



National
Australia
Bank

2014 Full Year Results

Investor Presentation
30 October 2014

Andrew Thorburn
Group Chief Executive Officer

Craig Drummond
Group Executive, Finance & Strategy

National Australia Bank Limited ABN 12 004 044 937



Important note on these presentation slides, including the use of non-IFRS financial information

This document is a visual aid accompanying a presentation to analysts by the Group Chief Executive Officer and the Group Executive Finance & Strategy on 30 October 2014. It is not intended to be read as a stand-alone document. It contains select information, in abbreviated or summary form, and does not purport to be complete. It is intended to be read by an analyst audience familiar with National Australia Bank Limited and its 2014 Full Year Results Announcement, and to be accompanied by the verbal presentation. This document should not be read without first reading the National Australia Bank Limited September 2014 Full Year Results Announcement, which has been lodged with the Australian Securities Exchange at the same time as this document and is available at www.nab.com.au.

The verbal presentation to analysts places emphasis on cash earnings measures of the Group's performance. NAB uses cash earnings for its internal management reporting purposes and considers it a better reflection of the Group's underlying performance. Accordingly, as a visual aid to that presentation, information in this document is presented on a cash earnings basis unless otherwise stated.

Cash earnings is calculated by excluding some items which are included within the statutory net profit attributable to owners of the Company. It is not a statutory financial measure and is not presented in accordance with Australian Accounting Standards nor audited or reviewed in accordance with Australian Auditing Standards. **The definition of cash earnings, a discussion of non-cash earnings items and a full reconciliation of the cash earnings to statutory net profit attributable to owners of the company is set out on pages 2 - 8 of the National Australia Bank Limited 2014 Full Year Results Announcement.**

Section 5 of the 2014 Full Year Results Announcement sets out the Consolidated Income Statement of the Group, including statutory net profit. The Group's financial statements, prepared in accordance with the *Corporations Act 2001* (Cth) and Australian Accounting Standards, and audited in accordance with Australian Auditing Standards, will be released on 17 November in NAB's 2014 Annual Financial Report.

Note:

- The inclusion of percentage changes in brackets in this document indicates an unfavourable movement on a prior comparative period.
- This document is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.
- This document contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "outlook", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the 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.



Agenda

- Introduction – Andrew Thorburn, Group Chief Executive Officer
- FY14 Financials – Craig Drummond, Group Executive Finance & Strategy
- Strategic Priorities – Andrew Thorburn, Group Chief Executive Officer
- Q&A



Andrew Thorburn
Group Chief Executive Officer

Introduction



Executive Team – experienced, accountable, focused



Andrew Thorburn
Group Chief Executive Officer

- 9 years with NAB
- 27 years working in financial services in both New Zealand and Australia



Antony Cahill
Group Executive Product & Markets

- 4 years with NAB
- 16 years of banking experience across product, retail and business banking, strategy



Craig Drummond
Group Executive Finance & Strategy

- 1 year with NAB
- 27 years financial services industry experience



David Gall
Group Chief Risk Officer

- 6 years with NAB
- 25 years experience in corporate and retail banking, working capital services, risk and payments



Andrew Hagger
Group Executive NAB Wealth

- 6 years with NAB
- 21 years experience with PricewaterhouseCoopers



Michaela Healey
Group Executive People, Communications & Governance

- 8 years with NAB
- 16 years corporate experience in listed entities across a range of industries



Anthony Healy
Managing Director & CEO BNZ

- 5 years with BNZ
- 23 years experience in New Zealand, Australia, Asia and the Middle East



Angela Mentis
Group Executive Business Banking

- 8 years with NAB
- 27 years experience in business, institutional, corporate and private banking and wealth management



Renee Roberts
Group Executive Enterprise Services & Transformation

- 25 years with NAB
- 25 years banking experience across operations, risk, technology, collections and personal banking



Gavin Slater
Group Executive Personal Banking

- 15 years with NAB
- 27 years working in the financial services industry commencing at the Standard Bank of South Africa



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Disappointing headline result

	Sep 13 ¹ Full year	Sep 14 Full year	% change
Cash earnings (\$m)	5,747	5,184	(9.8%)
Cash EPS (diluted cps)	242.7	216.0	(11.0%)
Dividend (100% franked cps)	190	198	4.2%
Cash ROE	14.1%	11.8%	(230bps)
Statutory net profit attributable to owners (\$m)	5,355	5,295	(1.1%)

(1) FY13 UK Payment Protection Insurance (PPI) costs restated and reported within cash earnings

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Craig Drummond

Group Executive Finance & Strategy

FY14 Financials



Group financial result

	Mar 14 Half year (\$m)	Sep 14 Half year (\$m)	Change on Mar 14 (%)
Net operating income (ex specified items) ¹	9,487	9,426	(0.6%)
Operating expenses (ex specified items) ¹	(4,251)	(4,262)	(0.3%)
Underlying profit (ex specified items) ¹	5,236	5,164	(1.4%)
B&DDs	(528)	(349)	33.9%
Tax (ex specified items) ¹	(1,308)	(1,347)	(3.0%)
Cash earnings (ex specified items) ¹	3,310	3,378	2.1%
Cash ROE (ex specified items) ¹	15.3%	15.1%	(20bps)
<i>Specified items:</i>			
- UK Conduct (PPI & IRHP) (pre-tax)	(205)	(1,205)	large
- Capitalised software (pre-tax)	-	(297)	N/A
- DTA and R&D (cash earnings impact)	-	(160)	N/A
Cash earnings (Reported)	3,150	2,034	(35.4%)
Cash ROE (Reported)	14.6%	9.1%	(550bps)

(1) Specified items excluded are - UK Conduct provisions (PPI & IRHP), Capitalised software impairment, DTA provision and R&D tax policy change



Specified items – UK Conduct

UK conduct issues

- Increase in PPI provisions relate to higher costs of administering the programme, and implementation of a new complaints handling process leading to increased payments for new and previously closed complaints
- Significant progress has been made towards completion of the in-scope interest rate hedging product review. The extent of future complaints on out-of-scope products remains more uncertain
- No additional new material conduct issues have emerged in 2H14, but it remains a significant issue for the UK banking sector generally
- Determining the total costs associated with conduct related matters remains subject to a wide range of uncertain factors

Payment Protection Insurance

Bank	Cumulative charge (m)	Redress paid (m)	Utilisation (%)
Barclays Bank ²	£4,850	£3,555	73%
Lloyds Banking Group ³	£11,325	£8,775	77%
RBS ²	£3,225	£2,639	82%
HSBC ²	US\$3,347	US\$2,588	77%
Clydesdale Bank ⁴	£806	£291	36%

- (1) Other matters refers to a range of smaller conduct issues including industry wide schemes
 (2) Peer banks as at 30 June 2014 (interim results announcements)
 (3) Lloyds Banking Group as at 30 September 2014 (Q3 trading update)
 (4) CB PLC as at 30 September 2014

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UK conduct expenses

	Sep 13	Mar 14	Sep 14	Remaining Provision
Payment Protection Insurance (£m)	130	-	420	515
Interest Rate Hedging Products (£m)	21	115	250	362
Other Matters (£m) ¹	46	13	-	49
Total Remaining Provision (£m)				926
Group cash expense impact (£m)	197	128	670	
Group cash expense impact (A\$m)	308	229	1,205	

Interest rate hedging products

Bank	Cumulative Charge (m)	Redress expensed/ calculated (m)	Utilisation (%)
Barclays Bank ²	£1,500	£852	57%
Lloyds Banking Group ²	£580	£419	72%
RBS ²	£1,350	£590	44%
HSBC ²	US\$859	US\$542	63%
Clydesdale Bank ⁴	£431	£170	39%



Specified items – Other

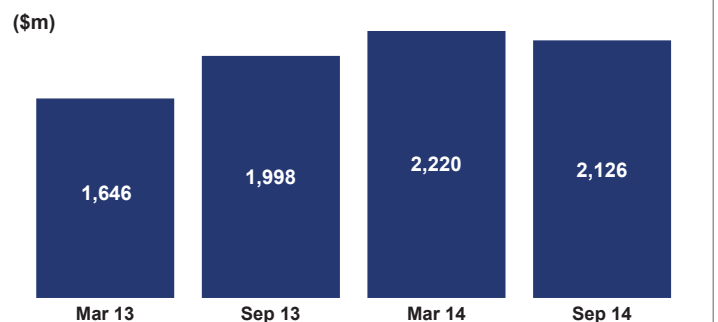
Capitalised software

- Capitalised software impairment of \$297m (\$220m after tax) following annual impairment assessment
 - Individually significant assets predominantly in NAB Wealth and Australian Banking businesses
 - Includes \$106m (\$74m after tax) NextGen impairment related to UBank mortgage origination software
- Depreciation and amortisation expense expected to increase by ~\$50m in FY15

Other items

- Deferred tax asset (DTA) provision of US\$120m (A\$132m)
- R&D tax policy change resulted in:
 - \$68m increase in tax expense;
 - \$40m decrease in operating expenses;
 - \$40m reduction in software assets; and
 - \$12m decrease to deferred tax liability

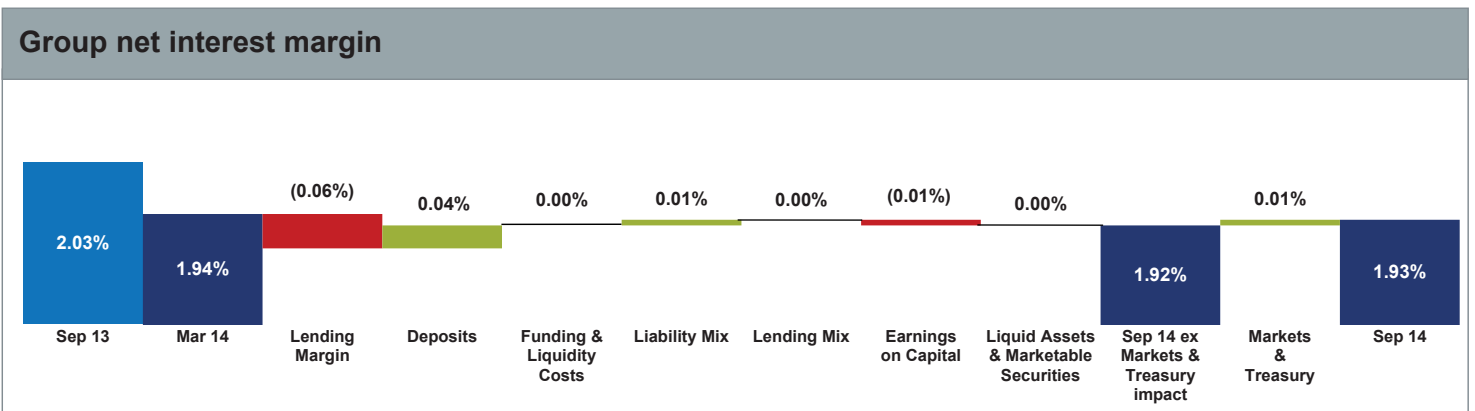
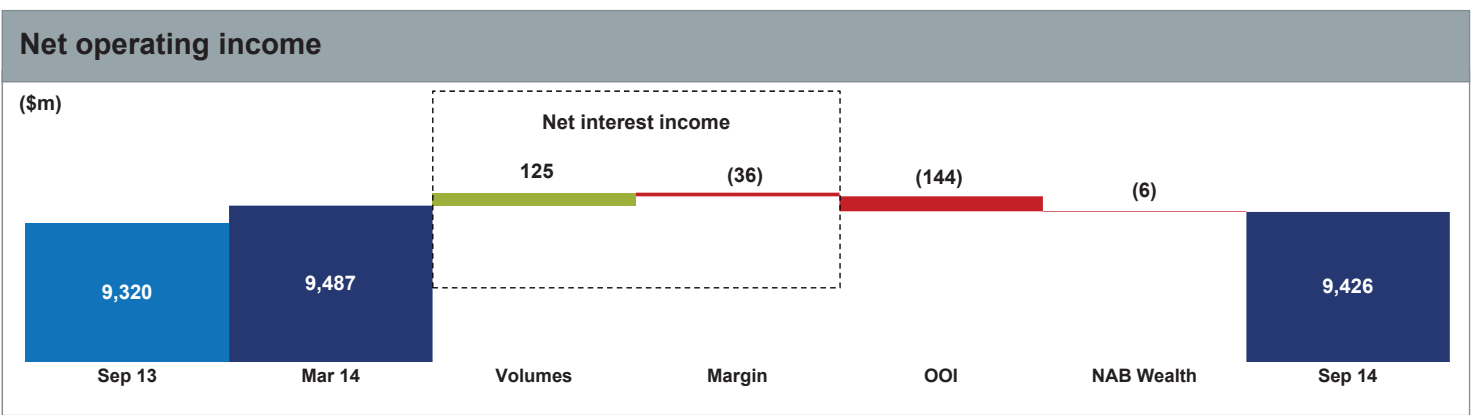
Capitalised software balance



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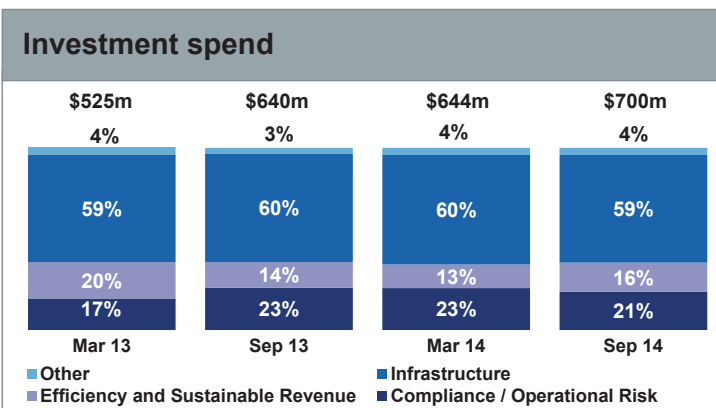
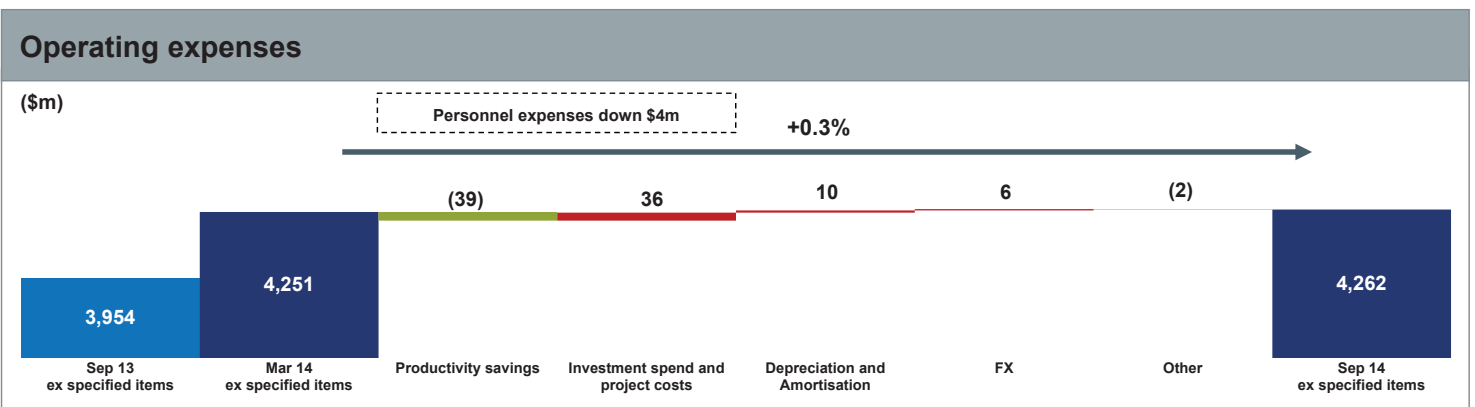
Operating income broadly flat, net interest margin stable



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Operating expenses, excluding specified items, well contained



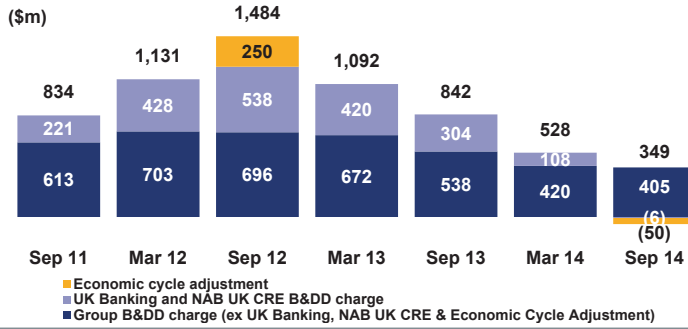
- ### Productivity initiatives
- Productivity savings in FY14 of ~\$160m (2H14 incremental savings ~\$40m)
 - Expect on-going productivity savings of \$100m - \$150m per annum
 - Productivity due to simplification and convergence across the business
 - Some savings to be reinvested in core franchise

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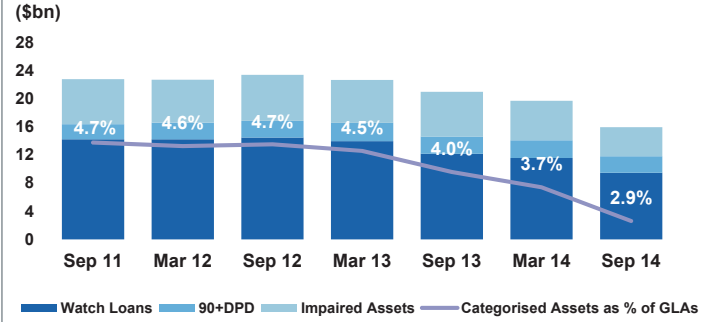


Asset quality improvements a highlight

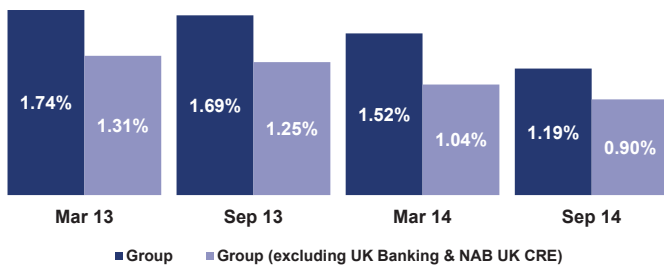
B&DD charge



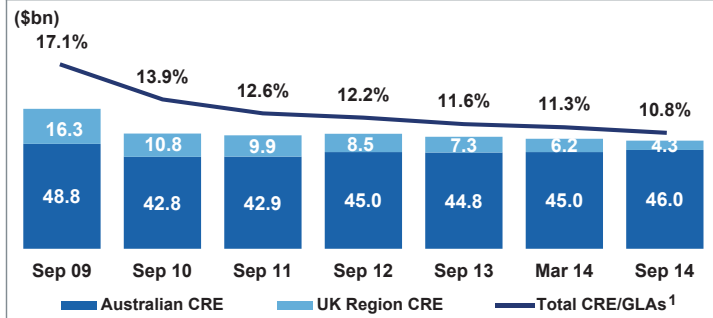
Categorised assets by class



90+ DPD & impaired assets as a % of GLAs



Commercial Real Estate exposure



(1) From September 2013 onwards includes commercial property exposures in both NAB UK CRE and \$0.4bn in UK Banking

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FY14 Group returns profile

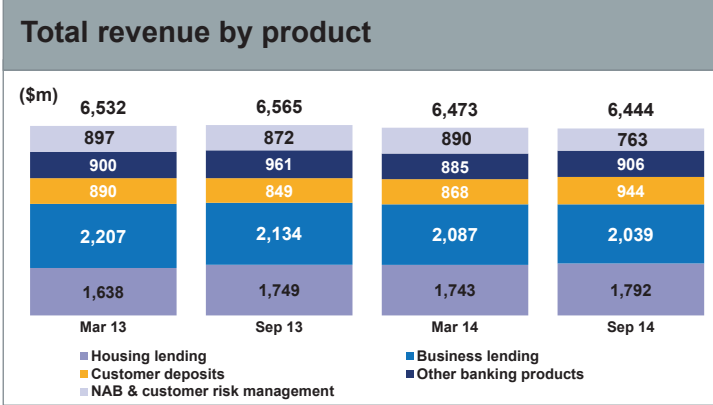
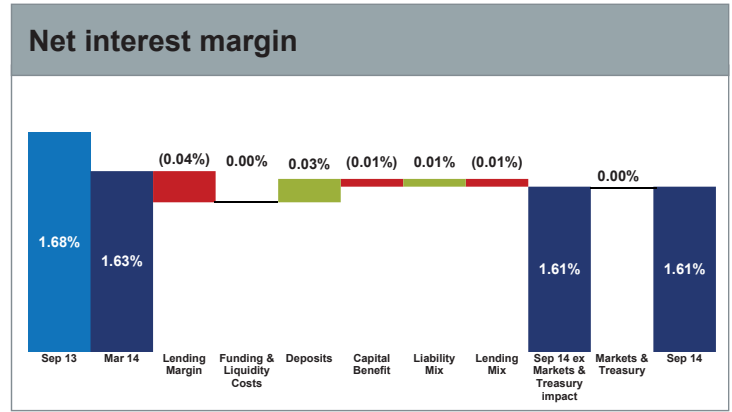
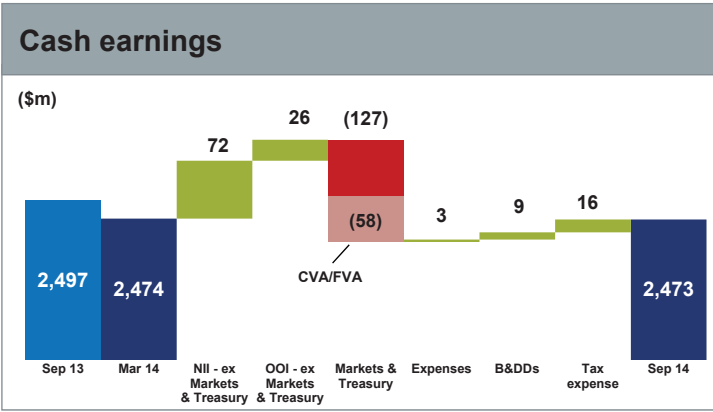
	Group	Group (ex specified items) ²	Australian Banking, New Zealand & Wealth ³	Other offshore ⁴
ROE ¹	11.8%	15.2%	17.2%	6.6%
Capital ⁵ (\$Abn)	45.1	45.1	37.3	7.9
% of Group capital	100%	100%	83%	17%

(1) FY14 ROE and based on internal allocated equity methodology
 (2) Excludes specified items – UK Conduct (PPI & IRHP) provisions, Capitalised software impairment, DTA provision and R&D tax policy change
 (3) Includes corporate centre, excludes specified items
 (4) Other offshore includes UK Banking, NAB UK CRE, SGA and GWB
 (5) As at 30 September 2014

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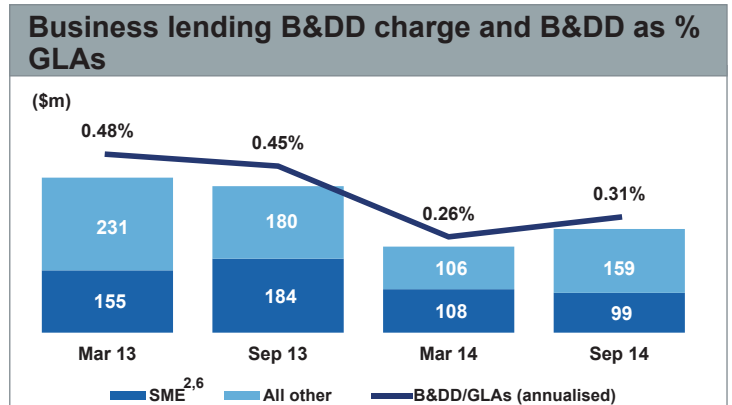
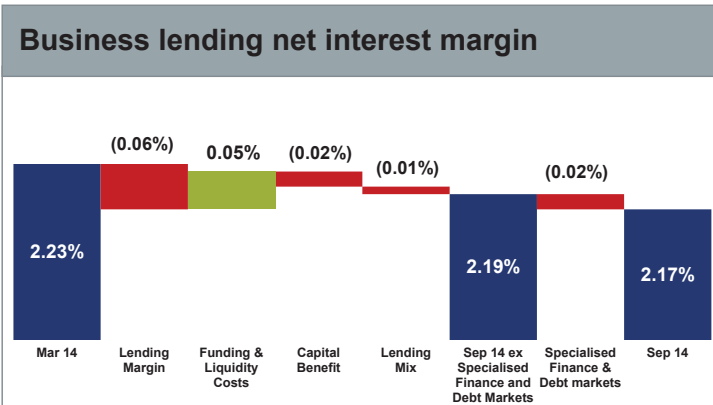
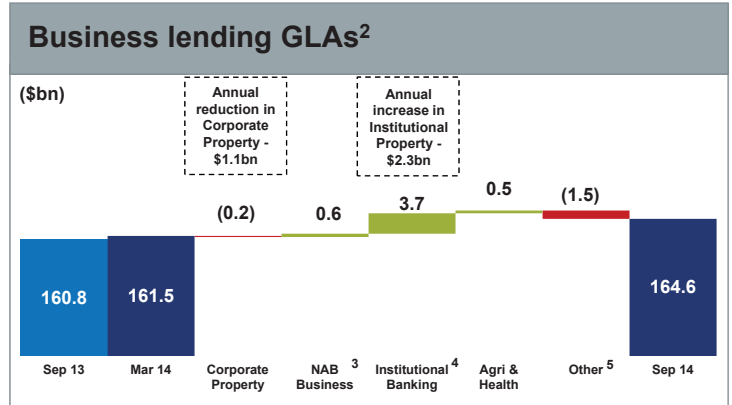
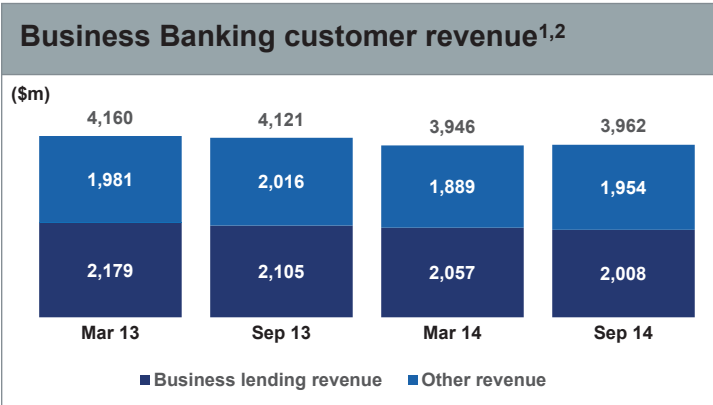
Australian Banking earnings stable despite lower risk income



(1) NAB risk management comprises NII and OOI and is defined as management of interest rate risk in the lending book, wholesale funding, and liquidity requirements and trading market risk to support the Group's franchises. Customer risk comprises OOI



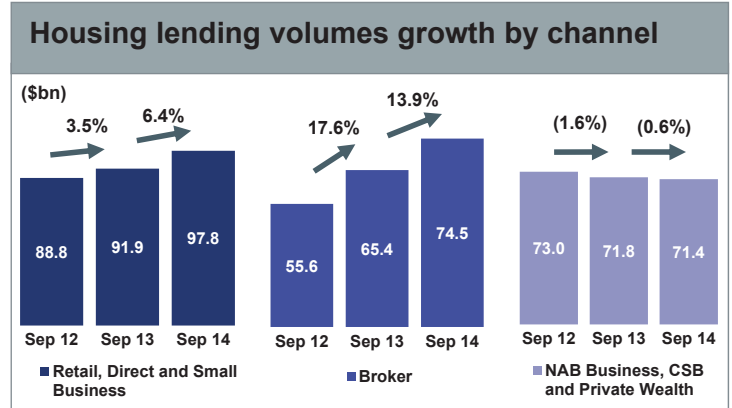
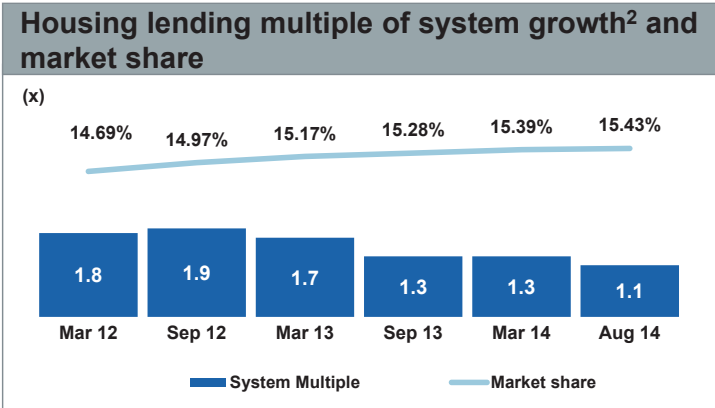
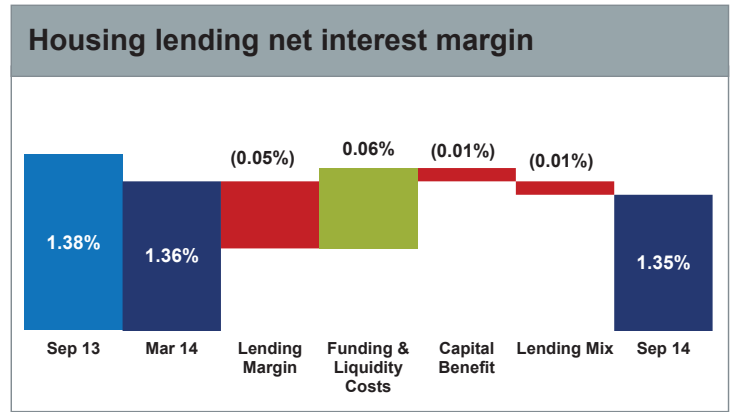
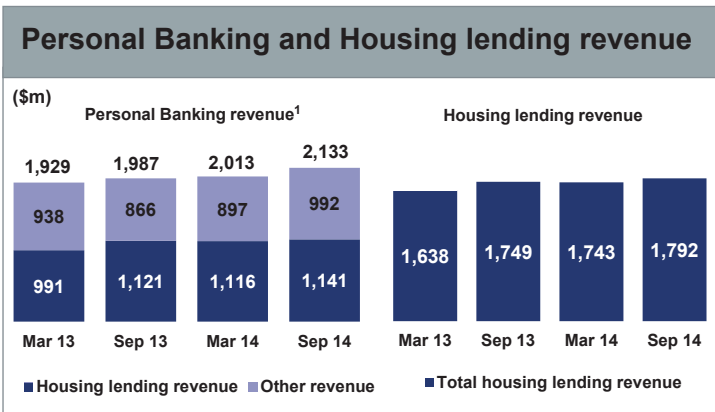
Business Banking customer revenue stable



(1) Excludes Wealth cross-sell revenue
 (2) Based on unaudited management information data, except for period end Business lending GLAs
 (3) NAB Business is the segment of Business Banking which supports business customers with lending typically up to \$25m, excluding the Specialised Businesses
 (4) Includes FIG
 (5) Other includes Asia, Private Wealth and Corporate
 (6) SME business data reflects the NAB Business segment of Business Lending which supports business customers with lending typically up to \$25m, excluding the Specialised Businesses



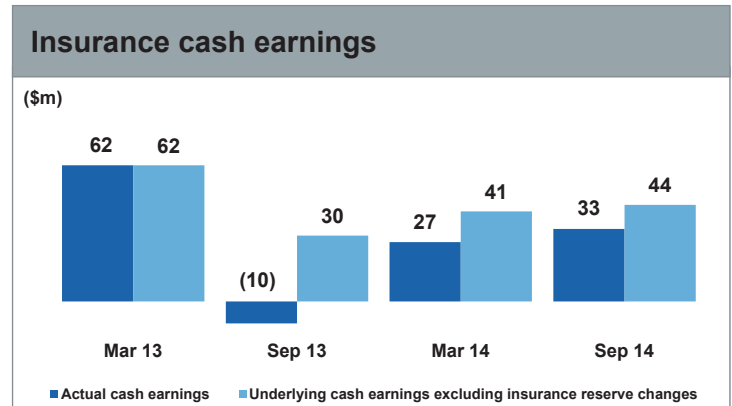
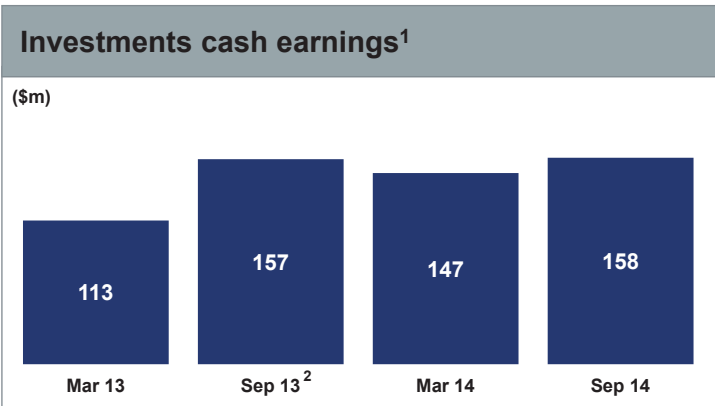
Strong growth in Personal Banking revenue



(1) Based on unaudited, management information data, excludes Wealth cross-sell revenue
 (2) APRA/RBA Financial system



NAB Wealth earnings continue to improve



Goodwill – \$4.1bn

- Tested and reviewed by external auditors semi-annually
- Supported under accounting standard by "value in use" approach
- Adequate headroom supported by increased cash earnings in FY14
- Discounted cash flow methodology used in valuation

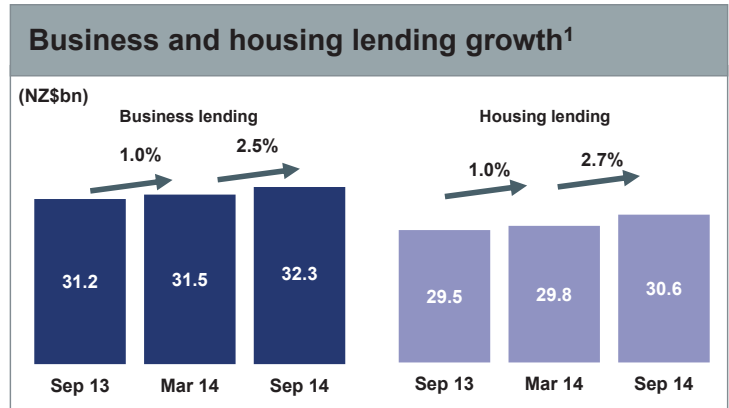
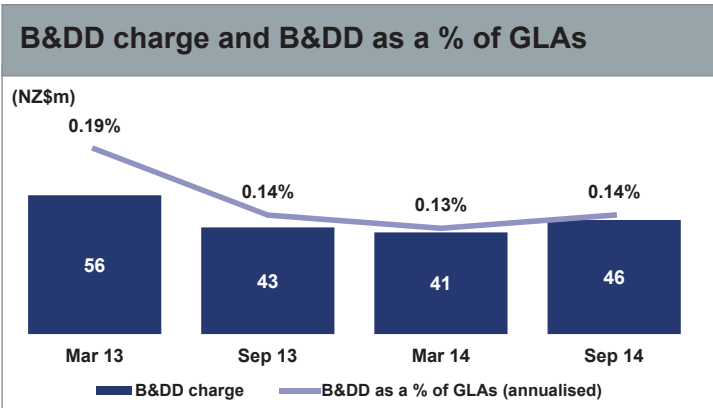
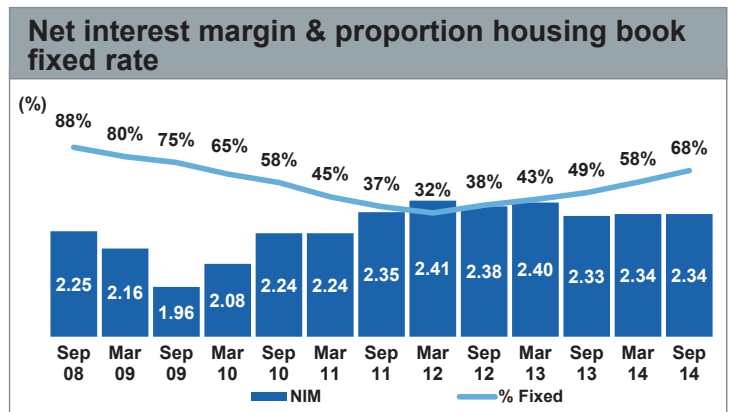
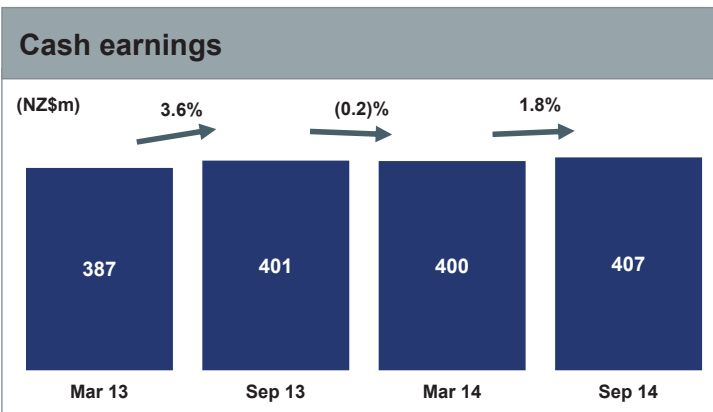
Performance against key insurance assumptions

• Retail and Group Premiums	↑
• Improved Retail Claims performance driven by strong claims management	↑
• Lapses remain stable through focus on retention initiatives	↔
• Incidences of Group Claims	↓

(1) Excludes Private Wealth (formerly part of NAB Wealth)
 (2) Includes sale of AREA Property Partners as disclosed in September 2013



Solid performance from New Zealand Banking



(1) Spot volumes



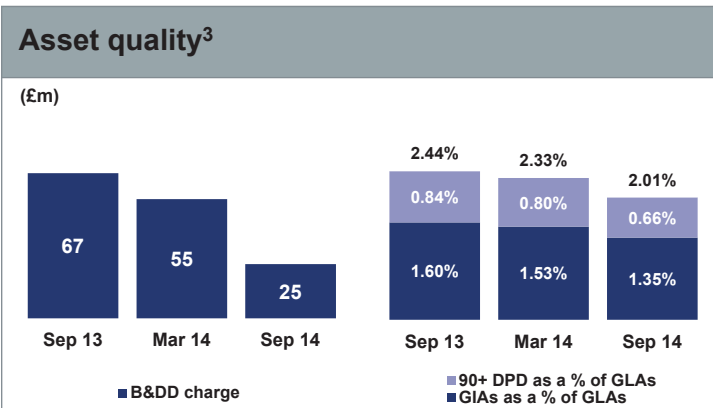
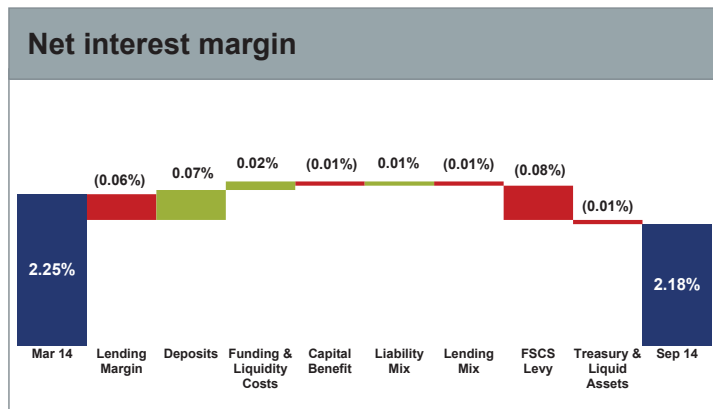
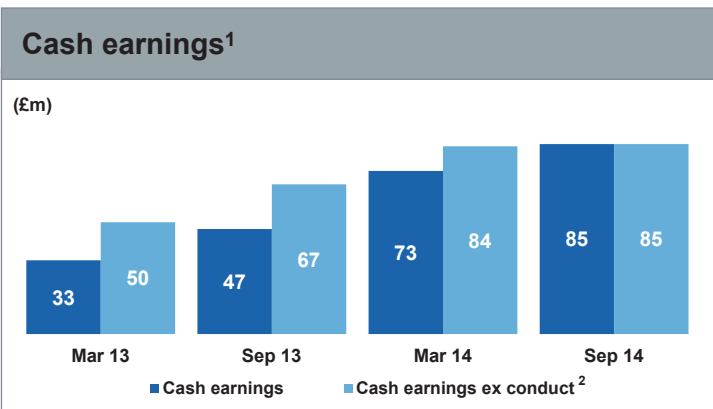
Great Western Bank update

Great Western Bank

- IPO of 31.8% (US\$331m) – greenshoe of 4.2% was exercised
- Earnings reported in Group Corporate Centre prior to release in the US
- Fully hedged currency translation of investment at US\$0.878
- Capital treatment of sale subject to APRA determination
- No P&L impact of minority sale, net impact is reflected directly in retained earnings
- No goodwill impairment from minority sale under Australian Accounting Standards



UK Banking earnings continue to recover



Other matters

- Clydesdale Bank CET1 ratio has improved from 10.5% to 12.2% over the year
- To comply with CRD IV regulatory changes, NAB is likely to repurchase a significant portion of the Basel II subordinated debt issued by NAB's UK businesses and replace with qualifying Additional Tier 1 capital and Common Equity in early FY15. There is no material impact on Group capital
- Expect £20m FY15 reduction in current account and interchange fees to align with market pricing and expected EU regulatory changes
- Details of 'ring fencing' regulation to be released in 2016. No material impact expected given mix of UK operations

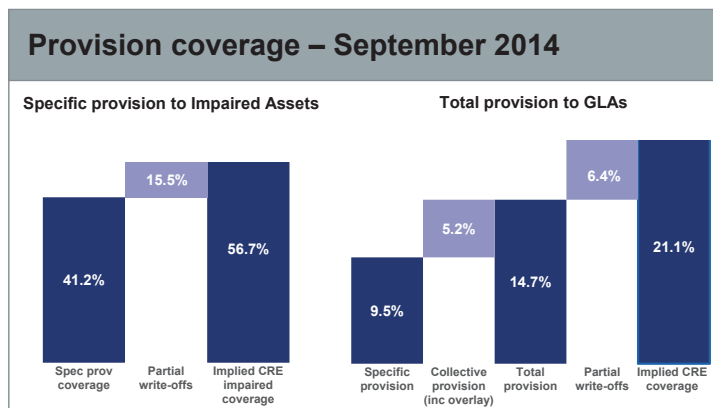
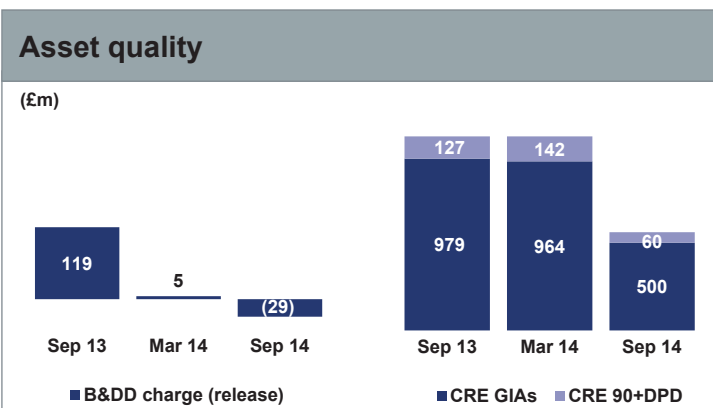
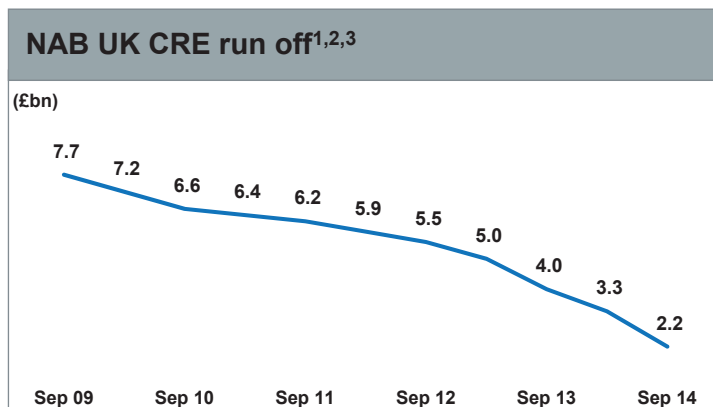
(1) March 2013 and September 2013 results have been restated in line with the adoption of amendments to IAS19, which resulted in £8m reduction in cash earnings for both 1H13 and 2H13
 (2) UK PPI & IRHP conduct provisions booked in Corporate Centre
 (3) From March 2014 balances include UK mortgage defaulted customers not previously disclosed as past due, where the contractual repayment date has passed but customers continue to pay interest due, or where an agreed arrangement is in place, or where the customer is deceased. Prior period comparatives have been restated



NAB UK CRE run-off benefitting from asset sales

Portfolio update

- Sold £0.6bn portfolio of largely non performing loans in July 2014
- Sale transaction released £127m of capital, with capital of £221m at 30 September 2014
- Gross impaired assets and 90+ DPD have reduced from £1.1bn to £0.6bn with continued strong provision coverage
- Release of £30m UK CRE overlay in 2H14. Remaining balance £44m
- Continuing to investigate opportunities to accelerate run-off

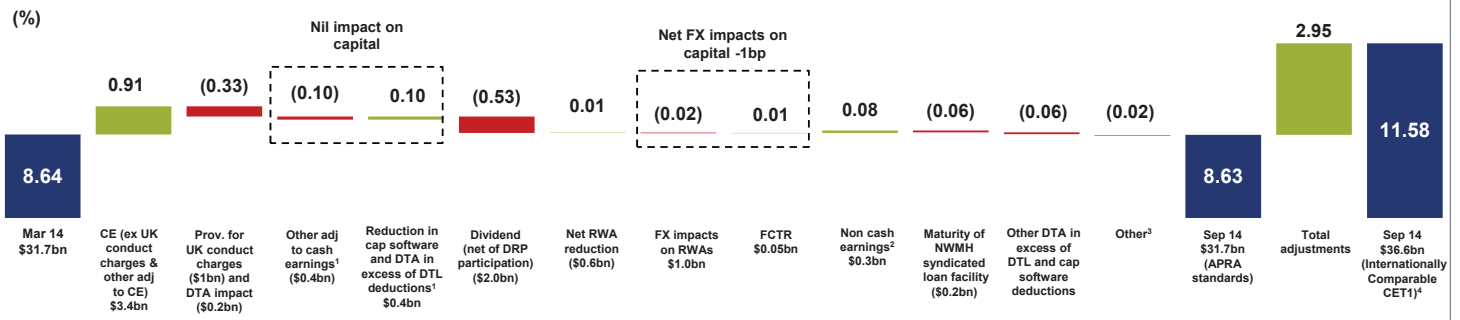


(1) On 5 October 2012 NAB UK CRE was separated from UK Banking
 (2) Represents CRE portfolio within UK Banking to September 2012 and the NAB UK CRE run-off portfolio post September 2012
 (3) Reflects the sale of £0.6bn loans on 28 July 2014



Strong capital, liquidity and funding position

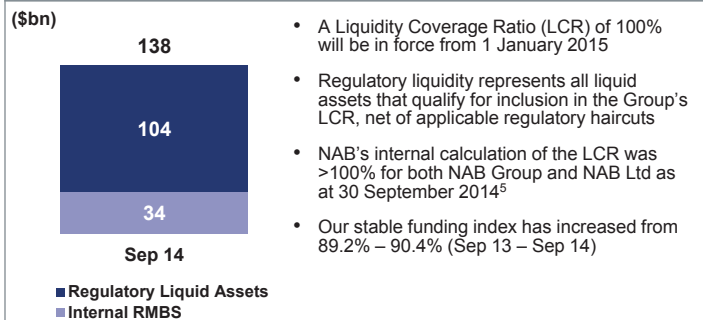
Group Basel III Common Equity Tier 1 Capital Position



Capital considerations

- CET1 target of 8.75-9.25% by January 2016 based on current regulatory framework
- DRP at 1.5% discount with no participation limit (22bps benefit assuming 35% participation). \$800m partial DRP underwrite (~22bps of CET1 capital)
- GWB sale increases CET1 ratio, but timing of recognition to be determined
- Other non core asset sales
- Wealth Management capital benefit of debt held (~47bps of CET1) removed progressively through to December 2017
- Financial System Inquiry (FSI)
- G20 meeting in November likely to address "too-big-to-fail"
- Leverage ratio - no minimum proposed by APRA at this point. Disclosure from January 2015

Regulatory Liquidity and Funding position



- (1) 'Other adjustments to cash earnings' include the impairment of capitalised software and the NY DTA provision, which has a corresponding reduction in capitalised software and the DTA in excess of DTL deduction
- (2) Non-cash earnings impact after adjusting for distributions, treasury shares and amortisation of acquired intangibles
- (3) 'Other' includes regulatory methodology changes, deconsolidation of wealth management equity and other immaterial movements
- (4) September 2014 Internationally Comparable CET1 ratio consistent with PwC and ABA methodology as part of their response to the FSI in August 2014. March 14 CET1 ratio was 11.47%
- (5) Based on the 2014 notional CLF allocation and NAB's interpretation of the LCR rules in APS210

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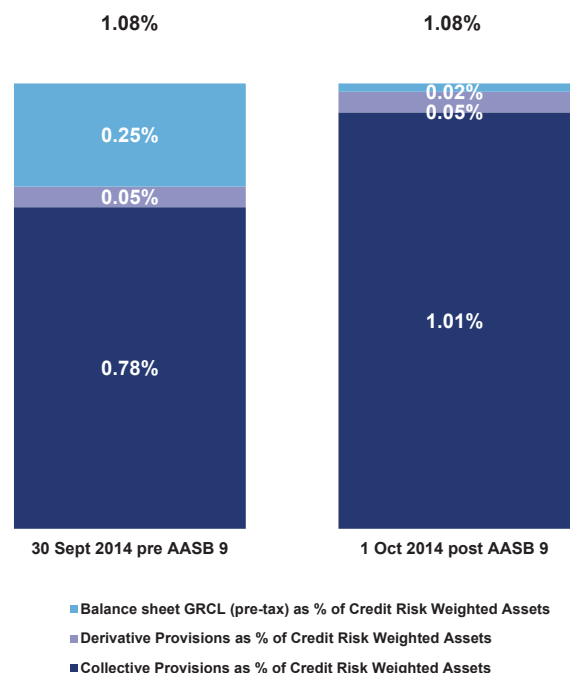


IFRS 9 adoption expected 1 October 2014

IFRS 9 adoption from 1 October 2014

- Final IFRS 9 accounting standard issued in July 2014 and Australian equivalent (AASB 9) expected shortly. Early adoption from 1 October 2014
- Introduces hybrid expected loss provisioning methodology replacing the current incurred loss methodology under AASB 139. Comparison of 2014 collective provision charges under AASB 139 v IFRS 9 indicate they directionally move the same way and are broadly consistent
- Introduces new criteria to determine which financial instruments are measured at amortised cost or fair value
- On adoption two main changes with adjustments taken through retained earnings
 - Proforma increase in collective provision for amortised cost and fair value loans of \$725m, with a corresponding reduction in the balance sheet GRCL. Proforma reduction in CET1 of 6bps¹ from the recognition of the DTA on the provision increase
 - Certain loans and securities 'held to maturity' (mainly UK CRE and SGA portfolio) moved to fair value measurement. Proforma reduction in CET1 of 7bps¹ but expect to offset as these assets are sold in the short term
- Will provide a more detailed information session for analysts and investors after the release of the Australian Standard AASB 9

Collective provision coverage ratios



- (1) The proforma CET1 impacts remain subject to final verification and confirmation from APRA

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Summary

- Challenging revenue environment, but will not compromise credit standards
- Good Personal Banking revenue performance, stable Business Banking revenue
- Strong cost disciplines to continue, increasing investment in core franchise
- Asset quality a highlight
- Focus on low yielding assets and capital redeployment to close peer ROE gap
- Balance sheet strong – capital, funding, liquidity and asset quality



Andrew Thorburn
Group Chief Executive Officer

Strategic Priorities



Our focus for FY15: Executing well

Strong Australia & NZ franchise

- Customer experience
 - Consistent measurement
 - Fix pain points
 - Digital enablement
- Clear segment focus
 - SME, Specialised Business customers
 - Home loan customers
- Culture
 - Accountability, Performance, Delivery
 - Passion for customers

Banking essentials: Balance sheet, Risk, Technology

Run off low returning assets

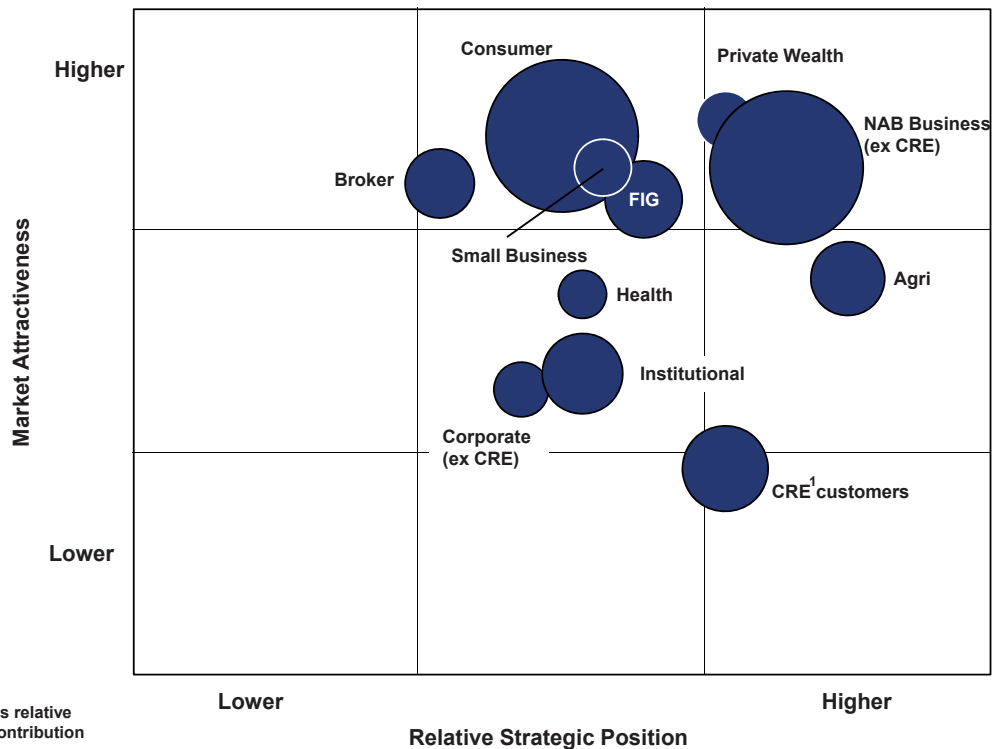
Improving shareholders returns by closing ROE gap to peers

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Focus in Australia on our most attractive customer segments

Australian Banking Customer Segments



(1) CRE = Commercial Real Estate

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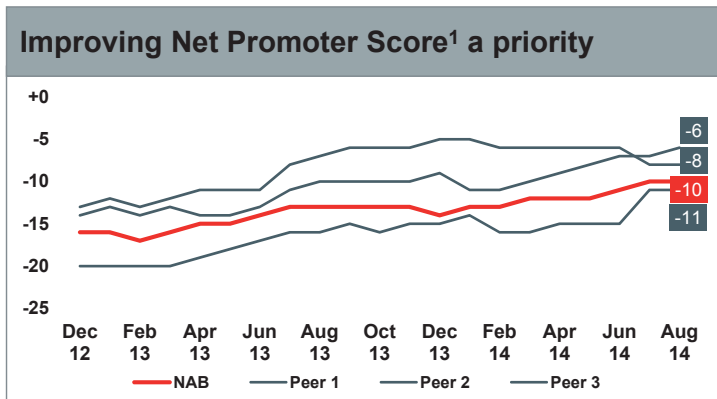
Improving the customer experience will driver better performance

Customer at the centre

- Understand and support customers
- Make it simple for customers
- The basics count
- Organisational accountability for customer experience

Addressing customer pain points

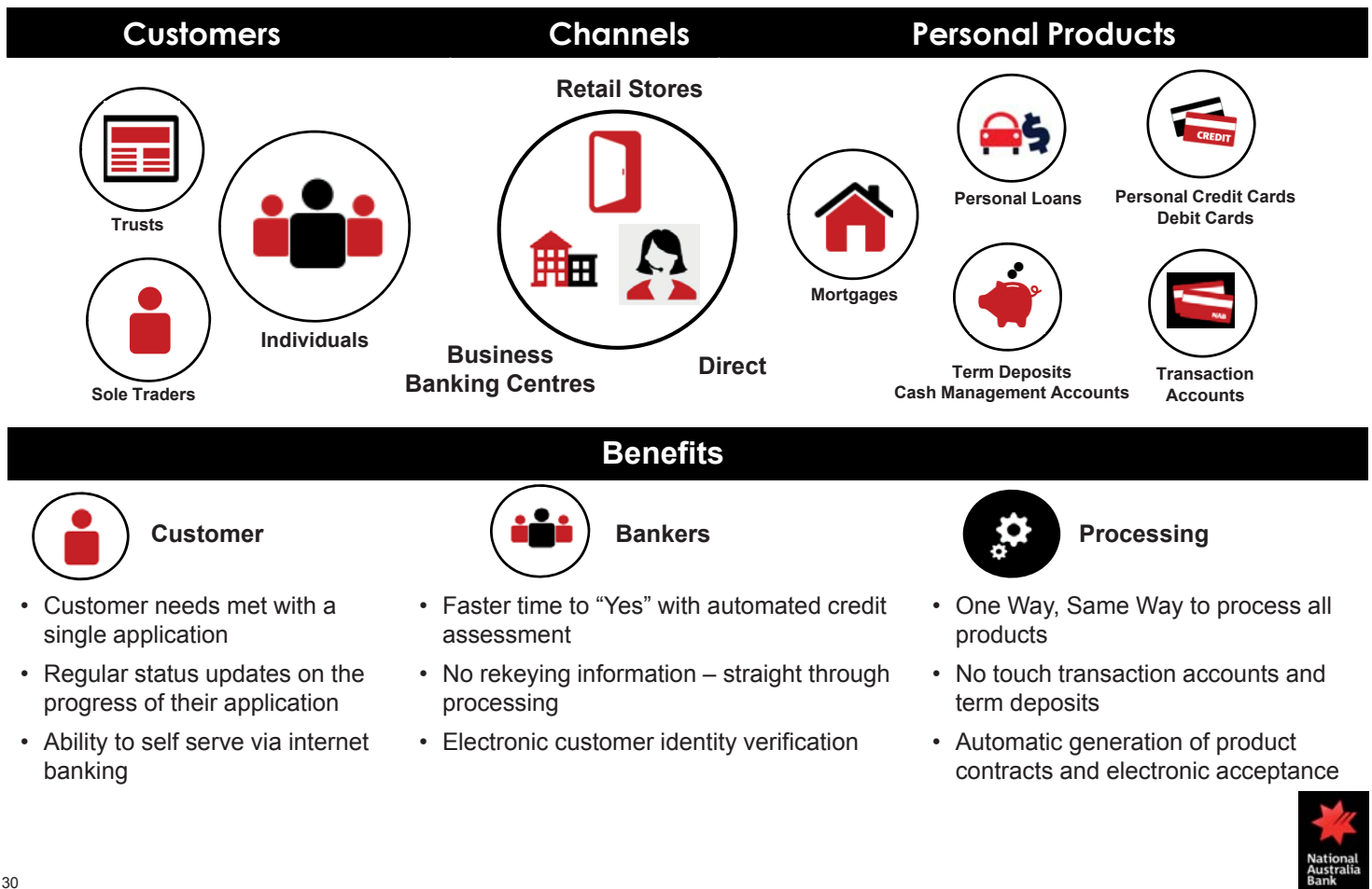
- Mortgage variations
- Business lending process
- NAB Connect amendment process



(1) NAB's Enterprise Net Promoter Score (eNPS) is an index of NPS scores developed by NAB for the purpose of monitoring performance of internal priority segments. Data used in the index is sourced from Roy Morgan Research, DBM BFSM, and Peter Lee Large Corporate and Institutional Relationship Banking survey. The NPS Index is a straight average of NPS scores for nine key NAB segments



Step change improvement in customer origination from 2015



Review confirms need for ongoing technology transformation

External review of NextGen program nearing completion

External review not yet complete but preliminary findings clear:

- Benefits have been delivered to date
- Smaller, more frequent drops of capability required
- Clearer business case benefits and accountability
- Technology schedule based on benefits, do ability and external environment (including regulatory/compliance and customer opportunities)

Current timetable for technology delivery

2009 - 2014

Delivered to date

- 2011 - Delivered new securitisation platform
- 2011 - New SAP general ledger installed
- 2010 - 2014 - Delivered core banking foundation including migration of 300,000 UBank customers
- 2014 - Deployed new credit risk engine enabling the decommissioning of 37 legacy servers

2015 - 2016

In progress

- Origination and fulfilment of personal banking products
- Complete roll-out of single customer view (NAB View) to Business Bank and areas of NAB Wealth
- Extension of the funds transfer pricing capability to deliver Basel III liquidity obligations

2017+

Business as usual decisions

- Customer account servicing
- Customer account migration
- Extension to Business product origination and fulfilment
- Decommissioning of legacy platforms

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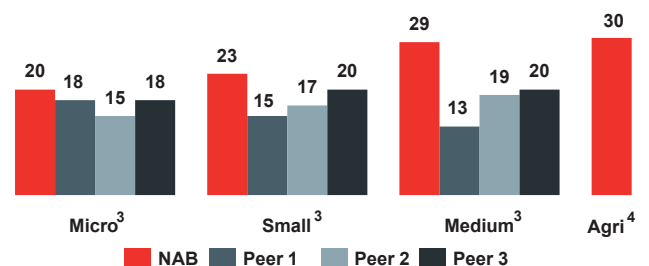
Business Banking: Clear strength

More bankers in more places means ...

- 228 Business Banking Centres – well ahead of competitors
- 4,048¹ Business Bankers, includes 600 specialist Agri Bankers across Australia
- Reputation for standing by our customers in tough times (300bps share increase during GFC²)

...strong market position in key segments

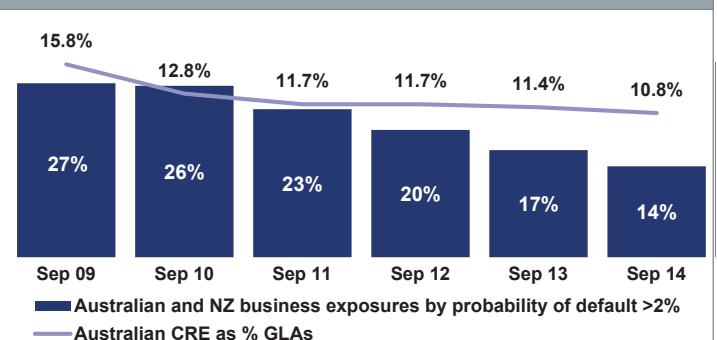
Business Lending Market Share (%)



Specialisation model a competitive advantage

SME	\$105bn ⁵	NAB Business is the largest provider of banking services to SMEs in Australia by market share ⁷
Agribusiness	\$24bn ⁵	Leading Agribusiness bank by market share ⁸
NAB Health	\$11bn ⁵	More specialised Health bankers in more locations ⁹ , covering individual practitioners through to aged care and hospital operators
Government & Education	\$11bn ⁶	National team of bankers with deep industry understanding

Risk profile reduced



(1) Includes 1,786 associates
 (2) September 2009 – September 2012. APRA
 (3) September 2014. DBM APRA aligned lending dollars. All MFI respondents. 12 month rolling average
 (4) June 2014. NAB APRA submission / RBA System
 (5) September 2014 spot lending volumes
 (6) September 2014 spot lending volumes and deposits

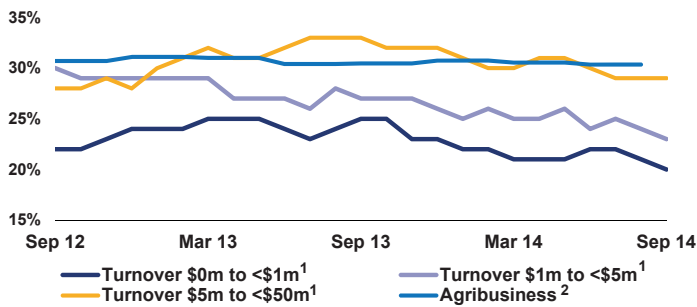
(7) APRA / RBA
 (8) June 2014. NAB APRA submission / RBA system
 (9) NAB estimates

32

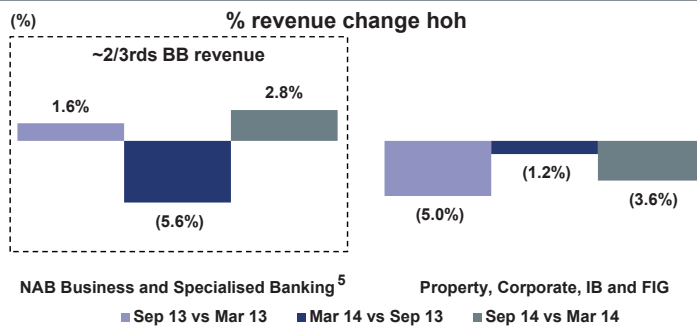


Business Banking: Performance has been mixed

Market share trends in priority segments mixed



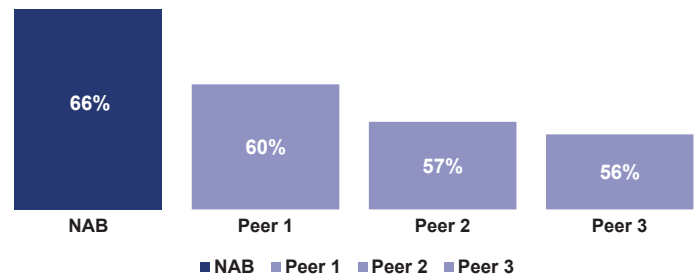
Improving revenue momentum in SME and Specialised Businesses⁴



SME customers value non-price services³



Share of Wallet⁶ - SME Customers



(1) September 2014. DBM APRA aligned lending dollars. All MFI respondents. 12 month rolling average
 (2) June 2014. NAB APRA submission / RBA System
 (3) NAB research based on surveys of 2,944 customers
 (4) Based on unaudited, management information data

(5) Specialised Banking includes Agri, Health, Government, Education and Community
 (6) DBM Business Financial Services Monitor, 12 month roll, August 2014. Share of Wallet is based on the total footing held at the bank, divided by the total footings held by business customers at any financial institution. SME Business segment is defined by annual turnover (\$0 - <\$50m)



Business Banking: Investing in our core franchise

Building people numbers and capability

- 100 additional frontline bankers in Business Banking Centres (BBC)
- Additional mobile bankers and product sales specialists
- Increased focus on sales disciplines
- >\$40m additional investment spend

New service & fulfilment model near completion

- Benefits will include more time in front of customers, lower error rates and faster turnarounds
- Consolidation of 470 operational roles from 228 BBCs into 7 fulfilment centres
- Some disruption adjusting to new service model
- Completion date 1H15

Technology investments improving sales and customer experience

NAB Connect

- Internet and mobile banking for business customers upgraded early 2014
- View all accounts on login
- Quicker access to payments awaiting action
- Bulk authorisation of international payments



NAB View

- Single customer view being rolled-out to business bankers – currently available to 2,300 bankers (~4,500)
- Customer hub aggregates data from >12 million customer records
- Will improve sales conversations and deepen relationships



NAB View customer product heat map

NAB Now

- FY15 launch for small business customers
- Make a sale anytime anywhere
- Card payments from smartphone or tablet
- Same day funds
- On the spot invoicing



Business Banking: Way forward

What we won't do

- ✗ Lower risk standards to grow
- ✗ Focus on market share outside our priority segments
- ✗ Pursue growth at the expense of returns

What we will do

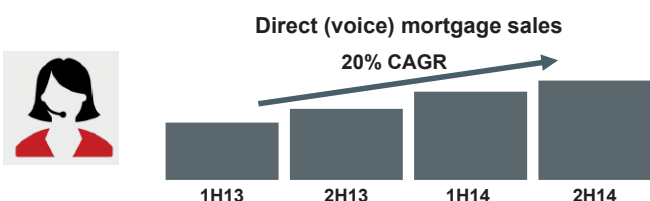
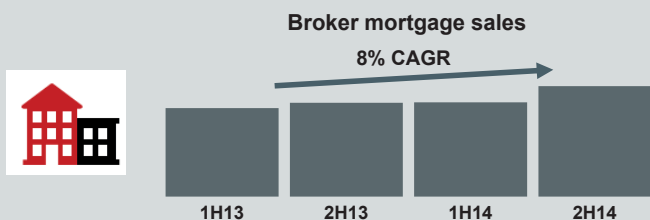
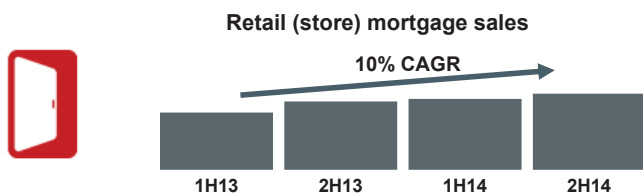
- ✓ Invest in segments where we have competitive advantage and can generate acceptable returns
- ✓ More front-line business bankers
- ✓ Focus on whole of relationship not transactional lending
- ✓ Grow corporate and institutional where returns are adequate
- ✓ Improve our digital offering for customers
- ✓ Simplify our products and processes

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Build on momentum in Personal Banking

Housing mortgage growth across channels



Supported by growth initiatives

- Additional investment in increased mobile banker footprint
- Over 2015 and 2016 begin originating personal products on new platform
- Continue to optimise store network and focus on sales efficiency
- Broker originated share of industry loans now 50%. NAB has ~3,500 affiliated brokers
- Successful re-brand of Homeside to NAB and introduction of 1st year trail from 1 October 2014
- White label offering to reach >50% of broker market after two new deals¹
- Plan, Choice and FAST affiliated brokers increased by >200 in FY14
- Additional investment in Digital and Direct
- Further tilt from service to sales in Direct channel
- Focus on delivering more digital capability to enhance customer experience

(1) Heads of agreement signed with AFG. Parties to work through contractual agreements

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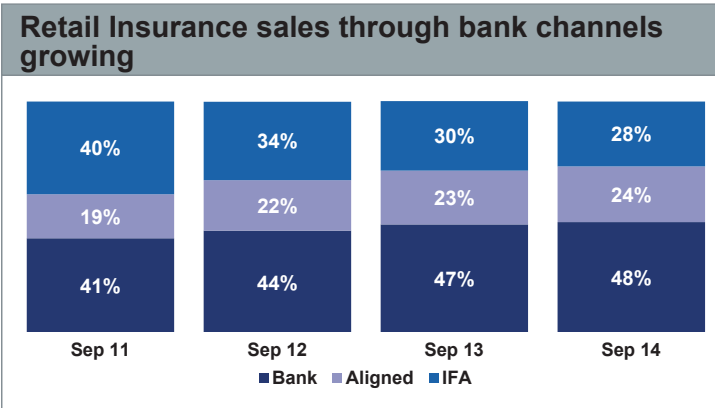
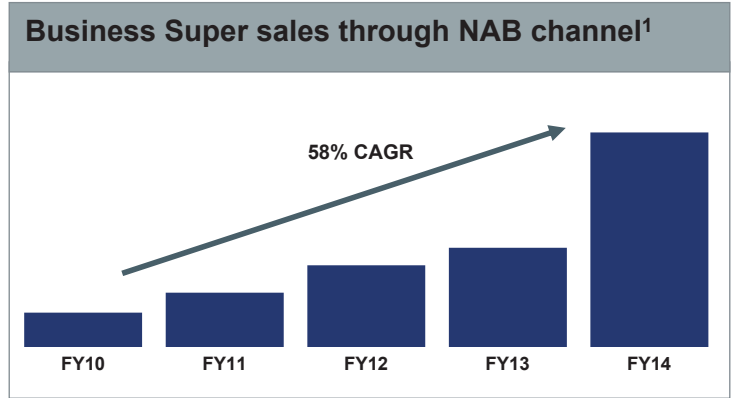


Wealth improving, but returns too low

Wealth operational performance improving

FY14 earnings up 13% from FY13

- Improved insurance pricing
- Better claims management and retention
- Good traction on banking cross-sell
- Productivity gains – CTI from 69.3% to 66.0%



Examining options to improve returns

- ROE less than cost of capital, but doesn't capture linked economics through bank channels
- Regulatory changes negatively impact ROE
- Committed to distribution of wealth products
- Evaluating a number of options to improve overall returns

(1) Represents Masterkey Business Super sales through the Corporate, Institutional and Specialised Banking channels



Accelerate exit of legacy assets

	UK Banking	UK CRE	GWB	SGA
ROE ¹	5% ²	3% ³	7% ⁴	12% ⁵
Capital ⁶ (\$Abn)	5.5	0.4	1.6 ⁴	0.4
% of Group capital	12%	1%	4%	1%
Progress to date	Restructured and improving returns	GLAs of £3.4bn run-off/sales, £2.2bn remaining	IPO of 31.8%	\$22bn RWA run-off, \$4.1bn left
Next Steps	Exit	Exit	Exit	Exit

(1) FY14 ROE and based on internal allocated equity methodology
 (2) Excludes provisions taken for PPI & IRHP which are reported in Group Corporate Centre
 (3) Gain on portfolio sale excluded
 (4) GWB capital based on 30 June 2014 US GAAP total stockholders' equity. ROE based on annualised US GAAP cash net income and average common equity for 9 months ending 30 June 2014
 (5) ROE benefiting from asset sale gains
 (6) As at 30 September 2014 with the exception of GWB (see footnote 4)

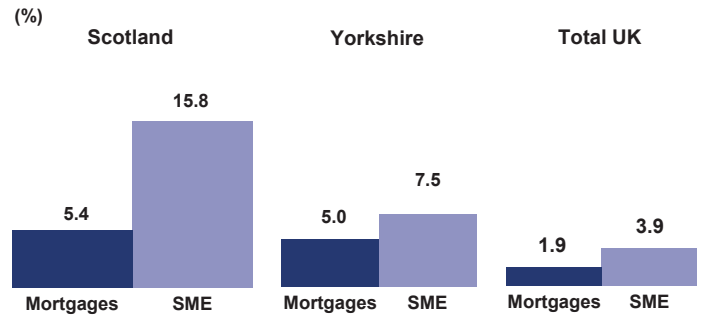


UK improvement means wider range of exit options available

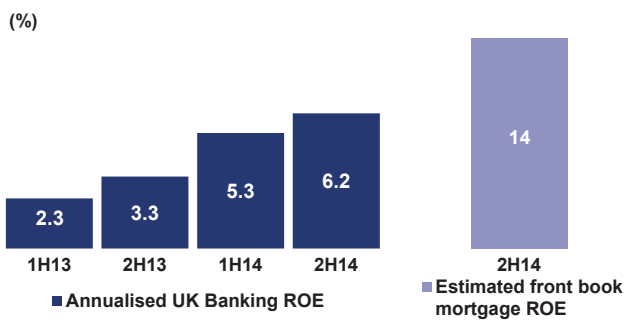
UK well positioned for growth over medium term

- Strong regional brands with good market share in local markets
- Improving UK economy, including Scotland and Yorkshire
- 10% annual growth in mortgages (2% system), mainly via broker
- Business lending tilt away from lower returning corporate into SME
- Efficiency opportunities as migrate from branch-based to digital customer interactions

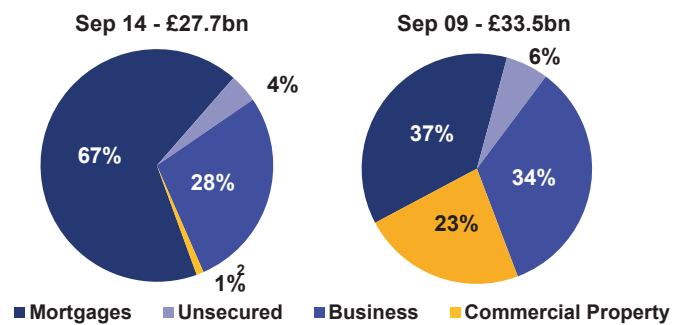
Good market share in local markets¹



Front-book mortgage returns attractive



Much lower risk loan book



(1) British Bankers' Association

(2) UK Banking commercial property exposures relate to relationship customers where the primary facility is not commercial property



Our focus for FY15: Executing well

Strong Australia & NZ franchise

- Customer experience
 - Consistent measurement
 - Fix pain points
 - Digital enablement
- Clear segment focus
 - SME, Specialised Business customers
 - Home loan customers
- Culture
 - Accountability, Performance, Delivery
 - Passion for customers

Banking essentials: Balance sheet, Risk, Technology

Run off low returning assets

Improving shareholders returns by closing ROE gap to peers



Questions & Answers



Additional Information

Australian Banking

NAB Wealth

NZ Banking

UK Banking

NAB UK CRE

Group Asset Quality

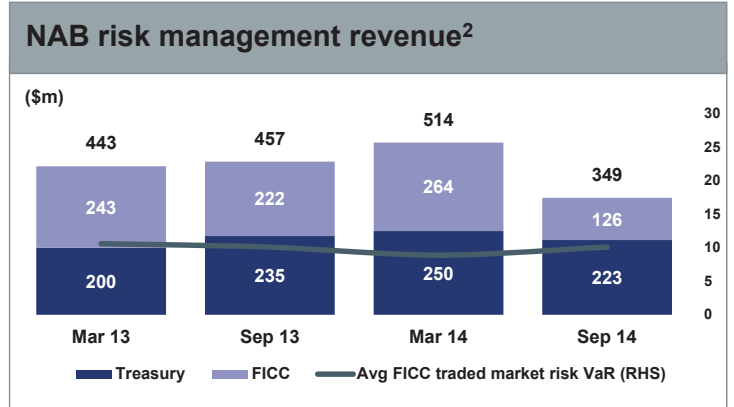
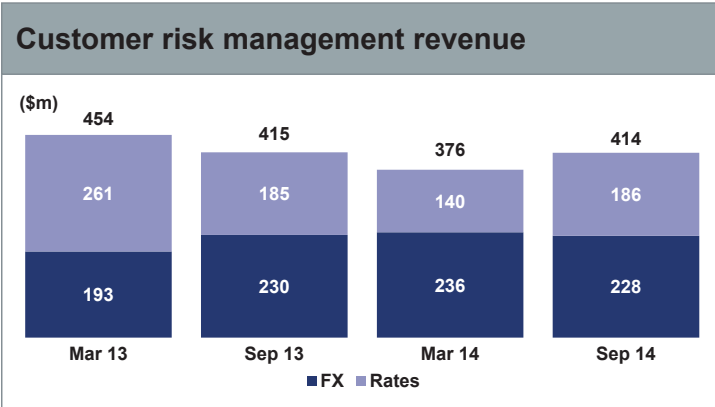
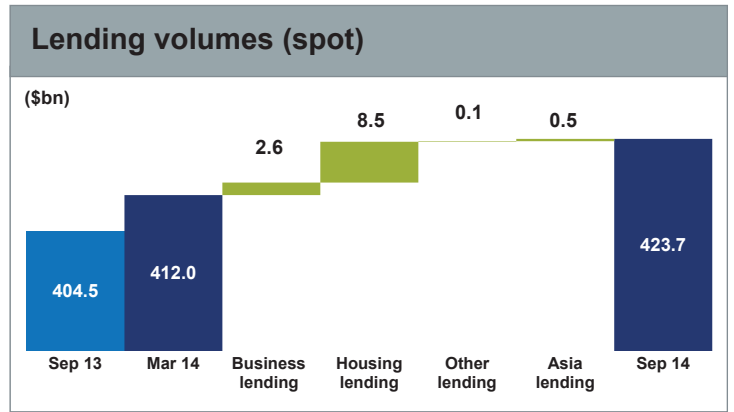
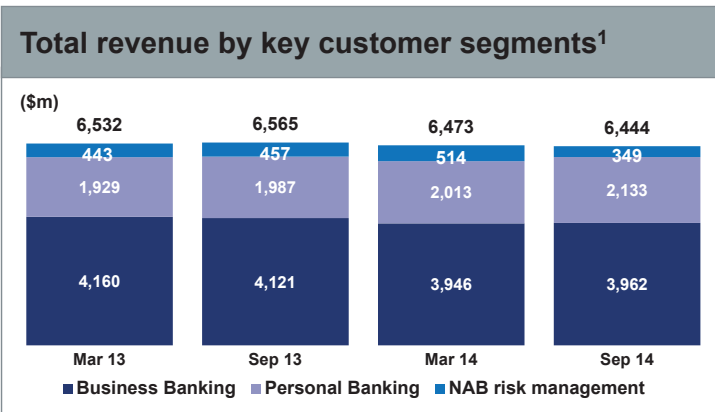
Capital and Funding

Other

Economic Outlook



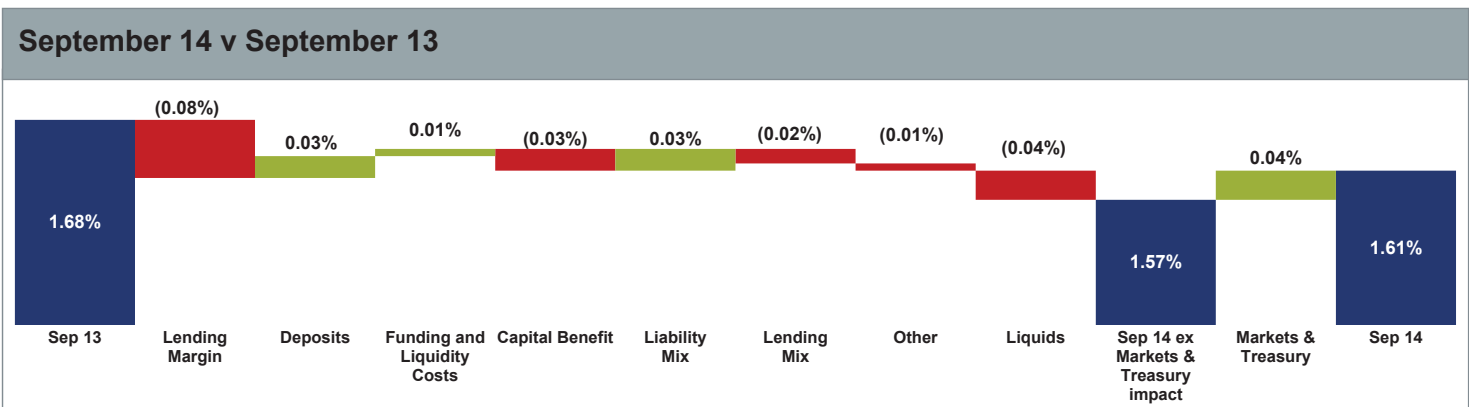
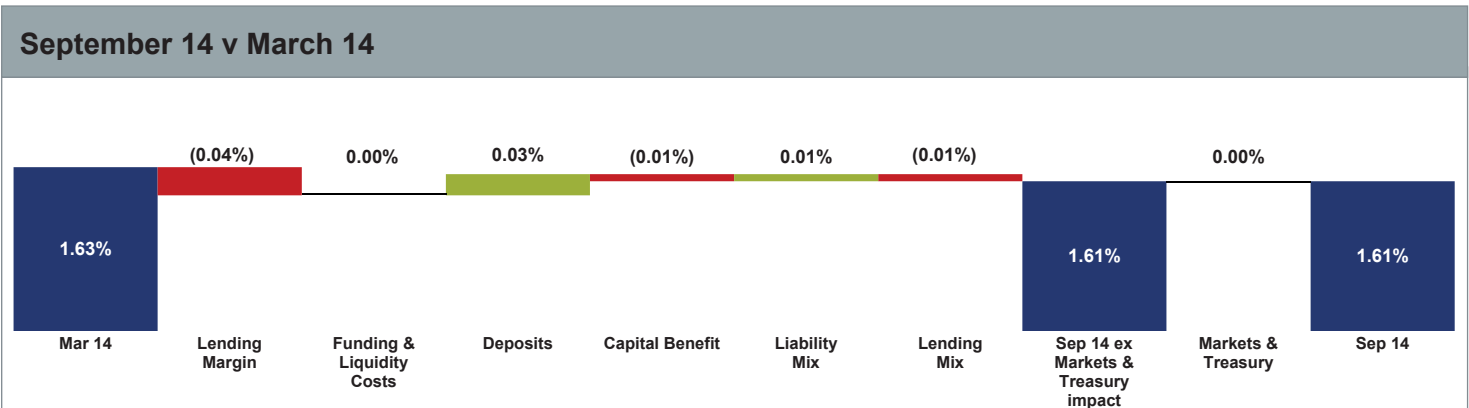
Australian Banking



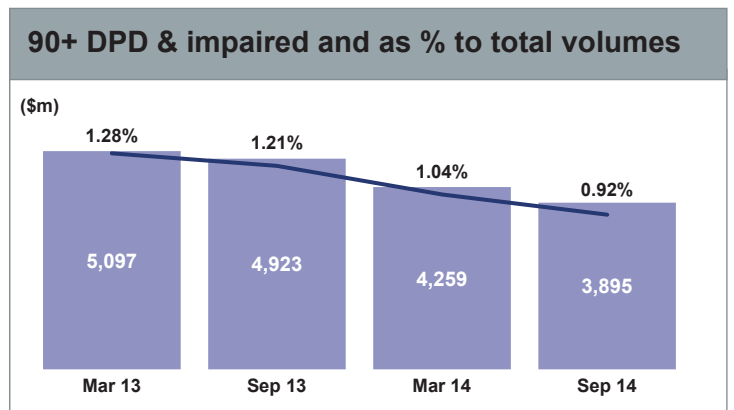
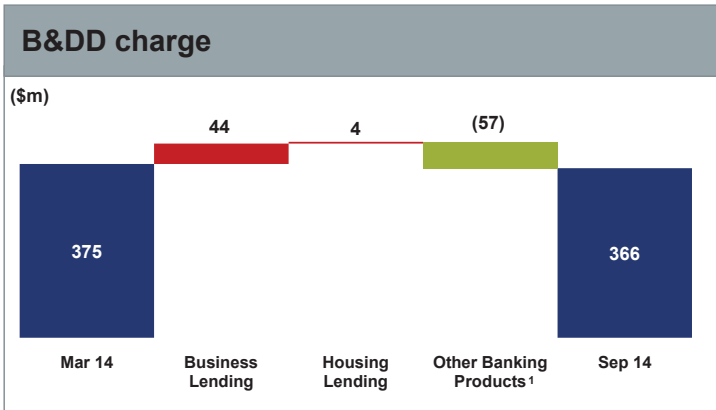
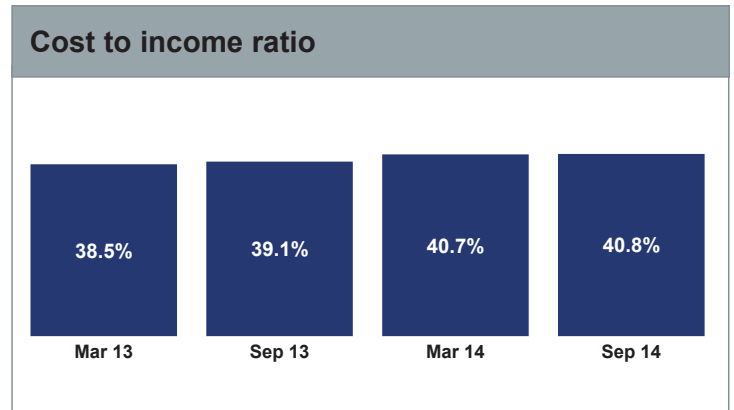
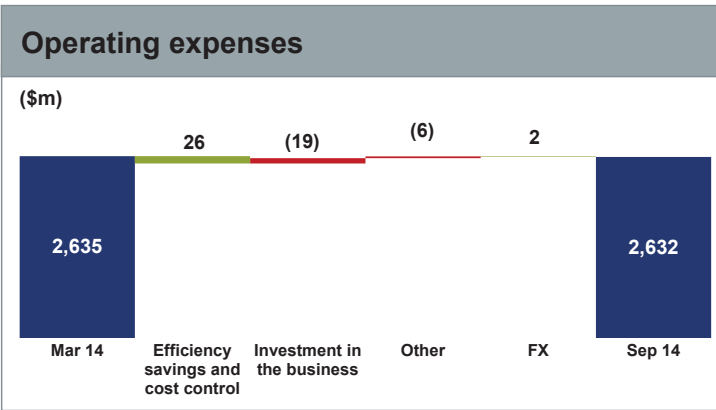
(1) Includes OOI only. Based on unaudited, management information data
 (2) Includes NII and OOI



Australian Banking: Net interest margin



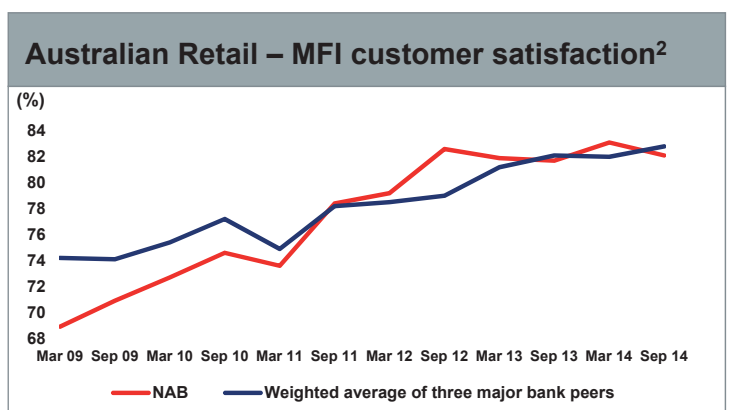
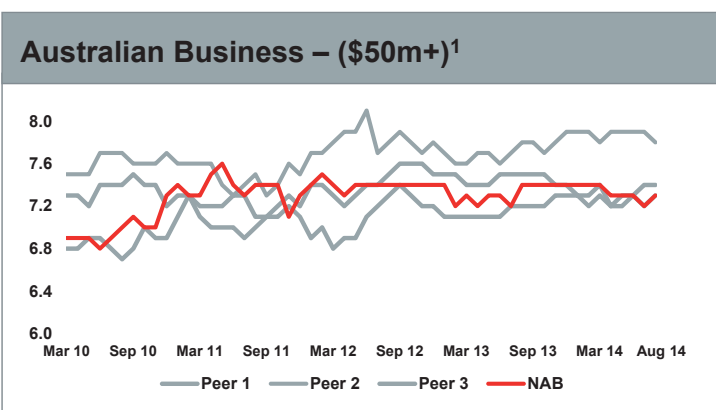
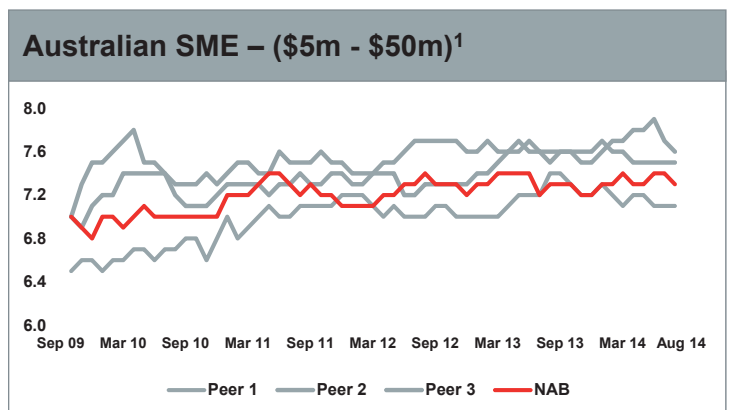
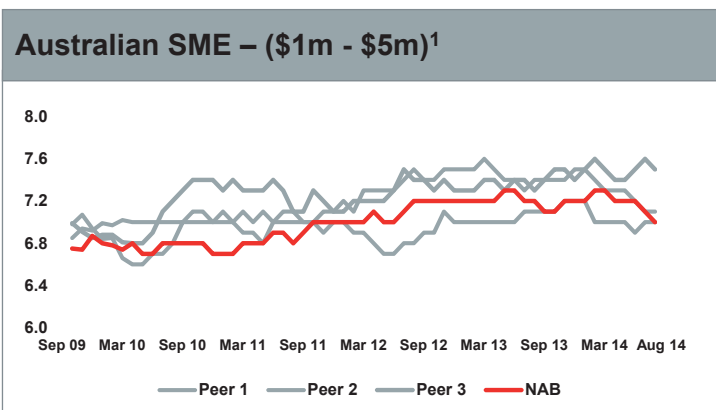
Australian Banking



(1) Other Banking Products includes personal lending, credit cards, investment securities and margin lending



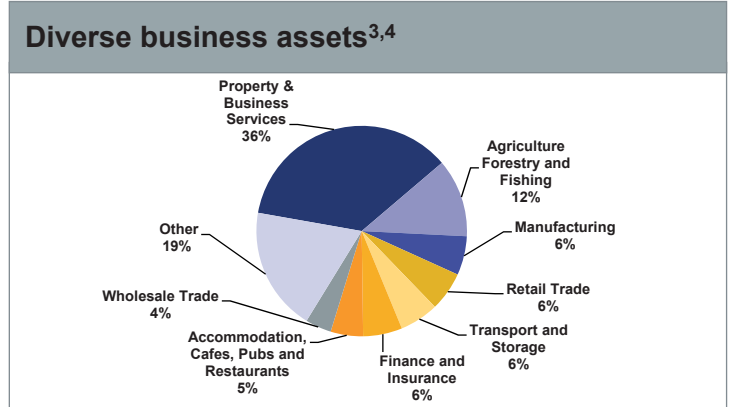
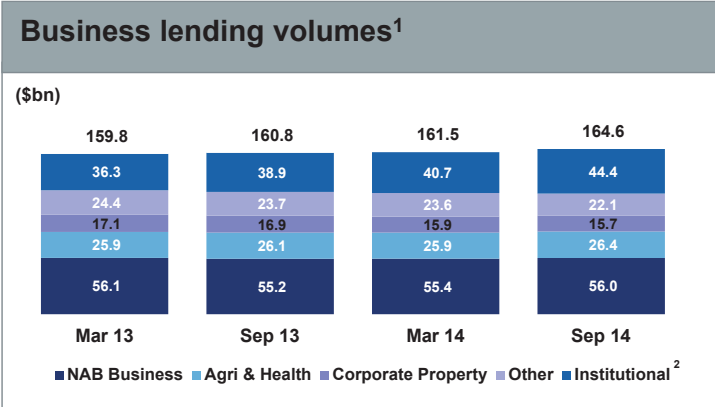
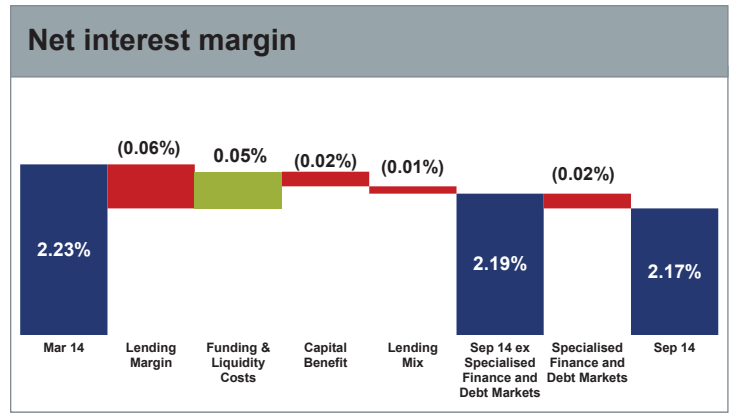
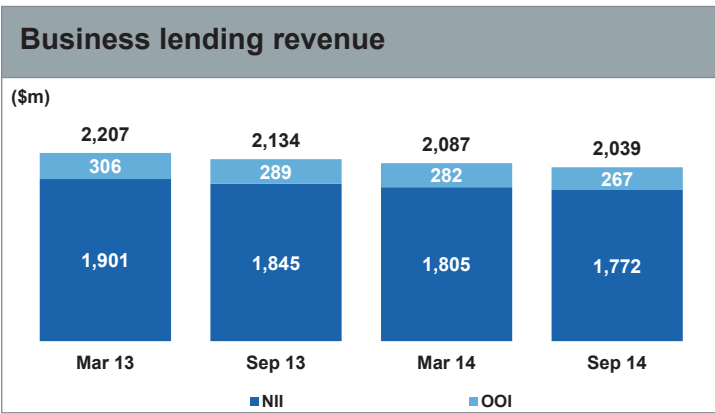
Australian Banking: Customer satisfaction



(1) DBM Business Financial Services Monitor, MFI 6-month rolling averages, Small (\$1m-~\$5m) Business Segment, Medium (\$5m-<\$50m) Business Segment, and Large (\$50m+) Business Segment. Overall satisfaction with main financial institution based on scale of 0-10 (extremely dissatisfied to extremely satisfied)
 (2) Roy Morgan Research, Aust MFIs, population aged 14+, six month moving average. Customer satisfaction is based on customers who answered very/fairly satisfied. NAB compared with the weighted average of the three major banks (ANZ, CBA, WBC)



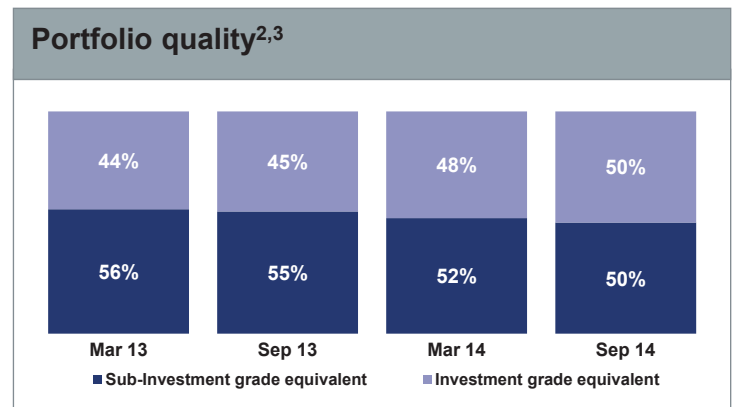
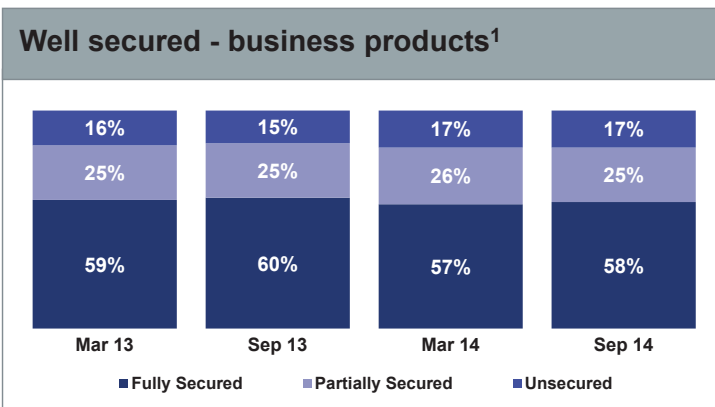
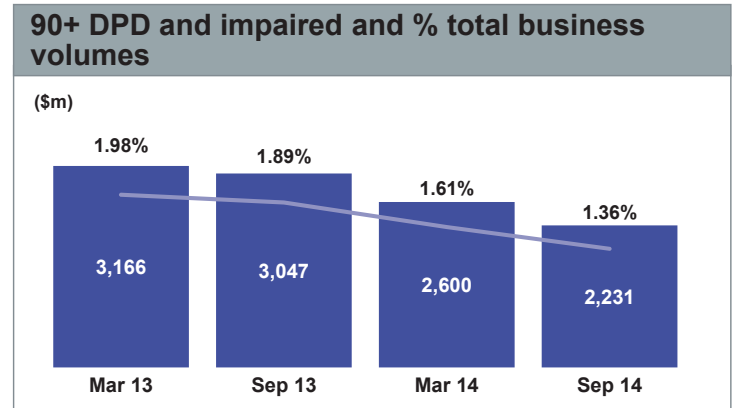
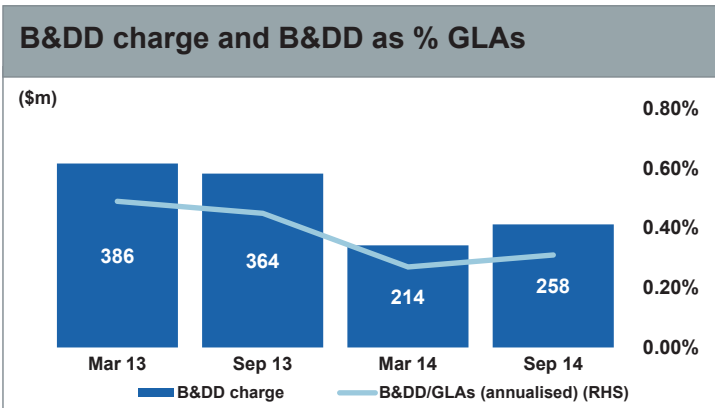
Australian Banking: Business lending



(1) Spot GLA volumes. Segment lending volumes are based on unaudited, management information data
 (2) Includes FIG
 (3) Excludes Consumer Lending Product, Everyday Banking – Consumer & Cards, UBank and Margin Lending products
 (4) Represents assets within the Australian geography



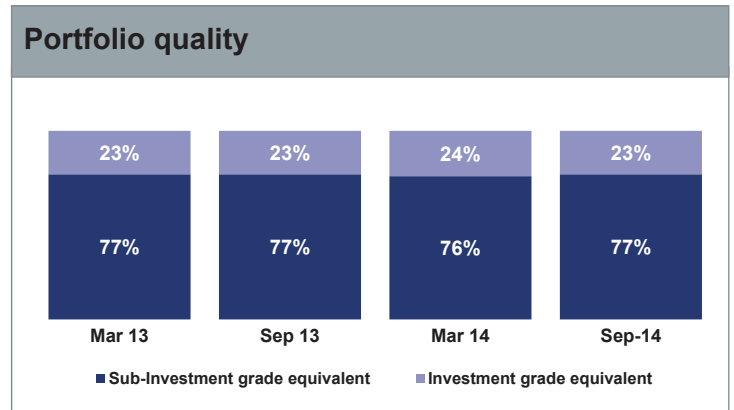
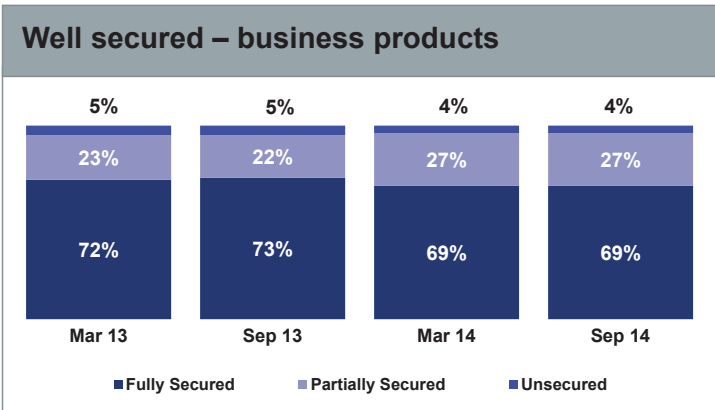
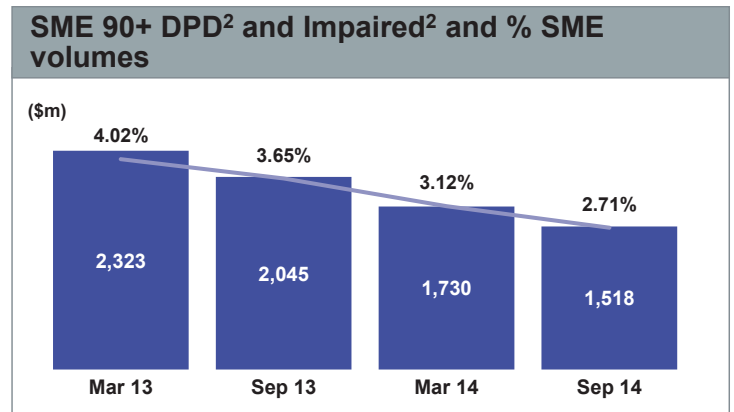
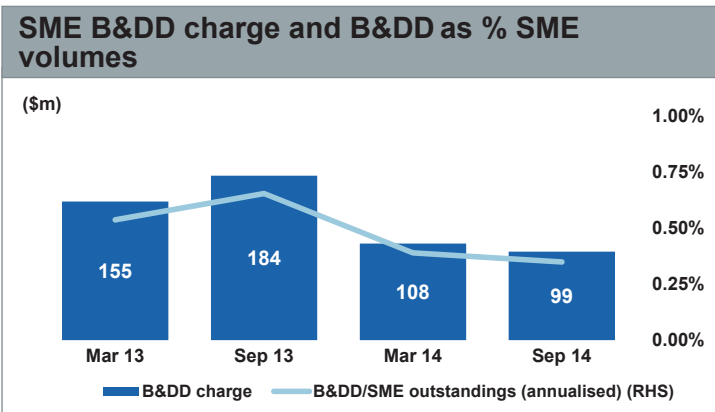
Australian Banking: Business lending - Asset Quality



(1) Represents assets within the Australian geography
 (2) Portfolio quality on a probability of default basis
 (3) Includes Asia



Australian Banking: Business lending - SME¹ Asset Quality

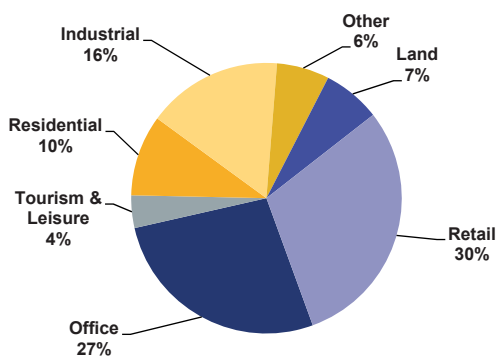


(1) SME business data reflects the NAB Business segment of Business Lending which supports business customers with lending typically up to \$25m, excluding the Specialised Businesses. Based on unaudited, management information data
 (2) Includes NAB Business mortgages



Australian Banking: Business lending - Commercial Real Estate

Total \$46.0bn¹
 10.8% of Gross Loans & Acceptances



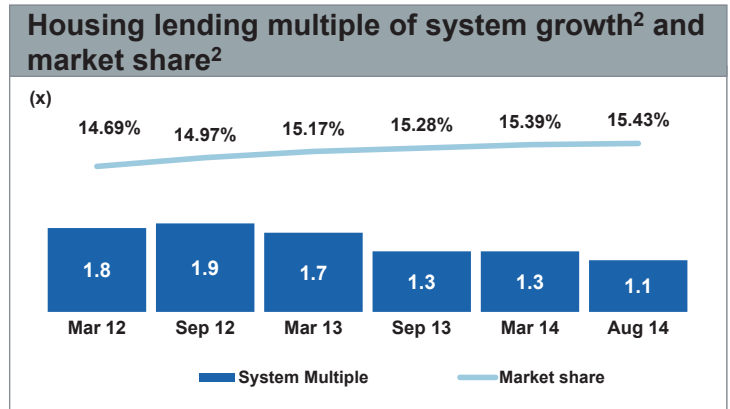
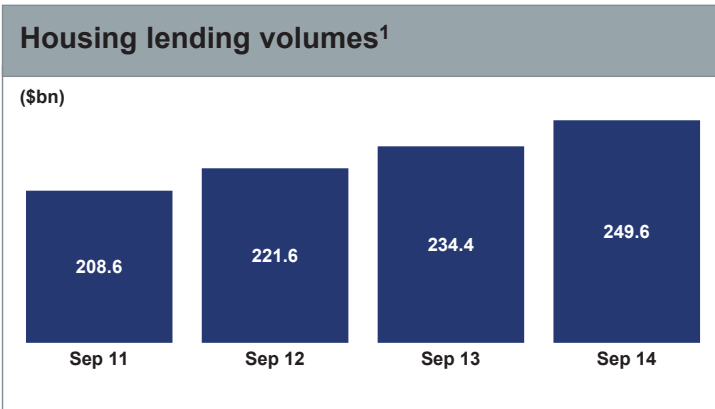
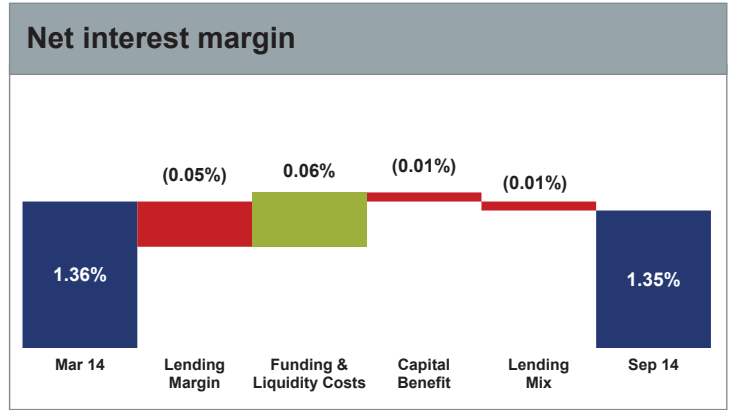
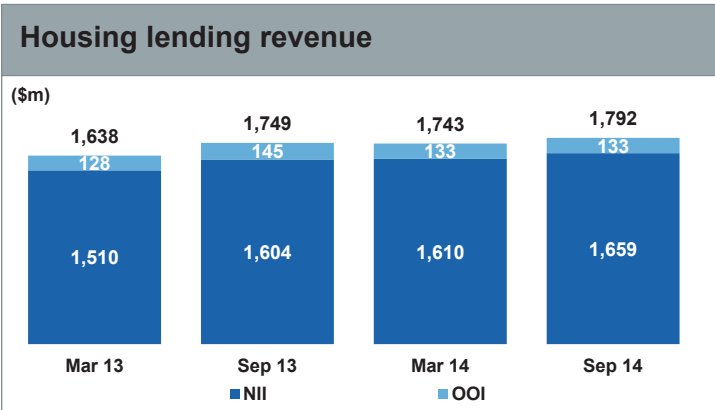
State	NSW	VIC	QLD	Other	Total
Location %	38%	26%	19%	17%	100%
Loan Balance ² < \$5m	10%	10%	7%	6%	33%
> \$5m < \$10m	4%	4%	2%	2%	12%
> \$10m	24%	12%	10%	9%	55%
Loan tenor < 3 yrs	26%	21%	15%	13%	75%
Loan tenor > 3 < 5 yrs	11%	4%	3%	3%	21%
Loan tenor > 5 yrs	1%	1%	1%	1%	4%
Average loan size \$m	3.5	2.4	2.7	2.8	2.9
Security Level ³ – Fully Secured	28%	22%	15%	15%	80%
Partially Secured	4%	3%	3%	2%	12%
Unsecured	6%	1%	1%	0%	8%
90+ days past due ratio	0.08%	0.06%	0.03%	0.01%	0.18%
Impaired loans ratio	0.37%	0.17%	0.44%	0.04%	1.02%
Specific provision coverage ratio	9.8%	13.3%	28.8%	26.9%	19.2%

Trend	Mar 13	Sep 13	Mar 14	Sep 14
90+ days past due ratio	0.38%	0.18%	0.14%	0.18%
Impaired loans ratio	2.01%	1.75%	1.43%	1.02%
Specific provision coverage ratio	19.3%	18.0%	15.1%	19.2%

(1) Data has been prepared in accordance with APRA ARF230 guidelines
 (2) Distribution based on loan balance
 (3) Fully Secured represents loans of up to 70% of the Market Value of Security. Partially Secured are over 70%, but not Unsecured. Unsecured is primarily Negative Pledge lending



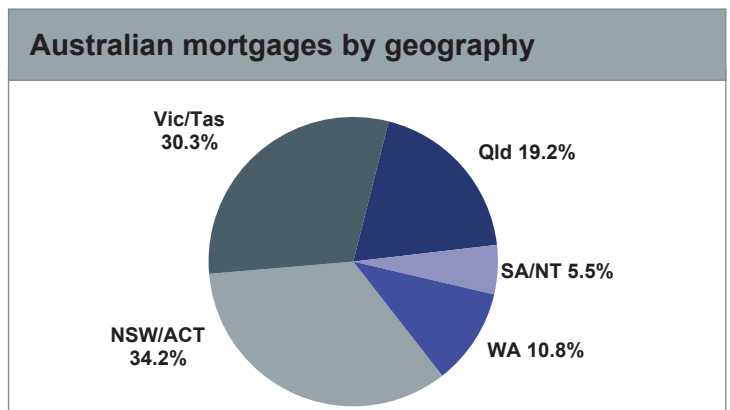
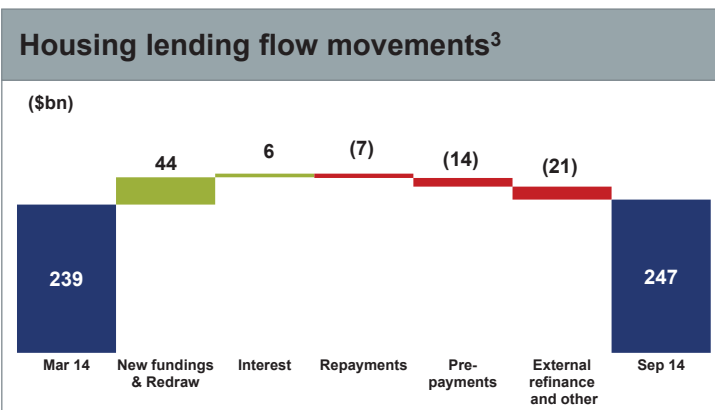
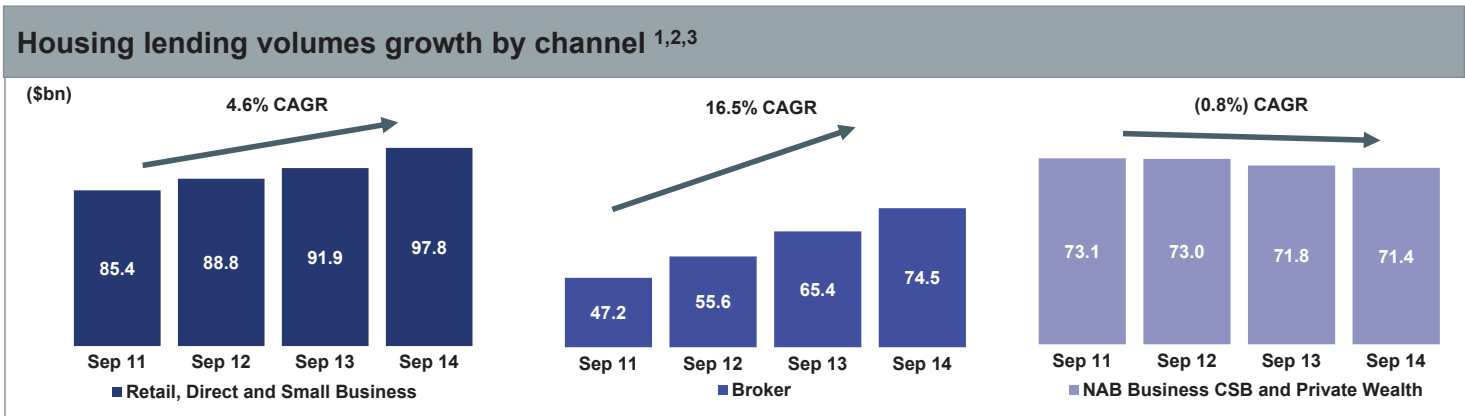
Australian Banking: Housing lending



(1) Spot GLA volumes
(2) RBA Financial System



Australian Banking: Housing lending



(1) Excludes Ubank, Asia and Non Performing Loans
(2) September 2011 – September 2013 have been restated to reflect FY14 customer transfers
(3) Excludes Asia



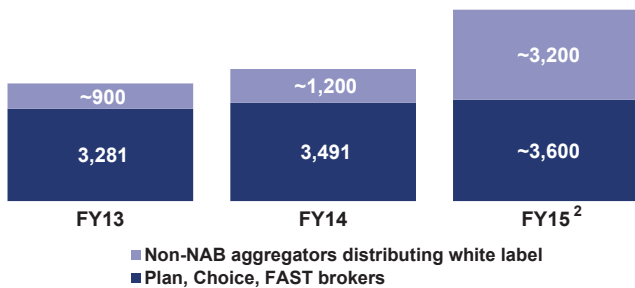
Australian Banking: Housing lending - Broker

FY14 achievements

- Successful re-brand of Homeside to NAB and introduction of 1st year trail from 1 October 2014
- Two new white label deals to provide aggregators with their own 'homebrand' product - offering to expand reach to >50% broker market¹
- Organic aggregation growth via recruitment with 210 increase in brokers across our aggregators PLAN, Choice and FAST - currently 3,491 affiliated brokers
- The Adviser's "Major Lender of the Year" and Mortgage Professional Association's "Bank of the Year"

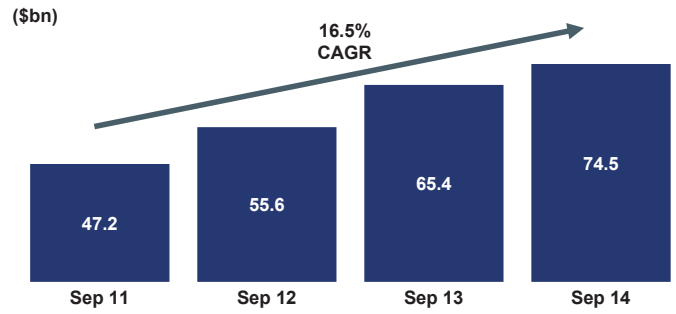
Expansion of white label

Approximate number of brokers under NAB white label aggregator agreements

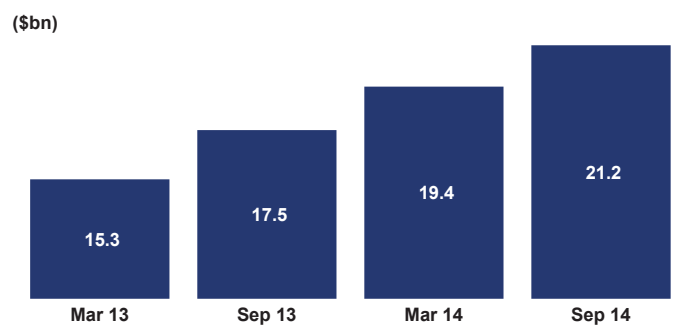


- (1) Heads of agreement signed with AFG. Parties to work through contractual agreements
 (2) FY15 expectations only

Mortgage volumes via Broker



Lending settlements in NAB owned aggregators

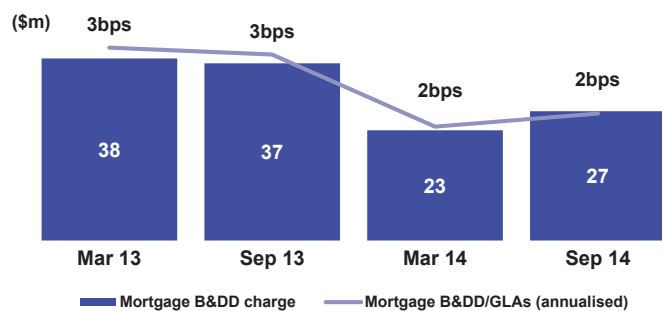


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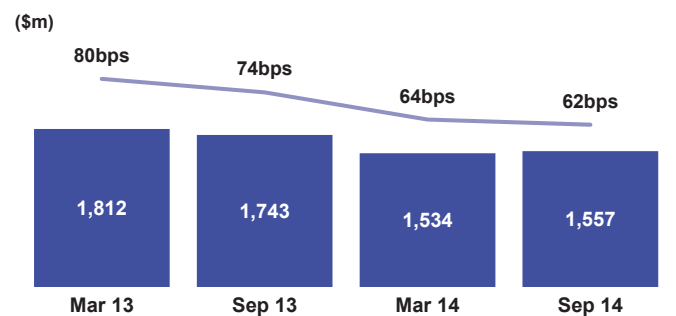


Australian Banking: Housing lending - Asset Quality

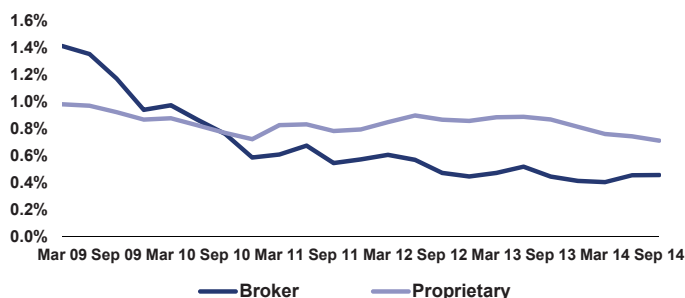
B&DD charge and B&DD as % GLAs



90+ DPD and impaired as % total housing lending volumes

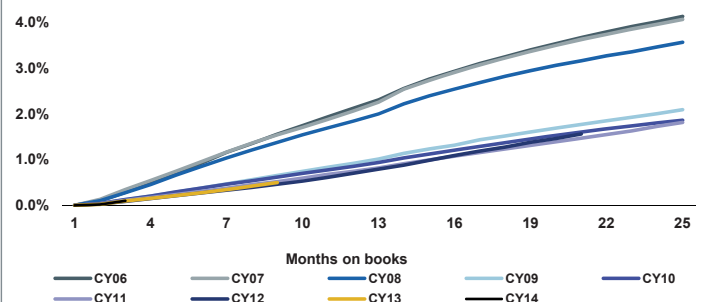


90+ DPD and impaired as % total housing lending volumes – by channel¹



(1) Excludes Asia

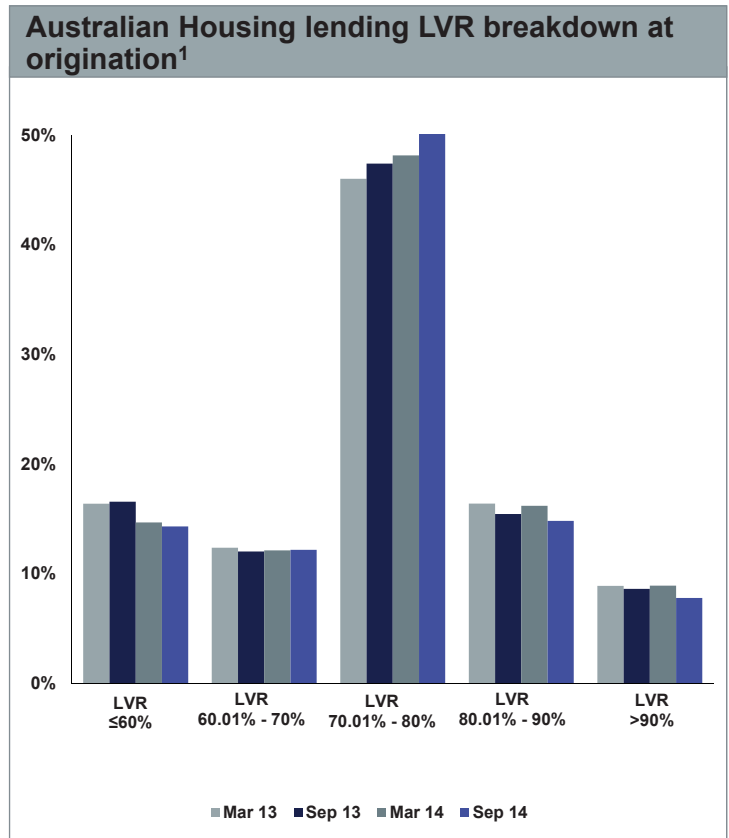
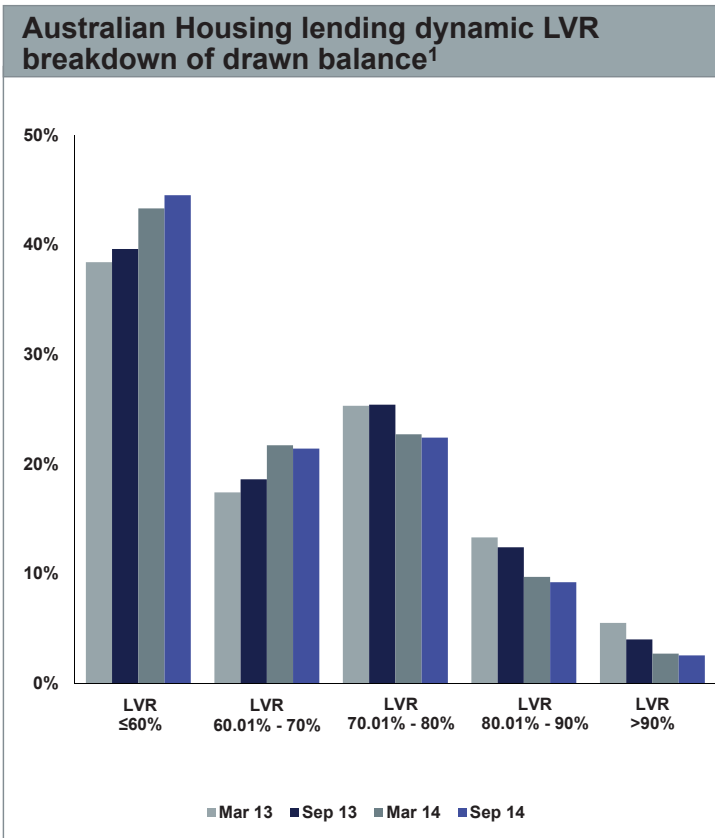
Australian housing lending - cumulative 30+ DPD¹



54



Australian Banking: Housing lending - LVR profile



(1) Excludes Asia



Australian Banking: Housing lending - Key metrics¹

Australian Housing lending	Mar 13	Sep 13	Mar 14	Sep 14
Balances attributed to:				
Owner Occupied ²	72.1%	72.5%	72.4%	71.8%
- of which First Home Buyer	8.8%	8.6%	8.4%	8.0%
Investment ²	27.9%	27.5%	27.6%	28.2%
Low Documentation	2.0%	1.8%	1.7%	1.5%
Low Documentation LVR cap (without LMI)	60%	60%	60%	60%
Balances attributed to:				
- Variable rate	74.3%	72.6%	72.3%	72.2%
- Fixed rate	9.9%	12.4%	13.8%	14.9%
- Line of credit	15.8%	15.0%	13.9%	12.9%
Drawdowns attributed to:				
- Variable rate	80.4%	69.3%	76.2%	76.1%
- Fixed rate	15.6%	26.7%	20.7%	20.9%
- Line of credit	4.0%	4.0%	3.1%	3.0%
Interest only drawn balance	30.7%	31.3%	32.3%	33.6%
Offset account balance \$ (bn)	\$12.7	\$13.9	\$15.6	\$17.4
Balances attributed to:				
- Proprietary	73.1%	71.9%	71.0%	69.8%
- Broker	26.9%	28.1%	29.0%	30.2%
Drawdowns attributed to:				
- Proprietary ³	63.9%	66.6%	67.7%	66.3%
- Broker ³	36.1%	33.4%	32.3%	33.7%
Dynamic LVR on a drawn balance calculated basis ⁴	48.3%	47.7%	45.9%	45.4%
Customers in advance ≥1 month ⁵	64.1%	63.8%	63.0%	63.8%
Avg # of payments in advance	12.5	12.9	13.3	13.6
Average drawn balance \$ ('000)	\$266	\$265	\$267	\$271
90+ days past due ⁶	0.53%	0.48%	0.46%	0.47%
Impaired loans ⁶	0.27%	0.26%	0.18%	0.15%
Specific provision coverage ratio	21.2%	20.7%	23.0%	23.5%
Loss rate ⁷	0.05%	0.04%	0.05%	0.04%

(1) Excludes Asia

(2) Portfolio purpose classification under review. Historic periods updated to include additional Advantaged data

(3) Historic periods updated for full inclusion of UBank

(4) Methodology under review

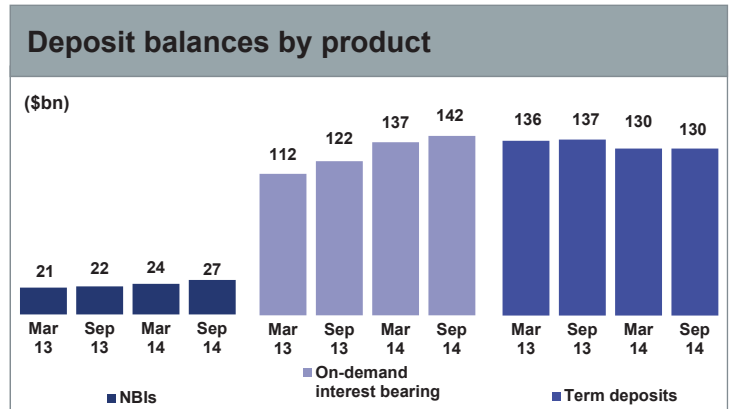
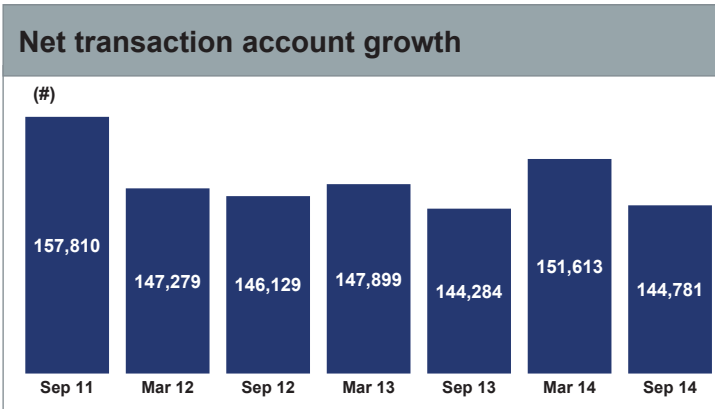
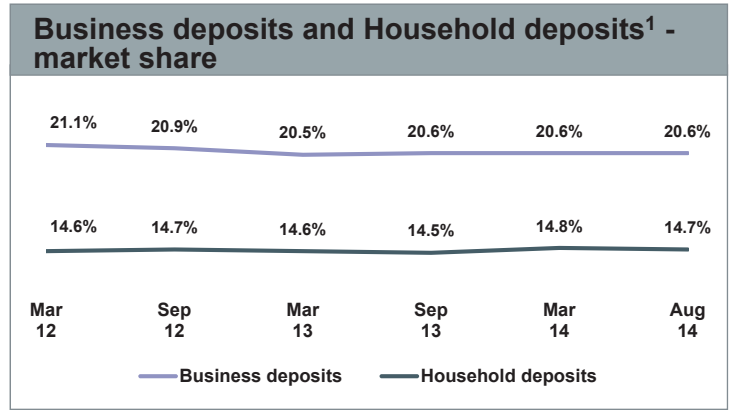
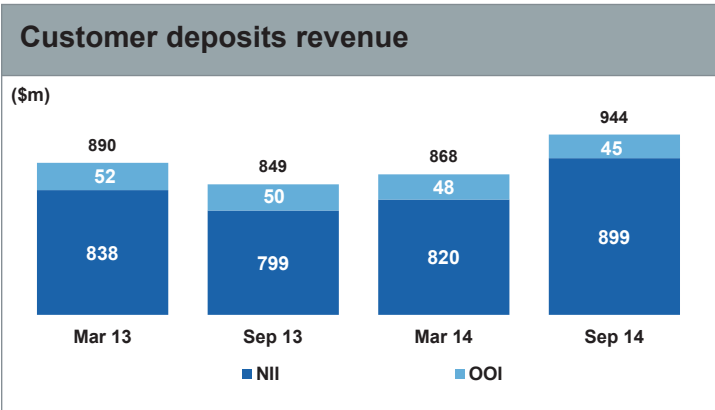
(5) Excludes Advantaged, Offset accounts, Line of credit and Interest only loans

(6) Includes Asia

(7) Loss Rate = Annual Write-offs / Spot Drawn Balances



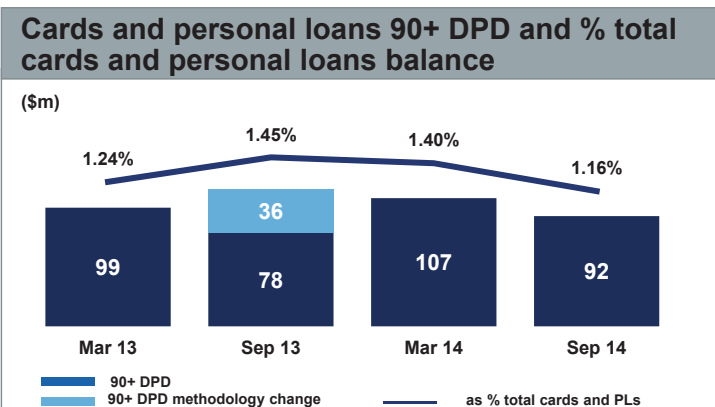
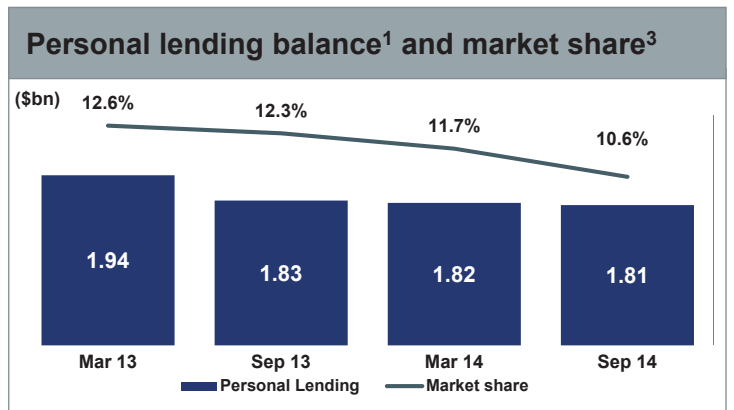
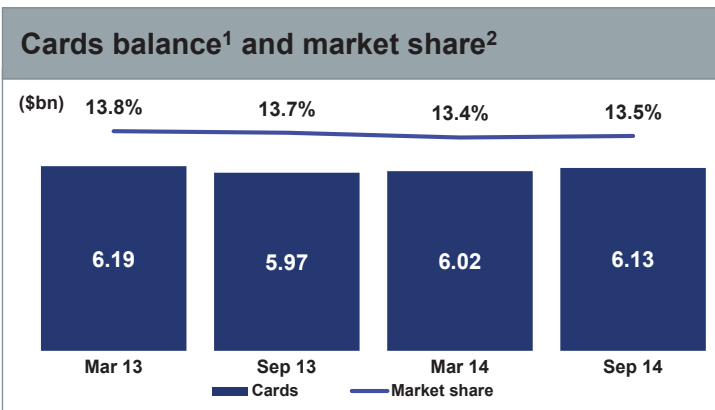
Australian Banking: Deposits and transaction accounts



(1) APRA Banking System



Australian Banking: Other banking products

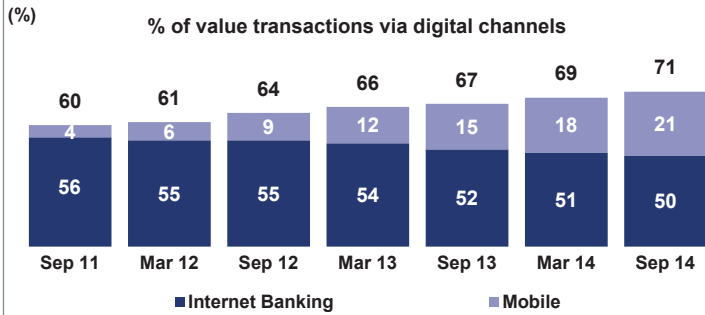


(1) Spot volumes
 (2) APRA Banking System
 (3) Personal loans business tracker reports provided by RFI

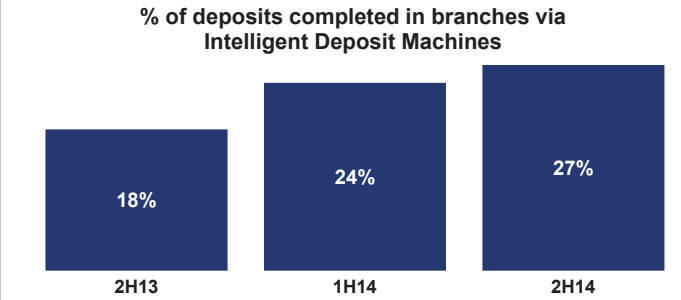


Australian Banking: Digital and Direct¹

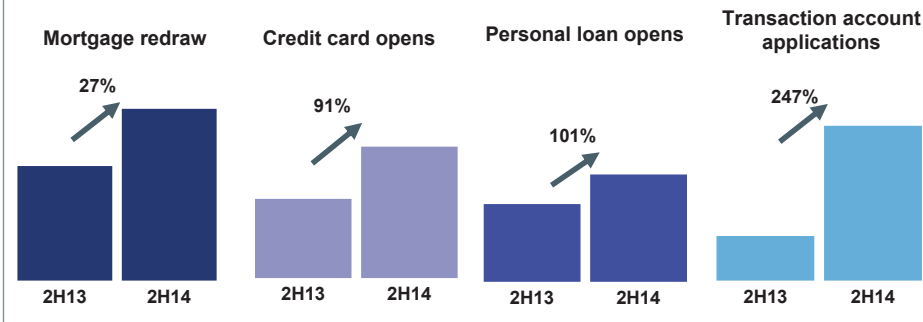
Continued migration to digital self-service



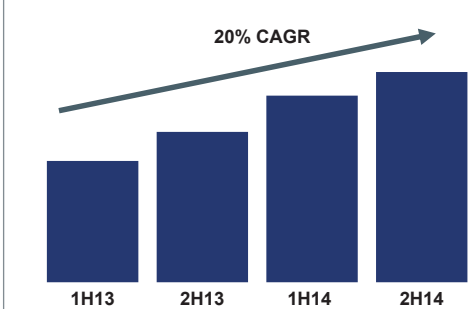
Self-service enabling



Digital and Direct - Growth in mortgage redraw, credit card and personal loan opens, and transaction account applications



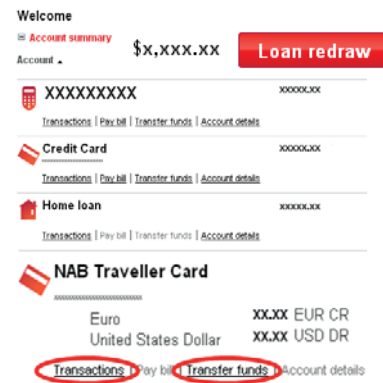
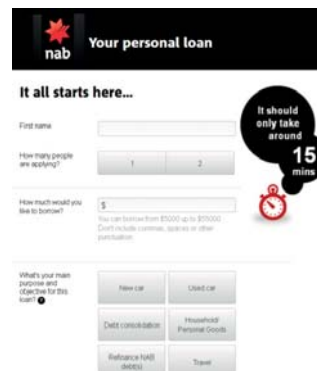
Direct - Growth in mortgage sales



(1) Digital and Direct includes internet banking, mobile banking and contact centres



Australian Banking: Digital driving sales and service



Business Banking

- NABConnect upgrade early 2014
- View all accounts on login
- Quicker access to payments awaiting action
- Bulk authorisation of international payments
- 24% growth in digital transaction volume¹
- 53% growth in FX/International transaction volume¹

Small Business

- FY15 launch of NAB Now
- Make a sale anytime anywhere
- Card payments from your smartphone or tablet
- Same day funds
- On the spot invoicing
- Track and reconcile payments
- 2,500 bankers trained in LinkedIn – deepening relationship through social media

Consumer Sales

- Refreshed online personal loan form reduces application time to ~15 mins
- 247% increase¹ in transaction account openings by existing customers due to new online prompt

Consumer Servicing

- 27% increase¹ in digital home loan redraws driven by increased visibility/capability online
- 30% increase¹ in funds loaded while travelling due to new online Traveller Card balance management
- ~49% uplift¹ in value transactions via mobile
- 40% increase in Mobile Logons²

(1) All movements pcp unless otherwise stated
(2) Average monthly logins



Australian Banking: Markets and Specialised Finance

Valued Partnerships with Customers		
	Current ranking	Previous ranking
Most Valuable / Tailored FX Advice – Financial Institution Respondents ¹	#1	#1
Relationship Strength for FX – Financial Institution Clients ²	#1	#2
Bank of Choice for Sensitive / Strategic Interest Rate Derivative Transactions – Corporate Clients ³	#1	#4
Interest Rate Derivative Structuring Ability – Corporate Clients ⁴	#1	#2

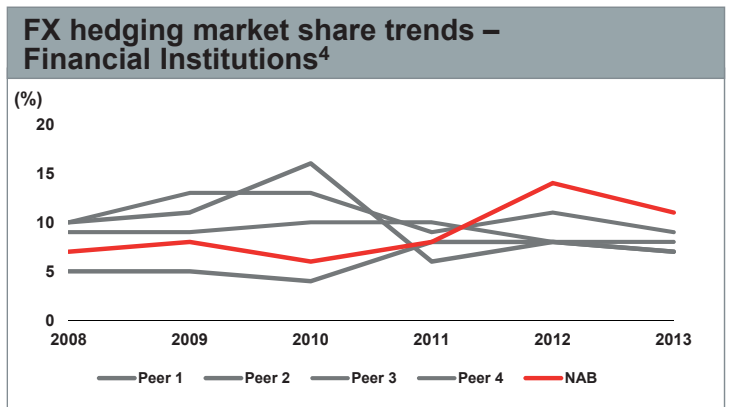
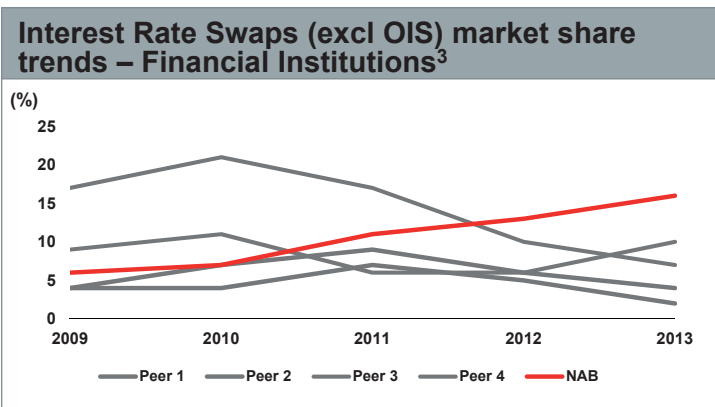
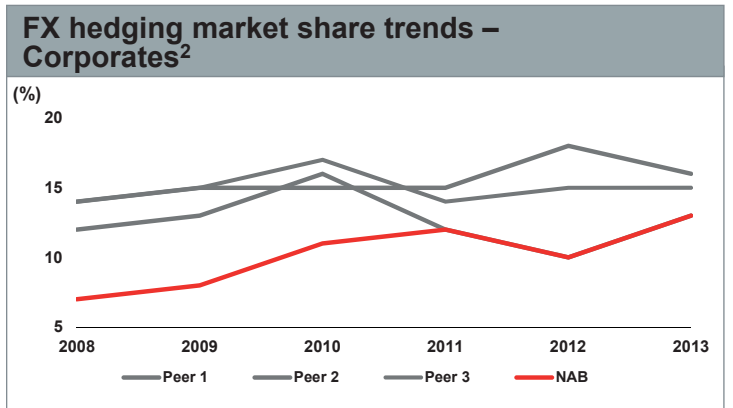
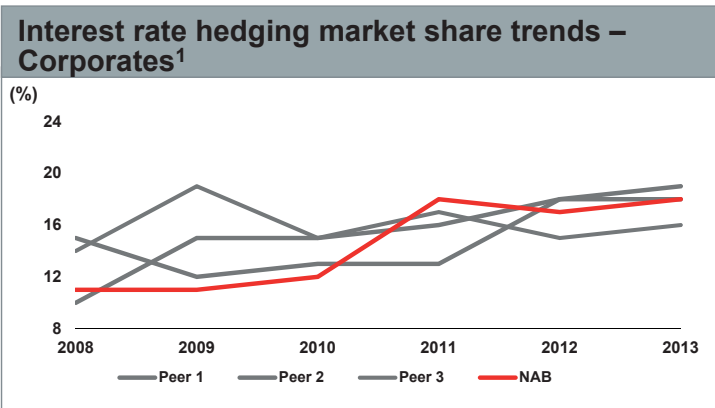
Market Leading Positions		
	Current ranking	Previous ranking
FX Market Share ⁵	#1	#2
Interest Rate Swap (excl. OIS) Market Share – Fixed Income Clients ⁷	#1	#1
Short Dated Securities Market Share – Fixed Income Clients ⁶	#1	#1
Most Consistently Price Competitive for Fixed Income clients in Commonwealth Treasury Bonds ⁷ , Semi-Government Bonds ⁶ , Interest Rate Swaps ⁵ , Bank Bills ⁶ and Corporate CP ⁷	#1	

Originations	
Project and Infrastructure Finance in Australasia	
#1	MLA Project Finance in Australasia ⁸
#1	MLA Project Finance in Australasian PPPs ⁹
#1	MLA Project Finance in Australian Renewables Sector ¹⁰
Debt Capital Solutions	
#1	Australian Securitisation House of the Year (2 nd year in a row) ¹¹
#1	Australia Domestic Market FIG DCM Bookrunner ¹²
#1	Hybrid Securities – Best Structuring Capability and (=1 st) Overall Quality of Service ^{13b}
#1	Quality of Insight on Issuance Opportunities and Timing, and Most Creative Debt Raising Ideas ^{13b}
#1	Medium Term Asset / Mortgage Backed Securities Lead Provider and Overall Quality of Service ^{13a}

(1) Peter Lee Associates – Foreign Exchange Survey Australia 2013, Financial Institution Respondents. Ranking against the four major domestic banks; (2) Peter Lee Associates – Foreign Exchange Survey Australia 2013, Financial Institution Respondents; (3) Peter Lee Associates – Interest Rate Derivatives Australia Survey 2013; (4) Peter Lee Associates – Interest Rate Derivatives Australia Survey 2013. Ranking against the four major domestic banks; (5) AFMR 2014 Australian Financial Markets Report; (6) Peter Lee Associates – Debt Securities Investor Survey Australia 2013; (7) Peter Lee Associates – Debt Securities Investor Survey Australia 2013. Ranking against the four major domestic banks; (8) Dealogic Project Finance Review Australasian Project Finance Loans Mandated Lead Arranger, Full Year 2013; (9) Infrastructure Journal Online League Tables Project Finance Mandated Lead Arranger (Australia & New Zealand), Full Year 2013; (10) Infrastructure Journal Online League Tables Project Finance Mandated Lead Arranger (Australia), Full Year 2013; (11) KangaNews, Australian Market Awards 2012 & 2013; (12) Dealogic Australia DCM Review, Full Year Results 2013; (13) Peter Lee Associates – Debt Securities Originations Survey Australia 2014 (a) ranking against all banks, (b) ranking against the four major domestic banks



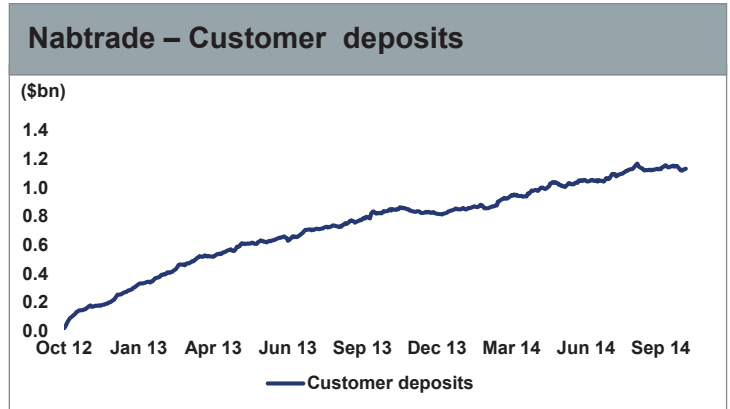
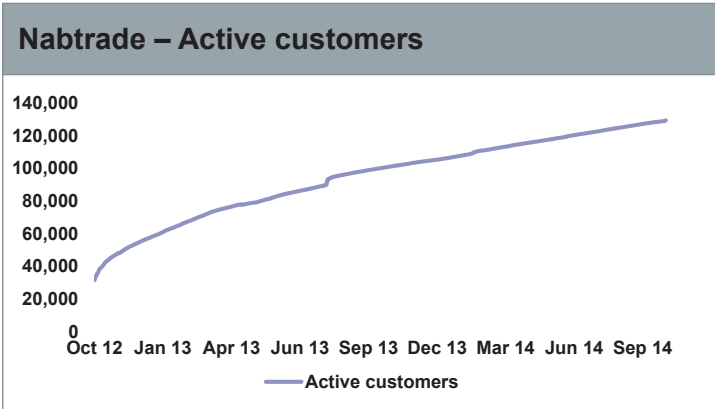
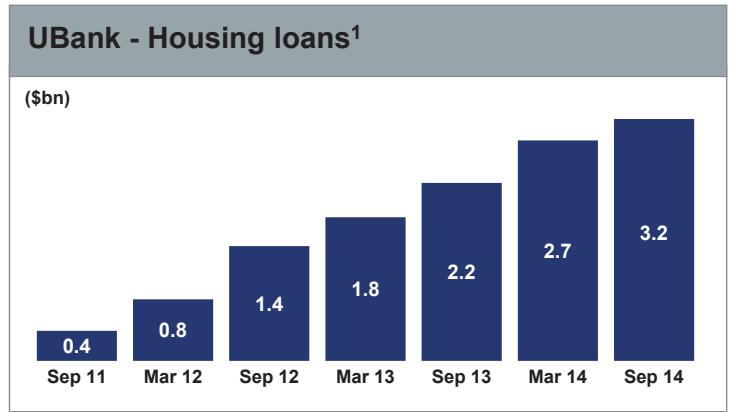
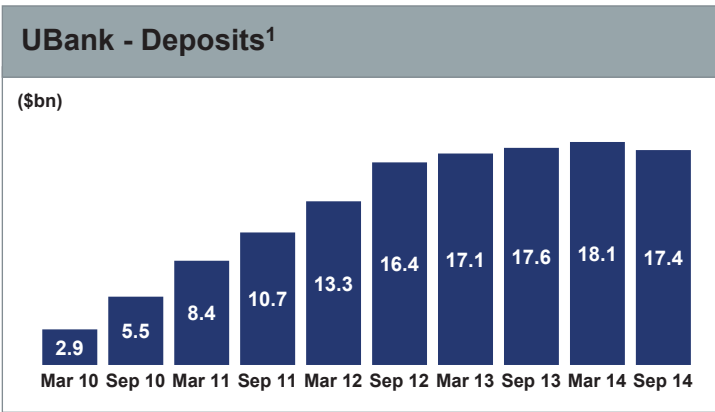
Australian Banking: Markets



(1) Peter Lee Associates Interest Rate Derivatives Survey, Australia 2013. Based on Top 4 banks by penetration
 (2) Peter Lee Associates Foreign Exchange Survey, Australia 2013 – Corporate Respondants. Based on Top 4 banks by penetration
 (3) Peter Lee Associates Debt Securities Investors Survey, Australia 2013. Based on Top 5 banks by penetration
 (4) Peter Lee Associates Foreign Exchange Survey, Australia 2013 – Financial Institution Respondants. Based on Top 5 banks by penetration



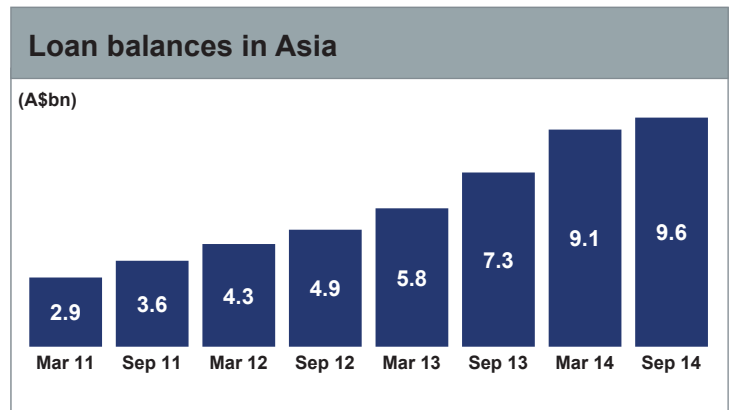
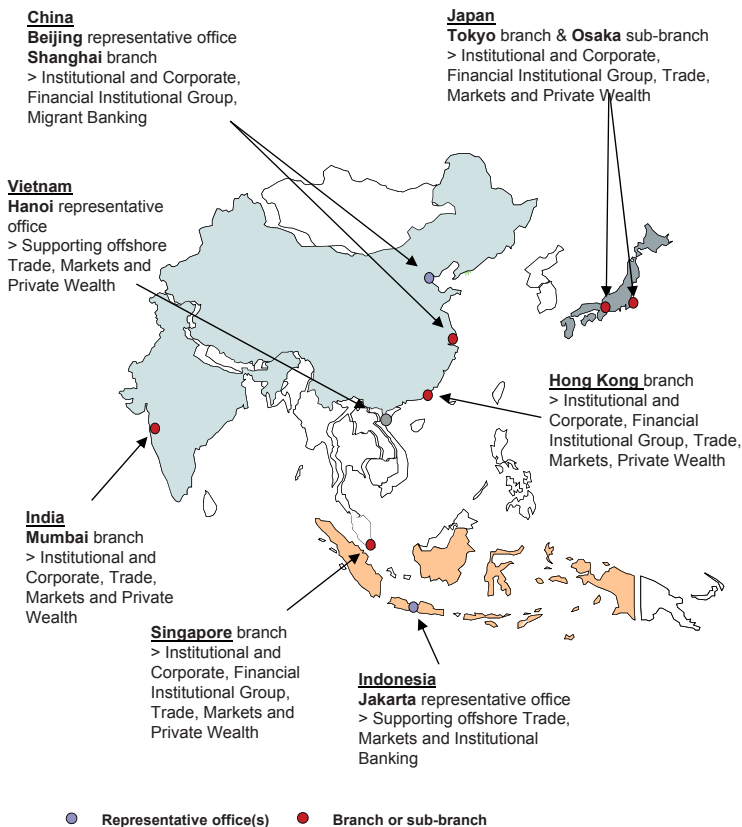
Australian Banking: UBank and Nabtrade



(1) Spot volumes



Australian Banking: NAB's operational focus in Asia



Additional Information

Australian Banking

NAB Wealth

NZ Banking

UK Banking

NAB UK CRE

Group Asset Quality

Capital and Funding

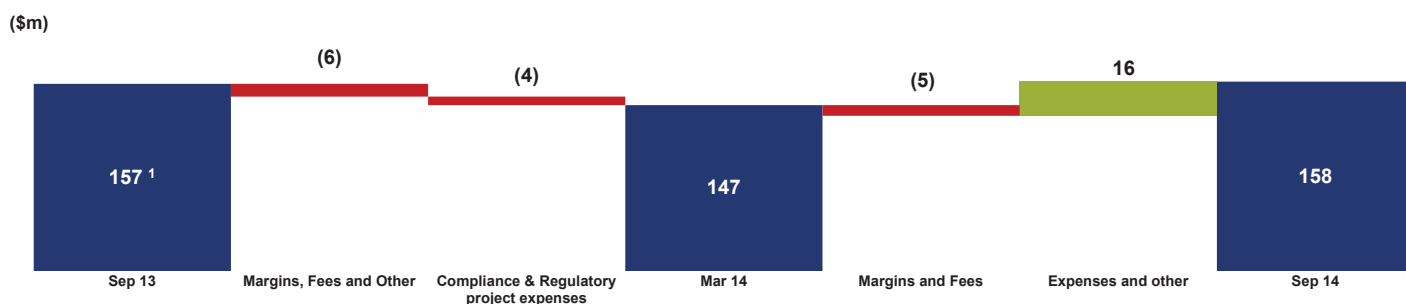
Other

Economic Outlook

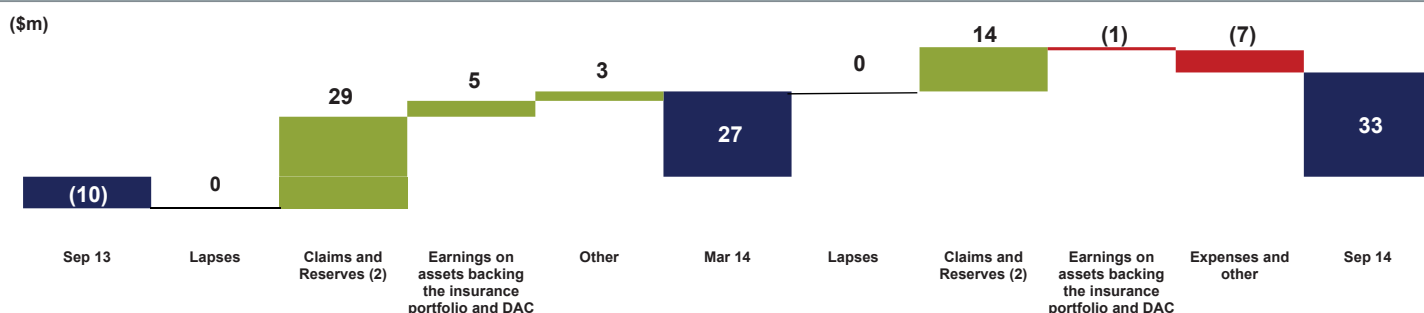


NAB Wealth: Cash earnings

Investments cash earnings



Insurance cash earnings

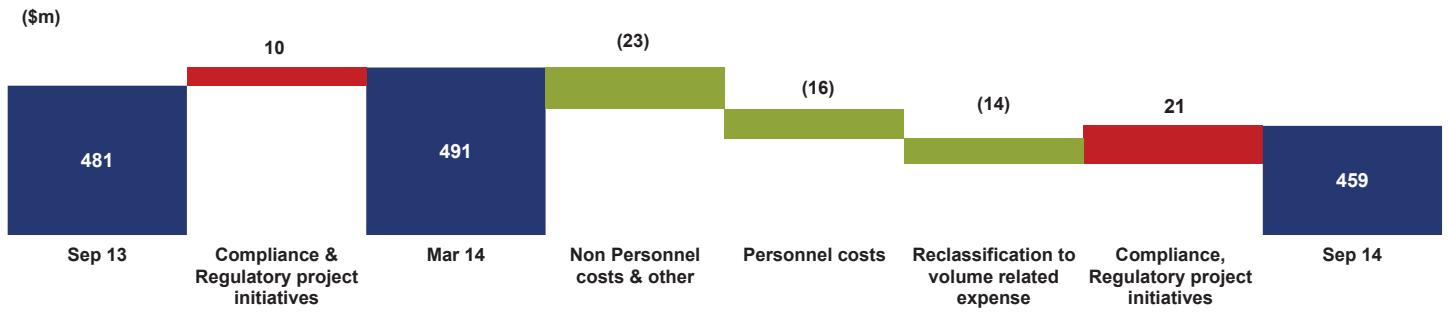


(1) Includes sale of AREA Property Partners as disclosed in Sep 13

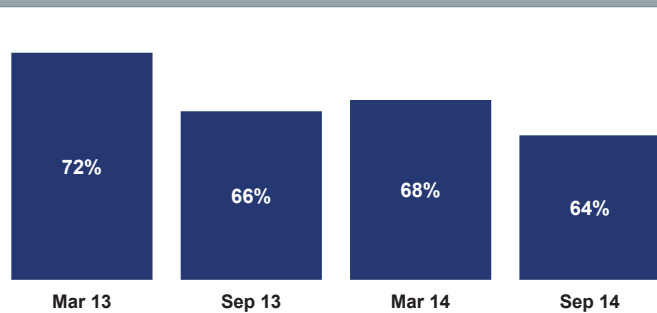
(2) Includes impact of after-tax insurance reserve changes (\$40m in 2H13, \$14m in 1H14 and \$11m in 2H14)

NAB Wealth: Operating Expenses

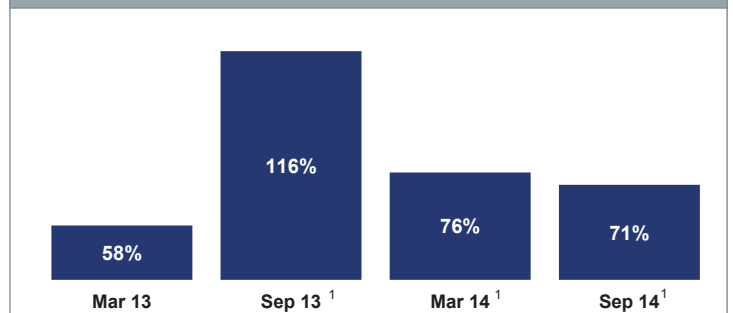
Movements in operating expenses



Investments Cost to Income



Insurance Cost to Income



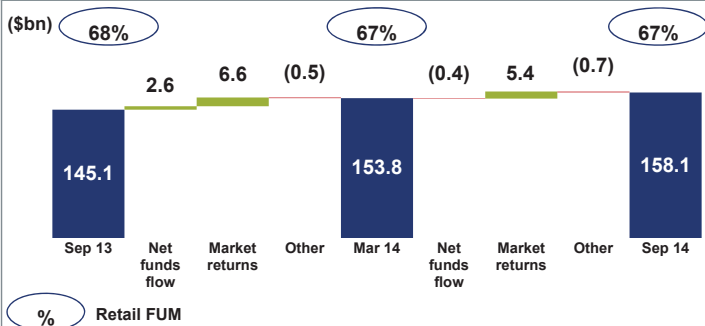
(1) Includes strengthening of reserves

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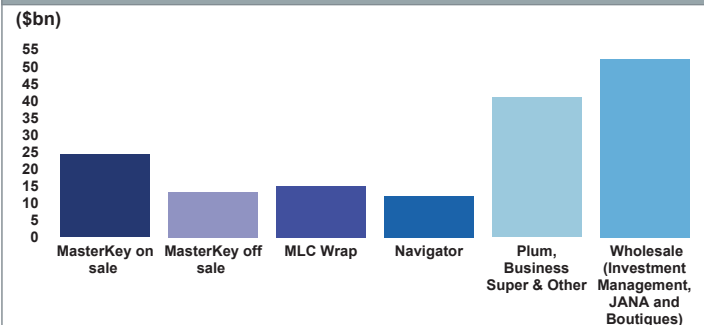


NAB Wealth: Investments

Movement in FUM¹



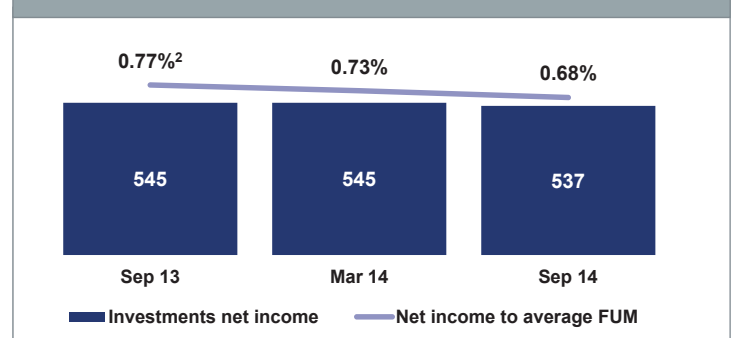
Spot FUM by product group



Net Funds Flow¹ by product group

Product group	2H13 Net Funds Flow (\$m)	1H14 Net Funds Flow (\$m)	2H14 Net Funds Flow (\$m)
MasterKey on sale	582	590	712
MasterKey off sale	(987)	(839)	(1,068)
MLC Wrap	377	492	607
Navigator	(737)	(683)	(657)
Plum, Business Super & Other	1,568	1,229	148
Wholesale (Investment Management, JANA and Boutiques)	491	1,766	(181)
Total Net Funds Flow	1,294	2,555	(439)

Net income to average FUM¹



(1) FUM on a proportional ownership basis

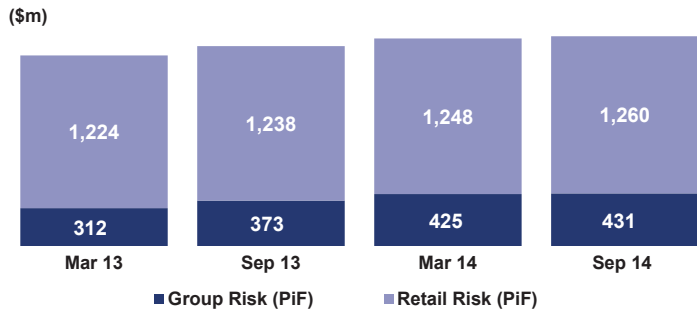
(2) Includes sale of AREA Property Partners as disclosed in Sep 13

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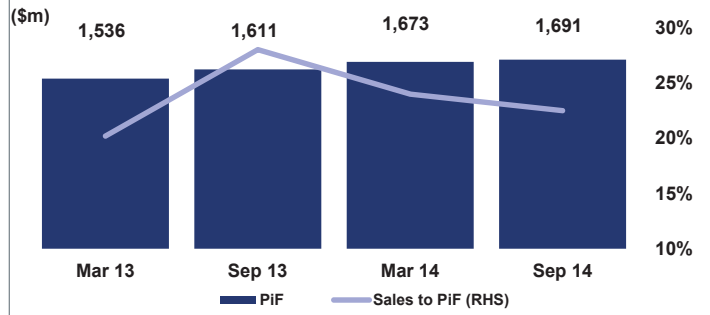


NAB Wealth: Insurance

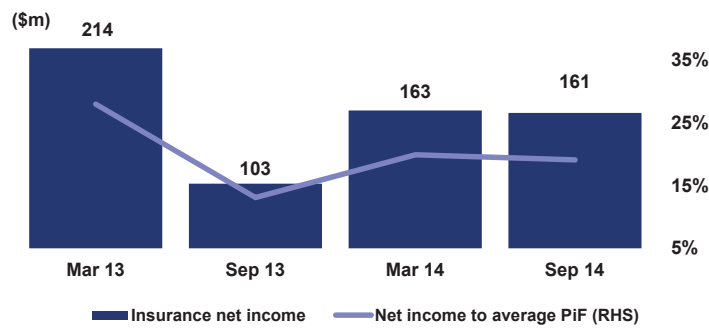
Premiums inforce (PiF)



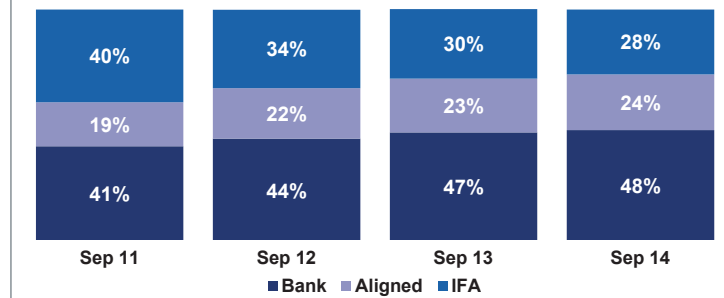
Insurance sales as % of PiF



Net income to average PiF



Retail Insurance sales by channel

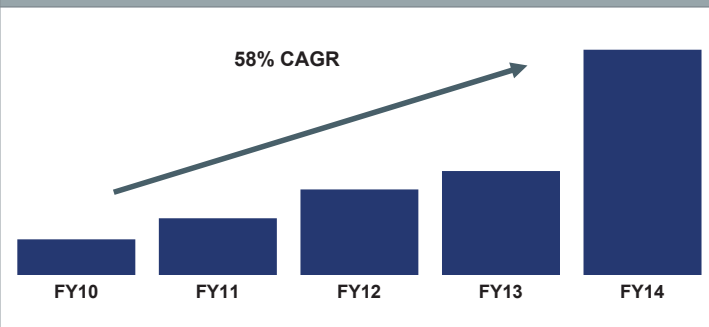


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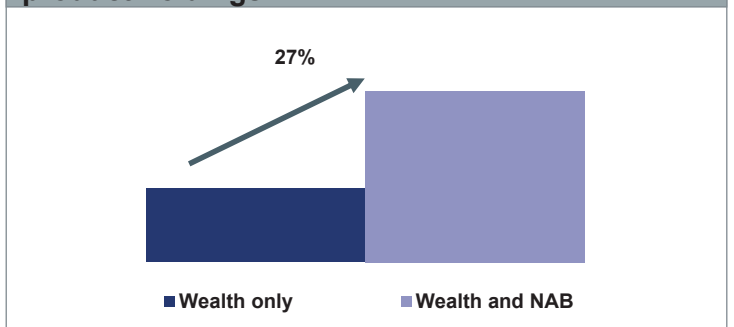


NAB Wealth: Banking cross-sell

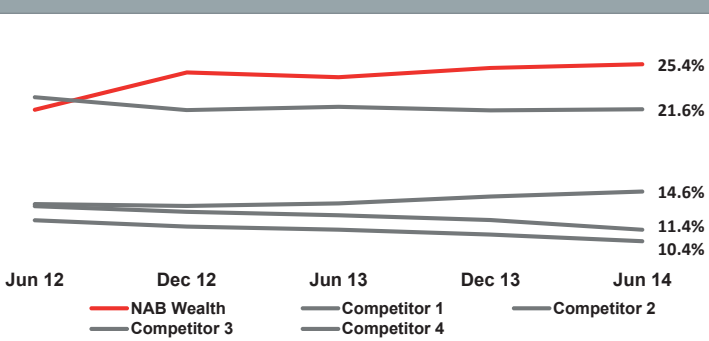
Business Super sales through NAB channel¹



Wealth FUM per customer increases with cross-product holdings



Number 1 in Corporate Super market share²



Stronger bank alignment

- Launch of direct insurance offer Essential Life on www.nab.com.au in August 2014
- Bank-wide insurance campaign in June 2014 resulting in record sales via NAB Retail
- Improved sales capability in NAB Retail resulting in higher customer take-up of NAB Mortgage Protection from 12% to 19% over FY14

(1) Represents MasterKey Business Super sales through the Corporate, Institutional and Specialised Banking channels
 (2) Plan for Life Australian Retail & Wholesale Investments Market Share & Dynamics Report – June 2014

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Additional Information

Australian Banking

NAB Wealth

NZ Banking

UK Banking

NAB UK CRE

Group Asset Quality

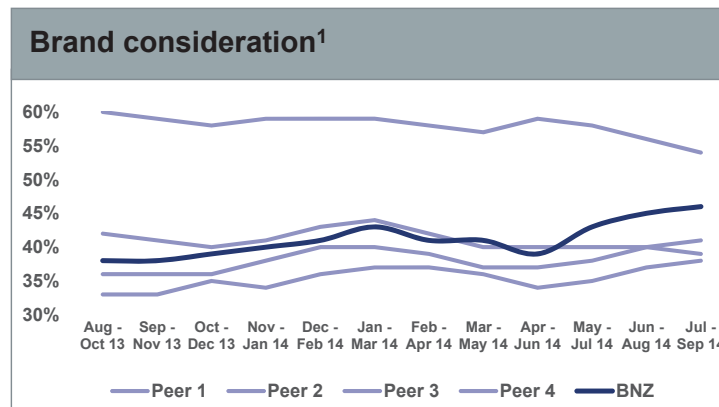
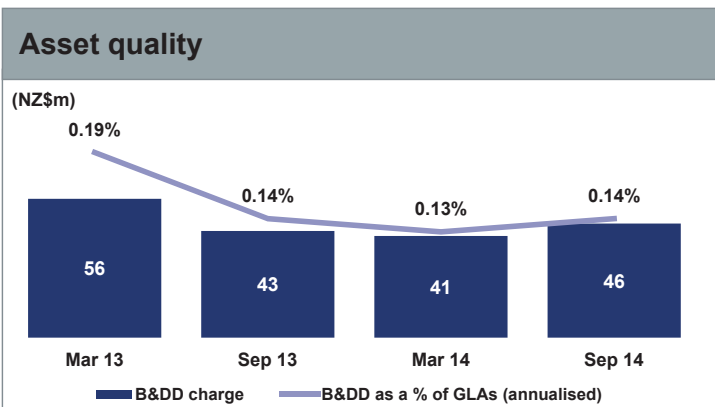
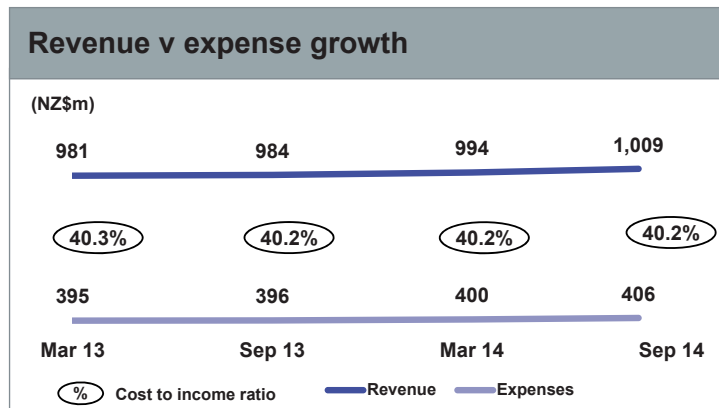
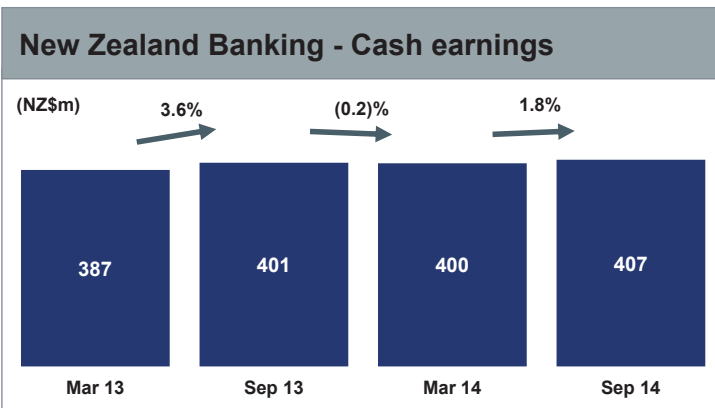
Capital and Funding

Other

Economic Outlook



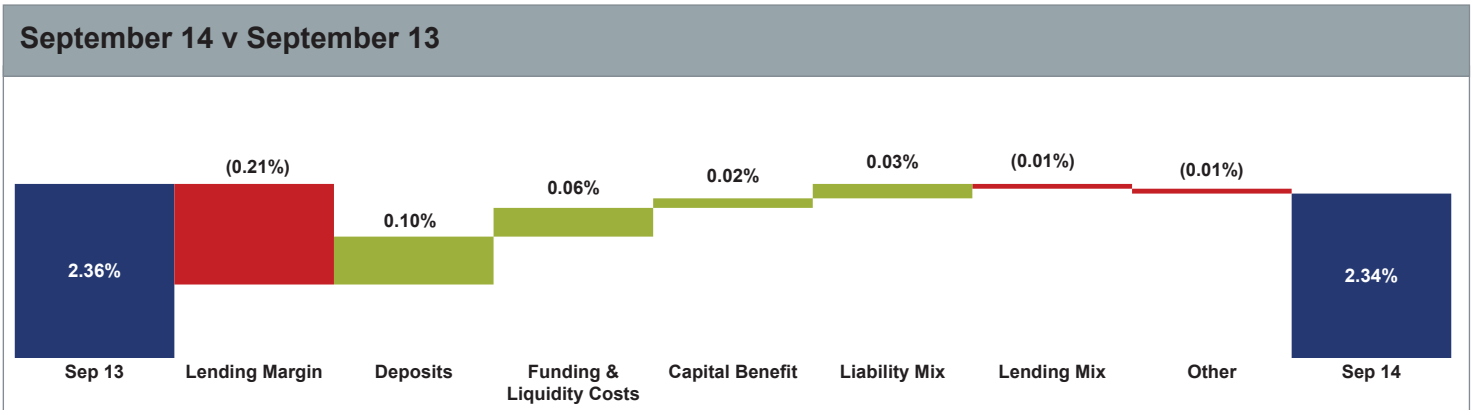
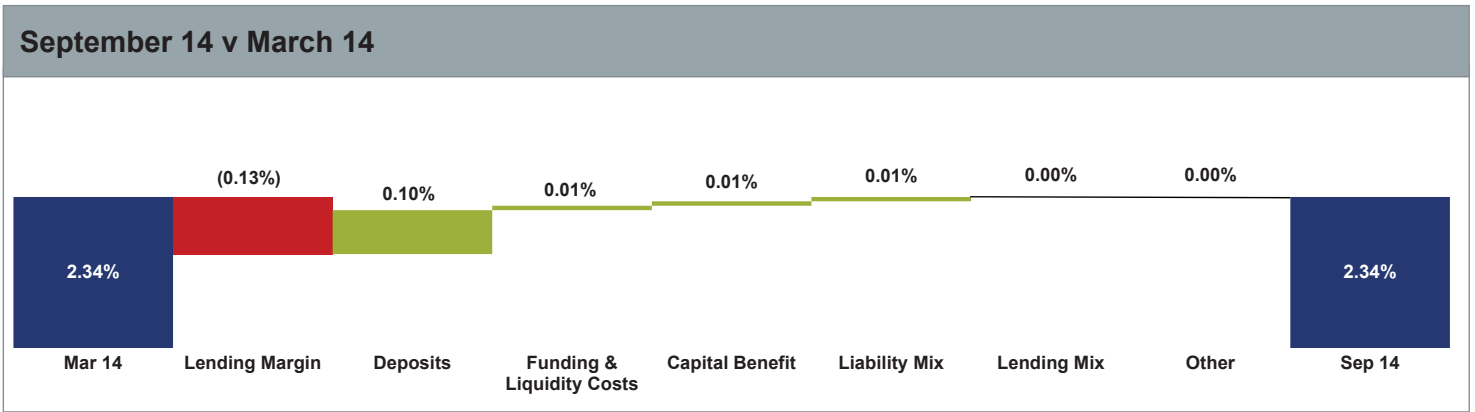
New Zealand Banking



(1) Brand consideration of non-customers. Source: Colmar Brunton Tracking, Aug 13 – Sep 14. Rolling three-month data



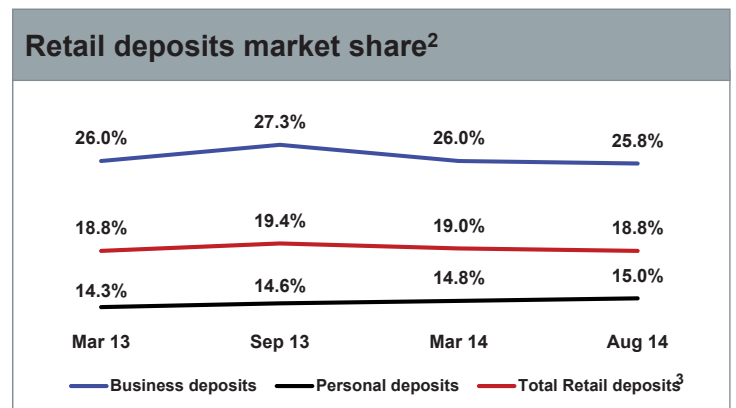
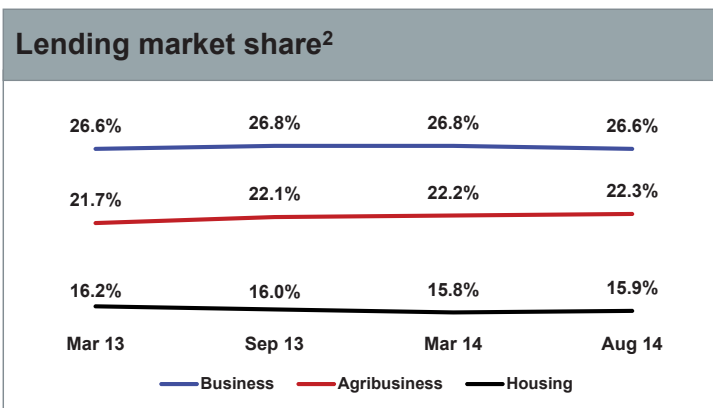
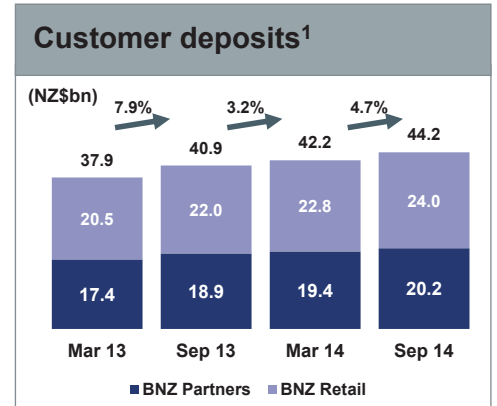
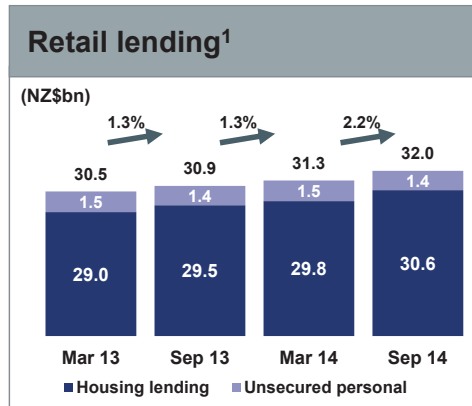
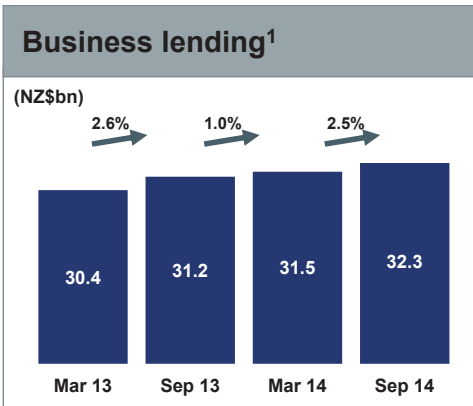
New Zealand Banking: Net interest margin



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New Zealand Banking: Volumes and market share



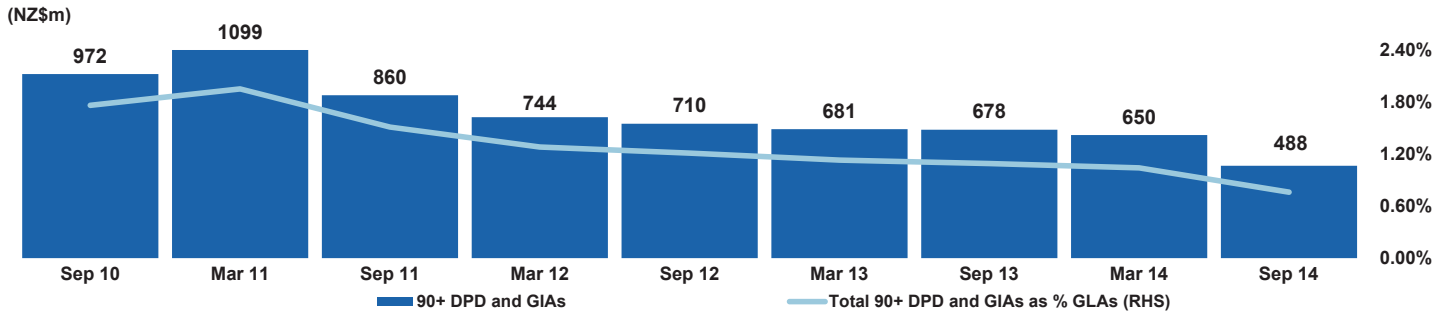
(1) Spot volumes
 (2) Source RBNZ: August 2014 (historical market share rebased with latest revised RBNZ published data)
 (3) Source RBNZ: Retail deposits include both Personal and Business deposits

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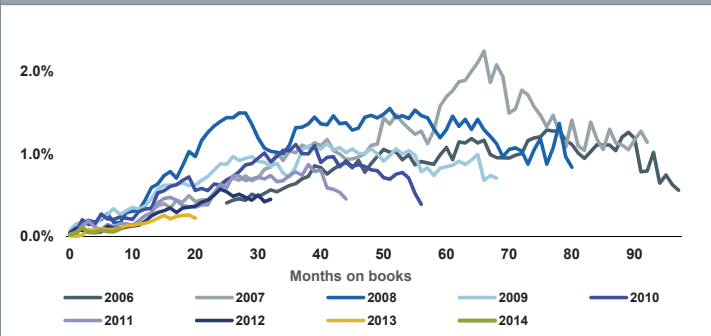


New Zealand Banking: Asset quality

Total 90+ DPD and GIAs as % GLAs

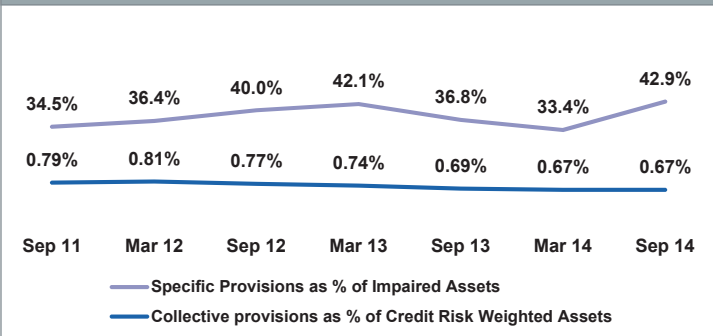


New Zealand Banking mortgages - 30+ DPD ¹



(1) The New Zealand vintage methodology differs from Australian Banking which is calculated on a cumulative basis

Collective and specific provision coverage

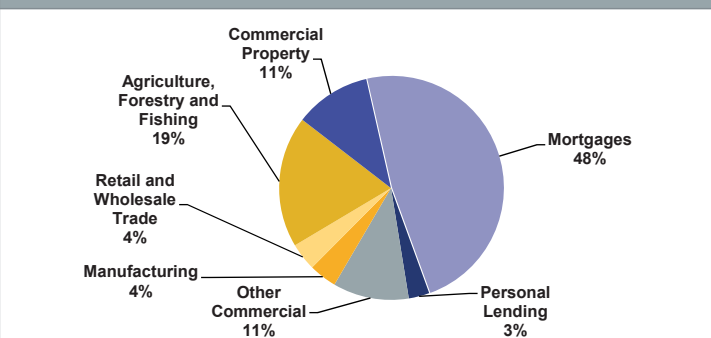


75

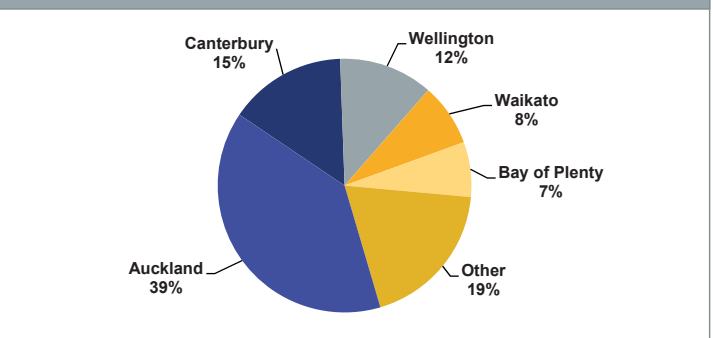


New Zealand: Lending mix and LVR

Portfolio breakdown - total NZ\$64.3bn



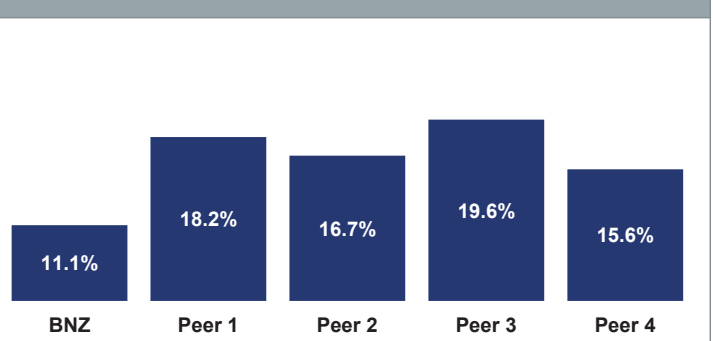
Mortgage portfolio breakdown by geography



Home loans >80% LVR¹



Home loan LVR Proportion >80% ²



(1) >80% LVR volumes are on an exposure at default (EAD) basis, and include commitments
 (2) Jun 14 is the latest available LVR peer comparison

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New Zealand: Housing lending – Key metrics

New Zealand Housing lending	Mar 13	Sep 13	Mar 14	Sep 14
Low Documentation	0.27%	0.23%	0.21%	0.18%
Proprietary	100%	100%	100%	100%
Third Party Introducer	0.0%	0.0%	0.0%	0.0%
Variable rate lending drawn balance	52.7%	46.6%	38.3%	28.2%
Fixed rate lending drawn balance	43.1%	49.4%	57.9%	68.1%
Line of credit drawn balance	4.2%	4.0%	3.8%	3.7%
Interest only drawn balance ¹	22.4%	23.0%	23.0%	23.5%
Insured % of Total Portfolio ²	12.3%	12.5%	11.4%	9.9%
Current LVR on a drawn balance calculated basis	64.3%	64.7%	64.0%	63.8%
LVR at origination	69.4%	69.9%	69.3%	69.1%
Average loan size NZ\$ ('000)	265	272	281	289
90+ days past due ratio	0.22%	0.20%	0.18%	0.11%
Impaired loans ratio	0.32%	0.21%	0.24%	0.21%
Specific provision coverage ratio	32.1%	35.2%	32.7%	33.1%
Loss rate ³	0.09%	0.07%	0.04%	0.03%

(1) Excludes Line of credit

(2) Insured includes both LMI and Low Equity Premium

(3) Loss rate = Annual Write-offs / Spot Drawn Balances

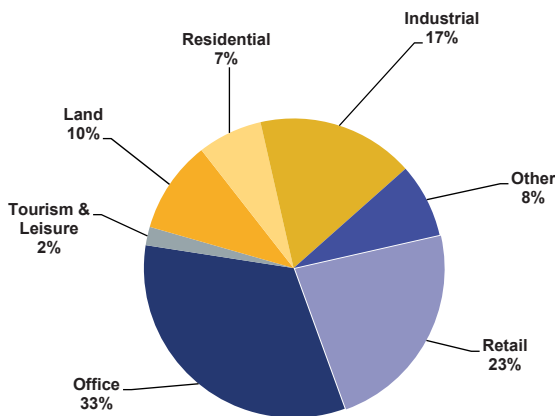
77



New Zealand Banking: Commercial Real Estate

Total NZ\$7.2bn

11.2% of Gross Loans & Acceptances



Region	Auckland	Other Regions	Total	
Location %	41%	59%	100%	
Loan Balance < NZ\$5m	11%	24%	35%	
Loan Balance > NZ\$5m<NZ\$10m	6%	7%	13%	
Loan Balance > NZ\$10m	24%	28%	52%	
Loan tenor < 3 yrs	38%	52%	90%	
Loan tenor > 3 < 5 yrs	1%	2%	3%	
Loan tenor > 5 yrs	2%	5%	7%	
Average loan size NZ\$m	4.6	2.9	3.4	
Security Level ¹				
Fully Secured	29%	39%	68%	
Partially Secured	10%	17%	27%	
Unsecured	2%	3%	5%	
90+ days past due ratio	0.37%	0.84%	1.21%	
Impaired loans ratio	0.18%	0.40%	0.58%	
Specific provision coverage ratio	10.8%	27.6%	22.5%	
Trend	Mar 13	Sep 13	Mar 14	Sep 14
90+ days past due ratio	0.70%	0.83%	0.64%	1.21%
Impaired loans ratio	1.36%	1.02%	0.99%	0.58%
Specific provision coverage ratio	35.8%	46.3%	47.9%	22.5%

(1) Fully Secured represents loans of up to 70% of the Market Value of Security. Partially Secured are over 70%, but not Unsecured. Unsecured is primarily Negative Pledge lending

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Additional Information

Australian Banking

NAB Wealth

NZ Banking

UK Banking

NAB UK CRE

Group Asset Quality

Capital and Funding

Other

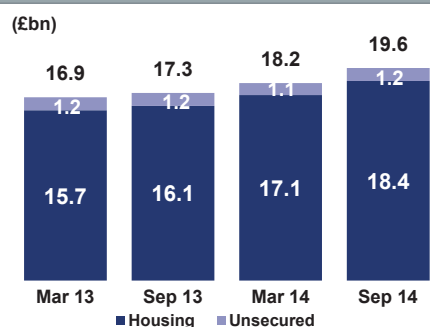
Economic Outlook



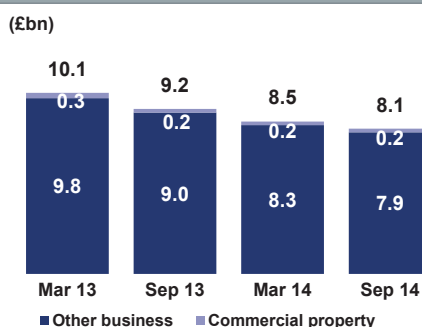
National
Australia
Bank

UK Banking

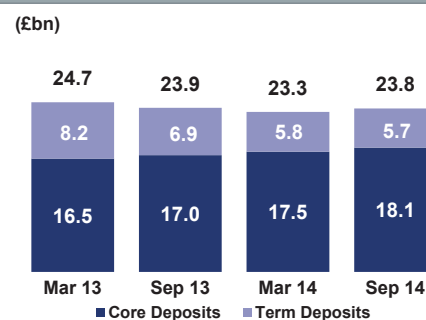
Personal lending¹



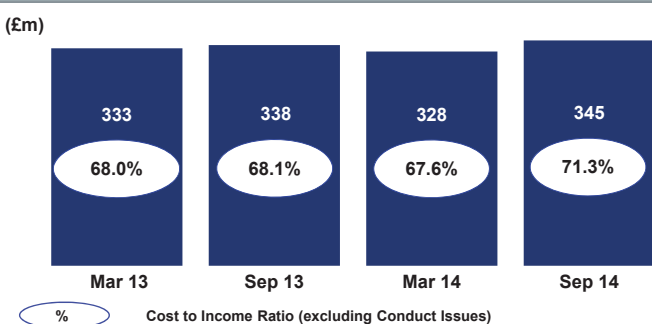
Business lending¹



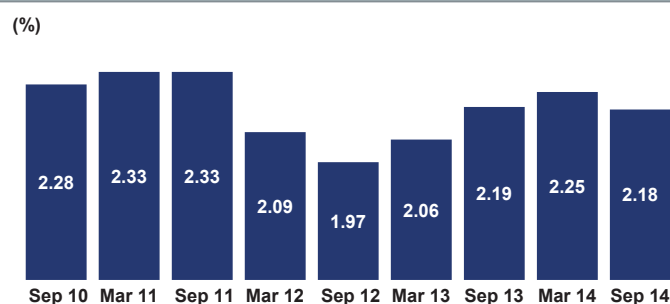
Customer deposits^{1,2}



Costs (ex-conduct)



Net interest margin³



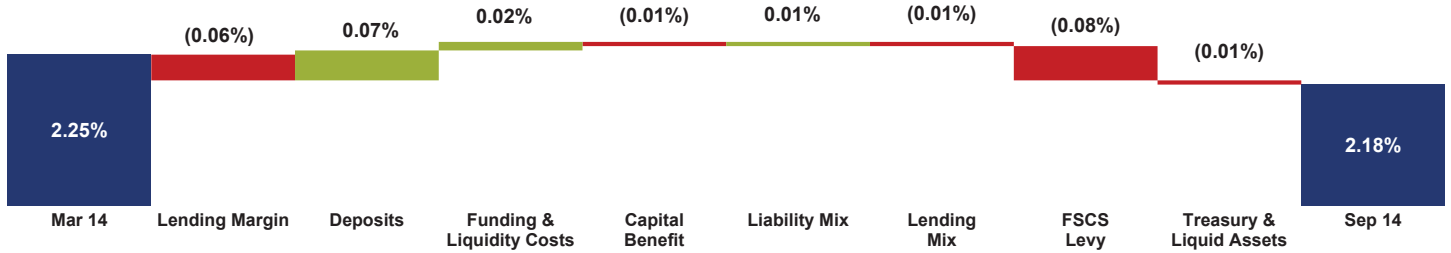
(1) Spot volumes

(2) Comparative numbers have been restated to conform with current period presentation

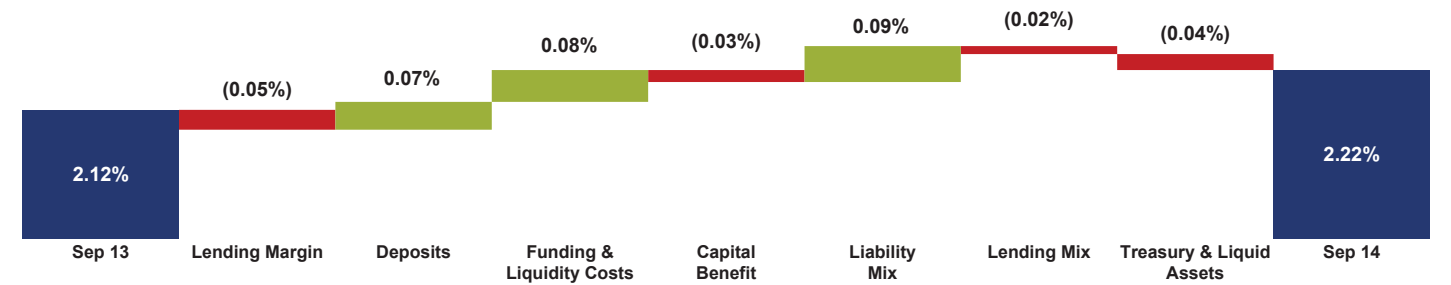
(3) Financial Services Compensation Scheme (FSCS) levy was incurred in 2H14 as a result of applying IFRIC 21. Prior period comparatives have not been restated

UK Banking: Net interest margin

September 14 v March 14



September 14 v September 13

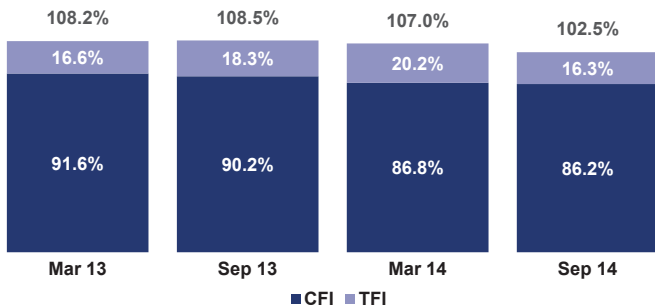


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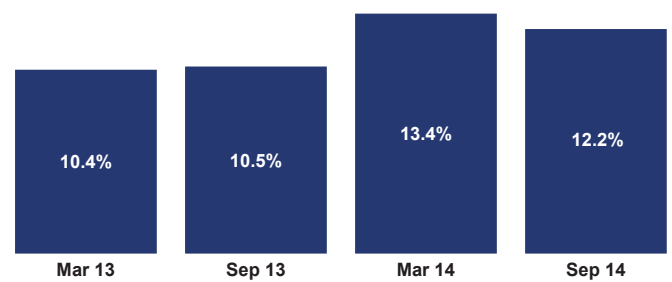


UK Banking: Funding Mix and Capital Ratios

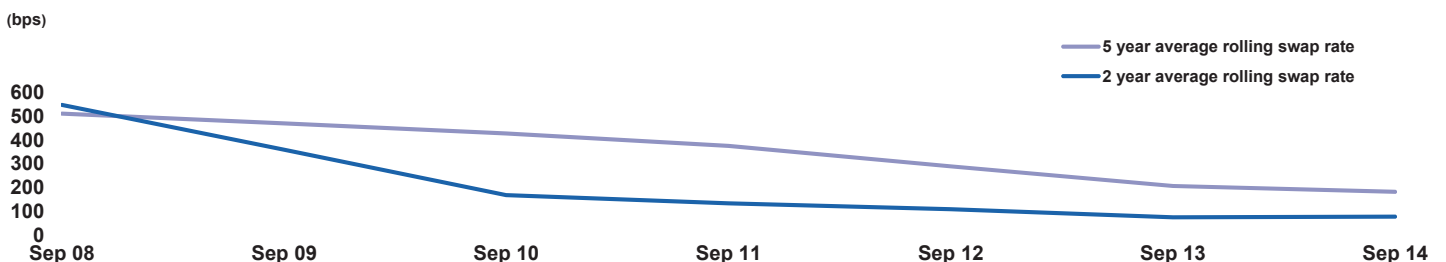
Clydesdale Bank PLC Stable Funding Index¹



Clydesdale Bank PLC Common Equity Tier 1 Ratio²



Interest rate earned on ~£10bn of free funds³



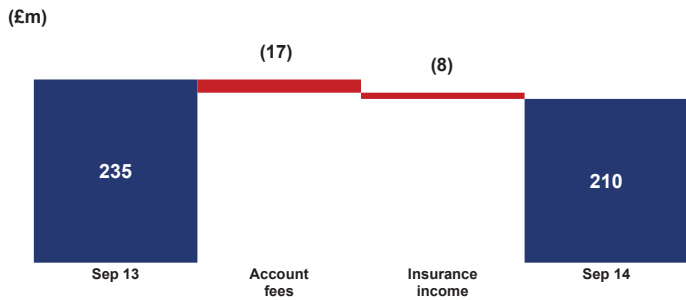
(1) Stable funding index (SFI) based on spot balances
 (2) On a UK Prudential Regulation Authority basis
 (3) Free funds are shareholders' equity and non-interest bearing deposits. These flows are hedged over a 2 and 5 year period to reduce volatility from movements in benchmark interest rates

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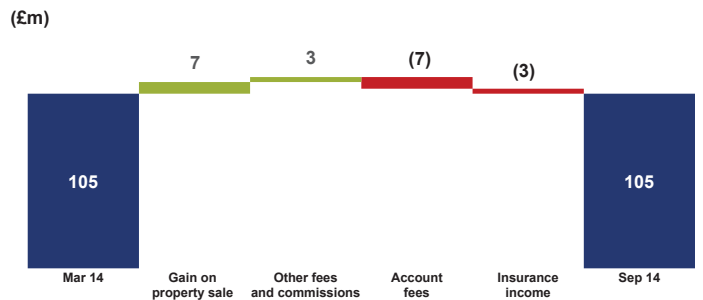


UK Banking: Other operating income and expenses

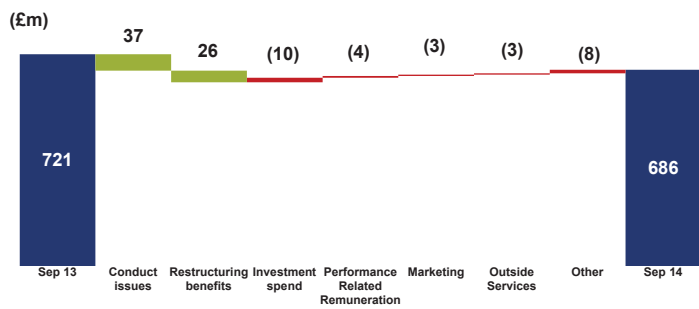
Other operating income – September 14 v September 13



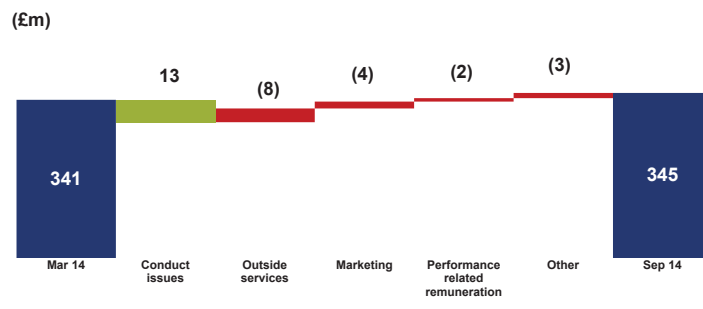
Other operating income – September 14 v March 14



Operating expenses¹ – September 14 v September 13



Operating expenses – September 14 v March 14



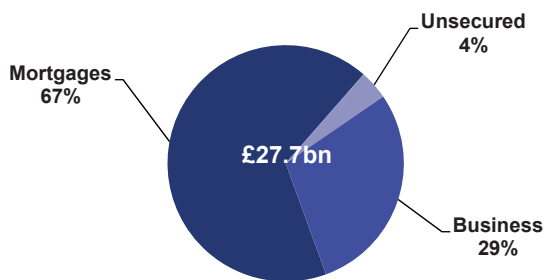
(1) Sep 13 expenses have been restated in line with the adoption of amendments to IAS19

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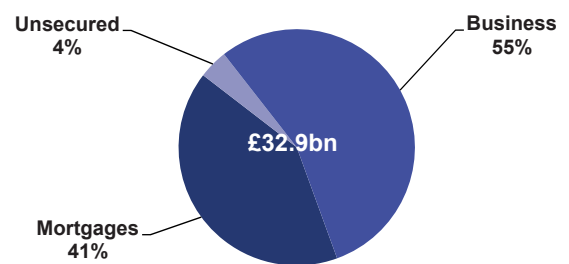


UK Banking: Portfolio composition

September 2014 Total portfolio composition



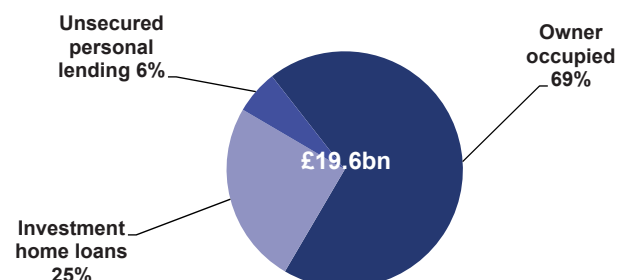
September 2011 Total portfolio composition¹



September 2014 Business portfolio composition

Industry	% Business Portfolio	% Total Portfolio
Agribusiness	22%	6%
Retail and Wholesale Trade	12%	4%
Hospitality	11%	3%
Business Services	11%	3%
Government, Health and Education	10%	3%
Manufacturing	9%	3%
Other	25%	7%
Total	100%	29%

September 2014 Retail portfolio composition



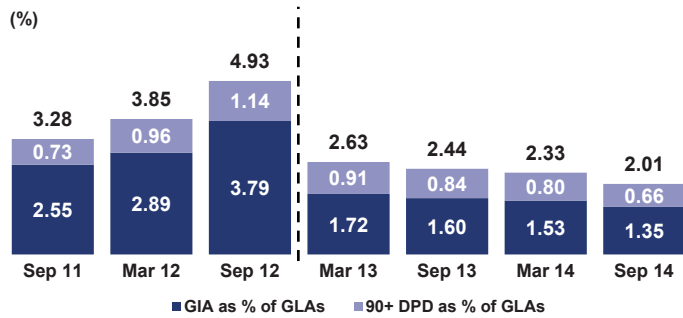
(1) September 2011 portfolio composition includes NAB UK CRE portfolio which was separated from UK Banking on 5 October 2012

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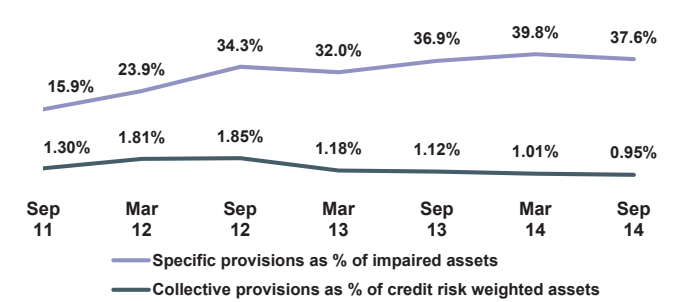


UK Banking: Asset quality

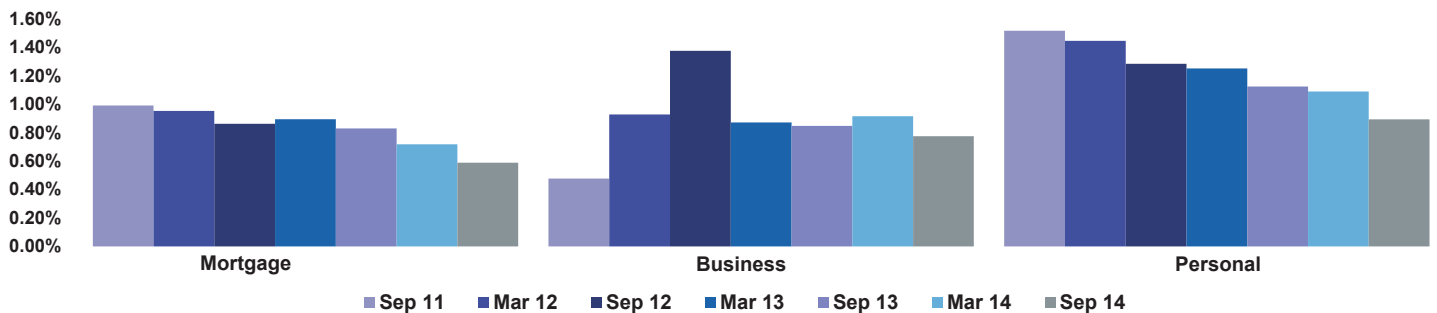
90+ DPD and GIAs as a % of GLAs^{1,2}



Collective and specific provision coverage



90+ DPD as a % of GLAs by product^{1,2}



(1) On 5 October 2012 UK CRE was separated from UK Banking

(2) From Mar 14 balances include UK mortgage defaulted customers not previously disclosed as past due, where the contractual repayment date has passed but customers continue to pay interest due, or where an agreed arrangement is in place, or where the customer is deceased. Prior period comparatives have been restated

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UK Banking: Housing lending – Key metrics

UK Banking Housing lending	Mar 13	Sep 13	Mar 14	Sep 14
Owner Occupied	79.6%	78.3%	75.7%	73.4%
Investment	20.4%	21.7%	24.3%	26.6%
Low Document	0.0%	0.0%	0.0%	0.0%
Proprietary	63.3%	60.0%	56.4%	52.4%
Third Party Introducer	36.7%	40.0%	43.6%	47.6%
Variable rate lending drawn balance	60.5%	56.5%	49.2%	42.6%
Fixed rate lending drawn balance	30.5%	35.3%	43.5%	51.2%
Line of credit drawn balance	9.0%	8.2%	7.3%	6.2%
Interest only drawn balance ¹	42.3%	40.9%	41.2%	41.5%
LMI Insured % of Total HL Portfolio	1.1%	1.1%	0.9%	0.9%
Loan to Value (at Origination)	63.1%	63.3%	63.6%	64.3%
Average loan size £ ('000)	102	104	107	113
90+ days past due ² ratio	0.89%	0.83%	0.72%	0.59%
Impaired loans ratio	0.45%	0.47%	0.42%	0.35%
Specific provision coverage ratio	22.0%	23.8%	24.3%	25.6%
Loss rate ³	0.06%	0.06%	0.06%	0.05%

(1) Excludes Line of credit

(2) From Mar 14 balances include UK mortgage defaulted customers not previously disclosed as past due, where the contractual repayment date has passed but customers continue to pay interest due, or where an agreed arrangement is in place, or where the customer is deceased. Prior period comparatives have been restated

(3) Loss rate = Annual Write offs / Spot Drawn Balances

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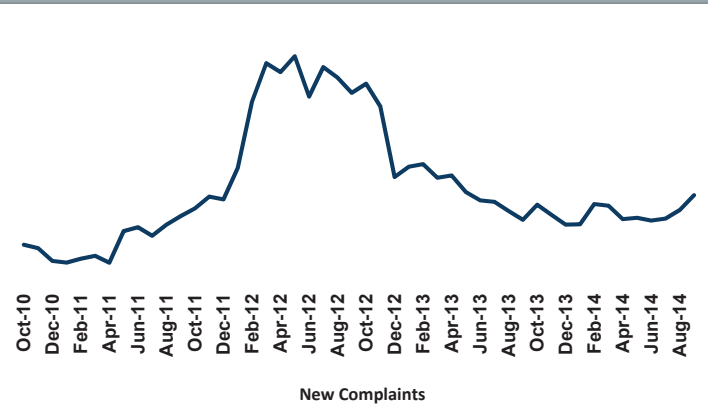


UK Conduct issues – Payment Protection Insurance (PPI)

Payment Protection Insurance

- £57 million utilised in the year to 30 September 2014
- Further provisions of £420 million were raised in the year due to
 - increased costs of administering the remediation programme
 - redress costs associated with the implementation of a new complaints handling process, which is driving increased payments for new complaints and in revisiting old complaints
 - the need to examine historical records dating back to pre 2000 periods
 - higher than anticipated levels of new complaints
- Provisions remain subject to risks and uncertainties

CB PLC complaints experience by month



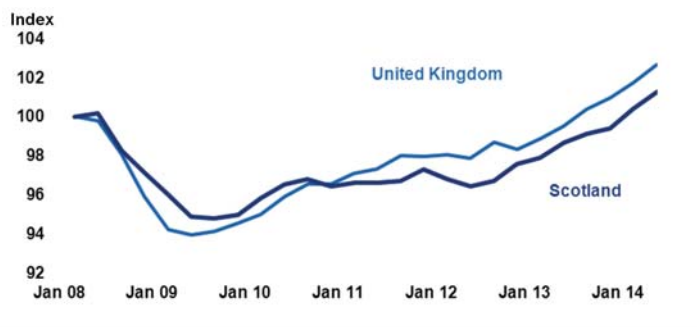
Bank	Cumulative charge	Redress paid	Utilisation (%)
Barclays Bank ¹	£4,850m	£3,555m	73%
Lloyds Banking Group ²	£11,325m	£8,775m	77%
RBS ¹	£3,225m	£2,639m	82%
HSBC ¹	US\$3,347m	US\$2,588m	77%
Clydesdale Bank ³	£806m	£291m	36%

- (1) Peer banks as at 30 June 2014 (interim results announcements)
 (2) Lloyds Banking Group as at 30 September 2014 (Q3 trading update)
 (3) CB PLC as at 30 September 2014

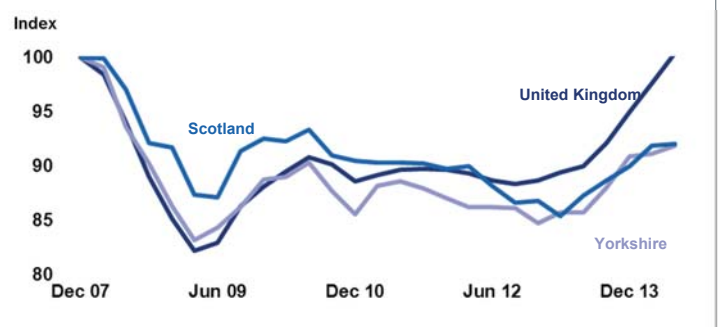


UK economy

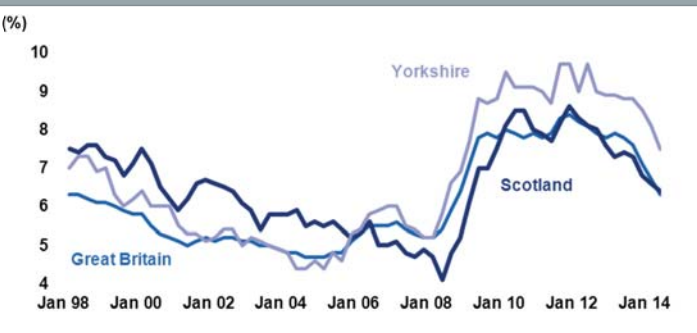
Level of real GDP Economic growth – UK and Scotland¹



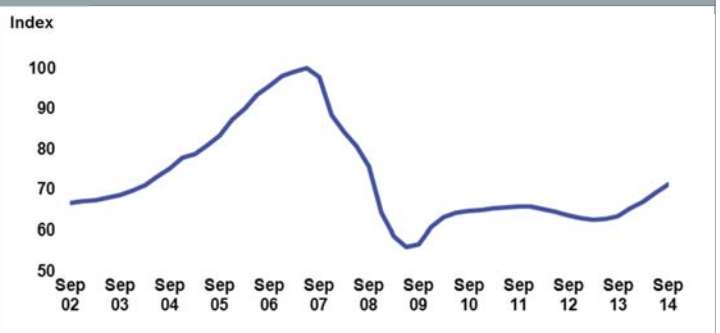
UK House Price Indices²



Unemployment rate by region³



UK Commercial property prices⁴



- (1) Source: ONS, Thomson Reuters Datastream, Scottish Government March 2008 = 100 indices
 (2) Source: Nationwide Index
 (3) Source: ONS, Thomson Reuters Datastream (ILO survey)
 (4) Source: IPD June 2007 = 100 indices



Additional Information

Australian Banking

NAB Wealth

NZ Banking

UK Banking

NAB UK CRE

Group Asset Quality

Capital and Funding

Other

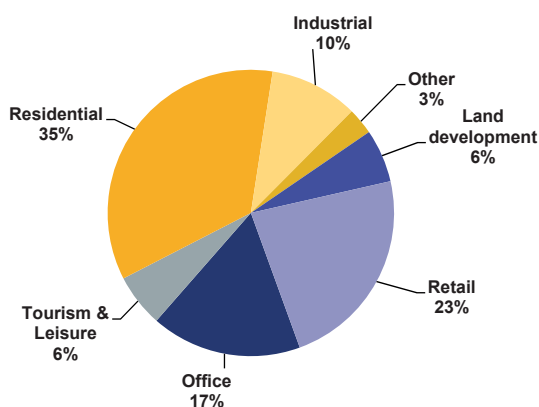
Economic Outlook



National
Australia
Bank

NAB UK CRE: Commercial Real Estate

Total £2.1bn¹



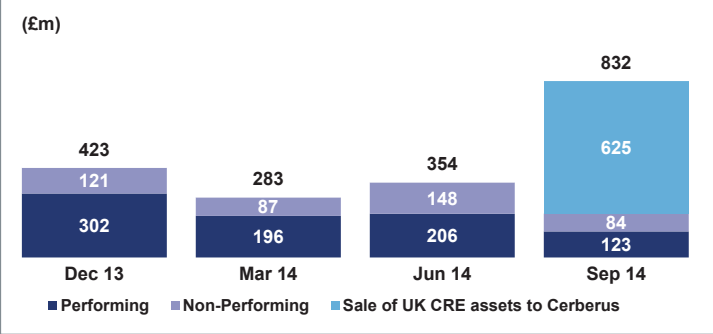
Region	North	East	South	West	Total
Location	27%	26%	19%	28%	100%
Loan Balance ² < £2m	17%	14%	8%	15%	54%
> £2m < £5m	6%	6%	3%	5%	20%
> £5m	4%	6%	8%	8%	26%
Average loan tenor < 3 yrs	16%	14%	15%	16%	61%
Average loan tenor > 3 < 5 yrs	3%	4%	1%	1%	9%
Average loan tenor > 5 yrs	8%	8%	3%	11%	30%
Average loan size (£m)	0.54	0.64	0.91	0.66	0.66
Security Level ³					
Fully Secured	13%	17%	13%	22%	65%
Partially Secured	13%	9%	5%	6%	33%
Unsecured	1%	0%	1%	0%	2%
	Mar 13	Sep 13	Mar 14	Sep 14	
90+ days past due ratio	3.86%	3.18%	4.33%	2.90%	
Impaired loans ratio	21.8%	24.4%	28.0%	19.3%	
Specific provision coverage ratio	31.5%	37.8%	37.4%	46.3%	

(1) Data has been prepared in accordance with APRA ARF230 guidelines. Total portfolio of £2.1bn excludes £0.1bn of UK CRE assets not defined as Commercial Real Estate for regulatory purposes

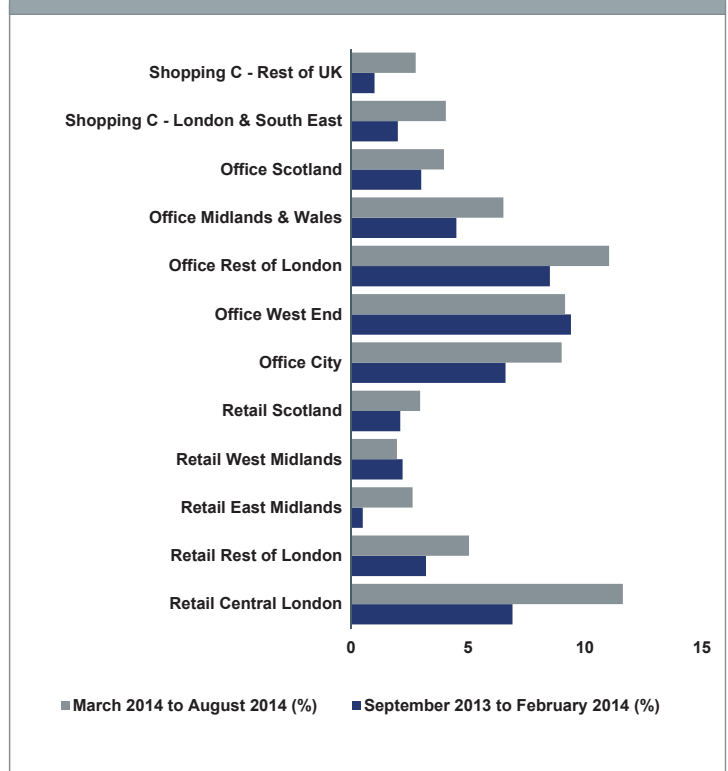
(2) Distribution based on loan balance

(3) Fully Secured represents loans of up to 70% of the market value of security, Partially Secured are over 70%, but not Unsecured

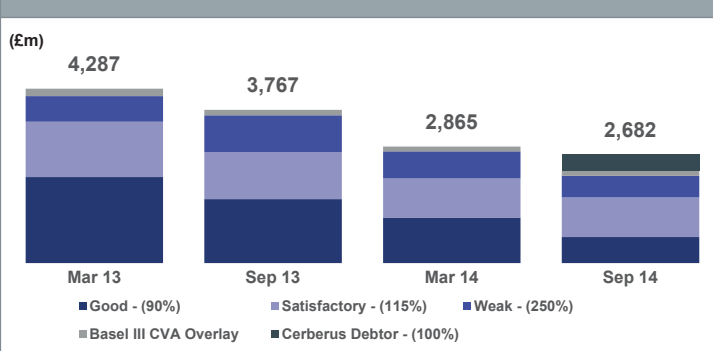
UK CRE repayment analysis – performing and non-performing loans¹



UK commercial property capital values²



NAB UK CRE RWAs³



- (1) September 14 Quarter to date 2014 are inclusive of the sale of £0.6bn of largely distressed assets in July 2014. Non-performing loans include: Default no Loss, Restructured and Impaired assets
- (2) Source: IPD
- (3) £0.6bn of loans sold in July 2014, 68% of the loans were impaired with no risk weighting attached but rather a Tier1 capital deduction



Additional Information

Australian Banking

NAB Wealth

NZ Banking

UK Banking

NAB UK CRE

Group Asset Quality

Capital and Funding

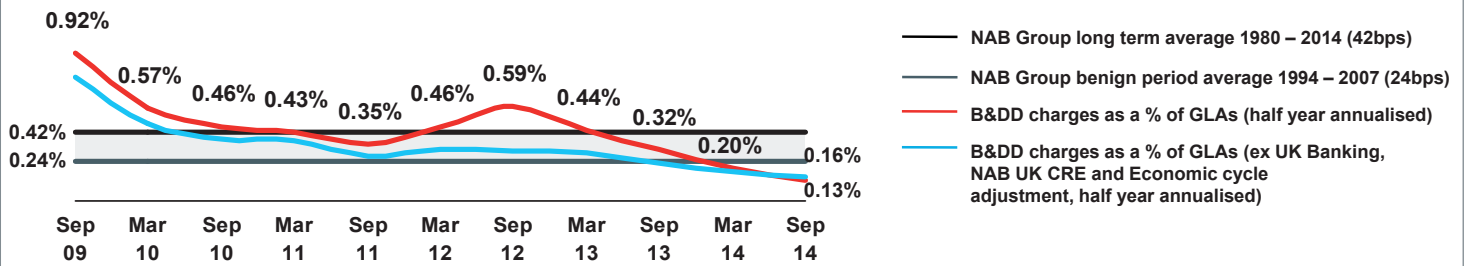
Other

Economic Outlook

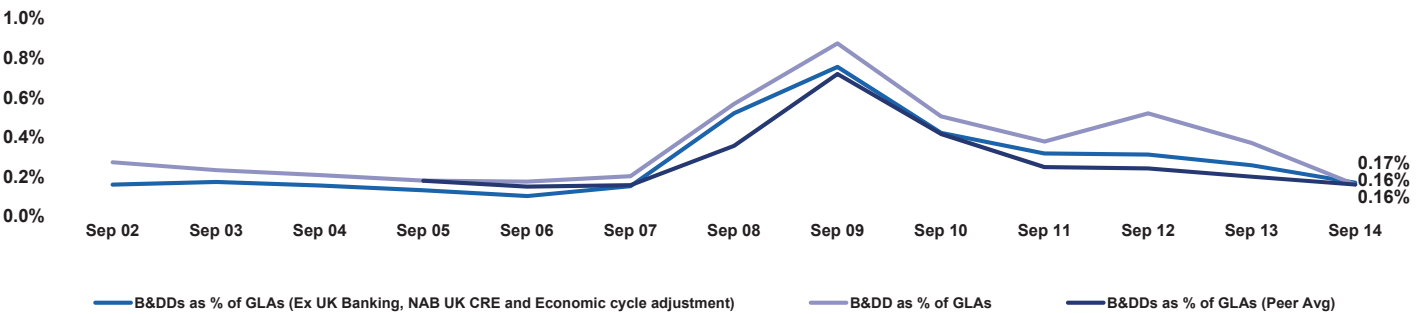


Group B&DD charge

B&DD charge to GLAs – compared to norms



B&DD charge to GLAs – compared to peers¹

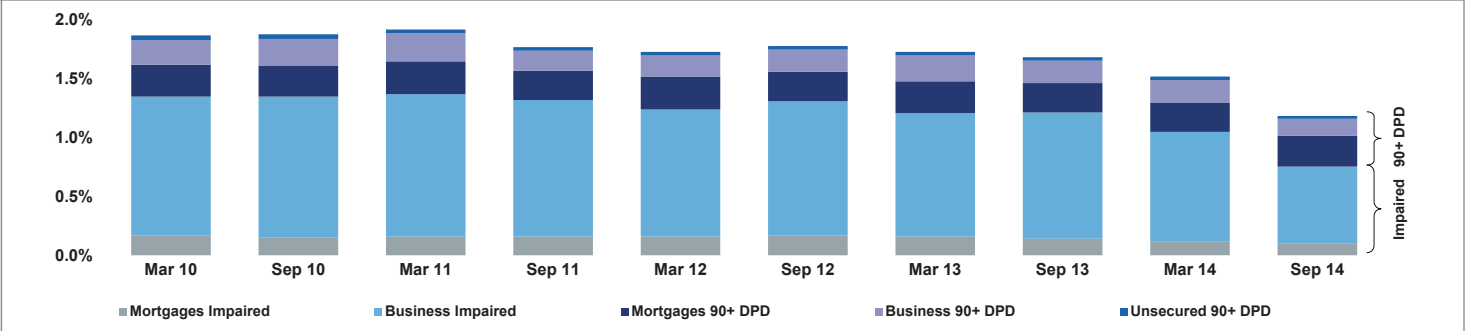


(1) Sep 14 peer ratios based on last reported

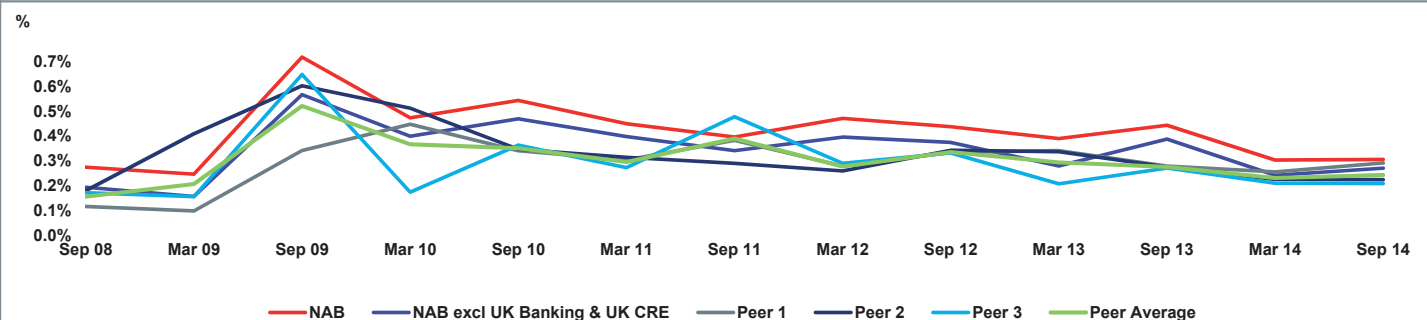


Group asset quality

90+ DPD & gross impaired assets as a % of gross loans and acceptances by product



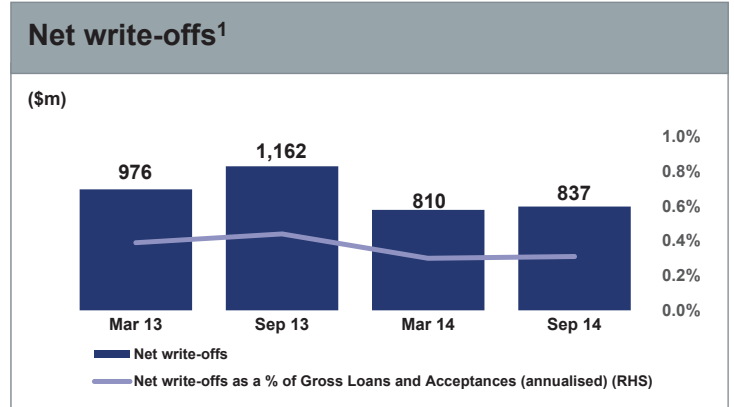
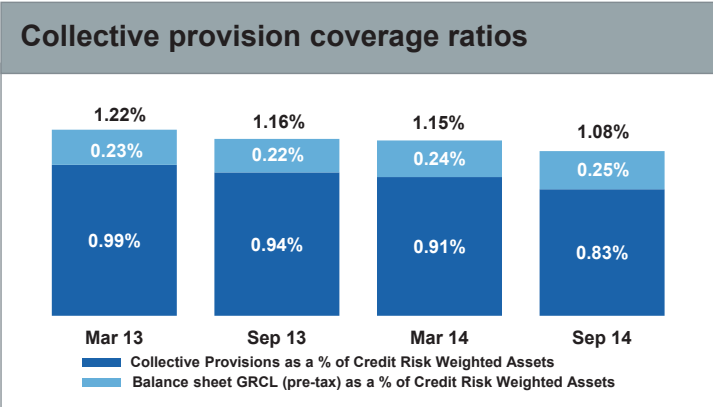
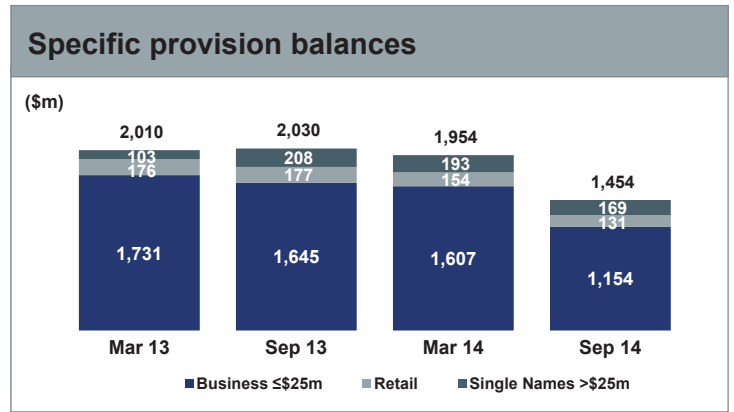
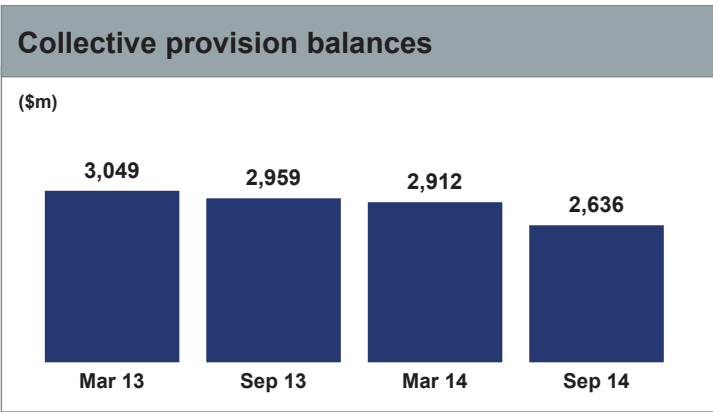
Net write-offs as a % of GLAs (NAB vs peers)¹



(1) Sep 14 peer ratios based on last reported



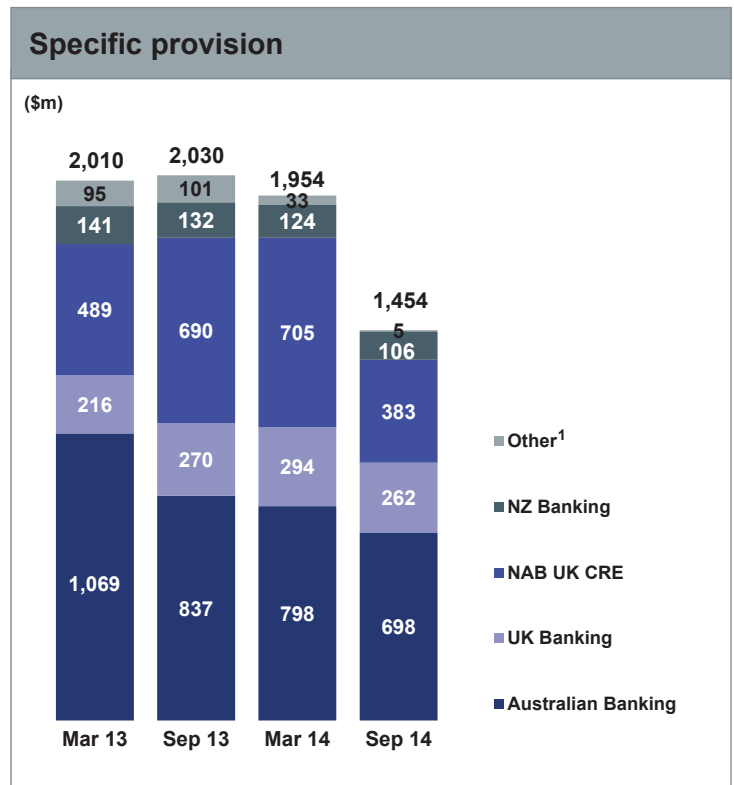
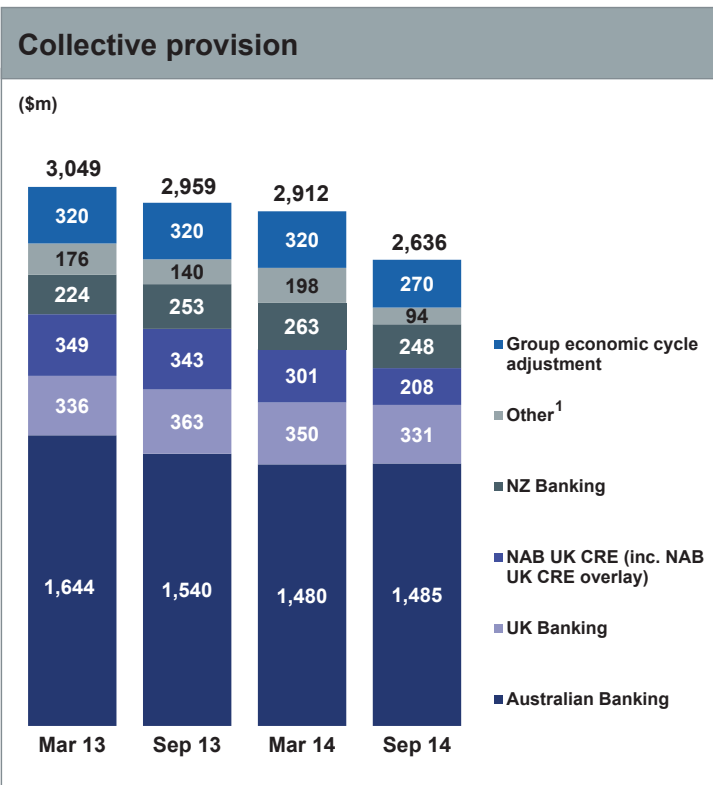
Group provision balances and coverage ratios



(1) September 2014 and March 2014 include write-offs of fair value loans



Group provision movements

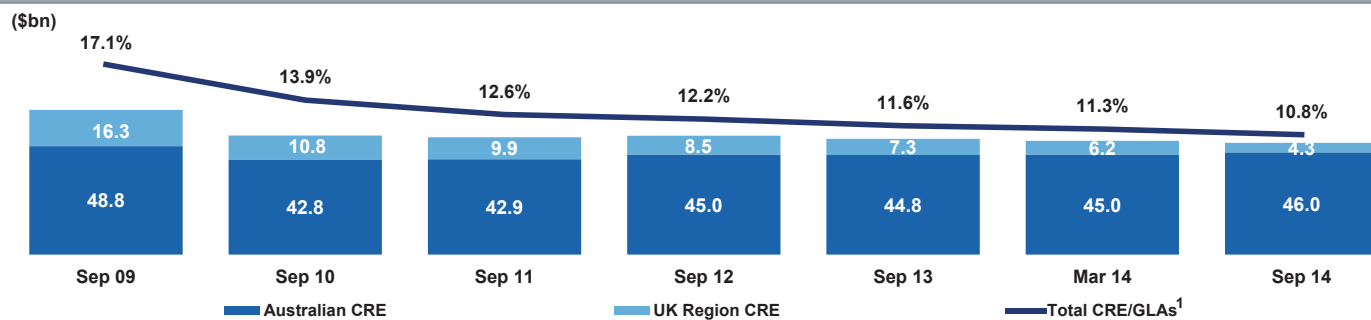


(1) Other includes GWB and corporate functions

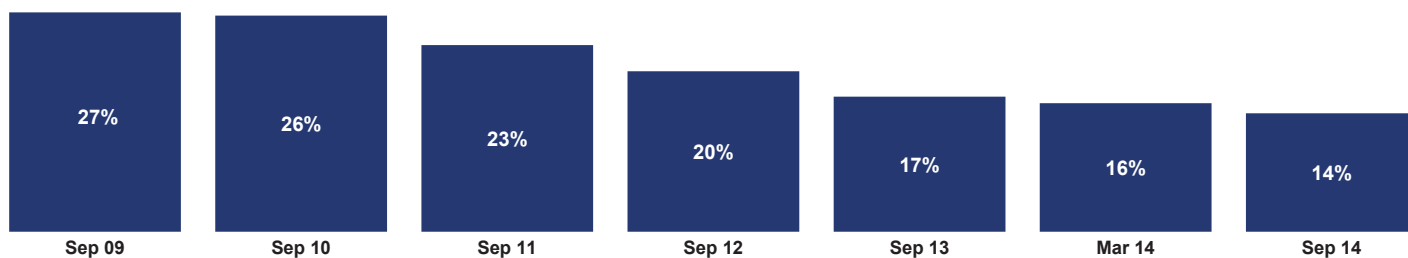


CRE exposures and Australian and NZ business exposures

Commercial Real Estate exposures reduced



Australian and New Zealand business exposures by probability of default $\geq 2\%$ ²



(1) From Sep13 onwards, includes commercial property exposures in both NAB UK CRE and \$0.4bn in UK Banking
 (2) The values disclosed are net of eligible financial collateral

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Eligible Provisions and Regulatory Expected Loss

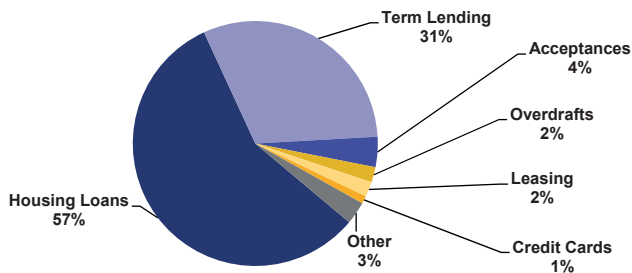
\$m	Mar 14		Sep 14		Movement	
	Defaulted	Non-Defaulted	Defaulted	Non-Defaulted	Defaulted	Non-Defaulted
Eligible Provisions						
Collective provision	520	2,392	382	2,254	(138)	(138)
Specific provisions	1,954		1,454		(500)	
General Reserve for Credit Losses		563		601		38
Collective provision on standardised portfolio	(67)	(554)	(60)	(548)	7	6
Specific provisions on standardised portfolio	(328)		(303)		25	
Partial write-offs on IRB portfolio	1,409		1,130		(279)	
Total Eligible Provisions	3,488	2,401	2,603	2,307	(885)	(94)
Regulatory Expected Loss	3,909	2,356	2,937	2,310	(972)	(46)
Shortfall in EP over EL (100% CET1 Deduction)	421		334	3	(87)	3
Surplus in EP over EL (Tier 2 capital for non-defaulted)		45				(45)

98

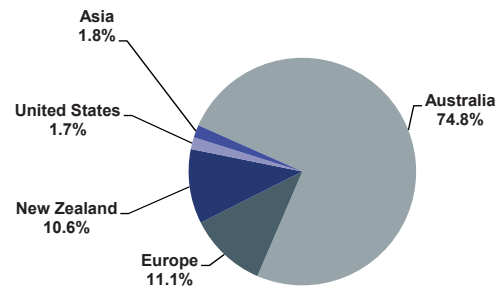


Group portfolio

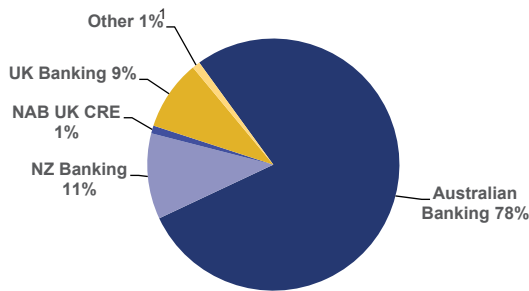
Gross loans and acceptances by product - September 2014



Gross loans and acceptances by geography - September 2014



Gross loans and acceptances by business unit - September 2014



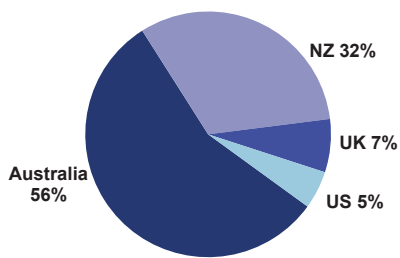
(1) Other includes: NAB Wealth, GWB and Corporate Functions



Agricultural and Mining exposures

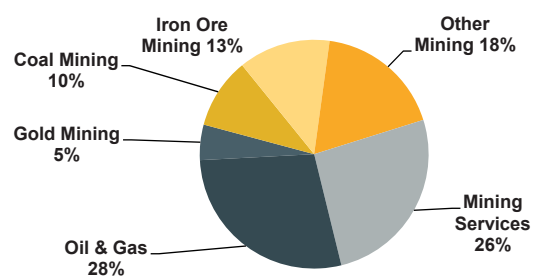
Agriculture, Forestry and Fishing exposures

Agriculture, Forestry and Fishing EAD \$38.1bn September 2014



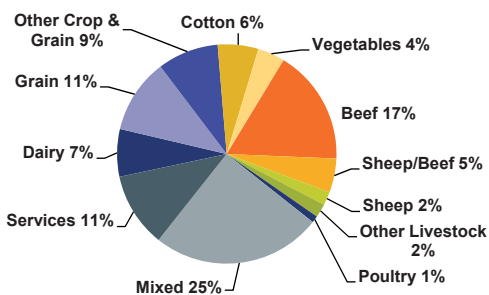
Mining exposure

EAD \$9.5bn September 2014



Australian Agricultural exposures

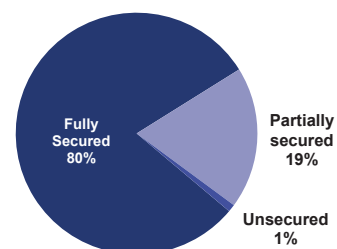
EAD \$20.5bn September 2014



- Highly diversified portfolio by geography and type
- Strong Agri banking network with over 600 specialist bankers

Agriculture portfolio asset quality¹

Australian Agriculture portfolio – September 2014



(1) Fully secured is where the loan amount is less than 100% of the bank extended value of security; partially secured is where the loan amount is greater than 100% of the bank extended value of security; unsecured is where no security is held and negative pledge arrangements are normally in place. Bank extended value is calculated as a discount to market value based on the nature of the underlying security



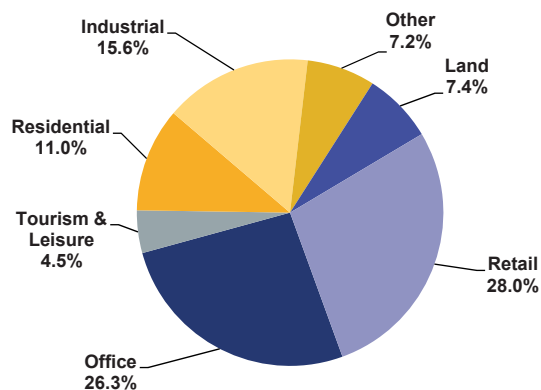
Commercial Real Estate – Group Summary¹

Total \$59.1bn

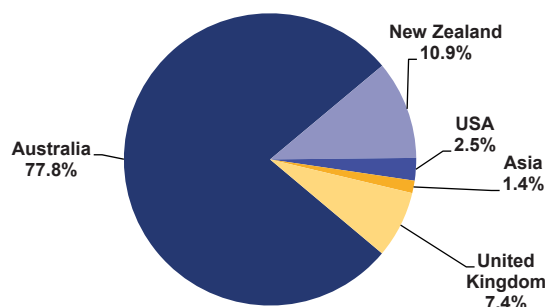
10.8% of Gross Loans & Acceptances

	Aus	NAB UK CRE ²	NZ	USA ³	Other ⁴	Total
TOTAL CRE (A\$bn)	46.0	3.9	6.4	1.5	1.3	59.1
Increase/(decrease) on Sep 13 (A\$bn)	1.2	(3.0)	0.0	0.1	0.1	(1.6)
% of GLAs	10.8%	96.3%	11.2%	19.3%	2.5%	10.8%
Change in % on September 2013	(0.6%)	(2.3%)	(0.4%)	1.7%	0.3%	(0.8%)

Group Commercial Property by type



Group Commercial Property by geography



- (1) Measured as balance outstanding at September 2014 per APRA Commercial Property ARF 230 definitions
- (2) Includes a proportion of UK Banking CRE assets currently being managed by NAB UK CRE
- (3) Excludes SGA
- (4) Includes SGA, Asia and UK Banking



Additional Information

Australian Banking

NAB Wealth

NZ Banking

UK Banking

NAB UK CRE

Group Asset Quality

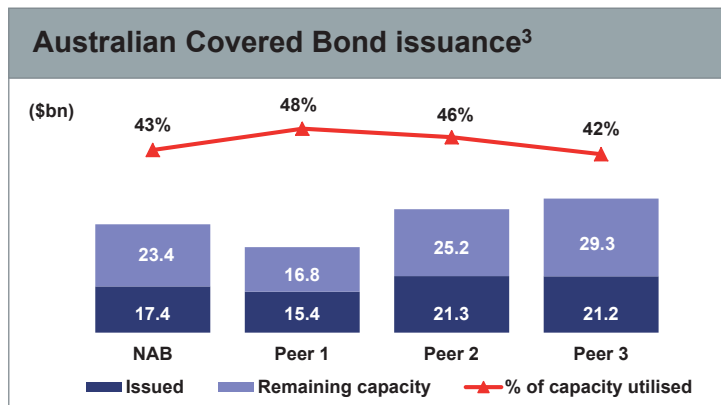
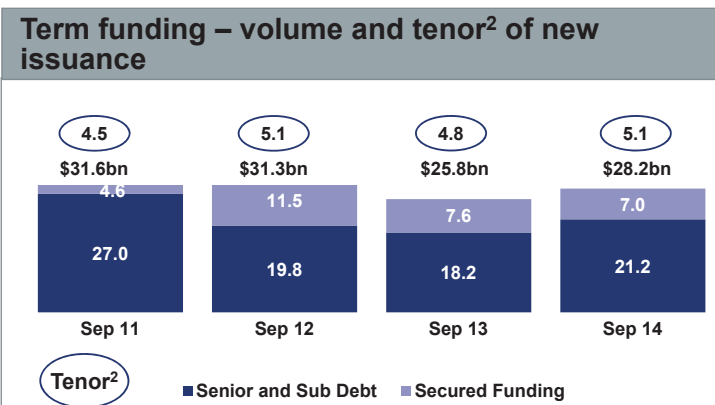
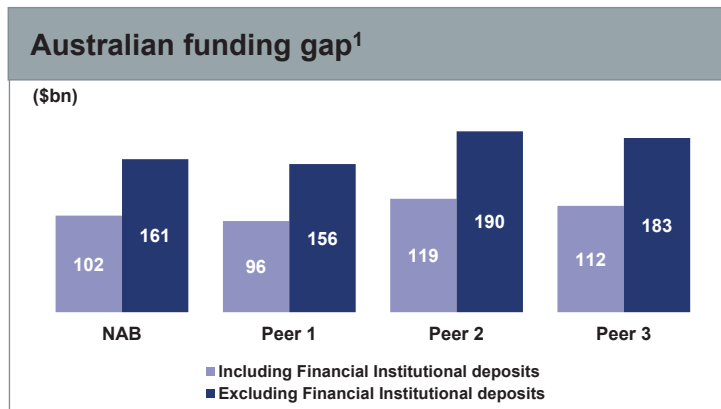
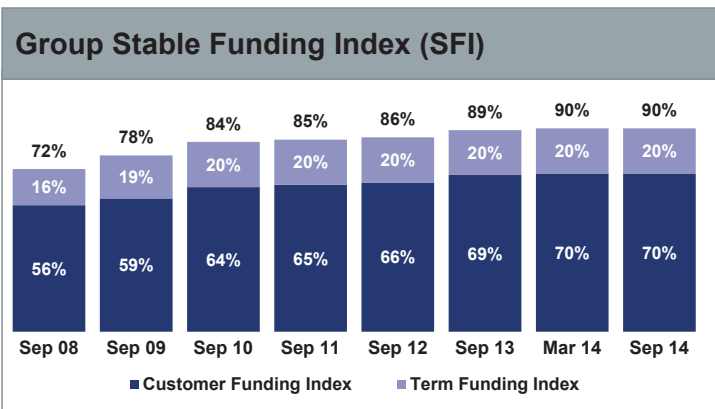
Capital and Funding

Other

Economic Outlook



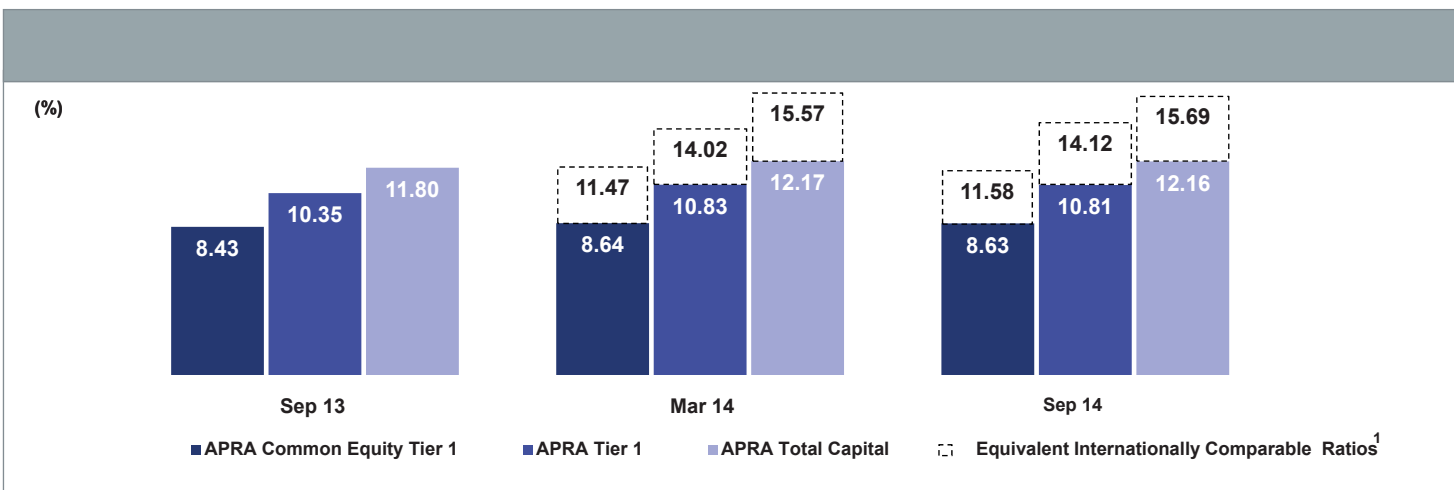
Balance sheet strength remains a priority



(1) Australian funding gap = Gross loans and advances + Acceptances less Total deposits (excluding certificates of deposits) Source: APRA Monthly Banking Statistics (31 August 2014)
 (2) Weighted average maturity (years) of term funding issuance (> 12 months)
 (3) Latest Bank covered bond investor reports as at mid October & APRA Monthly Banking Statistics as at 31 August 2014. Remaining capacity based on current rating agency over collateralisation (OC) and legislative limit



Group Basel III Capital Ratios



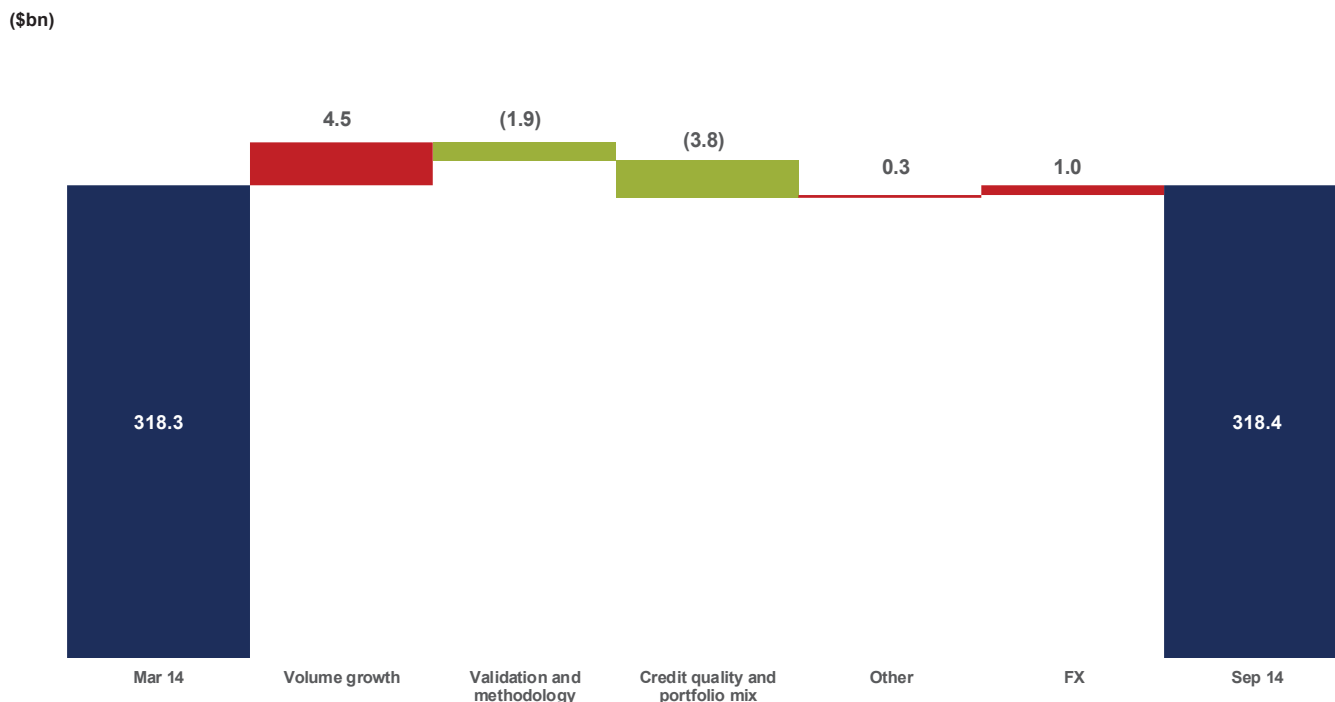
APRA to Internationally Comparable CET1 Ratio Reconciliation	CET1
NAB CET1 ratio under APRA	8.63%
APRA Basel capital adequacy standards require a 100% deduction from common equity for deferred tax assets, investments in non consolidated subsidiaries and equity investments. Under BCBS such items are concessionally risk weighted if they fall below prescribed thresholds	+105bps
Mortgage loss given default (LGD) - reduction in LGD floor from 20% to 15%	+33bps
Interest rate risk in the banking book (IRRBB) - removal of IRRBB risk weighted assets from Pillar 1 capital requirements	+20bps
Other adjustments, including corporate lending adjustments and treatment of specialised lending	+137bps
NAB Internationally Comparable CET1	11.58%

(1) The Group's September 2014 Internationally Comparable Ratio is consistent with the methodology applied by PwC and the Australian Bankers' Association as part of their response to the Financial System Inquiry in August 2014



Credit RWA movement

Credit RWA movement March 2014 to September 2014



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Asset funding – September 2014

(\$bn)

883		883		
Life Insurance Assets	86	Life Insurance Liabilities	86	
Other Assets ¹	103	Other Liabilities ¹	76	
Reverse Repurchase Agreements ²	29	Repurchase Agreements ²	35	
Liquid Assets	117	Shareholders' Equity ³	44	
Core Assets	548	Short Term Funding	94	Short Term Funding of Core Assets 13
		Term Funding < 12 Months	34	
		Term Funding > 12 Months	110	
		Customer Deposits ⁴	391	
Assets		Liabilities & Equity		

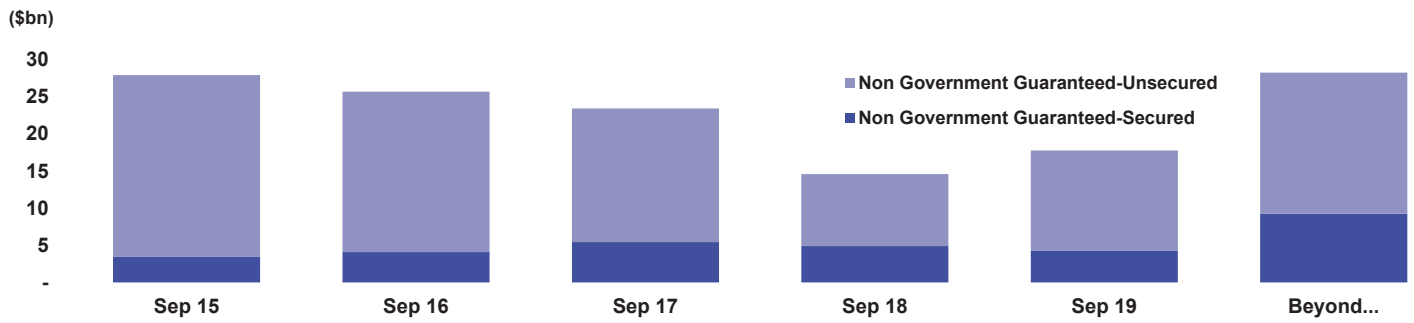
- (1) Other assets and liabilities, including trading derivatives
- (2) Repurchase agreements entered into are materially offset by reverse repurchase agreements with similar maturity profiles as part of normal trading activities, noting the increased cash holdings in our Exchange Settlement Account with the RBA have increased the difference between balances
- (3) Shareholders' equity excludes preference shares and other contributed equity
- (4) For CFI purposes refer to the definition in the Results Announcement

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Funding profile remains robust

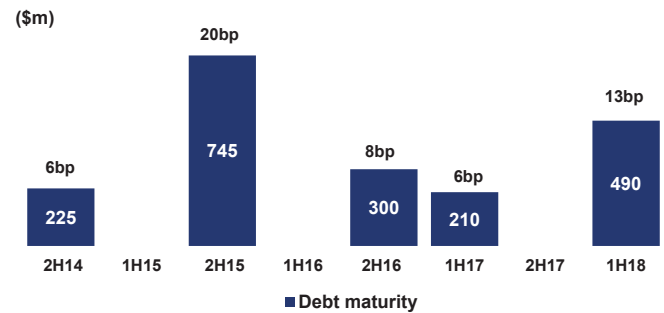
Term Wholesale Maturity Profile



Robust Funding Profile

- The weighted average remaining maturity of the Group's TFI qualifying term funding is 4.0 years¹ (4.0 years as at March 2014)
- The weighted average remaining maturity of the Group's total term funding portfolio (including <12 months) is 3.3 years (3.2 years as at March 2014)
- The weighted average remaining maturity of the Group's covered bond debt is 5.1 years. Over the half, the Group raised \$3.3bn in covered bonds with a weighted average maturity of approximately 6.7 years

Debt maturity profile of National Wealth Management Holdings²

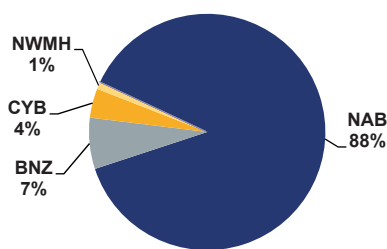


(1) This includes senior, secured and subordinated debt and debt with >12 months remaining term to maturity
 (2) Estimated Level 2 basis point CET1 impact

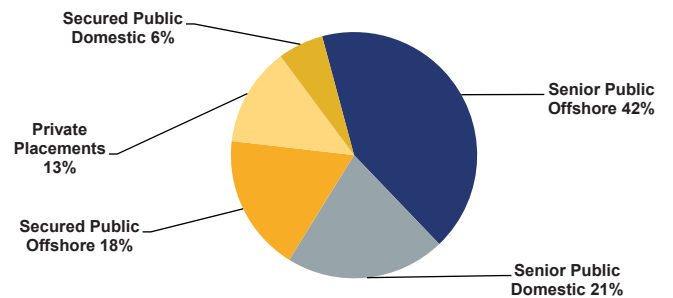


Diversified and flexible funding issuance (\$28.2bn since 1 Oct 2013)

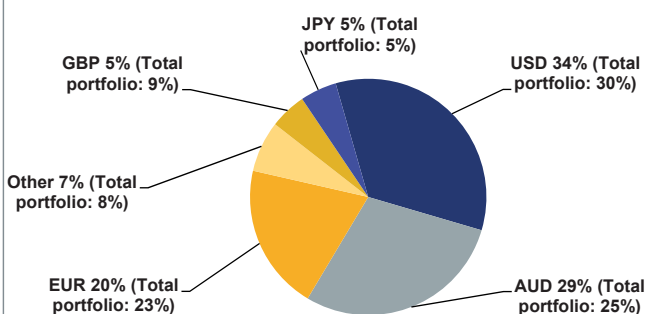
Issuer



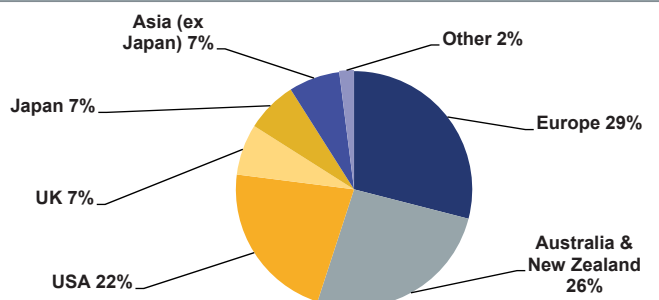
Type



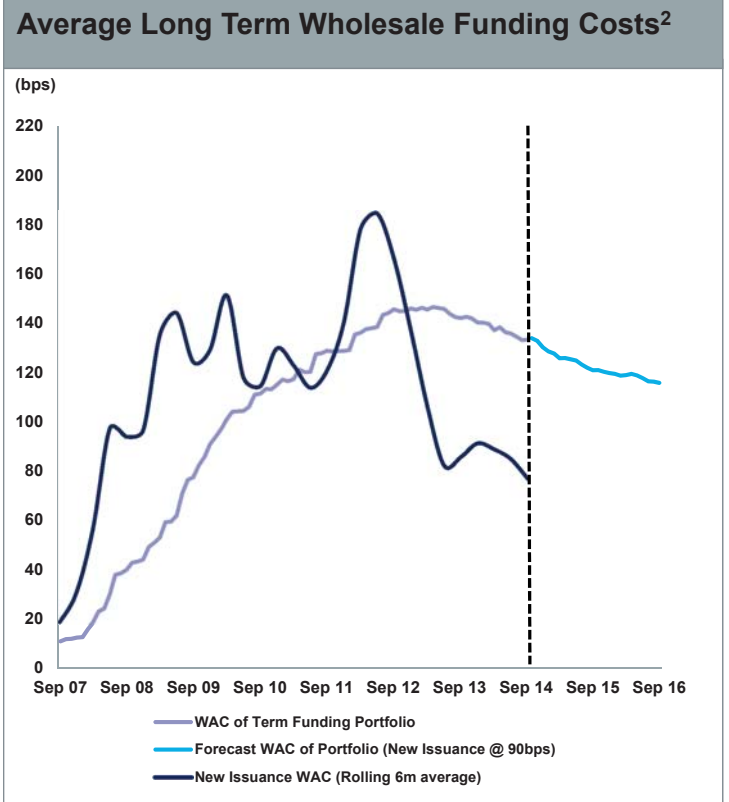
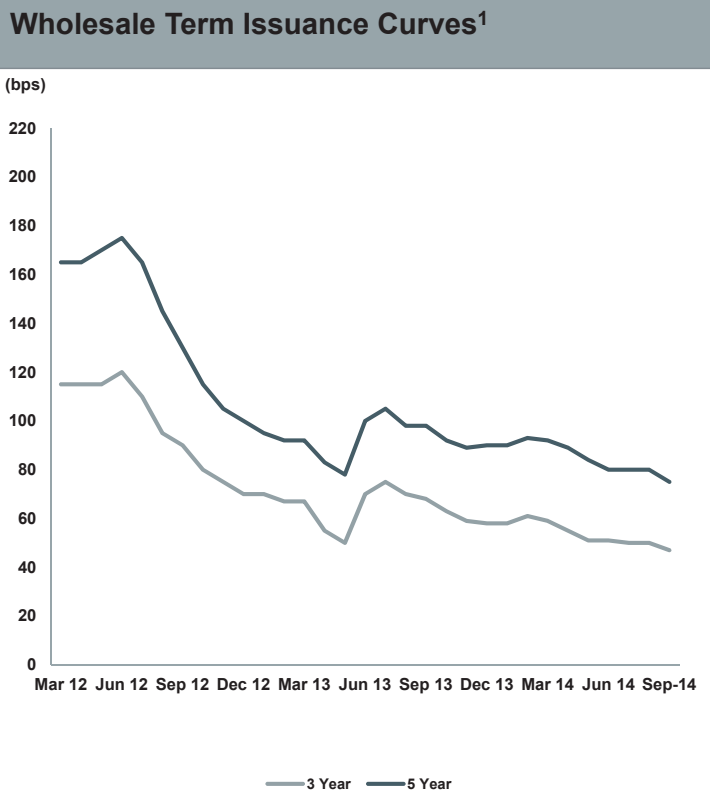
Currency



Investor location



Wholesale funding costs



(1) Source: NAB Group Treasury. Curves based on AUD Major Bank Wholesale Unsecured Funding rates (3 years and 5 years)

(2) NAB Ltd Term Wholesale Funding Costs >12 Months at issuance (spread to 3 month BBSW). Average cost of new issuance is on a 6 month rolling basis. Forecast assumes new issuance costs of 90bps

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Basel III Risk Weighted Assets

Asset Class (\$m)	31 March 2014		30 September 2014	
	RWAs	RWA/EAD %	RWAs	RWA/EAD %
Corporate & Business	179,625	41%	180,779	41%
Mortgages	60,301	20%	58,274	18%
Retail	13,592	42%	13,061	41%
Standardised ¹	46,157	41%	47,715	37%
Credit Value Adjustment (Basel III)	10,221	n/a	10,340	n/a
Other Assets	8,443	85%	8,205	81%
Total Credit RWAs	318,339	35%	318,374	34%
Market RWAs	5,791		4,923	
Operational RWAs	36,280		36,534	
IRRBB RWAs	6,814		7,821	
Total RWAs	367,224		367,652	

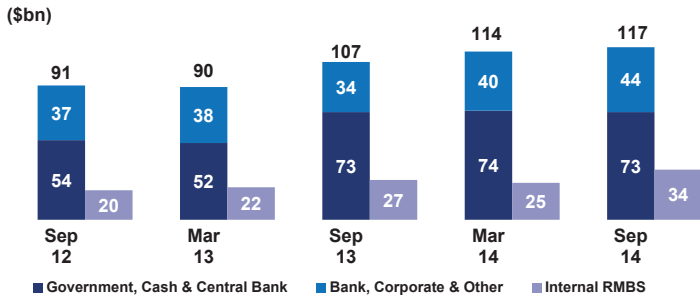
(1) The majority of the Group's standardised portfolio is the UK Clydesdale PLC banking operations

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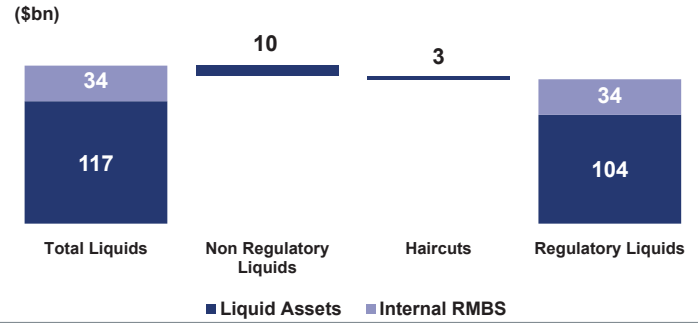


Group liquidity position is strong

Liquid Assets



Transition to 2015 Regulatory View



Liquid Assets – 2015 Regulatory View

- Total liquid assets as at September 2014 is \$117bn, with an additional \$34bn of internal RMBS reported net of applicable regulatory margin adjustment
- The 2015 Regulatory view of liquid assets represents all liquid assets that qualify for inclusion in the Group's LCR, with all these assets presented net of applicable regulatory haircuts
- As at end of September 2014, the Group held \$104bn of regulatory liquid assets and \$34bn Internal RMBS

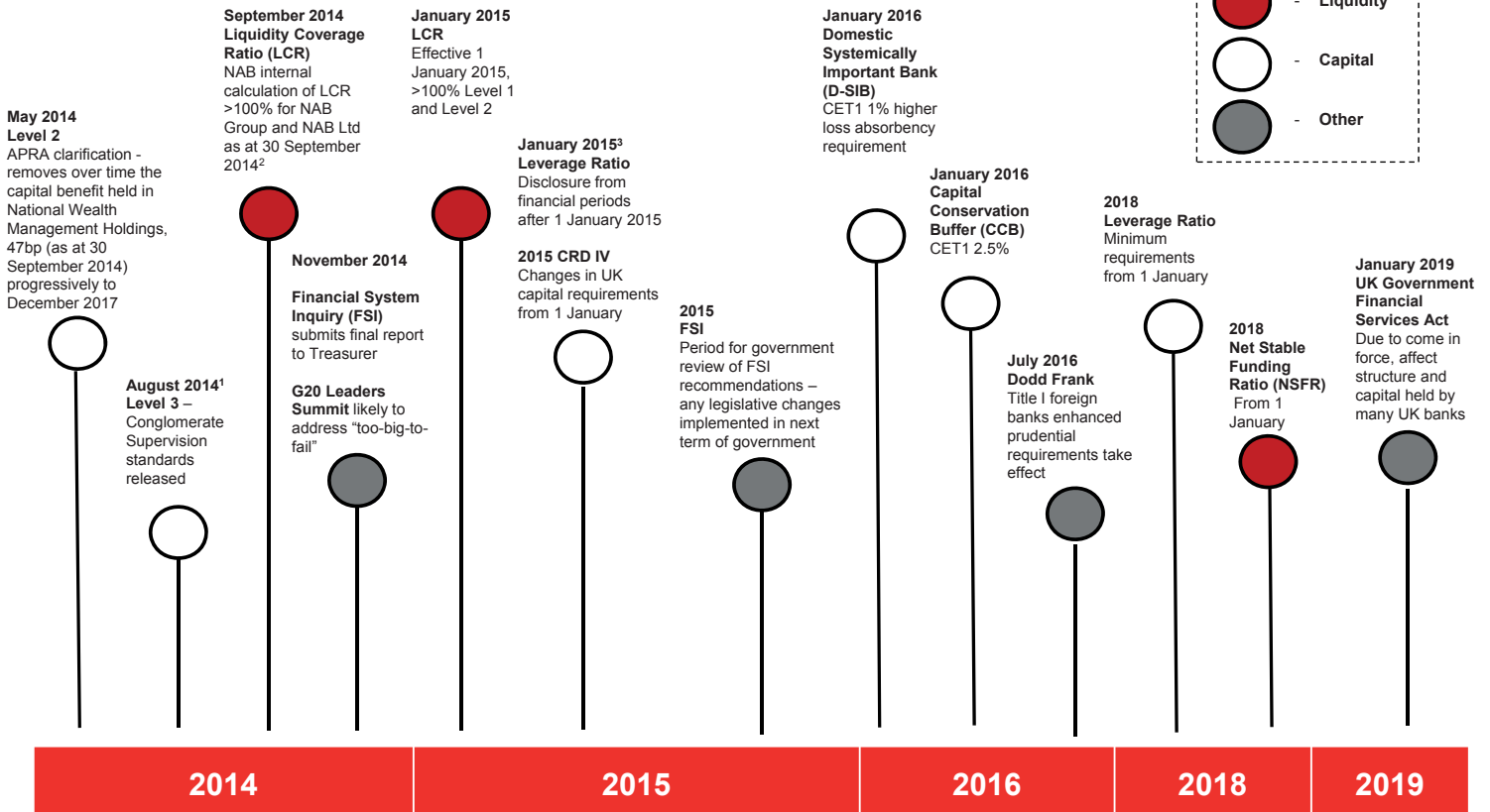
Regulatory changes - Liquidity

- A Liquidity Coverage Ratio (LCR) of 100% will be in force for NAB Group (Level 2) and NAB Ltd (Level 1) from 1 January 2015
- The Reserve Bank of Australia has developed a Committed Liquidity Facility (CLF) to compensate for a structural shortage of High Quality Liquid Assets (HQLA) in the Australian economy
- NAB's internal calculation¹ of the LCR was >100% for both NAB Group and NAB Ltd as at 30 September 2014
- Further disclosure of LCR components will be available in the March 2015 half year financial results

(1) Based on the 2014 notional CLF allocation and NAB's interpretation of the LCR rules in APRA's Prudential Standard APS 210 Liquidity



Regulatory changes and updates



(1) Implementation date deferred pending outcome of Financial System Inquiry (FSI) and government response
 (2) Based on the 2014 notional CLF allocation and NAB's interpretation of the LCR rules in APRA's Prudential Standard APS 210 Liquidity
 (3) Minimum Australian requirements to be determined, APRA commenced consultation on LCR disclosures in September 2014



Additional Information

Australian Banking

NAB Wealth

NZ Banking

UK Banking

NAB UK CRE

Group Asset Quality

Capital and Funding

Other

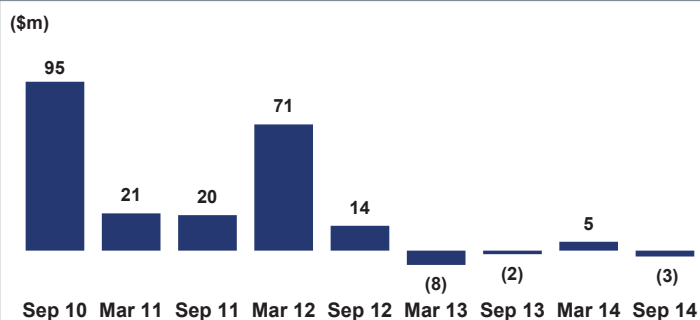
Economic Outlook



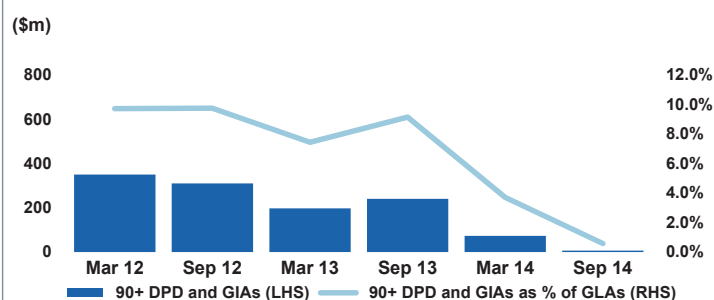
National
Australia
Bank

Specialised Group Assets

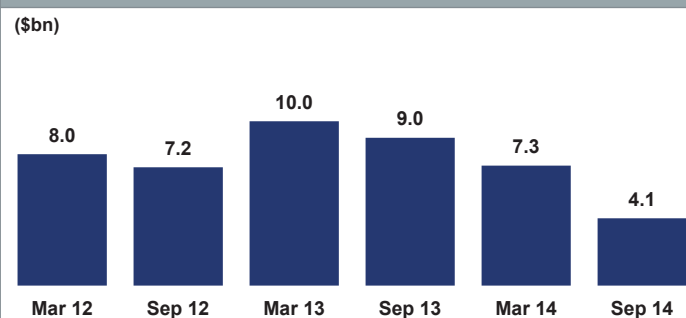
B&DD charge



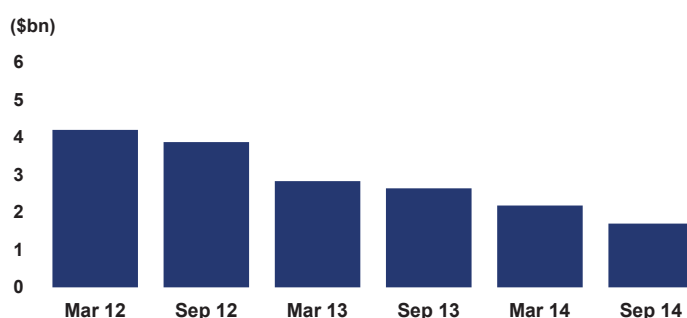
90+ DPD and GIAs as % of GLAs



RWAs¹



Gross loans & acceptances (average)



(1) The increase of RWAs from September 12 to March 13 was primarily due to a change in treatment under APS 120 on the Structured Asset Management Portfolio, but with no impact on underlying capital - the transactions creating the RWA increase were previously capital deductions

SGA Portfolio Composition as at September 2014

	Total Commitments (A\$m)	Total Provisions (specific & collective) (A\$m)	Average Contractual Tenor (years)	RWAs (A\$m)	Number of Clients	Close Review Commitments (A\$m)
Leveraged Finance UK	153	19	3	337	7	144
Corporate UK	86	4	1	100	3	40
Structured Asset Finance UK	853	3	12	485	10	28
Private Portfolio USA	186	1	16	272	5	64
Total Loans & Advances	1,278	27	11	1,194	25	276
Structured Asset Management ¹	2,151	26	9	2,868	20	254
Total	3,429	53	10	4,062	45	530

(1) Held To Maturity Assets



Additional Information

Australian Banking

NAB Wealth

NZ Banking

UK Banking

NAB UK CRE

Group Asset Quality

Capital and Funding

Other

Economic Outlook



Additional Information

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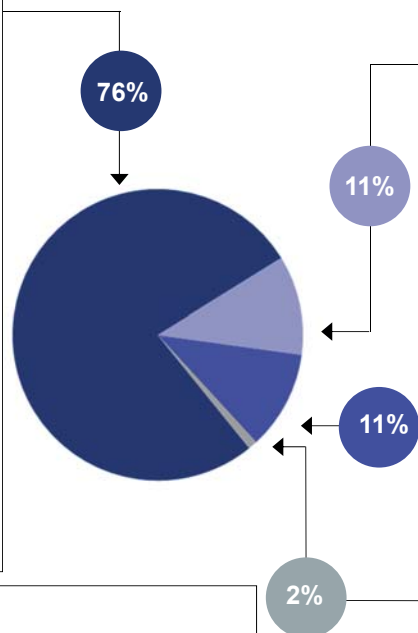
Economic outlook

Australia

- Key challenge remains managing the drag from slowing mining investment – keeping unemployment elevated
- Business indicators are mixed across industries and still suggest sub-trend growth and muted demand for labour
- Consumer savings rates are easing back, but soft wages growth and shaky confidence is limiting spending
- Outlook is still for low inflation
- Expect sub-trend GDP growth of 3% in 2014 & 2015. Unemployment to remain around 6.5% in the near-term, slowing house price growth
- RBA appears neutral – interest rate on hold until late 2015. Downside risks from mining and public spending. Upside from house prices

China

- Fears of sharp slowing have receded as solid growth continues
- Government keen to rebalance toward more consumption
- Retail sales volume growth still in double-digits
- Economic growth 7.3% in September 2014
- Concern over slowing property market and steel demand



United Kingdom

- Sustained upturn gathered momentum
- Commercial property prices rising slowly, strong UK housing upturn
- Scotland and Northern England sharing in growth and housing market upturn
- Jobless rate down to 6%, lowest since mid-2008 as job growth stays strong
- Business investment picks up
- Risk appetite returns in business
- Very gradual and delayed rise in UK policy interest rates expected

New Zealand

- Solid growth in output and demand
- Commodity prices falling and housing market upturn seems to have peaked
- NZ\$ fall will help support activity

United States

- Moderate growth set to continue
- Jobless rate trending down
- Inflation still soft
- Federal Reserve net asset buying ending late 2014 and policy rates set to rise gradually from mid-2015



Australia regional outlook

Economic Indicators (%)	CY11	CY12	CY13	CY14(f)	CY15(f)
GDP growth ¹	2.6	3.6	2.3	3.0	3.0
Unemployment rate ²	5.1	5.3	5.7	6.4	6.1
Core inflation ³	2.6	2.3	2.6	2.3	2.1
System Growth (%) ⁴	FY11	FY12	FY13	FY14(f)	FY15(f)
Housing	5.7	4.7	4.9	6.7	6.2
Other personal (incl cards)	(0.9)	(0.5)	0.9	1.0	2.4
Business	0.1	3.9	1.0	3.2	4.3
Total system credit	3.3	3.9	3.1	5.2	5.4
Total A\$ ADI deposits ⁵	8.6	7.2	5.2	8.1	7.4

(1) Per cent change, average for year ended December quarter on average of previous year

(2) Per cent, as at December

(3) Per cent change, December quarter on December quarter of previous year

(4) Per cent change September (bank fiscal year end) on September of previous year

(5) Total ADI deposits also include wholesale deposits (such as CDs), community and non-profit deposits but exclude deposits by government & ADIs

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- The Australian economy grew by 0.5% in Q2 or by 3.1% compared with a year earlier. Quarterly GDP growth has been range bound between 0.5% and 0.9% for eight of the past nine quarters and only modestly outpaced population growth in Q2
- While there has been a degree of volatility in the business environment – stemming from a variety of factors including the Federal budget – business conditions have improved over the past year due to low interest rates and subdued cost pressures, but still indicate sub-trend growth
- After gaining momentum late last year (and early 2014), consumer spending has stepped back again in response to a soft labour market and wages growth – which is at its weakest pace in decades. Consumer confidence also took a hit post budget, and despite a bounce back, remains at weak levels. Consumer anxiety over household finances – ability to fund retirement and cost of living pressures – and job security are limiting discretionary spending
- There are a few signs that non-mining investment has begun to rise, but it is still nowhere near enough to compensate for the anticipated decline in mining investment. On a positive note, the AUD has finally started to depreciate, which will assist in the transition for some industries
- GDP is forecast to remain around 3.0% in 2014 and 2015, although with mining exports contributing considerably, domestic demand will be much softer. Consequently, unemployment is expected to reach 6.5% by early 2014 and remain at elevated levels for some time. Consistent with this soft outlook, we predict core CPI edging down to 2.0% by mid 2015, before edging up
- With many economic indicators stabilising and property prices on the rise, the RBA is taking a wait and see approach – keeping the cash rate on hold in the near term. While there are still some risks to the downside, we expect that the next move will be a hike (unless unemployment deteriorates more significantly), but not until late 2015
- Credit growth is modest, but historically low borrowing rates are gaining traction – led by investor housing credit. Business credit expected to improve only modestly until spare capacity diminishes further



NZ regional outlook

Economic Indicators (%)	CY11	CY12	CY13	CY14(f)	CY15(f)
GDP growth ¹	1.9	2.5	2.8	3.8	3.4
Unemployment ²	6.4	6.8	6.0	5.4	5.4
Inflation ³	1.8	0.9	1.6	1.0	1.9
Cash rate ²	2.5	2.5	2.5	3.5	4.3
System Growth (%) ⁴	FY11	FY12	FY13	FY14(f)	FY15(f)
Housing	1.6	1.6	4.6	5.5	4.6
Personal	(1.4)	0.2	1.9	4.6	5.5
Business	(0.7)	2.2	3.2	3.3	4.0
Total lending	0.6	1.8	3.9	4.6	4.4
Household retail deposits	7.0	9.0	9.8	9.3	7.3

(1) Per cent change, average for year ended December quarter on average of previous year

(2) Per cent, as at December

(3) Per cent change, December quarter on December quarter of previous year

(4) Per cent change, average for year-ended September (bank fiscal year end) on average of previous year

- Economic growth in New Zealand is expected to reach a solid 3.8% this year. This is well above estimates of long-run potential, signifying that the margin of spare capacity in the economy is eroding. Although falling export prices in the key dairy industry and the impact of policy tightening on the housing market should restrain the pace of expansion, recent business and consumer confidence surveys are consistent with an above-trend pace of expansion and we anticipate GDP growth of 3.4% next year
- Despite unemployment and spare capacity falling, wage inflation is only running around 2% and consumer price inflation is subdued. This is allowing the central bank to take a gradual and measured approach in lifting its policy interest rate back to a more “neutral” level. Following central bank announcements that it was over-valued, the New Zealand dollar has weakened, against the backdrop of the sharp fall in commodity prices since early 2014
- The fall in dairy export prices looks likely to take back the extra income that high dairy prices in the 2013/14 season injected into the economy. However, prices for other important export commodities, notably meat, are faring better. Even though commodity prices are trending down, New Zealand’s terms of trade should remain relatively high through the next few years, by historical standards
- After a period of stagnation in the wake of the 2008 global financial crisis, exacerbated by Canterbury’s 2010/11 earthquakes, domestic demand has been growing quite strongly through the last few years. Business investment has been growing rapidly but credit growth is still sluggish. Consumer sentiment is relatively high, consistent with solid annual growth in consumption and demand for consumer credit has been rising



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UK regional outlook

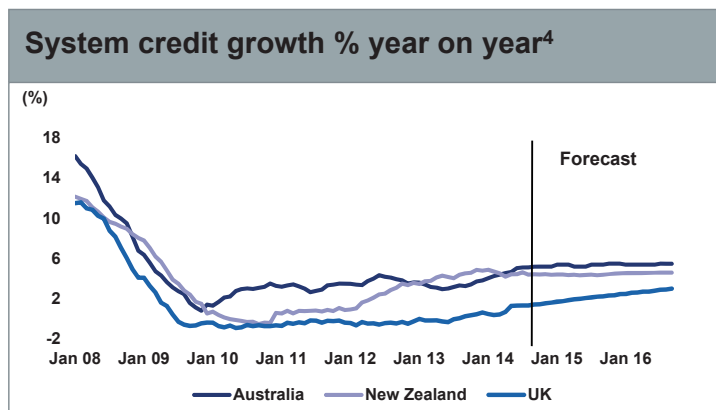
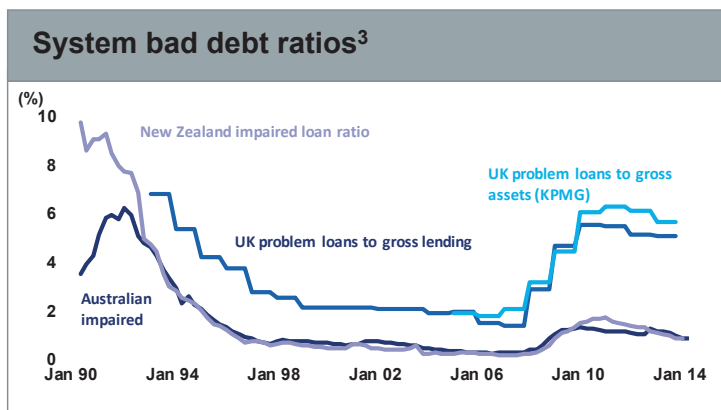
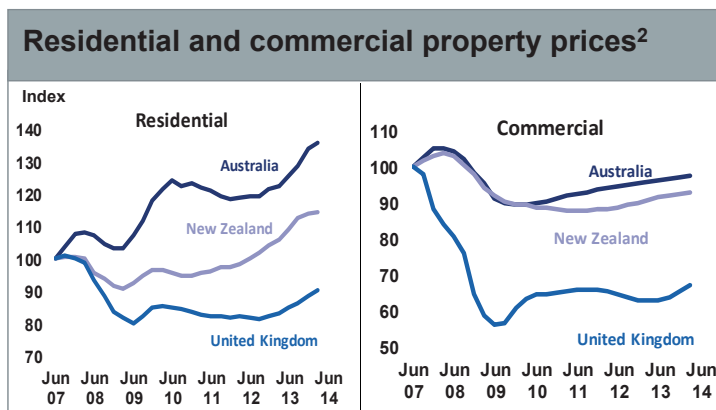
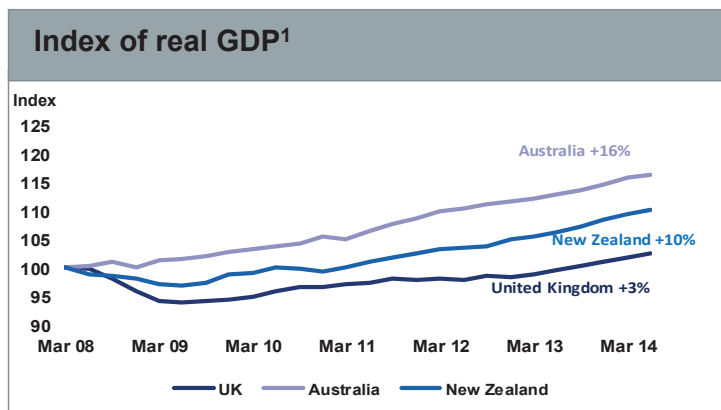
Economic Indicators (%)	CY11	CY12	CY13	CY14(f)	CY15(f)
GDP growth ¹	1.6	0.7	1.7	3.0	2.5
Unemployment ²	8.3	7.8	7.2	5.9	5.7
Inflation ³	4.6	2.7	2.1	1.5	1.9
Cash rate ²	0.5	0.5	0.5	0.5	1.9
System Growth (%) ⁴	FY11	FY12	FY13	FY14(f)	FY15(f)
Housing	0.7	0.9	0.7	1.2	2.1
Consumer	(1.1)	(0.5)	2.3	5.3	5.8
Business	(2.5)	(3.1)	(2.7)	(1.3)	0.2
Total lending	(0.6)	(0.7)	(0.4)	0.7	1.8
Retail deposits	3.1	3.7	5.7	5.4	5.2

- The UK upturn has gathered momentum since 2012, with the annualised pace of growth reaching 3.4% in the first half of 2014. But mid 2014 output was less than 3% above its early 2008 level, marking a six year period of minimal economic growth. The upturn looks set to continue with growth of 3% in 2014 and 2.5% in 2015
- The Euro-zone crisis has led to prolonged weakness in the UK's major export markets and a sluggish UK export performance. This impeded the anticipated rebalancing of UK growth from its previous reliance on consumer spending and housing toward a greater role for exports and business investment. While exports have remained soft, business investment is now rising strongly as the mood of risk aversion, caution and retrenchment that had been prevalent in business since 2008 improves. Business borrowing has, however, remained modest
- Consumer spending and house price inflation, which had been expected to take a back seat in the UK's recovery from recession, have played a central role in driving growth. Consumer spending has been increasing, despite the fact that nominal wage growth has been modest, real wages have trended down and household incomes have fallen. Rising employment, a recovery in household wealth stemming from higher house and equity prices, and a lower household saving ratio have underpinned the rise in household spending. Commercial property and house prices are both rising but the upturn in the housing market is not as strong as it was earlier in the year
- Recovery appears firmly established across key markets in Northern England and Scotland. Employment levels are growing and house prices rising in Yorkshire, and local business surveys show firms are optimistic about recent trends. In Scotland, first half 2014 GDP figures showed 1% quarterly growth while employment has also been growing and recent housing market surveys show Scotland has some of the best UK readings for house price growth and sales expectations
- With the upturn looking securely established and interest rates still historically low, the Bank of England is considering when to start lifting its policy interest rates to more normal levels, how aggressive a tightening profile to set for monetary policy and where rates might end up, once the process of interest rate normalisation is completed. Low wage and price inflation mean that UK rates should rise only gradually

(1) Per cent change, average for year ended December quarter on average of previous year
 (2) Per cent, as at December
 (3) Per cent change, December quarter on December quarter of previous year
 (4) Per cent change, average for year-ended September (bank fiscal year end) on average of previous year



Economic conditions in Australia, New Zealand and UK

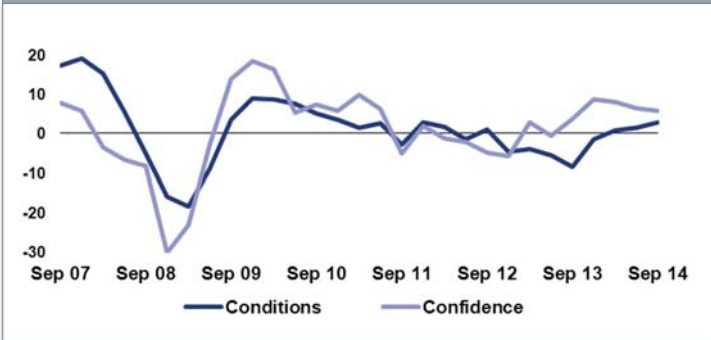


(1) Thomson Reuters Datastream (March 2008=100) data
 (2) REINZ, Halifax, ABS, IPD (June 2007=100 Indices)
 (3) RBA, APRA, RBNZ, KPMG, Moody's
 (4) RBNZ, BoE, RBA Thomson Reuters Datastream, NAB forecasts

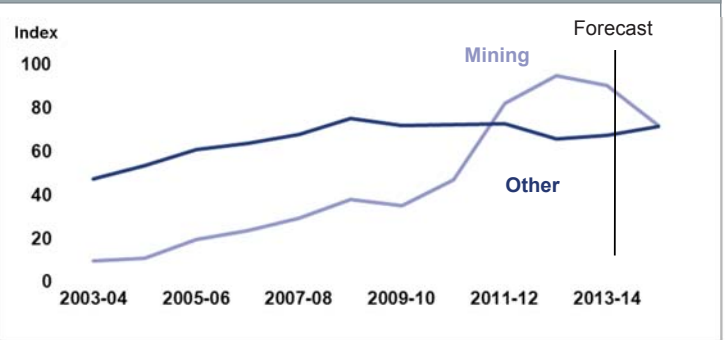


Australian economy and environment

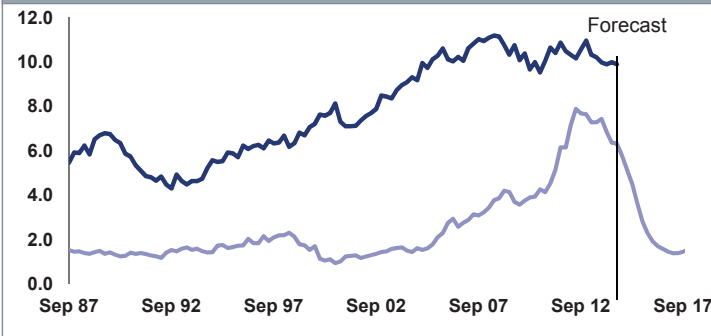
Business confidence and conditions in Australia¹



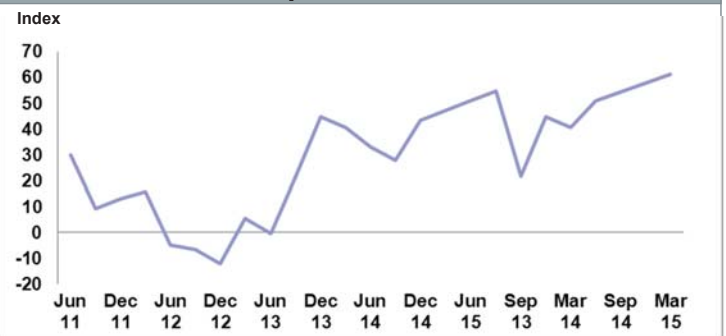
Australian business capital expenditure²



Quarterly business investment as % of GDP



NAB Business Banker Survey – Credit Growth Expectations³



(1) Source: NAB

(2) Source: ABS, NAB Economics

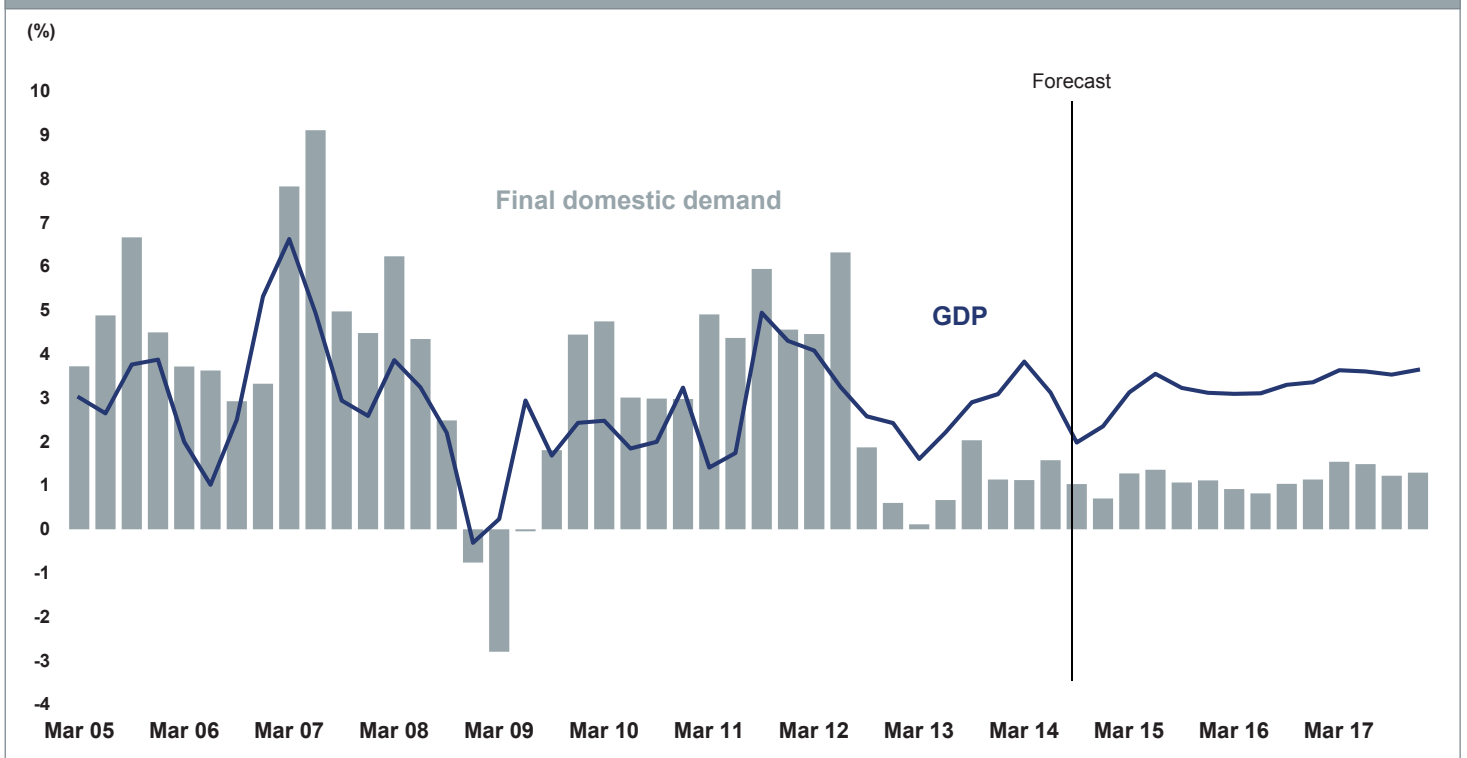
(3) Source: RBA

(4) Demand for business credit = net of bankers indicating increasing demand for credit less those indicating decreasing demand for credit



Australian GDP ~3% trend but domestic demand only rising 1-1.5%

Real GDP and domestic final demand¹

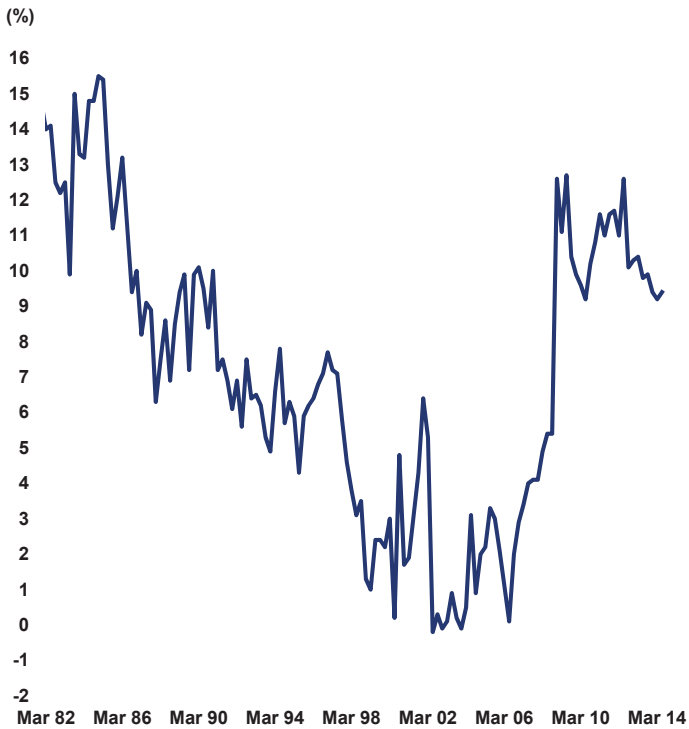


(1) Source: ABS, NAB Economics. 6 month annualised growth rate



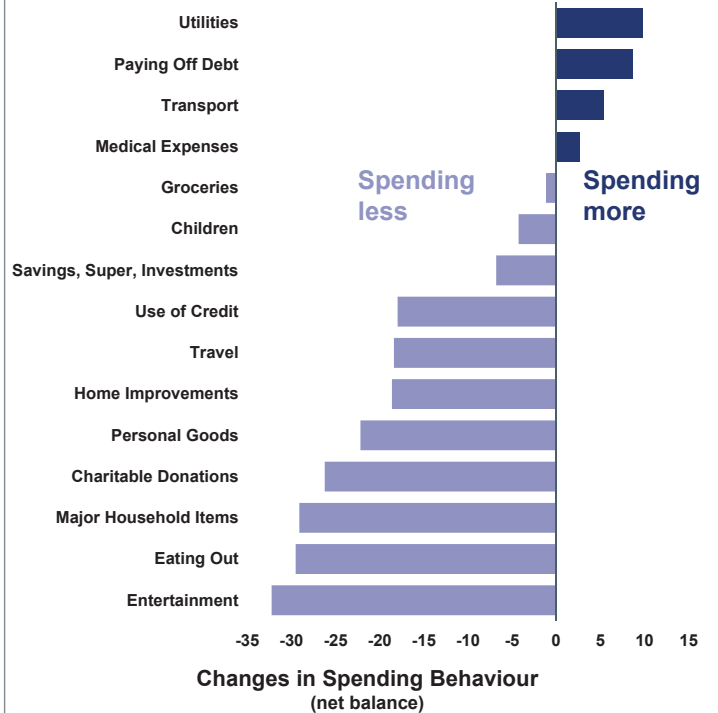
Australian savings ratio still relatively high

Australian household savings ratio¹



(1) Source: ABS
(2) Source: NAB Economics

NAB consumer anxiety survey Q3 2014²



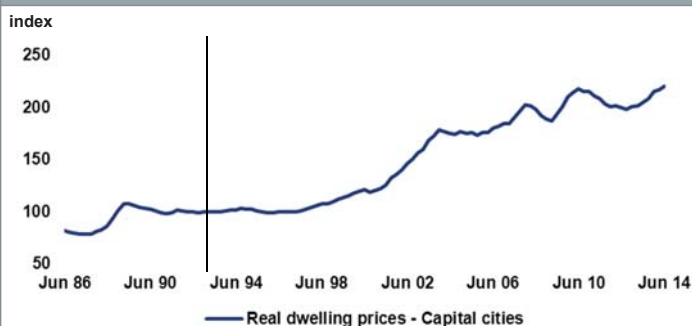
Characteristics of the Australian mortgage market

- Residential property prices continue to rise, despite the rapid growth already seen to date. Prices have been particularly strong in Sydney and Melbourne, but generally much more modest in most other capital cities, especially Hobart and Adelaide
- While there is much discussion about “bubbles”, we are comfortable with the current state of the market given sustainable (below average) rates of mortgage growth and a better debt servicing burden – largely due to low interest rates
- Investor demand for housing is particularly strong, supported by low interest rates and foreign demand, but is starting to cause some concern for policy makers. Worsening affordability, elevated unemployment rates and potential for better returns from other investments, should help cap future price gains
- Nevertheless, these concerns have prompted discussion over the suitability of ‘macroprudential’ measures (such as stricter LVR requirements) to cool demand

Share of demand for new and established properties from overseas buyers¹



Real dwelling prices²



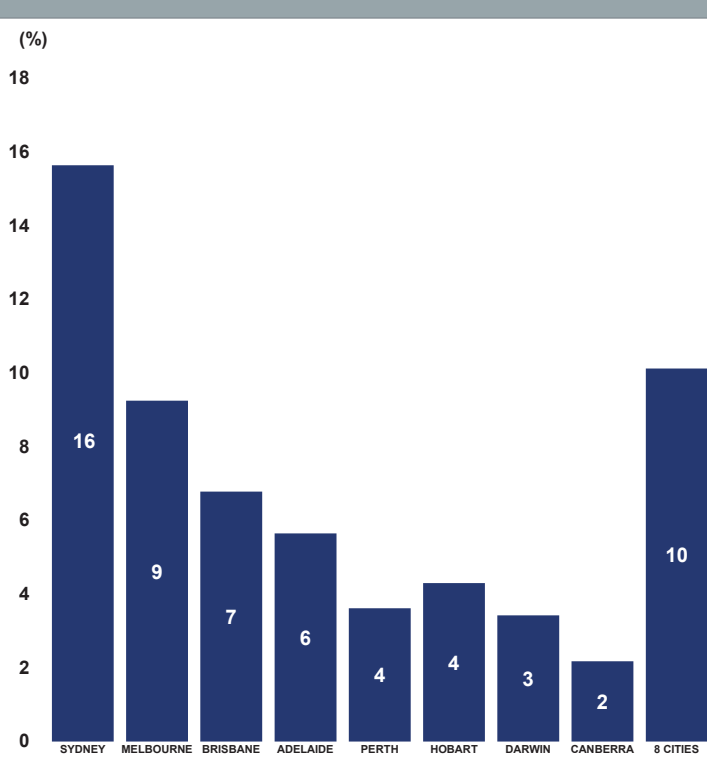
(1) NAB Property Survey
(2) ABS, deflated by private household consumption deflator. 1993 – 100 indices
(3) RBA

Housing interest payments to disposable income³



Australian city house price inflation and growth in housing credit

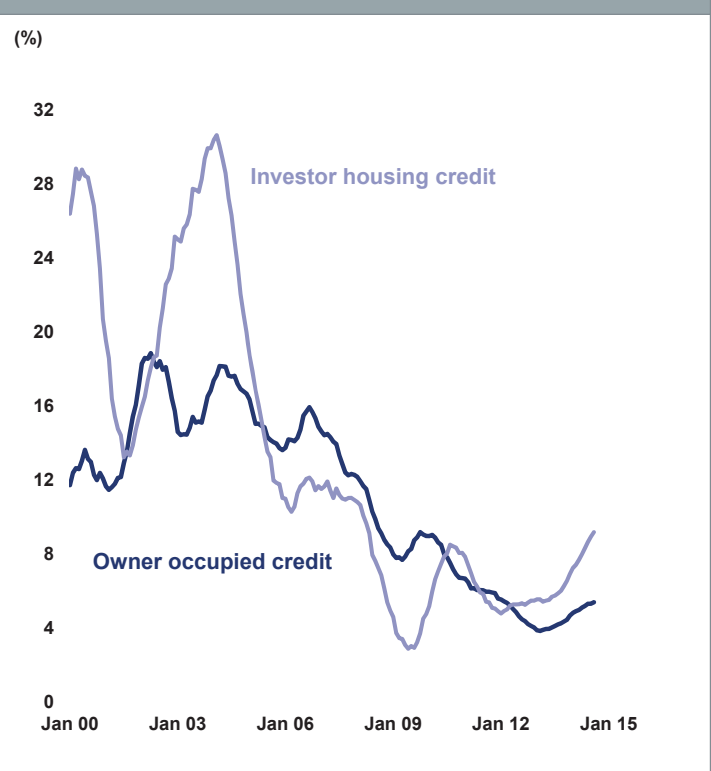
House price inflation by city¹



(1) Source: ABS. June 2014 % annual change NAB Property Survey

(2) Source: RBA

Housing credit growth % annual change²



Leading domestic indicators of activity to watch

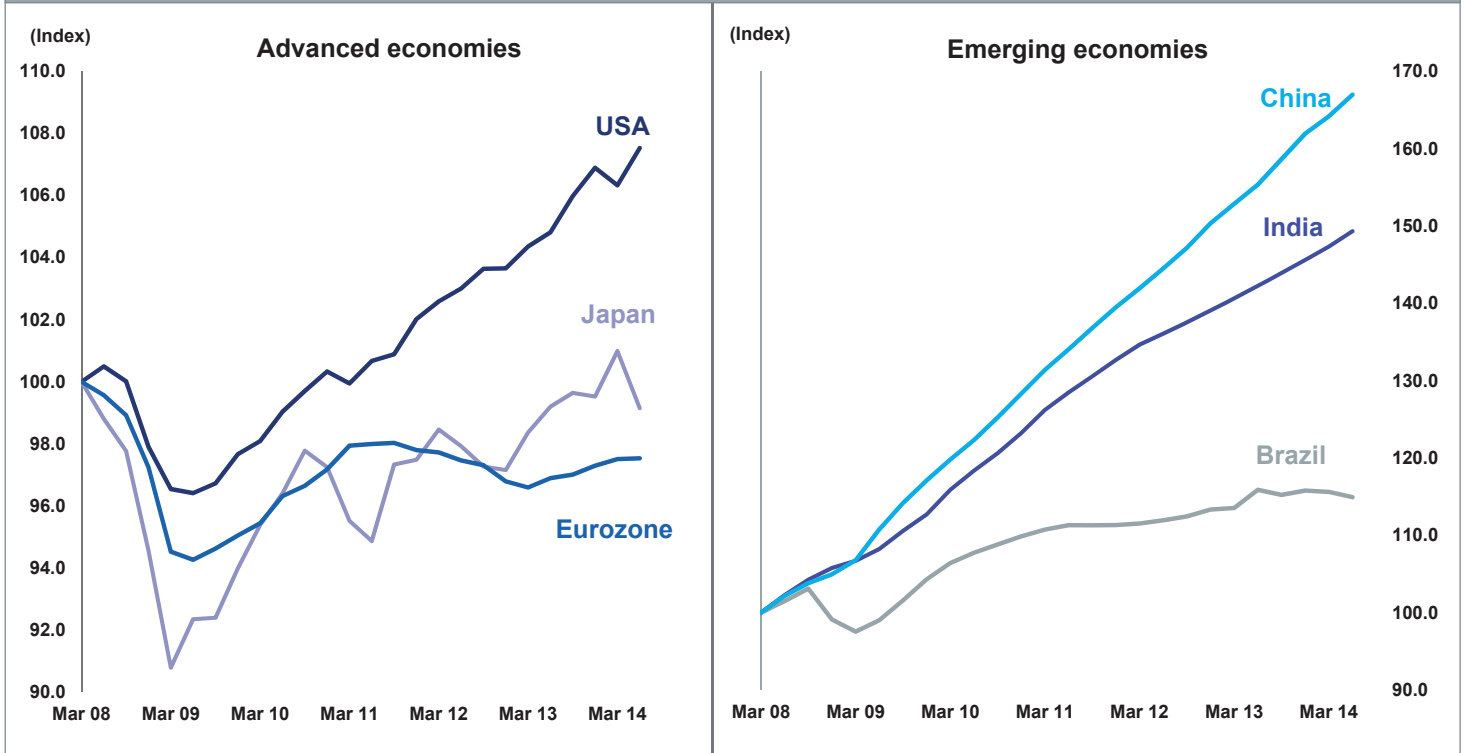
Focus on a few measures that tell us where the economy is going

- Business confidence in NAB Survey – a measure of business willingness to invest and employ
- Forward orders and expectations in NAB Business surveys – business responds best to their own business
- ABS Quarterly Survey of investment – especially non mining investment intentions
- Job adverts – a leading indicator of employment
- Change in level of unemployment – consumers' attitudes change as they worry more/less about job security



Global growth below trend 3% with disparity between economies

Quarterly level of GDP in major economies¹

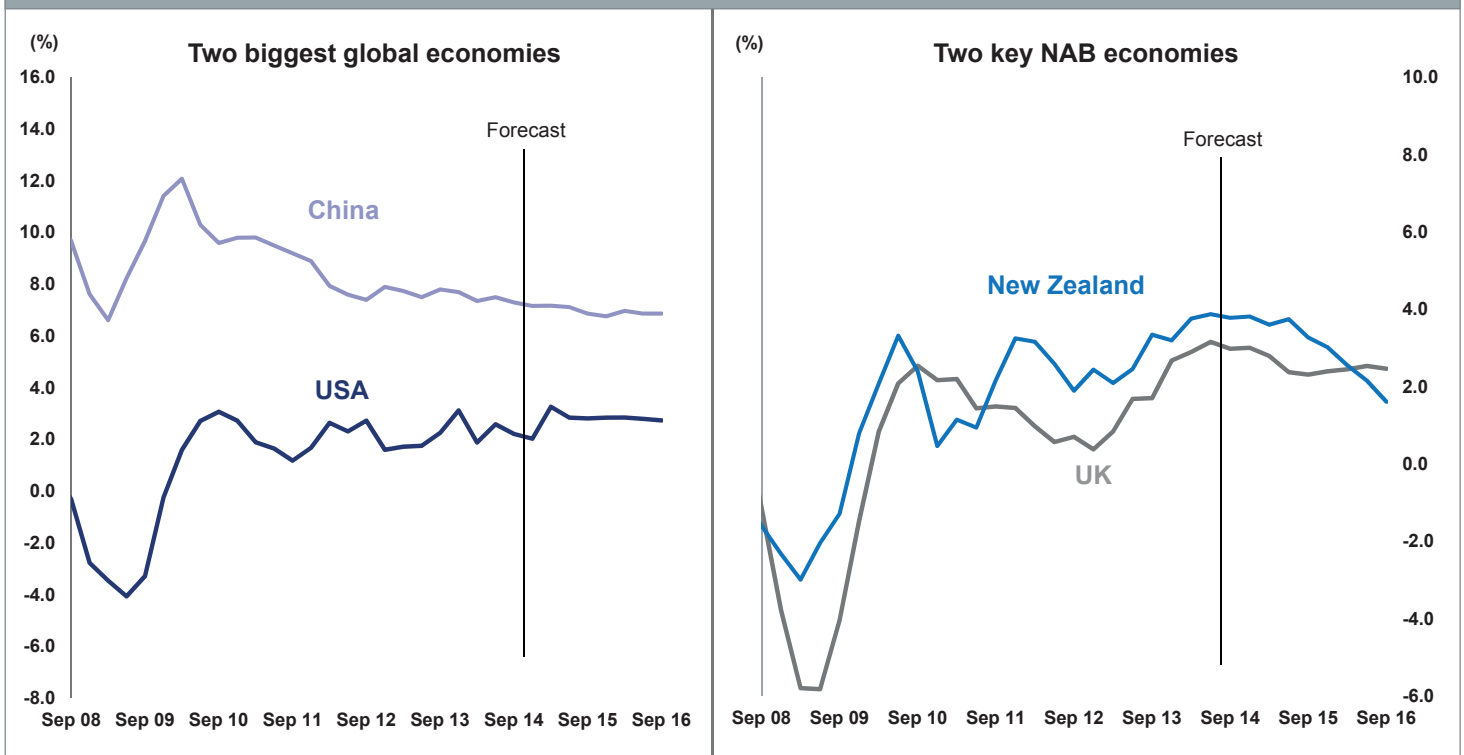


(1) Source: Thomson Reuters Datastream, CEIC, NAB Economics. March quarter 2008 = 100 indices.



GDP growth of key global and NAB related overseas economies

Real GDP growth % change year on year¹



(1) Source: Thomson Reuters Datastream, CEIC, NAB Economics



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