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INFORMATION

07-08

 National Australia Bank

2008 ANNUAL SHAREHOLDER REVIEW

SECURE

THROUGHOUT THE YEARS

150 YEARS OF PERFORMANCE

In 2008, we commemorated the people, places and events that have shaped NAB's heritage to become one of Australia's largest public companies.

1864

An NBA office was opened in London, which was the centre of the financial world at that time. The office operates to this day. Frederick Wright, a young man from Adelaide, was its first manager.

1918

NBA acquired the Colonial Bank of Australasia – a particularly strong rural bank. The sculpted figures that once supported the front verandah of the head office building now grace the gardens of the University of Melbourne.

1966

Decimal currency was introduced into Australia. Dollars and cents replaced pounds, shillings and pence. The change was monumental, impacting on accounting machines, paperwork and employee training in the Bank.

1858

The National Bank of Australasia (NBA) was established by Alexander Gibb. Its focus was lending money, discounting bills, taking deposits and the purchase of gold. It was given the right by the Victorian government to issue its own bank notes as legal tender. Head office was in Melbourne and early branches were established in Adelaide, Geelong and Echuca.

1878

The Kelly Gang held up the Euroa branch of the NBA. It stole £1,500 in notes, about £300 in sovereigns, some £90 in silver and 31 ounces of gold.

1939

1,414 NBA employees served in World War II and sadly 96 people died in service. Banking was substantially limited during this time.

1981

The first NAB automatic teller machines were installed across Australia. Money was now available 24 hours a day. The NBA and the Commercial Banking Company of Sydney merged with the new bank called the National Commercial Banking Corporation of Australia Limited.

Commemorating

150
years

National Australia Bank Limited marked a major milestone in 2008. We celebrated the 150th anniversary of the National Bank of Australasia, which opened its doors for the first time on the 4th October 1858. From simple pioneering beginnings in the prime of the gold rush era, NAB has both weathered global financial turbulence and ridden waves of economic boom time throughout the years. While celebrating a strong heritage, we are firmly focused on the future and NAB is in good shape despite the recent market disruptions.

1984

The Bank's name was changed from National Commercial Banking Corporation of Australia Limited to National Australia Bank Limited.

1987-1990

In 1987, NAB acquired three international banks – Clydesdale Bank in Scotland, and two Irish Banks that have since been sold. In 1990 the Yorkshire Bank (England) was also acquired.

1992

The Bank of New Zealand was acquired by NAB. This made NAB well placed to play a larger role in the closer economic ties between Australia and New Zealand.

1998

Internet banking became a reality. This new technology brought with it many changes and opportunities.

2000

The Mutual Life and Citizen Assurance Company (MLC) was acquired for \$4.56 billion in cash.

2003

A new Australian Region headquarters was established at 800 Bourke Street, Docklands, Melbourne. Designed by architectural firm Bligh Voller and Nield. It followed the 'campus' concept developed by MLC.

2006

The Australian region business was rebranded and adopted the shorter name of NAB.

www.nabgroup.com

This shareholder review includes financial summaries and information derived from the Company's 2008 annual financial report and 2008 full-year results announcement.

This document is not a concise report prepared under section 314(2) of the Corporations Act.

The Company has not prepared a concise report for the 2008 financial year. The Company's 2008 annual financial report is available to all shareholders upon request and can be viewed at www.nabgroup.com

All figures quoted are in Australian dollars unless otherwise stated. A reference to "\$" is to an amount in Australian dollars and a reference to "£" is to an amount in British pounds sterling. References to, "nab", "NAB", the "National", "National Australia Bank" or the "Company" are to National Australia Bank Limited ABN 12 004 044 937. The "Group" refers to the National Australia Bank Limited and its controlled entities. All references are as at 30 September 2008 except where stated otherwise.

10 million

RETAIL, BUSINESS BANKING AND
WEALTH MANAGEMENT CUSTOMERS
INTERNATIONALLY

39,729

FULL TIME EMPLOYEES ACROSS
THE GROUP

1,714

BRANCHES AND SERVICE CENTRES

STRENGTH THROUGH CHALLENGING TIMES

On a pre-provisioning basis, National Australia Bank Limited's underlying profit for 2008 was \$8.1 billion, up 13.9% on the prior year. Cash earnings generated across the Group were \$3.9 billion, a decrease of 10.7%. The 2008 full year dividend was up 12 cents per share to 194 cents per share, fully franked.

This strong result was marred by the provisions required against conduit assets in the nabCapital securitisation business, reflecting unprecedented conditions in global markets.

Our core banking franchises have performed well despite the volatility in financial markets and all businesses have again demonstrated tight cost control. Expenses were down 2.0% overall for the year.

While lending growth slowed in all markets, we achieved satisfactory growth in lending volumes up 12.5% from 2007 to \$361 billion. Retail deposits growth was solid in a competitive market, up 10.8%.

We have maintained conservative capital and liquidity settings during the year to provide strength in an uncertain environment. As at 30 September 2008, our Tier 1 capital ratio was strong at 7.35% and \$28 billion of term funding was raised during the year, with a four year average maturity. Our liquidity position is sound, with liquid assets of \$66 billion.

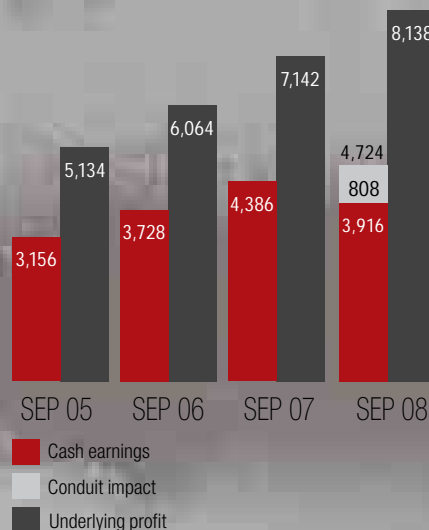
\$15.4 billion
REVENUE

\$8.1 billion
UNDERLYING PROFIT

2,939
ATMS INTERNATIONALLY

CASH EARNINGS

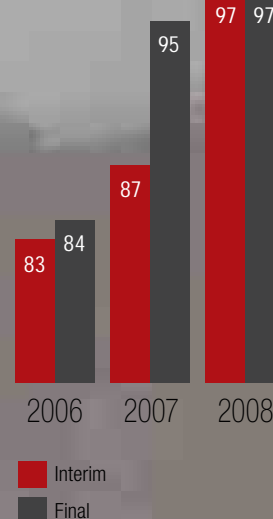
\$m



SOURCE: NAB 2008 FULL YEAR RESULTS ANNOUNCEMENT
* PRESENTED ON AN ONGOING OPERATIONS BASIS

DIVIDENDS

Cents



SOURCE: NAB INTERNAL

2008

NAB turns 150 and delivers a solid performance, despite unprecedented global market events.

TABLE OF CONTENTS

01	Performance highlights	12	New Zealand
02	From the Chairman and Group CEO	14	nabCapital
04	From the Group CFO	16	Corporate Responsibility highlights
06	Our brands	18	Board of Directors
08	Australia	19	Remuneration summary
10	United Kingdom	20	Selected financial data
		IBC	Shareholder information

CHAIRMAN'S MESSAGE

The 2008 year is likely to be remembered as one of the most tumultuous in the history of the global financial system.

Across the world, banks, investment banks and insurance companies which were considered rock-solid have collapsed, been taken over at a fraction of their previous value or have been nationalised. Governments have invested directly in many banks and have provided guarantees of bank liabilities in order to keep the financial system functioning.

The root cause of this turmoil is well known – the so-called sub-prime mortgage crisis in the United States – but its repercussions have been far more serious than anyone could have anticipated. Factors contributing to the ultimate problems included a dramatic increase in global financial liquidity as a result of huge surpluses in some countries; low interest rates; increased financial leverage amongst institutions and individuals; outdated regulatory rules; an undue focus on short-term performance in financial markets; questionable credit ratings practices; and the use of new technology to develop “sophisticated” financial products.

In the midst of this turmoil, Australian financial institutions have performed relatively well, continuing to report strong profits and solid balance sheets, but we have not been unaffected. The most dramatic impact has been the substantially higher cost of funding experienced by all banks. In NAB's case, provisions of \$1.1 billion taken during the year on collateralised debt obligation exposures marred an otherwise excellent performance in the operating businesses in Australia, the United Kingdom and New Zealand.

Overall the Group's cash earnings for the year were down 10.7% on 2007. The Board declared a final dividend of 97 cents fully franked, providing a 6.6% increase in total dividend for the year. This increase reflects the fact that the Group's banking businesses continue to perform well, with sound asset quality and strong balance sheets.

We benefit from operating within a very strong regulatory framework that has been the foundation of the Australian banking system, and the Government has been conscientious in managing domestic issues flowing from the crisis. There are fewer than 20 AA rated banks in the world and four of them are in Australia – a reflection of the true strength of our system and a source of comfort for our employees, our customers, and the communities in which we live and work.


NAB continues to make a difference in the community and key initiatives developed throughout the year included Schools First – to boost educational outcomes for school children; further development of our microfinance program with \$100 million capital injection; and teaming up with the Traditional Credit Union Limited (TCU) to expand banking services to remote indigenous communities.

I take this opportunity to acknowledge John Stewart's outstanding leadership of the bank over the last four and a half years. John took up his appointment in February 2004, at a time when the culture and systems of the bank had serious shortcomings. He built a very strong leadership team and, through these people, engineered a turnaround in the organisation. He hands over to Cameron Clyne, our new CEO from 1 January 2009, a company that is well capitalised, efficiently and effectively managed and poised to realise its potential for our shareholders.

Finally, I acknowledge the great efforts of all our employees. It is at times like these that their dedication and hard work really count. The financial crisis has necessitated a good deal of extra personal effort, with attendant sacrifices, and I thank them all for their contributions.



Michael A Chaney AO
Chairman



“Our core banking franchises have performed well despite the volatility in financial markets”

FROM THE GROUP CEO

Each of the National Australia Bank Group's businesses delivered strong underlying results in an extremely difficult environment. This reflected the continued strength of our franchises, effective cost disciplines, and pro-active credit management.

On a pre-provisioning basis, the Group's underlying profit was \$8.1 billion, up 13.9% on the prior year. Unfortunately, this strong result was impacted by the provisions required against conduit assets in the nabCapital securitisation business, reflecting unprecedented conditions in global markets.

The Bank's conduit assets were not acquired as part of a high risk or speculative strategy. Like most major banks around the world, NAB used securitisation conduits to raise funds to provide customers access to capital at competitive rates. These transactions were backed by AAA-rated securities and were considered low risk; and, in normal and foreseeable market conditions, they were.

While significant, the loss of \$1.1 billion incurred by nabCapital is considerably less than write-offs by many of our global peers. The strength of the Group's underlying profit growth allowed this loss to be absorbed and still delivered cash earnings of \$3.9 billion, down 10.7% on the prior year.

Our core banking franchises have performed well despite great volatility in financial markets.

Our traditional branch banking and wealth management operations are all profitable, strongly capitalised and conservatively funded. Overall our banking businesses have sound asset quality and are well provisioned. While this is the norm for the Australian banking industry, it is in stark contrast to the situation of many banks around the world. Continued revenue growth and tight cost control demonstrates the quality of the disciplined management of our underlying businesses.

The Australian region delivered an excellent performance with strong revenue growth and an outstanding cost to income ratio of 41.6% for the banking operation. MLC has delivered a solid performance given the deterioration in investment market conditions.

The UK region demonstrated resilience under exceptionally difficult market conditions where a number of banks have struggled to survive. It has out-performed local peers on many key measures, and on asset quality, by a large margin.

Our New Zealand operation has recorded the seventh consecutive half year of flat costs and delivered solid revenue and earnings growth.

nabCapital's excellent underlying profit growth was driven in a large part by performance across the Global Markets business, which achieved record revenues.

During the 2008 financial year NAB's Tier 1 capital was strong at 7.35% and \$28 billion of term funding was raised during the year, with a four year average maturity.

On 10 November 2008 we successfully completed an institutional placement of 150 million new ordinary shares at \$20.00 per share, to raise \$3 billion of new equity capital. The initial placement size of \$2 billion was significantly oversubscribed from a range of high quality institutional investors.

Our liquidity is very strong with liquid assets of \$66 billion, more than double the pre-market dislocation levels. These conservative capital, funding and liquidity settings are considered appropriate in light of the continuing uncertainty about global credit market conditions.

I am confident NAB's operations are well placed to weather this uncertain environment, with the appropriate focus on core businesses and the right financial settings to maintain strength and flexibility.

The deteriorating economic conditions and volatility in financial markets, particularly in the second half of the financial year, has led to an expected softening in asset quality, albeit following a prolonged, benign credit cycle.

The Group undertook a thorough review of its loan portfolio in the fourth quarter of the September 2008 financial year. This extensive review focused on higher risk areas and was undertaken across all regional businesses by credit personnel with external auditor oversight, to provide additional verification of the adequacy of provision coverage. The review concluded that the portfolio is performing solidly and the Group is appropriately provisioned. Our lending portfolio is appropriately diversified, both geographically and by product.

As this is my final update to shareholders, I'd like to pay tribute to our customers, shareholders and each and every employee across all our operations. The past four and half years have been both challenging and also highly satisfying personally for me. Despite unprecedented global market conditions, we have continued to evolve to a position of strength and stability.

I am pleased to have contributed to shaping the organisation as it reached its 150th year milestone and feel confident NAB's business fundamentals are solid for the future as Cameron Clyne steps in to become Group Chief Executive Officer in 2009.



John Stewart
Group CEO



On 31 July 2008 the Board announced BNZ CEO Cameron Clyne as the next Group Chief Executive Officer for NAB effective 1 January 2009.

Cameron has indicated his key priority will be improving shareholder returns. To achieve this, he initially plans to focus on:

CULTURE

- The attitudes and behaviours of our people are fundamental to delivering financial outcomes and supporting risk management

COMMUNICATION

- Market volatility requires increased transparency for all stakeholders
- Improved clarity on NAB's strategic direction

CONVERGENCE

- Investing in the next generation technology platform
- Establishing a service company to drive scale and efficiencies

CAPITAL

- Continued focus on being strongly capitalised
- Examining organic growth opportunities
- Being alert to global developments

FROM THE GROUP CFO

In an uncertain operating environment we have remained focused on our balance sheet strength and delivering a solid operating performance across all businesses, other than losses recognised as a result of exposures to Asset-Backed Securities Collateralised Debt Obligations (ABS CDOs) in nabCapital. Each of our franchises performed well in 2008, with Australia's banking cash earnings up nearly 19%, the UK and NZ regions performing ahead of their peers, and nabCapital delivering a sound result prior to the impact of the ABS CDOs. Our underlying profit result was strong, up \$996 million or 13.9%.

CONTINUING STEPS TO STRENGTHEN THE BUSINESS AND REDUCE RISK

In response to the unpredictable operating environment, we have maintained conservative capital and liquidity settings, and have sought to minimise our wholesale funding needs. The Group held substantial liquid assets, which consistently exceeded regulatory requirements, as a buffer against market conditions.

Basel II advanced accreditation was achieved in June this year. Under Basel II, the Group's Tier 1 capital ratio of 7.35% reflected the strong underlying balance sheet and our disciplined approach to capital management, and exceeded the management defined minimum of 7.0%. In line with our desire to be strongly capitalised, in November 2008 we successfully completed an institutional share placement worth \$3 billion. This takes the Group's Tier 1 ratio to over 8.0%.

We also raised \$28 billion of term wholesale funding and significantly lengthened debt maturities.

GOOD REVENUE GROWTH IN CHALLENGING CONDITIONS

Revenue growth continued with net operating income up \$844 million or 5.8%. Growth was particularly good within our business banking franchises, with higher market share cross-sell and stronger distribution of risk management products to customers as they responded to volatile markets. Current funding and risk conditions have necessitated repricing where appropriate.

While system lending growth has slowed in all markets, we have achieved satisfactory growth in lending volumes, which were up by 12.5% from September 2007 to \$361 billion. Retail deposit growth has been solid in a competitive market, up 10.8%.

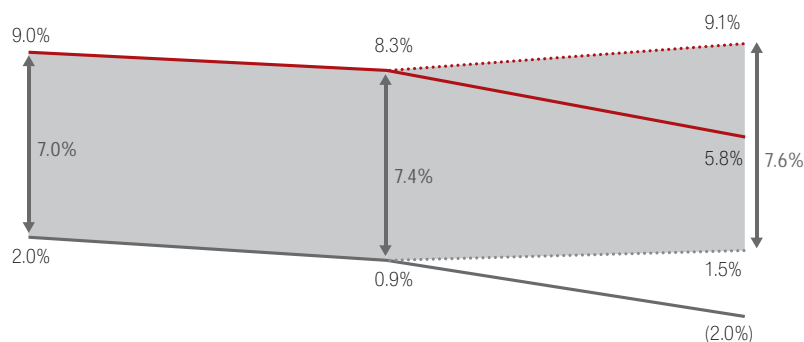
COST PERFORMANCE STRONG AND SUSTAINABLE

An outstanding competitive success story this year has been cost control. All regions have continued to demonstrate their capability in sustainable cost management, with expenses down \$152 million or 2.0% over the prior year. Cost growth was maintained well within inflation through a continued focus on efficiency and productivity across the Group. At the same time we have maintained a healthy level of re-investment, which will continue.

ASSET QUALITY REMAINS SOUND AND WELL PROVISIONED

Bad and doubtful debts have increased \$1,699 million from 2007, primarily as a result of exposures to ABS CDOs assets in nabCapital and provisions on a few large

REVENUE GROWTH STILL STRONGER THAN COST GROWTH



FY06 vs FY05

FY07 vs FY06

FY08 vs FY07

Expense growth

Revenue growth

Expense growth at constant currency

Revenue growth at constant currency

SOURCE: NAB 2008 FULL YEAR INVESTOR PRESENTATION

corporate customers. The underlying asset quality of the overall portfolio remains sound although there has been some increase in arrears levels and impaired assets, in line with expectations in the current economic climate. The position of the lending portfolio is within our risk tolerance and is well diversified geographically, by industry and by product. This will continue to be closely monitored.

THE YEAR AHEAD

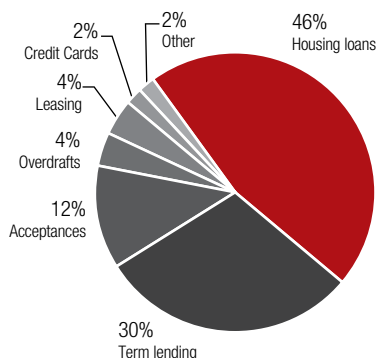
New revenue opportunities continue to be created in the banking franchises, with the creation of Private & Institutional Wealth and Star Direct & Alliances by the Australian bank, including the operational launch of UBank on 1 October 2008. The UK region's proven integrated Financial Solutions (iFS) model has now been implemented by both the Australia and NZ regions, and Great Western Bank has commenced implementation of our successful agribusiness and Small to Medium Enterprise (SME) strategies.

We expect that economic conditions will continue to soften well into 2009. While the Group will be tightly managed through this tumultuous time, by maintaining our conservative balance sheet settings we can continue to support our customers' own growth aspirations.



Mark Joiner
Group Chief Financial Officer

GROSS LOANS AND ACCEPTANCES BY PRODUCT



SOURCE: NAB 2008 FULL YEAR RESULTS ANNOUNCEMENT

NAB in the current environment

FOCUSED

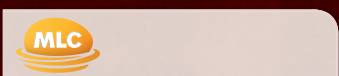
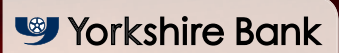
With our shareholders, customers and communities top of mind, we are committed to **tight business management** as we navigate through difficult times. We continue to pay close attention to **cost control**, while placing strong emphasis on **service** delivery. **Careful repricing** initiatives are underway to reflect the changed risk environment and rising costs of wholesale funds. We have an intense focus on **asset quality**.

CONSERVATIVE

We have established a **superior liquidity position** to be in the best position to continue to meet customer needs in uncertain times. Our funding position reflects a **strong liability mix** and **conservative maturity profiles**. Recognising the unprecedented market conditions, we have put in place higher provisioning and **strong capital ratios**.

FLEXIBLE

We have clear development priorities. We are continuing to **invest** in our key businesses which have tremendous untapped **organic growth** potential. Through these challenging times, we remain committed to **supporting our core customers** and expanding market share in selective customer segments. Products and channels are being **actively managed** to reflect our **return on equity objectives**.



WE HAVE A PORTFOLIO OF STRONG BRANDS AND SUSTAINABLE BUSINESSES

National Australia Bank Limited is one of Australia's largest publicly listed companies operating internationally. Our organisation provides a comprehensive range of financial products and services across several geographies and has been operating for 150 years.

In Australia, the primary brands are NAB and MLC. Our UK business is comprised of Clydesdale and Yorkshire banks, and in New Zealand we have the recently rebranded BNZ. nabCapital is our international capital markets and institutional banking business. In the US we are pleased to introduce our most recent acquisition – Great Western Bank.

Each of our businesses have powerful brands supported by their own distinctive identity, culture and clear business objectives appropriate for each market – they are all connected under the National Australia Bank Group umbrella.

The Group's strategic agenda is to deliver sustainable, satisfactory returns to shareholders. Across the organisation, we have a common purpose to do the right thing, help others, and believe in the potential of our customers and our people.

Our Corporate Principles are at the heart of how we do business. They guide our behaviour and encourage us to be open and honest, to take ownership and hold ourselves accountable for our actions, to work as a team and to treat everyone with fairness and respect.

Operating under the National Australia Bank Limited brand, the Group's central functions support all the regional businesses and comprises Group Funding and Corporate Centre activities. Group Funding acts as the central vehicle for movements of capital and structural funding to support the Group's operations, together with capital and balance sheet management. Corporate Centre activities include the strategic development of the portfolio of businesses, financial and risk governance and developing and retaining talent.

NAB

www.nab.com.au

NAB – our Australian Banking division – includes retail banking and business and private banking. Across the Australian region, more than 22,500 employees work together every day to connect with customers and the community, making the most of NAB's Australia-wide network including almost 800 branches, 176 business banking centres, 110 regional agribusiness locations and three major contact centres.

Clydesdale Bank

www.cbonline.co.uk

Clydesdale Bank was established in 1838 in Glasgow. With over 150 retail branches and a network of Financial Solutions Centres, Clydesdale is one of Scotland's largest banks. Clydesdale also has a strong presence in the south of England with its innovative Financial Solutions Centres, offering customers a highly integrated business and private banking service.

Yorkshire Bank

www.ybonline.co.uk

Yorkshire Bank was founded in 1859 in Halifax, West Yorkshire by Colonel Edward Akroyd. Today, with its head office in Leeds, the Bank has 190 branches and 23 Financial Solution Centres in the north of England and the Midlands.

Bank of New Zealand

www.bnz.co.nz

BNZ has been helping individuals and businesses with their finances for more than 150 years. Businesses include Retail and Business banking, Agri banking and Insurance. BNZ is always looking to evolve and develop new approaches to doing business. A key milestone this year was the launch of a fresh new brand identity to reflect the constantly changing goals and ambitions of the organisation and its customers.

Great Western Bank

www.greatwesternbank.com

Great Western Bank, our most recent acquisition, provides a full range of traditional banking services, together with wealth management and insurance products across a network of branches in the mid-west of the United States.

nabCapital

www.nabcapital.com

nabCapital is the Group's capital markets and institutional banking division. Its key lines of business include institutional banking, corporate finance, markets, and structuring and investments. As a global business it operates in Australia, Asia, New Zealand, the United Kingdom and the United States.

MLC

www.mlc.com.au

MLC is a wealth management division – it provides investment, superannuation and insurance solutions and supports the provision of quality financial advice which helps people achieve and protect their lifestyle and financial goals. MLC also provides corporate and institutional customers with out-sourced investment, superannuation and employee benefit solutions.

Introducing Great Western Bank

Based in the United States, Great Western Bank provides a full range of traditional banking services, together with wealth management and insurance products throughout its 102 branches located across six states predominantly in the mid-west. NAB acquired Great Western Bank on 3 June 2008.

We have made excellent progress with the integration and development of a governance model, together with improved business platforms and processes to the Group's standards. Deputy Group CEO Michael Ullmer was appointed Chairman of the Great Western Bank Board and NAB deployed several key employees on secondment throughout 2008 to work with Great Western Bank's management team. Work also commenced on the execution of the regional Agribusiness and SME strategies identified with the acquisition.

Despite extremely difficult business conditions in the United States, earnings and margins have been maintained this year. Cash earnings for the four months since Great Western Bank joined the Group were US\$18 million, with average interest earning assets growing by 10.2% (annualised) to US\$3.3 billion over the same period.

The growth in assets was matched by a 10.2% (annualised) growth in retail deposits to US\$3.2 billion. The average net interest margin has also remained strong at 3.87%. This compares favourably to peers, as reported by the Federal Deposit Insurance Commission (FDIC), with statistics indicating 3.4% as an average across all commercial banks in the June 2008 quarter.

Effective cost management has also been maintained, with Great Western Bank's cost to income ratio at 48.2% for the four months. The average cost to income ratio of all commercial banks, as reported by the FDIC, was 58.4% in the June 2008 quarter.

Great Western Bank has a diverse customer base and continues to develop employees, products and processes to keep up with the changing needs of its customers. Employees receive extensive training and development opportunities and Great Western Bank has a strong sense of community, with employees volunteering time in community service and serving on the boards of civic and non-profit organisations.

AUSTRALIA



Strategies for success

As a member of MLC's Investment Management Division, Grant Mizens helps create and maintain investment strategies for clients. Grant is also a two time Paralympian, and was this year part of the gold medal winning Australian wheelchair basketball team.



Ahmed Fahour
Executive Director
& CEO Australia

The quality and strength of the Australian region core business has been further demonstrated in 2008 following the turnaround of the past three years.

We remain committed to enhancing the customer focus of our business, recognising that working with our customers to realise their potential is where we make a difference in the lives of our people, our customers and communities.

In our 150th year, our business remains strong. Our customers and our people can draw confidence from the resilience we have shown in what has been a very challenging financial market and feel secure that they are dealing with a true market leader.

DELIVERING TODAY WITH CONTINUOUS IMPROVEMENT

Our 12 month performance was the result of actively managing capital, funding and asset quality, progressing the Efficiency, Quality and Service (EQS) programs, and continuing to invest in our people to further enhance the customer experience.

Having delivered ongoing efficiency improvements and more than \$300 million in benefits during 2008, our EQS program was instrumental in reducing our cost to income ratio to 41.6%, the lowest of the major banks. The EQS program has delivered sustainable efficiency improvements which have created capacity, enabled business expansion and maintained cost growth at below inflationary expectations, whilst making it easier for our customers to do business with us.

Over the next five years, the core banking systems will be replaced by the next generation information technology platform. This commitment underpins our commitment to sustainable outperformance and the transformation of the business.

KEEPING FOCUSED ON OUR CUSTOMERS

Over the years, we have built strong and stable brands – all linked to our purpose of fulfilling the aspirations of our customers. This work has resulted in improvements in customer, community and employee satisfaction, and we now have the highest satisfaction level for business customers amongst the major banks.

This year, new Business Banking specialist divisions expanded in the areas of Health, Education and Government. Our products, processes and relationship management are all designed to suit the needs of the specific industry segments and the results from this specialisation focus continue to be strong.

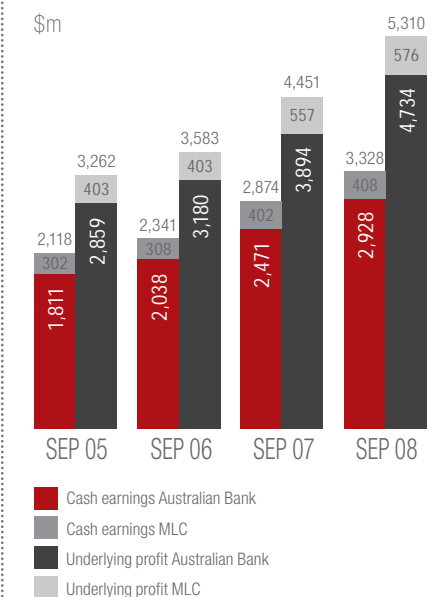
The Private & Institutional Wealth (PIW) division was also established to further enhance the opportunity to continue to progress delivery of complete wealth solutions to our business and private customers and better manage the needs of high net worth customers.

The MLC division continues to lead the industry on the delivery of quality advice on a fee for service basis. Godfrey Pembroke, one of MLC's advice businesses, was one of the first to move to a pure fee for service model for all new investment clients in October 2006. NAB Financial Planning is the only bank financial planning business which has moved to a pure fee for service model for new investment clients.

Our Retail Banking approach of embedding local banking closer to customers was enhanced with the roll-out of 'Smart Everyday Banking', which provides greater choice for our customers, and the pilot of NAB's 'Smart Statements' initiative. We also launched a new direct channel for customers who prefer online self-service – UBank. The initial offering is term deposits and, over time, a range of additional savings, transaction and investment products will be added.

In 2008, we were recognised for our commitment to our customers by being awarded the best new product for 'Gold Banking'. Business and Private Banking

AUSTRALIA REGION¹ CASH EARNINGS BEFORE IORE* AND UNDERLYING PROFIT²



¹AUSTRALIA REGION CASH EARNINGS TOTAL INCLUDES OTHER (INCL. ASIA)

²AUSTRALIA REGION UNDERLYING PROFIT EXCLUDES OTHER (INCL. ASIA)

SOURCE: NAB 2008 FULL YEAR RESULTS ANNOUNCEMENT

*IoRE represents investment earnings on shareholder's retained profits and capital from life business, net capital funding costs



Blooming microenterprise

After working in florists throughout Melbourne for 15 years, Janelouse Hearn utilised a NAB Microenterprise Loan to open her own shop, 'flowers by janelouse', in Flemington, Victoria. During the past 12 months the NAB has written more than \$1.3 million Microenterprise Loans to around 88 businesses.



won 'Best Business Bank of the Year' in *Australian Banking and Finance* magazine, whilst the Retail Bank won 'Best Equity Line of Credit' award by *Mortgage* magazine, 'Best Online Website' by *PC Authority Labs* and 'Most innovative Website Customer Experience Tool' by *Global Reviews*.

A GREAT COMPANY FOR OUR PEOPLE AND THE COMMUNITY

It is our aim to create a culture that strongly motivates and engages our customers, people and community.

An exciting initiative in 2008 was the introduction of 'The Academy'. Over the next 12 months, physical sites and online learning experiences will be available for all of NAB's people to assist with achieving career and business aspirations while building individual and organisational capability.

Our corporate and community responsibility strategy continued to focus on delivering financial services access to the disadvantaged, the education agenda and the recently announced indigenous program, including a partnership with the Traditional Credit Union.

During the year, the MLC Community Foundation announced a three-year partnership with Lifeline to assist with its work and expand programs promoting mental health and wellbeing.

NAB's philosophy of fostering meaningful partnerships in the community and commitment to education was highlighted with the recent announcement of a \$5 million boost to education through the 'Schools First' program, the continued implementation of 'Better Buddies anti-bullying' in conjunction with the Alannah and Madeline Foundation, as well as a number of other significant and long-standing sponsorships including NAB AFL Auskick and the Australian Ballet.

We developed an additional \$100 million investment to our microenterprise funding program as part of our commitment to provide all Australians with access to affordable, high quality, safe and secure financial services.

Our focus on attaining carbon neutrality by 2010 was heightened with the establishment of a climate change leadership group and our three-step approach to reducing energy and travel emissions, using renewable energy and utilising carbon offsets. Our first environmental expo was attended by an estimated 2,000 people (including suppliers) who were made aware of the ways that they could make a personal contribution to the reduction of climate impact.

In 2008, we were recognised for our commitment to the community by being awarded the best 'Socially Responsible Banking' products at *Money Magazine's* 2008 awards for 'Micro Enterprise' and 'Step Up' loans.

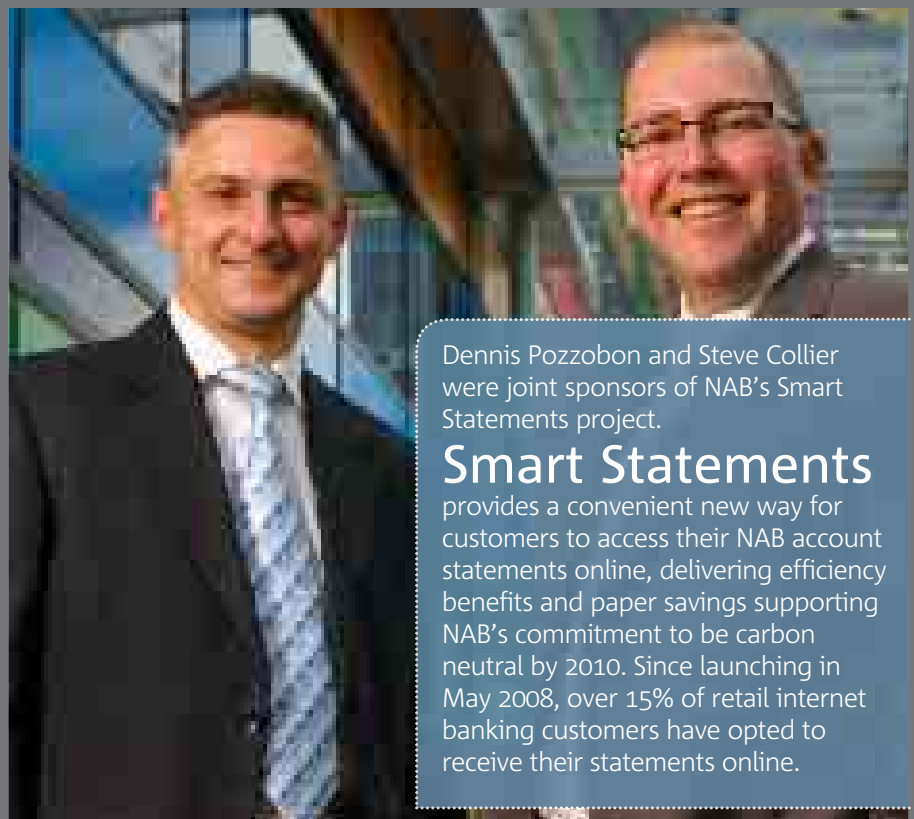
Flexibility wins with good people

Alan Stewart has worked with NAB for 38 years. After taking 20 months long service leave and spending time on his acreage at Little River, Victoria, Alan found that full time employment was no longer right for him. To ensure we retained Alan's expertise, NAB structured a part-time role for Alan as a Business Banker in Werribee. Flexible portfolios are just one way NAB is changing its perspective on doing business.



Outstanding vision

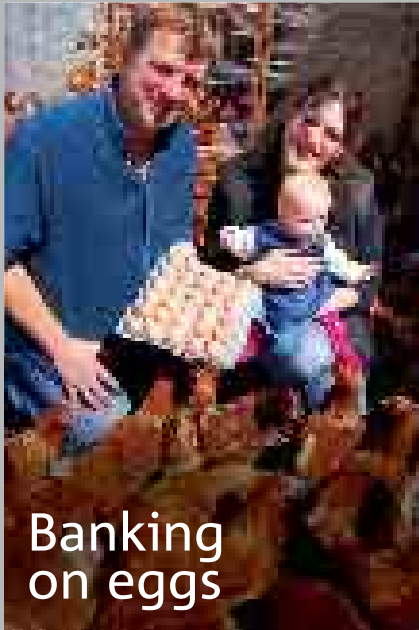
Polly Mazaris founded the Baxter Group in 1993 based on her vision for an integrated waste management business using innovative, environmentally and economically sustainable solutions. Supported by NAB for over 25 years, Polly oversaw Baxter's public listing in 2002, and its \$240 million acquisition by Transpacific Industries Group in 2007. Polly is now focused on expanding the operations of the Gormac Group.



Dennis Pozzobon and Steve Collier were joint sponsors of NAB's Smart Statements project.

Smart Statements

provides a convenient new way for customers to access their NAB account statements online, delivering efficiency benefits and paper savings supporting NAB's commitment to be carbon neutral by 2010. Since launching in May 2008, over 15% of retail internet banking customers have opted to receive their statements online.



Banking on eggs

When Exeter-based farming family John and Sarah Cowles decided to diversify into poultry with a state of the art 12,000 bird egg-producing unit, Clydesdale Bank provided finance as well as sound strategic business advice and real understanding of agricultural issues. Their property “Westfield” had been a dairy operation until 1999 and has around 120 animals and produces a variety of crops on its 370 acres.

UNITED KINGDOM



Lynne Peacock
CEO UK

In exceptional and increasingly challenging market conditions, our UK region has demonstrated real resilience and delivered a strong financial performance.

By adhering to the sound principles of a traditional banking model, the performance of our business stands out against our peers.

Key focuses for the year were to improve our already strong funding and liquidity position, protect the capital base, and grow lending prudently. We continued to execute our strategy of planned growth in the business sector through our integrated Financial Solutions (iFS) relationship banking proposition and maintained growth in secured personal lending in the Retail business. Over the year, lending volumes increased from £24.6 billion to £31.4 billion, including a transfer from nabCapital.

We achieved the successful balance between growing deposits and securing good quality mortgage business

in a challenging trading environment through the selective pursuit of growth and the continual fine-tuning of risk settings in response to market conditions.

Strong emphasis on process improvement and business efficiency has further enhanced customer experiences and retention, while achieving revenue improvements and flat operating expenses for the third consecutive year.

Global credit issues are continuing to weigh heavily on the UK economy and the slowest period of growth in over 15 years is expected. Recent flat activity pushed annual growth down to just 1.4%. The economy is expected to grow by just 1% this year and by 0.6% in 2009.

Funding and liquidity costs continue to be affected by the volatile market conditions. Credit spreads for longer term funding have widened significantly, resulting in higher costs of wholesale funding.

SUSTAINED APPROACH TO LENDING

Overall asset quality remains strong with a well-secured and diversified portfolio. All asset quality measures remain under close management supervision and risk settings continue to be refined. The mortgage book does not include any sub-prime or self-certified lending and the proportion of mortgages in arrears for 90 days or more is less than half the UK industry average.

In business banking, increased volume of mature loans, firm arrears management and our strong relationship model proved effective in controlling losses.

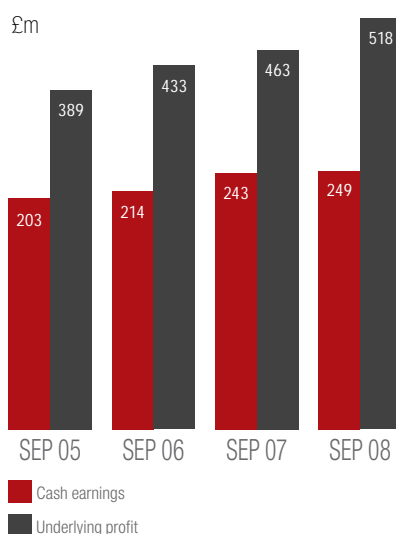
In October, the UK Government announced a series of measures to support the banking industry, and the Bank of England cut interest rates by 50 basis points and a further 150 basis points in November. Further rate cuts could provide the impetus for a modest recovery from the end of 2009, however our approach to lending will remain cautious.

SERVICE COMMITMENT SUCCESS

A net gain in customer numbers for both Retail and our overall business was achieved for the first time in several years and this trend was reinforced by the higher acquisition of customers by Retail in recent months. iFS customer numbers are continuing to demonstrate strong growth.

Our focus on incorporating the UK Financial Services Authority’s (FSA) ‘Treating Customers Fairly’ principles continues throughout the business.

UK REGION CASH EARNINGS AND UNDERLYING PROFIT



SOURCE: NAB 2008 FULL YEAR RESULTS ANNOUNCEMENT



Gift of numeracy

Every Wednesday, Glasgow-based Reporting Assurance Consultant Louise Cole volunteers her time to help develop the numeracy skills of Oakgrove Primary School students. Mentoring and playing games donated by the Bank, Louise is one of 28 employees who currently supports Numbers Partners, a community initiative running throughout Scotland.

To improve the experience for customers who prefer to utilise online services, new look websites for both Clydesdale Bank (www.cbonline.co.uk) and Yorkshire Bank (www.ybonline.co.uk) were launched during the year.

At the Credit Today Awards Ceremony in London, the Banking Delivery Services team was awarded 'Fraud Prevention Team of the Year' and the Retail Credit team won the 'Mortgage Lender of the Year' award.

INNOVATION AND STABILITY FOR OUR PEOPLE

In May 2008, Clydesdale Bank successfully joined the UK Banking Industry Faster Payments scheme, along with ten other UK banks. Clydesdale Bank was the first member bank to send a transaction via the new service and obtained a valid response from the receiving bank within a second. Our customers will be able to receive Faster Payments as part of a phased rollout, which will be completed later in the year.

The new Business Internet Channel was successfully piloted to external customers in July 2008. In September 2008, we saw another significant milestone of the program, with 50 external customers trained and using the application. Feedback from customers on the pilot has been positive, particularly in relation to the system's ease of use.

A three-year salary package was successfully negotiated, with the trade union Unite, during the year. In these times of economic uncertainty, both our employees and the business will benefit from the greater stability and assurance this deal provides.

COMMUNITY ASSISTANCE

In February 2008, we began working with Help the Hospices to assist them in their support of more than 200 charities that take care of terminally ill patients.

Continued support is provided to our local communities through our sponsorship program. We are currently providing sponsorship assistance to the Scottish Premier League football, the National Trust and Twenty20 Cricket.

Our employees have embraced the award winning payroll scheme with around 15% of our people now giving to charities using this means.

The environment continues to be a focus with initiatives that support the goal of being carbon neutral by September 2010. Our activities include extensive recycling, environmental procurement policies and energy saving campaigns.



Expert advice

Rhona Mathison, Retail and IHS Business Manager (left), is pictured with Fiona Boyd, a Customer Services Officer. Rhona and Fiona work at Clydesdale Bank's busy Bothwell Street branch. Rhona joined the Retail Banking division less than a year ago having transferred from iFS, where she worked as an Associate. She is thriving in her role advising small businesses across Glasgow city centre.



Go Yellow Week

These smiling faces from Clydesdale Bank's iFS division are among the hundreds of employees who support 'Help the Hospices', the hospice movement's national charity and the UK banks' official charity partner. During 'Go Yellow Week' employees paid for the privilege of wearing yellow to work. UK employees provide a range of support for the charity, including volunteering and fundraising. In the first six months of the nationwide partnership, bank employees raised more than £150,000 for hospices across the UK. Every pound that is raised by our people is matched by Clydesdale Bank and Yorkshire Bank, doubling the total contribution.

Saying no to violence



'Stop for New Zealand's Biggest Morning Tea' was the first national fundraiser for Preventing Violence in the Home (PVH). BNZ branch and business network employees participated by inviting customers, and their local communities to participate in morning teas; raising awareness of the issue, BNZ's partnership with PVH and crucial funds for the PVH National Domestic Violence Helpline.

PICTURED LEFT TO RIGHT: NICOLA WHARTON (BNZ), JANE DRUMM, EXECUTIVE DIRECTOR (PVH), ALLISON PETTIGREW (PVH), RYAN O'NEILL FONG (BNZ).



Fastway streaks ahead

General Manager Peter Goldsmith oversees the busy Auckland depot for longstanding BNZ customer, Fastway Group. A New Zealand business success, Fastway was founded in 1983 and today operates the largest courier franchise business in the world, with an annual turnover of \$NZ441 million and 1,600 couriers operating in nine countries. Fastway's reputation for reliable customer service is backed by 38 national and international franchising awards.

NEW ZEALAND



Cameron Clyne
CEO New Zealand

Bank of New Zealand (BNZ) delivered a strong performance, with solid profitable income growth, disciplined cost management and sound asset quality.

In a market that is experiencing an increase in wholesale funding costs and turbulent global economic conditions, we have focused on a strategy of simplification, cultural change and new revenue streams to deliver long-term sustainable returns for shareholders.

Simplification efforts have reduced the complexity of our existing processes, systems, structures and products, making life easier for both customers and staff. The financial benefits of these improvements can be seen with operating expenses being kept flat for the third year in a row.

Our culture program supports the empowerment of all employees, with a focus on people development, leadership and identifying talent.

Initiatives to identify profitable new revenue streams are laying the foundation for delivering long-term sustainable returns.

Developed during the 2008 financial year and implemented on 1 October 2008, Bank of New Zealand was rebranded as BNZ. There are now three distinct identities for each of the core businesses in New Zealand. The BNZ and BNZ Partners brands represent the activities of the region while BNZ Capital is part of nabCapital's New Zealand operations.

NEW REVENUE IN A VOLATILE MARKET

Our new revenue streams have been drawn from innovative products, services and improved retail distribution, combined with the continued development and leverage of strategic partnerships.

The UK region's successful business model integrated Financial Solutions (iFS) was adopted by BNZ at the beginning of October under the brand BNZ Partners. Leveraging the Group's best practice provides a unique customer-centric experience and increased cross-sell opportunities across Business, Agribusiness and Private Bank.

Despite the collapse of a significant number of unregulated finance companies, competition to provide financial services among the five major banks, and several niche players, remains intense. Deposit volume growth for registered banks remains strong as consumers switch from the unregulated finance sector.



bnz capital bnz partners

A number of key indicators show that the economy has entered a recession. These include: higher oil and food prices, declining house prices and sales volumes, high interest rates, slowing net migration levels and a high New Zealand dollar adversely affecting exporters. The Reserve Bank of New Zealand (RBNZ) reduced the Official Cash Rate (OCR) for the first time in more than five years by 75 basis points during the September half in response to weakening economic activity. It is anticipated that this will be the beginning of an easing cycle for domestic interest rates and the strength of the New Zealand dollar.

More positively, commodity prices for dairy products have remained strong, providing sustained growth in the rural sector throughout the year and allowing agriculture and business lending volumes to remain solid.

CUSTOMER SERVICE INITIATIVES

Now operating under the brand BNZ, Retail Banking has continued with its innovative approach to product and service delivery, having listened to customers and created a banking experience more akin to retail than a traditional banking experience. New 'Out of the Box' products have been delivered throughout the year. BNZ Partners brings together the region's successful Agribusiness, Business and Private Banking functions. The wide-

ranging needs of customers will be better serviced and we can build successful business relationships for long-term sustainable growth.

A CULTURE SHIFT FOR THE BETTER

With our continued focus on a culture of empowerment, constructive engagement and good health, the latest employee survey results show a clear increase in employee engagement across all levels, putting BNZ above the Australasian Best Employer's average for financial services organisations.

The 'Success: Yours!', 'MyWellBeing' and flexible working hours initiatives have contributed to significant changes as part of BNZ's culture program. 'Success: Yours!' acknowledges success and encourages employees to achieve their best for themselves and their customers by excelling at their work, behaving constructively and continually improving what they do.

CONTRIBUTING TO OUR COMMUNITY

We are continuing our efforts to contribute to the local community through our sponsorships, paid volunteer leave and programs aimed at reducing our carbon footprint.

In keeping with BNZ's commitment to operate our business in ways that reduce our impact on the environment, we continue to implement sustainability initiatives throughout the organisation. The recycling, waste minimisation and energy reduction initiatives have been well received by employees.

The 'Cut Statements, Grow Trees' initiative was launched to reduce paper statements and has had a significant uptake by customers.

A highlight of our sponsorship activity was winning the Best Provincial Cause Sponsorship category at the 2007 New Zealand Sponsorship Awards for our efforts in assisting the Preventing Violence in the Home agency by raising awareness of, and funds for, domestic violence. We were also pleased to assist with the successful release of the 1000th BNZ Operation Nest Egg™ kiwi chick back into the wild. BNZ has been supporting the kiwi recovery program since 1991.

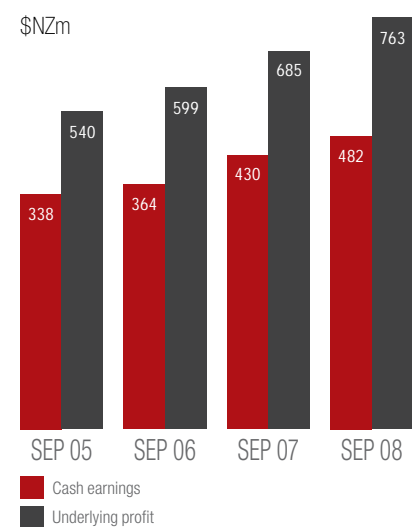
The strong community focus is being fostered amongst our employees with the opportunity for full-time and permanent part-time staff to participate in volunteer activities within the community by taking two days of paid leave specifically for this purpose.



Managing Money made easy

Banking Advisor, Alyse Marlow explains the benefits of 'Managing Money made easy,' the latest addition to BNZ's innovative 'Out of the Box' range of products and services. Designed to help customers manage finances and reach their financial goals, 'Managing Money made easy' includes a budget worksheet, calculator and comes with the added bonus of Fly Buys points. 'Out of the Box' products and services are helping to create a more complete retail experience for BNZ customers.

NZ REGION CASH EARNINGS AND UNDERLYING PROFIT



SOURCE: NAB 2008 FULL YEAR RESULTS ANNOUNCEMENT



Flexible options

Since April this year Operational Risk Compliance Manager Kylie Jackson-Cox has been replacing a long commute into downtown Auckland with one day a week working from home. Kylie is one of a growing number of employees to take advantage of more flexible working arrangements being introduced over the next 12 months as part of BNZ's commitment to providing work flexibility in a way that is both practical and successful for the employee and the Bank.



John Hooper
CEO nabCapital

Although cash earnings were adversely affected by additional provisioning and risk mitigation costs relating to a portion of our conduit structures, nabCapital's core business produced a strong performance and delivered a significant increase in underlying profit over the previous year.

This result highlights the benefits of a diverse business in the face of unprecedented market disruption and success in our ongoing efforts to build a suite of higher return products.

nabCapital's underlying profit growth was underpinned by an excellent performance across the Markets business, which achieved solid growth in revenue and net profits through sound risk management practices and a focus on helping our clients meet the challenge of a volatile market environment. This business was well-positioned to benefit from the volatility, which resulted in increased client transaction volumes, improved margins, strong trading results and enhanced cross-sell activity.

The lending businesses benefited from growth in Corporate Finance and re-pricing initiatives in Institutional Banking, however the deteriorating credit environment also affected asset quality, resulting in an increase in impaired assets from historically low levels.

Global financial conditions deteriorated throughout the year, creating sustained volatility in foreign exchange and interest rates, reduced liquidity across all markets, and a slowing in parts of distribution, including securitisation and syndication.

Looking ahead, nabCapital will continue to be a relationship-led franchise focused on maximising cross sell opportunities between all segments, supplemented by product-led initiatives in areas of competitive expertise. Our push for sustainable performance over the long term will be aligned with the rapidly changing market environment. This will be supplemented with on-going efforts to recover increased funding costs through re-pricing initiatives and to identify and actively manage potential exposures.



Thought leader

nabCapital's Chief Economist Robert Henderson (above) continues to produce insightful market analysis relied on by the business and its customers. This year, the nabCapital research team's work proved invaluable in helping to make sense of the extremely challenging and volatile markets.

Client focus

Industrial and resource banker Elsa Masztak (left) and her team's major focus this year was on assisting their clients to manage the changing economic environment and declining commodities.



Green business is good business

2008 was a successful year for NZ Capital Markets head, Patrick Mullins, especially in the New Zealand dollar Kauri bond sector. nabCapital and BNZ created the BNZ Kauri Forest, which involves the planting of 100 Kauri seedlings for every Kauri bond issue we arrange.



MANAGING TRANSITION

Transitioning to a Basel II environment has increased the level of Risk Weighted Assets (RWA) and affected returns; however a number of strategies have been identified to maximise the efficient use of the balance sheet and capital, and reflect the changing conditions.

Despite dislocation in large parts of the distribution market, nabCapital's originate-warehouse-distribute (OWD) operating model will continue to adapt to the changing market circumstances and will remain central to how we conduct our business. As the severe market dislocation continues, our investor clients are looking for risk management and product solutions based on principles of simplicity, transparency and the sharing of risk. All of these are areas of competitive strength for our business.

The OWD model is a flexible approach that is continually re-aligned for changes in market conditions, investor appetite and our own appetite for risk.

FINANCING SOLUTIONS

Our commitment to delivering innovative financing solutions for our clients provided opportunities for us to be involved in a number of notable transactions.

The London Overground Railway will receive a fleet of new trains after we provided a £262 million operating lease to Transport for London, through a joint

venture of nabCapital and the Sumitomo Mitsui Banking Corporation Leasing and Finance. There was also a ground-breaking US\$300 million transaction for the Newcastle Permanent Building Society to access the US Private Placement market.

nabCapital was recognised as the joint lead underwriter for the Wesfarmers acquisition of Coles and was awarded *FinanceAsia* magazine's 'Best Merger and Acquisition Deal' for 2007. We were also awarded *Euroweek* magazine 'Loan House of the Year' and ranked first in *Insto* magazine's league tables for domestic bond issuance in New Zealand.

DRIVING CULTURAL CHANGE

nabCapital's 'Award for Collaboration' and 'CEO Award for Innovation' reward and recognise people within our business who role model the behavioral attributes designed to drive our strategic agenda. In 2008, around 100 employees globally were acknowledged for their collaborative approach, while 38 people were recognised for innovative ideas that helped improve the way we do things. The benefits of these and other initiatives have been reflected in the engagement scores and employee satisfaction results, which are showing steady improvement across the business.

GROWING COMMUNITY INVOLVEMENT

nabCapital's community investment program continued to evolve throughout the year. We launched a matched giving program for employees and enabled 16 community grants to be allocated to various organisations through the Employee Community Grants Program.

Now in its second year, our partnership with the Earthwatch Institute provided 10 employees with the opportunity to participate in scientific field research on a range of important environmental issues around the globe.

CARBON SOLUTIONS

The Carbon Solutions Group is our centre of excellence on issues relating to the commercial impact of climate change. It was established to work on and identify issues relating to carbon emissions trading and pricing frameworks and it works closely with clients to facilitate an understanding of the risks and opportunities arising from both the physical drivers of climate change, and evolving regulatory carbon frameworks. In August, we hosted an invitation-only forum for key corporate clients and involved Senator the Hon. Penny Wong, Federal Minister for Climate Change and Water. The forum explored the commercial effect of the Federal Government's Carbon Pollution Reduction Scheme due to open in 2010 and the opportunities it will generate.



Rising to climate change challenges

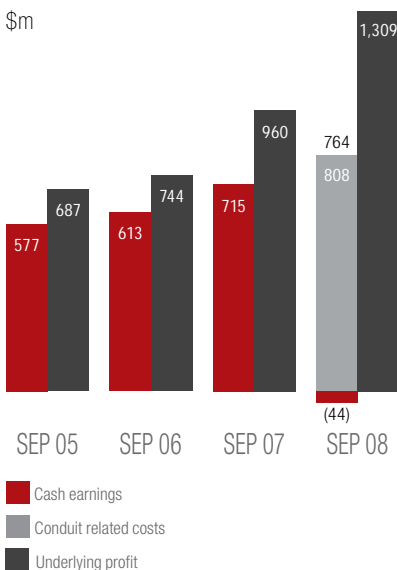
nabCapital's Carbon Solutions Group, led by Sean Lucy (left), works closely with clients to identify and respond to the commercial opportunities emerging from the climate change challenge.



A world of experience

As an international business, nabCapital brings a global perspective to supporting our people and customers. Melissa Gribble transferred to nabCapital's New York office after spending more than five years with the business in Melbourne. She recently returned to Sydney to take on new career challenges as Head of Banks, Australia.

NABCAPITAL CASH EARNINGS AND UNDERLYING PROFIT



SOURCE: NAB 2008 FULL YEAR RESULTS ANNOUNCEMENT

CORPORATE RESPONSIBILITY HIGHLIGHTS



Want to read more on corporate responsibility?

This year we have developed our reporting further. Our corporate responsibility review not only summarises our efforts over the past 12 months but also examines some of the key issues facing us and our stakeholders including microfinance, offshoring and carbon neutral. The review is supported online with detailed facts for stakeholders looking for more information.

COMMUNITY

Across the Group we increased our community investment by \$7.6 million to \$33.5 million, moving towards our target of 1% of cash earnings before tax. In addition to the launch of Schools First developed throughout the year, our Australian business recently announced a further \$100 million commitment to microfinance, BNZ launched 'Stop for New Zealand's Biggest Morning Tea' in support of Preventing Violence in the Home; the UK supported 'Help the Hospice' and nabCapital continued to work with Earthwatch.

ENVIRONMENT

We continued to implement our climate change strategy and our commitment to becoming carbon neutral by 2010. In addition to reducing our net carbon emissions by 6.2%, we developed a Group-wide reduction target for 2010 of 33,000t CO₂-e. Across the Group, we have continued to use ecologically sustainable design principles in the refurbishment of offices and branches. Our employee network of Green Teams and carBoNZero champions increased to over 650 people reinforcing the passion of our people.

RECOGNITION

Our corporate responsibility reporting won the Australasian Reporting Award – Sustainability; we improved our Dow Jones Sustainability Index rating and NAB was also the highest scoring Australian bank in the Global 500 CDP Climate Disclosure Leadership Index for the quality of our emissions data and disclosures. Our UK business was recognised for outstanding achievement in payroll giving; BNZ received the 'Best Provincial Cause Award' for the PVH/BNZ Get Organised Auckland campaign, and for the second year running Step Up loans in Australia were judged the Best Socially Responsible Lending product in *Money Magazine's* '2008 Best of the Best' awards.

OUR PEOPLE

Each of our businesses continues to invest in their people. Through our diversity, career development and reward programs we continue to build a positive and constructive culture. Our employee engagement increased and satisfaction increased again in Australia and New Zealand.



nabCapital's Nick Walker with a group of children from Mali. Nick was part of the team that helped set up 20 laptops for the village as part of nabCapital's Mali initiative.

CUSTOMERS

In a difficult environment our businesses responded to our customers with more low fee and fee free banking options. The introduction of 'Smart Statements' gave customers the option of online statements and convenience. The introduction of 24 hour telephone assistance in the United Kingdom and a 'Customer Care' line in New Zealand reinforces our commitment to our customers.

OUR GREENHOUSE EMISSIONS BY REGION

(2006, 2007 & 2008) BY REGION AND GROUP

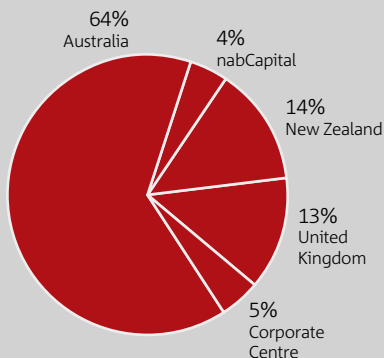
	2008*	2007	2006
▶ AUSTRALIA	218,068	223,765	229,624
▶ NEW ZEALAND	10,336	10,835	10,890
▶ UNITED KINGDOM	8,390	17,749	12,489
▶ GROUP	236,794	252,349	252,982

Totals for year ended 30 June 2008 – include emissions from electricity, combustion of fuels, transmission losses and business travel emissions associated with air travel and vehicle fleets. *2008 data includes hotel stays related emissions.

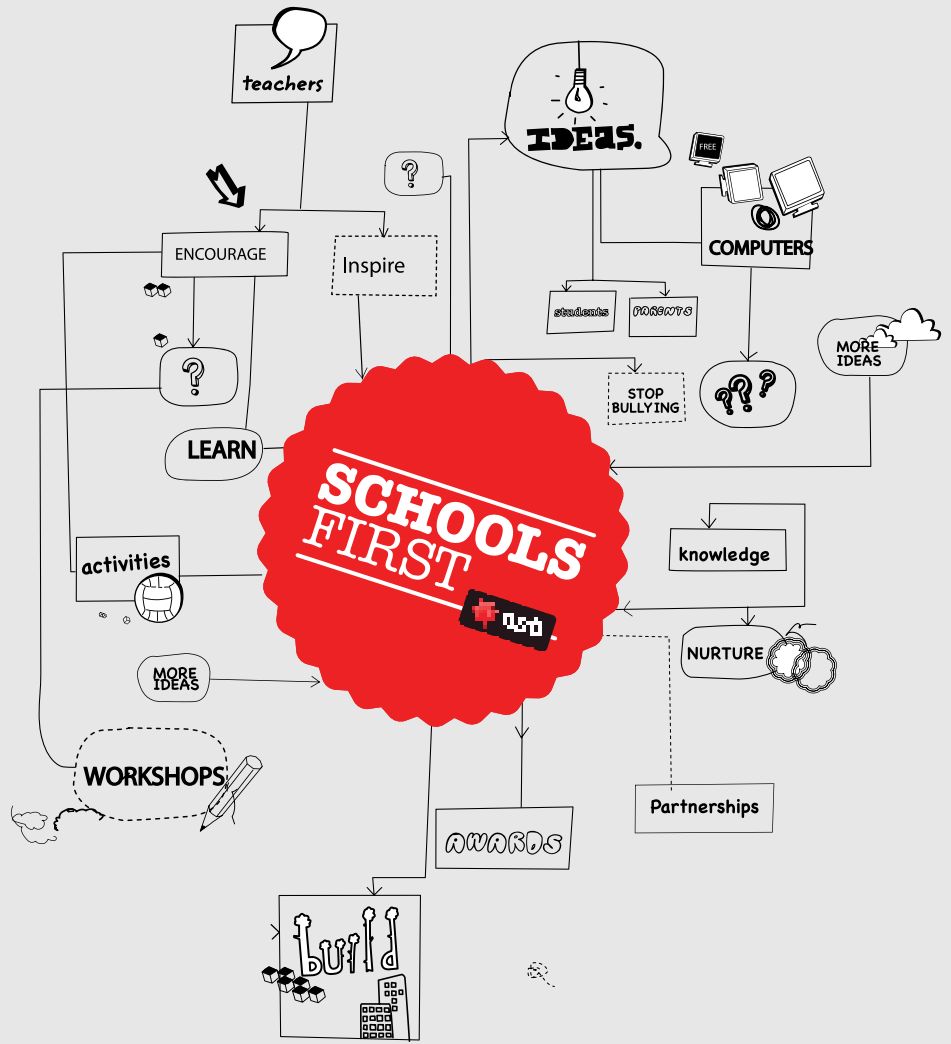
SOURCE: NAB 2008 CORPORATE RESPONSIBILITY REVIEW

2008 COMMUNITY INVESTMENT BY BUSINESS

YEAR ENDED 30 JUNE 2008



SOURCE: NAB 2008 CORPORATE RESPONSIBILITY REVIEW



Keeping our communities connected

Schools First was developed during the 2008 financial year and launched in October. It is one of the Group's most significant community investments and the largest corporate-sponsored education initiative in Australia.

Schools First is a collaboration between NAB and three not-for-profit organisations – Australia Cares, the Foundation for Young Australians and the Australian Council for Educational Research, and is based on the premise that schools are stronger and students achieve more when the community is involved.

Through a series of national workshops and a national awards program Schools First aims to inspire, strengthen and reward school-community partnerships.

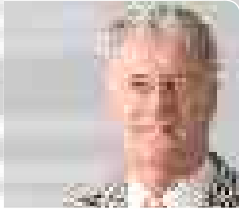
NAB has committed \$5 million a year in total award funding to recognise and support excellence in these partnerships. A knowledge bank will also be established during the program that researches and shares best practice in school and community partnerships.

Schools First will commence within Australia before being offered in other geographies the Group operates in.

CORPORATE PRINCIPLES

- We will be open and honest
- We take ownership and hold ourselves accountable (for all our actions)
- We expect teamwork and collaboration across our organisation for the benefit of all our stakeholders
- We treat everyone with fairness and respect
- We value speed, simplicity and efficient execution of our promises

BOARD OF DIRECTORS



Michael Chaney, Chairman



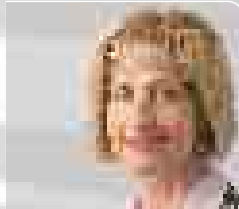
John Stewart, Group CEO



Michael Ullmer Executive Director & Deputy Group CEO



Ahmed Fahour, Executive Director & CEO Australia



Jillian Segal



John Thorn



Paul Rizzo



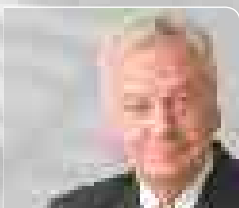
Patricia Cross



Daniel Gilbert



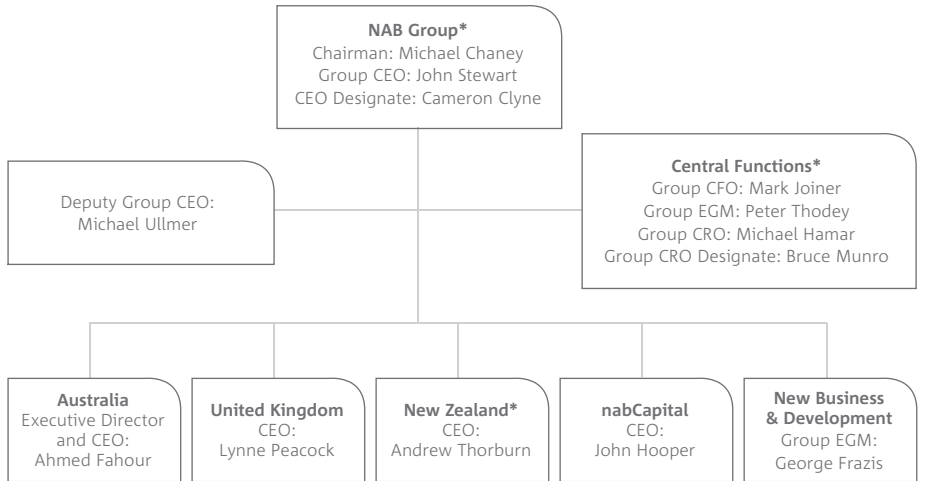
Geoffrey Tomlinson



Sir Malcolm Williamson

OUR ORGANISATION

National Australia Bank



*REFLECTS ORGANISATIONAL CHANGES EFFECTIVE 1 OCTOBER 2008 AS ANNOUNCED ON 31 JULY 2008 AND 4 SEPTEMBER 2008. CAMERON CLYNE WILL SUCCEED JOHN STEWART AS GROUP CEO ON 1 JANUARY 2009. BRUCE MUNRO WILL SUCCEED MICHAEL HAMAR AS GROUP CRO IN JANUARY 2009. ANDREW THORBURN SUCCEEDED CAMERON CLYNE AS CEO BNZ ON 1 OCTOBER 2008.

REMUNERATION SUMMARY

NAB aims to attract and retain talented executives and directors.

Remuneration strategies are targeted to motivate NAB's people to pursue long-term business growth and success, and demonstrate a clear relationship between executive performance and remuneration.

NAB's Remuneration Committee is aware of recent regulatory focus on aligning remuneration policies with sound risk management systems, and with the organisation's risk appetite.

This is an important principle and we have reviewed the Group's reward framework against guidelines and rules recently published internationally, including UK Financial Services Authority, the US Department of Treasury, and the Financial Stability Forum. The Committee considers that NAB's remuneration framework is aligned with these guidelines but will keep the matter under close review. Guidelines expected to be released by the Australian Prudential Authority (APRA) will provide a further benchmark against which to assess NAB's total reward philosophy framework.

Rewards for non-executive directors are consistent with market rates and comprise cash fees, superannuation and equity.

NAB's executive remuneration approach ensures remuneration properly reflects the duties and responsibilities of these individuals. Executive packages are structured to ensure that a significant part of their rewards depends on achieving business objectives and generating returns for shareholders. A detailed remuneration report is contained in the Report of the Directors in the annual financial report available online at www.nabgroup.com

	CASH SALARY FIXED \$	CASH STI AT RISK \$	NON-MONETARY FIXED \$	SUPERANNUATION FIXED \$	OTHER LONG-TERM BENEFITS \$	SHARES AT RISK \$	OPTIONS AND RIGHTS AT RISK \$	TOTAL \$
EXECUTIVE DIRECTORS								
JM STEWART	2,739,966	1,527,000	190,480	-	-	429,359	3,626,803	8,513,608
A FAHOUR	1,744,531	1,915,500	5,010	28,603	-	2,142,100	1,498,260	7,334,004
MJ ULLMER	1,217,692	625,000	7,911	95,205	-	1,045,956	805,972	3,797,736
OTHER SENIOR EXECUTIVES								
CA CLYNE	1,035,863	675,000	42,295	52,817	-	407,903	741,322	2,955,200
G FRAZIS FOR PRORATED PERIOD AS KMP	590,569	564,098	10,967	12,235	-	615,341	347,310	2,140,520
MJ HAMAR	666,585	350,000	46,144	99,018	-	178,112	305,092	1,644,951
JE HOOPER	1,015,796	-	-	14,645	50,045	438,055	618,431	2,136,972
MA JOINER	944,009	900,000	-	67,064	-	1,802,144	739,252	4,452,469
L PEACOCK	972,069	1,075,619	486,749	228,701	-	896,095	1,063,334	4,722,567
PL THODEY	714,516	697,500	5,566	119,523	-	389,238	707,424	2,633,767
TOTAL KMP	11,641,596	8,329,717	795,122	717,811	50,045	8,344,303	10,453,200	40,331,794
OTHER NAMED EXECUTIVES								
S TUCKER	666,639	852,500	-	92,544	12,922	736,881	451,725	2,813,211
NON-EXECUTIVE DIRECTORS								
	CASH SALARY AND FEES FIXED \$	SUPERANNUATION FIXED \$	SHARES FIXED \$	TOTAL \$				
CURRENT								
MA CHANEY	632,467	13,283	71,750	717,500				
PA CROSS	127,637	17,863	97,000	242,500				
DT GILBERT	76,231	103,769	45,000	225,000				
TK MCDONALD	367,690	13,283	-	380,973				
PJ RIZZO	208,750	50,000	28,750	287,500				
JS SEGAL	150,842	13,283	88,375	252,500				
JG THORN	170,368	63,632	26,000	260,000				
GA THOMLINSON	416,467	13,283	47,750	477,500				
M WILLIAMSON	613,212	-	-	613,212				
FORMER								
PJB DUNCAN	155,369	12,651	32,813	200,833				
TOTAL	2,919,033	301,047	437,438	3,657,518				

SELECTED FINANCIAL DATA

GROUP RESULTS FOR THE YEAR ENDED 30 SEPTEMBER	2008 \$M	2007 \$M
NET INTEREST INCOME	11,142	9,765
OTHER OPERATING INCOME	3,015	3,519
MLC NET OPERATING INCOME	1,257	1,286
NET OPERATING INCOME	15,414	14,570
OPERATING EXPENSES	(7,276)	(7,428)
UNDERLYING PROFIT	8,138	7,142
CHARGE TO PROVIDE FOR BAD AND DOUBTFUL DEBTS	(2,489)	(790)
CASH EARNINGS BEFORE TAX, IORE AND DISTRIBUTIONS	5,649	6,352
INCOME TAX EXPENSES	(1,408)	(1,722)
CASH EARNINGS BEFORE IORE AND DISTRIBUTIONS	4,241	4,630
NET PROFIT - MINORITY INTEREST	1	–
IORE	(14)	39
DISTRIBUTIONS	(312)	(283)
CASH EARNINGS – ONGOING OPERATIONS	3,916	4,386
DISPOSED OPERATIONS	3	8
CASH EARNINGS	3,919	4,394
NON CASH EARNINGS ITEMS	617	184
NET PROFIT ATTRIBUTABLE TO MEMBERS OF THE COMPANY	4,536	4,578

The financial data presented in our shareholder review is aligned to our management view, rather than the statutory annual financial report. As such, the review focuses on ongoing cash earnings.

Cash earnings in one of the main financial targets we use to manage the Group and is a key performance measure used by the investment community. By presenting financial information on an ongoing basis, the results of operations that will not form part of the continuing Group (for example, entities that have been sold) are excluded for the current year and all prior periods shown.

Cash earnings does not refer to or in any way purport to represent the cash flows, funding or liquidity position of the Group. A full definition of cash earnings and selected performance indicators along with a reconciliation to our statutory net profit after tax can be found in our 2008 full year results announcement.

The accounting policy in relation to consolidation as it applies to special purpose entities changed during the year, which resulted in the consolidation of NAB-sponsored conduits. Comparative information has been restated to reflect this. Further information can be found in Note 1 of the 2008 Annual Financial Report available at www.nabgroup.com

SELECTED PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 SEPTEMBER	2008 \$M	2007 \$M
KEY INDICATORS		
CASH EARNINGS PER SHARE (CENTS) – BASIC	238.4	270.1
CASH EARNINGS PER SHARE (CENTS) – DILUTED	237.3	268.5
CASH RETURN ON EQUITY (ROE)	14.3%	17.1%
PROFITABILITY, PERFORMANCE AND EFFICIENCY MEASURES		
DIVIDENDS PER SHARE (CENTS)	194	182
DIVIDEND PAYOUT RATIO	81.4%	67.4%
CASH EARNINGS ON AVERAGE ASSETS	0.64%	0.84%
BANKING COST-TO-INCOME RATIO	46.9%	50.8%
CAPITAL	BASEL II	BASEL I
TIER 1 RATIO	7.35%	6.67%
TOTAL CAPITAL RATIO	10.93%	9.99%
ADJUSTED COMMON EQUITY (ACE) RATIO	5.28%	4.90%
RISK WEIGHTED ASSETS	343.5	355.3
VOLUMES (\$BN)		
AVERAGE INTEREST EARNING ASSETS	506.5	429.1
ASSET QUALITY		
GROSS IMPAIRED ASSETS TO GROSS LOANS AND ACCEPTANCES	0.49%	0.28%
TOTAL PROVISION TO GROSS IMPAIRED ASSETS	153%	211%
SPECIFIC PROVISION TO GROSS IMPAIRED ASSETS	30.0%	28.1%
OTHER		
FULL-TIME EQUIVALENT EMPLOYEES (NO.)	39,729	38,822

BALANCE SHEET SUMMARY AS AT 30 SEPTEMBER	2008 \$M	2007 \$M
ASSETS		
CASH AND LIQUID ASSETS	18,209	12,796
DUE FROM OTHER BANKS	46,996	25,144
MARKETABLE DEBT SECURITIES	39,463	40,682
LOANS AND ADVANCES AT FAIR VALUE	25,732	19,564
OTHER ASSETS AT FAIR VALUE	4,868	5,625
OTHER FINANCIAL ASSETS AT FAIR VALUE	30,600	25,189
LOANS AND ADVANCES INCLUDING ACCEPTANCES	406,456	366,525
INVESTMENTS RELATING TO LIFE INSURANCE BUSINESS	52,896	62,630
OTHER ASSETS	62,179	41,254
TOTAL ASSETS	656,799	574,220
LIABILITIES		
DUE TO OTHER BANKS	52,423	42,566
DEPOSITS AT FAIR VALUE	14,485	14,133
OTHER LIABILITIES AT FAIR VALUE	9,099	7,717
OTHER FINANCIAL LIABILITIES AT FAIR VALUE	23,584	21,850
DEPOSITS AND OTHER BORROWINGS	327,466	263,742
LIABILITY ON ACCEPTANCES	16,075	30,443
BONDS, NOTES AND SUBORDINATED DEBT	98,239	80,983
OTHER LIABILITIES	106,166	104,751
TOTAL LIABILITIES	623,953	544,335
NET ASSETS	32,846	29,885
EQUITY		
EQUITY (PARENT ENTITY INTEREST)	32,790	29,571
MINORITY INTEREST IN CONTROLLED ENTITIES	56	314
TOTAL EQUITY	32,846	29,885

SHAREHOLDER INFORMATION

2008 ANNUAL FINANCIAL REPORT

A copy of our annual financial report is available to all shareholders upon request. You can view our report online at www.nabgroup.com or request your copy from Shareholder Services either by email at web.queries@computershare.com.au or by telephone on 1300 367 647 (within Australia) or +61 3 9415 4299 (international).

ANNUAL GENERAL MEETING 2008

When: 18 December 2008
Where: Melbourne Convention Centre
Address: Cnr Spencer and Flinders Streets
MELBOURNE VIC 3000
Time: 9.30am (Australian Eastern Daylight Time)

NATIONAL AUSTRALIA BANK LIMITED

Chairman

Mr Michael A Chaney, AO, BSc, MBA, Hon. LLd W. Aust, FAIM, FAICD

Group Chief Executive

Mr John M Stewart, BA, ACII, FCIB

Company Secretary

Ms Michaela J Healey, LLB, FCIS

Registered office

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Tel: 1300 367 647

Auditor

Ernst & Young
Chartered Accountants
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Australia
Tel: +61 3 9288 8000 Fax: +61 3 8650 7777

CONTACT DETAILS

Principal Share Register

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Yarra Falls
452 Johnston Street ABBOTSFORD VIC 3067

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Local call: 1300 367 647 Fax: +61 3 9473 2500

Telephone and fax (outside Australia)
Tel: +61 3 9415 4299 Fax: +61 3 9473 2500

UK Share Register

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United Kingdom

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Website: www.nabgroup.com

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United States of America

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Tel: +1 201 680 6825 (outside US)
Email: shrrelations@bnymellon.com
Website: www.adrbnymellon.com

2009 FINANCIAL CALENDAR*

TBD 2009

Half yearly results announcement

11 JUNE 2009

Record date for interim dividend

9 JULY 2009

Payment date for interim dividend

TBD 2009

Full year results announcements

19 NOVEMBER 2009

Record date for final dividend

17 DECEMBER 2009

Payment date for final dividend

17 DECEMBER 2009

2009 Annual General Meeting

* DATES ARE SUBJECT TO CHANGE
TBD – TO BE DETERMINED

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NAB Online Trading can help you buy or sell ASX-listed shares, warrants and options. We can also help you invest in managed funds and IPOs.

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YOUR SHARES CAN HELP PEOPLE IN NEED



NAB is the first Australian public company to support ShareGift Australia, giving shareholders an opportunity to donate shares to charities without the need to appoint a stockbroker or pay brokerage fees.

Since July 2007, NAB shareholders have donated the total sum of \$47,000 to over 40 Australian not for profit charities nominated by the individual shareholders.

Over 200,000 Australian own small parcels of ASX listed shares with estimated worth of around \$80 million. Imagine the difference it could make if a fraction of these shares were donated to charities.

ShareGift Australia is endorsed by the Australian Securities Exchange and the Australian Shareholders' Association.

You can obtain further information about ShareGift Australia at www.sharegiftaustralia.org.au or by calling 1300 731 632.

www.nabgroup.com

DISCLAIMER

The shareholder review cannot be expected to provide as full an understanding of the financial performance, financial position, operating, financing and investment activities of the Group as the 2008 annual financial report and the 2008 full-year results announcement.

This publication 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 National Australia Bank 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. National Australia Bank does not undertake any obligation to publicly release the results of any revisions to these forward-looking statements to reflect circumstances or events subsequent to the date of this review.



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