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Friday, 18 December 2020

ASX ANNOUNCEMENT

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NATIONAL AUSTRALIA BANK LIMITED (NAB) 2020 ANNUAL GENERAL MEETING CEO's ADDRESS

Please find attached the CEO's address to be delivered at NAB's 2020 Annual General Meeting.

A handwritten signature in blue ink, appearing to read "Louise Thomson".

Louise Thomson
Group Company
National Australia Bank Limited

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**NATIONAL AUSTRALIA BANK LIMITED 2020
ANNUAL GENERAL MEETING**

Friday, 18 December 2020

CEO's Address

Good morning everyone.

I appreciate the opportunity to be with you today, twelve months into the role of NAB CEO.

NAB is a good bank, with very good people and I am delighted to be leading it for you.

During a very difficult year I have been heartened to see my colleagues step in to support Australians hit hard by fires, floods, drought and then the pandemic.

I have seen how we helped businesses keep the lights on when their revenue disappeared overnight.

This has been a challenging time, yet I am confident that our customers and communities will rebound and grow again.

And I am confident that NAB will grow with them.

We have a clear plan to build a better bank and we are getting on with it.

We still have some things from our recent history that we need to fix, and we will.

NAB was once Australia's leading bank. We are doing the right things to again build a successful future.

The actions NAB took in 2020

As Phil said, what matters most is supporting our customers.

We only succeed when they do.

Today, many of our customers are in a better place than we anticipated just a few months ago.

That is an enormous relief for all of them and the country more broadly.

This is thanks to our governments' effective management of COVID-19 health risks.

It has been backed up with unprecedented and practical economic support, at the Federal and State levels.

NAB took immediate action when COVID-19 hit.

We deferred \$60 billion in loans.

We put 1,000 extra colleagues in support roles, where customers needed them most.

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It is pleasing that around 90 per cent of customers who were on deferral are getting back on track with their payments.

Despite the positive signs, some are not yet through the worst.

We are resolute in helping them.

In the past few weeks, I have written to 5.8 million customers, to personally outline this commitment.

In almost all cases, what has happened during COVID-19 has not been their fault.

Most will just need a bit more time to recover. But some customers' situations have changed permanently.

We will work with them to help them protect their equity. That's the responsible thing to do.

In 2020 we added \$1.86 billion to our forward-looking provisions, to cover the potential impacts of the pandemic.

This includes coverage for sectors such as aviation, tourism, hospitality, retail and commercial property, all of which have been impacted in some shape or form.

We are in a strong capital position with a Common Equity Tier 1 ratio of 11.47% at the Full Year.

This means we remain a very safe bank.

We have kept lending throughout this crisis and are ready to grow.

Lifting performance in the long term

Against the uncertainty of 2020, we maintain a long-term view.

That's why we've set a clear plan for NAB to achieve sustainable performance.

And we're getting on with implementing it.

While revenue headwinds from low credit growth and ultra-low interest rates remain, we see opportunities for growth in our core banking businesses; NAB, BNZ and UBank.

As we lift performance, we expect to have the opportunity to return more profit to you, our shareholders.

We are a dividend-paying stock and we will resume paying at higher levels when it's right to do so.

Achieving double-digit cash return on equity will be a key measure of our success.

Cost and capital discipline are essential to delivering better returns.

It is our responsibility to spend NAB shareholders' money very carefully.

I expect each and every dollar spent to be justifiable. That is my obligation and commitment to you.

Our planned investment spend of \$1.3 billion in the next financial year will go towards what matters most: improving systems, simplifying the business, and building our capabilities.

Our ongoing investment in technology prior to COVID-19 has proved critical.

It has given us greater systems resilience, and the ability to serve customers remotely.

We are continuing our work to keep the bank and customers safe from the growing threats of fraud, cybercrime and other criminal activity.

This bank plays an important role in monitoring and reporting suspicious activity to help keep Australia's financial system safe.

We are increasingly using the industry-leading technology and machine learning transaction monitoring techniques.

We are a committed partner to the Fintel Alliance, which brings together government and the private sector to fight financial crime.

In total, more than 1,000 colleagues are dedicated to combatting financial crime.

Our colleagues are our greatest asset and I am pleased that this year our employee engagement score was 76 out of 100, up from 66 a year ago.

While it's a sound improvement, there is more work to do.

Their critical importance to us is why we are investing \$50 million in lifting the skills of all banking colleagues, myself included.

Each will complete a FINSIA professional banking qualification.

That will raise the bar of professionalism in banking in this country.

Additionally, all leaders will complete a single leadership program, to create consistent management disciplines across the organisation.

NAB will have the best bankers and the best leaders in the industry.

We will get the basics right and therefore make fewer mistakes.

This is how we will get on with the things that matter most to customers.

Of course, our strategy is only as good as our execution.

In the past, NAB has made things too complicated and tried to do too many things.

The sale of MLC Wealth to IOOF is due for completion before the middle of next year.

It will mark our last major structural change for NAB and enable us to focus on growing our core banking business.

Our new operating model has created end-to-end accountabilities for the Executives leading each of our five, key customer-facing business units.

When I started, we had over 460 active projects at this bank.

Today, we have just 19 programs.

We have prioritised them.

We review them fortnightly and we ensure they are being delivered successfully.

We are not distracted by the volume of less significant activities.

These are the things that matter most and where you would expect me to put my attention.

Serving customers well

Banking should be a simpler business.

You serve customers well by making it fast and easy for them to manage their money.

With the onset of COVID-19, more Australians than ever shifted to the online economy and many will stay there.

The NAB Online Retail Sales Index shows online spending is up about 60 per cent year-on-year.

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The decline of cash and cheques accelerated drastically.

More than 90 per cent of our customer interactions are now taking place online or by phone.

We must adapt to this large change in how our customers bank with us.

Australians have shown that if it is simple and fast, they will embrace it. That is what we are striving for.

This year we launched new product and service innovations across the bank.

One of these is StraightUp, Australia's first ever interest-free, subscription credit card.

Where some of our branches are no longer used by many customers, we need to consider the sustainability of each location.

We are particularly cognisant of the role of the local branch in regional and rural areas – and where we can, we are finding new ways to keep the branch viable and jobs local.

Colleagues in 114 branches are now providing customers with digital or phone banking support, at times of the day which were previously very quiet.

I have visited a number of these towns across the country this year and I understand how important our bankers are to the local community and to local businesses.

Supporting businesses

We have an important responsibility to work with our customers to support this country's economic recovery.

We are the leading business bank and it is businesses that will invest, and businesses that will create new jobs.

We must adapt our banking services to help our customers safely achieve their ambitions.

We are partnering with Pollinate, a global cloud-based platform, to give small business customers real-time insights to better manage and grow their businesses.

Further access to capital can be a barrier to small business growth.

NAB has been lending \$2.4 billion per month, at historically low interest rates.

We have and we will keep lending to help the country rebound and grow.

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We have advocated strongly for a more diverse range of finance options for SMEs.

The Federal Government's SME Loan Guarantee Scheme has been a very good initiative.

It is quickly getting cashflow into businesses.

NAB has provided more than \$600m in funding through this program.

We've also invested in the Federal Government's \$540m Business Growth Fund, a new way to access funding – in the form of long-term equity capital.

If we can help businesses invest, buy new equipment or hire more people, we'll get the economy going faster.

The Federal Government's extension of instant asset write-offs has been a welcome addition in this regard.

Optimism for recovery

While it will take time, Australia and New Zealand are clearly on the road to recovery, with GDP rising by 3.3 per cent in the September quarter, driven by a strong rebound in consumer spending.

NAB's latest Monthly Business Survey shows business confidence rose nine points in November, while business conditions rose seven points.

Forward orders and business cash flow also lifted by nine and three points respectively.

We now think the economy will be back to 2019 growth levels by the end of 2021.

That's about a year earlier than we previously thought.

And it's not just data that fuels my optimism.

It also comes from what I have seen and heard during recent trips around Australia.

From conversations with customers on these travels, it's clear that businesses want to get going again.

Australian agriculture is probably in its best shape since 2016.

This is thanks to good seasonal conditions and encouraging price trends.

One Victorian farmer I met recently told me his grandfather, who is in his eighties, described it as the best season of his life.

The development and effectiveness of several vaccines is very encouraging and essential for re-opening the global economy.

As outbreaks occur, we are moving faster to get on top of them.

This is evident in the rapid response to the changing situation occurring in the northern beaches of Sydney.

Overall, despite some continued uncertainty, the current economic picture reflects what we considered “best case” in our scenario planning from earlier in the year.

Australia and New Zealand are emerging from this pandemic in a strong position.

As I’ve said before, there’s nowhere in the world I’d rather be.

Conclusion

To conclude, I want to extend my sincere thanks to all our shareholders for your support this year.

Your investment in NAB allows us to support Australia and New Zealand’s economic recovery.

In doing so, we will grow NAB – your business – at the same time.

We have the right plan and the right team.

I thank my colleagues again for their hard work this year.

They will deliver performance over the long term.

And a return on your investment in this business.

I appreciate the opportunity the Board has given me to lead this business and I am optimistic for our future.

I will now hand back to our Chairman, Philip Chronican.