



National
Australia
Bank

**Some see a cup.
We see an
opportunity.**

Annual Review 2013



Results

\$5.45^b ▲

net profit
attributable to owners
of the Company

33.6% increase from 2012

14.5% ▲

cash return on equity

0.3 percentage point increase from 2012

12.5%

environment
of project finance portfolio
is invested in renewable energy

\$5.94^b ▲

cash earnings

9.3% increase from 2012

Business unit cash earnings (million)²

Business Banking	\$2,488
Personal Banking	\$1,228
Wholesale Banking	\$1,194
NAB Wealth	\$482
NZ Banking	\$649
UK Banking	\$150
Great Western Bank	\$113

\$66.5^m ▲

community
contribution to communities this year

19% increase from 2012⁴

\$1.90 ▲

dividend per share

10 cent increase from 2012

Source: NAB 2013 Full Year Results Announcement

69.4% ▲

**Customer
Funding Index¹**

3.1 percentage point
increase from 2012

65% ▼

employee
engagement result in this year's
'Speak Up, Step Up' survey³

5 percentage point decrease from 2012

- 1 Customer Funding Index is defined as Customer Deposits divided by Core Assets.
- 2 This is a high level categorisation of our customer segments and related cash earnings. Our financial information is presented along business division lines, consistent with the data and descriptions contained in our 2013 Annual Financial Report.
- 3 'Speak Up, Step Up' survey conducted by Hay Group, August 2013. Changes were made to the survey in 2013 to align NAB with global benchmarks. Employee Engagement is now calculated from five questions (four questions in 2012). When applying the 2012 methodology to 2013 results, Employee Engagement was 67%.
- 4 Increase is largely due to the inclusion of revenue NAB has forgone through our 'Community Fee Saver' account, designed to minimise the cost of banking for not-for-profit organisations.

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Our approach to reporting

Our approach to reporting continues to be informed by the International Integrated Reporting Council's (IIRC) work on integrated reporting. As one of only 100 members of the IIRC Pilot Programme worldwide, we are playing a key role in the development of this reporting framework.

Our integrated approach means we are able to bring together material information about our operating environment, business strategy, governance and financial and non-financial performance and effectively demonstrate how we create and sustain value for our stakeholders.

Awards

It is pleasing to be recognised for the improvements we have made to the way we do business and the impact we have on our customers, our people and our communities. In 2013 we were:

- awarded AFR Smart Investors Blue Ribbon Award for Bank of the Year
- voted Australia's Best Big 4 Bank and Best Term Deposits provider in the 2013 Mozo People's Choice Awards
- awarded Women's Empowerment Principles Leadership Award – Benchmarking for Change (BNZ)
- awarded 'Outstanding Achievement', ASIC MoneySmart Week awards in the Research category for advancing Australians' financial literacy
- winner Best Private Bank, Australia Asian Private Banker Awards for Distinction 2012.

About this Annual Review This Annual Review includes financial summaries and information from the Company's 2013 Annual Financial Report and 2013 Full Year Results Announcement. This is our fourth year of providing an integrated report on our business. Our 2012 integrated Annual Review supplemented with our Dig Deeper papers received the Private Sector Special Awards for Communication and Sustainability Reporting in the 2013 Australasian Reporting Awards. This document is not a concise report prepared under section 314(2) of the Corporations Act 2001 (Cth). The Company has not prepared a concise report for the 2013 financial year. All figures quoted are in Australian dollars unless otherwise stated. A reference to '\$' is to an amount in Australian dollars and a reference to '£' is to an amount in British pounds sterling. References to 'nab', 'NAB', the 'National', 'National Australia Bank' or the 'Company' are to National Australia Bank Limited ABN 12 004 044 937. The 'Group' refers to the National Australia Bank Limited and its controlled entities. All references are as at 30 September 2013 except where stated otherwise. Any references to changes (including an increase or decrease) relate to the previous year, unless otherwise stated. Unless otherwise stated, information in this document is presented on a cash earnings basis. Cash earnings is a non-IFRS key financial performance measure used by NAB, the investment community and NAB's Australian peers with similar business portfolios. NAB also uses cash earnings for its internal management reporting as it better reflects what NAB considers to be the underlying performance of the Group. It is calculated by excluding some items which are included within the statutory net profit attributable to owners of the Company. Cash earnings does not refer to, or in any way purport to represent the cashflows, funding or liquidity position of the Group. It does not refer to any amount represented on a cash flow statement. It is not a statutory measure and it is not presented in accordance with Australian Accounting Standards nor audited or reviewed in accordance with Australian Auditing Standards. Full reconciliations between statutory net profit and cash earnings are included on pages 5-8 of the 2013 Full Year Results Announcement. Section 5 of the 2013 Full Year Results Announcement includes the Consolidated Income Statement of the Group, including statutory net profit.

Annual Financial Report The Group's audited financial statements, prepared in accordance with the Corporations Act 2001 (Cth) and Australian Accounting Standards, are published in our 2013 Annual Financial Report, which is available in hard copy on request and can be viewed at www.nabgroup.com from 18 November 2013.

Additional Corporate Responsibility information Information in this Annual Review is also included in our Dig Deeper papers available online from 18 November 2013, which provide detailed information for analysts and other stakeholders on our Corporate Responsibility (CR) performance, including historic trends. Further information about our approach to CR, including independent assurance, and a copy of our full GRI Index (applying the Global Reporting Initiative's G3 guidelines) can be viewed at www.nabgroup.com.

Welcome

Welcome to our 2013 Annual Review. Here you will find a snapshot of our performance for the year, details of our Group strategy and information about the opportunities and challenges in our current operating environment.

It is a chance to provide you with a holistic view of the organisation – beyond just the numbers – to demonstrate our commitment to doing the right thing by our people, our customers and the communities in which we operate. It is also your opportunity to hear from our Chairman, Michael Chaney AO, and Group CEO, Cameron Clyne.

As we demonstrate throughout this Annual Review, we have continued to deliver during 2013, despite mixed economic conditions. Cash earnings for 2013 were \$5.94 billion and statutory net profit attributable to the owners of the Company was \$5.45 billion. There was growth in our Australian franchise and a stronger balance sheet, while we continued to manage our international businesses for value. 2013 also marked the fourth year of our Fair Value agenda where we continued to lead the industry in making banking fairer, simpler and more affordable for our customers.

Our ongoing investment in technology will be central to our future competitiveness and in this Annual Review you can read about our progress on our technology transformation.

This year we announced a refreshed strategy (see page 11) that will allow us to meet the changing needs of our customers. As you will see, when we focus on delivering better products and services for our customers, we achieve better outcomes for our businesses and ultimately better returns for our shareholders.

We continue to engage with our shareholders, investors, employees, analysts, consumer advocate groups and community groups to make sure that this Annual Review reflects the areas that are most significant to our stakeholders.

“KeepCup now has 32 staff, but originally there were only two of us. All I had was an idea – for an environmentally friendly, reusable coffee cup – and a prototype that didn’t actually work. Its lid couldn’t come off, and I even carried it in a shoebox! But that didn’t faze NAB’s sustainability team. They bought into my idea and passion, and NAB became my first corporate customer.”

Abigail Forsyth
CEO, KeepCup



Maintained the equal lowest Standard Variable Rate of the major Australian banks for over four years

[See page 14 for more](#) ▶

Updated our strategy to better align to our customers' changing needs

[See page 11 for more](#) ▶

Announced our promise to create more of what matters: Wealth of Opportunity

[See page 25 for more](#) ▶

Our Banking Cost to Income ratio fell from 45.9% in 2010 to 42.6% this year

[See page 12 for more](#) ▶

Provided UBank customers with additional channels to access funds through USaver Ultra

[See page 15 for more](#) ▶

Introduced Chinese Renminbi (RMB) trade capability in Australia

[See page 14 for more](#) ▶

Awarded Women's Empowerment Principles Leadership Award – Benchmarking for Change (BNZ) 2013

[See page 23 for more](#) ▶

Awarded AFR Smart Investor Blue Ribbon Award for Bank of the Year

[See Contents page for awards](#) ▶

Launched the domestic violence support policy for our employees – the first of its kind for a major Australian bank

[See page 22 for more](#) ▶

Our people contributed over 22,000 volunteering days to the community

[See page 26 for more](#) ▶

Our business

12.4^m customers

42,000⁺ employees

National Australia Bank is a financial services organisation. We employ over 42,000¹ people, operate more than 1,800 stores and business banking centres and have more than 500,000 shareholders.

Our major financial services franchises are in Australia, but we also operate businesses in New Zealand, Asia, the United Kingdom and the United States. While each of our brands is unique, they share a common commitment: to provide our customers with quality products and services with fair fees and charges and to build relationships founded on the principles of help, guidance and advice.

Our goal

Our goal is to deliver sustainable and satisfactory returns to our shareholders.

We believe that what is good for our customers is also good for business. So by focusing on the customer and by continuing to be a better bank for our people and the community, we can achieve great results for all our stakeholders.

Our responsibility

Doing the right thing is at the heart of everything we do. For us, Corporate Responsibility means getting the fundamentals right for our customers, being a good employer and addressing our broader responsibility to society.

We acknowledge that as a major financial institution we can contribute both economically and socially to society – by helping people to have a healthy relationship with money, investing to build communities and taking steps today that positively impact our future.

Our governance framework (including internal forums such as our Corporate Responsibility Council and external bodies such as our Advisory Council on Corporate Responsibility) helps us to manage our approach to Corporate Responsibility and allows us to remain focused on the issues that are most important to our stakeholders.

As part of our leadership on integrated reporting, we have incorporated our business strategy and financial and non-financial performance throughout this Annual Review.

You can find further information on our Corporate Responsibility approach on pages 22–25 and in our series of Dig Deeper papers (available at www.nabgroup.com).

¹ Number of full-time equivalent employees



We are proudly Australian with a global perspective.



500,000⁺ 1,800⁺

shareholders stores and business banking centres

Our services*

In Australia we provide a comprehensive range of financial products and services to all customer segments:

- We provide retail banking products and services to individuals, through a range of integrated channels and brands including NAB, Homeside, UBank, nabtrade and a variety of broker and 'mortgage manager' brands. We also provide tailored banking services to high net worth individuals.
- Our commercial banking products and services to Australian businesses and institutions cater to their needs in both Australia and Asia. We provide specialist industry expertise in the agribusiness, property, healthcare, natural resources,

education and government sectors. We also provide a range of specialised debt and market solutions covering fixed income, currency and commodities, debt markets, specialised finance and asset custody services.

- NAB Wealth provides superannuation, investments, insurance and private wealth solutions to retail, corporate and institutional clients. These services are provided through a number of different brands, including MLC, JBWere, Jana and Plum.

In NZ we provide retail, business, agribusiness, corporate, private banking, wealth and insurance products and services, operating under the Bank of New Zealand (BNZ) brand.

In the UK we offer a range of banking services for personal and business customers through retail branches, business banking centres, direct banking and brokers, operating under the Clydesdale Bank and Yorkshire Bank brands.

In the US we provide a range of retail, commercial, agribusiness and wealth management banking services through Great Western Bank, which operates across mid-western United States.

* This is a high-level categorisation of the services we provide in our key regions. Our financial information is presented along business division lines, consistent with the data and descriptions contained in our 2013 Annual Financial Report.

“Twenty years ago we started as a small Melbourne-based project developer. Now we’re proud to operate across Australia, Chile and Brazil, fuelled by our vision to create economic, social and environmental value. NAB’s been a long-term partner and recently helped finance the construction of Victoria’s Portland Wind farm 4, which will generate enough clean energy to supply over 30,000 Australian homes.”

Rob Spurr
GM Group Finance, Pacific Hydro



Chairman's message

“One of the key strategic pillars of our refreshed strategy is the simplification and digitisation of our business, recognising that the banking needs of our customers are very different from what they were even five years ago.”

Michael Chaney
Chairman



Welcome to the 2013 National Australia Bank Annual Review. This Annual Review provides an opportunity to better understand our performance for the 2013 financial year – both the highlights and challenges – and to see how our strategy is enabling us to take advantage of the opportunities ahead.

The Group produced a solid full year result with cash earnings of \$5.94 billion and statutory net profit attributable to the owners of the Company of \$5.45 billion. The final dividend was 97 cents per share fully franked, with a total dividend for 2013 of 190 cents. This represented an increase of 10 cents over last year's dividend.

In 2013, we showed improved performance across the majority of our business units, combined with solid progress against our simplification and digitisation agenda. This also marked the fourth year of our Fair Value agenda and we continued to lead the industry in making banking fairer, simpler and more affordable.

The Group further strengthened its capital, funding and liquidity positions during 2013, putting it in a good position to meet regulatory reform and respond to future challenges and opportunities. The Group's Basel III Common Equity Tier 1 (CET1) ratio was 8.43%, an increase of 53 basis points against the pro-forma CET1 ratio as at 30 September 2012.

As you read through the detailed performance commentary in this report, it is important to keep in mind the broader social and economic operating environment, as these themes affect both our performance and the strategic decisions we make for our future planning.

The Australian franchise continues to be the Group's key focus and many of our customers benefited from the strong Australian economy, which remained one of the best performing in the world this year. Despite this overall position, many of the sectors in which our customers operate have experienced challenging conditions.

Retail and wholesale trade continued to struggle, and manufacturing and inbound tourism are yet to respond to the weaker Australian dollar. In addition, slowing global growth, softer exports and reduced public sector spending have constrained economic activity and contributed to weakening labour market conditions.

NAB again demonstrated its commitment during the year, continuing to support its customers throughout these challenging conditions. Through NAB Care, the Group also provides guidance and assistance to our customers experiencing financial hardship. The Board recognises that this work assists individuals, communities and businesses to grow and prosper, which in turn delivers a better long-term outcome for both our customers and the Bank.

Economic conditions in the UK improved with a return to growth in 2013, while the US continued a moderately paced recovery. New Zealand also recorded improved business conditions, despite the challenge of recovering from a number of natural disasters.

In the broader world economy, the composition of global growth has been gradually shifting toward greater reliance on the advanced economies. This reflects the end of recession in Western Europe, a stronger Japanese economy and moderate expansion in the US. Meanwhile, the big emerging market economies have experienced a slow-down which has been particularly marked in India and Brazil and across most of East Asia's export-driven economies.

In March 2013 the Group announced a strategy and technology update to further align the business to the changing economic and social landscape. The Board is pleased with the Group's progress, including the implementation of an integrated operating model to better meet the changing needs of our customers and the launch of our first transaction product on the NextGen platform.

One of the key strategic pillars of our refreshed strategy is the simplification and digitisation of our business, recognising that the banking needs of our customers are very different from what they were even five years ago. The Board recognises that as more and more of our customers are banking online, customer security is critical to the Group's success. The Group is constantly evolving its fraud detection capabilities to ensure the safest possible banking experience for our customers, and we are committed to educating customers on how they can protect their personal and financial information.

We will continue to work within our regulatory obligations and risk appetite while protecting and maintaining shareholder value and financial stability for NAB.

Our people are a valuable resource and a key driver of the Group's success. The results of this year's employee engagement survey¹ showed an increased rating on the Group's ability to identify and manage risk. In a regulatory environment that is increasingly focused on risk management and culture, effective risk management is a critical capability of a successful financial services provider. The survey¹ also showed that people feel motivated to go beyond what's expected of them in their role and feel encouraged to come up with better ways of doing things – both key to ongoing creativity, innovation and, ultimately, business success.

NAB is committed to creating and maintaining a workforce which is representative of our customers and communities and in which individual differences are valued and respected. NAB remained committed to achieving its gender diversity targets, announced in 2011. Our progress is outlined in more detail in the Diversity section of the 2013 Annual Financial Report and our *People Dig Deeper* paper.

NAB continues to support the communities in which it operates. The Board recognises that more than three million Australians are financially excluded, meaning they do not have access to financial products such as a basic transaction account, a moderate amount of credit and general insurance. To respond to this need, NAB has run a Microfinance program, providing over \$100 million worth of no interest and low interest loans to financially excluded Australians since 2003.

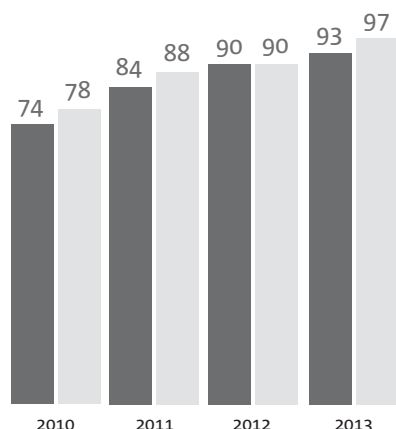
I would like to acknowledge Mark Joiner, Executive Director Finance who is retiring in early 2014 after seven years with NAB. Mark has played an integral role in steering the Group through a challenging period in banking. On behalf of the Directors, I thank him for his significant contribution. Mark will stay connected to the Bank as he continues in his role as Chairman of JBWere.

Patricia Cross resigned as a non executive Director in August after seven years on the Board. On behalf of the Directors, I thank her for her valuable contribution to the Group.

In closing, I would like to thank all of NAB's people who, in a year of change, have worked hard, maintained their focus on our customers and continued to deliver, to the benefit of our business and our shareholders.

DIVIDEND PER SHARE

Cents



Legend: Interim (dark grey), Final (light grey)

Source: NAB internal

Michael Chaney
Michael Chaney
 Chairman

¹ 'Speak Up, Step Up' survey conducted by Hay Group, August 2013

Group CEO's message

“We have started to see signs of improvement in our operating environment this year, and the changes we have made put us in a better position than our competitors to take advantage of those opportunities.”

Cameron Clyne
Group CEO



I would like to add my welcome to the Chairman's and thank you for taking the time to read the 2013 *Annual Review*. This is a unique opportunity for me to talk to all of NAB's stakeholders together – our customers, employees, shareholders and the community. Although each group will use the information in different ways, ultimately, it gives you the opportunity to understand NAB's performance for the year and inform your decisions about banking with us, working with us and investing in us.

This has been a significant year for NAB. In March we announced our refreshed strategic agenda to ensure that our structure is attuned to the changing economic and social landscape. We have since centralised our product management function to rationalise and innovate products, and further centralised our operations, technology and project services to deliver quicker turnaround times, fewer errors and lower costs.

We have started to see signs of improvement in our operating environment this year, and the changes we have made put us in a better position than our competitors to take advantage of those opportunities. I am looking forward to continuing to see the benefits for our customers, shareholders and employees.

This Annual Review reports performance against our historic business unit model that was in place for the majority of 2013. From next year, we will report against our new customer model. I appreciate that makes this Annual Review a transitional one, with our strategic focus looking forward to our new 'customer model' and our performance looking backwards to our business unit model – so we've included additional sign-posting to help you navigate the document.

The Group had an improved result this year, benefiting from lower loan losses. Cash earnings increased with higher earnings across all banking businesses.

Personal Banking, which provides products and services to 5.3 million retail and small business customers, produced

a strong result increasing cash earnings and significantly growing the number of home loans and customer deposits. Our customer satisfaction scores have gone from 68.9% in March 2009 to 81.7% in September 2013¹ reflecting the investment that has been put into improving customer relationships. This year we also marked four years of our Fair Value Agenda and also four years of maintaining the equal lowest Standard Variable Rate of any of the major banks.

Business Banking remains Australia's leading business bank by lending market share. Despite subdued business conditions, the bank increased earnings, mainly due to an improvement in asset quality. Business Banking has also continued to enhance its effectiveness through banker training to improve account planning and relationship conversations. We will continue to play an important role in supporting Australian businesses, ensuring that capital is available and thereby helping to support our economy.

1 Roy Morgan Research, March 2009 – September 2013, Australian Main Financial Institution, personal customers, population aged 14+, six-month moving average.

“In 2009 we began our multi-year technology transformation to empower our people and customers, reduce costs, provide real-time insights and reduce operating risks.”

NAB Wealth had a mixed performance this year. The insurance part of the business continues to face some really challenging conditions while Investments and Private Wealth had a stronger performance with improved conditions for funds under management.

Wholesale Banking had a good year, increasing cash earnings on the back of higher revenue and lower B&DDs. Customer income grew with higher sales of risk management products reflecting the success of the Group's franchise focus strategy.

Internationally, NZ Banking performed well with good lending and deposit growth, and Great Western Bank had a solid year. We've made further progress against our UK restructuring agenda which, combined with stabilisation in the UK economic environment, has supported an improved performance from our UK businesses. Our Commercial Real Estate book, which we transferred from UK Banking to NAB in October 2012, continues to be run off.

Total technology environment transformation

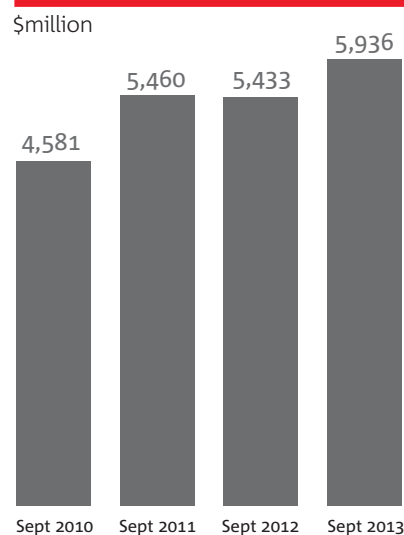
Product innovation is critical to staying ahead of the curve and meeting the changing needs of our customers. In 2009 we began our multi-year technology transformation to empower our people and customers, reduce costs, provide real-time insights and reduce operating risks.

In 2013, we continued to make good progress with our technology transformation agenda. We've improved our customer management capabilities, allowing our bankers to manage a single customer view for our Business Banking and Wealth customers. We also built and are deploying a new credit risk engine to improve our ability to price our products and provide insights to our bankers.

Our investment in our NextGen platform has started to enable new banking capabilities. In 2013, we launched the first transaction product on this platform – UBank's USaver Ultra – which allows a fully automated online application process.

We also consolidated our Melbourne commercial properties and opened a new building at 700 Bourke St in Melbourne. This purpose-built workplace has been awarded a 6 Star Green Star – Office Design v3 certified rating from the Green Building Council of Australia which recognises world leadership in environmentally sustainable design. The building is also a fully flexible working environment. This will help drive greater efficiencies, better connect our people and provide rich opportunities to engage with our customers and the community.

CASH EARNINGS



Source: NAB internal

Group CEO's message cont.

Balance sheet strength

We continue to strengthen our capital, funding and liquidity positions and we are well placed to meet future regulatory reform and respond to the challenges and opportunities of the future.

As at 30 September 2013, the Group's Basel III Common Equity Tier 1 capital ratio was 8.43%, compared to 8.29% at 30 September 2012 on a Basel II basis. Going forward, we will continue to manage our capital position for long term value.

Improved market conditions have allowed us to continue to diversify our wholesale funding sources and this year we raised \$25.8 billion of term wholesale funding, fulfilling our 2013 term funding requirements. Pleasingly, there was strong growth in customer deposits in Personal Banking throughout the year.

We have continued to focus on costs and efficiency. Costs (excluding restructuring and UK conduct-related costs) were well maintained during the year and over the past three years we have seen our Banking Cost to Income ratio fall from 45.9% in 2010 to 42.6% in 2013. Finding simpler and better ways of doing things is part of how we do business and, combined with our technology investments, we've been able to give our bankers back more time to spend with their customers.

Risk and compliance

During 2013, we continued to embed risk thinking into our daily activities and decisions. This was reinforced through this year's employee engagement survey which showed an increased rating on our ability to identify and manage risk.

Risk is a fundamental element of our culture and therefore we continue to invest in risk resources, training and accreditation programs. This year we created Management Assurance teams which support business leaders in managing risk across divisions. We also developed tools to help our leaders manage their risk and compliance obligations.

In 2014, we will continue to strengthen our risk management framework, leadership, culture and capabilities.

People, culture and reputation

We continue to focus on our people through initiatives such as coaching, counselling, specialist career transition support and embedding an enterprise leadership framework to develop leaders to shape strategy and drive future performance.

For the past four years we have conducted an employee engagement survey and have used the insights from it to give us focus and direction about what we need to do as an organisation to ensure our people are engaged and enabled to deliver. This year our survey¹ showed that our people have continued pride in the organisation.

We've continued to operate in challenging external conditions and like many high performing organisations, this year we have experienced a decrease in our employee engagement. In 2014, we will continue to invest in our work processes and support our people to improve and strengthen our engagement in the workplace.

An important part of building engagement is having a diverse workforce – helping to attract and retain talented people, creating more innovative solutions, and being more flexible and responsive to our customers' and shareholders' needs. We have a range of programs in place to ensure we achieve this, such as the Board Ready program which creates a community of confident and capable women for board positions, and the Accessibility Action Plan which supports our people and customers with a disability. This year we also launched the Domestic Violence Support Policy, the first of its kind for a major Australian bank. Under this policy, NAB will support people who experience domestic violence by providing access to counselling and additional leave, as required.

Contributing to the wider society is also important as we understand that what's good for our community and our people is also good for our customers. In 2013, we invested \$66.5 million in our communities with a focus on financial and social inclusion, education and mental health. Our people also contributed over 22,000 volunteer days throughout the year. This year we launched 'Wealth of Opportunity' – our promise to create more of what matters to people, communities and to our economy. You can read more about this throughout this Annual Review.

¹ 'Speak Up, Step Up' survey conducted by Hay Group, August 2013



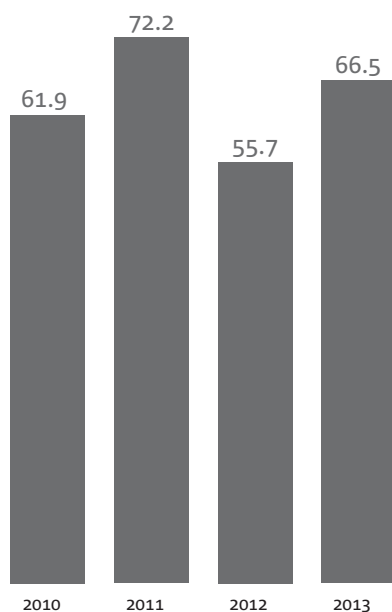
“In 2014, we will continue to strengthen our risk management framework, leadership, culture and capabilities.”

Summary

Our refreshed strategic agenda this year has ensured that we are aligned to the changing economic and social landscape and meeting the changing needs of our customers. We made the right decisions at the right time and as you'll read throughout this Annual Review, we are now well positioned to achieve success in FY14.

COMMUNITY INVESTMENT

\$million



Cameron Clyne
Group CEO

Source: Represents the total dollar value of contributions to our communities made across the Group each year. Further detail is available in our 2013 *Community Dig Deeper* paper.

“From an idea in New Zealand which we commercialised in Australia five years ago, hardly anyone knew the benefits of drinking milk with one less protein. Today A2 milk is Australia’s fastest growing supermarket milk brand. But where to from there? We knew going international would be tricky. We discussed our opportunity with our NAB banker who supported us with advice and local connections. We’ve since launched in the UK and China, and we’re now looking to North America.”

Geoff Babidge
CEO, A2 Corp



Our strategy

A strong basis for future success

Over the past few years we have made significant progress on our key strategic priorities. We have a more balanced and sustainable Australian banking franchise, an enhanced reputation, a stronger balance sheet and increased productivity. We have made solid progress in technology transformation and we have continued to manage our international portfolio for value.

In March 2013 we updated our strategy to better align our business to the evolving economic landscape and our customers' changing needs.

We are now well placed to capitalise on the changing economic, demographic and regulatory environment. Our updated strategy continues to focus on enhancing our Australian franchise, with our key priorities being to:

- simplify and digitise our business
- build world class customer relationships, including developing stronger, data-driven insights
- enhance services for superannuation and the ageing population
- broaden services for our Asia active customers
- provide DIY digital options for customers through our direct channels.

To help deliver our updated strategy, this year we implemented a more integrated and simplified operating model in both our Australian banking and Wealth businesses which features:

- more streamlined customer management divisions, serving all customer segments, with a focus on managing and growing customer relationships
- a single product house to effectively coordinate and manage all product offerings and drive innovation
- a centralised operations, shared services and transformation division to drive greater scale, efficiency and delivery of enterprise-wide transformation
- centralised support divisions to remove duplication and promote greater consistency.

To support this strategy we have continued to invest in our non-negotiables – key business-wide priorities critical to our success. Each non-negotiable informs how we act across every aspect of our business. They include:

- delivering a total technology environment transformation
- building on our balance sheet strength
- maintaining our focus on risk and compliance
- investing in our people, culture and reputation – ensuring that we act in a responsible manner and that our people are supported.

Our strategy cont.

“We have empowered our people to improve our core business and focus on providing a better experience for our customers.”

Enhance Australian franchise

Simplify and digitise our business

Lowering costs and improving efficiencies have been, and will remain, our key areas of focus. We have empowered our people to improve our core business and focus on providing a better experience for our customers. Over the past three years we have seen our Banking Cost to Income ratio fall from 45.9% in 2010 to 42.6% in 2013.

By leveraging our investments in new technology we believe we can simplify and digitise our business and, in doing so, become more efficient while delivering a better experience to our customers.

Simplifying our products

By simplifying and standardising our product offering and improving our product management processes, we are making it easier for our bankers to serve our customers and for our customers to understand our product range and the options available to them.

Since 2010, we have rationalised approximately 50% of our core banking products. We plan to continue simplifying our products to facilitate a better experience for our customers.

Re-engineering and automating our processes

In 2013 we implemented a clearer and more efficient operating model that frees up our bankers so they can spend more time supporting our customers.

Technology initiatives, such as automated title transactions and digitised outbound customer correspondence, have also allowed more efficient processing for more of our products.

Simplifying our operating environment

Through consolidating our various technology platforms we have reduced costs. For example, we started the migration of Wholesale Banking's technology support infrastructure to the platform used by the rest of the franchise, just one way we are converging our Australian businesses.

As our investment in our core banking platform is realised, we will continue to decommission our older banking systems, reducing complexity for our bankers and lowering costs to the business.

Reshaping our retail footprint

We have expanded our self-service options, such as Intelligent Deposit Machines, and we have continued to upgrade our online offering.

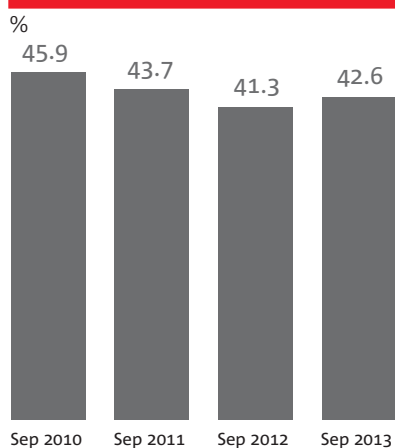
We are remodelling our stores and business banking centres to provide a more convenient experience for our customers while reducing excess floor space. We opened the new NAB Smart Store at 700 Bourke St, Melbourne, the latest of several new store formats. It provides customers with a range of self-service intelligent machines as well as face-to-face customer service.

Enhancing our payments and mobile capabilities

This year we launched NAB Flik, a mobile peer-to-peer payments app, that makes it easier for customers to send and receive money securely.

We strengthened our digital foreign exchange capabilities, with an integrated spot execution platform. We also improved our NAB Connect online channel for business customers through a number of enhancements, including the introduction of mobile capability and increased capacity to cater for future growth.

BANKING COST TO INCOME RATIO



Source: NAB internal. The banking cost to income ratio has increased in 2013 largely as a result of restructuring costs to implement the new operating model and additional charges for UK conduct-related matters, other than payment protection insurance.



“We wanted a special kind of shop, a place for the locals to meet. It’d be cosy and lively, welcoming and sustainable, and filled with retro furniture, yummy treats and one-of-a-kind finds. But getting it off the ground was impossible – every bank was knocking us back. Then we took it to NAB. They saw our plan and supported us with a microenterprise loan. And that’s how E for Ethel was born.”

Amanda Matulick and Daniel Harland
Owners, E for Ethel

Our strategy cont.

“We are continuing to deepen our relationships with our retail customers through our focus on delivering fairer products and services.”

Build world class customer relationships

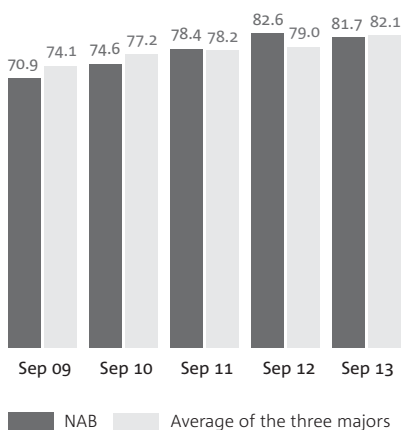
Our business is built on the strength of the relationships we have with our customers. So we are pleased to report that our Personal Banking customer satisfaction score has strengthened in recent years, from 68.9% in March 2009, to 81.7% in September 2013¹.

We are continuing to deepen our relationships with our retail customers through our focus on delivering fairer products and services. For example, we have removed fees such as overdraft, monthly account keeping and early exit fees.

In addition, we have not been beaten on our Standard Variable Rate by any other major Australian bank for more than four years and have significantly increased our number of mortgage customers.

PERSONAL BANKING CUSTOMER SATISFACTION

Very or fairly satisfied (%)



Source: Roy Morgan Research, September 2009 – September 2013, Australian Main Financial Institution, personal customers, population aged 14+, six-month moving average. Customer satisfaction is based on customers who answered very/fairly satisfied. NAB compared with the three major banks (ANZ, CBA, WBC). 2009 – 2011 customer satisfaction figures restated to exclude UBank.

At the same time, we have continued to grow our third-party distribution capability, giving customers greater choice in how they interact with us.

We are also continuing to improve the account planning and relationship focus of our business bankers to equip them with the tools they need to better serve our customers.

We are investing in systems and processes that will allow us to gain better insights into our customers and deliver more relevant and more integrated services and channels. For example, during 2013 we implemented a centralised knowledge management tool to provide greater consistency in the customer experience across all of our channels.

We continue to listen to and act upon the feedback our customers provide, to make sure we proactively address any issues and further improve the experience our customers have with us.

We maintained our leading market share in Australian business lending of

24%²

Enhance banking services for superannuation and the ageing population

We remain committed to providing and improving our set of tailored superannuation and wealth solutions across all customer segments.

To enhance our self managed super fund (SMSF) value proposition, this year we implemented central phone-based support for SMSF clients, accountants and advisers.

We continue to deliver integrated banking and wealth solutions for corporate and institutional superannuation customers. We invested in customer-focused banker training programs to improve banker capabilities and customer relationships. We also built a strategic clearing house solution for not for profit superannuation funds.

Broaden services for Asia active customers

Doing business with and within Asia is becoming increasingly important for our Australian and New Zealand customers, so we are continuing to enhance our offering in the Asian markets and provide for Asian customers doing business in Australia.

Over the past year, we have focused on expanding our Asia banking capabilities and organisational position. In 2013, we introduced Chinese Renminbi (RMB) trade capability in Australia and developed sales force capabilities in our Asian offices. We aligned the Private Wealth business across Australia and Asia, providing a more holistic experience for customers in Asia. We also strengthened our in-market leadership through investing in experienced bankers with deep market knowledge and connections.

¹ Roy Morgan Research, March 2009 – September 2013, Australian Main Financial Institution, personal customers, population aged 14+, six-month moving average.

² APRA Banking System – August 2013

Providing DIY digital options for our customers

Digital technology is changing the way customers do their banking – which is why we are investing in growing and developing our digital, self-service and wealth offerings.

UBank has provided a strong deposit offering for our customers and is continuing to increase its number of refinanced home loans through UHomeLoan.

The addition of USaver Ultra – which leverages new functionality made available through the NextGen program – allows UBank customers to access funds through additional channels.

Our online trading and investment research platform, nabtrade, is targeting self-directed customers with a growing focus on self managed super funds. Since its launch 12 months ago, the platform has attracted \$800 million of cash funding and was recently rated number one for stock picks by Investment Trends¹.

As we continue to expand the number of ways our customers can access our products, we are also expanding our efforts to identify and deter financial crime, so our channels remain safe and secure.

Manage international portfolio

Maintaining our strong New Zealand franchise

In 2013, Bank of New Zealand (BNZ) continued to successfully deliver against its strategy and performed well in a highly-competitive environment. BNZ strengthened its balance sheet and achieved above-system growth in high quality deposits, while continuing to support its customers' lending needs.

Business banking (BNZ Partners) maintained its number two market share position². Retail's Small Business segment continued to grow and maintained high levels of customer satisfaction³.

BNZ continued to deliver excellence in service and innovative products, such as YouMoney. Through its 'Be Good With Money' campaign, BNZ reinforced its reputation as a bank that helps New Zealanders be good with money⁴.

This year, BNZ strengthened and achieved high levels of employee engagement and enablement⁵. Global recognition of BNZ's success in promoting gender equality⁶ will spur it on to achieve its broader diversity goals.

BNZ is also supporting innovation and business efficiency by embedding a continuous improvement culture. The NZ customer-led transformation program will further enable its strategy, enhance customer experience and lift business sustainability.

Managing other positions

The run-down of the Specialised Group Assets portfolio continued, reducing from \$17.4 billion in September 2009 to \$6.1 billion as at September 2013. The NAB UK Commercial Real Estate (CRE) run-off also continues well, down from £5.6 billion in October 2012 to £4.0 billion as at 30 September 2013.

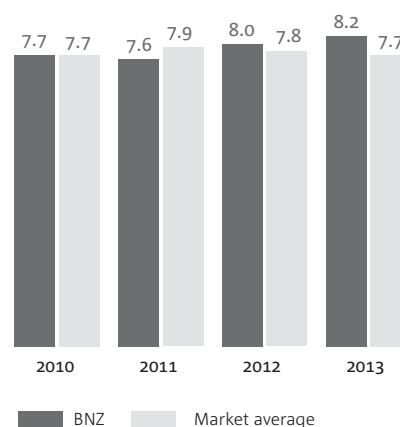
The UK business has made substantial progress this year, successfully implementing the outcomes of the April 2012 UK Banking Strategic Review, including the internal transfer of the CRE portfolio to NAB in October 2012.

The restructuring of the UK business has been largely completed. The focus now is to position it for controlled growth against the background of an improving UK economy. This focus was supported during the year by the successful re-launch of the Clydesdale and Yorkshire brands. Returns in the business will, however, continue to be impacted by trends common across the sector, including weak revenue growth and the costs associated with the resolution of legacy conduct issues.

Through 2013 Great Western Bank continued to improve its return on equity and to grow earnings through a focus on agribusiness, commercial and industrial lending.

BNZ SMALL BUSINESS CUSTOMER SATISFACTION

Turnover less than NZ\$1 million



Source: TNS NZ Brand and Voice of Customer Tracker (conducted by Gandar Associates before 2012). Overall satisfaction with main bank based on a scale from 1 to 10, where 1 is extremely dissatisfied and 10 is extremely satisfied. For BNZ Retail and Small Business, the market average is based on five major banks: ANZ, ASB, BNZ, Westpac and National Bank.

1 Investment Trends 2013 First Half Australia Online Broking Report, July 2013

2 TNS Business Finance Monitor to September 2013

3 TNS Voice of Customer, August/September 2013

4 TNS Brand and Communications Tracking, September 2012 – September 2013

5 'Speak Up, Step Up' survey conducted by Hay Group, August 2013

6 Awarded Women's Empowerment Principles Leadership Award – Benchmarking for Change (BNZ) 2013


Our non-negotiables

Our non-negotiables

We continue to invest in our non-negotiables – key business-wide priorities critical to our success. They inform how we act across every aspect of our business.

They include:

- delivering a total technology environment transformation
- building on our balance sheet strength
- maintaining our focus on risk and compliance
- investing in our people, culture and reputation – ensuring that we act in a responsible manner and that our people are supported.

A photograph of Karen Hayes, CEO of Guide Dogs Victoria, sitting on a green lawn. She is wearing a red blazer with a white flower pin and black trousers. A white dog is sitting next to her. In the background, there is a white picket fence.

“It’s taken a lot of work to get to where I am today. I’ve had multiple jobs, lived in a number of countries, and experienced a rollercoaster of a personal life. Thankfully, I’ve got a great relationship with my banker, which has kept a level of stress off me every step of the way. Now I’ve got my dream job, and I can focus on giving others the opportunity to realise their goals too. And, playing with labs is just a bonus.”

Karen Hayes
CEO, Guide Dogs Victoria

“The key objectives of this total technology environment transformation are to empower our customers and people, reduce costs, provide real-time insights and reduce operating risks.”

Total technology environment transformation

In 2009 we embarked on a multi-year technology transformation program to overhaul, refresh and reposition our core technology infrastructure. As a result, every level of the Group's infrastructure, applications and processes are being progressively transformed.

The key objectives of this total technology environment transformation are to empower our customers and people, reduce costs, provide real-time insights and reduce operating risks.

In 2013 we completed the transformation of our voice infrastructure and we are continuing to transition and transform our networks and security services. We have started the transition to our new data centre which will replace our existing East Melbourne facility. Our employee desktop services and core processing and storage requirements are being enhanced through deployment of our Infrastructure Technology Service Agreement with IBM.

Our investment in NextGen has enabled new banking applications. Some of these new capabilities have started to be deployed through UBank. Our next priority is the deployment of enhanced technology capabilities throughout NAB with a focus on personal use products.

We have also made progress in improving our processes and customer management capabilities. Our new credit risk engine was built and is in the process of being deployed, improving our ability to price our products and provide insights to our bankers.

Balance sheet strength

We continue to strengthen our capital, funding and liquidity positions and we are well placed to meet future regulatory reform requirements and respond to future challenges and opportunities. We continue to explore opportunities to enhance and diversify our funding sources and strengthen our risk management framework.

Improved market conditions over the 2013 financial year allowed us to continue to diversify our wholesale funding sources by accessing senior, secured and subordinated debt markets, as well as the domestic retail hybrid market. The Group raised \$25.8 billion of term wholesale funding, fulfilling its 2013 term funding requirements.

The weighted average maturity of term wholesale funding raised by the Group over the 2013 financial year was approximately 4.8 years.

The Group Customer Funding Index increased to 69.4% in 2013 from 66.3% last year. This in part reflects subdued credit growth and our continued focus on deposits as a key source of balance sheet strength, with core asset growth being fully funded by deposit growth. Deposit quality is also an important feature of balance sheet strength, which is why our deposit raising strategies focus on the household and small and medium enterprise segments.

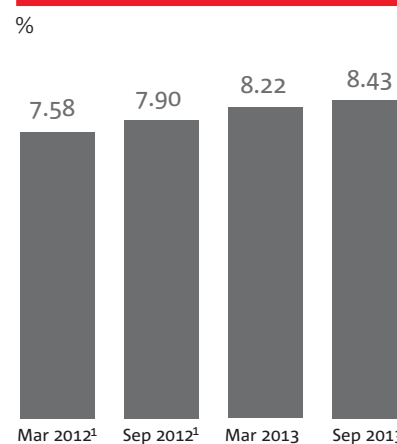
We maintain a well-diversified and high-quality liquid asset portfolio, with \$107 billion of liquid assets (excluding contingent liquidity) held at 30 September 2013, an increase of \$16 billion from 30 September 2012.

Our current Basel III Common Equity Tier 1 (CET1) ratio target is above 7.50% and we look to operate at a comfortable buffer to this target. At 30 September 2013, our CET1 ratio was 8.43%. Our globally harmonised BIS Basel III ratio was 10.25% at 30 September 2013.

We successfully met APRA's Basel III capital requirements which have been in effect since 1 January 2013, and we are well placed to meet Basel III funding and liquidity reforms to be implemented on 1 January 2015. Initiatives underway to meet the new funding and liquidity reforms include increasing Australian dollar denominated high quality liquid assets, improving the quality of the deposit book and managing the duration of wholesale funding.

Our Asset Quality trends have been encouraging during the year, despite challenging trading conditions across our key regions, in particular the UK. Our provisions for bad and doubtful debts remain sound, and expressed as a percentage of gross loans and advances have declined modestly over the year to 0.96%, in part reflecting these improved asset quality trends.

BASEL III COMMON EQUITY TIER 1 RATIO



Source: NAB internal

¹ Estimated Basel III Common Equity Tier 1 ratio

Our non-negotiables cont.

Risk and Compliance

Our governance

Our corporate governance framework plays a key role in supporting the Group's business operations and provides clear guidance on how authority is exercised within the Group.

As a fundamental element of our culture and business practices, the corporate governance framework provides guidance for effective decision making in all areas of the Group through:

- strategic and operational planning
- risk management and compliance
- financial management and external reporting
- succession planning and culture.

The Board determines the most appropriate corporate governance practices for the Group and is assisted by its committees, including the Audit, Risk, Remuneration, Nomination and Information Technology committees.

The Board represents NAB's shareholders and is responsible for directing the Group's affairs. Its central role is to create and deliver value by effectively governing the Group's businesses, while meeting the interests of shareholders and other stakeholders through transparent reporting and active engagement. For example, the Group takes seriously the importance of understanding its environmental and social impact, and the Board has established performance measures that are linked to senior executives' remuneration.

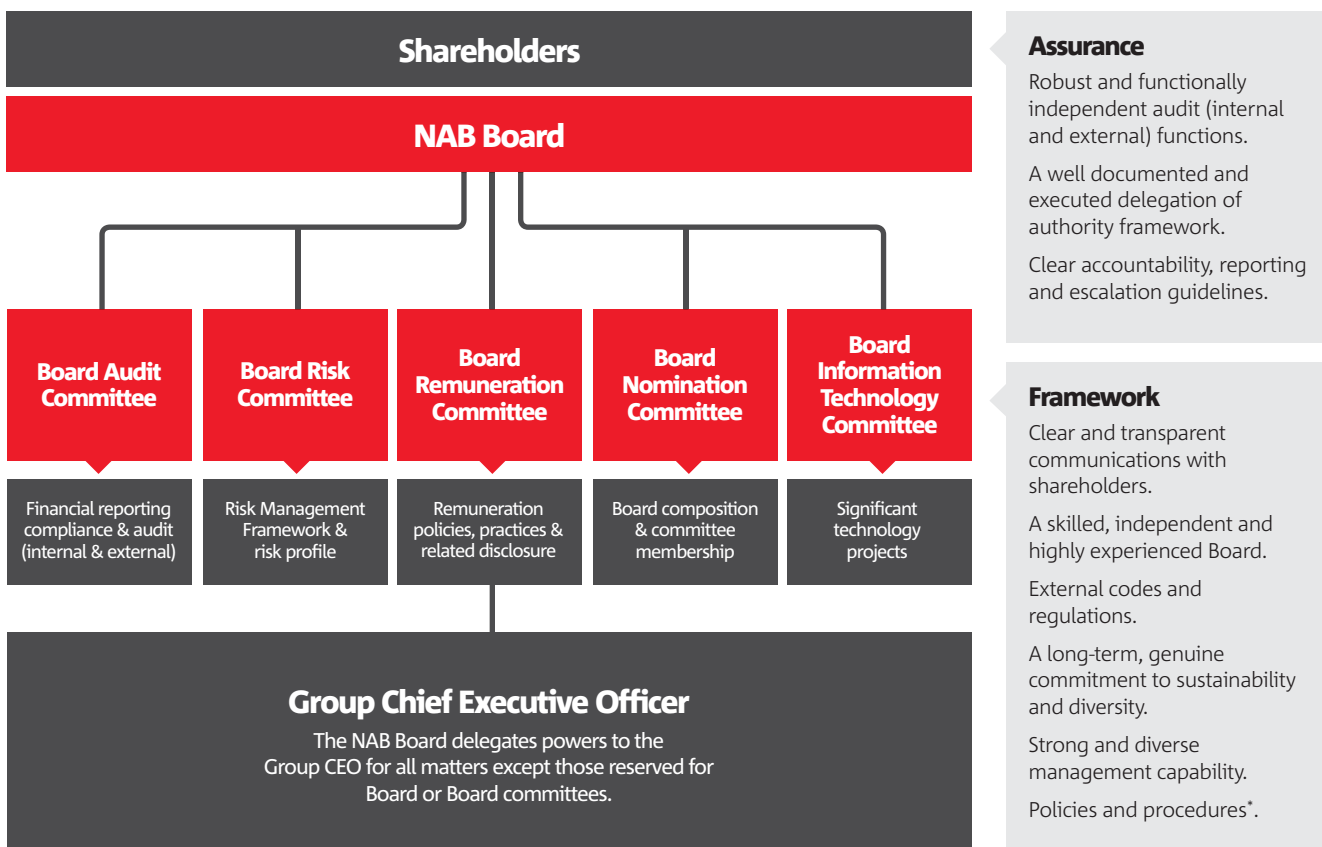
The Board's composition is driven by the need to ensure the Board operates effectively, independently and is made up of people from diverse backgrounds and with a broad range of skills and expertise. There is more information

about the composition of the Board in the *2013 Annual Financial Report*, including its succession planning and remuneration arrangements as set out in the Remuneration Report.

Outside the authorities and powers reserved by the Board, the Group CEO is responsible for the management and operations of the Group, including the implementation of our 2013 Group Strategy and Technology update. Key management decisions below Board level are made by the Group CEO with support from management committees and individual members of management who have been delegated authority.

The Group uses a range of methods to communicate with shareholders, including direct written communications, the Shareholder Centre section of the Group's website and webcasting of significant market briefings and meetings (including the Annual General Meeting). The Company Secretary assists the Board in engaging with shareholders.

Our corporate governance framework



* Covering areas such as conflicts of interest, remuneration, continuous disclosure, ethics and behaviours, Code of Conduct, whistleblower program and securities dealing.

The key aspects of the Group's corporate governance framework and practices for the 2013 year are outlined in the Company's detailed corporate governance statement, which is available in the *2013 Annual Financial Report*, online at www.nabgroup.com.

Our remuneration framework

Our remuneration framework recognises and rewards performance and ensures that our levels of remuneration remain competitive. The framework applies to all employees of the Group, including senior executives.

We support well-structured variable remuneration programs that reflect shareholder returns over time and that promote longer-term business growth. Variable remuneration (short-term and long-term incentives as appropriate) for all employees is directly linked to individual and organisational performance. Risk outcomes are also embedded in the variable remuneration element of the framework. Deferred variable remuneration may be adjusted where the Board considers the remuneration inappropriate based on a subsequent review of individual and business performance.

You can read more about our remuneration framework for senior executives and how it's linked to the Group's strategy in the *Remuneration Report* within our *2013 Annual Financial Report*.

Our corporate responsibility framework

The Group also has a strong governance framework to support our Corporate Responsibility (CR) agenda. We have internal mechanisms throughout the organisation to shape and manage our approach so that we remain focused on the issues that matter to our stakeholders.

The Board and Executive Committee have oversight of the Group's CR agenda. Through the CR Council, the Executive Committee meets twice a year to oversee, review and approve NAB's overall strategic approach to CR. Decisions can also be escalated to the Group Risk Return Management Committee or Board where appropriate.

We also have a number of internal governance forums to allow executive members and senior management to regularly spend time understanding and addressing material CR issues.

These internal forums are complemented by external mechanisms, including the Advisory Council on Corporate Responsibility and the Indigenous Advisory Group, which provide important external input to our CR approach.

Our corporate responsibility performance

You can read further information on our CR approach and performance on page 25 and on the Group's website at www.nabgroup.com. To add rigour to our external reporting we engaged EY to conduct independent limited assurance of our reporting of material CR issues, 26 non-financial metrics and Group financial performance table on page 27. See EY's summary assurance report on page 35.

Risk management

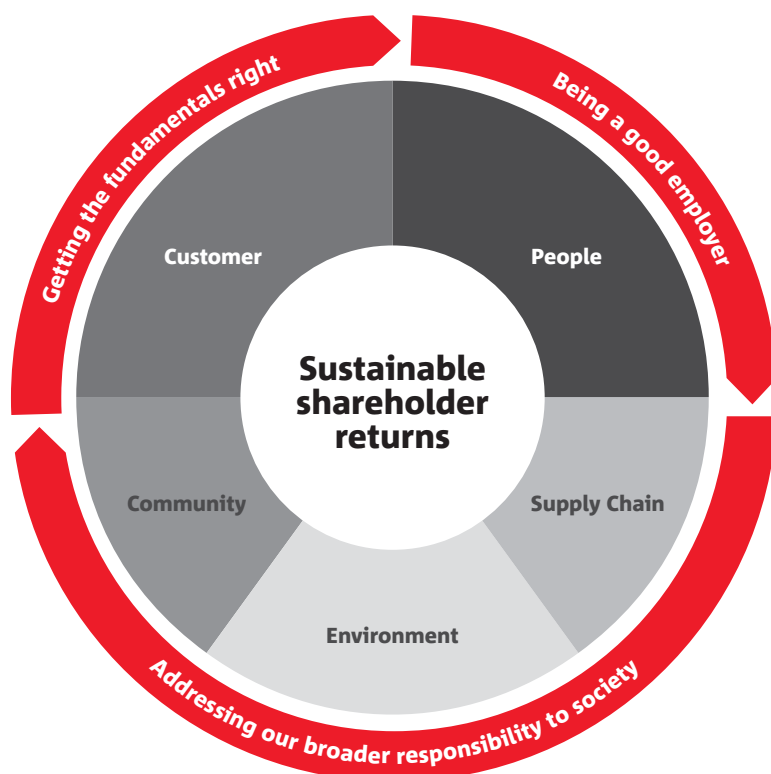
Risk exists in every aspect of our business and throughout our operating environment. We identify and manage our risks as part of a Group-wide Risk Management Framework (RMF). The RMF supports the successful implementation of our strategies and allows us to run a sustainable, resilient business that is responsive to its changing environment.

We differentiate between risks originating from within our business that we can control (our people, our processes and our systems), and those that originate outside of our business that we need to respond to (economic, regulatory, competitive and political).

We continually assess our risks so that we can take the appropriate action to manage them, within our Board approved risk appetite. The assessment takes account of existing risks, but also considers trends in emerging risks. For example, the increased digitalisation of banking products and services means there is a greater potential for cyber crime in the financial services industry and the rapid take up of social media has created new dimensions for operational, compliance and reputation risks.

A detailed description of our key risks (those which could adversely impact the Group's financial performance or position) is made publicly available every six months coinciding with half and full year results. These detailed descriptions are also set out in the Operational and Financial Review section of our *2013 Annual Financial Report*. You can find our *Annual Financial Reports* in our Shareholder Centre of the Group's website at www.nabgroup.com.

Our corporate responsibility framework



Our non-negotiables cont.

Risk and Compliance cont.

Our Risk Management Framework

Our Risk Management Framework:

- is described in our Risk Management Systems Descriptions (RMSD), provided annually to the Australian Prudential Regulation Authority as part of prudential requirements to establish systems to monitor and manage key risks. We describe these systems using the risk categories outlined in Table 1
- starts with our Board approved Strategy, Risk Appetite, Capital, Funding and Operational Plans. Risk appetite is translated and cascaded to our businesses through a range of ways

- is underpinned by a commitment to a strong risk culture. We continue to invest in creating a diverse and engaged workforce that embeds risk capability into their daily activities and decisions. This means that every employee needs to understand what managing risk means in the context of their role. When we make mistakes, we reflect on what went wrong, share our learnings and hold ourselves accountable through the application of balanced performance scorecards and a risk-adjusted performance and rewards framework
- assigns accountabilities for risk management activities across the organisation using a ‘three lines of defence’ approach, summarised in Table 2.

Risk Governance

- Our risk governance and oversight starts at Board level (as described on page 18). The Board has established a Risk Committee of independent non-executive directors to oversee risk management across the Group. At an executive level, risk is overseen by the Group Chief Executive Officer through the Group Risk Return Management Committee (GRRMC) and its supporting sub-committees.
- NAB manages risk across all its divisions and each First Line division has a risk management committee, chaired by the relevant Group Executive to support them in executing their risk management accountabilities (and in doing so contributes to an effective risk and control environment across their division).

Table 1 – Risk categories

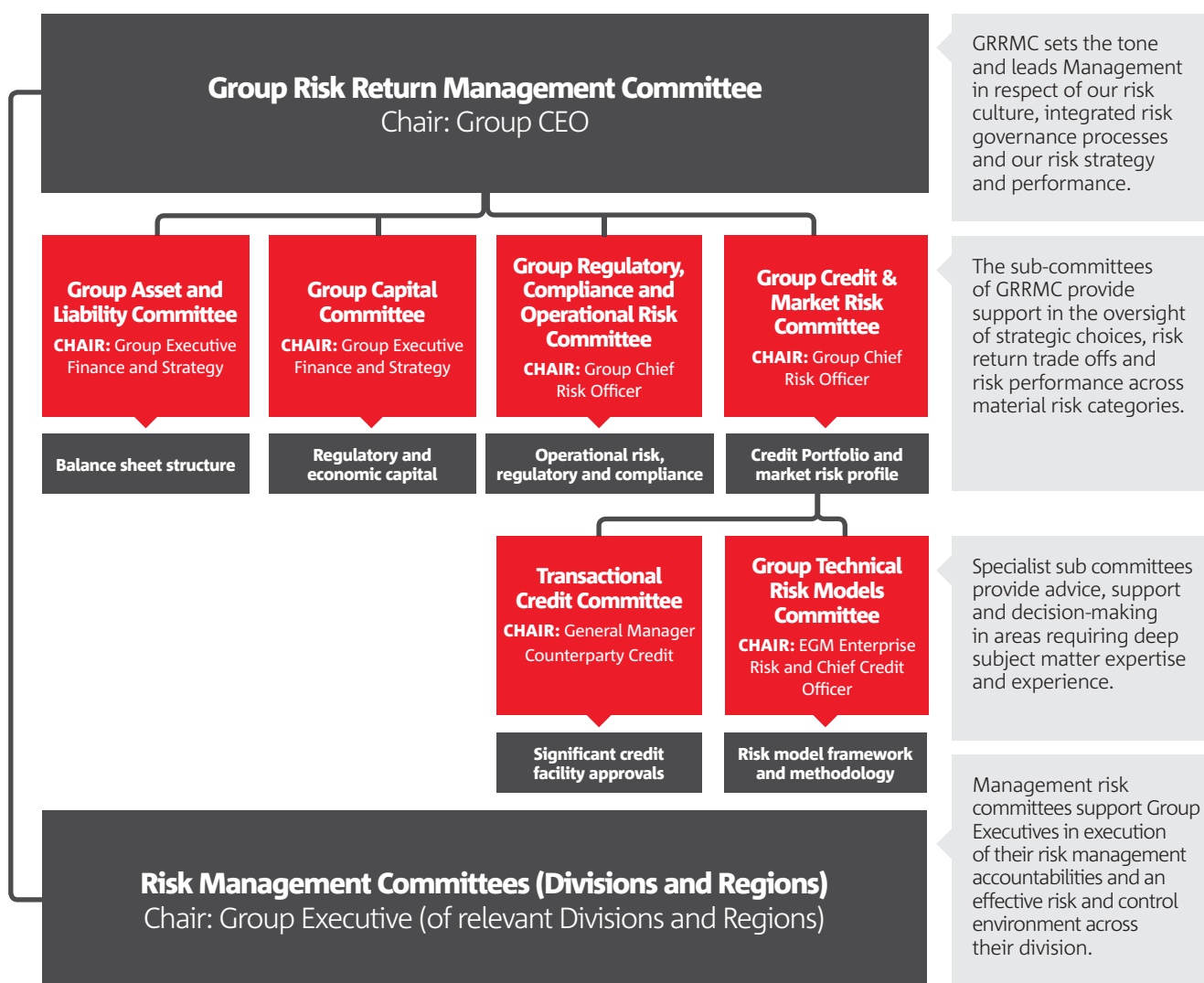
RMSD Risk Categories	Definition – “The risk of loss from ...
Credit Risk	... the potential that a counterparty or customer will fail to meet its obligations to the Group in accordance with agreed terms”
Operational Risk	... inadequate or failed internal processes, people and systems or external events”
Non Traded Market Risk	... the Group’s banking book activities e.g. capital, funding, liquidity, interest rate, foreign exchange and equity”
Traded Market Risk	... the Group’s trading activities, including proprietary trading, as a result of adverse movements in market prices”
Life Insurance Risk	... claims exceeding those anticipated in the premiums collected and underlying investment income earned”
Regulatory and Compliance Risk	... failing to identify, influence and monitor changes in the regulatory environment, failing to comply with laws, regulations and licence conditions, and damaging the Group’s relationship with its regulators”
Defined Benefit Pension Risk	... the Group’s defined benefit pension scheme being in deficit (i.e. the assets available to meet pension liabilities are at a value below current and future pension scheme obligations)”
Strategic Positioning Risk	... strategic choices that we make and their ongoing viability, including improper management of the assumed or embedded risks within the strategic choices”
Strategic Execution Risk	... failing to execute the chosen strategy, including understanding the dependencies of success for the strategy and our responsiveness to changes to these factors”

Table 2 – Risk accountability across our three lines of defence

Line Management 1	Independent Risk 2	Internal Audit 3
<p>Responsible for managing the risks originating within the business.</p> <hr/> <p>Identify, assess, control and monitor risks.</p> <hr/> <p>Manage risks within risk appetite.</p> <hr/> <p>Establish and maintain a robust risk and control environment.</p>	<p>Responsible for ensuring that the risk and control environment is actively and appropriately managed through the provision of risk insight, risk appetite and oversight.</p> <hr/> <p>Establish Group-wide and specific risk appetite.</p> <hr/> <p>Develop and maintain policies, tools and processes for risk management.</p> <hr/> <p>Oversee, monitor and challenge the business on risk related activities.</p> <hr/> <p>Define minimum standards and oversee related consequence management.</p> <hr/> <p>Provide insight.</p>	<p>Provides independent assurance over the risk and control framework.</p> <hr/> <p>Independently review, monitor and test 1st and 2nd line risk activities.</p> <hr/> <p>Independent assurance on compliance requirements by regulators.</p> <hr/> <p>Assess the overall effectiveness of the business’ risk and control environment and ability to self assess.</p>

- Cross divisional governance of material risks is supported by Enterprise Management committees, chaired by senior executives from across the Group.
 - Additionally, the Group has a dedicated global risk management function led by the Group Chief Risk Officer. The activities undertaken by the Risk function are performed both at a Group level (whereby risks across all our businesses are aggregated) and at a division level (through Risk specialists embedded within the business).
 - investing significant risk resources into newly created 'Management Assurance' teams that support business leaders in managing risk across their division
 - developing risk measures and a maturity assessment tool. These tools will be incorporated into NAB's new Enterprise Performance Alignment Framework to reflect how well our leaders manage their risk and compliance obligations and to provide an additional way to assess our risk culture
 - reinforcing risk accountabilities across NAB's three lines of defence through our Risk Management Accountability Model
 - reviewing the Group's risk governance committees at a management level and planning structural changes to build greater transparency, accountability and oversight over our key risks
 - continuing risk training and accreditation programs across the Group.
- In 2014, we will continue to strengthen our risk management framework, leadership, culture, capabilities and effectiveness through implementing our 'Risk@NAB' strategy.
- During 2013, we continued to embed risk thinking into our daily activities and decisions. Key highlights in 2013 included:

Group and Management Risk Committees



Our non-negotiables cont.

People, culture and reputation

Our leadership focus on people, culture and reputation over the past four years has reinforced these areas as strengths of our business. Our commitment to doing more for our people – in building a values aligned culture and remaining focused on our broader role in society – is key to us achieving sustainable success.

Developing our people

By identifying, developing, deploying and retaining talent, we are able to forge an enduring point of difference.

We have put in place initiatives to develop the leaders who will shape strategy, inspire teams, deliver results and drive performance in the future.

By focusing on the wellbeing of our people, we will continue to build an engaged and productive workforce.

Through resources like coaching, counselling (through the Employee Assistance Program) and specialist career transition support, we are continuing to assist our people in the workplace.

In 2013, we implemented a policy to provide paid leave to employees who are the victims of domestic violence – the first of its kind for a major Australian bank.

Employee engagement is key to our success

Our annual employee engagement survey gives us insights into how engaged our people are in the organisation and how enabled they are to deliver. This year's survey showed that our people have continued pride in the organisation.

In 2013 we shifted our Australian businesses' operating model to better align to the evolving needs of our customers and the changing economic conditions. This has created inevitable change for our people. This year we refreshed our approach to managing change, allowing us to develop one approach to all change initiatives and provide a better employee and customer experience.

Alongside our operating model changes, we continue to operate in a challenging external environment. Like many high performing organisations, in 2013 we had a decrease in our employee engagement.

A culture that we can all be proud of

Our culture is built on our purpose – doing the right thing and helping our customers, our people and the community to realise their potential. We expect our people to be authentic and respectful, to work together and to create value through excellence.

Our Enterprise Recognition Program was developed to acknowledge role-model behaviours of our employees. Because the program places importance on how we do things, not just what we do, it ensures we operate in a way that will drive sustainable performance.

Strength through diversity

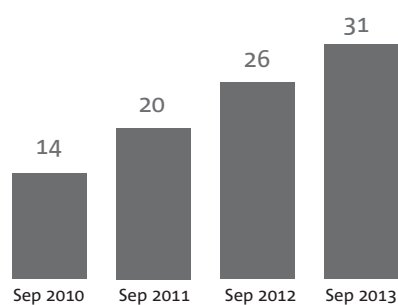
Diversity and inclusion is vitally important to our stakeholders and the ongoing success of our business. It brings better results because it generates greater value from our teams, provokes varied thinking and allows for different opinions to be explored.



In 2013:

- Our return to work rate of employees on primary carer's leave in Australia was 80%, up from 65% in 2006.
- We received the Achievement Award for the Most Improved Employer at the annual Australian Workplaces Equality Index Awards in recognition of workplace inclusion for our lesbian, gay, bisexual, transgender, and intersex (LGBTI) employees.
- Our new Australian Accessibility Action Plan was launched with the aim of improving access for all people who have a disability.
- We provided over 15,000 employees with technology to work remotely.
- BNZ was awarded Women's Empowerment Principles Leadership Award – Benchmarking for Change.
- The proportion of women on NAB Group subsidiary boards increased to 31%.

PROPORTION OF WOMEN (%) ON NAB GROUP SUBSIDIARY BOARDS



Source: NAB internal

Since its inception, our Realise Program, designed to support women transitioning to more senior roles has seen 742 women participate in Australia.

The bigger picture

In 2013 we invested \$66.5 million in our communities with a focus on financial and social inclusion, education and mental health (through the MLC Community Foundation). Our people also contributed over 22,000 volunteer days throughout the year.

In 2013 we launched 'Wealth of Opportunity' – our promise to create more of what matters to people, communities and to our economy. We want to help people to have a healthy relationship with money, to cultivate prosperous communities and do our part to lead a future focused society.

Healthy Relationship with Money

Managing money wisely is a vital skill for successfully navigating daily life. That is why we are helping people – supporting individuals, communities and businesses as they grow and prosper through the right help, guidance and advice and appropriate products and services.

Our NAB Care team continues to provide specialised support to our customers facing financial hardship. This work was recognised with a first place ranking in the 2013 'Rank the Banks' report published by Financial Counselling Australia, which compares how well banks in Australia deal with customers in hardship.

We continue our work on financial inclusion and increasing financial literacy. Introduced in 2003, our Microfinance program has provided \$100 million worth of no interest and low interest loans to financially excluded Australians (those without access to products such as a basic transaction account, a moderate amount of credit and general insurance).

In 2013 we:

- Improved awareness by publishing the third Financial Exclusion Indicator which found the percentage of financially excluded individuals in Australia increased from 17.2% to 17.7% in the last year. There was also an additional focus on the insurance needs of low income Australians.
- Opened two additional community finance stores (Good Money), in partnership with the Victorian Government and Good Shepherd Microfinance, which provide financially excluded Australians with access to microfinance products and financial counselling.
- Assisted 1,158 Indigenous clients through our Indigenous Money Mentor Program which provides face-to-face advice about money management. A Social Return on Investment study demonstrated that the program creates \$4.20 in social value for every dollar invested.

In supporting financial literacy we sponsored ASIC's Money Smart Week held in Australia, and BNZ supported Money Week in New Zealand.

Prosperous Communities

We believe we have a role to play in addressing the issues that matter most to our communities. That is why we are involved in a range of different initiatives that help to create long-term prosperity.

We were the founding corporate champion of Work Inspiration, a program that encourages employers to 'reimagine' their approach to work experience and provides them with the tools to inspire young people.

NAB Schools First has rewarded outstanding school-community partnerships. Since 2009, we have invested \$20 million in award funding.

In partnership with Jesuit Social Services, we have continued our award-winning African Australian Inclusion Program (AAIP), which provides skilled African Australians with a six-month paid work placement at NAB.

Future Focused

The decisions and actions we take today will have a real impact on the future of our society. We are preparing for tomorrow now, so we are ready for continued success.

Women are working more than ever before and have greater income potential and economic influence. This year, we developed a range of initiatives to help women take charge of their finances. We:

- Ran workshops aimed at building women's confidence with money.
- Conducted financial independence seminars with NAB Private Wealth clients and their daughters.
- Started a three-year partnership with Women's Agenda, an online publication for career-minded women, to deliver the inaugural NAB Women's Agenda Leadership Awards.

Working with our customers, we continue to help Australia transition to cleaner energy sources. In 2013 we were the mandated lead arranger for the first project financing of a utility-scale solar project in Australia – the Royalla Solar Farm. We also arranged two Environmental Upgrade Agreements (EUAs), new funding sources for environmental retrofits of commercial buildings. This brings our total to four of the five EUAs that have been privately financed in Australia to date.

By transitioning to more energy efficient offices, we hope to see a significant improvement in our energy footprint. Our most recently developed office in Melbourne at 700 Bourke Street has been awarded a 6 Star Green Star – Office Design v3 certified rating from the Green Building Council of Australia.

Our responsibility also extends to the management of our supply chain. This year, we exceeded our target of having 200 suppliers as signatories to our Group Supplier Sustainability Principles, but we did not achieve our target of having a minimum of 70% of our strategic suppliers¹ in Australia and New Zealand as signatories. We remain committed to increasing the percentage of strategic supplier signatories to our Group Supplier Sustainability Principles and will continue to report our progress.

In 2013, we conducted desktop assessments of 93 suppliers and piloted a supplier assessment process to increase our understanding of the risks and opportunities within our supply chain.

Further information on our people, culture and reputation can be found in our Dig Deeper papers at www.nabgroup.com.

¹ Strategic supplier is defined as a supplier that performs an activity that has the potential, if disrupted, to have a significant impact on business operations or ability to manage risk effectively, or that their spend is so significant they require careful monitoring.

Stakeholder engagement and future focus

Our approach to stakeholder engagement

As a global financial institution, effectively engaging with our stakeholders is fundamental to our success. It allows us to understand the expectations of the communities we operate in, identify issues and opportunities and in doing so generate value for stakeholders as well as NAB.

We are listening

We build successful relationships with our stakeholders when we act on their feedback and communicate on our progress. Which is why we meet regularly with our stakeholders to hear their concerns and understand where we might benefit from changing our processes.

Each year we conduct a materiality assessment to help us prioritise Corporate Responsibility issues based on their potential impact on our business. It drives the content of our annual reporting suite of documents and informs the establishment of our Corporate Responsibility Commitments (see page 25).

The process is informed by focus groups, one-on-one meetings and workshops with employees, suppliers, consumer advocacy groups, research and environment organisations, governments, institutional investors and fund managers. KPMG provided challenge to this process and its outputs through benchmarking and research, and observing workshops and interviews.

In 2013 the most significant Corporate Responsibility issues identified were: responsible lending; diversity; transparency and disclosure; customer service and satisfaction; a values-aligned culture; responsible credit practices; customer security and safety; ethics and business conduct; financial crime and transparency of products and services.

Our progress on each of these issues is reported throughout this Annual Review and in each of our Dig Deeper papers.

For more information on our key stakeholder groups and the methods we use to engage with them, go to: www.nabgroup.com.

Our stakeholder policies

We are guided by the AA1000 Stakeholder Engagement Standard, a process that maps key stakeholder groups based on their level of interest and influence. We also have a range of policies (such as our Group Disclosure and External Communications Policy and our Political Contact, Communications and Donation Policy) that provide rules and guidance for our interactions with our stakeholders.

Additionally, our external governance mechanisms – such as our Advisory Council on Corporate Responsibility – provide valuable input into the Group's corporate responsibility strategies and activities.

“We visited a financial advisor a few years ago because, well, we were going backwards. She had us move our super to MLC. It came with critical illness cover, and lucky it did – I’ve just had a malignant melanoma cut out. It scared us. But I put a claim in and received my payment quickly. It took the pressure off the family and helped us pay off our debts. Now we’re ready for anything.”

Bruce Graham
MLC customer



Wealth of Opportunity

We recognise the positive impact that we can have on the issues that are important to our customers, our people, our suppliers, our environment and the community.

This year, we've refined our Corporate Responsibility strategy and created 'Wealth of Opportunity' – our promise to create more of what matters to people, communities and to our economy. It sets us on a path to help people have a healthy relationship with money, cultivate prosperous communities and to support a future focused nation.

Committed to action

In 2012, we set ourselves 23 Commitments, 18 of which were achieved, three were partially achieved and two we were unable to achieve. Comprehensive reporting against our 2013 Commitments can be found in our 2013 Dig Deeper papers.

This year, we have redeveloped our Corporate Responsibility Commitments and established 15 businesswide Commitments that will set our priorities for the next five years (2014–2018) as outlined below.

Each year, progress against these Commitments is provided to our internal CR Council and to our external Advisory Council for Corporate Responsibility (co-chaired by our Group CEO and Dr Chris Sarra, Executive Chair, Stronger Smarter Institute and Co-Chair of the NAB Indigenous Advisory Group).

We will report annually on our 15 Corporate Responsibility Commitments for FY14 – 18 (outlined below).

Group Corporate Responsibility Commitments FY14–18



Healthy Relationship with Money

We are committed to:

- 1** Providing quality products and services, help and advice and building the financial capability and confidence of our customers and employees, whatever their life stage, geographical location or background.
- 2** Helping those who are marginalised from mainstream finance through advocacy and financial products and services.
- 3** Providing tools and support to help those experiencing financial hardship.
- 4** Helping our customers and our employees prepare for a better retirement by strengthening their financial capability and providing leading products, services and advice.
- 5** Ensuring that social, environmental and governance considerations inform our spending and lending decisions.



Prosperous Communities

We are committed to:

- 6** Enabling the businesses, industries and infrastructure that tie communities together by providing quality banking support and advice.
- 7** Encouraging a prosperous and vibrant small business sector and enabling the small businesses at the heart of communities.
- 8** Supporting a thriving community sector by providing leading banking services and thought leadership on issues that affect the sector.
- 9** Equipping our customers and employees with the tools and support to encourage and facilitate a better future through giving and volunteering.
- 10** Investing in programs that encourage and promote a more diverse and inclusive society and workforce.
- 11** Providing practical help to communities, our employees and customers impacted by natural disasters.



Future Focused Nation

We are committed to:

- 12** Future proofing our business and leading by example to improve the efficiency and resilience of our operations and supply chain.
- 13** Leading the conversations on operating in a resource-constrained world and working with customers, industry and stakeholders to build resilient and profitable businesses.
- 14** Addressing the big issues that matter to communities in the areas of employment, education, environmental sustainability and health and wellbeing.
- 15** Embracing the changing digital and technological landscape and providing a more innovative and integrated experience for our customers and our employees.

Group performance

2013 Group non-financial performance*

Our customers	FY13	FY12	FY11
Personal banking customer satisfaction (Australia) ¹	81.7%	82.6%	78.4%
Microbusiness customer satisfaction (Australia) ²	7.0	7.0	6.9
Small business customer satisfaction (Australia) ²	7.1	7.2	6.9
Medium business customer satisfaction (Australia) ²	7.3	7.3	7.3
Large business customer satisfaction (Australia) ²	7.4	7.4	7.4
Institutional (\$500m+) Relationship survey (Peter Lee) (Australia) ³	47	48	46
% change in customer complaints (Australia)	+3%	-25%	+14%
Number of microfinance loans written (Australia)	23,644	23,364	15,752
% of customer accounts cured six months after completing hardship assistance (Australia)	47%	48%	-
Number of clients assisted by NAB's Indigenous Money Mentor program (Australia)	1,158	1,907	2,911
Number of stores and business banking centres	1,819	1,880	1,878
Number of ATMs	4,613	4,817	4,922
Our people			
Total number of full time equivalent employees	42,164	43,336	44,645
Group employee engagement score ⁴	65%	70%	69%
Group employee enablement score ⁴	64%	71%	69%
% of women in executive management ⁵	30%	30%	28%
% of employees 50 years of age and over ⁶	18%	17%	16%
% of employees who have access to remote working ⁷	38%	43%	-
Return to work rate for employees following primary carer's leave (Australia) ⁸	80.3%	82.8%	81.7%
Total number of Indigenous employees (trainees, grad to permanent and general recruitment – Australia) ⁹	182	142	97
Total turnover rate ¹⁰	15%	14%	15%
Voluntary turnover rate ¹¹	11%	10%	10%
Retention of high performing employees (Australia) ¹²	95%	-	-
Total personnel expenses (\$m)	4,362	4,526	4,563
Absenteeism (Australia) ¹³	7.32	7.31	7.34
Lost Time Injury Frequency Rate (LTIFR – Australia) ¹⁴	1.05	1.55	1.45
Our communities			
Community investment (\$m)	66.5	55.7	72.2
Number of volunteer days	22,679	26,254	25,633
Value of volunteer days (\$m) ¹⁵	8.5	8.9	8.0
Total value of Socially Responsible Investment funds under management (\$m)	382	268	260
Our environment			
Gross GHG emissions (Scope 1,2&3) tCO ₂ -e ¹⁶	311,010	305,558	319,090
% of project finance portfolio invested in renewable energy	12.5%	10.8%	13.0%
Our supply chain			
% of strategic suppliers that are signatories to Supplier Sustainability Principles (Australia & New Zealand) ¹⁷	48%	-	-

* Group Non-Financial Performance Table data is described in detail in our Dig Deeper papers available at www.nabgroup.com.

All figures are for the Group unless otherwise stated.

1 Roy Morgan Research, September 2011 – September 2013, Australian Main Financial Institution, personal customers, population aged 14+, six-month moving average.

Customer satisfaction is based on customers who answered very/fairly satisfied. NAB compared with three major banks (ANZ, CBA, WBC). 2011 customer satisfaction figure restated to exclude UBank.

2 DBM Business Financial Services Monitor, September 2011 - September 2013, six-month rolling average. Overall satisfaction with main financial institution based on scale of 0-10 (extremely dissatisfied to extremely satisfied).

3 Peter Lee Associates 2013 Large Corporate and Institutional Relationship Banking Survey Australia. Based on average point score of overall satisfaction with bank service.

4 'Speak Up, Step Up' survey conducted by Hay Group, August 2013. Changes made in 2013 provide NAB with a tougher baseline for the future. Engagement is now calculated from 5 questions (4 questions in 2012) and Enablement is now calculated from 4 questions (3 questions in 2012). When applying the 2012 methodology Engagement and Enablement were each 67%.

5 Executive management positions (also known as senior executive positions) are those held by Group Executive Committee members, Group Executive Committee members' direct reports, and their direct reports. Note: Support roles reporting in to these roles (for example, Executive Manager and Executive Assistant) are not included in the data.

6 Total number of employees ages 50 and over as a percentage of headcount. 2011 excludes Great Western Bank.

7 Total number of employees with remote access to corporate systems as a percentage of total headcount as at 30 September 2013. Note: Data excludes Great Western Bank and Asia.

8 The percentage of employees that return to work following the conclusion of primary carer's leave and any consecutive extended leave (for example, long service leave).

9 Total number of Indigenous Australians employed by NAB through each year.

10 Number of all employees who exited the bank each year, as a percentage of the average permanent headcount for each respective year.

11 Number of all employees who voluntarily exited the bank each year, as a percentage of the average permanent headcount for each respective year.

12 The percentage of employees recognised as high performing during their 2012 performance review that remain employed at 30 September 2013.

13 Total number of unscheduled absence leave days divided by the average number of full-time equivalent employees (excluding casual employees).

14 Lost Time Injury Frequency Rate is the number of work-related lost time injuries per million hours worked. Previous years figures have been revised due to retrospective updates made post 30 September 2012. Current year results are also likely to be revised upwards due to a number of incidents being assessed. Find a full description of the methodology applied in our *People Dig Deeper* paper.

15 Calculated by multiplying the relevant average daily salary for each region by the number of days completed.

16 Gross GHG numbers for prior years have been restated due to required changes to UK electricity emission factors and amendments to underlying activity data for some regions for emission sources including: Business travel, A3 & A4 paper use, electricity and refrigerants. Refer to our 2013 *Environment Dig Deeper* paper for further details.

17 Strategic supplier is defined as a supplier that performs an activity that has the potential, if disrupted to have a significant impact on business operations or ability to manage risks effectively or that their spend is so significant they require careful monitoring. Signatory to Supplier Sustainability Principles as at 31 August, 2013 for Australia.

2013 Group financial performance*

Results \$m	FY13	FY12	FY11
Net interest income	13,407	13,297	13,092
Other operating income	3,838	3,412	3,016
NAB Wealth net operating income	1,335	1,515	1,486
Net operating income	18,580	18,224	17,594
Operating expenses	(8,174)	(7,828)	(7,974)
Charge to provide for bad and doubtful debts	(1,934)	(2,615)	(1,822)
Cash earnings before tax, IoRE, distributions and non-controlling interest	8,472	7,781	7,798
Income tax expense	(2,337)	(2,178)	(2,142)
Cash earnings before IoRE, distributions and non-controlling interest	6,135	5,603	5,656
Net profit attributable to non-controlling interest	(8)	(1)	(1)
IoRE	(3)	38	30
Distributions	(188)	(207)	(225)
Cash earnings ('Cash Basis')	5,936	5,433	5,460
Distributions	188	207	225
Treasury shares	(342)	(155)	39
Fair value and hedge ineffectiveness	(151)	(270)	(181)
IoRE discount rate variation	22	16	26
Hedging costs on SCDO assets	-	(99)	(127)
Litigation expense/recovery	39	(101)	(4)
Amortisation of acquired intangible assets	(77)	(99)	(82)
PPI and Customer redress provisions	(163)	(239)	(117)
Impairment of goodwill and software	-	(349)	-
Restructure costs	-	(174)	-
Due diligence, acquisition and integration costs	-	(88)	(162)
Refund of tax on exchangeable capital units (ExCaps) settlement	-	-	142
Net profit attributable to the owners of the Company ('Statutory Basis')	5,452	4,082	5,219
Key Indicators			
Statutory earnings per share (cents) – basic	229.5	175.3	233.6
Statutory earnings per share (cents) – diluted	227.5	174.4	231.5
Cash earnings per share (cents) – basic	253.0	240.9	249.9
Cash earnings per share (cents) – diluted	250.6	238.8	247.5
Statutory return on equity	13.2%	10.3%	n/a
Cash return on equity (ROE)	14.5%	14.2%	15.2%
Profitability, performance and efficiency measures			
Dividend per share (cents)	190	180	172
Dividend payout ratio	75.1%	74.7%	68.8%
Cash earnings on average assets	0.74%	0.72%	0.78%
Banking Cost to Income (CTI) ratio	42.6%	41.3%	43.7%
Net interest margin	2.02%	2.11%	2.25%
Capital¹			
Common Equity Tier 1 ratio (Basel III) / Core Tier 1 ratio ² (Basel II)	8.43%	8.29%	7.58%
Tier 1 ratio (Basel III) / Tier 1 ratio (Basel II)	10.35%	10.27%	9.70%
Total capital ratio	11.80%	11.67%	11.26%
Asset quality			
90+ days past due and gross impaired assets to gross loans and acceptances	1.69%	1.78%	1.77%
Collective provision to credit risk-weighted assets	0.94%	1.05%	1.45%

* Refer to Glossary of Terms on page 36 for definitions of the above financial metrics.

¹ FY13 calculated on a Basel III basis, FY12 and FY11 calculated on a Basel II basis.

² Core Tier 1 ratio equals Total Tier 1 Capital less Tier 1 Hybrids.

Business unit performance

Financial¹ and non-financial (Australia)

\$m	Personal Banking			Business Banking		
	FY13	FY12	FY11	FY13	FY12	FY11
Net interest income	3,343	2,957	2,826	5,017	5,026	5,033
Other operating income	570	599	590	1,047	1,036	1,006
NAB Wealth net operating income	-	-	-	-	-	-
Net operating income	3,913	3,566	3,416	6,064	6,062	6,039
Operating expenses	(1,848)	(1,836)	(1,791)	(1,787)	(1,741)	(1,764)
Charge to provide for bad and doubtful debts	(319)	(242)	(301)	(755)	(893)	(802)
Income tax expense	(518)	(443)	(392)	(1,034)	(1,019)	(1,028)
Cash earnings	1,228	1,045	932	2,488	2,409	2,445
Net interest margin*	2.08%	2.03%	2.19%	2.51%	2.53%	2.62%
Cash earnings on average assets*	0.76%	0.71%	0.72%	1.25%	1.22%	1.28%
Cost to income ratio	47.2%	51.5%	52.4%	29.5%	28.7%	29.2%
'Jaws'	9.0%	1.9%	4.6%	(2.6%)	1.7%	4.6%
Cash earnings per average FTE (\$000s)	151	122	105	527	466	446
FTEs (spot)	8,028	8,348	8,705	4,544	5,076	5,427

\$m	NAB Wealth			Wholesale Banking		
	FY13	FY12	FY11	FY13	FY12	FY11
Net interest income	421	325	328	1,231	1,519	1,230
Other operating income	73	47	35	1,356	982	626
NAB Wealth net operating income	1,335	1,515	1,486	-	-	-
Net operating income	1,829	1,887	1,849	2,587	2,501	1,856
Operating expenses	(1,154)	(1,143)	(1,128)	(966)	(948)	(915)
Charge to provide for bad and doubtful debts	(11)	(12)	(18)	(29)	(67)	(21)
Income tax expense	(171)	(213)	(199)	(398)	(394)	(259)
Cash earnings	482	556	533	1,194	1,092	661
Net interest margin*	n/a	n/a	n/a	n/a	n/a	n/a
Cash earnings on average assets*	n/a	n/a	n/a	n/a	n/a	n/a
Cost to income ratio	63.1%	60.6%	61.0%	37.3%	37.9%	49.3%
'Jaws'	(4.1%)	0.8%	(0.9%)	1.5%	31.2%	(3.8%)
Cash earnings per average FTE ² (\$000s)	84	90	86	475	385	221
FTEs (spot)	5,700	5,777	5,909	2,420	2,830	2,889

* Not applicable to every business unit.

¹ Refer to Glossary of Terms on page 36 for definitions of the above financial metrics.

² For NAB Wealth, this metric is calculated using Cash earnings before IORE and non-controlling interest.

Financial¹ and non-financial (international²)

\$m	UK Banking ³			NZ Banking		
	FY13	FY12	FY11	FY13	FY12	FY11
Net interest income	1,177	1,324	1,522	1,207	1,106	1,015
Other operating income	368	429	448	411	354	345
Net operating income	1,545	1,753	1,970	1,618	1,460	1,360
Operating expenses	(1,098)	(1,067)	(1,136)	(651)	(592)	(572)
Charge to provide for bad and doubtful debts	(247)	(966)	(462)	(81)	(76)	(116)
Income tax expense	(50)	67	(84)	(237)	(217)	(203)
Cash (deficit)/earnings	150	(213)	288	649	575	469
Net interest margin*	2.12%	2.03%	2.33%	2.36%	2.39%	2.30%
Cash earnings on average assets*	0.25%	(0.30%)	0.41%	1.27%	1.24%	1.05%
Cost to income ratio	71.1%	60.9%	57.7%	40.3%	40.6%	42.1%
'Jaws'	(14.5%)	(5.1%)	0.9%	0.8%	3.9%	4.0%
Cash earnings per average FTE ('000s)	13 GBP	(17) GBP	21 GBP	171 NZD	162 NZD	134 NZD
FTEs (spot)	7,013	7,883	8,351	4,671	4,534	4,641

\$m	NAB UK Commercial Real Estate			Great Western Bank		
	FY13	FY12	FY11	FY13	FY12	FY11
Net interest income	61	-	-	296	272	285
Other operating income	(17)	-	-	79	74	81
Net operating income	44	-	-	375	346	366
Operating expenses	(56)	-	-	(182)	(173)	(177)
Charge to provide for bad and doubtful debts	(477)	-	-	(23)	(25)	(57)
Income tax benefit/(expense)	114	-	-	(57)	(50)	(44)
Cash (deficit)/earnings	(375)	-	-	113	98	88
Net interest margin*	n/a	-	-	3.78%	3.75%	4.19%
Cash earnings on average assets*	n/a	-	-	1.35%	1.27%	1.17%
Cost to income ratio	n/a	-	-	48.7%	50.0%	48.3%
'Jaws'	n/a	-	-	2.9%	(3.4%)	(1.0%)
Cash earnings per average FTE ('000s)	n/a	-	-	74 USD	66 USD	59 USD
FTEs (spot)	220	-	-	1,489	1,569	1,492

* Not applicable to every business unit.

¹ Refer to Glossary of Terms on page 36 for definitions of the above financial metrics.

² Figures are in Australian dollars, except otherwise indicated.

³ On 5 October 2012, £5.6 billion (\$8.7 billion) of UK Banking's Commercial Real Estate Assets were transferred to National Australia Bank Limited. Following this, the results of this business are reported separately and are no longer included in UK Banking. The NAB UK Commercial Real Estate Business recorded a cash earnings deficit of £239 million (\$375 million) for the year ended 30 September 2013.

Board of Directors



Michael Chaney AO

Michael joined the Board in 2004 and has been Chairman since 2005. He was Managing Director and CEO of Wesfarmers for more than 13 years and is currently Chairman of Woodside Petroleum and Gresham Partners Holdings and Chancellor of the University of Western Australia. Michael is Chair of the Nomination Committee.



Cameron Clyne

Managing Director and Group CEO since 2009, Cameron joined the Group in 2004. He previously spent 12 years with PricewaterhouseCoopers and led the Financial Services Industry practice in Asia Pacific, prior to its acquisition by IBM Consulting. Cameron is Chairman of National Australia Group Europe Ltd and Clydesdale Bank PLC and a former CEO of BNZ (all subsidiaries of the Company). Cameron is a member of the Information Technology Committee.



Daniel Gilbert AM

A non-executive Director, Danny joined the Board in 2004. He has more than 35 years experience in commercial law and co-founded the law firm Gilbert + Tobin. He is Co-Chair of NAB's Indigenous Advisory Group and Chairman of the National Museum of Australia and the University of Western Sydney Foundation. Danny is Chairman of the Board's Remuneration Committee and the Information Technology Committee and a member of the Nomination Committee.



Jillian Segal AM

A non-executive Director, Jillian joined the Board in 2004. She has more than 20 years experience as a lawyer and regulator and is a Director of ASX Limited, the Australia Israel Chamber of Commerce and the Garvan Institute of Medical Research. Jillian is also Chairman of the General Sir John Monash Foundation, Deputy Chancellor of UNSW and a member of the Australian Government's Remuneration Tribunal. Jillian is a member of the Audit, Risk and Nomination Committees and the NAB Advisory Council on Corporate Responsibility.



John Thorn

A non-executive Director, John joined the Board in 2003. He is a Director of Amcor and Salmat, a former Director of Caltex and was previously a Partner of PricewaterhouseCoopers and National Managing Partner of PricewaterhouseCoopers. John is Chair of the Board Audit Committee and a member of the Information Technology and Nomination Committees.



Geoffrey Tomlinson

A non-executive Director, Geoff joined the Board in 2000. He worked with the National Mutual Group for 29 years, six of those as Group Managing Director and Chief Executive Officer. He is a Director of Calibre Global Limited and Growthpoint Properties Australia Limited and is Chairman of National Wealth Management Holdings Limited (a subsidiary of the Company) and other wealth subsidiaries. Geoff is a member of the Remuneration and Nomination Committees.



Dr Kenneth Henry AC

A non-executive Director, Ken joined the Board in November 2011. He was previously Secretary of the Department of the Treasury. Ken is a former member of the RBA Board, Board of Taxation, Council of Financial Regulators and Council of Infrastructure Australia and former Chair of Australia's Future Tax System Review. He currently holds the position of non-executive Director of ASX Limited and Reconciliation Australia. Ken is a member of the Audit and Nomination Committees.



Mark Joiner

Executive Director, Finance, of NAB Group and Chairman of JBWere (a subsidiary of the Company), Mark joined the Group in 2006 and became CFO in 2007. Mark was previously CFO and Head of Strategy and M&A for Citigroup's Global Wealth Management business. Before entering banking, he was a senior partner and board member at Boston Consulting Group.



Paul Rizzo

A non-executive Director, Paul joined the Board in 2004. He has more than 40 years experience in banking and finance and has held senior executive roles at CBA, State Bank of Victoria, ANZ and Telstra. He was previously a Director of Bluescope, Seven Network and Dean and Director of Melbourne Business School. Paul is Chair of a number of committees for the Department of Defence and the Foundation for Very Special Kids. Paul is Chair of the Board Risk Committee and a member of the Audit, Information Technology and Nomination Committees.



John Waller

A non-executive Director, John joined the Board in 2009. He has more than 20 years experience with PricewaterhouseCoopers New Zealand and is Chairman of BNZ (a subsidiary of the Company) and a Director of Fonterra Cooperative Group, Alliance Group, Donaghys, JAW Advisory, Property for Industry Ltd and Sky Network Television. John is a member of the Audit, Risk and Nomination Committees.



Anthony Yuen

A non-executive Director, Anthony joined the Board in 2010. Anthony has over 39 years experience in banking and finance, including senior executive roles in Asia with Bank of America, National Westminster Bank and Royal Bank of Scotland. He is a member of the Supervisory Committee of the ABF Hong Kong Bond Index Fund. Anthony is a member of the Risk, Remuneration and Nomination Committees and is a member of the Asia Management Council.

You can find further information on the Board of Directors and the Executive Team, including their experience and remuneration, in the Report of the Directors (which includes the Remuneration Report) in the 2013 Annual Financial Report at:

www.nabgroup.com

Group Executive team



Cameron Clyne

Group CEO

In March 2013, Cameron announced a strategy and technology update to the market. This strategy is in place to best equip NAB for the changing economic and social landscape to ensure a more integrated operating model that better meets the changing needs of our customers. In 2014, Cameron will continue to deliver this strategy. His areas of focus will include digitisation and simplification, world-class customer relationships, superannuation and ageing and strengthening our links to Asia.



Mark Joiner

Executive Director, Finance

As leader of the Finance and Strategy function, a major focus for Mark has been maintaining a strong, well capitalised and funded balance sheet to keep the bank safe and able to support customers through challenging operating conditions. Mark will continue in the role of Executive Director, Finance, until early 2014 to ensure a smooth handover to the new Group Executive, Finance and Strategy, Craig Drummond, who commenced in the role on 4 November 2013.



Craig Drummond

Group Executive, Finance and Strategy

Craig commenced in the role as Group Executive, Finance and Strategy on 4 November 2013. In this role, Craig will focus on further strengthening the Group's capital, funding and liquidity positions. Craig will also oversee the development of strategies to ensure the business is best placed to respond to future challenges and opportunities.



Joseph Healy

Group Executive, Business Banking

In 2013, Joseph maintained NAB's position as Australia's leading business bank. In 2014, he will continue to focus on building world-class customer relationships, by putting the customer at the centre of everything we do and meeting the full range of business customers' needs. Joseph will continue to transform the business, freeing up bankers to spend more time with customers.



Bruce Munro

Group Chief Risk Officer

With ongoing global economic uncertainty and increased regulatory expectations, in 2013 Bruce focused on NAB's sustainability and resilience. Bruce also continued to reposition the Group's risk profile by clarifying risk management accountabilities, and building strong relationships with regulators. The 2013 strategy update provided an opportunity for NAB to strengthen its risk management capability. In 2014, Bruce will focus on reinforcing NAB's strong risk culture in line with new APRA requirements.



Rick Sawers

Group Executive, Product and Markets

Rick oversees the design and management of NAB's product range and the provision of risk, investment and funding solutions to clients. He is also the Group Executive responsible for the Group's global markets business. In the year ahead, Rick will focus on product simplification, advocacy for the development of a deep and liquid corporate bond market in Australia and position NAB to take a leadership role in nation-building, infrastructure initiatives.



Lisa Gray

Group Executive, Enterprise Services and Transformation

This year, Lisa has overseen the convergence of all technology, shared services, project and operations functions into a single division, while continuing to drive the delivery of NAB's transformation priorities. In 2014, Lisa will focus on executing NAB's strategic priorities. Specifically, creating a better customer experience (by simplifying processes), enhancing productivity (by reducing complexity) and continuing to implement our whole-of-bank technology transformation.



Andrew Hagger

Group Executive, NAB Wealth

Appointed Group Executive, NAB Wealth in April 2013, Andrew is responsible for all NAB's wealth businesses including MLC (for which he is Chief Executive Officer), Plum, JANA, JBWere and NAB Financial Planning. During 2013, Andrew worked to better integrate NAB Wealth into the Group, while navigating a challenging market and a complex regulatory environment. In 2014, he will continue to focus on meeting the changing wealth needs of our diverse customer base.



Michaela Healey

Group Executive, People, Communications and Governance

In 2013, Michaela was responsible for NAB people, corporate responsibility, communications, government relations, legal and governance. In the year ahead, Michaela and her teams aim to help NAB achieve its strategic goals – creating value through its people, culture and communications, overseeing the governance of the organisation and through relationships with community and government stakeholders.



Gavin Slater

Group Executive, Personal Banking

In 2013, Gavin ensured NAB continued to deliver growth in Personal Banking through competitive products and services. This was motivated by NAB's commitment to Fair Value and doing the right thing by our customers. In 2014, Gavin will look to build further momentum in Personal Banking, with the aim of growing market share across all channels and products. NAB will continue to take a leadership position on reputation, as we aim to further differentiate ourselves through our Fair Value agenda.



Andrew Thorburn

Group Executive, New Zealand and the United States

Andrew has continued to focus BNZ on key strategic market segments in 2013 – agribusiness, youth, SME and retail wealth. In 2014, Andrew will invest more in BNZ leaders and talent, as well as introducing products that differentiate BNZ from the rest of the banking market. In 2014, in his role as Chairman of Great Western Bank, Andrew will continue to focus on the competitive advantages in agribusiness and commercial and industrial lending, the development of a strong retail strategy and ongoing efficiencies to continue GWB's organic growth and above-peer financial outcomes.

You can find further information on the Board of Directors and the Executive Team, including their experience and remuneration, in the Report of the Directors (which includes the Remuneration Report) in the 2013 Annual Financial Report at: www.nabgroup.com

Shareholder information

2013 Annual Financial Report

A printed copy of our *Annual Financial Report* is available to all shareholders upon request. You can view our report online at www.nabgroup.com or request a printed copy from the Share Registry either by email at nabservices@computershare.com.au or by telephone on 1300 367 647 (within Australia) or +61 3 9415 4299 (outside Australia). Current and extensive historical information is posted and maintained on the website at www.nabgroup.com.

Annual General Meeting

When: Thursday, 19 December 2013

Where: Plenary 2, Melbourne Convention and Exhibition Centre

Address: 1 Convention Centre Place South Wharf, Victoria 3006 Australia

Time: 9.30am (Australian Eastern Daylight Time)

Registered office

Level 1
800 Bourke Street,
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Australia
T: 1300 889 398

Company Secretary

Louise Thomson
National Australia Bank Limited
800 Bourke Street
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Auditor

EY
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F: +61 3 8650 7777

Helping convert your shares to benefit Australian charities

ShareGift Australia is a not-for-profit organisation that provides shareholders with a facility to sell and donate small parcels of shares to a wide range of Australian charities, free of brokerage or other administration charges.

To date, shareholders have donated in excess of \$500,000 through ShareGift to more than 300 Australian not-for-profit charities, 100% of the cash proceeds received from donors. ShareGift Australia is proudly supported by National Australia Bank Limited and is endorsed by ASX Limited and the Australian Shareholders' Association (ASA).

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

2014 financial calendar*

8 May 2014
Half-year results announcement

20 May 2014
Record date for the interim dividend

8 July 2014
Payment date for the interim dividend

30 October 2014
Full-year results announcement

11 November 2014
Record date for the final dividend

16 December 2014
Payment date for the final dividend

18 December 2014
Annual General Meeting (Brisbane)

*If there are any changes to these dates, the Australian Stock Exchange will be notified accordingly.

Contact details

Principal Share Register

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E: nabgroup@computershare.co.uk
Website: www.nabgroup.com

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BNY Mellon Depository Receipts
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PROVIDENCE, RI 02940-3006
United States of America
Toll-free number for domestic calls:
1-888-BNY-ADRS
Number for international calls:
1-201-680-6825
E: shrrelations@bnymellon.com
Website: www.bnymellon.com/shareowner

Assurance Report

Independent Limited Assurance Report in relation to National Australia Bank Limited's 2013 Annual Review and Dig Deeper papers

To the Management and Directors of National Australia Bank Limited ('NAB'),

We have carried out a limited assurance engagement in order to state that nothing has come to our attention that causes us to believe that:

- there are material corporate responsibility issues for NAB that have not been included in the 2013 Annual Review and Dig Deeper papers ('the Report'), and
- the Performance Metrics and Disclosures as detailed below, have not been reported and presented fairly, in all material respects, in accordance with the criteria.

The Performance Metrics and Disclosures for the year ended 30 September 2013 are comprised of:

- 26 key non-financial metrics¹ and the performance disclosures included in the 2013 Annual Review and Dig Deeper papers related to these key metrics, and
- the financial metrics included in the 2013 Annual Review in the Group Financial Performance table on pg 27 of the Annual Review.

A list of the 26 key metrics and the associated criteria that we provided assurance over can be found at cr.nab.com.au.

Our assurance did not include:

- Data sets, statements, information, systems or approaches relating to areas other than the performance metrics and disclosures selected
- Management's forward looking statements
- Any comparisons made against historical data

Criteria

The following criteria have been applied to the Report and Performance Metrics and Disclosures described above:

- Global Reporting Initiative Sustainability Reporting Guidelines' ('GRI G3') principle of materiality
- NAB's reported criteria for the key non-financial metrics detailed online at cr.nab.com.au
- NAB's accounting policies as defined in NAB's AFR and financial reporting policies and principles as defined in NAB's 2013 Results Announcement as detailed online at www.nabgroup.com (together 'the Criteria').

The responsibility of management

The management of NAB is responsible for the preparation and presentation of the Performance Metrics and Disclosures in the Annual Review and Dig Deeper papers in accordance with the above Criteria, and is also responsible for the selection of methods used in the Criteria. No conclusion is expressed as to whether the selected methods used are appropriate for the purpose described above. Further, NAB's management is responsible for establishing and maintaining internal controls relevant to the preparation and presentation of the performance metrics and disclosures that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate criteria; maintaining adequate records and making estimates that are reasonable in the circumstances.

Assurance practitioner's responsibility

Our responsibility is to express a limited assurance conclusion in accordance with the International Federation of Accountants' *International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ISAE 3000') and in accordance with the terms of reference for this Corporate Responsibility assurance engagement as agreed with NAB. Our responsibility is also to express a limited assurance conclusion based on our financial metric assurance engagement in accordance with *Auditing Standard on Review Engagements ASRE 2405 Review of Historical Financial Information Other than a Financial Report*.

Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and, as such, do not provide all the evidence that would be required to provide a reasonable level of assurance. The procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of the Performance Metrics and Disclosures, whether due to fraud or error. While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our engagement was not designed to provide assurance on internal controls.

Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems, which would have been performed under a reasonable assurance engagement.

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

Work performed

In order to form our conclusions we undertook the following limited assurance procedures:

- Interviews with NAB executive management and other key personnel relating to NAB's identification and inclusion of material issues in the Annual Review and Dig Deeper papers
- A media and peer review to check NAB included the material issues

- Attended a stakeholder engagement event
- For key non-financial metrics provided by third parties, checked the metrics had been correctly transcribed
- For the other non-financial and financial performance metrics, checked for the correct application of criteria and methodologies, undertook analytical reviews, identified and tested assumptions supporting calculations, tested a sample of underlying source information, assessed the reliability of specific non-financial performance information and checked the performance disclosures.
- Checked the clerical accuracy of financial metrics and where applicable agreed financial metrics to core financial systems and the 2013 Results Announcement.

Further details can be found in the full independent assurance report at cr.nab.com.au.

Use of our Report

We disclaim any assumption of responsibility for any reliance on this assurance statement or on the Performance Metrics and Disclosures to which it relates, to any person other than management and directors of NAB, or for any purpose other than that for which it was prepared.

Independence, competence and experience

In conducting our engagement we have met the independence requirements of the APES 110 Code of Ethics for Professional Accountants. We have the required competencies and experience to conduct this assurance engagement.

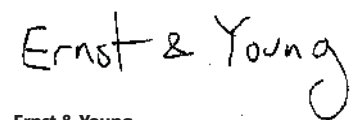
Limited assurance conclusion

Based on our procedures, nothing has come to our attention that causes us to believe that:

- all of the material (as defined by GRI G3 principle of materiality) corporate responsibility issues for NAB have not been included in the Annual Review and Dig Deeper papers, and
- the Performance Metrics and Disclosures detailed above, have not been reported and presented fairly, in all material respects, in accordance with the Criteria.

Electronic presentation of information

Our engagement included web-based information that was available via web links as of the date of this statement. We provide no assurance over changes to the content of the Report after the date of this assurance statement.



Ernst & Young

Melbourne, Australia
30 October 2013

¹ These metrics were selected based on NAB's materiality assessment and CR issues. NAB's process for identifying the metrics selected is recorded in the 'Our approach to stakeholder engagement' section of the Annual Review and online at cr.nab.com.au.

Glossary of terms

Amortisation of Acquired Intangible Assets

The amortisation of acquired intangibles represents the amortisation of intangible assets arising from the acquisition of controlled entities and associates such as core deposit intangibles, mortgage servicing rights, brand names, value of business and contracts in force.

Banking Cost to Income ratio

Represents banking operating expenses (before inter-segment eliminations) as a percentage of banking operating revenue (before inter-segment eliminations).

Basel III

Basel III is a global regulatory framework designed to increase the resilience of banks and banking systems and is effective for Australian Banks from 1 January 2013.

Cash earnings

Cash earnings is defined as net profit attributable to owners of the Company, adjusted for the items NAB considers appropriate to better reflect the underlying performance of the Group. In September 2013 cash earnings has been adjusted for the following:

- Distributions
- Treasury shares
- Fair value and hedge ineffectiveness
- IORE discount rate variation
- Litigation expenses and recovery
- Amortisation of acquired intangible assets
- Payment Protection Insurance (PPI) and Customer redress provision.

Cash earnings per share – basic

Calculated as cash earnings adjusted for distributions on other equity instruments, divided by the weighted average number of ordinary shares adjusted to include treasury shares held by the Group's life insurance business.

Cash earnings per share – diluted

Calculated as cash earnings adjusted for distributions on other equity instruments and interest expense on dilutive potential ordinary shares. This adjusted cash earnings is divided by the weighted average number of ordinary shares, adjusted to include treasury shares held by the Group's life insurance business and dilutive potential ordinary shares.

Cash return on equity (ROE)

Calculated as cash earnings divided by average shareholders' equity, excluding non-controlling interests and other equity instruments and adjusted for treasury shares.

Common Equity Tier 1 (CET1) Capital

Common Equity Tier 1 (CET1) Capital is recognised as the highest quality component of capital. It is subordinated to all other elements of funding, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date. It is predominately comprised of common shares; retained earnings; undistributed current year earnings; as well as other elements as defined under APS111 – Capital Adequacy: Measurement of Capital.

Common Equity Tier 1 Ratio

Common Equity Tier 1 as defined by APRA divided by risk-weighted assets.

Core Assets

Represents gross loans and advances including acceptances, financial assets at fair value, and investments held to maturity.

Customer deposits

Deposits (Interest Bearing, Non-Interest Bearing and Term Deposits).

Distributions

Payments to holders of other equity instrument issues such as National Income Securities, Trust Preferred Securities, Trust Preferred Securities II and National Capital Instruments.

Dividend payout ratio

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

Earnings per Share

Basic and diluted earnings per share calculated in accordance with the requirements of AASB 133 "Earnings per Share".

Fair value and hedge ineffectiveness

Represents volatility attributable to the Group's application of the fair value option, ineffectiveness from designated accounting and economic hedge relationships and economic hedges of significant approved funding activities where hedge accounting has not been applied.

Full-time equivalent employees (FTEs)

Includes all full-time staff, part-time, fixed term and casual staff equivalents, as well as agency temps and external contractors either self employed or employed by a third party agency. Note: This does not include consultants, IT professional services, outsourced service providers and non-executive directors.

Group

The Company and its controlled entities.

Hedging Costs on SCDO Assets

The recognition of remaining hedging costs related to the SCDO risk mitigation trades that was expensed through non-cash earnings.

Impaired Assets

Consist of:

- Retail loans (excluding unsecured portfolio managed facilities) which are contractually past due 90 days with security insufficient to cover principal and arrears of interest revenue;
- Non-retail loans which are contractually past due and there is sufficient doubt about the ultimate collectability of principal and interest; and
- Impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred.

Unsecured portfolio managed facilities are also classified as impaired assets when they become 180 days past due (if not written off).

Investment earnings on Retained Earnings (IoRE)

Investment earnings (net of tax) on shareholders' retained profits and capital from life businesses, net of capital funding costs, (IoRE) is comprised of three items:

- Investment earnings on surplus assets which are held in the Statutory Funds to meet capital adequacy requirements under the *Life Insurance Act 1995 (Cth)*;
- Interest on deferred acquisition costs (net of reinsurance) included in insurance policy liabilities resulting from the unwind of discounting; and
- Less the borrowing costs of any capital funding initiatives.

IoRE discount rate variation

The profit impact of a change in value of deferred acquisition costs (net of reinsurance) included in insurance policy liabilities resulting from a movement in the inflation adjusted risk-free discount rate.

'Jaws'

The difference between the percentage growth in revenue on the preceding period and the percentage growth in the expenses on the preceding period, calculated on a cash earnings basis.

Net interest margin (NIM)

Net interest income as a percentage of average interest earning assets.

Net profit attributable to non-controlling interest

Reflects the allocation of profit to non-controlling interests in the Group.

Net profit attributable to owners of the Company

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

PPI and Customer redress provisions

PPI and Customer redress provisions are provisions relating to claims for payment protection insurance (PPI), including the estimated cost of redress and administration expense, and provisions relating to other UK conduct related matters.

SCDO

Synthetic Collateralised Debt Obligation.

Tier 1 Capital

Tier 1 Capital comprises the highest quality components of capital that fully satisfy all of the characteristics outlined under APRA's prudential framework. It provides a permanent and unrestricted commitment of funds, are freely available to absorb losses, do not impose any unavoidable servicing charge against earnings and rank behind the claims of depositors and other creditors in the event of winding-up.

Tier 1 Capital ratio

Tier 1 Capital as defined by APRA divided by risk-weighted assets.

Treasury shares

Shares in the Company held by the Group's life insurance business and in trust by a controlled entity of the Group to meet the requirements of employee incentive schemes. The unrealised mark-to-market movements arising from changes in the share price, dividend income and realised profit and losses arising from the sale of shares held by the Group's life insurance business are eliminated for statutory reporting purposes.

Join us in cutting paper use

Many NAB Group shareholders have chosen to receive electronic rather than paper communications through NAB's PaperCuts program. Join them and help us cut paper use by following the prompts at:

www.computershare.com.au/easyupdate/nab

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The full Paper Impact Statement can be viewed at:

www.nabgroup.com

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