

Customer

Dig Deeper paper



Committed to getting the fundamentals right

We have stuck by our Fair Value philosophy and actively addressed the issues that customers care about most.

CUSTOMER ISSUES

As part of our Corporate Responsibility (CR) materiality process, we engage with our stakeholders to identify relevant CR-related customer issues for our company. The CR customer issues identified as relevant to NAB are:

- Access to financial services
- Assisting those experiencing hardship
- Complaints resolution
- Customer service
- Ethics and business conduct
- Fees and charges
- Financial literacy
- Innovation and product development
- Responsible finance
- Responsible investment
- Responsible lending
- Security, fraud and anti-money laundering
- Transparency



THE PURPOSE OF OUR DIG DEEPER PAPERS

2011 is our second year producing an integrated report on our business – combining our previously separate Shareholder Review and Corporate Responsibility Review.

To inform the content of our report we undertake an annual Corporate Responsibility (CR) materiality process to assess the most significant issues in each of our CR segments. We then focus on including metrics in the report related to these issues (for more on our CR materiality process, visit our website www.nabgroup.com/cr).

We understand, however, that we have a diverse range of stakeholders, with a wide range of interests in our business. In the interest of transparent reporting, and to add more detail to the data included in the Annual Review, we have produced this series of *Dig Deeper* papers. It provides a broader suite of data for each of our CR segments and more information on methodologies and calculations where required.

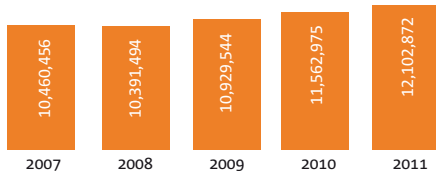
The content of these papers is informed by the Global Reporting Initiative Sustainability Reporting Guidelines (G3), as well as our own CR issues map and materiality process.

Further information on how we manage key issues, along with program details, case studies and news stories, can be found at www.nabgroup.com/cr

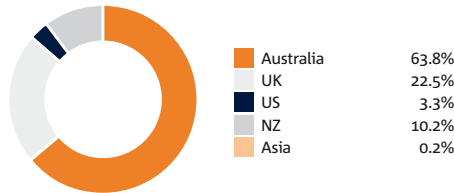
If you have any feedback or want more information on our performance data, please let us know by emailing corporate.responsibility@nab.com.au

Customer and business data

Number of customers
Millions

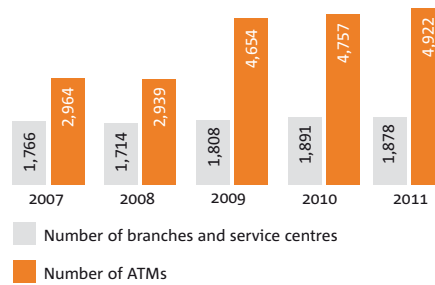


Distribution of customers by geography
%



- Customers for each business are compiled separately. As such, a customer may be included in these figures more than once if they are a customer of more than one NAB Group business.
- Great Western Bank customers included from 2009 onwards.
- Ex-Aviva customer numbers included from 2010 onwards.
- 2010 and 2011 data excludes United Kingdom wealth management customers.
- Distribution of customer by geography.

Services for customers
Across the Group



RURAL COVERAGE IN AUSTRALIA

	2005	2006	2007	2008	2009	2010	2011
Number of rural branches charging reduced fees in Australia	182	174	163	144	160	104	0
% of branches in rural and regional Australia	53%	52%	52%	52%	58%	56%	43%
Number of customers who use rural and regional branches with reduced transaction fees in Australia	90,000	58,500	146,000	139,197	81,441	70,984	0
Fees forfeited across branches in rural areas that charge reduced transaction fees in Australia	\$1.8m	\$1.5m	\$1.2m	\$1.6m	\$0.9m	\$0.3m	0

RURAL COVERAGE IN AUSTRALIA

At 30 September 2011, 324 branches or 43%, of NAB's total branches were in rural or regional locations compared to 431 at 30 September 2010. This variation is due to a change in methodology classifying metro and regional branches.

As part of NAB's Fair Value changes, a number of fees have been reduced or abolished. In 2010 over the counter fees were abolished across the board, we therefore no longer calculate the value of transaction forfeited in rural areas. Our commitment to providing access for regional customers remains unchanged.

GRI reference:

- FS13 – Access points in low-populated or economically disadvantaged areas by type.

Customer and business data continued

BUSINESS FOOTINGS

Industry segment	% of business customers	% of business footings
Accommodation, Cafes, Pubs and Restaurants	3.4%	2.7%
Agriculture, Hunting, Forestry and Fishing	7.6%	9.3%
Construction	7.1%	3.2%
Education	1.8%	1.5%
Electricity and Gas And Water Supply	0.6%	1.4%
Finance and Insurance	7.9%	21.3%
Government Administration and Defence	1.7%	4.1%
Health and Community Services, Social Work	7.5%	3.2%
Manufacturing	4.9%	4.6%
Mining	1.4%	3.8%
Property, Renting and Business Services	30.8%	26.9%
Transport, Storage and Communications	4.1%	3.1%
Wholesale and Retail Trade, Repairs	16.9%	12.5%
Recreational, Personal and Community Service Activity	4.3%	2.4%
	100%	100%

- Excludes USA and Asia.
- Business footings refer to the combined total of deposit and lending volumes. Customers are classified by their respective Australian and New Zealand Standard Industrial Classification (ANZSIC) codes.

GRI reference:

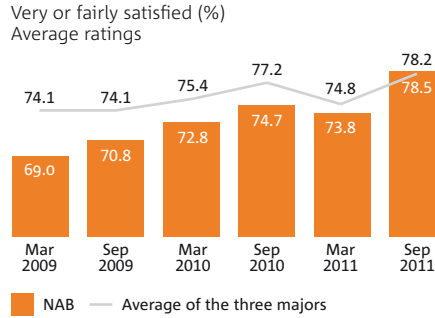
- FS6 – Percentage of the portfolio for business lines by specific region, size and sector.

Customer satisfaction Australia

PERSONAL BANKING

In September 2011, NAB's MFI customer satisfaction six-month rolling average score for Personal Banking was 78.5%, a 3.8% percentage point improvement compared to September 2010. NAB has had the largest improvement in Personal Banking customer satisfaction over the past 12 months compared to other major banks for the second year running.

Customer satisfaction



Source: Roy Morgan Research, September 2011. Australian Main Financial institutions, 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)

BUSINESS BANKING

In Business Banking, DBM Business Financial Services Monitor satisfaction level reporting for end of September 2011 shows NAB ranked equal first for Small, Medium or Large business customers satisfaction and equal 3rd overall.

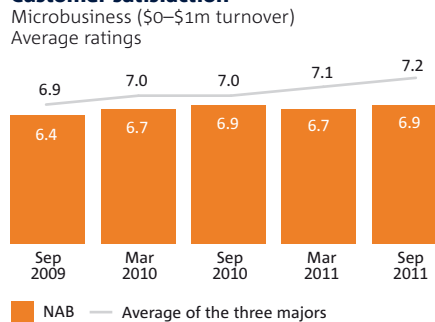
In September 2011, NAB's Microbusiness customer satisfaction was 6.9, based on a six-month rolling average, the same as last year.

Customer satisfaction for businesses with \$1–5 million turnover was 6.9, based on a six-month rolling average, a 0.1 point increase on last year.

Customer satisfaction for businesses with \$5–50 million turnover was 7.3, based on a six-month rolling average. This is a 0.3 point increase compared to September last year.

For large businesses with \$50 million+ turnover, customer satisfaction was 7.4, 0.3 points higher than September last year and 0.2 points higher than the average of the other majors.

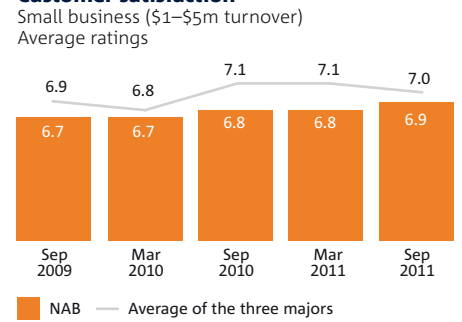
Customer satisfaction



Source (scores from September 2009 only): DBM Business Financial Services Monitor April 2009 to September 2011 – Microbusiness (Turnover \$0m–\$1m)

- Overall satisfaction with main financial institution based on a scale from 0–10 (extremely dissatisfied to extremely satisfied). Based on a six-month rolling average. Three majors are ANZ, Commonwealth and Westpac.

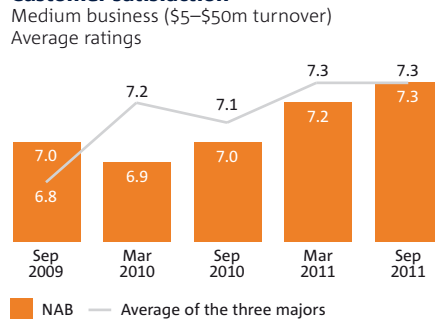
Customer satisfaction



Source (scores from September 2009 only): DBM Business Financial Services Monitor April 2009 to September 2011 – Small Business (turnover \$1m–\$5m)

- Overall satisfaction with main financial institution based on a scale from 0–10 (extremely dissatisfied to extremely satisfied). Based on a six-month rolling average. Three majors are ANZ, Commonwealth and Westpac.

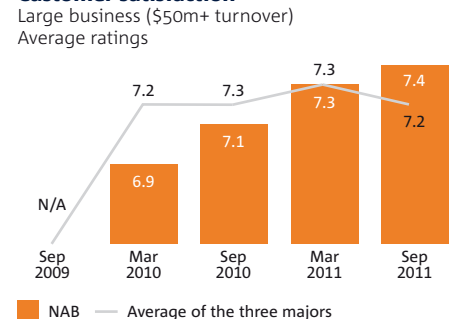
Customer satisfaction



Source (scores from September 2009 only): DBM Business Financial Services Monitor October 2009 to September 2011 – Medium business (turnover \$5–\$50m)

- Overall satisfaction with main financial institution based on a scale from 0–10 (extremely dissatisfied to extremely satisfied). Based on a six-month rolling average. Three majors are ANZ, Commonwealth and Westpac.

Customer satisfaction



Source (scores from September 2009 only): DBM Business Financial Services Monitor October 2009 to September 2011 – Large Business (turnover \$50m+)

- Overall satisfaction with main financial institution based on a scale from 0–10 (extremely dissatisfied to extremely satisfied). Based on a six-month rolling average. Three majors are ANZ, Commonwealth and Westpac
- Note: BFSM data prior to Mar–10 not available for this segment.

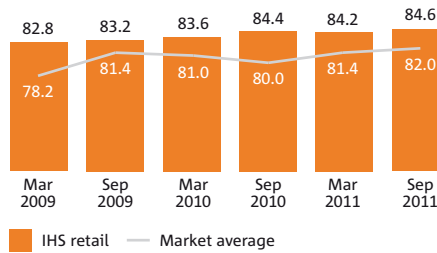
Customer engagement United Kingdom

In the United Kingdom, the Group uses customer engagement as the primary customer measure. It comprises seven key attributes, including satisfaction, advocacy, loyalty, rapport, emotion, value and trust.

Levels of customer engagement increased slightly to 84.6% for IHS Retail customers and 82.4% for iFS Private customers.

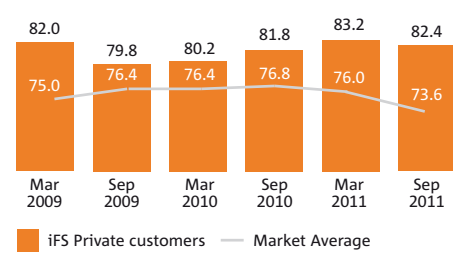
Engagement levels for IHS and iFS Business customers decreased slightly but remain above the market average.

Customer engagement
IHS Retail (%)



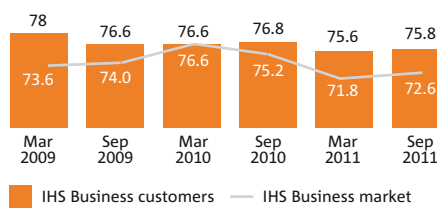
- IHS Retail = customers with annual personal income <£75K, who transact via the branch.

Customer engagement
iFS Private (%)



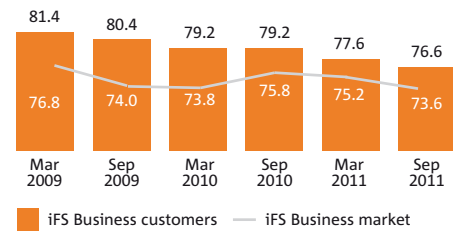
- iFS Private = customers with annual personal income >£75K, who have a named relationship manager (partner/personal banking manager) and are managed at a financial solutions centre (out-of-town site).

Customer engagement
IHS Business (%)



- IHS Business = customers with annual sales turnover <£1m who are managed via a branch-based relationship manager (business manager) or via a business manager on the phone.

Customer engagement
iFS Business (%)



- iFS Business = customers with annual sales turnover >£1m who are managed via a financial solutions centre (out-of-town site) and have a named relationship manager.

Customer satisfaction

New Zealand

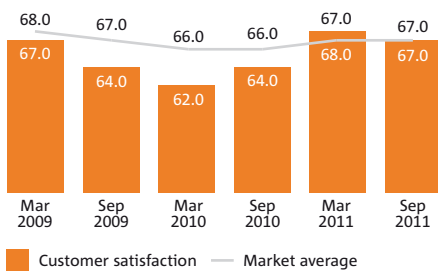
Retail customer satisfaction increased 3 percentage points to 67% for the period from September 2010 to September 2011. The market average remained steady, increasing 1 percent to 67%.

In the business market, the customer satisfaction average was 74% for the 12 months to September 2011. This is an increase of 6% since September 2010 and is in line with the market average.

Bank of New Zealand (BNZ) is committed to improving customer satisfaction and continues to pursue initiatives to do so.

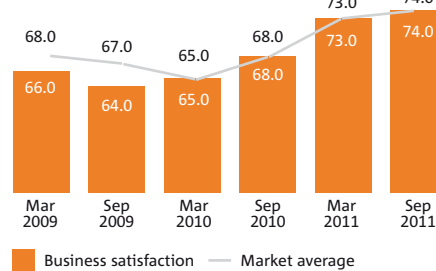
Customer satisfaction (retail)

Excellent or very good (%)



Customer satisfaction (partners)

Excellent or very good (%)



- Data is based on a 12-month rolling average
- Market average is based on major six banks, including ANZ, ASB, BNZ, Kiwibank, Westpac and National Bank.
- The average is calculated by averaging the main bank's Top 2 Box score for main provider satisfaction.

- Data is based on a 12-month rolling average.
- Market average is based on major five banks, including ANZ, ASB, BNZ, Westpac and National Bank.
- Partners measures businesses with under NZ\$150 million turnover and a relationship manager.
- The average is calculated by averaging the main bank's Top 2 Box score for main provider satisfaction.

Complaints

CUSTOMER COMPLAINTS – AUSTRALIA

Complaint volumes increased 14% in Australia from FY2010 to FY2011. In November 2010, in addition to an interest rate rise in the same month, a major payment processing issue occurred that resulted in a 40% increase in complaints over the following month. NAB worked as quickly as possible to respond to such complaints, including complaints that related to issues such as unavailability of systems, processing delays and incorrect amounts processed.

The payments issue resulted in a dip in customer satisfaction; however, by September 2011 customer satisfaction had returned to pre-November levels and in some instances has seen further improvement.

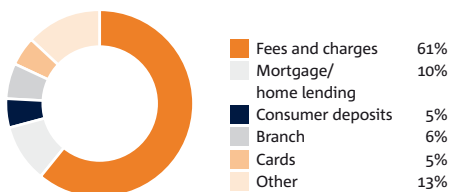
Customers were again predominantly concerned with issues relating to fees and charges (for example, credit card interest charged). For NAB, the proportion of complaints related to fees and charges has increased slightly from 61% in FY2010 to 63% FY2011. A continued focus on the mortgage/home lending process, including process and technology improvements, has seen a significant reduction in the number of mortgage process complaints.

Significant focus on the management and prevention of complaints resulted in the introduction of a new complaint management system, improved complaint analysis and internal benchmarking of the number of complaints received per thousand customers.

An increase in disputes escalated to the Financial Services Ombudsman (FOS) included issues related to collections activities and customers in financial difficulty seeking assistance. Significant work has been undertaken in relation to the management and resolution of ombudsman complaints in order to improve the customer experience.

Key complaint categories

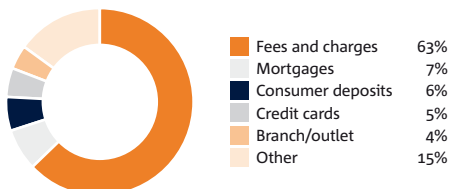
NAB 2010



- A complaint occurs when someone expresses dissatisfaction related to a product or service, or the complaints handling process it self and is expecting a response or resolution.

Key complaint categories

NAB 2011



NAB COMPLAINT CATEGORIES

Fees and charges – Customers either looking to recoup fees they believe have been charged incorrectly, unfairly or seeking a discount in interest or withholding tax.

Mortgages – Process delays or errors in application, documentation or settlement, including that information wasn't provided as clearly as it should have been.

Deposits – Issues with closures, account set-up or card/PIN delivery.

Credit cards – Statement delivery, minimum payment shortfalls or confusion over the minimum payment required. Card/PIN delivery and also includes those who have issues with the application process or were declined.

Branch/outlet – Service requests not meeting expectations, including bank cheques, international transactions, special clearance or queue times.

CUSTOMER COMPLAINTS – MLC & NAB WEALTH

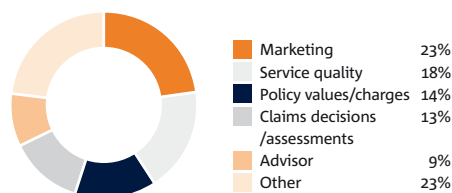
MLC & NAB Wealth complaint volumes increased by 15% overall on last year. A significant factor in this is the inclusion of ex-Aviva complaints for a full year in 2011 (compared with the 2010 report, when ex-Aviva complaints factored for only six months). The increased volumes related to a range of customer concerns, including service delivery and product issues. Increases also related to dissatisfaction with investment performance and account values, and charges in the current financial climate, as well as clients' inability to access frozen or illiquid funds in their investments. Tax assessments were also a factor in 2011. This year, we had one privacy-related complaint for MLC & NAB Wealth, compared with none last year.

Marketing complaint volumes were a top MLC & NAB Wealth issue in 2010. These complaints reduced by 14% in 2011, following changes to sales call scripting to improve clarity of information provided to customers. Complaints about financial advice reduced by 25% in 2011.

Complaints reporting includes areas of the business that use the main complaints capture database.

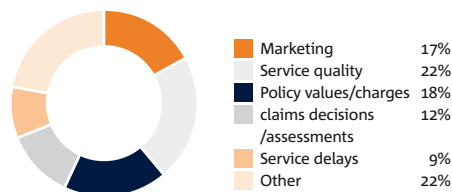
Key complaint categories

MLC & NAB Wealth 2010



Key complaint categories

MLC & NAB Wealth 2011



MLC AND NAB WEALTH CATEGORIES

Service quality – Admin/service errors or breakdowns (i.e. errors made in processing customer requests, incomplete processing of requests, failure to respond or follow instructions etc).

Policy values/charges – Dissatisfaction with account/policy values (e.g. account balances), or with fees or charges applied to accounts.

Marketing – Direct insurance sales process.

Claims decisions/assessments – Customer dissatisfaction with our decision, assessment or handling of their insurance claims, or our decision in relation to the distribution of death benefits on superannuation accounts.

Service delays – Delays in processing customers' service requests (e.g. redemptions, new business, change requests).

Responsible lending

Microfinance

As part of our commitment to financial inclusion, our microfinance programs aim to ensure access to fair and affordable banking. This year, NAB wrote 15,752 microfinance loans, an 82% increase on last year. NAB believes it has a responsibility to help create strong and sustainable communities and has invested more than \$130 million in the following programs:

No Interest Loan Scheme (NILS) – The No Interest Loan Scheme, developed 30 years ago by Good Shepherd Youth & Family Service, is a circular credit program whereby low-income Australians are able to access loans of up to \$1,000 from their local community agencies for purchase of essential household goods.

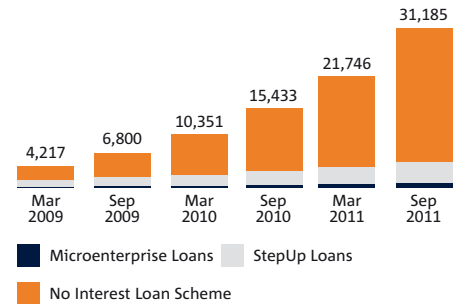
'StepUp' low interest loans – Also delivered in partnership with Good Shepherd Youth & Family Service, these safe, affordable low interest loans of between \$800 and \$3,000 are for individuals or families to buy personal items.

'AddsUp' matched savings – This matched savings plan focuses on helping people living on low incomes develop financial independence through savings. AddsUp is open to people who have successfully repaid their NILS or StepUp loan and once \$300 is saved, NAB will provide a 'one-off' match for every dollar saved up to \$500.

Microenterprise Loans – The Microenterprise Loan program supports individuals who wish to start up or grow a business but who have limited access to capital. These unsecured loans of between \$500 and \$20,000 are provided on a not-for-profit basis and loan recipients get access to business skills training and advice during the first year of their business. As part of the program, NAB ensures people get access to business skills training and 12 months of mentoring and advice.

Note the 2010 cumulative figure for microfinance loans written has been updated due to an adjustment to the calculation of the No Interest Loan Scheme.

Number of Microfinance Loans
Cumulative since program inception



Footnote: Previously reported figures have been updated due to improved reporting for the programs.

Responsible lending

Equator Principles reporting

NAB signed the Equator Principles in October 2007. In 2010, NAB Group's global project finance portfolio, which helps large customers to invest in infrastructure projects, represented 1.46 % of Group gross loans and advances, including acceptances¹. As at 30 September 2011, our project finance portfolio did not include any lending in low-income OECD countries. This year, we closed 13 new project finance transactions, refinanced four existing deals and sixteen deals were removed from our loan book.

Although deals can be declined at any stage in negotiation or due diligence, none in 2010 were declined on the basis of social or environmental risks or issues.

This year, NAB financed an additional 600 MW of renewable energy generation projects. After accounting for projects removed from our project finance portfolio in 2011, this resulted in a net increase from 2361 MW to 2397 MW.

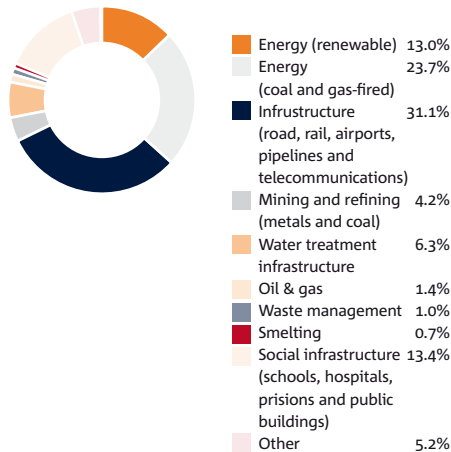
Information on the Equator Principles can be found at www.equator-principles.com. Further information about our general environmental credit risk policies is provided in the environmental information at www.nabgroup.com

PROJECT FINANCE DEALS BY EQUATOR PRINCIPLES CATEGORY BY NUMBER AND BY % OF TOTAL PORTFOLIO VALUE (AS AT 30 SEPTEMBER 2011)

Project by EP category	No. of projects	Total as a percentage
A	4	3
B	45	46
C	25	19
Pre-EP adoption (pre-September 2007)	34	32
	108	100

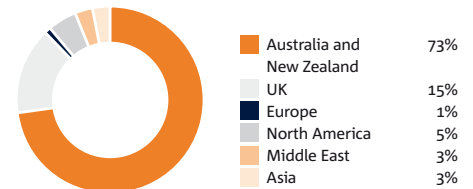
Project finance by sector as a % of total portfolio value

as at 30 September 2011



Project finance by region as a % of total portfolio value

as at 30 September 2011



¹ This figure also includes loans at fair value.

Responsible investment

SOCIALLY RESPONSIBLE INVESTMENT

Socially responsible investment funds	\$ millions (2011)
AMP Capital Investors Responsible Investment Leaders International Share Fund – Class A	1.54
AMP Henderson Sustainable Future International Share Fund	0.53
Australian Ethical Large Companies Share Trust (Retail)	1.04
BT Ethical Share Fund	10.84
Hunter Hall Australian Value Trust – Class B Units	9.81
Hunter Hall Global Ethical Trust – Class B Units	32.63
Hunter Hall Value Growth Trust	76.31
Hunter Hall Global Value Limited	2.69
Perpetual's Wholesale Ethical SRI Fund	114.66
Generation Wholesale Global Share Fund	0.46
Alphinity Wholesale Socially Responsible Share Fund	3.37
Australian Ethical Small Companies Trust	3.42
Australian Ethical Balanced Trust	1.69
Alphinity Wholesale Socially Responsible Share Fund*	1.20
Total SRI funds	\$260.18
Total Funds Under Management (FUM)	87,087
SRI funds as a percentage of total FUM	0.30%

* Previously known as Challenger Socially Responsive Fund

As a 'manager of managers', MLC does not select stocks directly, but it researches leading investment managers. An important characteristic of best practice investment managers is the approach they take to assess environmental, social and governance (ESG) issues. MLC believes that sustainable Company performance is aligned with strength and leadership in ESG issues. MLC also offers a diverse range of external investment options through a number of different product structures and platforms.

Socially responsible investments (SRI) funds are those that have a diversified portfolio of assets that supports the Australian Ethical Charter, or where the fund manager uses a strategy for screening ethical and socially responsible investments.

The table above indicates the value of customer investments in industry-recognised SRI funds.

- Increase in SRI this year is a result of including Plum Financial Services Limited (PLUM) figures and LIC fund Hunter Hall. PLUM is a subsidiary of MLC Limited, one of the National Australia Group of companies.
- Perpetual Wholesale Ethical SRI Fund is the only socially responsible fund held by PLUM, fund size (\$39.67m) to August 2011.
- The Funds Under Management for each investment option is calculated as the mid price multiplied by number of units then aggregated (mid price is half way between entry and exit price). Except as noted for PLUM, all data is as at 30 September 2011.

GRI reference:

- FS11 – Percentage of assets subject to positive or negative environmental or social screening.