



National
Australia
Bank

ANNUAL REVIEW 2020





ABOUT THIS REPORT

Our 2020 Annual Review provides an overview of our financial and non-financial performance and shows how we create value for our customers, colleagues and community.

► 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 2020 and covers the NAB Group operations' financial and non-financial performance.

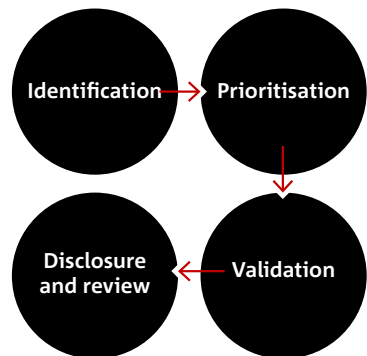
The content of this report was shaped by consulting a range of stakeholders, including customers, colleagues, shareholders and the community, as well as the Integrated Reporting Business Network and International Integrated Reporting Council (IIRC).

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. This year we engaged with a range of stakeholders including the investment community, NAB leaders and more than 1,400 personal and business customers to help determine and validate the ESG issues we should report and focus our attention on.

The review involves four stages:



QUICK LINKS

Read about our materiality process and our prioritised material themes in more detail in the [2020 Sustainability Report](#).

Prioritised material themes

Our prioritised material themes are defined below and appear as icons throughout this report. Performance across each of these themes has been critical in a year of crisis response, from natural disasters to COVID-19, and will guide our role in supporting recovery.



Supporting customers

It's our job to serve customers well. We are providing accessible products, acting quickly to fix things when we get it wrong, and helping individuals and businesses get through difficulty, hardship and vulnerability. In the near term, this means supporting customers throughout COVID-19 so they come out the other side in the best possible financial position. In the longer term, it's helping customers recover and supporting inclusive economic growth. Supporting customers also includes driving social impact by supporting industries such as education, affordable housing, health and medical research.



Governance, conduct and culture

Being transparent, making ethical decisions, and continuing to show progress on the recommendations of the Royal Commission and actions of the APRA self-assessment. This includes how we are changing our culture, driving the right behaviours that put customers' needs first and embedding accountability throughout the organisation.



Colleague capability and wellbeing

Looking after our colleagues' health and wellbeing, and ensuring they are well-equipped to deal with new and remote ways of working. This includes embracing inclusion and diversity at all levels of our workforce and raising the bar of professionalism in the banking industry.



Managing climate change

Showing leadership and taking decisive action on climate change and environmental sustainability. We see climate change as a risk and an opportunity for our business and the broader economy, and recognise the important role we can play in helping customers and industries transition to a low-carbon economy and become more sustainable.



Data security, technology and innovation

Maintaining resilient, reliable and secure systems oriented to customer outcomes and experience. This includes making things easier, faster and safer, while managing data privacy, security and risks responsibly. Addressing digitisation and disruption through innovation is also important.

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 [2020 Sustainability Report](#).



HOW TO READ THIS REPORT

FINANCIAL PERFORMANCE



Our 2020 Annual Financial Report includes the Report of the Directors, together with the financial statements of the Group for the year ended 30 September 2020. 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.

GOVERNANCE PRACTICES

Our 2020 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 exists to serve customers well and help our communities prosper. Our Board, our leaders and colleagues work to deliver industry leading, sustainable outcomes for our customers, shareholders and the broader community. NAB's strategic ambition and how we work is supported by good corporate governance.



THIS REPORT



Our 2020 Annual Review provides information on the Group's activities and performance during 2020. It aims to show how we are creating value through our strategy, operating environment, governance and financial and non-financial activities.

NON-FINANCIAL PERFORMANCE

Our 2020 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. It describes how we create value for our customers, colleagues and communities, including the positive impact we have 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 Global Reporting Initiative Standards and other key sustainability indices and frameworks.



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CHAIRMAN'S MESSAGE

By Philip Chronican, Chairman



The past year has been uniquely confronting for the customers and communities we serve. In that, we are no different from most businesses around the world that are dealing with disruptions unparalleled in most of our lifetimes.

In Australia, the tragic health and economic impacts of COVID-19 came on top of the severe drought and devastating bushfires over the summer of 2019/2020.

Our bank and our people have been tested. I am proud of how we are responding given the critical role we play in supporting the economy and our communities.

When the economic shutdowns were brought in earlier in the year, we knew that we would have to work with governments and regulators to ensure that our customers would be supported during these critical times.

NAB was not operating in isolation. The financial services industry has shown a strong focus on supporting customers and avoiding unnecessary financial stress on households and businesses.

Our wider economic contribution through employment, supplier and government payments, and community investment, is particularly important during a downturn. This year we paid \$3.5 billion in government payments and taxes, \$5.1 billion to suppliers, \$3.3 billion in dividends, and other payments that flow to employees and into the community via donations and volunteering.

I am equally conscious of the impact of our COVID-19 response on our shareholders, many of whom rely on dividends which have been substantially reduced. The total dividend of 60 cents per share in the 2020 financial year reflects the economic environment, regulatory guidance and consideration of our strong capital position. Every decision the Board makes carefully balances our short and long-term responsibilities to shareholders and our ability to serve customers and communities.

Amid all of this, we are building a bank to be more resilient and to perform better over the long-term. We will not lose sight of the work to be done to reliably achieve responsible growth and healthy returns for our shareholders.

Making the necessary hard choices

Earlier this year we took decisive action to strengthen our capital position, in recognition of the magnitude of the economic crisis. Endorsed by many shareholders, our actions have enabled us to continue to support customers through COVID-19, as well as assist us to manage through the recession in Australia and economic headwinds globally.

In uncertain times, a strong balance sheet is critical. The Board will continue to focus on maintaining our strong balance sheet to target growth opportunities and support our customers' ambitions despite the operating environment.

By serving customers well through this difficult period, we expect to deliver long-term value to you. We do well when our customers do well.

The Board and leadership team have also been clear that we should share the challenges faced by our customers, shareholders and the community. The Executive Leadership Team will not receive an annual variable reward as part of their remuneration for 2020. The Board and Group Chief Executive Officer Ross McEwan also took a 20% reduction in base fees and fixed remuneration respectively from 1 April 2020 to 30 September 2020.

The Executive Leadership Team, led by Ross since last December, has a clear plan to strengthen NAB and is getting on with it. Ross has quickly shown he is the right leader for NAB through this crisis and beyond. Alongside a talented and capable leadership team, he has led the creation of a refreshed Group Strategy, which sets a simple and impactful ambition to 'serve customers well and help our communities prosper'. We have centred ourselves on the core notion of being a good bank.

Driving sustainable change

The lessons learnt from the Royal Commission and through our self-assessment into governance, accountability and culture remain front of mind. We are making sustainable progress by addressing the root causes of our failings.

We are holding ourselves accountable by tracking our performance in areas where we need to improve. Realising our desired culture will take time however, the right foundations are in place. Our refreshed strategy and organisational structure take these lessons to the heart of how we work.

Expectations of the bank are changing rapidly. Your Board is paying close attention to the commercial risks and opportunities that climate change poses for our business. We are taking a range of actions to help and support customers

and communities through the transition to less emission intensive technologies. We have a clear ambition, and we will not walk away from industries working towards a low carbon economy.

The NAB Board continues to evolve to reflect the skills required for the future. After serving almost seven years on the Board, Geraldine McBride has announced she will not be seeking re-election at the AGM and will retire from the Board in December. I would like to thank Geraldine for her contribution. Simon McKeon, an experienced executive and board member, will stand for election at this year's AGM in December with Peeyush Gupta, David Armstrong and Ann Sherry who all stand for re-election.

In a year characterised by challenges, we remain a strong and safe bank, well placed for the future. Our ambition is clear and easily understood. On behalf of the Board, thank you for your support as shareholders over the past year. Equally, I would like to thank our 34,000 colleagues who have remained focused on the right things for customers and who have understood where they could make the greatest contribution to helping Australia and New Zealand through this confronting period.

Chairman's message



CEO'S MESSAGE

By Ross McEwan, CEO



The world has changed more than anyone could have imagined in the year since I joined NAB. Through all this, one constant has anchored us as a bank – we are here to serve customers well and help our communities prosper.

For the first time in nearly 30 years, Australia is in a recession. It's an environment many of our customers and colleagues have not experienced before.

Since the start of the pandemic we've helped keep small businesses and homeowners going through lockdowns and recovery with 110,000 home loan deferrals, totalling \$60 billion.

At the end of the financial year, this figure was down to \$19 billion. This trend is pleasing as more customers have the confidence to exit deferrals and resume repayments or expect to resume repayments.

Some customers do, however, need further support and we

are working with every customer individually to get the best outcome for them.

Our financial results this year reflect the challenging economic environment.

Cash earnings declined in the year. This reflects forward looking provisions for expected deterioration in asset quality, revenue headwinds from low interest rates and subdued credit demand.

The final dividend of 30 cents per share and total dividend for the year of 60 cents per share reflects these results and is consistent with APRA's dividend guidance.

As I've said previously, our shareholders are hurting and we need to share that pain. That's why we decided the Executive Leadership Team would not receive any annual variable reward this year.

We've also been very focused on keeping the bank safe and secure. We took decisive action in April to build balance sheet strength, by raising capital and increasing provisioning coverage.

As a result, we are in a strong position that allows us to keep lending and supporting customers.

We want to make sure NAB is in great condition today and for the future, and that we come out of COVID-19 in a strong and safe position ready to help our customers take up opportunities on the other side.

Looking ahead, I am optimistic that Australia and New Zealand will lead the global recovery.

While the outlook remains uncertain, there is nowhere else in the world I would rather be. Both Australia and New Zealand have fared better than most, both in economic and health terms.

Businesses will lead our economic recovery. As Australia and New Zealand's biggest business bank we are well positioned to be there for them.

Many sectors, such as agriculture, have proven resilient. There are also businesses that have found, or are finding, opportunities to grow.

Suburban cafes and shops have benefited from more people working from home and spending locally.

We continue to lend \$2.4 billion every month to Australian businesses, at historically low rates, to support the recovery by creating investment, new jobs and opportunities.

We are working with governments, regulators and communities to support our economic recovery. This is what a responsible business does.

In the recovery, we see opportunity to invest and grow NAB.

In April we set out a clear plan for the long term and we are getting on with the work that must be done to realise it.

We want to be known for being relationship-led, easy to deal with, safe and taking a long-term view.

Our strategy has identified opportunities to grow across our core businesses, safely.

Business and Private Bank is our key differentiator. We aim to extend our market leadership by investing in bankers and further leveraging data and insights capabilities.

In August, we entered into the sale of MLC Wealth to IOOF Holdings Limited, with the aim of completing the transaction by mid-2021. This move strengthens our balance sheet and simplifies our business as we focus on our core banking offering for customers.

Given the revenue headwinds faced, cost and capital discipline will be fundamental. We need to be more efficient and resilient. Execution is key.

Every dollar we spend is our shareholders' money. Your money. We must constantly remind ourselves that every dollar is spent with this responsibility in mind.

It has been my privilege to return to Australia to lead this bank.

We have a great team of 34,000 colleagues, who have adapted extraordinarily well in these times and I thank them for their resilience, hard work and focus on customers.

We swiftly moved to working from home and refocused on the areas where our customers need us most. We've helped many of our customers adjust and do more of their banking digitally too.

We know our people are NAB's greatest strength and we are investing in our colleagues. Employee engagement is up to 76, from 66 last year, but there's more work to do.

As we learned from the Royal Commission, we need to get the basics right. This year we announced a \$50 million investment in our new accredited professional qualification for our colleagues through FINSIA.

We have also put in place a single leadership program for every leader. Our determination is to have the best bankers and the best leaders in the industry.

This is a good bank, with good people and a clear plan.

We are focused on what matters. I am optimistic for the opportunities ahead – for a business-led recovery, with NAB at the centre.

This crisis will pass and I am confident NAB can become a leading bank, once again.



2020 AT A GLANCE

► KEY FINANCIAL PERFORMANCE MEASURES¹



Statutory net profit

\$2.56BN

Cash earnings²

\$3.71BN

36.6% decrease from 2019

Cash earnings^{2,3} ex large notables of \$1.02bn

\$4.73BN

25.9% decrease from 2019

Dividend per share (for the full year)

\$0.60

\$1.06 lower than 2019

Common equity tier 1

11.47%

109 basis points increase from 2019

Cash return on equity²

6.5%

490 basis points decrease from 2019

► OTHER KEY PERFORMANCE MEASURES



Strategic Net Promoter Score⁴

-11

5 point increase from 2019, #2 amongst major banks

SME Guarantee Scheme

>\$600M

Approved in Business Support Loans under Australian Government's Coronavirus SME Guarantee Scheme



Customers assisted experiencing financial hardship⁵

26,621

35.3% increase from 2019

Supporting communities through crisis and recovery

\$5M

Committed to support customers, colleagues and communities impacted by the bushfires

>148,000

Business and home loan customers supported with deferrals



Colleague engagement score⁶

76

5 points above our 2020 target of 71

2020 at a glance

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 9](#) and Our performance on [pages 33-34](#).

2 Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation. 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 [2020 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 [2020 Annual Financial Report](#). A reconciliation of cash earnings to statutory net profit attributable to the owners of NAB is also set out on [page 33](#) of this 2020 Annual Review.

3 Cash earnings large notable items after tax: customer-related and payroll remediation of \$261 million (2019: \$192 million), capitalised software policy change of \$668 million (2019: \$344 million) and impairment of property-related assets of \$94 million (2019: \$nil).

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. Strategic NPS: Sourced from DBM Atlas, measured on a six month rolling average. Definition has been updated to give all customers within the Business and Consumer segments equal voice. The overall Strategic NPS result combines the Consumer and Business segment results using a 50% weighting for each. This has replaced "NPS priority segments" as previously reported by NAB, which was a simple average of four customer segments (Home Owners, Investors, Small Business and Medium Business). Data is presented comparing September 2019 to September 2020 figures.

5 Number of unique primary customers approved with hardship assistance for home loans, credit cards and personal loans. Note this number reflects customers who have been referred to NAB Assist, and is not inclusive of customers with an active deferral as at 30 September 2020.

6 2020 Employee Engagement Survey conducted by Glint, score based on July 2020 survey. Australia and New Zealand colleagues, population excludes external contractors, consultants and temporary colleagues. 2020 methodology differs from prior years.








OUR ECONOMIC CONTRIBUTION

A strong and resilient economy benefits the community in different ways. Our business contributes to wider economic stability and prosperity by safeguarding jobs, stimulating growth and helping people improve their financial health.

This is particularly important during an economic downturn, and we continue to work with customers, colleagues, partners and government to support the economy.

This year we distributed \$15.9 billion in payments that flow into the community. How our economic value is distributed towards important socioeconomic activities is listed below.

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.	\$42.8m
	Shareholders	\$3.3 billion in dividend payments to more than 641,000 shareholders.	\$3.3bn
	Colleagues	Colleague salaries, superannuation contributions and incentives.	\$4.0bn
	Governments	Payments made to governments in the form of the Bank Levy (\$412 million paid) plus \$3.1 billion in income taxes, goods and services taxes, fringe benefit taxes and payroll taxes among others.	\$3.5bn
Total Economic Value Distributed¹			\$15.9bn

OUR INDIRECT ECONOMIC CONTRIBUTION		
\$66bn in new home lending.	\$469bn in deposits managed for retail and business customers.	>\$60bn in total deferrals provided during COVID-19.
\$82bn in new business lending.		

¹ Aligned to the Global Reporting Initiative standards.

STAKEHOLDER ENGAGEMENT

Effective stakeholder engagement allows us to understand what is expected of us, identify issues, and discover opportunities to improve.

Our approach to stakeholder engagement is set out in our **Social Impact Policy**, and informed by the AA1000 Stakeholder Engagement Standard.

In all interactions, we aim to be respectful, responsive, open and authentic in our engagement on issues of mutual importance.

Our main stakeholders include:

- Customers.
- Colleagues.
- Investors and analysts.
- Partners.
- Industry bodies, associations, regulators and government.
- Non-government organisations (NGOs) and our community partners.

Key engagement activities this year have included:

- Ongoing engagement activities with all stakeholder groups regarding our response to the bushfires and other natural disasters.
- Proactive, frequent engagement with all stakeholders regarding the impacts of, and our response to, COVID-19.
- Engagement with industry bodies and associations on public policy issues including energy and environment

policy, climate change, cyber security and privacy, financial health, resilience and vulnerability, as well as sustainable finance and responsible banking.

- Engagement with relevant NGOs to seek feedback and input into our refreshed **Group Environmental Policies** and **Group Human Rights Policy**.
- Engagement with our colleagues and relevant NGOs on the development and release of a new workplace adjustment guidance note. This outlines how we implement effective workplace adjustments for colleagues with disability and provide adjustments for job applicants.
- Engaging interested investor groups, NGOs and member financial institutions through the Australian Banking Association (ABA), to share what we have learnt about managing modern slavery and other human rights abuse risks. We also developed a 'human impact guide' for our financial crime operations team which has been shared with the ABA and Fintel Alliance Partners (see page 42 in our **2020 Sustainability Report** for more detail).

Our economic contribution



HOW WE CREATE VALUE

We draw on a range of resources to achieve our strategy, conduct our business and create value for our customers, colleagues and communities.

OUR KEY RESOURCES

OUR BUSINESS ACTIVITIES

HOW WE CREATED VALUE FOR STAKEHOLDERS THIS YEAR



Financial

We make use of shareholder capital and other forms of financial capital, including \$469 billion in deposits managed for retail and business customers.



Human, social and relationships

We depend on an engaged and inclusive workforce of more than 34,000 colleagues¹ to deliver our strategy to approximately nine million customers, primarily in Australia and New Zealand.



Natural

We rely on a healthy environment to conduct our business activities. We have committed to sourcing 100% of our electricity from renewable sources by 2025.



Infrastructure

We have 859 branches and business banking centres and 1,572 ATMs. We also rely on our mobile and internet banking services and call centres. 49% of our Australian branches are in regional and rural areas.

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 get it wrong, 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 pay interest to customers and investors who have placed deposits with us and bought our bonds and other debt securities.

Our earnings are reinvested to improve products and services for our customers and/or returned to our 641,000 direct shareholders and to the millions of indirect shareholders who invest in us through superannuation and managed funds. We paid our shareholders \$3.3 billion in dividends this year.

Our products and services

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

We serve customers through our NAB and BNZ network of branches and business banking centres, and through the Groups' relationship managers, online chat function, video meetings, 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, offering financing and risk management solutions.



COVID-19 support measures

- Approved more than 110,000 repayment deferrals with a value of \$42 billion for home loans, and more than 38,000 repayment deferrals with a value of \$21 billion for business loans in Australia.
- Approved more than \$600 million in Business Support Loans with NAB participating in the Australian Government's SME Guarantee Scheme.
- Offered reduction in minimum monthly repayment amount, late payment fee waiver and reduced credit card interest rate on credit card and personal loan accounts in Australia.



New lending, jobs and the economy

- Provided \$66 billion in new home lending and \$82 billion in new business lending.²
- Paid \$4 billion in salaries and superannuation to colleagues.
- Paid \$3.5 billion in taxes including \$412 million in bank levy.³



Building financial health

- In partnership with Good Shepherd Australia New Zealand, wrote more than \$37 million in microfinance loans.
- Helped more than 6,500 customers via Customer Support Hub – a specialist team of bankers dedicated to recognising and responding to signs a customer is experiencing vulnerability.



Making it right for customers

- Made ~801,000 remediation payments to customers with a total value of \$716 million since June 2018.



Funding for the future

- Provided more than \$1.2 billion in financing as part of our target of \$2 billion by 2025 to help emerging technology companies and innovators grow their businesses.
- Provided \$11.6 million in financing as part of our commitment of \$2 billion by 2023 to support affordable and specialist housing.⁴



Giving to the community

- Committed \$5 million to support customers, colleagues and communities impacted by the bushfires, of which \$3.6 million was spent on emergency customer and colleague grants and emergency relief donations, with the remainder directed to longer-term recovery efforts.
- Invested \$42.8 million in the community,⁵ including \$3 million in colleague volunteering.⁶



Managing climate change

- Provided \$42.5 billion environmental financing as part of our commitment to provide \$70 billion by 2025.⁷
- Increased our 2025 science-based GHG emissions (tCO₂-e) reduction target from 21% to 51% against a restated 2015 baseline level.



Colleague capability and inclusion

- Committed \$50 million in investment in our colleagues over the next three years, for all colleagues to complete the Career Qualified in Banking certification through the Financial Services Institute of Australasia, an industry-first in Australia and New Zealand.
- Offered 65 new traineeships to Indigenous Australians and recruited 40 African-Australians as part of the African Australian Inclusion Program.
- Developed a new leadership program that will provide all managers with a consistent set of skills, understanding and expectations of leadership at NAB.

Our economic contribution

1 Number of full-time equivalent colleagues as at 30 September 2020, including discontinued operations. Excluding discontinued operations, FTE for 2020 is 31,372.

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 2020.

4 Affordable and specialist housing includes affordable housing, specialist disability accommodation, sustainable housing. Progress is based on total lending facilities committed, where first drawdown occurred during the commitment period. This number does not reflect debt balance.

5 Corporate community investment ranges from short-term donations to longer-term capacity-building programs. It is calculated using the London Benchmarking Group methodology. For more information, refer to the [2020 Sustainability Data Pack](#).

6 Value of volunteering days calculated using average daily salaries by employment level, contributed by NAB colleagues to charitable organisations in Australia, New Zealand and – through our global branch network – in London, New York and parts of Asia.

7 Represented as a cumulative flow of new environmental finance since 1 October 2015. Refer to [2020 Sustainability Report and Data Pack](#) for more information.



OUR STRATEGIC AMBITION

Our strategic
ambition



OUR STRATEGIC AMBITION

This year we introduced a refreshed strategic ambition and clarified why we are here.

We are here to serve customers well and help our communities prosper.

Our customers and colleagues are where we'll focus our investment. Serving them well means being:

- **Relationship-led:** building on market-leading banking expertise, data and insights.
- **Easy:** an easier, more seamless and digitally enabled bank that gets things done faster.
- **Safe:** protecting customers and colleagues through financial and operational resilience.
- **Long-term:** delivering sustainable outcomes for our customers, colleagues and communities.

There are four aspects to how we work towards our strategic ambition:

- ▶ **Excellence for customers**
- ▶ **Grow together**
- ▶ **Be respectful**
- ▶ **Own it**

Our refreshed strategy aims to deepen our relationships with existing customers, attract more customers and lift colleague engagement. We'll efficiently manage costs as we continue to digitise our business and improve the customer experience at our bank while offering improved returns for shareholders.

Accelerating our strategy

Our customers needed us to respond quickly and effectively to the challenges of COVID-19, and the strong and secure position we entered 2020 with allowed us to do that. Since 2017, we've made significant investments to improve NAB, strengthen our customer offering, and our operational and financial resilience.

We focused our investment where it matters most for customers in an environment of rapid and constant change:

- More than 30,000 of our colleagues were able to adjust to working from home in under three weeks, in line with government and health advice, thanks to our investment in technology infrastructure.
- We maintained a strong capital and liquidity position. Our CET1 ratio was 11.47%, the Net Stable Funding Ratio (NSFR) was 127% and liquidity coverage ratio (LCR) was 139%, above the APRA regulatory requirement of 100%.
- Our customers want more digital banking options, and we've made them a reality with strong growth in digital sales (65% simple consumer sales via digital vs. 31% in FY17)¹ and strong reduction of over-the-counter transactions across the network (47% reduction since FY17).

We have a clear plan and we are getting on with it

With solid foundations in place, our refreshed strategy announced in April 2020 sets out the next evolution of our business. This will secure our bank for the long-term as we concentrate on serving customers well.

We redesigned our operating model this year to align with our refreshed strategy and defined new ways of working.

Our plan follows extensive consultation across our business in early 2020 to understand the challenges and opportunities for colleagues when serving customers.

With increased focus and clarity, we can execute better. We'll achieve this by:

- **Simplifying our business:** We'll only work on what matters most to customers.

This means fewer projects, fewer systems and processes, and a simplified business offering.

- **Being consistent:** From how we allocate funding, to having the right capability, we're working together to improve and align our service offering across our business.
- **Giving our leaders the right tools:** Our new structure and operating model has clearer end-to-end accountabilities. Leaders can make decisions faster and will be supported by better management information and structure.

2021 will be transitional, as we carefully balance the immediate demands of a challenging external environment with investing in our long-term success. We'll continue to support our customers when they need it the most and manage cost pressure in a disciplined way.

Despite costs associated with COVID-19, regulatory spend and investment in our colleagues, we're looking beyond 2021. We're building on our progress with investments for the long-term to create momentum for 2022.

Action is underway

This year we reduced the number of key investment projects across our bank, removing non-priority projects and increasing the effective management of a small number of projects identified as critically important.

We want to raise the bar of professionalism across the financial services industry and make our colleagues feel proud to work at NAB. We're investing in the training and leadership capability for each of our 34,000 colleagues. We'll maintain an enduring focus on getting the basics right, learning the lessons

from the Financial Services Royal Commission and the findings of our self-assessment.

Our customers and colleagues rely on us every day. That's why we're continuing to strengthen our technology reliability and resilience. We're migrating IT applications to lower-cost cloud platforms, making our systems simpler and more consistent.

Marking our last major structural change in 2020, we entered into the sale of MLC Wealth to IOOF Holdings Limited in August 2020. Completion of the sale, which is expected by mid-2021 and is subject to certain conditions precedent, will strengthen our balance sheet and simplifies our business as we focus on our core banking offering.

How we are measuring our success

We measure our success by colleague engagement, Strategic Net Promoter Score (NPS), Cash Earnings per Share (EPS) growth, and Return on Equity (ROE).

We made significant progress this year in lifting engagement across our bank. The results from our 2020 survey show an overall score of 76. This is a significant increase compared to a score of 66 in August 2019,² and five points above our target of 71. We'll keep reaching higher when it comes to engaging, energising and inspiring our colleagues.

In 2020, our overall Strategic NPS score was -11, a five point improvement on last year, and we're ranked number two among the major Australian banks.

Our full year result for diluted cash earnings per share was 116.2 cents, our cash return on equity was 6.5%.

¹ Simple consumer products refer to transaction accounts, savings accounts, credit cards and personal loans.

² 2020 Employee Engagement Survey conducted by Glint, scored based on July 2020 survey. 2020 methodology differs from prior years. The 2019 score has been restated using the updated methodology for comparative purposes. 2019 restatement falls outside the scope of Ernst & Young assurance. Population excludes external contractors, consultants and temporary colleagues.



OUR STRATEGIC AMBITION



WHY WE ARE HERE

To serve customers well and help our communities prosper

WHO WE ARE HERE FOR



Colleagues

Trusted professionals who are proud to be a part of NAB



Customers

Choose NAB because we serve them well every day

WHAT WE WILL BE KNOWN FOR

Relationship-led

Relationships are our strength

1. Exceptional bankers
2. Unrivalled customer value (expertise, data and analytics)
3. Truly personalised experiences

Easy

Simple to deal with

1. Simple products and experiences
2. Seamless - everything just works
3. Fast and decisive

Safe

Responsible & secure business

1. Strong balance sheet
2. Leading, resilient technology and operations
3. Pre-empting risk and managing it responsibly

Long-term

A sustainable approach

1. Commercial responses to society's biggest challenges
2. Resilient and sustainable business practices
3. Innovating for the future

WHERE WE WILL GROW

Business & Private

Clear market leadership

Corporate & Institutional

Disciplined growth

Personal

Simple & digital

BNZ

Personal & SME

UBank

Customer acquisition

HOW WE WORK



Excellence For Customers



Grow Together



Be Respectful



Own It

MEASURES FOR SUCCESS



Engagement



NPS growth



Cash EPS growth



Return on Equity

Our strategic ambition



WHAT WE WILL BE KNOWN FOR

Relationship-led

It's our job to deliver the best banking experience possible to meet customer needs however they choose to interact with us. We're building market-leading expertise, data and insight to strengthen our customer relationships and serve them well as the way customers interact with us continues to evolve.

Our long-term focus is on:

- ▶ Developing exceptional bankers.
- ▶ Providing unrivalled customer value.
- ▶ Offering a truly personalised customer experience.

We've acted on our immediate priorities this year to empower our customer-facing colleagues and support our customers and colleagues through COVID-19 and beyond.



Colleague capability and wellbeing

▶ Empowering our colleagues

Who our bankers are and how they are trained makes all the difference. That's why we're investing \$50 million over three years to raise the bar of professionalism across the financial-services industry. This year we introduced our Career Qualified in Banking program in partnership with the Financial Services Institute of Australia (FINSIA). Our program will go above and beyond the industry standard, with NAB the first major Australian bank to deliver an accredited

career pathway. NAB colleagues will gain a formal qualification to carry throughout their careers. We piloted the Accreditation Program with 31 colleagues in early 2020 and will progressively deliver it to more than 34,000 colleagues across our bank.

Our business customers value our sector expertise. To deliver this we mapped out personalised plans to best suit their needs, backed by insights and advice and developed through deep data and banking experience in our Corporate & Institutional Bank.



Supporting customers

▶ Supporting our customers and colleagues through COVID-19 and beyond

Australians are choosing to bank with us in new ways as they adapt to different ways of living during COVID-19. In particular, the migration towards digital banking has dramatically accelerated. More than 90% of customers who interact with us are digitally active.

At the same time, over-the-counter cash transactions in our branches decreased by 25%.

Our business customers have also moved away from using cash, with Express Business Deposits decreasing by 24%.

These changes have required us to adapt in many ways so we can best serve customers where and how they choose to bank with us. These include:

- Introducing a chatbot function online to answer recurring customer questions immediately.
- Extending our servicing options to include video meetings.
- Launching a customer self-serve appointment booking system on nab.com.au in September 2020.

- Enabling the Indigenous Customer Service Line team to remotely open customer accounts using alternative forms of identification.

We continue to strengthen our business customer relationships by getting on the front foot to help solve problems. We've been reaching out to small business customers to understand their individual needs during this time and have scaled up our support teams to have proactive conversations with customers as they approach the end of loan deferral periods.

Our strategic ambition



WHAT WE WILL BE KNOWN FOR

Easy

Our customers expect better banking experiences, so we're making banking with us easier and faster.

We're investing in better ways to serve our customers so we can offer:

- ▶ **Simple products and experience.**
- ▶ **A seamless experience where everything just works.**
- ▶ **Fast and decisive banking.**

Our priority this year was to organise our bank around the needs of our customers (refer to Our Business on [page 21](#)). We're improving our products and services and increasing our digital enablement.

During the next year, we'll continue making our processes and technology simpler to use and more consistent.

▶ **Simplifying our products, services, policies and processes**

Buying a home is an important moment for our customers, and our Personal Bank is making the experience easier and faster. This year customers have greater flexibility to make their banking appointment when and where it suits them. We're committed to providing a simple home loan experience for customers. Enabled by our new application service, Simple Home Loans, 30% of Redstar proprietary loans are already being approved conditionally within 60 minutes. Powered by improved digital functionality, customers can also make instant changes to their home loans by fixing rates at the touch of a button. We've also improved the way we capture customers' home related needs during the application process, making it more intuitive and simpler for our colleagues.

Enabled by the Federal Government's First Home Loan Deposit scheme, we're one of the first major banks in Australia to make it easier for approved applicants with only a five per cent deposit to obtain a mortgage without lenders mortgage insurance.

This year we introduced Australia's first no interest credit card, the NAB StraightUp Card, in response to Australians wanting more control over their finances. It gives customers access to up to \$3,000 credit for a flat monthly fee, charged only when the card is used.

In our Business and Private Bank, we're striving to give customers access to business lending faster, removing hand-offs and re-work in the end-to-end lending process. We've redesigned our banker support model to create a dedicated team with the skills and resources to manage all activities related to deal preparation. This model was successfully piloted in South Australia, Northern Territory and Queensland and will be introduced across our business bank in coming months.

During the next year, we'll continue making our processes and technology simpler to use and more consistent. We'll adopt greater use of cloud computing, giving us more flexibility, increased collaboration and higher scalability to respond to growing customer needs.

Our corporate and institutional customers impacted by COVID-19 are now able to apply for loan deferrals and fee waivers with faster and easier processes. Some of our customers needed immediate support and we worked hard to process appropriate requests immediately.

We introduced a single customer onboarding system for our Corporate and Institutional Bank globally. Our customers have a better experience when coming onboard with us and our colleagues find our new system faster and easier to use.

At the same time, we've continued to streamline our product and service offering across the Group, by removing 12 products, consolidating eight products,¹ and removing 88 fees.

Our strategic ambition

¹ Consolidation due to multiple events including: where multiple products have been removed from our on-sale catalogue with no customer migration required, levelling exercises where multiple products with the same offering have been consolidated without customer migration, and for products that have been divested through divestment of Wealth business.



WHAT WE WILL BE KNOWN FOR

Easy (continued)

► Increasing our digital enablement

As more Australians access banking online, we're making our self-service offerings easier to use.

During the year we progressively digitised and transformed our personal banking experience for customers, starting with our phone authentication process. In November 2019, we became the first major Australian bank to enable customers to use voice recognition as a unique NAB identifier. Today, more than 200,000 customers are enrolled to use this technology.

Our customers can seek help faster by speaking to our virtual assistant and we're the first Australian bank to offer service support via Apple Business Chat and WhatsApp messaging.

We've enhanced the NAB mobile app with a range of self-service features including enabling a one-click application for select transaction and savings accounts, proof of balance and interim and interest statements.

In partnership with Australian technology company, Slyp, our customers can digitise paper receipts with no additional cost.

This year we became the first bank that moved our customer-facing business bank platform, NAB Connect, to the cloud. This reduced outages by 84% and critical incidents by 30%.

The cloud migration, together with foreign currency transaction fee reduction, and self-service feature improvements, made transacting with us simpler, faster and more reliable for our business customers.

Digital enhancements are also delivering improvements for our corporate and institutional customers and bankers.

This year our customers started to have faster and simpler access, increased control and transparency, and greater data richness when making payments through our expanded New Payments Platform (NPP).

Our corporate and institutional customers can now easily view and manage their overall cash positions across multiple sub-entities on a single dashboard. A faster pricing system is saving our bankers more time when analysing pricing and preparing submissions for business lending products.

Growth in digital engagement among our UBank customers continued strongly. Enhancements made this year include easy sign-up to simple transaction products via iOS and Android apps in under three minutes and with the ability to fund customer accounts instantly.

Customers can earn bonus interest on up to 10 USave accounts, and instantly view and manage their spending insights, powered by Basiq. Gig economy workers are able to better manage their money and create a budget from multiple incomes with a smart budgeting tool, Free2Spend.

In New Zealand, our BNZ customers can better organise and understand their financial health with a new personalised spend tracking and categorisation tool in the Mobile BNZ app. BNZ customers in more remote regions of New Zealand now have greater access to vital banking and financial health services via our mobile banking branch and the Mobile BNZ app.

In November 2019, we became the first major Australian bank to enable customers to use voice recognition as a unique NAB identifier. Today, more than 200,000 customers are enrolled to use this technology.

Our strategic ambition



WHAT WE WILL BE KNOWN FOR

Safe

As a responsible and secure lender, protecting our customers and colleagues is fundamental. Our three priorities are:

- ▶ **Maintaining a strong balance sheet.**
- ▶ **Leading resilient technology and operations.**
- ▶ **Pre-empting risk and managing it responsibly.**

This year we've strengthened our balance sheet, increased our technological resilience, and maintained strong financial and operational risk settings.

▶ **Strengthening our balance sheet**

Our balance sheet strength is critical to serving our customers and community well. In the face of the significant economic challenges of COVID-19, our business has maintained a strong capital and liquidity position.

Our business remains well capitalised. Our CET1 ratio is strong at 11.47% on an APRA basis (and 15.8% on an internationally comparable basis), strengthened by the \$3 billion institutional placement and \$1.25 billion Share Purchase Plan announced in April 2020. Our Leverage Ratio was 5.8%.

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.

Our 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. In response to COVID-19, APRA announced temporary changes to capital requirements including allowing banks to use buffers to

Our balance sheet strength is critical to serving our customers and community well. In the face of the significant economic challenges of COVID-19, our business has maintained a strong capital and liquidity position.

support ongoing lending while also advising the expectation that Authorised Deposit-Taking Institutions (ADIs) should retain at least half of their earnings for 2020.

We've strengthened our funding profile over 2020. 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 (including Term Funding Facility drawdowns) has increased to 101% (2019: 93%).

The onset of COVID-19 saw a rapid deterioration in global funding conditions in late February. In March, the Reserve Bank of Australia (RBA) announced the introduction of the Term Funding Facility (TFF) to assist ADIs to support the flow of credit to the domestic economy. The TFF is an efficient source of three-year term funding through to the end of June 2021, providing flexibility to manage refinancing and execution risk while also reducing funding costs. We drew down \$14.3 billion of the TFF to September 2020.

We raised \$15 billion of term wholesale funding excluding the TFF and continue to access a range of wholesale funding markets and achieved diversification by tenor, product, currency and investor type. We executed benchmark transactions in core markets over the year and pursued new

opportunities, which included an inaugural SONIA-linked Pound Sterling covered bond and Canadian Dollar subordinated debt issuance.

We maintained strong liquidity throughout the year with metrics further strengthening due to central bank measures in response to COVID-19. The 30 September 2020 quarterly average Liquidity Coverage Ratio (LCR) was 139%, up from 126% in 2019, and the Net Stable Funding Ratio (NSFR) was 127%, up from 113% in 2019, both above the APRA regulatory requirement of 100%.



Data security, technology and innovation

▶ **Increasing our technological resilience**

The way our customers are banking is changing rapidly, fast-tracked by COVID-19. More than 90% of customers who interact with us are digitally active, with many transitioning to no-cash transactions and internet banking during COVID-19.

As technology rapidly evolves, we continue to adapt and grow our capability. We want to make banking easier for our customers and colleagues by ensuring we have the right technology that allows us to move faster, respond quickly to change, work efficiently, and increase our resilience.

This includes:

- **Leveraging the cloud:** Under a five-year strategic partnership with Microsoft, we're co-designing, developing and investing in NAB and BNZ's multi-cloud technology. Our customers will benefit as we improve the resilience of our banking services technology and reduce the time taken for system changes and improvements.
- **Embracing data and analytics:** Banking is about making connections. Data enables us to connect with our customers' needs and expectations, helping us create a more personalised customer experience and more meaningful relationships.
- **Creating a culture of high-speed delivery:** We're investing in the technological capability of our colleagues through upskilling and empowerment, reshaping our workforce, and seeking the best talent in the market. Our customers will benefit as we provide leading-edge technology and adopt innovative approaches. More than 1,400 of our colleagues have achieved industry-recognised cloud certifications.

Our strategic ambition



WHAT WE WILL BE KNOWN FOR

Safe (continued)



Data security, technology and innovation

► Maintaining strong financial and operational risk settings

Managing risk effectively is critical to us being a safe and secure bank. In 2020, our Risk team launched a new Governance, Risk and Compliance system to support the ownership and management of our obligations, risk and controls environment. Replacing multiple in-use risk systems, the new system provides a single source of truth for risk data, introduces significantly improved user experience and improves visibility to risk data throughout our business.

This year we achieved strong momentum in building a sustainable and intelligent control environment to serve our customers and be secure:

- Over 1,000 new controls have been implemented or documented, uplifting the control environment for new processes and obligations across Home and Business Lending, Cyber-Security, Data, and People.
- We introduced measures and targets to drive insight and progress, evidenced by improvements in business risk and control management discipline, capability and ownership.

We're working on ways to help customers improve their financial health. In 2020, we developed a behavioural machine learning model that identifies customers who have signs of being at risk of going into financial difficulty. We launched our 'Here to Help' campaign to raise awareness and offer the right assistance to our customers.

We expanded the Global Privacy Office (GPO) responsible for privacy and data ethics across our business. This reflects our increased focus on transparent, compliant and ethical data collection and ensuring effective controls over our use of data, which is key to earning and maintaining the trust of our customers.

We invested in modernising our foundational infrastructure, including cloud migration, workplace technology refresh, new workflow and document management platforms, customer and data hub establishment along with improvements to systems resilience.

This year we:

- Have 865 applications in the cloud. To continue to drive our cloud agenda, we announced a strategic five-year partnership with Microsoft to migrate a further 1,080 applications to the cloud.

- Insourced 17 management and operational functions across our network and technology infrastructure functions, giving us greater control over the management and quality of our services.
- Achieved a 33% reduction in critical and high incidents, meaning fewer interruptions to customers' banking needs.
- Published and used more than 1,300 Application Programming Interfaces, exceeding our initial target of 500.

Our investment in technology infrastructure allowed us to rapidly navigate COVID-19. Having set the right foundations, our operations are more resilient and our colleagues have more flexibility to best serve our customers.

Our technology strategy implementation is well on its way. In 2021, we'll continue to migrate our existing

applications from our on-premise infrastructure to the cloud and replace our older technology with new enabling applications.

We've taken steps to raise customer and colleague awareness of data security and protect our business from cyber threats. This year we participated in Clean Pipes, an industry initiative to improve Australia's online security and reduce attacks on customer information.

Our strategic ambition

In 2020, we developed a behavioural machine learning model that identifies customers who have signs of being at risk of going into financial difficulty.



WHAT WE WILL BE KNOWN FOR

Long-term

We have an ongoing responsibility to safeguard our economy and protect the long-term interests of our customers, colleagues, shareholders and the community.

We're adopting a sustainable approach by:

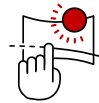
- ▶ Driving commercial responses to society's biggest challenges.
- ▶ Maintaining resilient and sustainable business practices.
- ▶ Innovating for the future.

▶ Driving commercial responses to society's biggest challenges

As a founding signatory of the United Nations (UN) Principles for Responsible Banking (PRB) and the first Australian bank to join the UN Collective Commitment to Climate Action (CCCA), we're active contributors when it comes to addressing our society's biggest challenges.

This includes using our core skills, assets and resources as a business to address societal challenges. While not possible for all issues, using a commercial approach enables sustainable and scalable solutions, aligned with the changing needs of our customers and society. We're contributing to the following areas of social and environmental need and opportunity:

- **Managing climate change:** Committing to support our customers in the low-carbon transition, enabling us to achieve a net zero emissions lending portfolio by 2050, and actively pursuing sustainable finance opportunities.
- **Sustainable agriculture:** Working with agribusiness customers to understand and manage natural capital, critical to supporting resilient, productive and profitable businesses.
- **Financial health and resilience:** Helping customers manage their money, while driving inclusive banking and a leading² hardship assistance function.
- **Infrastructure and urbanisation:** Focused on investing in resilient infrastructure and supporting the delivery of affordable and specialist housing.
- **Indigenous economic participation:** Tailored banking support for, and continuing to increase procurement spend with, Indigenous-owned businesses.



Managing climate change

▶ Strengthening our sustainable business practices

To respond to our community's biggest challenges and create long-term value requires the strength of our people and proper management of our environmental, social and governance (ESG) risks and opportunities.

ESG risk management is integrated within our governance structures and Risk Management Framework, informed by our ESG Risk Principles. These Principles align with our strategic ambition and assist our colleagues to consider ESG risk in day-to-day decision-making. Refer to the 'How we act' section of the [2020 Sustainability Report](#) for more information on how we're managing our ESG risks, such as climate change and human rights, including modern slavery.

This year we've continued to support customers, colleagues and communities with relief following natural disasters. We're actively working towards building preparedness and supporting the longer-term

\$42.5BN

PROGRESS TOWARDS OUR 2025 ENVIRONMENTAL FINANCING TARGET¹

recovery of communities impacted by natural disasters.

With the launch of our new Inclusion and Diversity Strategy and our Career Qualified in Banking program, we're building a workforce that not only reflects the communities we serve but also raises the professional standards of the financial services industry.

We're managing our operations responsibly and reducing our carbon footprint. In 2020, we:

- Celebrated 10 years of carbon neutrality, with our carbon emissions savings in that time equivalent to the removal of approximately one million cars off the road.
- Increased our 2025 science-based GHG emissions (tCO₂-e) reduction target from 21% to 51% against a restated 2015 baseline level. Emissions in 2020 have reduced 41% against the restated baseline.³
- Joined the RE100 initiative, committing to sourcing 100% of electricity consumption from renewable sources by 2025. In 2020, we sourced 7% of electricity consumption from renewable sources, up from 3% in 2019.

Our strategic ambition

¹ Represents total cumulative flow of new environmental financing from 1 October 2015. Refer to our 2020 Sustainability Data Pack for a further breakdown of this number and reference to how our environmental finance commitment is calculated.
² Based on the 'Rank the banks (and other creditors) 2019' report released by Financial Counselling Australia in July 2020.
³ This target has a baseline of 2015 and covers all direct GHG emissions (Scope 1) and indirect GHG emissions from consumption of purchased electricity (Scope 2) across all GHGs required in the GHG Protocol Corporate Standard. This target was restated in 2020 to: (i) include data centres which were previously excluded, and (ii) align with a well-below 2°C scenario. The target has been prepared in accordance with the Sectoral Decarbonisation Approach (SDA) 'Services Buildings' methodology published by the Science Based Target initiative.



WHAT WE WILL BE KNOWN FOR

Long-term (continued)

► Tracking progress

This year we've made solid progress against most commitments. During the first year of our affordable housing commitment, we consulted widely across industry and government, developing critical partnerships to drive advocacy and solutions for affordable and specialist disability housing. We've a strong pipeline of projects underway despite the disruption resulting from COVID-19. We've also more than doubled the amount of our electricity consumption sourced from renewable energy sources.

These commitments sit alongside a range of performance disclosures and targets relating to inclusion and diversity, our Reconciliation Action Plan, Accessibility Action Plan, and Customers Experiencing Vulnerability Framework. Detailed information is available in our [2020 Sustainability Report](#).

COMMITMENT	PROGRESS	STATUS
Bushfire recovery and resilience package: \$5 million committed to NAB Disaster Relief Fund to support emergency relief and recovery grants to impacted customers and colleagues, and longer-term recovery and preparedness initiatives.	\$3.6 million	↑
Provide \$70 billion in environmental financing by 2025. ¹	\$42.5 billion	↑
Cap thermal coal mining exposures at 2019 levels, reduce by 50% by 2028 and intend to be effectively zero by 2035 apart from residual performance guarantees to rehabilitate existing coal assets. We now expect our thermal coal mining exposure to reduce by 50% by 2026 and to be effectively zero by 2030.	11.4% reduction	↻
Source 100% of our electricity consumption from renewable sources by 2025.	7%	↻
Develop sustainable agriculture metrics to improve natural asset management (in partnership with ClimateWorks).	Metrics released with industry	✓
Provide \$2 billion in financing by 2025 to drive innovation in the emerging technology sector (baseline year 2020).	\$1.2 billion	↑
Provide \$2 billion in financing by 2023 for not-for-profit groups and other organisations that build affordable and specialist housing (baseline year 2020). ²	\$11.6 million	↻
Spend \$2.6 million with Indigenous businesses by 2021 (baseline 2019). ³	\$3.8 million	✓
Provide 19,000 microfinance loans to Aboriginal and Torres Strait Islander customers by 2021 (baseline year 2019).	13,631	↑

✓ Achieved ↑ Well progressed ↻ Progressing

Our strategic ambition

¹ Represents total cumulative flow of new environmental financing from 1 October 2015. Refer to our [2020 Sustainability Data Pack](#) for a further breakdown of this number and reference to how our environmental finance commitment is calculated.
² Affordable and specialist housing includes affordable housing, specialist disability accommodation, sustainable housing. Progress of \$11.6 million is based on total lending facilities committed, where first drawdown occurred during the commitment period. This number does not reflect debt balance.
³ As of 2020 Indigenous business spend excludes GST.



WHAT WE WILL BE KNOWN FOR

Long-term (continued)



Data security, technology and innovation

▶ Innovating for the future

NAB Ventures (our wholly-owned Venture Capital investment arm) continues to invest in cutting-edge technologies and business models to engage and accelerate innovation. NAB Ventures works across our business, exposing business units to these innovations and deepening ties with potential partners and innovative entrepreneurs.

Through NAB Ventures and our Mergers & Acquisitions team, we made five new investments in 2020:

- **Athena** provides a proprietary cloud-native home loan platform aimed at disrupting the Australian prime mortgage market.
- **Hometime** provides a short-term rental management services (co-hosting) platform for Airbnb property owners.
- **EdStart** provides financing solutions to support parents to pay private school fees through smaller increments or over an extended period.

- **BioCatch** is the developer of behavioural biometric technology for use in identity authentication and fraud detection.
- **Pollinate** offers a cloud-based, merchant-friendly experience which enables businesses to view real-time sales data and track average transaction value.

We continue to invest in building market-leading services for our customers:

- We're implementing **Basiq's** Affordability Report to gain a comprehensive view of customers' financial positions. This helps more than 100,000 customers who have deferred their mortgage repayments and are due for a hardship review in coming months.
- We signed a cross-referral agreement with the revenue-based financier **Lighter Capital**.
- **Slyp's** digital receipt functionality was integrated into the NAB mobile banking app, which has been used by customers to digitally store >200,000 receipts.

From July 2020, we entered the Open Banking era. Our customers can now share their information with Australian Competition and Consumer Commission (ACCC) Accredited Data Recipients. As the first sector under the new economy-wide Consumer Data Right, banking has led the way in establishing the infrastructure enabling the safe sharing of customer data. Working closely with all participants, we remain active in the evolution of Open Banking in Australia.

We want to ensure our customers have a positive experience in a safe environment. Getting it right is paramount to ensuring trust and confidence in the new system of Open Banking which the Government plans to expand beyond the sharing of data.

The delivery of phase one of Open Banking in July 2020 was a significant milestone for us as we established a new capability and validated part of our technology strategy. Built in-house in under 12 months using a combination of Application Programming Interface, microservice, mini-app and cloud technology, we were the first of the major banks to share customer data during the pre-production trials in June. We've already leveraged the Open Banking infrastructure to support our Xero partnership.

5

NEW INVESTMENTS IN 2020 THROUGH NAB VENTURES AND OUR MERGERS & ACQUISITIONS TEAM

Our strategic ambition



OUR BUSINESS

Our business



OUR BUSINESS

We're here to serve customers well and help our communities prosper. We have more than 34,000 colleagues at NAB, serving approximately nine million customers who rely on us to deliver secure, easy and reliable banking services.

Our customers and colleagues are at the heart of our business. We've redesigned our operational structure to serve them better and align with our refreshed strategy. Our structure reflects our increased focus on digital and delivery by elevating UBank and Strategy & Innovation.

Our five customer-facing units reflect the needs of our customers and opportunities to grow, while providing greater end-to-end accountability for outcomes.

Our business is enabled by Technology and Enterprise Operations, Finance, Strategy and Innovation, Risk, Legal and Commercial Services, and People and Culture units to deliver common activities at scale.

2020 CASH EARNINGS ¹	A\$m
Business & Private Banking	\$2,489
Personal Banking	\$1,380
Corporate & Institutional Banking	\$1,469
New Zealand Banking	\$977
Corporate Functions & other	(\$2,605)

Divestment of MLC Wealth

On 31 August 2020, we announced an agreement to sell 100% of MLC Wealth to IOOF Holdings Limited (IOOF) for a purchase price of \$1,440 million, subject to completion adjustments. Completion of the transaction is expected to occur by mid-2021, subject to certain conditions, including regulatory approvals from APRA and ACCC.

As part of our ongoing commitment to customers, we'll retain legal ownership of MLC's advice entities, for the purpose of completing advice-related remediation programs. Other assets of the advice entities and colleagues working in the advice business will be transferred to IOOF as part of the transaction.

More details can be found in the [2020 Annual Financial Report](#).

Business & Private Banking

We're working to solidify our market leadership through professional bankers who are backed by insightful data.

Despite the challenging market conditions in 2020, we maintain our position as Australia's leading business bank.

We hold 24% market share for medium-sized business customers, 22% share of small business customers, and 16% share of micro business customers.² Our customer base reflects the full range of industries in Australia, from agriculture to health and professional services.

We have deep and long-standing relationships with our business customers and offer ongoing support through the latest in industry insights and economic data.

Business and Private Bank focuses on priority small and medium customer segments. This includes our leading nabBusiness franchise, specialised agriculture, health, government, education, community services, professional services, as well as the critical small business segment. JBWere and Private Banking are now being managed as a single unit in Business & Private Bank to help us deliver a holistic banking and wealth offering for our high net worth customers.

24%

MARKET SHARE

We remain the main financial institution for medium-sized business customers.

Our business

¹ Refer to footnote 2 on page 7 for a definition of cash earnings.

² Source: DBM Atlas, September 2020. DBM Business Financial Services monitor overall share. Base includes Medium Business (Turnover \$5m-<\$50m) with Deposits/Lending FUM, Small Business (Turnover \$0.1m-<\$5m) with Deposits/Lending FUM, and Micro Business (Turnover \$0-<\$0.1m) with Deposits/Lending FUM. 12 month rolling data.



OUR BUSINESS

Personal Banking

We're growing and deepening customer relationships with simple products and services delivered digitally, supported by exceptional bankers when it matters.

Our customers have access to a range of home lending and everyday banking products, which are becoming simpler to use and more digital every year. We serve our customers through a range of digital channels, supported by our exceptional bankers across 600 branches, our 16,000 brokers, our 1,572 ATMs, and a range of other assisted and self-service banking channels.

Corporate & Institutional Banking

We're driving disciplined growth by supporting our key clients, particularly within strategic growth segments, while investing in enhanced capability and greater simplification of our business.

Our Corporate & Institutional Bank serves customers throughout the world, including Australia, New Zealand, UK, US, Europe and Asia. Our products and services include client coverage, corporate finance, markets, asset servicing, transactional banking, and enterprise payments. We're also among the leading providers across a wide range of markets and origination products, including securitisation, corporate bonds, FX, and interest rate derivatives.

Bank of New Zealand (BNZ)

We're shifting our focus towards SME and Personal Banking and increasing our digital banking capability.

Our customers at BNZ and NAB will benefit from our close relationship as Australia and New Zealand work together to recover from COVID-19 and rebuild their economies.

By improving our digital offering at BNZ, we'll build stronger and more personalised relationships with our customers.

UBank

We're investing more in our digital customer acquisition engine by providing differentiated, experience-led products and services.

Launched in 2008, UBank continues to lead us into the future of digital banking by empowering our customers to simplify and manage their finances. Our team of digitally focused, innovative, and collaborative colleagues are working towards offering differentiated, experience-led products and services to our customers.

At a time when digital banking is becoming more important to how our customers go about their daily lives, elevating UBank within our new business structure gives us greater focus and clarity on our priorities as a business.



OUR OPERATING ENVIRONMENT

Our operating
environment



OUR OPERATING ENVIRONMENT

Economic conditions

Our operating environment has been characterised this year by the severe economic impact of COVID-19 as Australia's economy fell into its first recession in almost 30 years.

COVID-19 continues to challenge our customers and our bank, with varied impacts across industries, communities and state borders. We've experienced volatile markets, subdued credit demand, low interest rates, and signs of deteriorating asset quality.

As we face into these extraordinary challenges, we remain a safe and responsibly managed bank helping customers through and out the other side. By taking decisive action in April 2020 to strengthen our balance sheet, we're in a financially secure position, with strong capital, liquidity and funding. We're well positioned to withstand the impacts of the economic downturn. We remain open for business and continue to lend to our personal and business customers at a steady rate.

It will take time to recover from COVID-19. Many challenges remain in the short term as the crisis requires a fluid response, but we remain optimistic about the long term for Australia and New Zealand and for NAB.

The global economy

The global economy contracted sharply in 2020, with the largest fall in output since the early 1950s. Driven largely by measures to counter COVID-19, the fall in activity was broad-based and generally occurred over March and April, with the main exception being China where it occurred earlier.

In response to economic conditions, authorities reduced policy rates and introduced a range of other measures including bank funding programs, asset purchases and loan guarantees to support the flow of credit. At the same time, governments have introduced fiscal programs to support businesses and households, having the combined effect of increasing public debt levels and generating longer term risk. The unwinding of these programs also presents near term risk if done too rapidly.

Economic recovery commenced in the third quarter of 2020, however significant risks to the global outlook remain. COVID-19 outbreaks continue uncontrolled in a number of countries, along with the risk of additional waves

of outbreak. Trade tensions between the United States and China have re-emerged, threatening a resumption of the economically damaging trade war. Other geopolitical risks include uncertainty around the European Union and United Kingdom relationship after the current transition period, tensions between Hong Kong and mainland China, and uncertainty around the Middle East and the South China Sea.

Australian economy

The Australian economy fell into recession with a 7.2% fall in Gross Domestic Product (GDP) between the end of calendar 2019 and the June quarter 2020. The largest recorded quarterly fall was experienced in the June quarter due to COVID-19 and the associated community response and government restrictions on movement and business operations.

First half decline was driven by significant falls in household consumption, residential dwelling investment, business investment and both exports and imports, particularly in international tourism.

In contrast, public sector spending increased in the first half of 2020 partly due to COVID-19 policy measures, including direct support to households and businesses. As a result, household disposable income increased in the six months to June, including a more than 20% increase in unincorporated businesses earnings. Similarly, corporate profits increased by 12% over the same period.

In the June quarter 2020, State Final Demand (SFD)¹ fell in all states and territories, with the largest falls occurring in NSW and Victoria (over 8%).

Accommodation and food, arts and recreation, transport, administrative and support, and real estate services were some of the industries hardest hit. Agricultural prices were higher on average this year while seasonal conditions were also better than last year. Increases in tariffs and other non-trade barriers by China on some Australian commodities are a concern.

GDP is expected to increase in the September quarter 2020, with most states and territories having eased restrictions internally, although the growth rate will be constrained by the reintroduction of restrictions in Victoria within the quarter. While substantially eased by late October, these restrictions are also likely to weigh on December quarter growth.

Due to the large fall in the first half, GDP is expected to decline in calendar 2020. Assuming COVID-19 remains under control, and there is a relaxation of state border controls by the end of 2020, a gradual recovery is projected over calendar 2021. Even so, a return to the pre-COVID-19 level of GDP is not expected until early-calendar 2022.

Since the beginning of March 2020, the RBA has reduced the cash rate target by 65 basis points to 0.10%, moved to targeting the yield of three year Australian Government bonds (current target is 0.10%), and introduced a Term Funding Facility. In November 2020, the RBA also announced a six-month \$100 billion government bond purchase program in addition to any purchases made to support the three year yield target. At its November meeting the RBA also indicated it does not expect to increase the cash rate target for at least three years.

New Zealand economy

New Zealand entered into recession in the first half of calendar 2020, with GDP declining by 1.4% in the March quarter and by 12.2% in the June quarter due to COVID-19. Over these two quarters there were large falls in household consumption, business and residential investment, and trade (particularly services), while government expenditure increased.

In March 2020, the RBNZ reduced the Official Cash Rate (OCR) by 75 basis points to 0.25% and stated it would remain at this level for at least 12 months. It also instituted the Large Scale Asset Purchase Program of Government bonds (LSAP). Since March, the RBNZ has, among other actions, expanded the scope and size of the LSAP and introduced a Term Lending Facility for banks. The RBNZ is also considering other policy tools, including a negative OCR.

In response to COVID-19, the New Zealand Government provided significant fiscal support, including payments and tax relief for households and businesses, healthcare, and infrastructure spending. Risks to the outlook include the extent and duration of future fiscal support, developments in COVID-19 transmission in the community, as well as the potential for a fall in net immigration if border restrictions are sustained.

Annual average GDP growth is expected to be -4.9% in calendar year 2020, and 1.6% in calendar 2021, with GDP not expected to return to its pre-COVID-19 peak until mid-calendar 2022.

1 State Final Demand measures the total value of goods and services that are sold in a state to buyers who wish to either consume them or retain them in the form of capital assets.



OUR OPERATING ENVIRONMENT

Responding to challenges in our environment

Communities continue to endure the impacts of devastating bushfires, severe drought, and the health and economic challenges of COVID-19.

This year Australians reported significantly lower levels of wellbeing and increased levels of loneliness and anxiety, with a substantial drop in March 2020 as the impacts of COVID-19 were felt across the country.

COVID-19 containment measures and social distancing have significantly changed our attitudes and behaviours, requiring many businesses and organisations to alter the way they operate and interact with their customers and colleagues.

These pressures, and the uncertainty of not knowing when the pandemic will end, have contributed to increased anxiety.

While some business owners have continued to operate as normal, many have experienced pressure on profitability and cashflow, including temporary or permanent business closure.

The impact of Victoria's strict lockdown measures has been clear, with Victorian businesses reporting the lowest wellbeing levels across the country and the highest anxiety.

Our team has stepped up to provide additional support to our customers facing these challenges. NAB Assist received more than 540,000 calls from customers seeking financial support this year. This represents 40% more calls than we took in 2019.

It's our responsibility to support customers and the economy as these events affect people's health, families, businesses, and livelihoods. This is important as we continue to build strong customer relationships – when our customers succeed, we succeed as well.



Staying strong through COVID-19

COVID-19 brought about a sudden change in circumstances for people across the world. It continues to have wide-ranging impacts for our bank, colleagues, customers, and economy.

Governments have responded with difficult but necessary measures to curb the spread of COVID-19. Support measures for businesses and households have proven vital. We continue to work alongside state and federal governments, regulators and the broader industry to do what we can to support our customers and the community. In Australia, our repayment deferrals and ongoing support measures alongside government and regulatory assistance have been critical to provide customers affected by COVID-19 with much needed relief:

- We've deferred more than 110,000 home loans (value of >\$42 billion) and more than 38,000 business loans (value of >\$21 billion).
- We've approved more than \$600 million in Business Support Loans under the Government's Scheme.

It is our responsibility to keep lending and supporting our customers through this time. Every month through COVID-19 we've provided around \$2.4 billion in loans to businesses. We've also been advocating for reforms such as easing access to capital to support small to medium-sized enterprises (SMEs) during COVID-19 recovery. In October 2020, we introduced the NAB Business Support Loan to support small business customers with an annual turnover of less than \$50 million with loans up to \$1 million with no repayments required in the first six months.

When appropriate, we've provided our customers with the option to extend existing six-month loan deferrals by up to four months (ending no later than 31 March 2021).

We've been having more conversations with more customers during this time. Where it makes sense, we're offering customers extra support to help manage through COVID-19, however providing further credit isn't always the right thing to do. Our ongoing support includes free counselling, financial coaching, and free courses to help our customers set up their businesses online.

We encourage customers to restart payments, and to pay off debt, as soon as they can because it's in their best interest to do so. Our bankers have had more than 41,000 check-in conversations with homeowners on deferrals.

Supporting regional and rural Australia

As Australia's leading agribusiness bank, we remain acutely aware of challenges faced by our regional and rural customers.

Ongoing drought across parts of eastern Australia demonstrates the dramatic effects that climate variability can have on businesses and households in regional and rural areas. Since 2018, we've offered tailored support packages to help customers experiencing prolonged drought in rural and regional areas.

As the bushfire season lengthens and the severity of bushfire events increases within Australia, we're investing more in communities to strengthen their natural resources against climate risk, and help them with disaster preparedness, relief and recovery.

Our operating environment



OUR OPERATING ENVIRONMENT

In response to the prolonged, devastating bushfire season this year and its impact on communities across Australia, we provided immediate relief to more than 1,500 affected customers and NAB colleagues. Our \$5 million commitment in emergency grants and support for longer-term disaster recovery efforts comprises:

- Approximately \$3 million distributed in small emergency grants to impacted colleagues and customers, helping cover personal costs such as temporary accommodation, food and clothing, and business costs such as reopening, covering damaged property, equipment, and loss of stock or livestock.
- \$400,000 to the Australian Red Cross' Relief & Recovery Fund, made through direct and matched fundraising donations.

- Approximately \$150,000 in donations made to local charities in impacted regions via NAB's Donate Local Funds in NSW South, NSW North/QLD, Victoria and South Australia.
- \$1.4 million committed to supporting longer-term recovery efforts, including a resilience and preparedness project with the Australian Red Cross.

We also facilitated \$774,000 in donations for the Australian Red Cross' Relief & Recovery Fund through our branch network and internet banking.

We empowered NAB colleagues to help communities recover by providing an additional day of Bushfire Leave for 2020, enabling colleagues to spend a day in bushfire affected regions and towns to support with economic recovery.

Adapting for our customers

Persistent challenges have exacerbated existing vulnerabilities among customers.

The vast majority of our customers who fall behind on loan or credit card repayments are facing hardship and financial vulnerability due to an unexpected life event, such as injury or illness, unemployment, domestic violence, recent bushfires, drought, or reduction of income due to COVID-19.

NAB Assist has helped more than 170,000 Australians facing financial difficulty this year. By spending time having respectful conversations, and offering options tailored to our customer's circumstances, we help our customers get back on track with their payments.

We're listening to our customers and adapting to their needs. We mobilised our business this year, adding more than 1,000 new roles to directly support customers during COVID-19.

We also became the first Australian bank to:

- No longer deal with unlicensed, fee-charging debt management providers, who put customers at risk by charging high fees but often fail to help fix credit issues.
- Offer our customers the option to block gambling transactions via our banking app.
- Launch a credit card with no interest, no annual fees, no late payment fees and no foreign currency fees.



Colleague capability and wellbeing

Supporting our colleagues

Our colleagues at NAB have shown incredible resilience as we moved at pace to help our customers while feeling the impacts of COVID-19 themselves. The health, safety and wellbeing of our 34,000 NAB colleagues remains our highest priority.

Within three weeks, over 30,000 of our colleagues were able to adjust to working from home, in line with government and health advice. As banking remains an essential service, others have kept serving in branches and business centres to support our customers. We've aimed to keep as many branches open as possible as we continue to provide essential banking services to our customers.

We've provided additional support measures for our colleagues to support them through this time, including 10 days of paid Pandemic Leave, and continued support for our colleagues' wellbeing and caring responsibilities.

This year, we asked our colleagues to be flexible as we retrained and upskilled colleagues to best support our customers. Our new operating model also brought about changes for many of our colleagues, with some roles being removed and new roles being created. We are proud of how our colleagues have adapted to the challenges and have continued to provide outstanding customer service.

NAB Assist has helped more than 170,000 Australians facing financial difficulty this year.



OUR OPERATING ENVIRONMENT

Adapting to a dynamic landscape

As we adapt and respond to a range of challenges in our operating environment, we continue to invest in our future, seek opportunities to grow, and ensure our bank is sustainable for the long-term.



Strengthening our response to climate change

Climate change presents a significant ongoing challenge to our long-term prosperity.

We were the first Australian bank to sign the Principles for Responsible Banking Collective Commitment to Climate Action (CCCA), committing to align our lending portfolio to net zero emissions by 2050. We're aligning our business with the temperature goals of the Paris Agreement to limit global warming to below 2 degrees Celsius, striving for 1.5 degrees Celsius above pre-industrial levels.

We're supporting a transition to a low-carbon economy which ensures environmental sustainability, creates new jobs, and is socially inclusive. We see great opportunities in financing this transition. We've set a goal to provide \$70 billion in environmental financing by 2025, reaching a cumulative total of \$42.5 billion this year.¹ We'll work closely with 100 of our largest greenhouse gas emitting customers to support them in developing or improving their low carbon transition plans by 2023. We're engaging responsibly and transparently on policy discussions supporting a just transition.

As part of our plan to decarbonise our portfolio, we're supporting current coal-fired power generation customers implementing transition plans aligned with Paris Agreement goals of a 45% reduction in emissions by 2030 and net zero emissions by 2050.

We've capped our thermal coal mining exposures at 2019 levels, reducing them by 50% by 2028 and intend to be effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets. We now expect our thermal coal mining exposure to reduce by 50% by 2026, and to be effectively zero by 2030. We will not take on new-to-bank thermal coal mining customers.

We're addressing the environmental impacts of our operations. We reached a landmark achievement in 2020, celebrating 10 years of carbon neutrality for our operations. We've committed to sourcing 100% of our electricity from renewable sources and now have a power purchase agreement in place to help us achieve this. We also achieved a 41% reduction towards our science-based emissions reduction target to reduce emissions by 51% by 2025, compared with a 2015 baseline.

As threats to the global financial system grow, we'll adapt our approach through intelligence-led financial crime risk management to ensure we stay one step ahead.

Fighting cyber and financial crime

We continue to invest significantly in our cyber security capability to prevent, detect and respond to an evolving cyber threat landscape.

Customers place their trust in us to keep their money and information safe. We're striving to make our identification and authorisation capabilities straightforward and secure for our customers and colleagues.

We also play an important role in monitoring and reporting suspicious activity, and have an obligation to keep Australia's financial system safe.

We continue to improve systems and processes to understand our financial crime risk position. We have a coherent plan in place to increase detection and have significantly enhanced our capability to deal with these issues. We have previously

reported certain weaknesses with the implementation of Know Your Customer (KYC) requirements. We're continuing a program of work to uplift our financial crime capabilities, minimise risk, and improve operational performance. This is a key priority project.

Since June 2017, we've invested approximately \$300 million as part of a multi-year program to uplift our risk management and we have more than 1,000 people dedicated to managing financial crime risks.

We're also a committed partner of the Fintel Alliance, a collaboration between public and private sector entities to investigate and disrupt criminal and terrorist activity.

As threats to the global financial system grow, we'll adapt our approach through intelligence-led financial crime risk management to ensure we stay one step ahead.

Our operating environment

QUICK LINK [2020 Sustainability Report](#)

¹ Represents total cumulative flow of new environmental financing since 1 October 2015. Refer to our [2020 Sustainability Data Pack](#) for a further breakdown of this number and reference to how our environmental finance commitment is calculated.



OUR OPERATING ENVIRONMENT



Governance, conduct and culture

Improving our governance, culture and accountability

The lessons learned from the Royal Commission and our self-assessment into governance, culture and accountability remain at the forefront within our bank. We're working with speed and rigour to address identified weaknesses, improve our culture, and meet community expectations.

We're building a culture inside our bank that earns the trust of our customers and community. Our leaders at NAB are here to listen, act and support NAB colleagues. We're ensuring we promote a culture of speaking up to ensure our colleagues feel safe about bringing issues forward. We encourage anyone who has concerns to speak up to People Leaders, our Employee Relations team, directly to any member of the Executive Leadership Team, or by raising concerns confidentially through the NAB Whistleblower Program. Details on code of conduct breaches are available in our [2020 Sustainability Report](#).

We're building a culture inside our bank that earns the trust of our customers and community.

Our refreshed strategy and new operating model are fundamental to maintaining clear accountability on our actions. The investment in more than 34,000 colleagues is a priority to ensure our customers' interests are placed at the centre of our decision-making:

- We're partnering with FINSIA to make our bankers the best qualified in the industry. Our Career Qualified in Banking Program will offer our colleagues a unique level of education and accreditation and raise the bar of professionalism across our industry.
- We're also replacing our existing suite of training options with a single leadership program for all NAB colleagues. Our new Distinctive Leadership program offers a consistent approach to management and leadership practices across our bank in Australia and New Zealand, addressing a core cultural issue identified in our self-assessment.

Working constructively with our regulators

We maintain constructive relationships with our regulators as stakeholders across the sector adapt to and engage with the health, economic and technological challenges arising this year. We are intent on bringing more rigour and discipline in the areas of conduct, compliance and operational risk. We have expanded our risk management teams and revised our regulatory principles and strategy, leading to improved compliance and regulatory outcomes. We continue to clarify roles, responsibilities and processes to improve the way we engage with our regulators.

Making it right for our customers when we get it wrong

Our job is to get it right for our customers every time and it is our responsibility to ensure that when we don't, money ends up back in the hands of our customers.

We aim to bring a fair, consistent and timely approach to remediation for our impacted customers. Where we have made mistakes, we're working to remediate customers with deliberate pace, ensuring that we get it right first time, and move forward with confidence until it is fully resolved for each customer. We're working to do so as fast as we can. We welcome ASIC's proposed guidance on the principles of remediation.

Our total provisions for customer-related remediation at 30 September 2020 amount to \$1,945 million. Since June 2018, across NAB we have made approximately 801,000 payments to customers to the value of \$716 million. This is more than double the payments when compared to this time last year.

As part of our agreement to sell MLC Wealth to IOOF, we remain committed to our customers. We'll retain legal ownership of MLC Wealth's advice entities for the purpose of completing advice-related remediation programs.

Investigating payments issues to protect our colleagues

We are cognisant of issues related to payment and wage compliance for our colleagues at NAB. In December 2019, we established a wide-ranging payroll review program to ensure we pay our colleagues correctly at all times.

Our investigation into payments to both current and former Australian colleagues identified a range of potential payroll under and over payment issues dating back to 1 October 2012. We're moving as quickly as possible to find and fix underpayments to current or former colleagues. Our estimated costs are currently \$110 million in payments and \$18 million in executing the program.

\$50M

OVER 3 YEARS ON INDUSTRY FIRST EDUCATION AND ACCREDITATION

We want to make it right for our colleagues as soon as investigation of an issue is complete. As we uncover payment issues, we'll work to rectify them promptly and we'll continue to communicate with affected colleagues throughout the life of the program.

Our operating environment



GOVERNANCE



Governance, conduct and culture

Board governance

Our Board represents shareholders and serves the interests of our business by overseeing and evaluating our strategies, policies and performance.

To assist in carrying out its responsibilities, the Board has established standing Board committees that cover each of Audit, People & Remuneration, Risk & Compliance, Customer, and Nomination & Governance matters. Other ad hoc committees are created, with specific remits, as and when required.

The Board reserves certain powers for itself and delegates certain authority and responsibility for day-to-day management of our business to our Group CEO (and other people responsible for the day-to-day management of our business). The Group CEO in turn delegates certain authorities and responsibilities to, senior executives and executive committees, such as the Executive Risk and Customer Committees. These delegations are regularly reviewed and confirmed, and are consistent with the requirements of the Banking Executive Accountability Regime (BEAR).

Among other things, the Board approves our purpose, values and code of conduct to underpin the desired culture within our business and oversee the establishment by management of a culture that is focused on sound risk management and customer outcomes.

The Board overview

The Board has been fully engaged in our response to COVID-19, including regular briefings on issues such as customer support and workplace changes to protect the health of colleagues and customers.

Recognising the challenges our customers, shareholders and the community were experiencing due to COVID-19, the Board announced:

- A reduction in non executive director base fees of 20% for the period 1 April 2020 to 30 September 2020.
- A reduction of 20% of fixed remuneration for Ross McEwan, our Group CEO for the period 1 April 2020 to 30 September 2020.
- The Group CEO and Executive Leadership Team will not be awarded any Variable Reward for 2020.

The Board increased its frequency of meetings during 2020 to monitor the impacts of COVID-19 and met virtually from April onwards.

Information on the Board's priorities and key focus areas in 2020 is included in the [2020 Annual Financial Report](#).

During the year, the Board expanded the remit of its Remuneration Committee to include oversight of a broader range of people matters. It is now called the People & Remuneration Committee. In addition, the Board increased the emphasis of the Risk Committee on oversight of compliance risk.

It is now called the Risk & Compliance Committee. Further information on these changes is provided in the [2020 Corporate Governance Statement](#).

Corporate Governance Framework

We continually strive to improve our governance, accountability and risk management practices.

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.
- Culture, purpose, values and conduct.
- Risk management and compliance.
- Customer outcomes.
- Financial management.
- External reporting.
- People and remuneration.

Responsible remuneration

The Board monitors our executive and Group remuneration frameworks to ensure alignment with the Group's strategy. The Board has approved a modest range of changes within the Group's remuneration framework and will be applied in 2021 to:

- Ensure performance measures align to the refreshed strategy.
- Simplify the calculation of annual variable reward.
- Enhance governance through clearer application of accountability and remuneration consequences.

The Board will continue to explore potential improvements to the remuneration framework to ensure executive remuneration is aligned with our refreshed strategy, changes in regulatory requirements, and takes shareholder outcomes into consideration. The Board will balance these requirements, within an effective remuneration framework that appropriately rewards our Executive Leadership Team.

Further information about our executive remuneration framework, including the Group's policies and practices regarding the remuneration of non-executive directors, executive director and other senior executives, is set out in our Remuneration Report within our [2020 Annual Financial Report](#).

BEAR Framework

For the purposes of BEAR, we've 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 written employment agreement (in the case of executives), which govern the terms of their appointment, as well as a detailed BEAR Accountability Statement that is lodged with APRA.

The Federal Government intends to replace BEAR with an expanded Financial Accountability Regime (FAR). Consultation on draft FAR legislation is expected to take place in 2021.



BOARD OF DIRECTORS

The Board represents shareholders and serves the interests of our business by overseeing and evaluating our strategies, policies and performance.



▶ **Philip Chronican**
Non-Executive Director & Chairman



▶ **Ross McEwan, CBE**
Group Chief Executive Officer and Managing Director



▶ **David Armstrong**
Non-Executive Director



▶ **Kathryn Fagg, AO**
Non-Executive Director



▶ **Peeyush Gupta, AM**
Non-Executive Director



▶ **Anne Loveridge**
Non-Executive Director



▶ **Geraldine McBride**
Non-Executive Director



▶ **Doug McKay, ONZM**
Non-Executive Director



▶ **Simon McKeon, AO**
Non-Executive Director



▶ **Ann Sherry, AO**
Non-Executive Director

Board renewal

During the year, there was a transition in Chairman and Group CEO as well as other Board renewal. The changes have delivered collective benefit in the form of fresh thinking, diversity and stability.

Philip Chronican commenced as Chairman on 15 November 2019. **Ross McEwan** commenced as Group CEO and Managing Director on 2 December 2019.

Kathryn Fagg was appointed by the Board in December and was elected by shareholders at NAB's 2019 Annual General Meeting (AGM).

Simon McKeon commenced as a non-executive director in February 2020 and will stand for election at NAB's 2020 AGM on 18 December 2020. In the AGM Notice of Meeting, the Board recommends that shareholders vote in favour of Simon's election.

Three directors will also stand for re-election at the 2020 AGM – **David Armstrong**, **Peeyush Gupta** and **Ann Sherry**. In the AGM Notice of Meeting, the Board also recommends that shareholders vote in favour of their re-election.

On 6 October, it was announced that **Geraldine McBride** will not be standing for re-election at the 2020 AGM.

Geraldine has been a non-executive director since March 2014.

QUICK LINK [2020 Corporate Governance Statement](#)

The Board has been fully engaged in our response to COVID-19, including regular briefings on issues such as customer support and workplace changes to protect the health of colleagues and customers.



OUR EXECUTIVE LEADERSHIP TEAM

Our Executive Leadership Team has been renewed to ensure we have the right people to deliver for our customers and colleagues.

QUICK LINK

[NAB Executive Leadership Team](#)



▶ **Ross McEwan, CBE**

Group Chief Executive Officer and Managing Director



▶ **Gary Lennon**

Group Chief Financial Officer



▶ **Sharon Cook**

Group Executive, Legal and Commercial Services



▶ **David Gall**

Group Executive, Corporate and Institutional Banking



▶ **Angela Mentis**

Managing Director and CEO of BNZ



▶ **Patrick Wright**

Group Executive, Technology and Enterprise Operations



▶ **Rachel Slade**

Group Executive, Personal Banking



▶ **Shaun Dooley**

Group Chief Risk Officer



▶ **Susan Ferrier**

Group Executive, People and Culture



▶ **Nathan Goonan**

Group Executive, Strategy and Innovation



▶ **Andrew Irvine**

Group Executive, Business and Private Banking

Governance

Our Executive Leadership Team (ELT) has been renewed to ensure we have the right people to deliver for our customers and colleagues. The ELT included five new appointments or changes for 2020 to drive our refreshed strategy forward.

We welcomed Group CEO and Managing Director **Ross McEwan** to NAB on 2 December 2019. **Philip Chronican** acted as Interim Group CEO until 15 November 2019. **Gary Lennon** was Acting Group CEO from 15 November to 1 December 2019.

Group Executive, People & Culture **Susan Ferrier** commenced at NAB on 1 October 2019. She has brought extensive experience as a Chief People Officer working in Australia and overseas for multi-jurisdictional businesses.

Rachel Slade, previously Chief Customer Experience Officer, was appointed Group Executive, Personal Banking in June 2020. Rachel has end-to-end accountability for the home lending and everyday banking needs of personal customers,

including the branch network, direct and digital channels. Her appointment follows Mike Baird's decision to leave NAB in April 2020.

Nathan Goonan, previously Executive General Manager Group Strategy and Development, was appointed to Group Executive, Strategy & Innovation in April 2020. He is accountable for execution of the bank's strategy, innovation agenda and all merger and acquisition activity.

Andrew Irvine was appointed as Group Executive, Business & Private Banking and commenced with NAB on 1 September 2020. His appointment follows Anthony Healy's decision to leave NAB in March 2020. In the interim, Michael Saadie, Chief Risk Officer Business and Private Bank, acted in the role. Andrew brings almost 25 years' experience in financial services and joins NAB from the Bank of Montreal where he led the Canadian Business Banking division.

David Gall, Angela Mentis, Patrick Wright, Gary Lennon, Sharon Cook and Shaun Dooley continue to be members of our ELT.

For more information on the background and experience of each member of the Group ELT, visit nab.com.au/about-us/executive-leadership-team.



OUR PERFORMANCE

Group Financial Performance

2020 GROUP FINANCIAL PERFORMANCE ¹	2020	2019
RESULTS (\$M) ^{2,3,4}		
Net interest income ⁵	13,871	13,542
Other operating income ⁶	3,319	3,892
Net operating income	17,190	17,434
Operating expenses ⁷	-9,007	-8,140
Underlying profit	8,183	9,294
Credit impairment charge	-2,762	-919
Cash earnings before tax and distributions	5,421	8,375
Income tax expense	-1,672	-2,439
Cash earnings before distributions	3,749	5,936
Distributions	-39	-83
Cash earnings	3,710	5,853
Cash earnings (excluding large notable items) ⁸	4,733	6,389
Non-cash earnings items (after tax):		
Distributions	39	83
Fair value and hedge ineffectiveness	-34	-24
Amortisation and impairment of intangible assets	-217	-7
Net profit from continuing operations	3,498	5,905
Net loss after tax from discontinued operations ⁹	-939	-1,107
Net profit attributable to owners of NAB (statutory net profit)	2,559	4,798

KEY INDICATORS ^{2,3,4}	2020	2019
Statutory earnings per share (cents) – basic ¹⁰	82.1	168.6
Statutory earnings per share (cents) – diluted ¹⁰	80.5	164.4
Cash earnings per share (cents) – basic	120.9	209.3
Cash earnings per share (cents) – diluted	116.2	202.0
Statutory return on equity ¹⁰	4.4%	9.1%
Cash return on equity	6.5%	11.4%
Cash return on equity (excluding large notable items) ⁸	8.3%	12.4%
PROFITABILITY, PERFORMANCE AND EFFICIENCY MEASURES ^{2,3,4}		
Dividend per share (cents)	60	166
Statutory dividend payout ratio ¹⁰	73.1%	98.5%
Cash dividend payout ratio	49.6%	79.3%
Cash earnings on average assets	0.42%	0.70%
Cost to income (CTI) ratio	52.4%	46.7%
Net interest margin	1.77%	1.78%
CAPITAL		
Common Equity Tier 1 ratio	11.47%	10.38%
Tier 1 ratio	13.20%	12.36%
Total capital ratio	16.62%	14.68%
ASSET QUALITY ⁴		
90+ days past due and gross impaired assets to gross loans and acceptances	1.03%	0.93%
Specific provision to gross impaired assets	45.0%	39.7%
OTHER ¹¹		
Full-Time Equivalent Employees (FTE) (spot)	34,944	34,370

1 Refer to Glossary and definitions on page 38 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, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation. Refer to Glossary and definitions on page 38 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 2020 Annual Financial Report. A definition of cash earnings is set out in the Glossary and definitions on page 38 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 2020 Annual Financial Report.

5 Includes customer-related remediation of \$49 million (2019: \$72 million).

6 Includes customer-related remediation of \$80 million (2019: \$78 million).

7 Includes customer-related and payroll remediation of \$244 million (2019: \$123 million), change in application of the software capitalisation policy of \$950 million (2019: \$489 million) and impairment of property-related assets of \$134 million (2019: \$nil).

8 Cash earnings large notable items after tax: customer-related and payroll remediation of \$261 million (2019: \$192 million), capitalised software policy change of \$668 million (2019: \$344 million) and impairment of property-related assets of \$94 million (2019: \$nil).

9 Discontinued operations is defined in the Glossary and definitions on page 38 and primarily relates to the net results of MLC Wealth and MLC Wealth-related items, combined with a reassessment of customer-related remediation associated with the MLC Life business. On 31 August 2020, the Group entered into an agreement for the sale of 100% of MLC Wealth, including the advice, platforms, superannuation & investments and asset management businesses, to IOOF Holdings Limited for \$1,440 million subject to completion adjustments. MLC Wealth is considered to be held for sale and because the businesses being disposed of represent a separate major line of business for the Group, MLC Wealth meets the definition of a discontinued operation for the year ended 30 September 2020.

10 Includes discontinued operations.

11 Total Group FTE including discontinued operations. Excluding discontinued operations, FTE (spot) for 2020 is 31,372 (2019: 30,776) and FTE (average) for 2020 is 31,204 (2019: 30,532).



OUR PERFORMANCE

Group Non-financial Performance

2020 GROUP NON-FINANCIAL PERFORMANCE ¹	2020	2019
Net Promoter Score (Consumer) – Australia ^{2,3}	-6	-14
Net Promoter Score (Business) – Australia ^{2,3}	-15	-18
Net Promoter Score (Strategic) – Australia ^{2,3}	-11	-16
Number of customer complaints – Australia & New Zealand ^{2,4}	222,427	226,714
Substantiated complaints concerning breaches of customer privacy from regulatory bodies and other outside parties – Australia & New Zealand ^{2,5}	42	169
Number of critical priority technology incidents – Australia ^{2,6}	6	7
Number of high priority technology incidents – Australia ^{2,6}	39	60
Number of branches and business banking centres – Group	859	892
Number of ATMs – Australia and New Zealand	1,572	1,601
% of registered internet banking customers that are active users – Australia	67%	68%
Number of microfinance loans written – Australia & New Zealand ^{2,7}	32,560	34,975
Value of microfinance loans written (\$m) – Australia & New Zealand ^{2,7}	37.94	40.4
Number of customers assisted experiencing financial hardship – Australia ^{2,8}	26,621	19,673
NAB Group overall employee engagement score ^{2,9}	76	66
Number of breaches of our Code of Conduct – Australia ^{2,10}	1,105	1,278
Number of disclosures received under the Whistleblower Policy ²	115	155

2020 GROUP NON-FINANCIAL PERFORMANCE ¹	2020	2019
% of women in total workforce ^{2,11}	50	51
% of women in Executive Management (salary Group 6 and 7) ^{2,11}	36	33
% of women on NAB Group subsidiary Boards ²	40	39
% of women on the NAB Board (excluding executive directors)	44	33
% of colleagues 50 years of age or over ¹²	21	20
Return to work rate (%) from extended leave which commenced with primary carer leave – Australia ^{2,11,13}	86	83
Number of Indigenous Australians traineeships and internships offered ¹⁴	77	86
Total colleague turnover rate (%) ^{2,11,15}	11.8	15.8
Voluntary colleague turnover rate (%) ^{2,11,15}	8.0	10.6
Retention rate (%) of high performing colleagues – Australia & New Zealand ^{11,16}	94	92
Absenteeism – Australia ^{2,17}	7.87	8.82
Community investment – Group (\$m) ^{2,18}	42.8	51.2
Number of volunteer days completed – Group ²	6,018	13,464
Value of volunteer days completed (\$m) – Group ^{2,19}	3.0	6.8
Progress towards 2025 \$70bn environmental financing commitment (\$bn) ²⁰	42.5	33.6
Gross greenhouse gas emissions (Scope 1, 2 and 3) (tCO ₂ e) ²¹	157,915	171,535
% of material suppliers that are signatories to NAB Group Supplier Sustainability Principles ²	90	88

1 NAB Group non-financial performance table data is described in detail in our [2020 Sustainability Report and Data Pack](#). All figures are as at 30 September, unless otherwise stated.

2 Ernst & Young have undertaken limited assurance over these performance metrics. Refer to Assurance Report on [page 36](#) 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. Strategic NPS: Sourced from DBM Atlas, measured on a six month rolling average. Definition has been updated to give all customers within the Business and Consumer segments equal voice. The overall Strategic NPS result combines the Consumer and Business segment results using a 50% weighting for each. This has replaced “NPS priority segments” as previously reported by NAB, which was a simple average of four customer segments (Home Owners, Investors, Small Business and Medium Business). Data is presented comparing September 2019 to September 2020 figures.

4 Reflects our ongoing commitment to encourage customer feedback and address customer concerns. For further information, refer to [2020 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.

7 High priority incidents: functionality impact to customer facing service or impact/outage to internal systems.

8 Delivered in partnership with Good Shepherd (Australia and New Zealand).

9 Number of unique primary customers approved with hardship assistance for home loans, credit cards and personal loans and is not inclusive of customers with an active deferral as at 30 September 2020.

10 2020 Employee Engagement Survey conducted by Glint, scored based on July 2020 survey. 2020 methodology differs from prior years. The 2019 score has been restated using the updated methodology for comparative purposes. 2019 restatement falls outside the scope of Ernst & Young assurance. Population excludes external contractors, consultants and temporary colleagues.

11 Code of Conduct breaches represent confirmed breaches managed through our Employee Relations team.

12 Data for these metrics has been calculated using total headcount of permanent full-time/part-time employees of the NAB Group as at 30 September.

12 Data has been calculated based on total NAB Group permanent and fixed-term full-time/part-time, casual and external population as at 30 September.

13 Return to work rate measures the percentage of colleagues who have returned to work and remained a colleague for 30 days (in relevant reporting year) after taking extended leave which commenced with primary carer leave.

14 Ernst & Young have undertaken limited assurance for the number of traineeships offered. The number stated includes 12 internships for FY2020. The number of internships offered have not been assured by Ernst & Young.

15 Number of all colleagues who exited NAB each year, by exit type, as a percentage of the average permanent headcount for each respective year.

16 The percentage of colleagues recognised as high performing during the previous performance period review process, that remain employed at 30 September of the following performance period.

17 Absenteeism represents the total number of unscheduled absence days during the period divided by the average number of full-time equivalent colleagues (excluding casual colleagues). Past results may have been revised upwards due to additional absences being recorded after the reporting period has ended. Current year results may also be revised as additional absences are recorded in our system. Any updates will be reflected in future reporting.

18 Prior periods’ “Community investment” figures have been re-stated due to a calculation error of a component of forgone interest relating to microfinance products.

19 Value of volunteering days calculated using average daily salaries by employment level, contributed by NAB colleagues to charitable organisations in Australia, New Zealand and – through our global branch network – in London, New York and parts of Asia.

20 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 flow of new environmental finance since 1 October 2015. Refer to [2020 Sustainability Report and Data Pack](#).

21 Consolidated Scope 1, Scope 2 and selected Scope 3 GHG emissions prior to renewable and energy purchase are for the environmental reporting year of 1 July – 30 June. See our [2020 Sustainability Report and Data Pack](#) for further information.



SHAREHOLDER INFORMATION

2020 Annual Reporting Suite

You can view our 2020 Annual Reporting suite online at nab.com.au/annualreports.

Other documents in our Annual Reporting suite include:

- 2020 Sustainability Report and Data Pack
- 2020 Corporate Governance Statement
- 2020 Annual Financial Report

A printed copy of our 2020 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 the Australian community

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 \$3 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

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ASSURANCE REPORT



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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 2020 Annual Review (the 'Report') for the year ended 30 September 2020. 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.

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. We adapted our approach to undertaking our review procedures in response to the COVID-19 travel restrictions and social distancing requirements. We did not visit any NAB sites in person and instead undertook site-based procedures remotely, supported by the use of collaboration platforms for discussions and delivery of requested evidence and relying on prior year site visits.

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 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 2020 Results Announcement
 - ▶ Reviewing the accuracy and balance of statements associated with the key performance 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
11 November 2020

Terence Jeyaretnam, FIEAust EngExec
Partner

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 2020:

- ▶ 26 key non-financial metrics and the related disclosures¹ included throughout the Report and in the Group Non-financial Performance table on page 34 of the Report
- ▶ The financial metrics included in the Group Financial Performance table on page 33 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 34 of the Report
- ▶ NAB's accounting policies as defined in NAB's Annual Financial Report and financial reporting policies and principles per NAB's 2020 Results Announcement as detailed online at <https://www.nab.com.au/about-us/shareholder-centre/financial-disclosuresandreporting/financial-results> (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 20 April 2020.

¹ The key non-financial metrics included in the scope were determined by NAB. A list of all 26 key non-financial metrics over which EY provided limited assurance is included in our limited assurance statement for NAB's 2020 Sustainability Report, located at <https://www.nab.com.au/about-us/social-impact/shareholders/performance-and-reporting>



ADDITIONAL INFORMATION

Being accountable

Our 2020 Annual Review Steering Committee is responsible for ensuring the integrity of our integrated report (the 2020 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 2020 Annual Review. These include Strategy, Governance, Risk, Legal, Treasury, People and Technology.

The Steering Committee concludes that the 2020 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 2020 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 2020, 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.

2020 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 2020 Annual Financial Report, which can be viewed at nab.com.au/annualreports from 11 November 2020 and is available in hard copy on request.

Social Impact Information

Additional Information is available in our 2020 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 Standards.

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 21-34 of our **2020 Annual Financial Report** under 'Disclosure on Risk Factors'.



GLOSSARY AND DEFINITIONS

AA1000

AccountAbility's AA1000 Series of Standards are principles-based frameworks used by global businesses, private enterprises, governments, and other public and private organizations to demonstrate leadership and performance in accountability, responsibility, and sustainability.

Affordable and specialist housing

Refers to residential property developments, including crisis accommodation, community housing, disability housing, build-to-rent properties and sustainable developments.

APRA

Australian Prudential Regulation Authority.

ASIC

Australian Securities and Investments Commission.

AUSTRAC

Australian Transaction Reports and Analysis Centre.

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 2020 financial year has been adjusted for the following:

- Distributions.
- Fair value and hedge ineffectiveness.
- Amortisation of acquired intangible assets.

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 coordinated 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 2020.

Full-time equivalent employees (FTEs)

Includes all full-time, 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 excludes 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.
- Off-balance sheet credit exposures where current circumstances indicate that losses may be incurred.
- Unsecured portfolio managed facilities that are 180 days past due (if not written off).

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® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Net Promoter Score measures the likelihood of a customer's recommendation to others for retail or business banking.

NPS – Business

Represents all businesses with an Australian Business Number, excludes government entities, and some charities and community organisations. Source: DBM Consultants.

NPS – Consumer

Represents 100% of NAB's consumer banking customers, including previously reported segments of home owners and investors, as well as all other sub-segments of consumer banking. Source: DBM Consultants.

NPS – Strategic

Represents the combined NPS of Consumer and Business segments within Australia, using a weighting of 50% for each segment. This has replaced "NPS priority segments" as previously reported by NAB, which was a simple average of four customer segments (Home Owners, Investors, Small Business and Medium Business) Source: DBM Consultants.

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.

SME

Small and medium-sized enterprise.

SME Guarantee Scheme

The Australian governments' Coronavirus SME Guarantee Scheme is supporting up to \$40 billion of lending to SMEs (including sole traders and not-for-profits) by guaranteeing 50 per cent of new loans issued by participating lenders to SMEs.

SONIA (Sterling Overnight Index Average)

A GBP interest rate benchmark replacing LIBOR.

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.