,9}	74	72

2019 GROUP NON-FINANCIAL PERFORMANCE ¹	2019	2018
Number of breaches of our Code of Conduct – Australia ^{2,10}	1,278	1,215
Number of disclosures received under the Whistleblower Policy ²	155	123
% of women in total workforce ^{2,11}	51	52
% of women in Executive Management (salary Group 6 and 7) ^{2,11}	33	31
% of women on NAB Group subsidiary Boards ^{2,12}	39	39
% of women on the NAB Board (excluding executive directors) ²	33	33
% of employees 50 years of age or over ^{2,11}	20	20
Return to work rate (%) for employees following primary carer's leave and any consecutive extended leave – Australia ^{2,12}	83	83
Number of Indigenous Australians employed ¹³	246	287
Total employee turnover rate (%) ^{2,11,14}	15.8	17.4
Voluntary employee turnover rate (%) ^{2,11,14}	10.6	11.3
Retention rate (%) of high performing employees – Australia & New Zealand ^{2,11,15}	92	93
Absenteeism – Australia ^{2,12,16}	8.59	8.28
Corporate community investment - Group (\$m) ²	57.1	54.4
Number of volunteer days completed - Group ²	13,464	15,397
Value of volunteer days completed (\$m) - Group ^{2,17}	6.8	6.8
Progress towards 2025 \$70 billion environmental financing commitment (\$billion) ¹⁸	33.6	22.9
Gross greenhouse gas emissions (Scope 1, 2 and 3) (tCO ₂ -e) ¹⁹	171,535	181,316
% of material suppliers that are signatories to NAB Group Supplier Sustainability Principles ²	88	88

1 NAB Group non-financial performance table data is described in detail in our 2019 Sustainability Report and Data Pack. All figures are as at 30 September, unless otherwise stated.
2 Ernst & Young (EY) have undertaken limited assurance over these performance metrics. Refer to Assurance Report on [page 39](#) for more information.
3 Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter Systems are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Refer to Glossary on [page 41](#) for definition of NAB's priority segments.
4 Reflects our ongoing commitment to encourage customer feedback and address customer concerns. For further information, refer to [2019 Sustainability Report](#).
5 Regulatory bodies include the Office of the Australian Information Commissioner (OAIC) and Privacy Commissioner in New Zealand. Outside parties are external dispute resolution (EDR) bodies. Refer to Glossary for definition of substantiated complaint.
6 Critical priority incidents: significant impact or outages to customer facing service or payment channels. High priority incidents: functionality impact to customer facing service or impact/outage to internal systems.
7 Decrease in 2019 caused by redi and BOQ ATMs (~1,750) no longer being part of the NAB ATM fleet. Prior year number has not been restated.
8 Delivered in partnership with Good Shepherd (Australia and New Zealand).
9 Source: Employee Engagement Survey conducted by Aon (now known as Kincentric). Inclusion Index is an average score from four selected diversity and inclusion questions.
10 Code of Conduct breaches represent confirmed breaches managed through our Employee Relations team.
11 Data for these metrics has been calculated using total headcount of permanent employees of the NAB Group as at 30 September.

12 Data has been calculated based on total NAB Group population as at 30 September.
13 Source: annual Employee Engagement Survey conducted by Aon (now known as Kincentric). Decrease this year is due to change in survey population, which in 2019 excluded external contractors, consultants and temporary employees. Prior year result has not been restated.
14 Number of all employees who exited NAB each year, by exit type, as a percentage of the average permanent headcount for each respective year.
15 The percentage of employees recognised as high performing during the previous performance period review process, that remain employed at 30 September of the following performance period.
16 The total number of unscheduled absence days divided by the average number of full-time equivalent employees (excluding casual employees). Past results have been revised upwards due to additional absences being recorded after the reporting period has ended. Current year results are also likely to be revised as additional absences are recorded in our system; any updates will be reflected in future reporting.
17 Value of volunteer days is calculated by applying average daily salaries by employment level, to number of days completed by employment level.
18 This includes NAB's financing of green infrastructure, capital markets, asset finance and new mortgage lending flow for 6 Star residential housing in Australia (new dwellings and significant renovations) as a cumulative amount of new environmental finance since 1 October 2015. Refer to [2019 Sustainability Report](#) and [2019 Sustainability Data pack](#).
19 Consolidated Scope 1, Scope 2 and selected Scope 3 GHG emissions are for the environmental reporting year of 1 July – 30 June. See our [2019 Sustainability Report and Data Pack](#) for further information.

Our performance

SHAREHOLDER INFORMATION AND CONTACT DETAILS

2019 ANNUAL REPORTING SUITE

You can view our 2019 Annual Reporting suite online at nab.com.au/annualreports.

A printed copy of our 2019 Annual Financial Report can be requested from the Share Registry either by emailing nabservices@computershare.com.au or calling 1300 367 647 (within Australia) or +61 3 9415 4299 (from outside Australia).

Current and extensive historical information is posted and maintained on the website at nab.com.au/shareholder.

HELPING CONVERT YOUR SHARES TO BENEFIT AUSTRALIAN CHARITIES

ShareGift Australia is a not-for-profit organisation providing shareholders with a facility to sell and donate parcels of shares to charity, free of brokerage or other administration charges. To date, ShareGift Australia has donated more than \$1.71 million to over 470 charities, helping to unlock a growing stream of funds for the Australian community. ShareGift Australia is proudly supported by National Australia Bank Limited and is endorsed by The ASX Group and the Australian Shareholders' Association.

For further information about ShareGift Australia visit sharegiftaustralia.org.au or call 1300 731 632.

PRINCIPAL SHARE REGISTER

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067
Australia

POSTAL ADDRESS

GPO Box 2333
Melbourne VIC 3001
Australia
Local call: 1300 367 647
F: +61 3 9473 2500

OUTSIDE AUSTRALIA

T: +61 3 9415 4299
F: +61 3 9473 2500
E: nabservices@computershare.com.au
W: nab.com.au/shareholder

UNITED KINGDOM SHARE REGISTER

Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
United Kingdom
T: +44 370 703 0197
F: +44 370 703 6101
E: nabgroup@computershare.co.uk
W: nab.com.au/shareholder

UNITED STATES ADR DEPOSITORY TRANSFER AGENT AND REGISTRAR CONTACT DETAILS FOR NAB ADR HOLDERS

Deutsche Bank Shareholder Services
American Stock Transfer & Trust Company
Peck Slip Station
PO Box 2050
New York NY 10272-2050
United States of America
Toll-free: +1 866 706 0509
Direct dial: +1 718 921 8137
E: DB@amstock.com

CONTACT DETAILS FOR ADR BROKERS AND INSTITUTIONAL INVESTORS

US T: +1 212 250 9100
UK T: +44 207 547 6500
E: adr@db.com

REGISTERED OFFICE

National Australia Bank Limited
Level 1
800 Bourke Street
Docklands VIC 3008
Australia
T: 1300 889 398

COMPANY SECRETARY

Louise Thomson
National Australia Bank Limited
Level 1
800 Bourke Street
Docklands VIC 3008
Australia
T: +61 3 8872 2461

SOCIAL IMPACT

Postal address:
Social Impact
National Australia Bank Limited
700 Bourke Street
Docklands VIC 3008
Australia
E: social.impact@nab.com.au

AUDITOR

EY
8 Exhibition Street
Melbourne VIC 3000
Australia
T: +61 3 9288 8000

ASSURANCE REPORT



Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent Limited Assurance Statement to the Management and Directors of National Australia Bank Limited ('NAB')

Our Conclusion:

Ernst & Young ('EY', 'we') was engaged by NAB to undertake limited assurance as defined by Australian Auditing Standards, here after referred to as a 'review', over its materiality process, identified material issues, selected performance metrics, and associated disclosures ('performance metrics and disclosures') included in NAB's 2019 Annual Review (the 'Report') for the year ended 30 September 2019. Based on our review, nothing came to our attention that caused us to believe that:

- ▶ NAB has not presented its material issues and that the associated disclosures are not complete in the Report, where materiality and completeness are defined by the Global Reporting Initiative Standards ('GRI')
- ▶ The performance metrics and disclosures detailed below, have not been reported and presented fairly, in all material respects, in accordance with the Criteria detailed below.

What our review covered:

We reviewed NAB's materiality process including NAB's approach to identifying material issues and the disclosure of its materiality process and material issues in the Report.

We also reviewed the following performance metrics and disclosures for the year ending 30 September 2019:

- ▶ 28 key non-financial metrics and the related disclosures¹ included throughout the Report
- ▶ The financial metrics included in the Report in the Group Financial Performance table on page 36 of the Report.

Criteria applied by NAB

In preparing the materiality process and identified material topics, NAB applied the GRI Standards of materiality and completeness. In preparing the performance metrics and disclosures NAB applied the following Criteria:

- ▶ NAB's reported Criteria for the key non-financial metrics detailed on page 37 of the Report
- ▶ NAB's accounting policies as defined in NAB's Annual Financial Report and financial reporting policies and principles per NAB's 2019 Results Announcement as detailed online at www.nabgroup.com (together 'the Criteria').

Key responsibilities

EY's responsibility and independence

Our responsibility was to express a limited assurance conclusion on the materiality process, identified material issues, performance metrics and disclosures in the Report.

We were also responsible for maintaining our independence and confirm that we have met the requirements of the APES 110 Code of Ethics for Professional Accountants including independence, and have the required competencies and experience to conduct this assurance engagement.

NAB's responsibility

NAB's management was responsible for selecting the Criteria, and fairly presenting the materiality process, selected material topics and performance metrics and disclosures in accordance with that Criteria. This responsibility includes establishing and maintaining internal controls, adequate records and making estimates that are reasonable in the circumstances.

Our approach to conducting the review

We conducted this review in accordance with the International Federation of Accountants' *International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ISAE 3000'), the *Auditing Standard on Review Engagements ASRE 2405 Review of Historical Financial Information Other than a Financial Report* and the terms of reference for this engagement as agreed with NAB on 11 April 2019.

Summary of review procedures performed

A review consists of making enquiries, primarily of persons responsible for preparing the materiality process, selected material topics, performance metrics and disclosures, and applying analytical and other review procedures. Our procedures included:

- ▶ Gaining an understanding of NAB's business and approach to sustainability and performance management
- ▶ Conducting interviews with NAB executive management and other key personnel and collating evidence to understand NAB's materiality process, process for reporting non-financial and financial performance metrics as well as risks of misstatement and quality controls to address risks
- ▶ Reviewing NAB's materiality process and conducting checks such as a media review and peer review to support alignment with the GRI Standards materiality and completeness principles
- ▶ Reviewing the Report for disclosure and coverage of materiality process and identified material issues in line with the GRI standards materiality and completeness principles
- ▶ Conducting limited assurance procedures over the performance metrics and disclosures, including:
 - ▶ Checking that the calculation Criteria have been applied as per the methodologies for the non-financial metrics within the report
 - ▶ Checking the clerical accuracy of input data utilised to calculate performance metrics
 - ▶ Undertaking analytical procedures to support the reasonableness of performance metrics
 - ▶ Identifying and testing assumptions supporting calculations
 - ▶ Performing recalculations of performance metrics using input data and, on a sample basis, testing underlying source information to support accuracy of performance metrics
 - ▶ Where applicable, agreeing financial metrics to core financial systems and the 2019 Results Announcement
 - ▶ Reviewing the accuracy and balance of statements within the Report associated with the key non-financial metrics.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Limited Assurance

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

Use of our Assurance Statement

We disclaim any assumption of responsibility for any reliance on this assurance report to any persons other than management and the Directors of NAB, or for any purpose other than that for which it was prepared. Our review included web-based information that was available via web links as of the date of this statement. We provide no assurance over changes to the content of this web-based information after the date of this assurance statement.

Ernst & Young
Melbourne, Australia
15 November 2019

Terence Jeyaretnam, FIEAust EngExec
Partner

¹ The key non-financial metrics included in the scope were determined by NAB. A list of the 28 key non-financial metrics is included in our limited assurance statement for NAB's 2019 Sustainability Report, located at <https://www.nab.com.au/annualreports>

BEING ACCOUNTABLE

Our 2019 Annual Review Steering Committee is responsible for ensuring the integrity of our integrated report (the 2019 Annual Review). The Steering Committee is comprised of representatives from key business functions, including Investor Relations, Finance and Corporate Affairs.

Other business functions have collectively contributed to the preparation of the 2019 Annual Review. These include Strategy, Governance, Risk, Legal, Treasury, People and Technology.

The Steering Committee concludes that the 2019 Annual Review has been developed with due consideration of the IIRC Integrated Reporting Framework.

UNDERSTANDING THIS REPORT

This document is not a concise report prepared under section 314(2) of the Corporations Act 2001 (Cth). NAB has not prepared a concise report for the 2019 financial year. All figures quoted are in Australian dollars unless otherwise stated. A reference to '\$' is to an amount in Australian dollars. References to 'NAB' or the 'Company' are to National Australia Bank Limited ABN 12 004 044 937.

The 'NAB Group' refers to NAB and its controlled entities. All references are as at 30 September 2019, except where stated otherwise. Any references to changes (including an increase or decrease) relate to the previous year, unless otherwise stated. Unless otherwise stated,

information in this document is presented on a cash earnings basis. Cash earnings is a non-IFRS key financial performance measure used by NAB, the investment community and NAB's Australian peers with similar business portfolios.

2019 ANNUAL FINANCIAL REPORT

The NAB Group's audited financial statements, prepared in accordance with the *Corporations Act 2001* (Cth) and Australian Accounting Standards, are published in our 2019 Annual Financial Report, which can be viewed at nab.com.au/annualreports from 15 November 2019 and is available in hard copy on request.

ADDITIONAL CORPORATE RESPONSIBILITY

Information is available in our 2019 Sustainability Report, available online from nab.com.au/annualreports. The report provides detailed information for analysts and other stakeholders on our Corporate Responsibility performance, including historic trends and application of the Global Reporting Initiatives G4 guidelines.

LITIGATION

Entities within the NAB Group are defendants from time to time in legal proceedings. There are contingent liabilities in respect of claims, potential claims and court proceedings, against NAB Group companies. Where appropriate, provisions have been made.¹

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements. The words 'anticipate', 'believe', 'expect', 'project', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward looking statements. Indications of and guidance on, future earnings and financial position and performance are also 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 NAB 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.

Further information on important factors that could cause actual results to differ materially from those projected in such statements is contained on pages 18-28 of our [2019 Annual Financial Report](#) under 'Disclosure on Risk Factors'.

Additional
[information](#)

¹ Refer to pages 143-148 of the [2019 Annual Financial Report](#) for more information on our contingent liabilities.

GLOSSARY AND DEFINITIONS

APRA

Australian Prudential Regulation Authority.

ASIC

Australian Securities and Investments Commission.

Cash earnings

Cash earnings is defined as net profit attributable to owners of NAB from continuing operations, adjusted for the items NAB considers appropriate to better reflect the underlying performance of the Group. Cash earnings for the September 2019 financial year has been adjusted for the following:

- Distributions.
- Fair value and hedge ineffectiveness.
- Amortisation of acquired intangible assets.
- MLC Wealth divestment transaction costs.

Cash return on equity (RoE)

Cash earnings after tax expressed as a percentage of average equity (adjusted), calculated on a cash earnings basis.

Common Equity Tier 1 (CET1) capital

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 paid-up ordinary share capital, retained profits plus certain other items defined in APS 111 *Capital Adequacy: Measurement of Capital*.

Common Equity Tier 1 ratio

CET1 capital divided by risk-weighted assets.

Continuing operations

Continuing operations are the components of the Group which are not discontinued operations.

Core assets

Represents gross loans and advances including acceptances, financial assets at fair value and other debt instruments at amortised cost.

Cost to income (CTI) ratio

Represents operating expenses as a percentage of operating revenue.

Customer deposits

The sum of interest bearing, non-interest bearing and term deposits (including retail and corporate deposits).

Customer-related remediation

Consists of costs for several customer remediation matters including costs for refunds and compensation to customers, implementing remediation processes and other costs associated with regulatory compliance matters.

Discontinued operations

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.

Distributions

Payments to holders of equity instruments other than ordinary shares, such as National Income Securities and Trust Preferred Securities.

Dividend payout ratio

Dividends paid on ordinary shares divided by cash earnings per share.

Earnings per share (EPS) - basic

Calculated as net profit attributable to ordinary equity holders of the parent (statutory basis) or cash earnings (cash earnings basis) divided by the weighted average number of ordinary shares.

Earnings per share (EPS) - diluted

Calculated as net profit attributable to ordinary equity holders of the parent (statutory basis) or cash earnings (cash earnings basis) divided by the weighted average number of ordinary shares, after adjusting both earnings and the weighted average number of ordinary shares for the impact of dilutive potential ordinary shares.

Fair value and hedge ineffectiveness

Represents volatility from the Group's assets and liabilities designated at fair value, hedge accounting ineffectiveness from designated accounting hedge relationships, or from economic hedges where hedge accounting has not been applied.

Financial year

Year ended 30 September 2019.

Full-time equivalent employees (FTEs)

Includes all full-time employees, part-time, temporary, fixed term and casual employee equivalents, as well as agency temporary employees 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.

Gross Domestic Product (GDP)

Gross Domestic Product (GDP) is the market value of the finished goods and services produced within a country in a given period of time.

Greenhouse gas (GHG) emissions

Gaseous pollutants released into the atmosphere that amplify the greenhouse effect. Gases responsible include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

Group

NAB and its controlled entities.

Impaired assets

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/or 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).

Insurance

Includes the provision of personal and group insurance by Wealth.

Material supplier

A material supplier, as defined in accordance with APRA Prudential Standard CPS 231 or regional equivalent, performs an outsourcing activity that has the potential, if disrupted, to have a significant impact on NAB Group's business operations or its ability to manage risks effectively.

NAB

'NAB' or the 'Company' means National Australia Bank Limited ABN 12 004 044 937.

Net interest margin (NIM)

Net interest income derived on a cash earnings basis expressed as a percentage of average interest earning assets.

Net profit attributable to owners of NAB

Represents the Group's statutory profit/(loss) after tax and reflects the amount of net profit/(loss) that is attributable to owners.

Net Promoter Score (NPS)

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.

NPS priority segments

Priority Segments Net Promoter Score (NPS) is a simple average of the NPS scores of four priority segments: NAB defined Home Owners (Home Loan @ Bank) and Investors, as well as Small Business (\$0.1m-<\$5m) and Medium Business (\$5m-<\$50m). The Priority Segments NPS data is based on six month moving averages from DBM Atlas & BFSM Research. Roy Morgan Research no longer provide Home Owners and Investors segment data, history has been restated.

NPS – Home Owner (HL@bank)

NAB defined Home Owner (HL@bank) segment. Australian Population Aged 14+, six month moving average reported as at 30 September. Source: DBM Atlas.

NPS – Investor

NAB defined Investor segment. Australian Population Aged 14+, six month moving average reported as at 30 September. Source: DBM Atlas.

NPS – Small Business

Small Business (turnover \$0.1m-<\$5m) is a NAB construct that combines weighted results for the Lower (turnover \$0.1m-<\$1m) & Higher (turnover \$1m-<\$5m) Small Business sub-segments, using a 50:50 weighting approach. This metric does not reflect the relative size of these segments as per the ABS business population. Source: DBM BFSM Research.

NPS – Medium Business

Business customers segment with a turnover between \$5m and \$50m. Source: DBM BFSM Research.

Restructuring-related costs

Consist of personnel, occupancy, software impairment and other general charges recognised as part of acceleration of the Group's strategy announced in November 2017.

Royal Commission

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry established on 14 December 2017 by the Governor-General of the Commonwealth of Australia to conduct a formal public inquiry into Australian financial institutions.

Substantiated complaint

A substantiated complaint is a written statement by regulatory or similar official body addressed to the organization that identifies breaches of customer privacy, or a complaint lodged with the organization that has been recognized as legitimate by the organization (as defined in GRI 418 guidance).

Tier 1 capital

Tier 1 capital comprises Common Equity Tier 1 (CET1) capital and instruments that meet the criteria for inclusion as Additional Tier 1 capital set out in APS 111 *Capital Adequacy: Measurement of Capital*.

Tier 2 capital

Tier 2 capital includes other components of capital that, to varying degrees, fall short of the quality of Tier 1 capital but nonetheless contribute to the overall strength of an ADI and its capacity to absorb losses.

Total capital ratio

Total capital ratio is the sum of Tier 1 capital and Tier 2 capital, divided by risk-weighted assets.

Weighted average number of ordinary shares

The number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period.