

# 2010 HALF YEAR RESULTS

## Investor presentation

6 May 2010

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National Australia Bank Limited ABN 12 004 044 937



## Sound result reflecting investment for the future

	Half year to				
	Mar 10	Sep 09	Change (%)	Mar 09	Change (%)
Cash earnings (\$m)	2,193	1,814	20.9%	2,027	8.2%
Cash ROE (%)	12.9%	10.9%	200bps	12.7%	20bps
Dividend (100% franked) (cps)	74	73	1.4%	73	1.4%
Tier 1 ratio	9.09%	8.96%	13bps	8.31%	78bps

### Sound result

- ▶ Increased cash earnings
- ▶ ROE trending up
- ▶ Strong balance sheet

### Confidence in prospects

- ▶ Economic recovery across all sectors in which we operate
- ▶ Portfolio tilt to take advantage of Group's strengths

### Sustainable progress underway

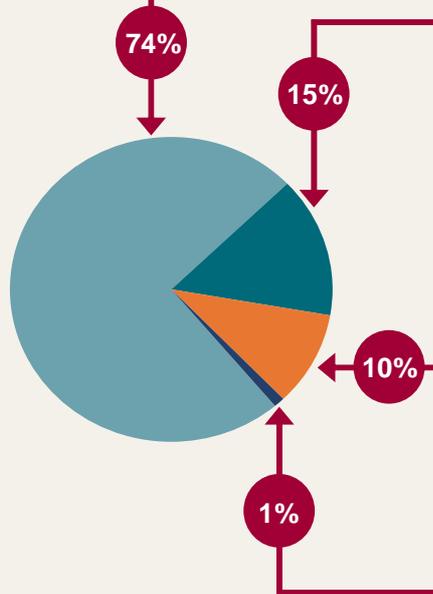
- ▶ Personal banking – encouraging signs

### Strong staff engagement

# Economic outlook

## Australia

- ▶ Business confidence has improved sharply with upturn in activity
- ▶ Large gains in bulk commodity prices and mining projects helping drive renewed period of economic expansion
- ▶ Expect GDP growth of approx 3½% for calendar 2010, over 4% in 2011
- ▶ Very strong V-shaped recovery in growth across non-Japan Asia – especially in China – boosting export volumes and commodity prices
- ▶ RBA has started raising rates – to end up above neutral by end 2010



## United Kingdom

- ▶ GDP growth re-commenced late 2009 but slowly. Should be under 1% in 2010
- ▶ Asset markets appear past the worst:
  - > Housing markets have modestly strengthened
  - > Commercial property prices rising
- ▶ Large government deficit will need to be corrected
- ▶ Sterling depreciation to support exports

## New Zealand

- ▶ Commodity prices moving up strongly
- ▶ Housing market stabilised
- ▶ Consumer spending growing but still not very robust
- ▶ GDP forecast 3% in 2010

## United States

- ▶ Responding to government stimulus
- ▶ Economic growth resumed
- ▶ Higher business confidence levels
- ▶ Unemployment levelled out
- ▶ Mid-West region looking better

3 % represent share of 30 September 2009 GLAs.  
Australia includes Asia



# Factors influencing the future of Australian Financial Services

## Post GFC banking environment

- ▶ Increased consumer and political scrutiny
- ▶ Fewer participants in short term
- ▶ 2010 Federal election

## Banking regulation

- ▶ Funding and liquidity
- ▶ Capital

## Australian reliance on wholesale funding

- ▶ Current account deficit
- ▶ Deposit funding gap

## Changing Australian Wealth Management environment

- ▶ Strong market growth potential
- ▶ Retirement income gap issue
- ▶ Regulatory reforms

▶ In banking, potential for lower growth, and dislocation in returns for medium term

▶ In wealth management, more transparency and elimination of conflicts clears the way for growth



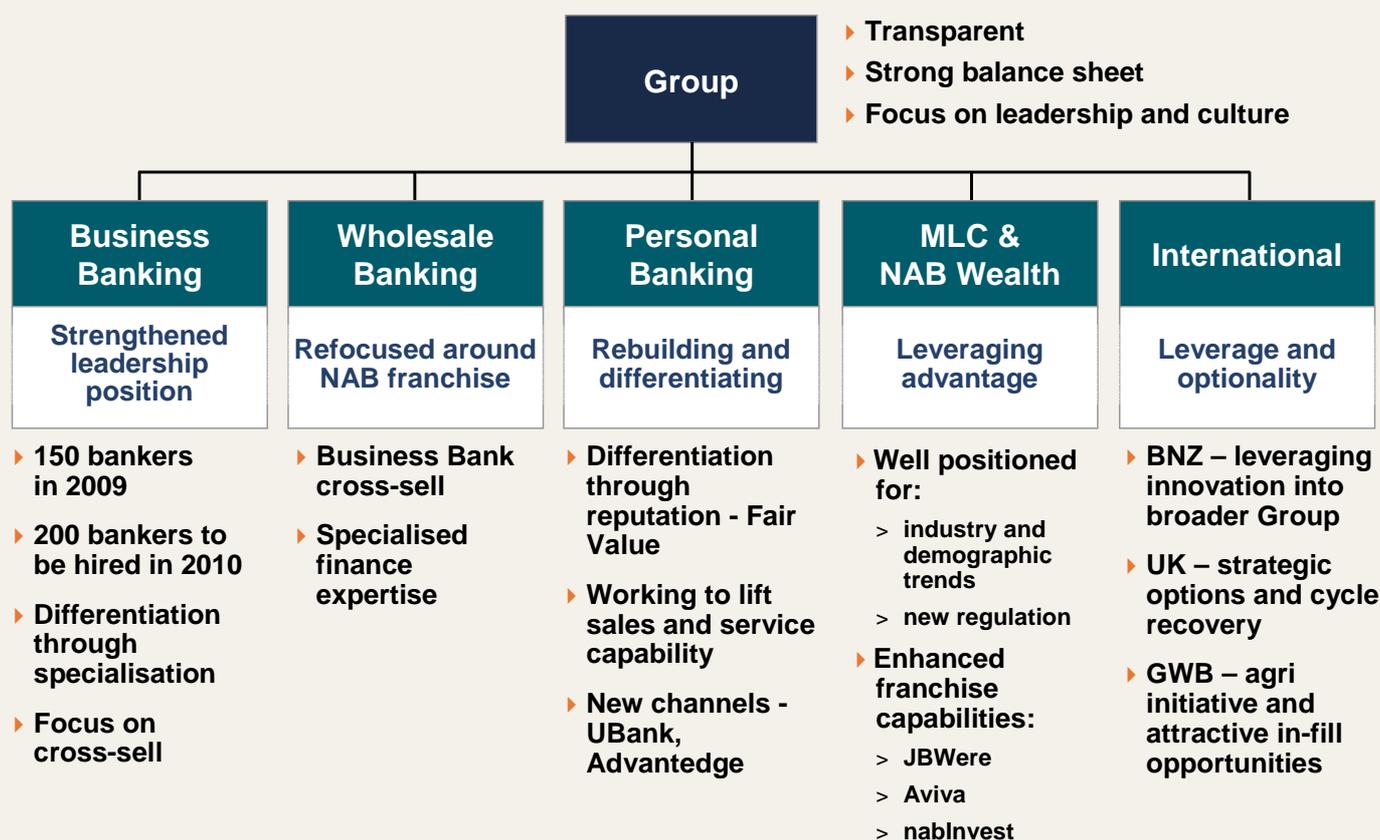
## Continuing to realign portfolio

	Strong position, with growth opportunity	Significant upside from continuing reinvention	Smaller businesses, resilient in tough conditions	Unsatisfactory returns today in tough conditions
<b>Contribution (FY08):</b>				
▶ RWA	48%	12%	8%	32%
▶ Cash Earnings <sup>1</sup>	55%	24%	8%	13%
<b>(1H10):</b>				
▶ RWA	53%	13%	11%	23%
▶ Cash Earnings <sup>1</sup>	71%	23%	11%	(5%)
<b>Key Businesses</b>	<ul style="list-style-type: none"> <li>▶ Business</li> <li>▶ Custody</li> <li>▶ Insurance (Aust)</li> <li>▶ Markets</li> </ul>	<ul style="list-style-type: none"> <li>▶ Personal (Aust)</li> <li>▶ Investments/ superannuation</li> <li>▶ Asset Management</li> <li>▶ Private Wealth (Aust)</li> </ul>	<ul style="list-style-type: none"> <li>▶ BNZ (NZ)</li> <li>▶ GWB (US)</li> <li>▶ Asia</li> </ul>	<ul style="list-style-type: none"> <li>▶ CYB (UK)</li> <li>▶ Specialised Group Assets (SGA) – non franchise activity</li> </ul>
	<p><i>Focus in Australia Invest behind advantage</i></p>		<p><i>Maintain value, innovation &amp; options internationally Restructure nabCapital</i></p>	

5 (1) Cash earnings excludes conduit write-offs, distributions on hybrids and Corporate Functions



## Well positioned for the future

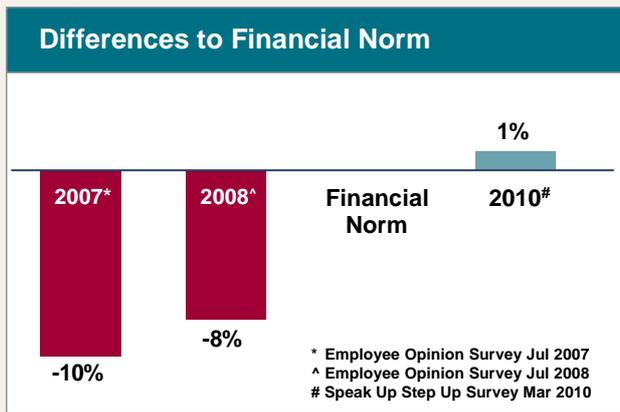


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# 2010 Engagement results

Response rate – 85%



Overview of strongest performing engagement drivers – All above Finance Norm

- ▶ “There are career opportunities for me in this organisation”
- ▶ “My people leader empowers me to carry out my role effectively”
- ▶ “I can freely express my views and ideas without fear of consequence”

Strategic alignment with our people

- ▶ “I have a good understanding of the organisation’s strategies and priorities”
- ▶ “I believe that the organisation’s strategies and priorities are the right ones for the organisation at this time”

## Achievements

Business Bank of the Year  
CFO Magazine 2009

CANSTAR CANNEX  
outstanding value  
Home Loan

choice  
BEST LOW FEE BANK ACCOUNT

WINNER  
Navigator  
December 2009  
Platform Report  
Best overall platform

THE ASSET:  
BEST DOMESTIC BOND HOUSE (AUSTRALIA)

Money  
MAGAZINE  
WINNER 2010  
BEST OF THE BEST 2009

EOWA  
Employer of Choice for Women

# 2010 Priorities

- ▶ Supporting customers and improving reputation
- ▶ Continuing to address portfolio priorities
- ▶ Efficiency and cost program to support investment
- ▶ Balance sheet strength
- ▶ Leadership, culture and talent

# 1H10 Financials



## Group financial result

(\$m)	Half year to				
	Mar 10	Sep 09	Change (%)	Mar 09	Change (%)
Net interest income	6,114	6,188	(1.2%)	5,884	3.9%
Other operating income (incl MLC)	2,123	2,204	(3.7%)	2,630	(19.3%)
Net operating income	8,237	8,392	(1.8%)	8,514	(3.3%)
Operating expenses	(3,861)	(3,810)	(1.3%)	(3,770)	(2.4%)
Underlying profit	4,376	4,582	(4.5%)	4,744	(7.8%)
B&DDs	(1,230)	(2,004)	38.6%	(1,811)	32.1%
Cash earnings	2,193	1,814	20.9%	2,027	8.2%
ROE	12.9%	10.9%	200bps	12.7%	20bps
Tier 1 ratio	9.09%	8.96%	13bps	8.31%	78bps
RWA (\$bn)	332.8	342.5	(2.8%)	352.4	(5.6%)
Diluted cash EPS (cents)	102.5	90.1	13.8%	107.4	(4.6%)

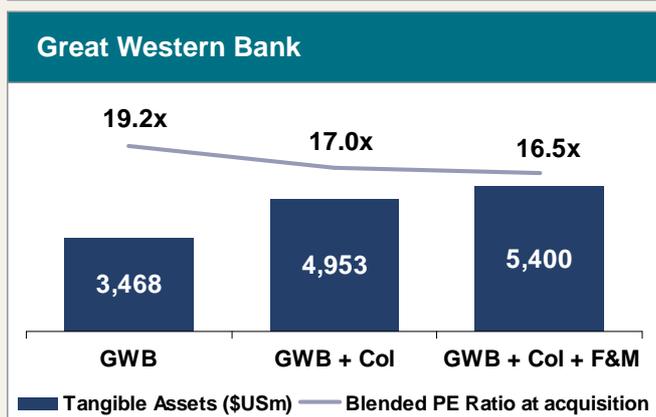
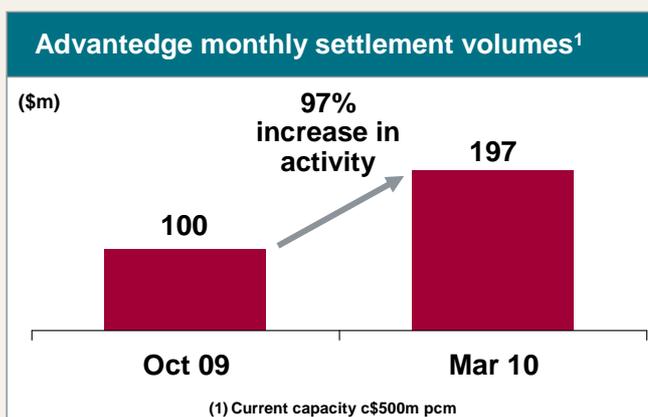
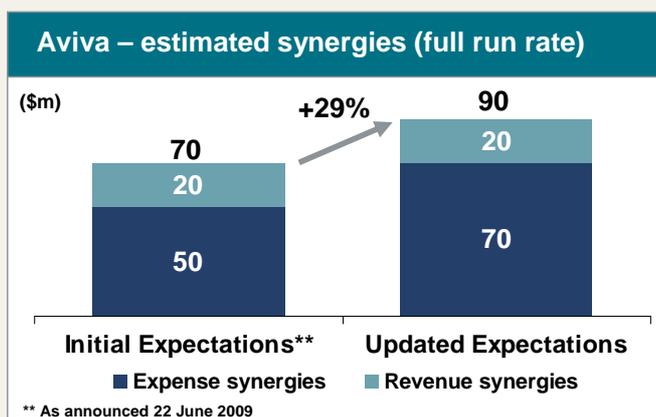
## Group financial result ex acquisitions and FX

Half year to	Mar 10	Sep 09	Change (%)
(\$m)	Ex Acqn and FX <sup>1</sup>	Reported	
Net interest income	6,238	6,188	0.8%
Other operating income (incl MLC)	1,973	2,204	(10.5%)
Net operating income	8,211	8,392	(2.2%)
Operating expenses	(3,815)	(3,810)	(0.1%)
Underlying profit	4,396	4,582	(4.1%)
B&DDs	(1,309)	(2,004)	34.7%
<b>Cash earnings</b>	<b>2,131</b>	<b>1,814</b>	<b>17.5%</b>
Acquisitions	81		
FX	(19)		
<b>Cash earnings (reported)</b>	<b>2,193</b>		

11 (1) March 2010 results exclude Aviva, JBWere, Advantedge and GWB Colorado acquisitions and are translated using September 2009 foreign exchange rates



## Update on acquisitions



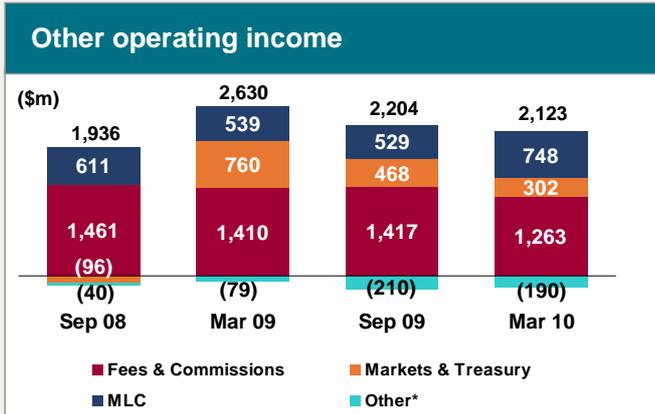
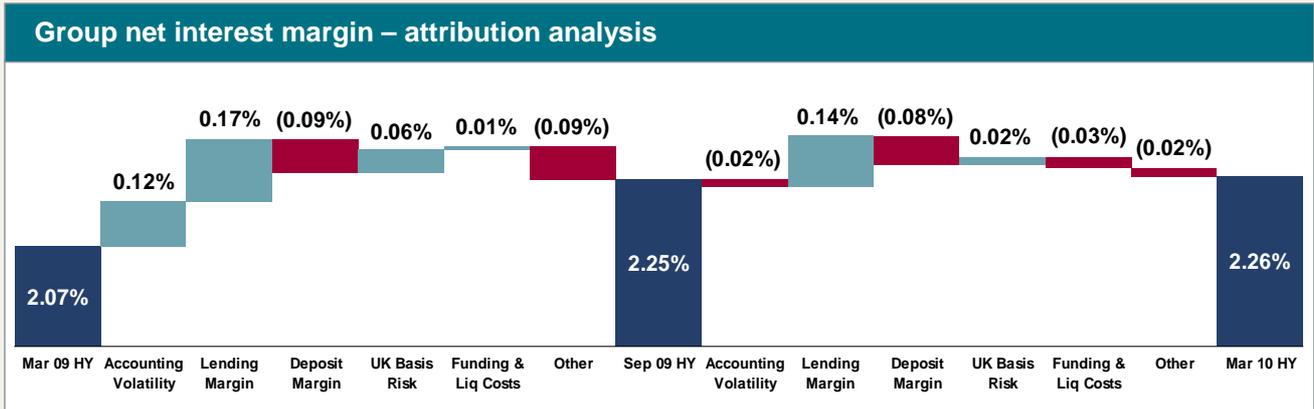
**Contribution to 1H10 cash earnings (\$m)\***

Net operating income	268
Operating expenses	(167)
Underlying profit	101
B&DDs	(4)
IoRE	13
<b>Cash earnings</b>	<b>81</b>

12 \* Includes Aviva, Advantedge, JBWere and GWB Colorado acquisitions at March 2009 FX rates



# Group income

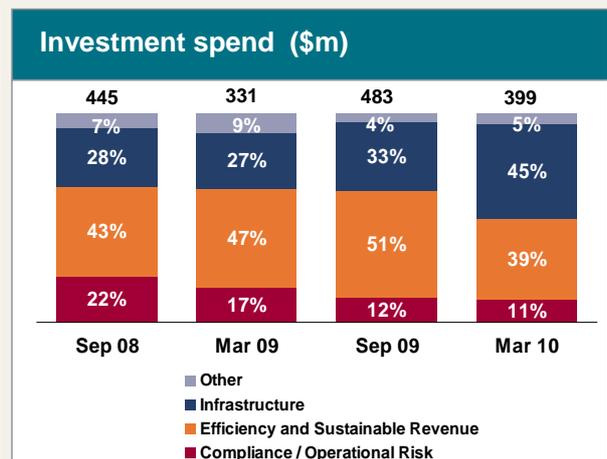
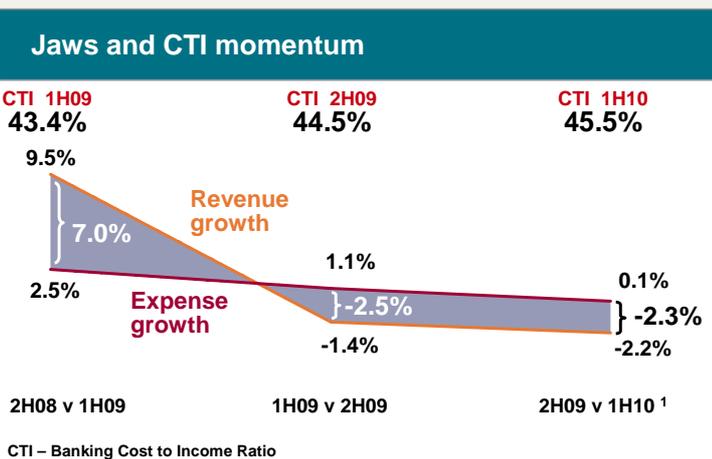
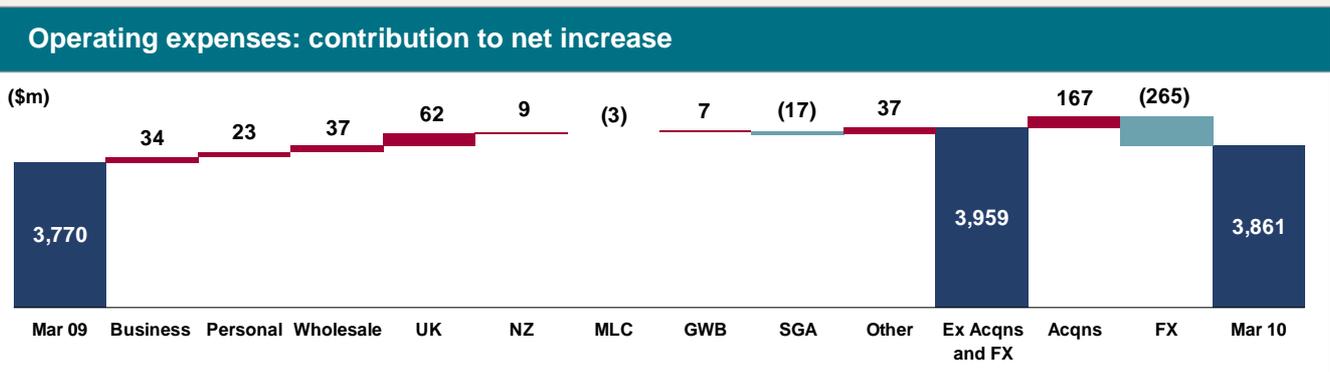


- ▶ Lending volumes# up 2.2% pcp excluding FX (down 2.1% reported)
- ▶ Customer fee initiatives represents \$103m income drag
- ▶ Total Global Markets & Treasury income of \$759m compared to \$1,312m in 1H09 and \$1,076m in 2H09
- ▶ SGA currently with negative revenues

13 \* Includes SGA, Group Treasury and Other  
# Excludes Advantedge acquired backbook



# Group expenses

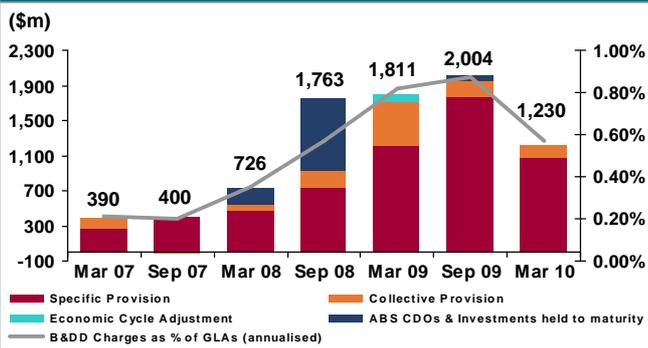


14 (1) 2H09 v 1H10 2010 movements exclude the impacts of the Aviva, Advantedge, JBWere and GWB Colorado acquisitions and are at constant currency

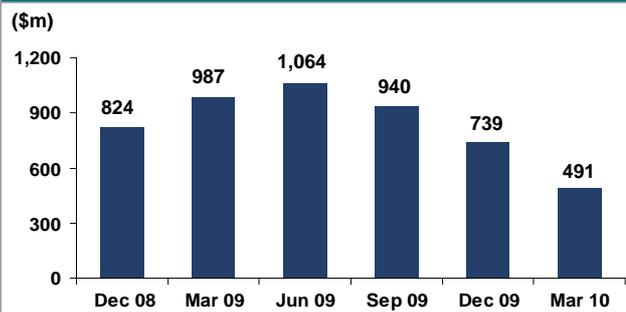


# B&DD charge and provision coverage

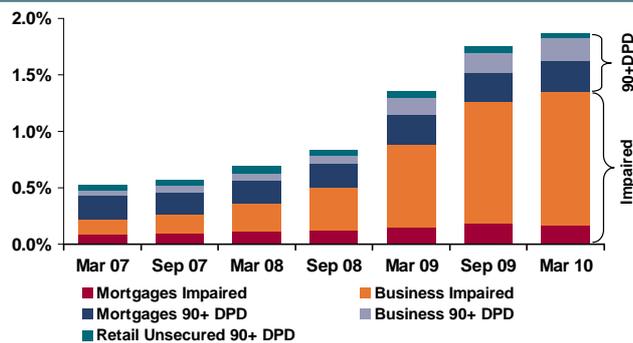
## B&DD charge – half yearly



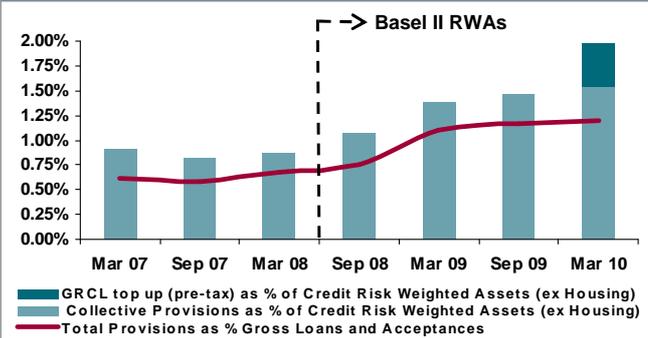
## B&DD charge – quarterly



## 90+DPD & Impaired Assets as a % of gross loans and acceptances by product



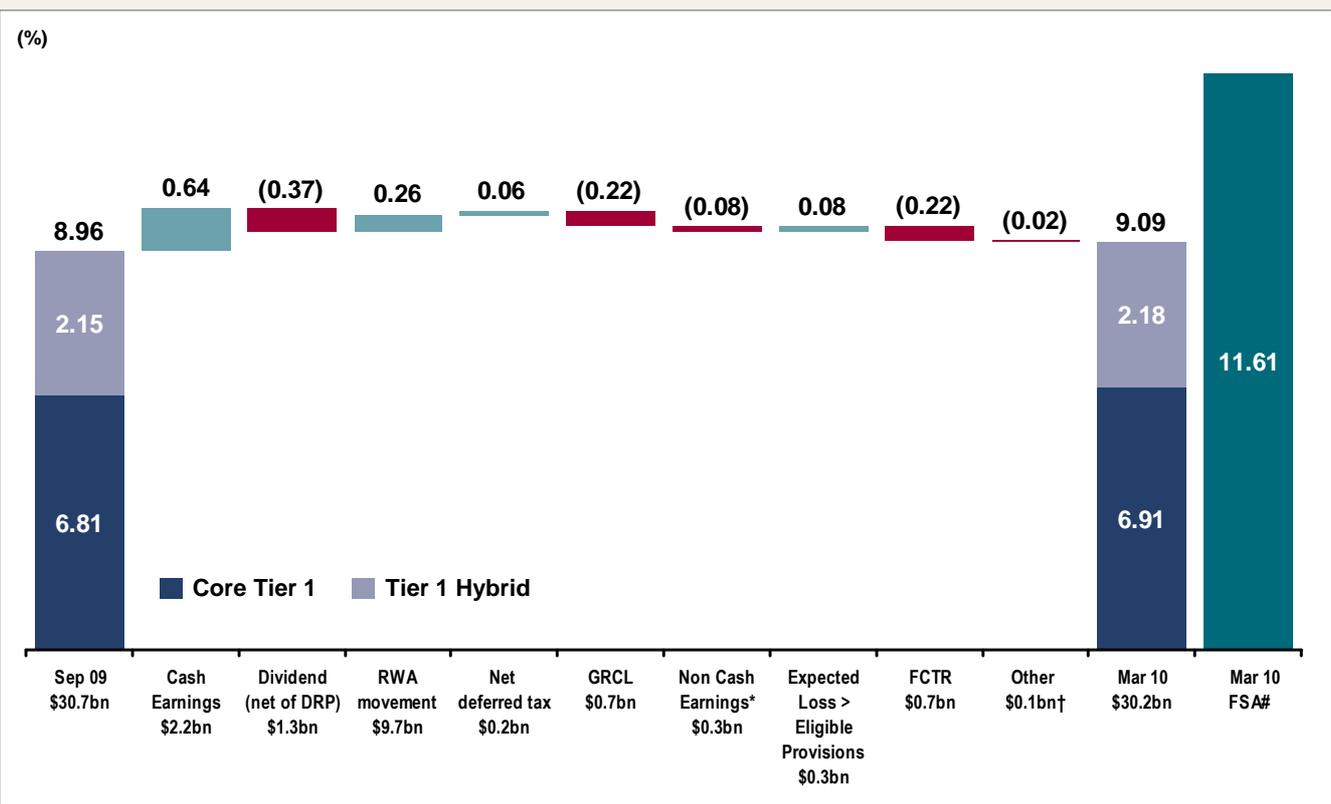
## Coverage ratios



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# Tier 1 capital position

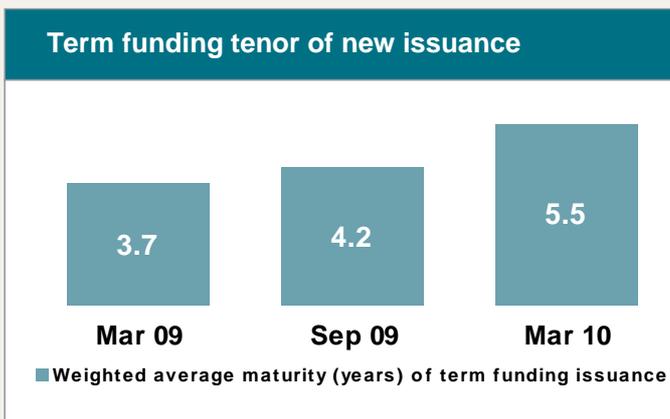
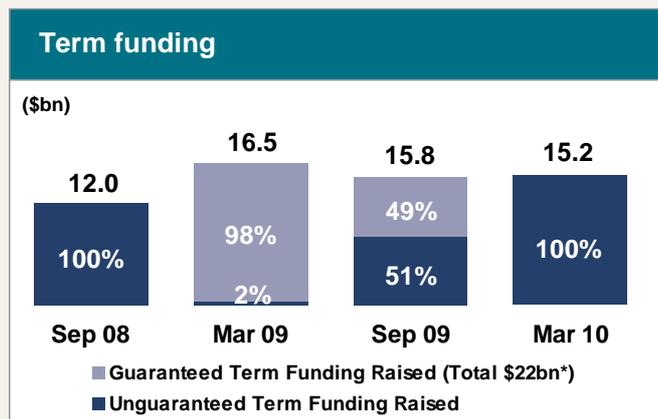
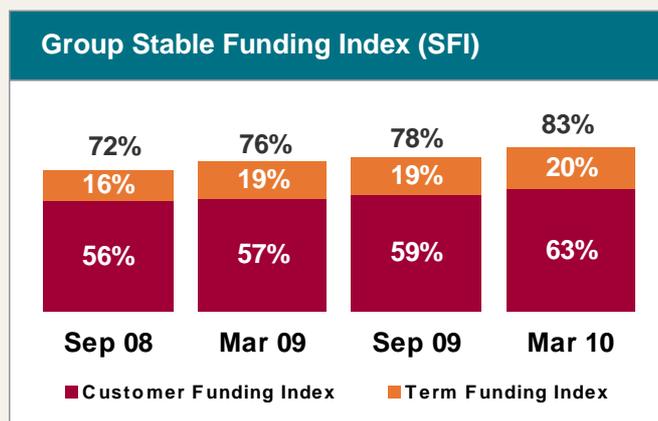


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\* Non-cash earnings items affecting Tier 1 after adjusting for Distributions and Treasury Shares  
 † Other relates primarily to changes in Wealth Management related deduction (2bps) plus other immaterial movements  
 # FSA calculation is approximate



## Funding and liquidity

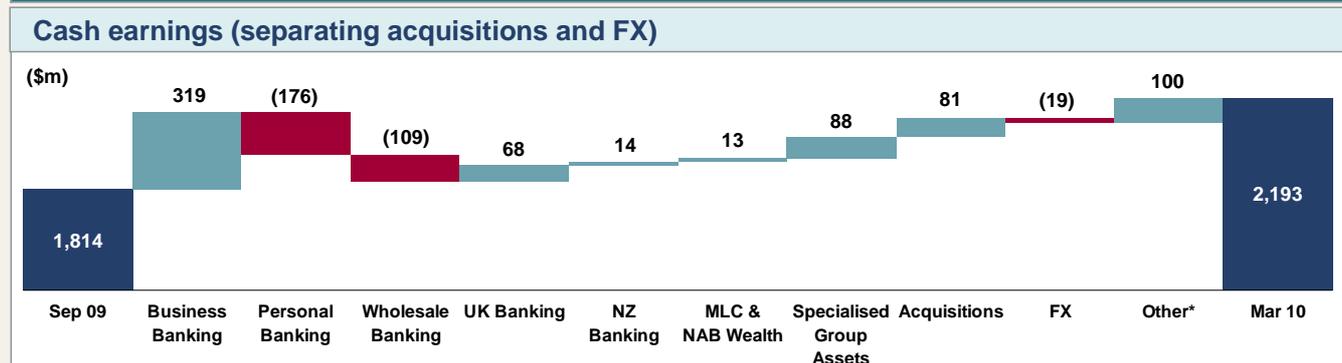


17 \* Based on 31 Mar 2010 exchange rates

National Australia Bank

## Contribution to cash earnings

Home currency	Half year to				
(m)	Mar 10	Sep 09	Mar 09	Change % on Sep 09	Change % on Mar 09
<b>Cash earnings</b>					
Business Banking	1,095	776	823	41.1%	33.0%
Personal Banking	317	467	408	(32.1%)	(22.3%)
Wholesale Banking	403	535	613	(24.7%)	(34.3%)
UK Banking	£61	£28	£49	large	24.5%
NZ Banking	NZ\$255	NZ\$238	NZ\$279	7.1%	(8.6%)
MLC & NAB Wealth	264	212	201	24.5%	31.3%
Specialised Group Assets	(217)	(319)	(258)	32.0%	15.9%
Other*	22	(98)	(103)	large	large
<b>Group cash earnings</b>	<b>2,193</b>	<b>1,814</b>	<b>2,027</b>	<b>20.9%</b>	<b>8.2%</b>

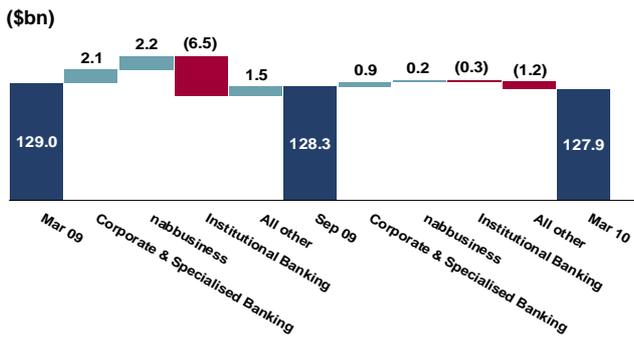


18 \* Other comprises Group Funding, Group Business Services, other supporting units, Asia Banking, GWB, IoRE and minority interest within MLC & NAB Wealth

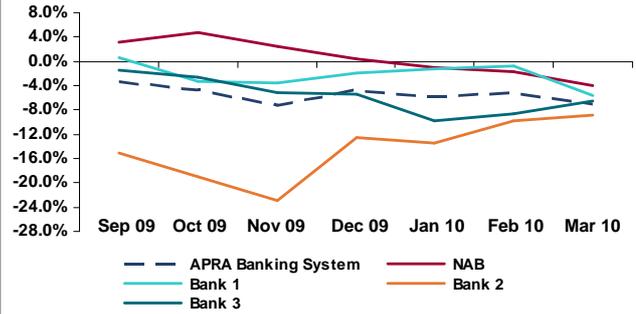
National Australia Bank

# Business Banking

## Business lending volumes

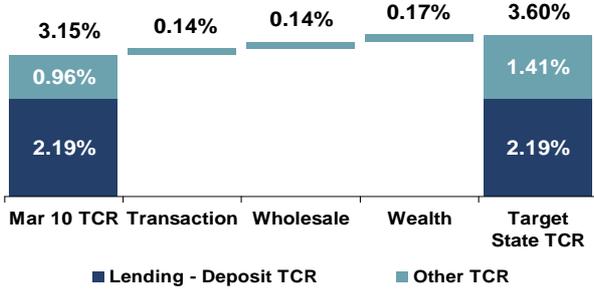


## Annual growth APRA business lending (incl bills)



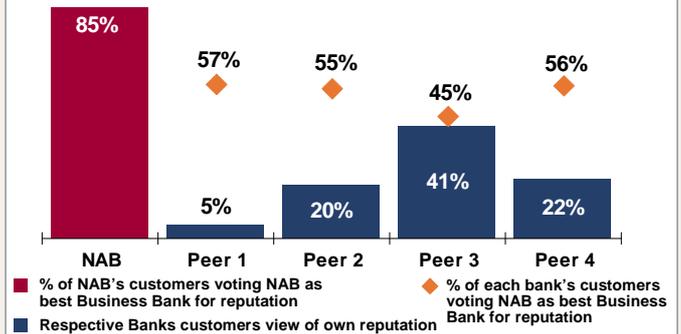
Source: APRA Monthly Banking Statistics / March 2010

## Enterprise cross-sell focus - Total Customer Returns<sup>2</sup>



## Bank reputation<sup>1</sup>

65% of all banks customers indicated NAB as the best reputation for Business Banking



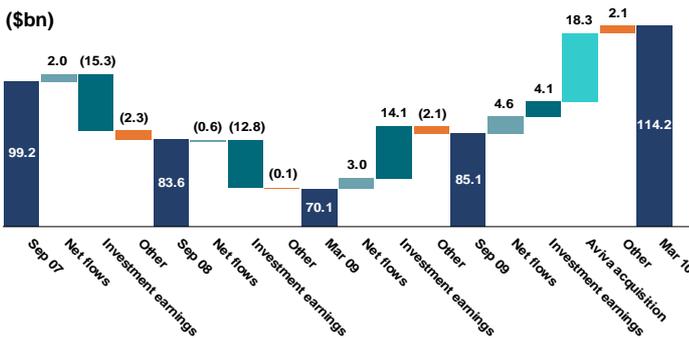
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(1) East & Partners: Business Banking Sentiment Index – April 2010. Sample of 789 customers with annual turnover between \$1m to \$100m  
 (2) Total enterprise revenue/lending assets

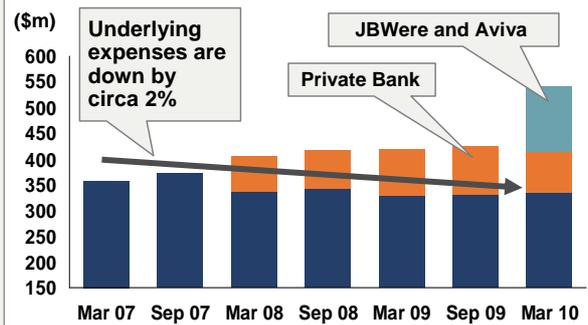


# Wealth

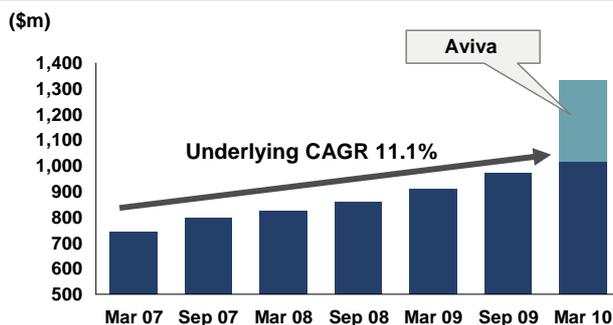
## FUM



## Expenses



## Premiums in force



## Return on Regulatory Capital (RORC) - (excluding Aviva, Private Wealth and nabInvest)

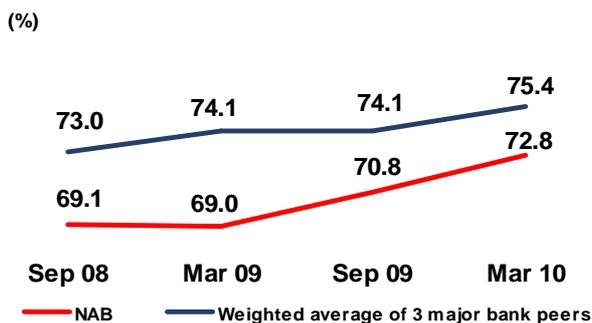


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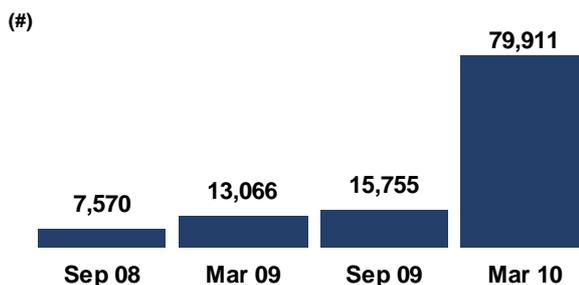


# Personal Banking

## MFI customer satisfaction<sup>1</sup>

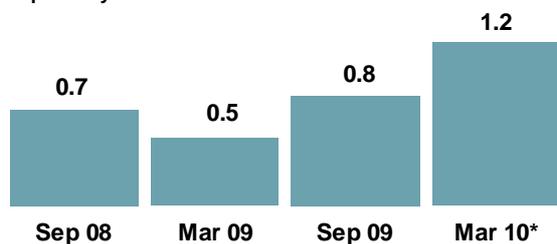


## Net transaction account growth



## Home loan share of system growth<sup>3</sup>

Personal Banking multiple of system



\* Includes Advantedge

## Sweeney research brand tracker<sup>2</sup>

	Sep 09	March 10
Open and upfront	33% (NAB Score) / 40% (Average of 3 major bank peers)	39% (NAB Score) / 39% (Average of 3 major bank peers)
Transparent with fees and charges	32% (NAB Score) / 38% (Average of 3 major bank peers)	38% (NAB Score) / 38% (Average of 3 major bank peers)
Customers are at an advantage	30% (NAB Score) / 36% (Average of 3 major bank peers)	35% (NAB Score) / 34% (Average of 3 major bank peers)
A bank for people like me	35% (NAB Score) / 41% (Average of 3 major bank peers)	39% (NAB Score) / 40% (Average of 3 major bank peers)
A leader in making banking fairer*	35% (NAB Score) / 41% (Average of 3 major bank peers)	39% (NAB Score) / 38% (Average of 3 major bank peers)

\* Not tracked in Sep 09.

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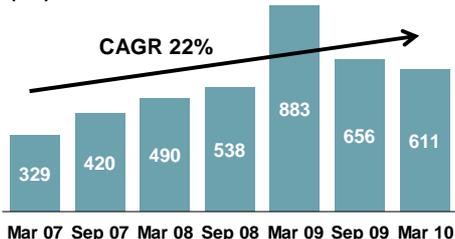
(1) Roy Morgan Research, Australian Main Financial Institution Population aged 14+, 6 month moving average. Customer satisfaction is based on customers who answered very/fairly satisfied.  
 (2) Sweeney Research Brand Tracker as at March 2010  
 (3) RBA Financial System



# Wholesale Banking

## Global Markets – positioned for ongoing growth

Markets Income (\$m)

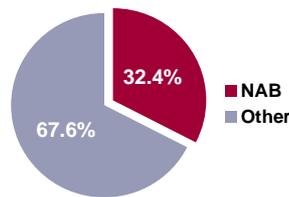


\* 2007 based on indicative restatement data

- ▶ Significant investment in products and capability
- ▶ Strengthening of client relationships
- ▶ Improvements in risk control, technology and operating platforms

## Asset Servicing – Australia's #1 Securities Custody business by market share

Total Assets Under Custody for Australian Investors – Dec 2009 (up from 24.0% at Dec 2007)



Source: Australian Custodial Services Association

Growth in fund management pools to provide ongoing opportunities

**Market Recognition:**  
**Australia 2009/2008/2007:**

- ▶ Cross Border "Top Rated"
- ▶ Leading Client "Top Rated"
- ▶ Domestic "Commended"

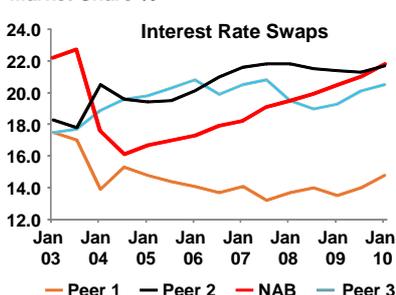
**New Zealand 2009/2008:**

- ▶ Cross Border "Top Rated"
- ▶ Leading Client "Top Rated"

Source: Accreditations: Global Custodian – Annual Agent Banks in Major Markets Survey Results

## Markets Sales – Partnering with Business Banking

Market Share %



Source: East & Partners Australian Corporate Banking Markets – January 2010 survey

- ▶ #1 for interest rate swaps sales
- ▶ Co-locating product specialists in Business Banking Centres
- ▶ Targeted FX campaign resulted in an additional 859 FX customers (March 2010 half year)

## Specialised Finance & Debt Markets – Supporting Australia's nation-building agenda

- ▶ Strong capability as evidenced by market recognition \*
- ▶ Infrastructure investment in Australia expected to be approx. \$770bn over the next decade
- ▶ Lead financing role in Victorian desalination plant and Peninsula Link projects

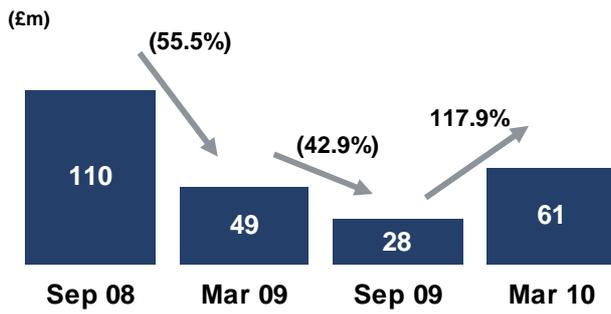
\* 22 awards received in March 2010 half year; #2 on Dealogic's mandated lead arrange league table for Australasian project finance deals.

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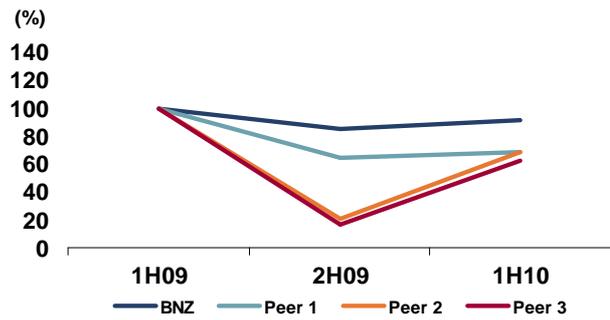
# International

## United Kingdom – cash earnings



- ▶ B&DDs £70m down on 2H09
- ▶ Front book margins remain attractive
- ▶ Reputation strengthened
- ▶ Focus on deposit gathering continues to improve SFI

## NZ – Index of peer cash earnings\*



- ▶ Good credit standards
- ▶ Diversified portfolio
- ▶ Strong cost culture
- ▶ Innovative

\* 1H09 = 100.  
Source: Peer result announcements

# Questions

## Additional Information

### Business Banking

Personal Banking

Wholesale Banking

UK Banking

NZ Banking

MLC & NAB Wealth

Specialised Group Assets

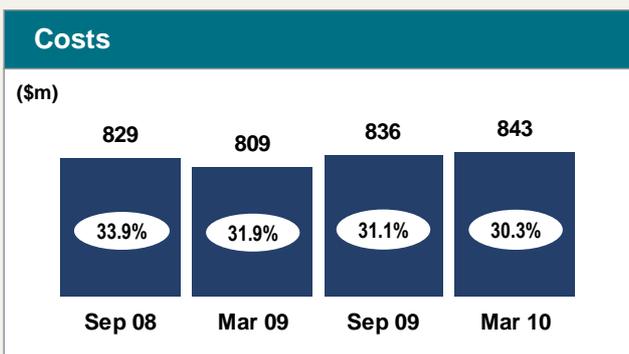
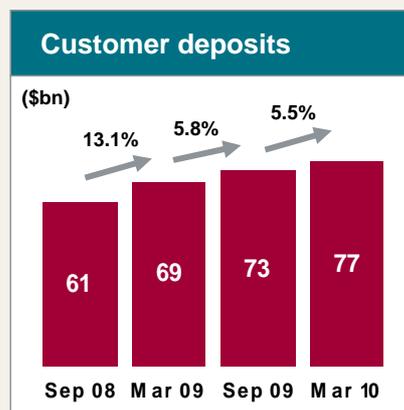
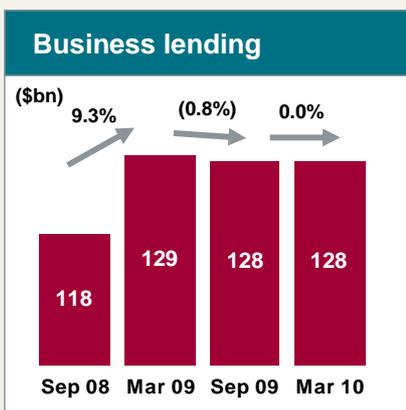
Asset Quality

Capital and Funding

Economic Outlook



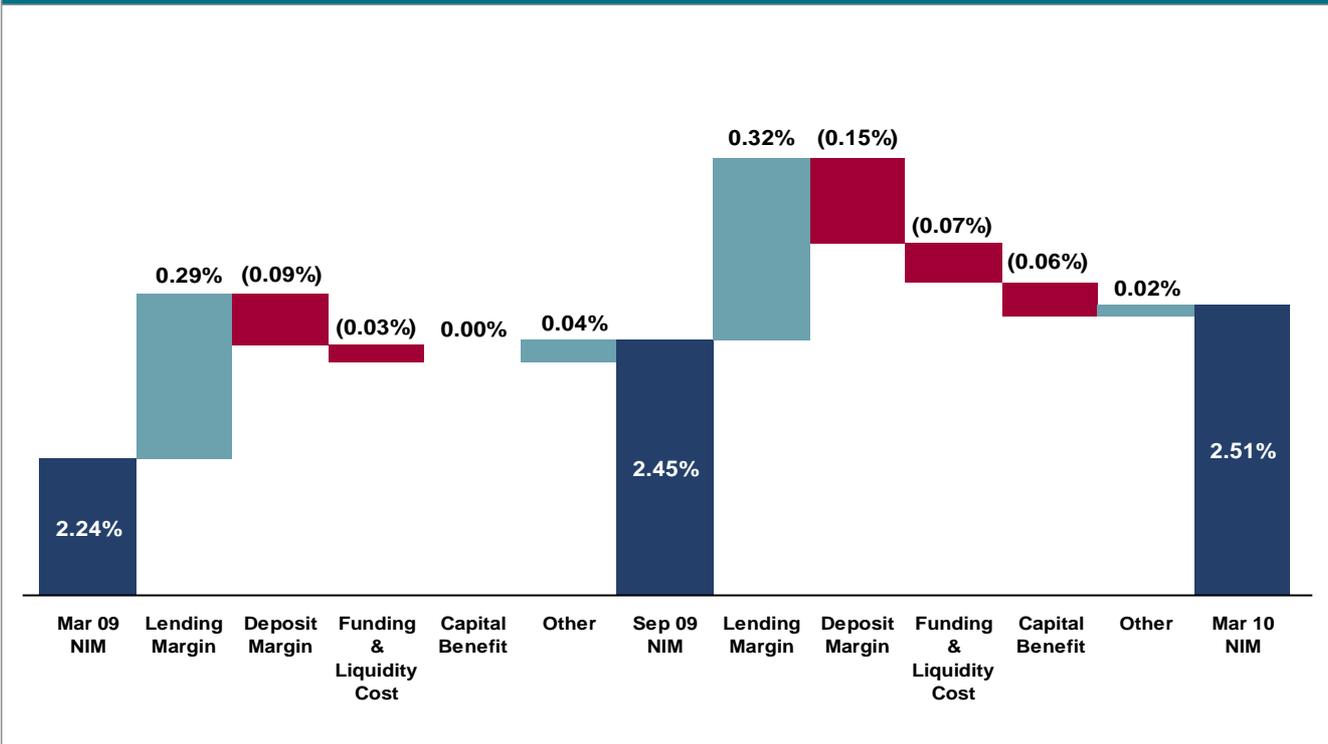
## Business Banking



X% Cost to Income Ratio

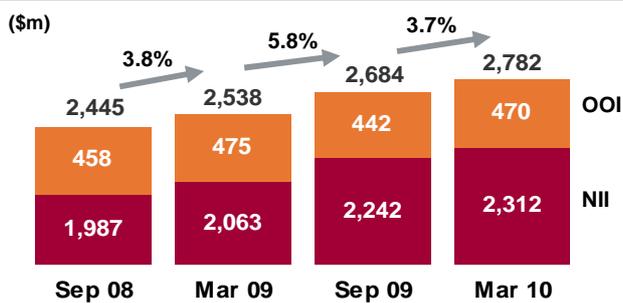
# Business Banking: Net interest margin

## Attribution analysis

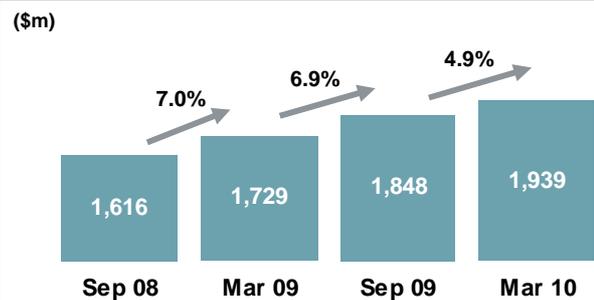


# Business Banking

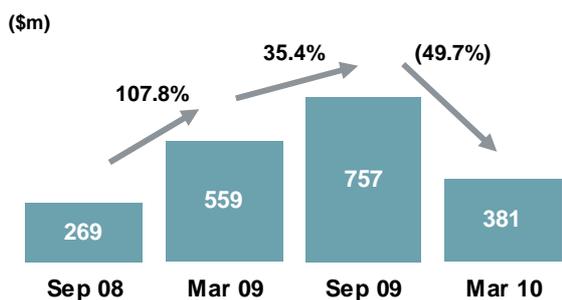
## Revenue



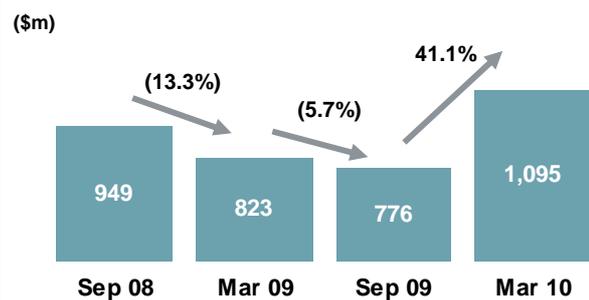
## Underlying profit



## B&DD charge



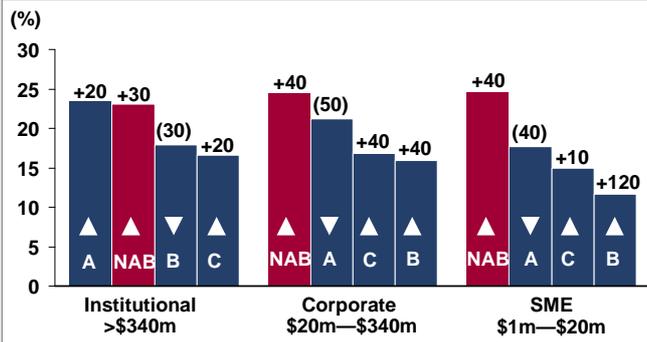
## Cash earnings



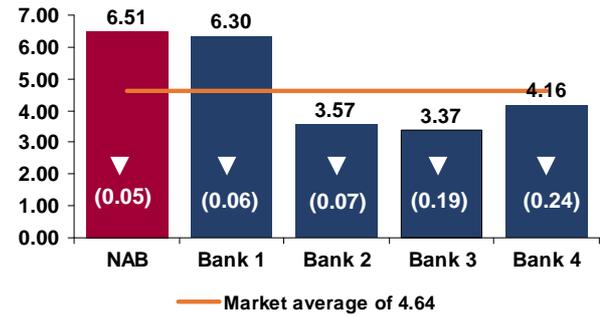
# Business Banking

## Transaction banking market share and trend

Percentage share and basis point change of primary relationships, by customer segment<sup>1</sup>



## Business customer satisfaction<sup>2</sup>



## Cash earnings on average assets



- ▶ Strong, experienced management benchstrength
- ▶ Focus on "AND" – reputation, risk, profitability & sustainability
- ▶ Significant progress on cross-sell driven by our customer-led innovation strategy
- ▶ Committed to market leadership

29



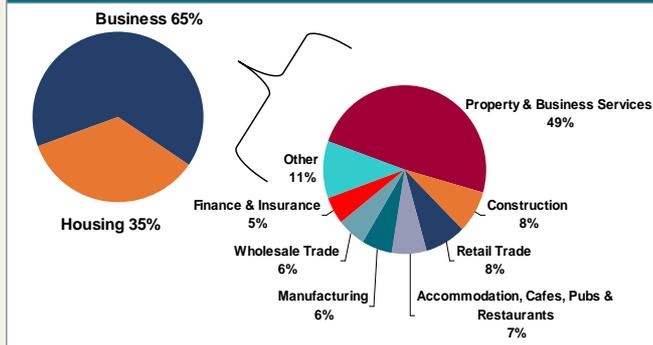
(1) East & Partners - Arrows relate to the trend from prior survey, basis point change above the bar. Australian Institutional Transaction Banking Markets Nov 2009, Australian Corporate Transaction Banking Markets Feb 2010; Australian SME Banking Markets Oct 2009  
 (2) East & Partners: Business Banking Customer Satisfaction Monitor – March 2010 results and September 2009 half year change



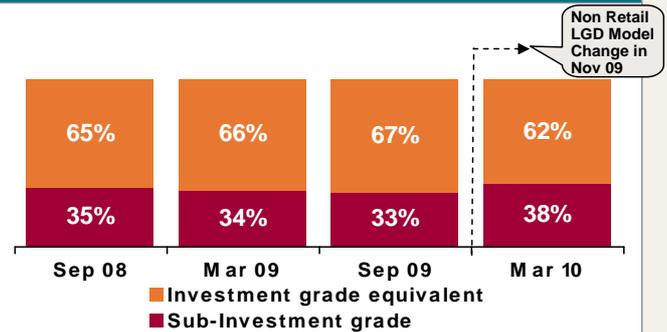
National Australia Bank

# Business Banking: SME Business\*

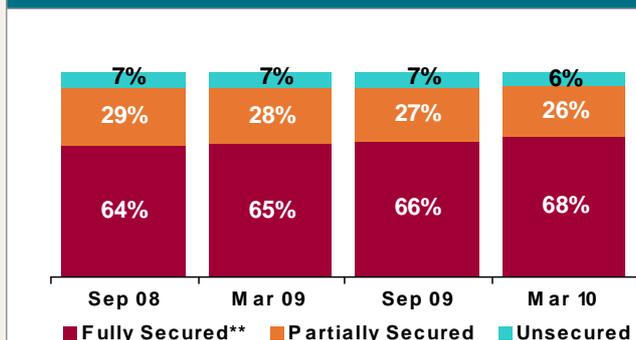
## Diverse assets



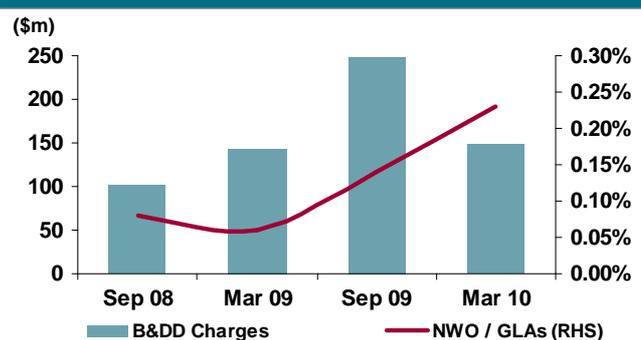
## Portfolio quality\*\*\*



## Well secured – business products



## B&DD position remains sound in SME



30



\* SME business data reflects the nabBusiness segment of Business Banking which supports business customers with lending typically up to \$25m  
 \*\* Based upon security categories in internal ratings systems  
 \*\*\* Based upon Expected Loss which is the product of Probability of Default x Exposure at Default x Loss Given Default. The calculation excludes defaulted assets



National Australia Bank

## Additional Information

Business Banking

**Personal Banking**

Wholesale Banking

UK Banking

NZ Banking

MLC & NAB Wealth

Specialised Group Assets

Asset Quality

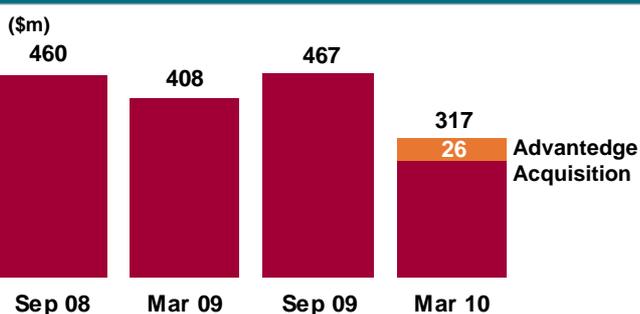
Capital and Funding

Economic Outlook

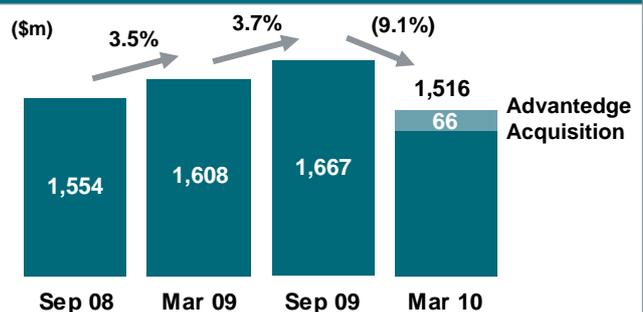


## Personal Banking

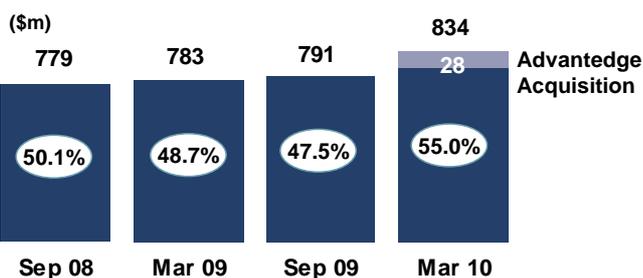
### Cash earnings



### Revenue



### Costs

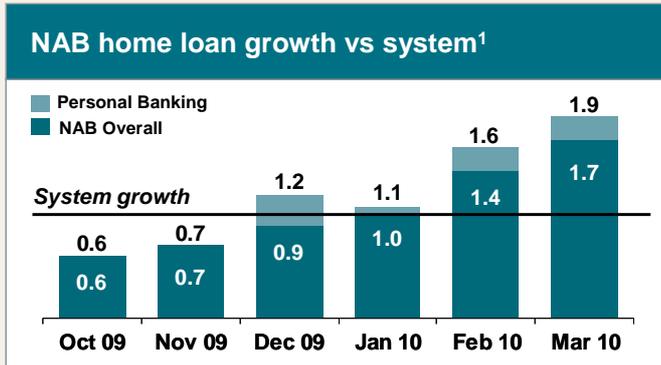
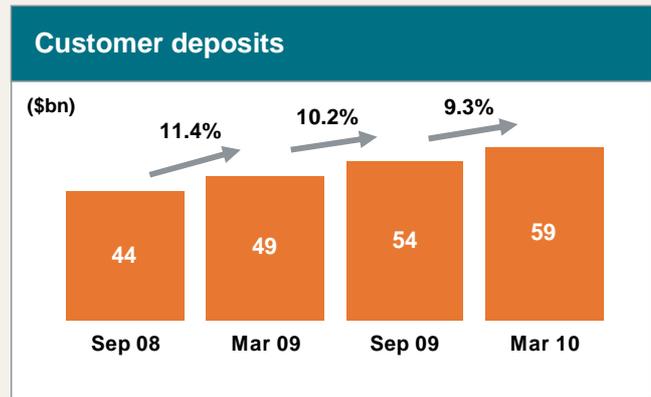
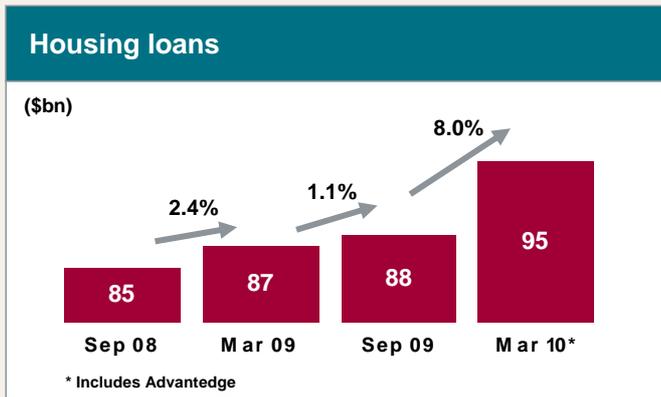


### Net interest margin



X% Cost to Income Ratio

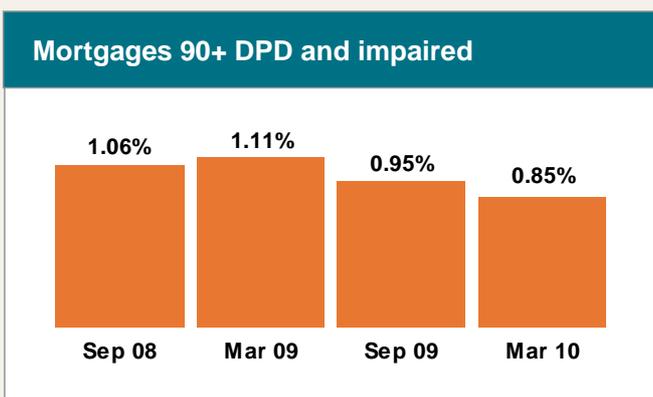
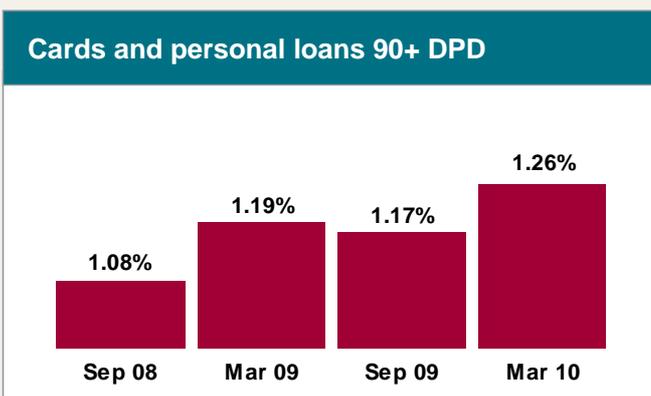
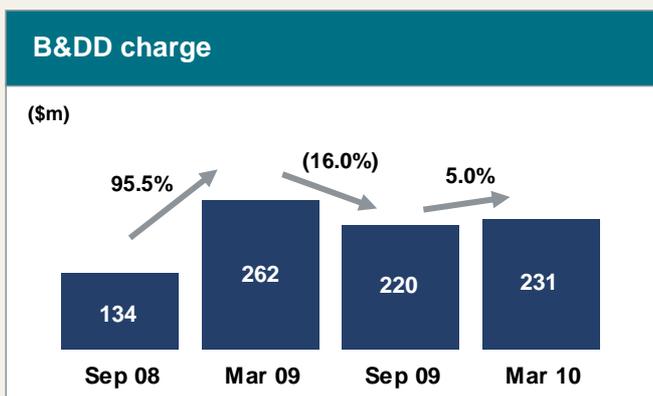
# Personal Banking



(1) RBA monthly housing lending growth versus system. November excludes the impact of the Challenger acquisition  
 (2) APRA Banking System, NAB including Wholesale Banking as at March 2010



# Personal Banking

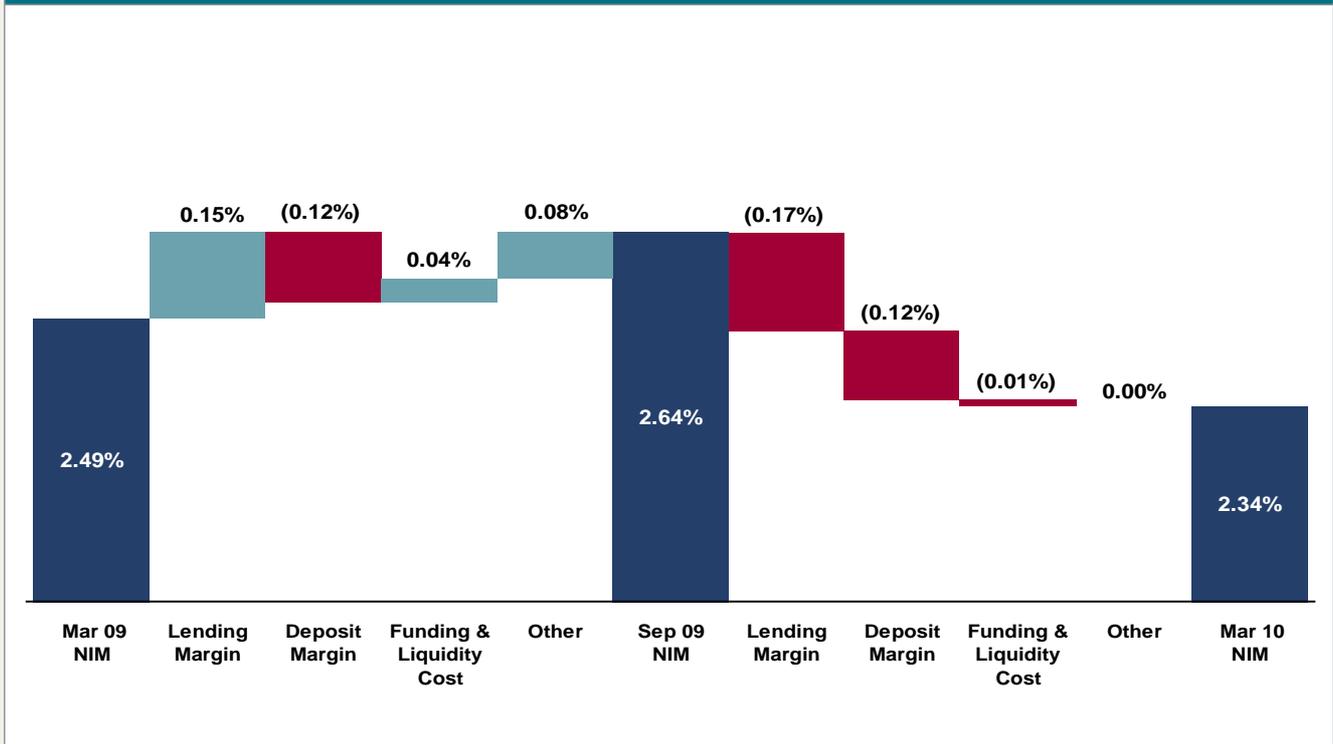


- ▶ Overall asset quality improved
  - > Investment in risk management and collections functions
  - > Resilient mortgage sector
  - > First home buyers segment remained stable
- ▶ Higher levels of unemployment and seasonality drove some deterioration in unsecured portfolio
- ▶ Customers experiencing hardship reduced



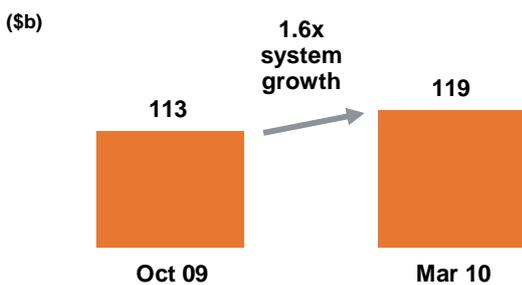
# Personal Banking: Net interest margin

## Attribution analysis

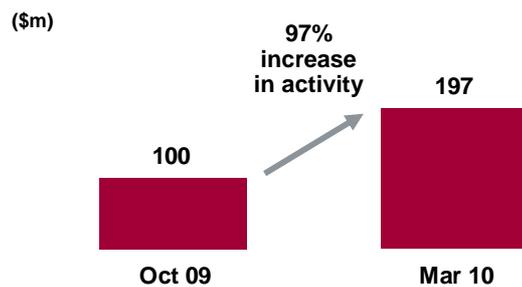


# Advantage Operating Performance

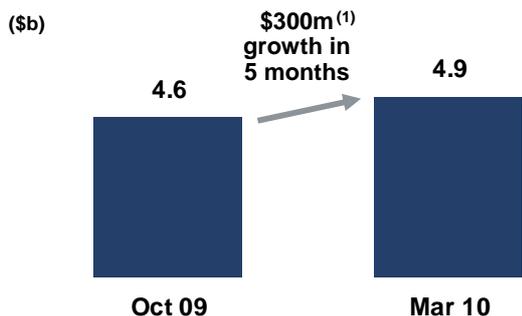
## Home loans under administration - Aggregator businesses



## Monthly settlement volumes



## Home loans under management



- ▶ Business made \$26m cash earnings in the first 5 months
- ▶ Maintained key staff and brokers
- ▶ Significant ramp up in lending volumes since acquisition
- ▶ Aggregator businesses growing at above system

## Additional Information

Business Banking

Personal Banking

## Wholesale Banking

UK Banking

NZ Banking

MLC & NAB Wealth

Specialised Group Assets

Asset Quality

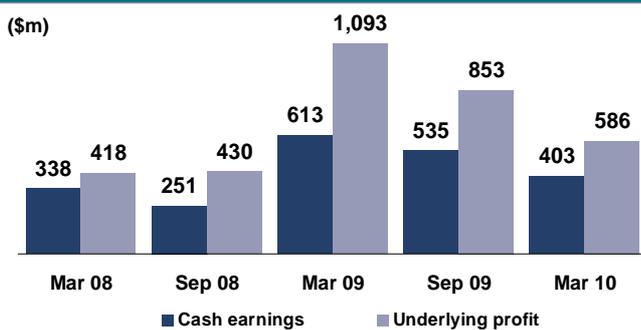
Capital and Funding

Economic Outlook



## Wholesale Banking

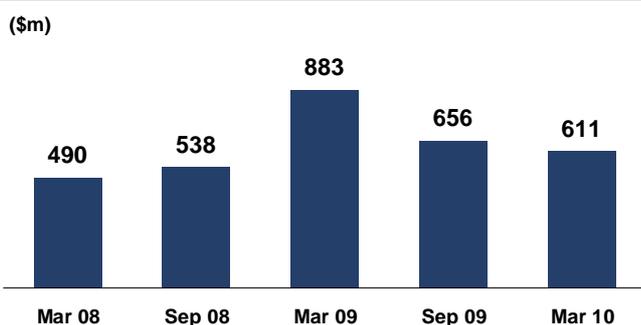
### Cash earnings / Underlying profit



### Revenue by line of business



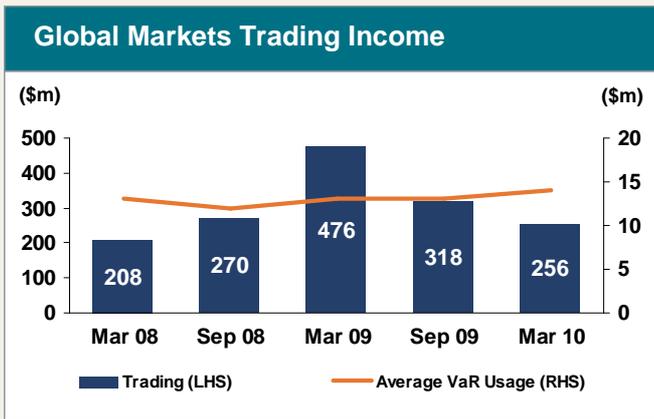
### Global Markets Income



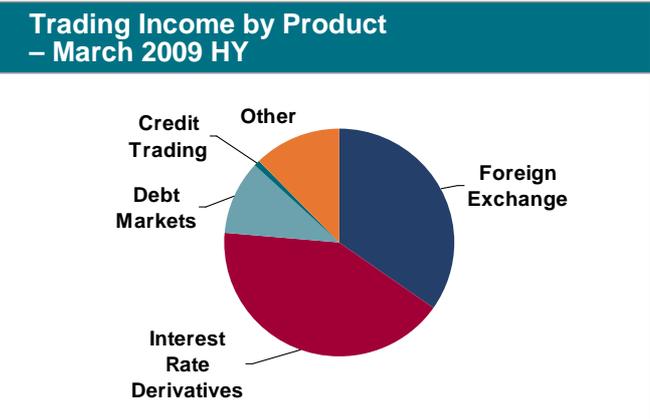
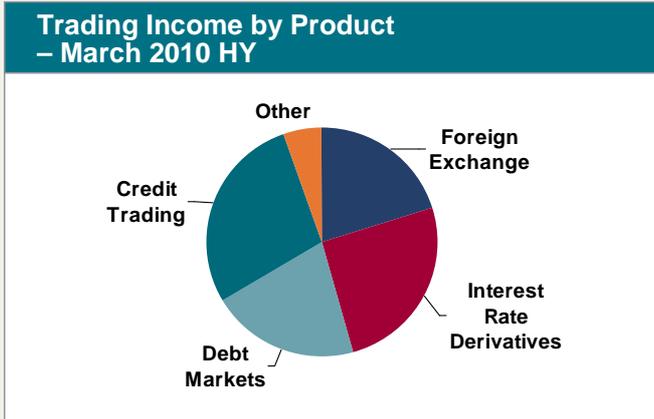
### Currency volatility and credit spreads



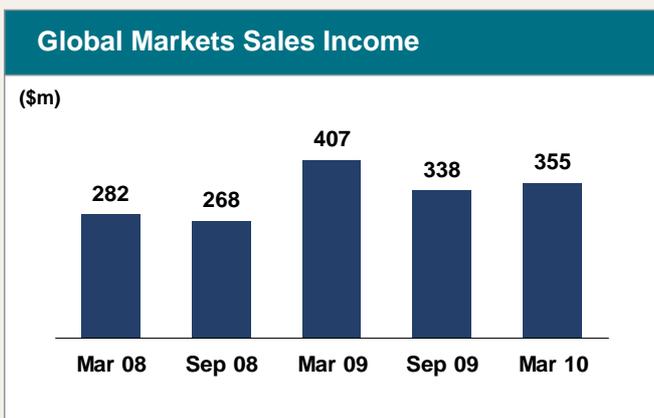
# Wholesale Banking: Global Markets Trading



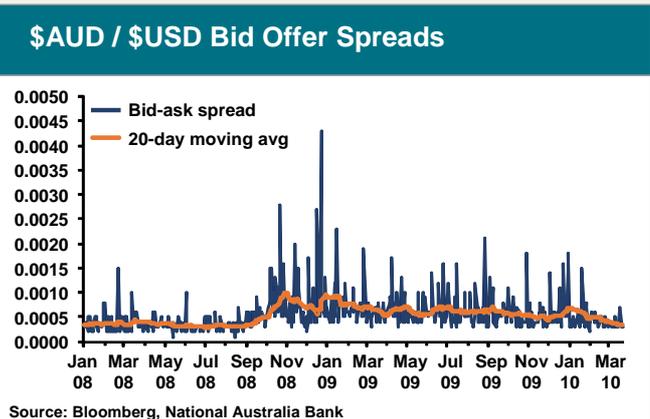
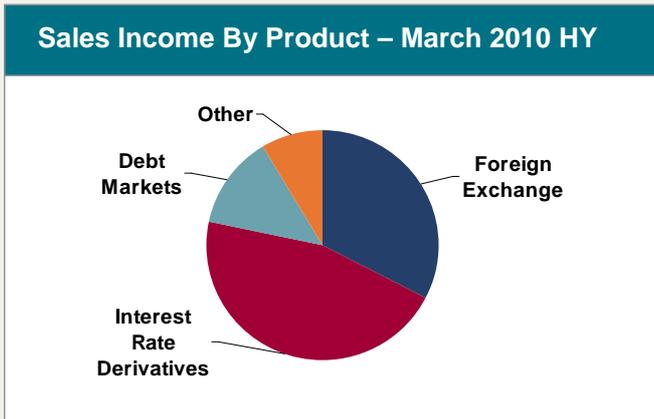
- ▶ A solid trading performance generated in challenging market conditions reflected by reduced levels of volatility and normalised market volumes
- ▶ Absence of clear directional trends in Rates and FX relative to prior periods reduced trading opportunities



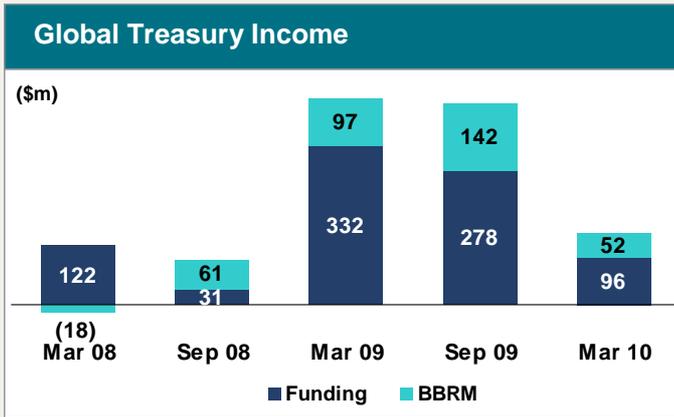
# Wholesale Banking: Global Markets Sales



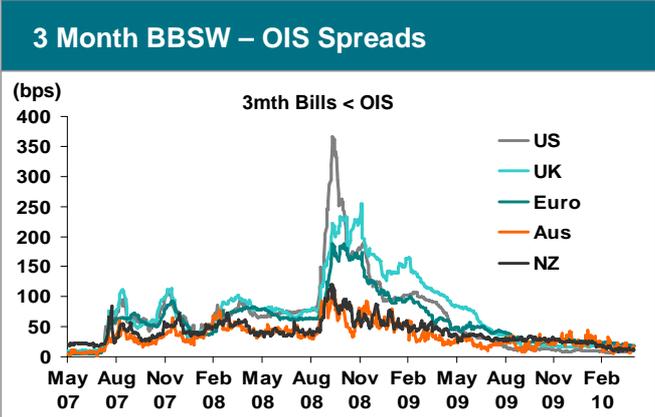
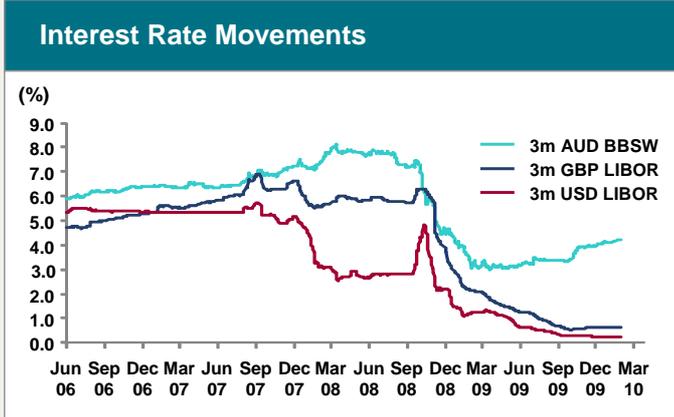
- ▶ Sales remained solid during the first half. Key highlights were:
  - > Rebound in demand for debt post-GFC
  - > Strong Interest Rate Derivative sales
  - > Some headwinds with economic conditions in the UK, NZ and US, steep yield curves in core franchise markets
  - > Increased market liquidity and competition contributed to narrower spreads and tighter margins



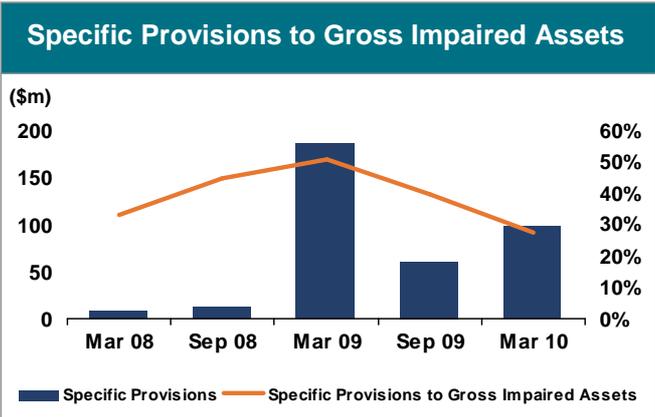
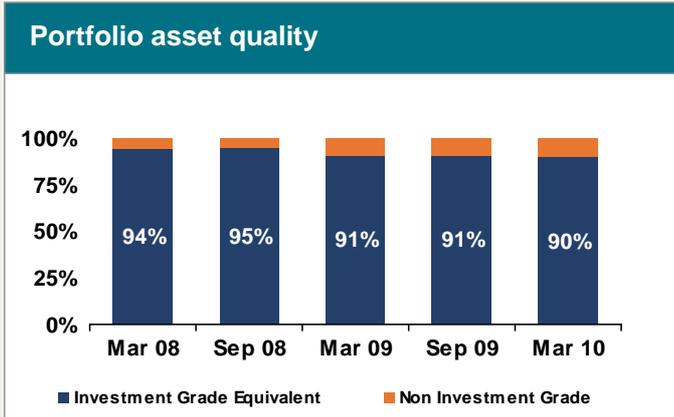
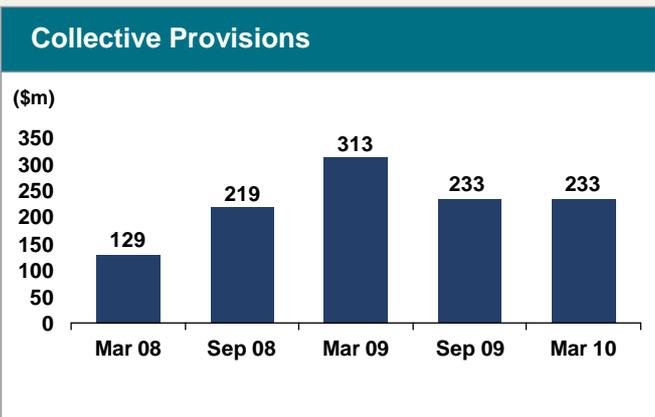
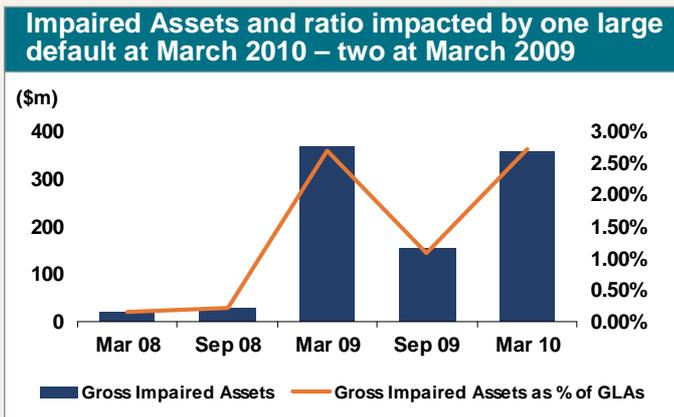
# Wholesale Banking: Treasury



- ▶ Treasury revenue was generated on Funding and Banking Book Risk Management activity
- ▶ Short term wholesale funding and liquidity requirements for the bank remained well managed
- ▶ Treasury revenue was below prior periods as the market normalised to near pre-GFC levels
- ▶ Investment returns in the Liquidity portfolio decreased as volatility in credit spreads returned to more normal levels



# Wholesale Banking: Asset Quality



## Additional Information

Business Banking

Personal Banking

Wholesale Banking

## UK Banking

NZ Banking

MLC & NAB Wealth

Specialised Group Assets

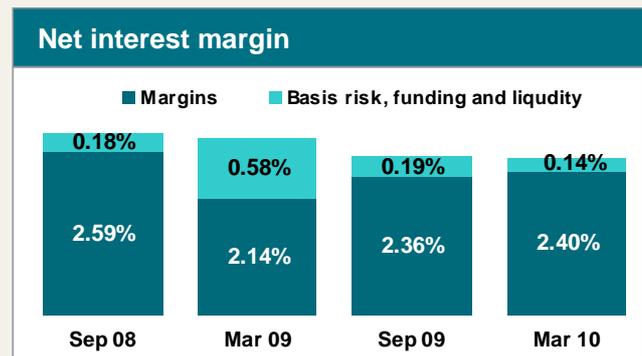
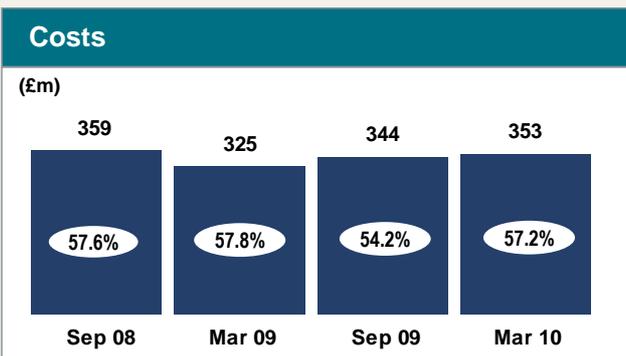
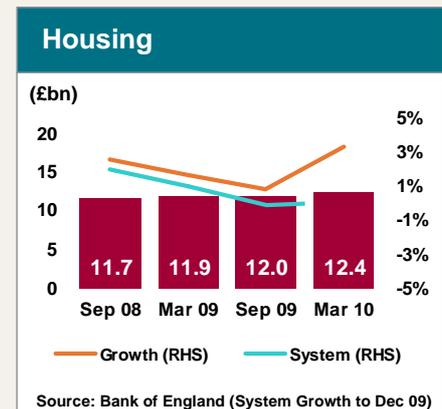
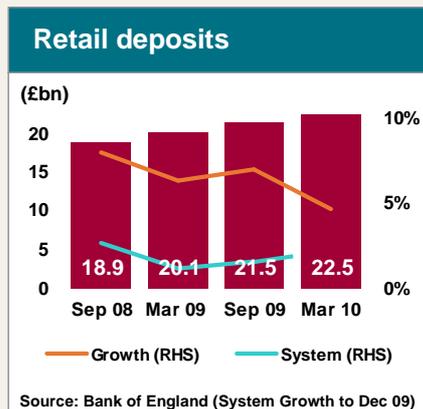
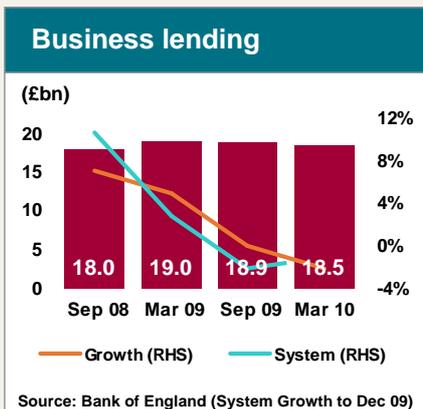
Asset Quality

Capital and Funding

Economic Outlook



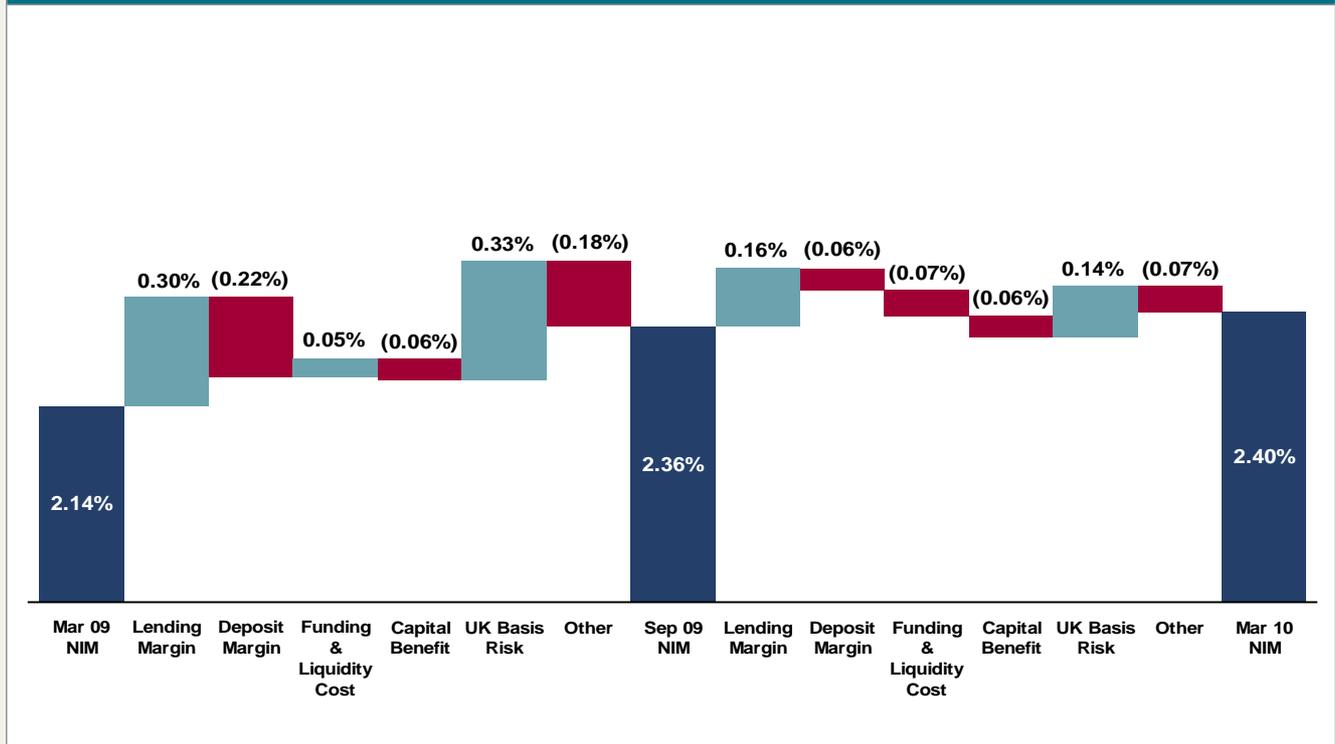
## UK Banking



X% Cost to Income Ratio

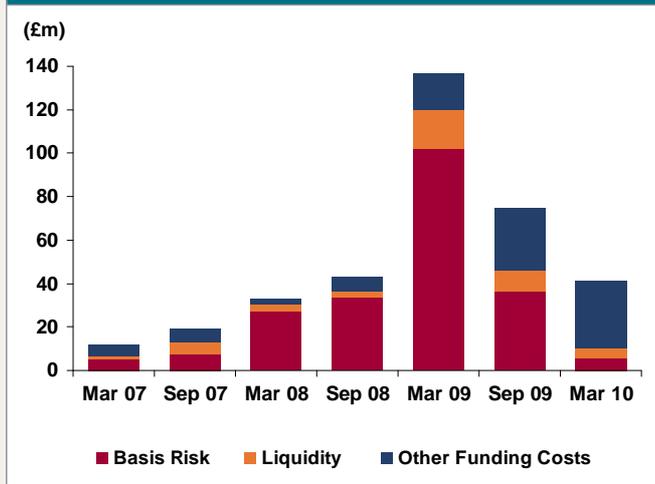
# UK Banking: Net interest margin

## Attribution analysis

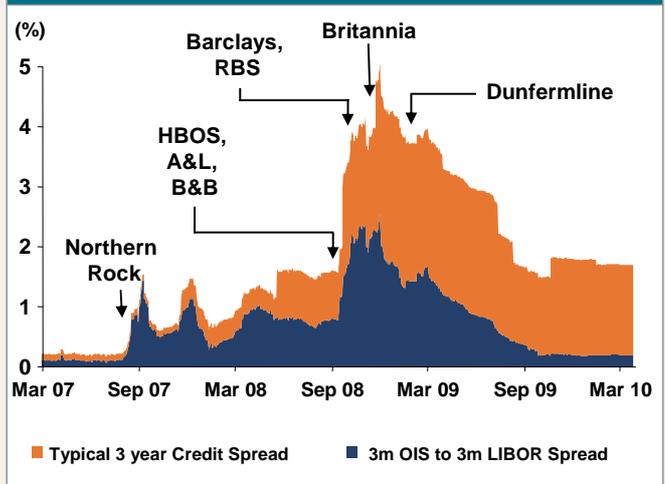


# Basis risk, liquidity and funding costs impacts

## Funding & Liquidity Cost Trend



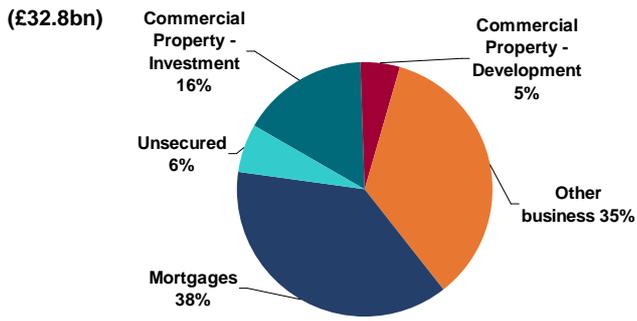
## Spreads



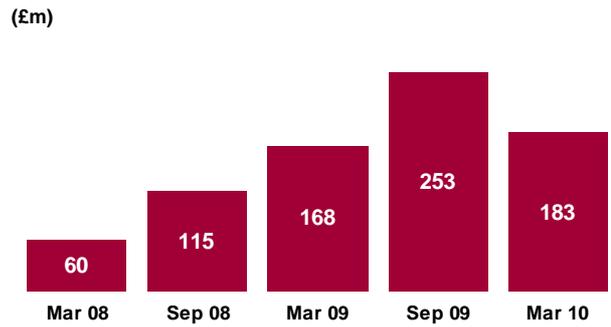
- ▶ The cost of Basis Risk has reduced to pre-crisis levels
- ▶ The crisis period has resulted in credit spreads being significantly higher which is driving increased funding costs. These costs now form the highest proportion of the Funding and Liquidity cost

# UK Banking Asset Quality

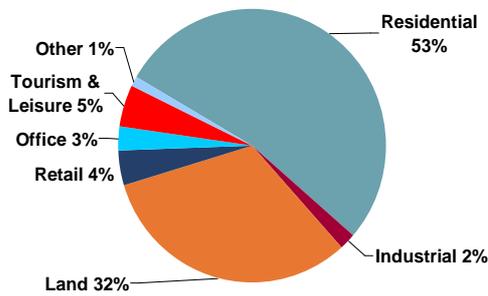
## Gross loans and acceptances by product as at March 2010



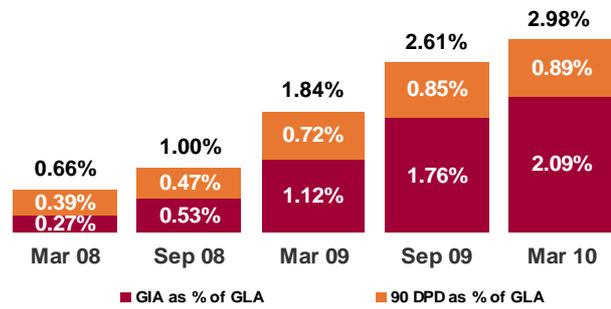
## B&DD charge



## Development lending

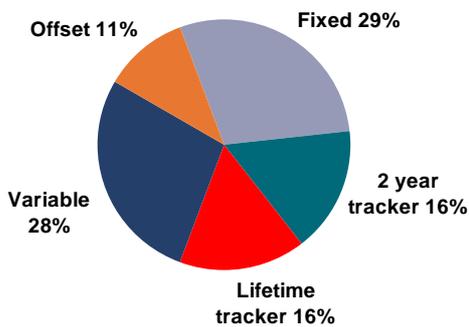


## Gross impaired assets + 90 days past due to GLAs

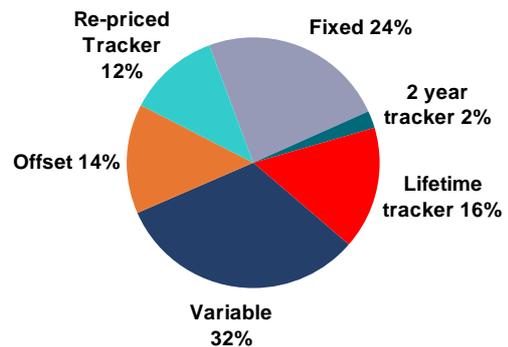


# Mortgage Portfolio

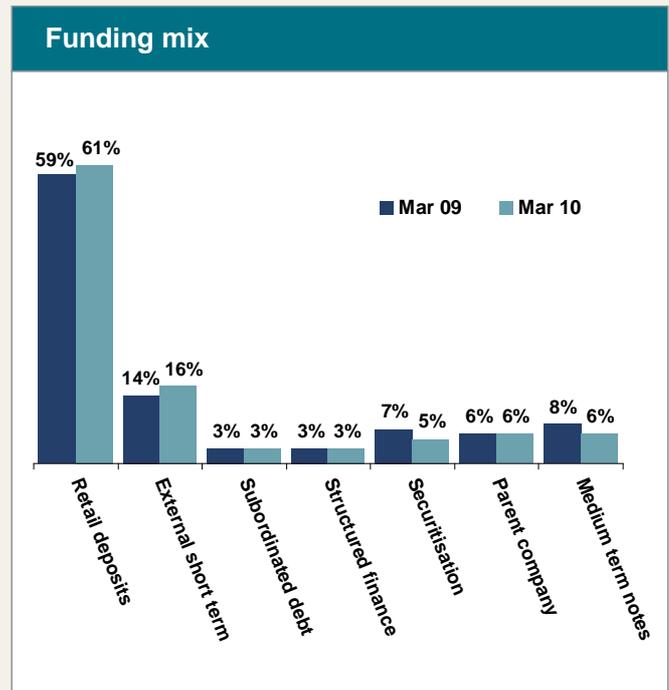
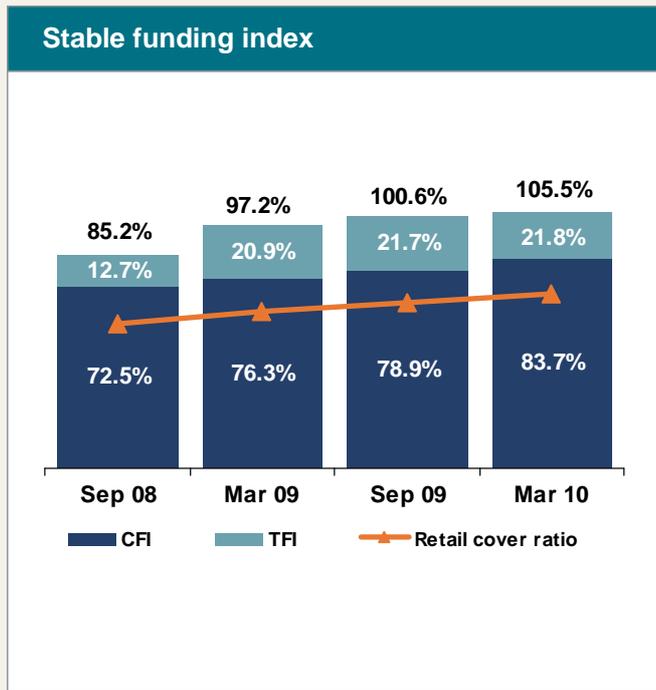
## Mortgage book at March 09



## Mortgage book at March 10

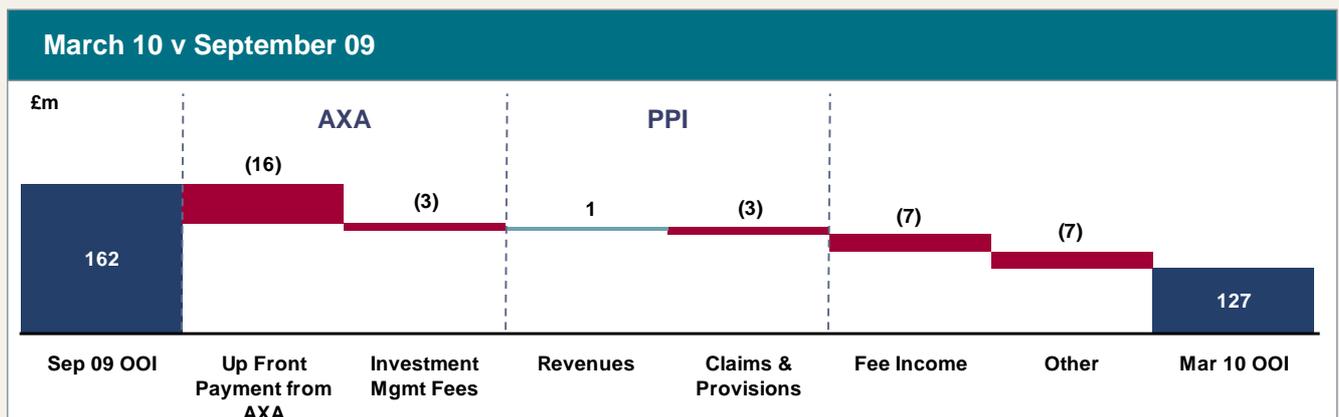
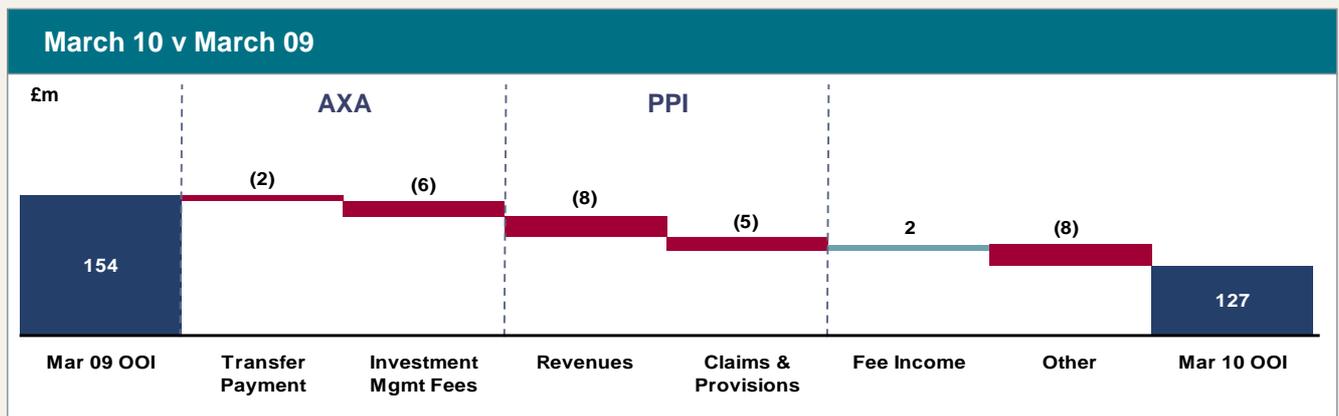


# Funding mix

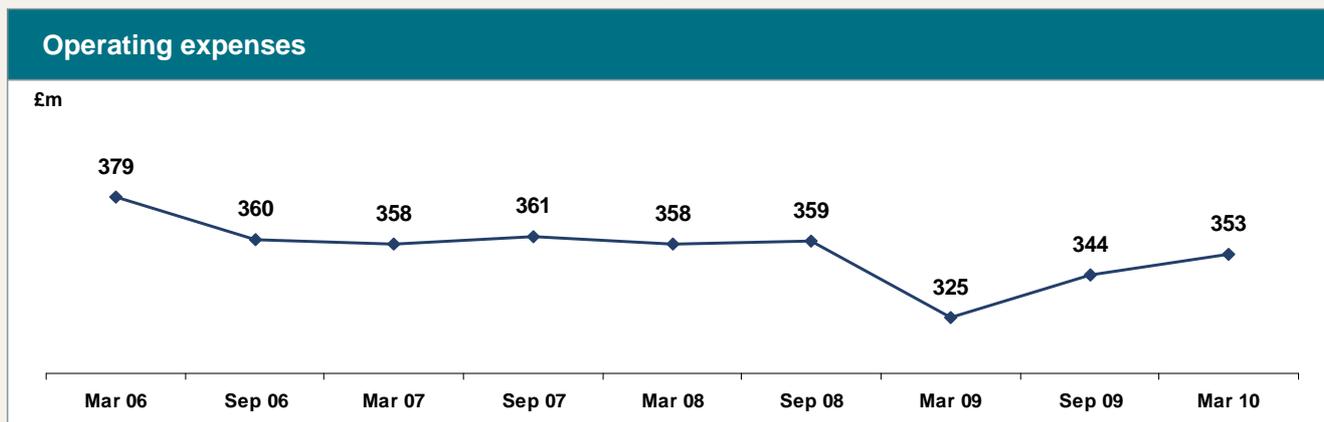
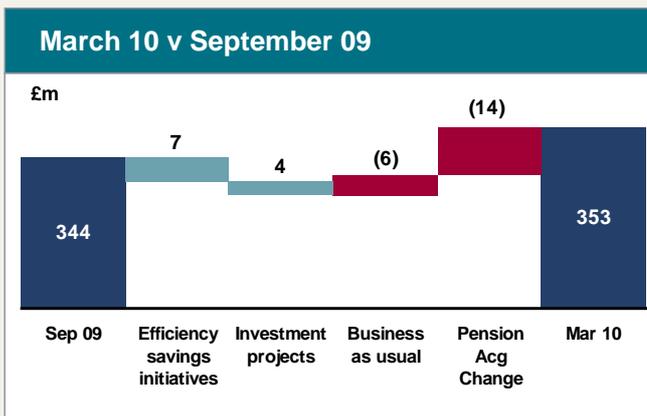
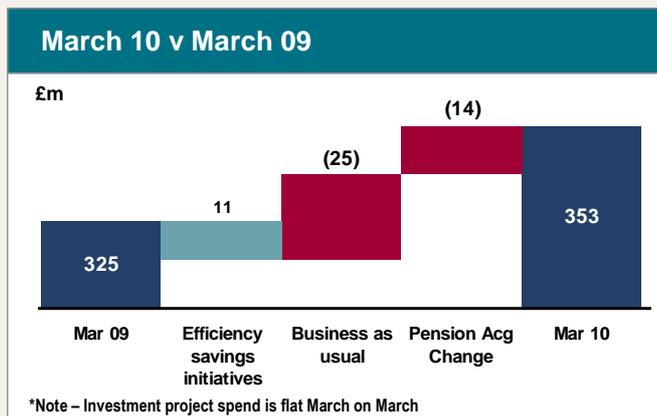


Note: Stable funding index and funding mix charts based on based on spot balances.

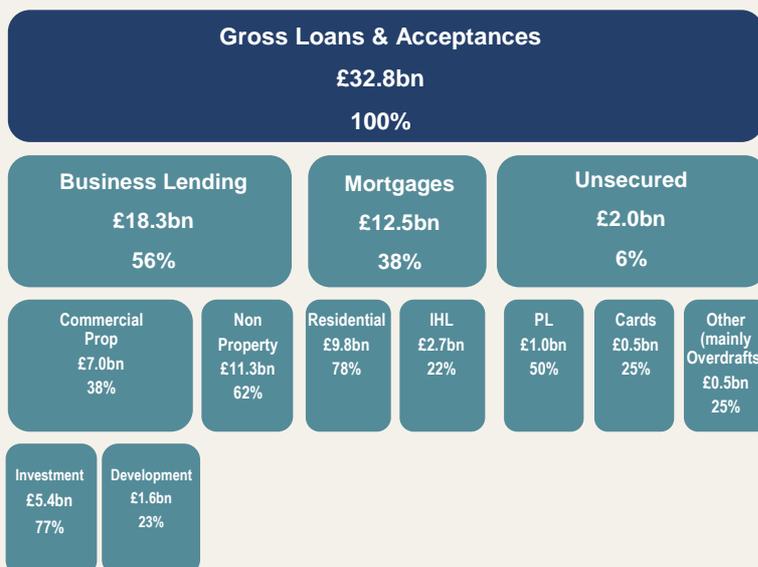
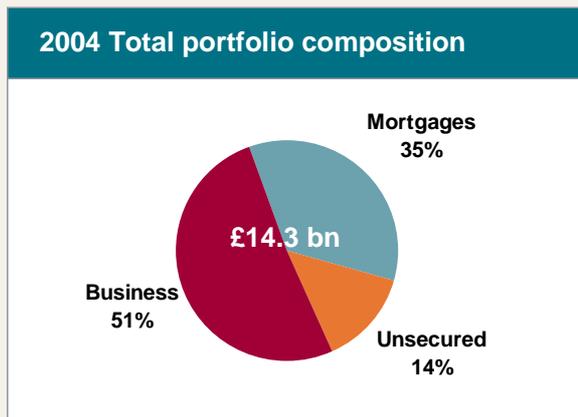
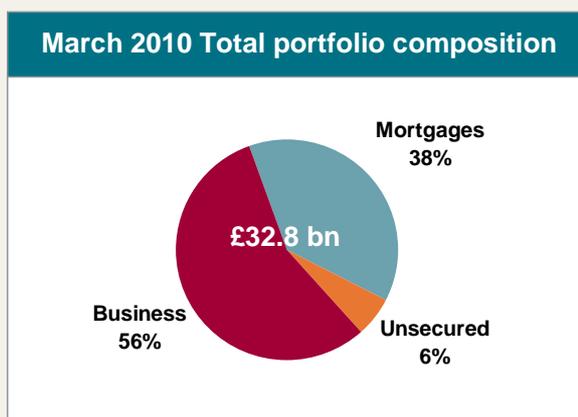
# UK Banking: Other Operating Income



# UK Banking: Operating expenses

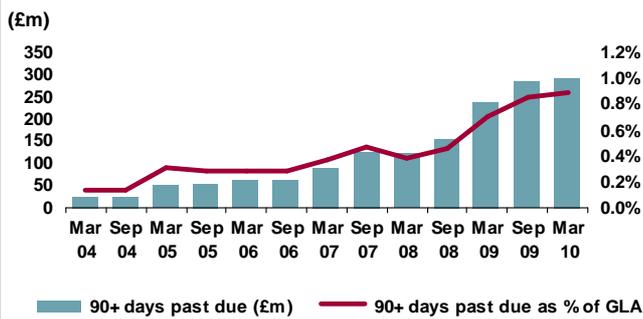


# UK portfolio composition

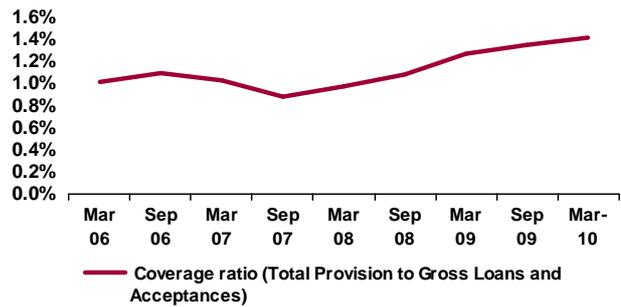


# UK Banking: Asset quality

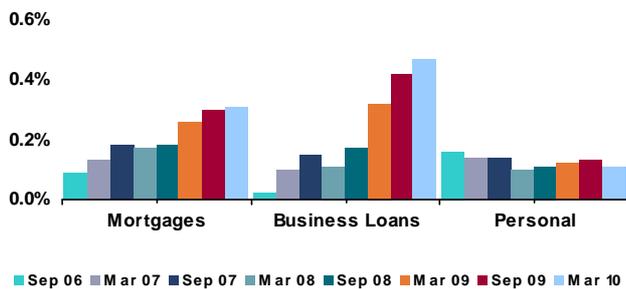
## Total 90+ days past due as % gross loans & acceptances



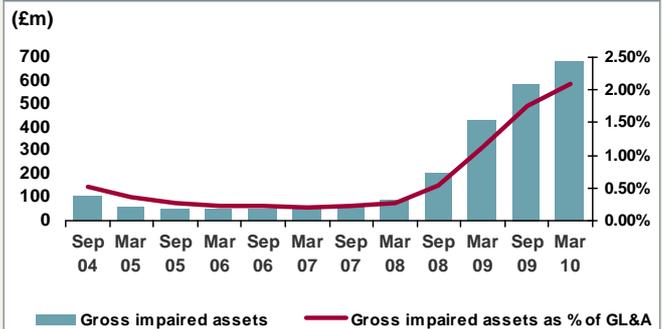
## Coverage ratio



## 90+ days past due as a % of gross loans and acceptances by product



## Gross impaired assets



# National Australia Bank

## Additional Information

Business Banking

Personal Banking

Wholesale Banking

UK Banking

**NZ Banking**

MLC & NAB Wealth

Specialised Group Assets

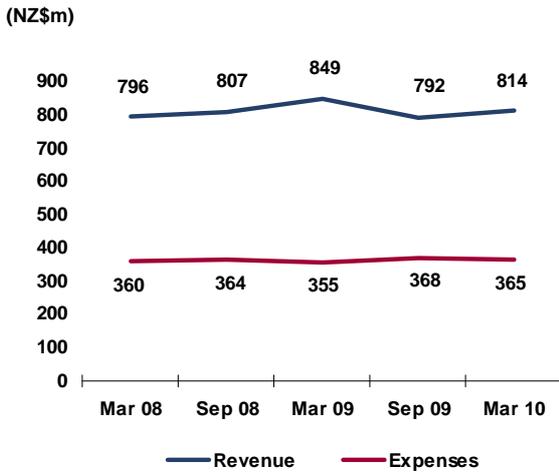
Asset Quality

Capital and Funding

Economic Outlook

# New Zealand Banking

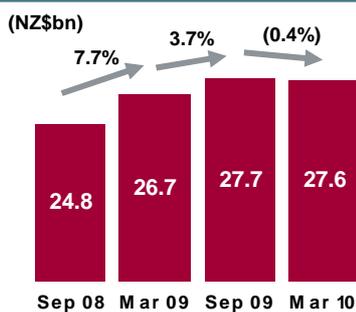
## NZ Banking – Revenue v Expense growth



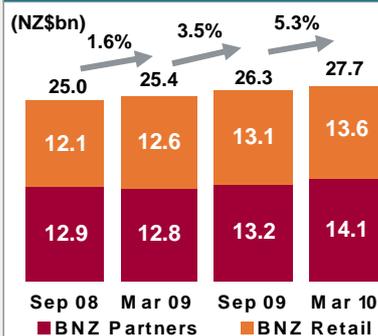
- ▶ Cash earnings up 7.1% v September 09 half
- ▶ Cash earnings down 8.6% v PCP driven by high funding costs and a weak business credit environment
- ▶ Adapting to slow NZ economic recovery and an evolving regulatory environment
  - > Focus on funding has seen diversification and lengthening of the term funding profile, impacting net interest income
  - > Successful portfolio approach to margin management as asset re-pricing initiatives are helping offset higher funding costs
  - > Successfully growing retail deposits to improve customer funding ratios
  - > Consistently flat costs while reinvesting in the business
  - > B&DDs in line with prior year
- ▶ Strategic agenda
  - > Consistent strategic themes of culture, simplification and new revenue and the core philosophy of putting the customer at the forefront of everything the Bank does
  - > Enhancement of Group 'iFS' model (as "BNZ Partners") with the integration of Corporate Banking and the opening of new business centres
  - > The transformation of the retail franchise continues offering customers an experience more akin to retail shopping
  - > Continued focus on building people capability, the culture of simplification and customer satisfaction

# New Zealand Banking

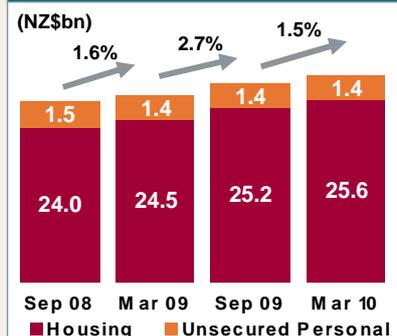
## Business lending



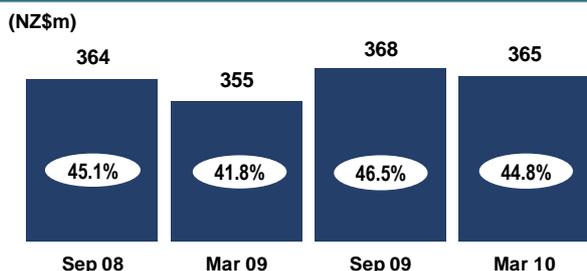
## Retail deposits



## Retail lending



## Costs



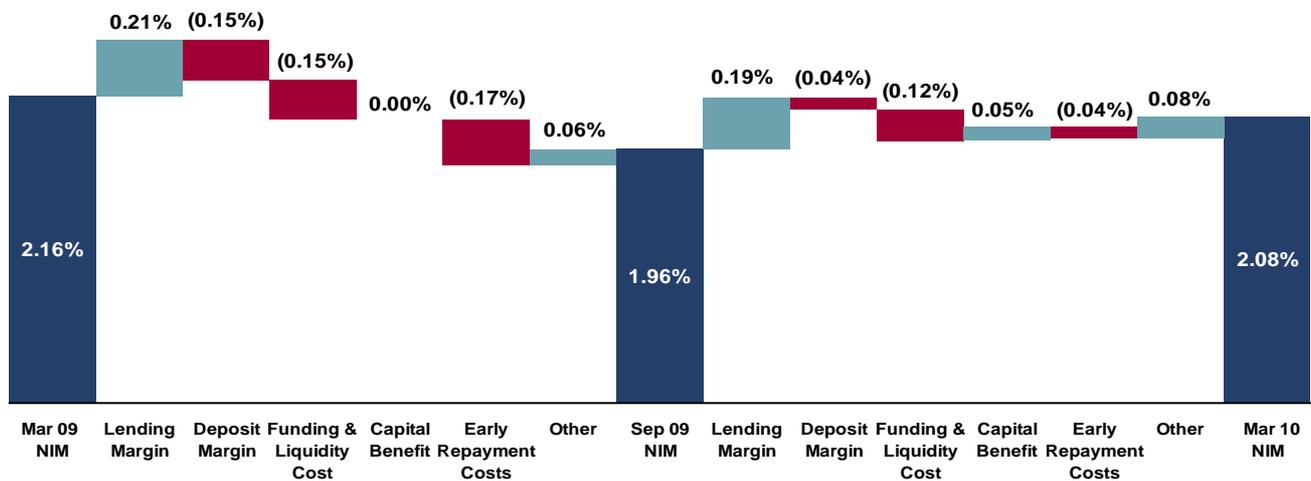
## Net interest margin



X% Cost to Income Ratio

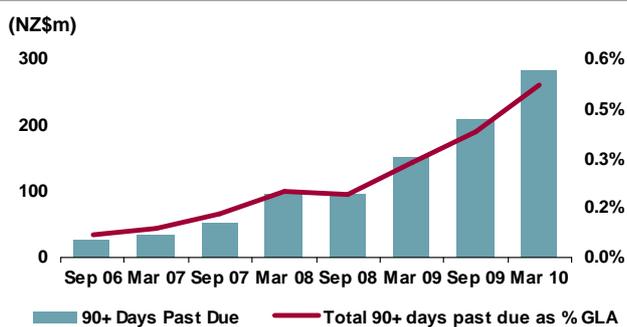
# New Zealand Banking: Net interest margin

## Attribution analysis



# New Zealand Banking: Asset Quality

## Total 90+ days past due as % GLAs



- ▶ The increase in 90+ Days Past Due is in line with the credit cycle, having moved off the historically low base
- ▶ The rate of growth in impaired assets has slowed compared to the prior two halves reflecting early signs of stabilisation
- ▶ The increase in lead indicators is primarily in commercial property, business lending and agriculture

## Gross impaired assets as % GLAs



- ▶ Write-offs have increased but still remain low due to the strength of the Bank's front line business credit analysis and credit risk management function
- ▶ BNZ's historically conservative approach to lending has positioned it well in the current market environment

## Additional Information

Business Banking  
 Personal Banking  
 Wholesale Banking  
 UK Banking  
 NZ Banking

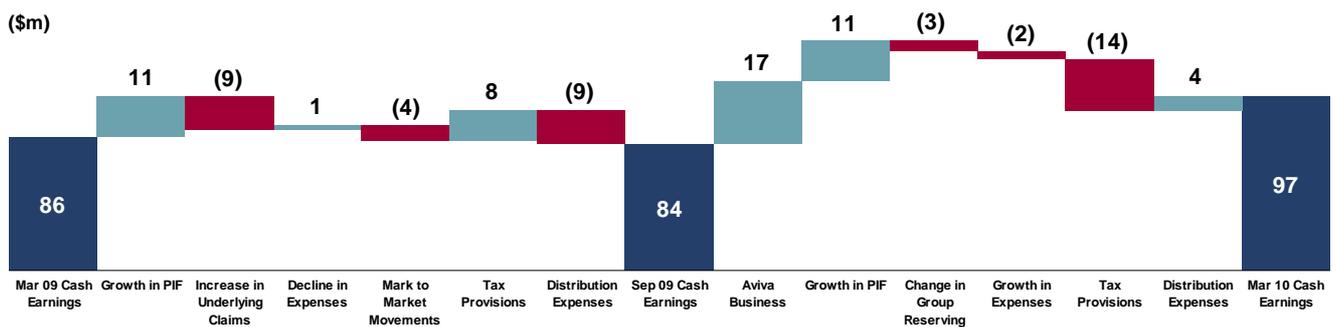
## MLC & NAB Wealth

Specialised Group Assets  
 Asset Quality  
 Capital and Funding  
 Economic Outlook

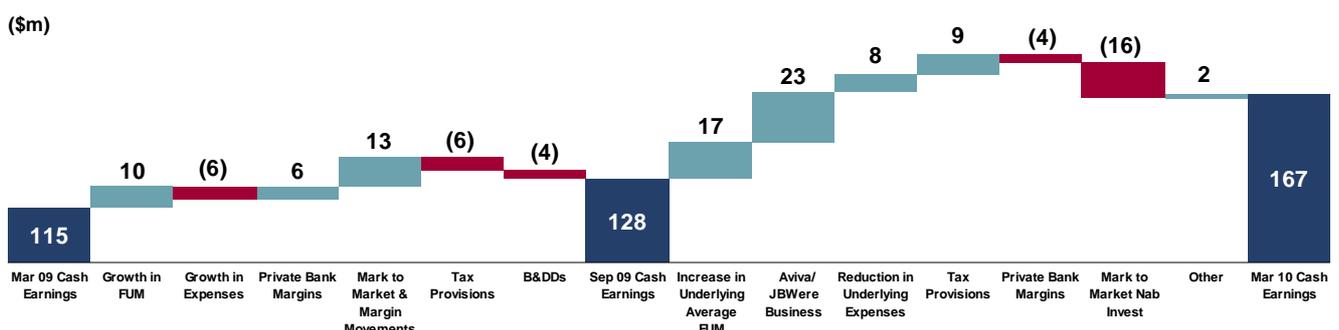


## MLC & NAB Wealth

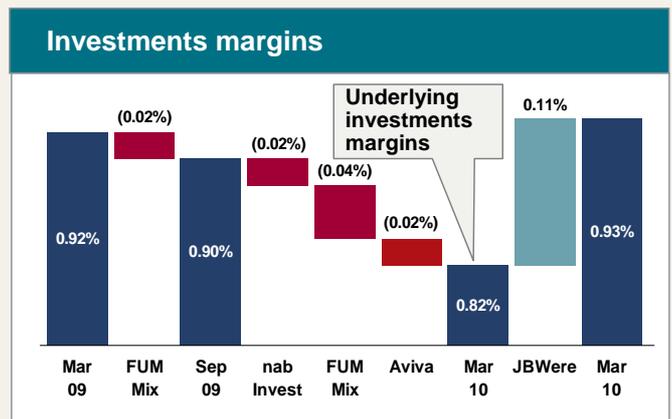
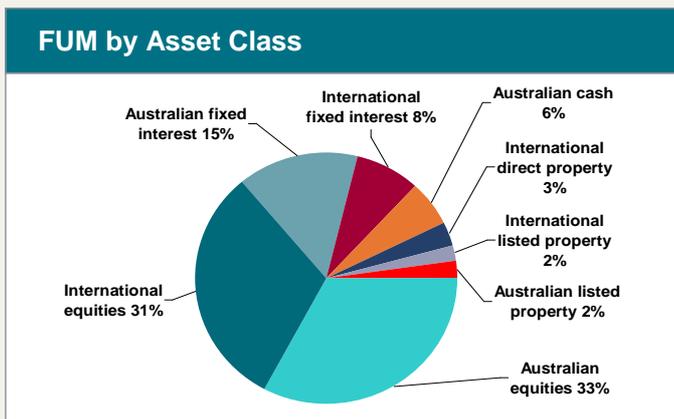
### Insurance cash earnings



### Investments & Private Wealth cash earnings



# MLC & NAB Wealth



- ▶ JBWere and Private Banking funds under advice not included in reported FUM
- ▶ FUM by asset class for MLC (excluding nabInvest and Aviva)

- ▶ nabInvest FUM not included in the Sep 09 balance.
- ▶ FUM mix has decreased margins due to increased wholesale flows in 1H10 - into JANA and Plum products
- ▶ The Aviva platforms business has lower margins than the MLC portfolio and hence dilutes margins
- ▶ JBWere results included in 1H10 with no impact to FUM

## National Australia Bank

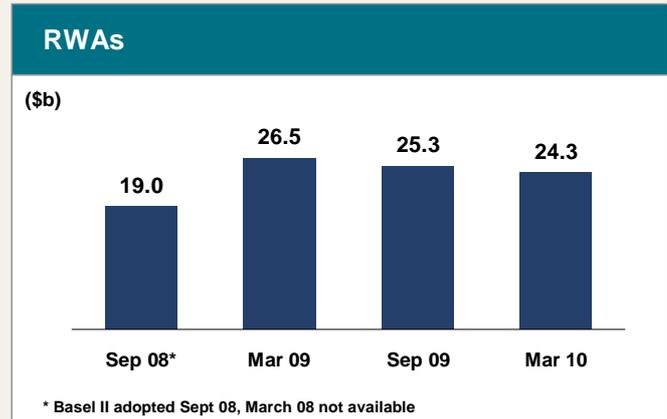
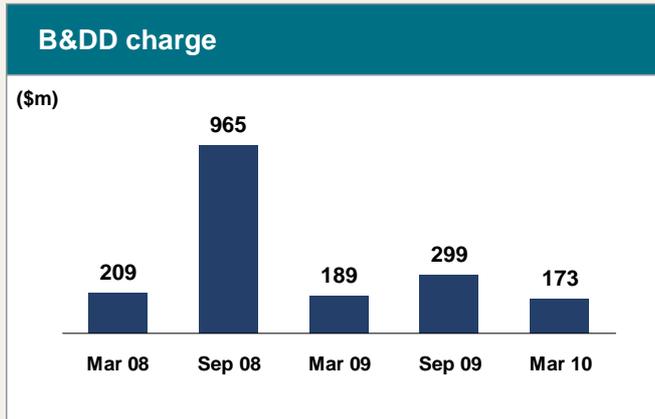
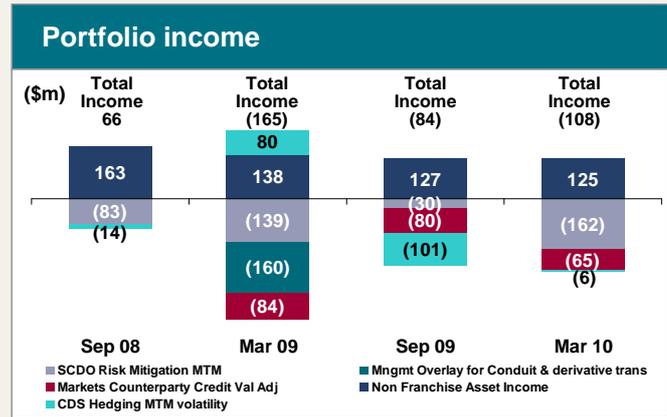
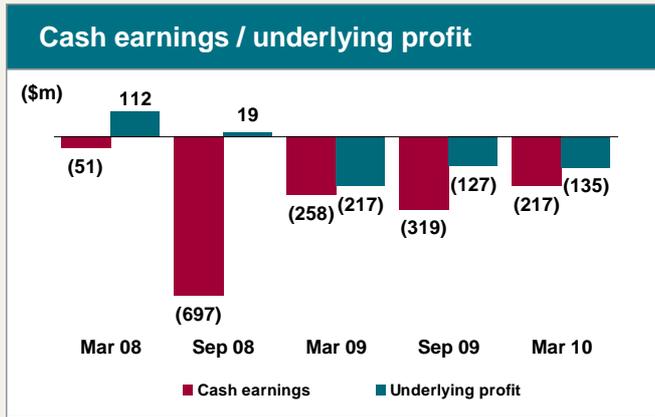
### Additional Information

- Business Banking
- Personal Banking
- Wholesale Banking
- UK Banking
- NZ Banking
- MLC & NAB Wealth

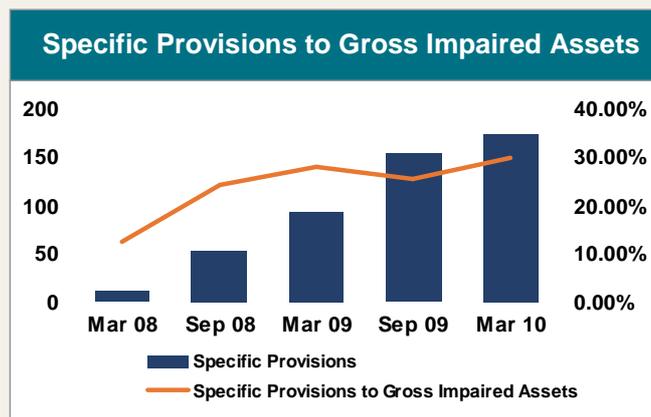
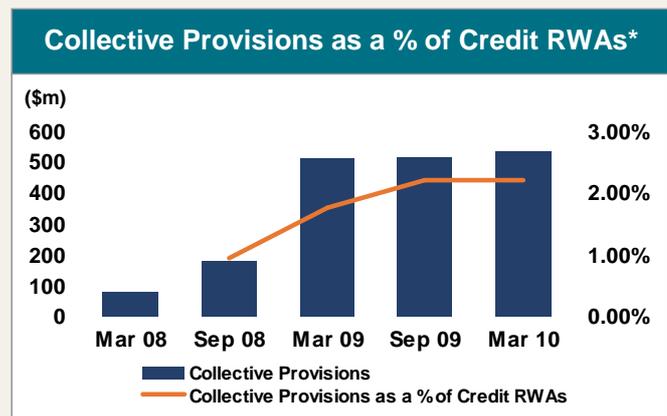
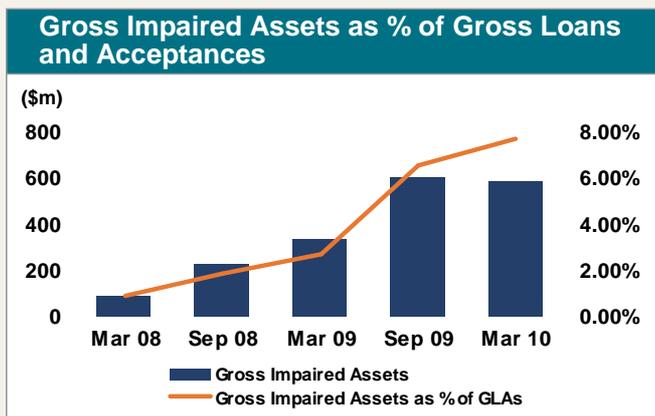
### Specialised Group Assets

- Asset Quality
- Capital and Funding
- Economic Outlook

# Specialised Group Assets

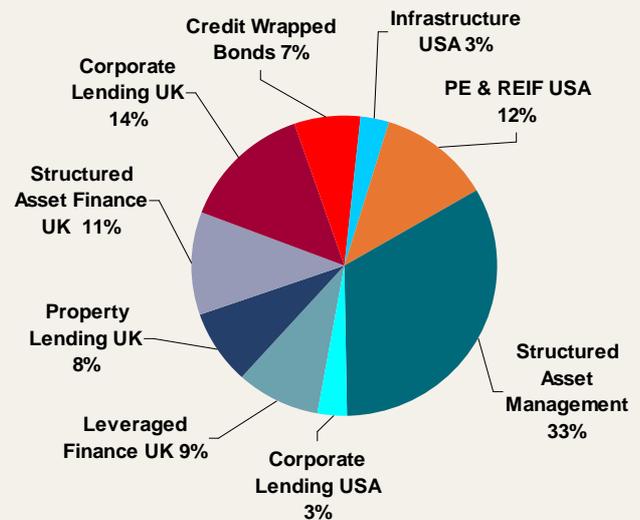


# Specialised Group Assets



## Portfolio Composition as at 31 March 2010

	Total Commitments (A\$bn)	Total Provisions (specific & collective)* (A\$m)	Average Contractual Tenor (years)
Leveraged Finance UK	1.5	109	4.6
Property Lending UK	1.3	119	2.2
Structured Asset Finance UK	1.9	28	14.7
Corporate & NBF I Lending UK	2.4	93	2.4
Credit Wrapped Bonds	1.1	1	5.6
Infrastructure USA	0.5	4	8.2
PE & REIF USA	2.0	28	1.1
Structured Asset Management	5.5	94	13.5
Corporate Lending USA	0.6	2	2.1
<b>Total Commitments</b>	<b>16.8</b>	<b>n/a</b>	<b>n/a</b>
<b>Total Provisions</b>	<b>n/a</b>	<b>478</b>	<b>n/a</b>



65 \* Excludes \$114m of specific provisions on Investments – Held to Maturity not included in coverage ratios



## Portfolio Composition - Credit profile

- ▶ 63% of commitments relate to Investment Grade equivalent clients or transactions

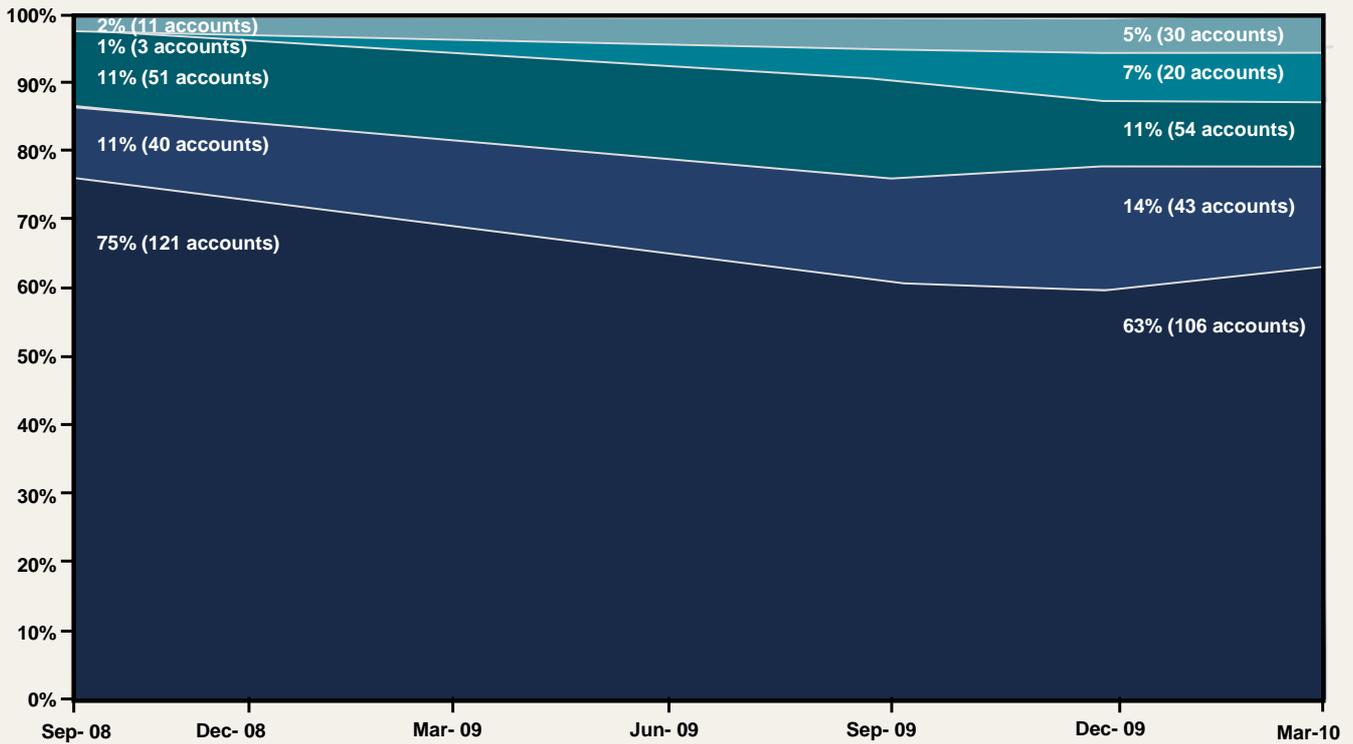
(A\$bn)	Investment Grade AAA/BBB-	Non-Investment Grade BB+/BB	Non-Investment Grade BB-/B+	Non-Investment Grade B+/CCC-	Default or restructure D
Leveraged Finance UK	0.0	0.3	0.9	0.2	0.1
Property Lending UK	0.3	0.2	0.5	0.1	0.2
Structured Asset Finance UK	1.6	0.2	0.0	0.0	0.1
Corporate & NBF I Lending UK	0.9	0.9	0.2	0.2	0.2
Credit Wrapped Bonds	1.1	0.0	0.0	0.0	0.0
Infrastructure USA	0.3	0.0	0.2	0.0	0.0
PE & REIF USA	1.6	0.2	0.0	0.2	0.0
Structured Asset Management	4.2	0.7	0.0	0.3	0.3
Corporate Lending USA	0.4	0.1	0.1	0.0	0.0
<b>Total Commitments</b>	<b>10.4</b>	<b>2.6</b>	<b>1.9</b>	<b>1.0</b>	<b>0.9</b>
<b>Total RWAs</b>	<b>9.1</b>	<b>4.5</b>	<b>3.6</b>	<b>4.2</b>	<b>2.9</b>
<b>Total Provisions*</b>	<b>0.013</b>	<b>0.029</b>	<b>0.049</b>	<b>0.158</b>	<b>0.231</b>
<b>Number of Accounts</b>	<b>106</b>	<b>43</b>	<b>54</b>	<b>20</b>	<b>30</b>
<b>Number of Close Review Clients</b>	<b>0</b>	<b>3</b>	<b>8</b>	<b>18</b>	<b>30</b>

66 All data as at 31 March 2010  
Investment grades equivalent of external ratings  
\* Excludes \$114m of specific provisions on Investments – Held to Maturity not included in coverage ratios



# Portfolio Composition - Credit quality

- AAA/BBB- rating
- BB+/BB- rating
- BB-/B+ rating
- B+/CCC- rating
- D rating

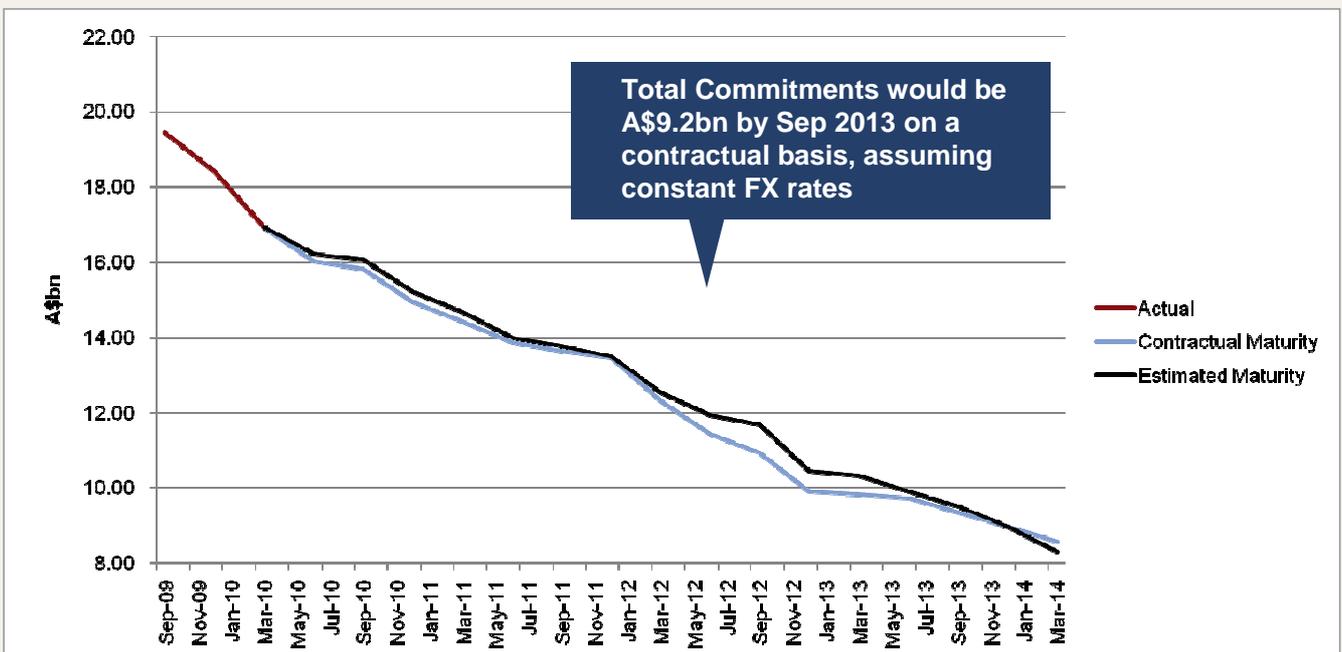


67 Investment grades equivalent of external ratings



# Portfolio Composition Contractual Maturity Profile - Commitments

- ▶ Actual commitments have decreased from September 2009 largely due to the weakening of both USD and GBP against the AUD as well as through repayments and decreased commitments
- ▶ The contractual maturity profile differs to the estimated maturity profile due to potential refinancing risks for a number of clients. The weighted average contracted maturity of portfolio is 7.8 years



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# SGA Structured Asset Management Portfolio

## Overall performance – 1H10

- ▶ Portfolio A\$5.5bn at 31 Mar 10 (\$6.1bn Sep 09)
- ▶ Portfolio performance in 1H10 as expected: downgrades and credit events largely as anticipated
- ▶ Ongoing close management attention

## SCDOs - \$1.5bn

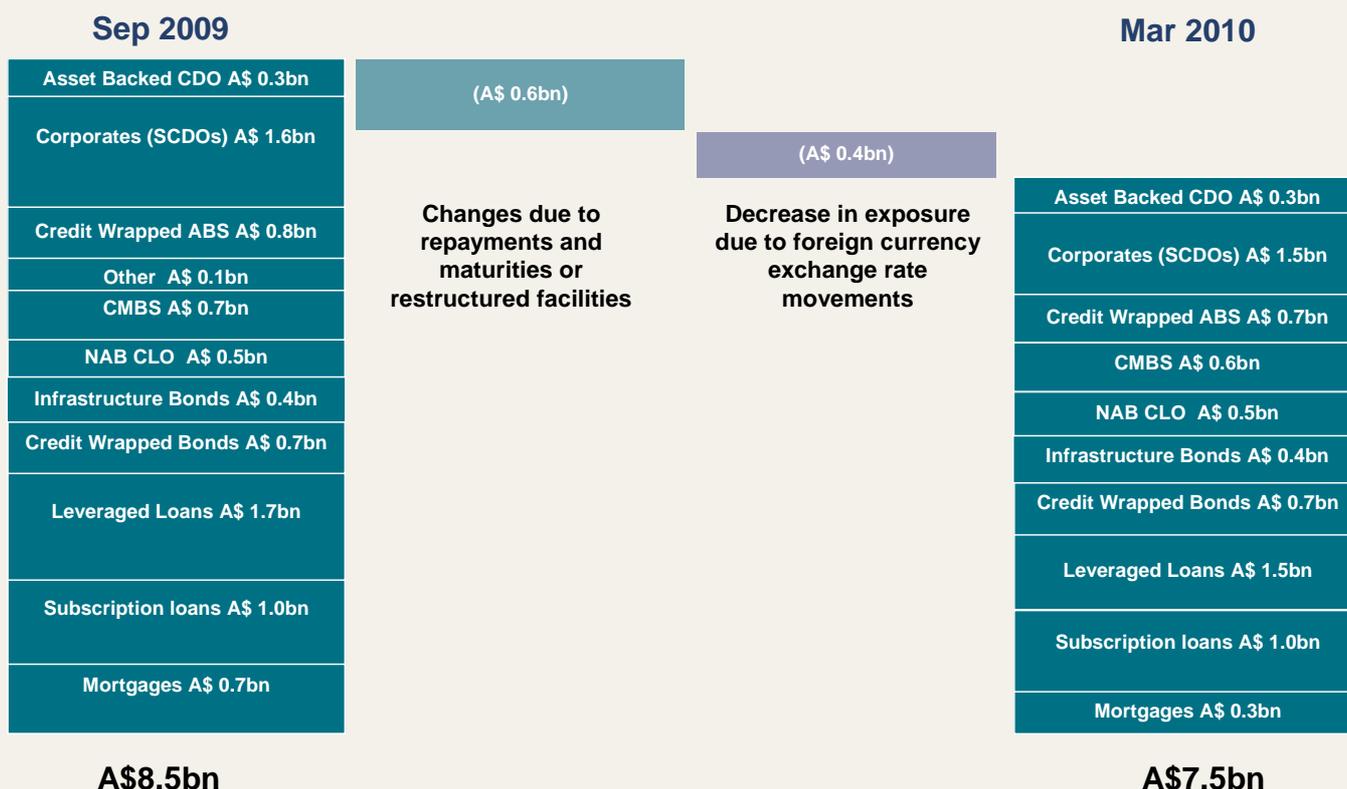
- ▶ 5 credit events affecting all SCDOs – all credit events were expected
- ▶ Internal and external SCDOs ratings and underlying portfolios have stabilised (internal and external ratings are now generally in the BB to A range)
- ▶ Market values of all six transactions have significantly benefited from corporate credit spread tightening. The three shorter-dated transactions have also benefited from roll-down (shorter time to maturity)
- ▶ Three of the six original CLNs have incurred losses or are expected to incur losses pending settlement of the recent Ambac Credit Event. Related hedges are paying as expected

## Credit Wrapped ABS - \$0.7bn

- ▶ One portfolio policy provider (AMBAC) defaulted in March. The other (MBIA) is still performing
- ▶ Reserves remain adequate and assume insurer defaults with limited recovery

## SGA Conduit Portfolio Summary

### Movements between September 2009 and March 2010



## Structured Asset Management Portfolio Summary Corporates (SCDOs) – A\$1.5bn (as at 31 March 2010)

	Deal 1	Deal 2	Deal 3	Deal 4	Deal 5	Deal 6
Tranche size	A\$273 (US\$250m)	A\$218 (US\$200m)	A\$218 (US\$200m)	A\$300m	A\$233 (NZ\$300m)	A\$300m
Portfolio Notional Amount (A\$b)	\$50	\$20	\$18	\$29	\$22	\$27
Attachment Point – 31 March 2010	3.58%	4.59%	5.93%	8.60%	5.64%	8.43%
Detachment Point – 31 March 2010	4.14%	5.68%	7.19%	9.64%	6.71%	9.56%
Tranche Thickness	0.56%	1.09%	1.26%	1.04%	1.07%	1.13%
Recovery Rate	70%	50%	40%	Floating	Floating	Floating
Maturity (years)	3.97	3.48	3.73	7.27	7.02	7.29
Number of Reference Entities	113	130	132	106	118	101
Individual Exposure Weighting	Max: 1.78% Avg: 0.88% Min: 0.22%	Max: 1.37% Avg: 0.77% Min: 0.27%	Max: 1.78% Avg: 0.76% Min: 0.34%	Max: 1.56% Avg: 0.94% Min: 0.26%	Max: 1.39% Avg: 0.85% Min: 0.16%	Max: 1.69% Avg: 0.99% Min: 0.28%
Portfolio Weighted Average Rating (30 Sept 09/31 March 2010)	BB/BB+	BB+/BBB-	BBB-/BBB-	BBB-/BBB-	BBB-/BBB	BB+/BBB-
Pre risk mitigation activity - Number of credit events to incur loss at average/maximum concentration (assuming 20% recovery for deals 4, 5 and 6)	3.9/2.0	nil	1.6/0.7	4.3/2.9	nil	nil
Number of credit events to incur loss at average/maximum concentration (assuming 20% recovery for deals 4, 5 and 6)	13.5/6.7	11.9/6.7	13.0/5.6	11.4/6.9	8.3/5.1	10.6/6.2
Rating 30 Sept 09 (external/internal)	BBB-/-/BBB-	A-/BBB-	AA+/-/BBB	AA-/-/BBB-	A-/BBB-	BBB+/-/BBB-
Rating 31 March 2010 (external/internal)	BBB-/BB	BBB+/BBB-	A-/BBB	BB+/A	BB/BBB-	BB/BBB-

- ▶ Internal ratings have held steady or improved in most cases. External ratings on 5 of 6 CSOs were downgraded during the half year period.
- ▶ What to expect in the future
  - > Defaults of names under pressure with concurrent reduction in credit enhancement expected and modelled in NAB's ongoing assessment of the transactions;
  - > Continued active management of portfolio (using internal and external resources) to reduce exposure to riskiest names and improve overall credit quality of positions.

## Structured Asset Management Portfolio Summary Credit Wrapped ABS – A\$0.7bn

	Portfolio 1	Portfolio 2
Current NAB Exposure	A\$408m (US\$373m)	A\$305m (US\$279m)
Average Portfolio Rating (Moody's/S&P) *excludes Portfolio Policy, includes Bond Level Policies	B1/BB-	B3/B-
Portfolio Guarantor (Moody's/S&P)	MBIA (B3/BB+)	AMBAC (Caa2/D)
% of Underlying Asset with Wrap	50.7%	33.5%
<b>Asset Breakdown</b>		
Residential Mortgage Backed Security*	35.5%	49.8%
Commercial Mortgage Backed Security	0.0%	5.1%
Insurance	13.3%	2.7%
Student Loan	6.0%	26.6%
Collateralized Debt Obligation	24.3%	0.0%
Transportation & Other ABS	20.9%	15.8%

- ▶ NAB owns a pro-rata share of two RMBS/ABS portfolios with concentrations to US residential mortgage-backed securities;
- ▶ At issue, all bonds in the portfolios were rated AAA/Aaa by S&P and Moody's either directly or as the result of an insurance policy;
- ▶ In addition to the bond-level policies covering a portion of each portfolio, there are portfolio-wide policies from AMBAC and MBIA that serve as insurance against loss;
- ▶ \$90m provision charge in 2H09 relating to expected monoline default;
- ▶ In March 2010, AMBAC defaulted on certain policies in Portfolio 2:
  - > No material change in existing provisioning, as default was expected;
  - > RWA increased by approximately \$1.2bn.

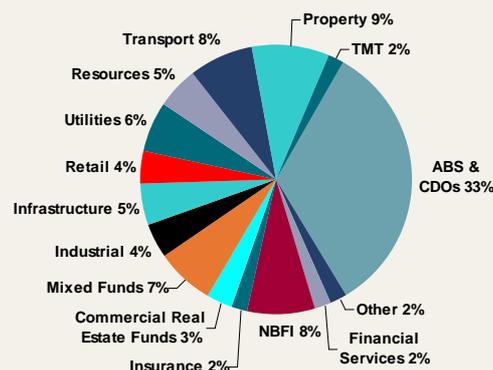
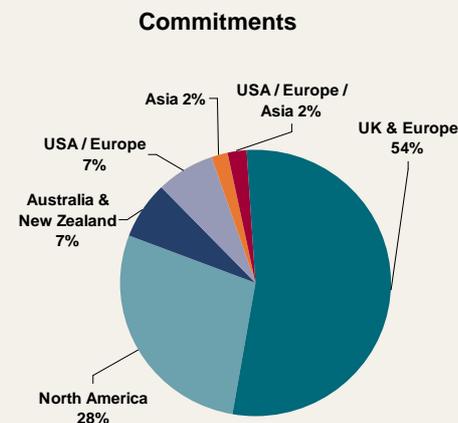
# SGA Portfolio Composition

## Commitments by Geography of Risk

	Commitments (\$bn)	RWAs (\$bn)
UK & Europe	9.1	12.7
North America	4.8	8.3
Australia & New Zealand	1.1	1.1
USA/ Europe	1.1	1.1
Asia	0.4	0.6
USA/ Europe/ Asia	0.3	0.5
<b>Total</b>	<b>16.8</b>	<b>24.3</b>

## Commitments by Sector of Risk

	Commitments (\$bn)	RWAs (\$bn)	Collective Provisions (\$m)	Specific Provisions* (\$m)
Financial Services	0.3	0.1	1.2	0.0
NBFI	1.3	1.4	29.0	54.3
Insurance	0.4	1.4	13.1	0.0
Commercial Real Estate Funds	0.5	1.1	0.2	0.0
Mixed Funds	1.2	1.2	0.0	0.0
Industrial	0.7	1.3	22.2	12.4
Infrastructure	0.8	0.5	2.2	0.0
Retail	0.6	1.1	24.5	2.7
Utilities	1.0	0.8	0.7	0.0
Resources	0.9	0.6	4.6	0.0
Transport	1.3	2.2	52.8	0.0
Property	1.5	2.2	38.3	98.0
TMT	0.4	0.8	9.2	5.3
ABS & CDOs	5.5	8.9	94.3	0.0
Other	0.4	0.7	13.2	0.1
<b>Total</b>	<b>16.8</b>	<b>24.3</b>	<b>305.5</b>	<b>172.8</b>



73 All data as at 31 March 2010  
\* Excludes \$114m of specific provisions on Investments – Held to Maturity not included in coverage ratios



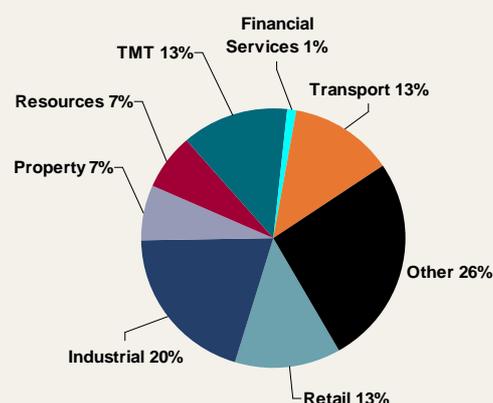
# Leveraged Finance UK Portfolio

**Description:** the UK leveraged finance book was mostly originated between 2005-7 to finance syndicated Leveraged Buy-Outs (LBOs).

No. of Clients	41	Commitments Drawn Balance	\$1.5bn \$1.4bn	Credit RWA	\$3.6bn
No. of Close Review Clients	11	Close Review Commitments	\$321m	Avg* contractual maturity	4.6 yrs
*weighted average by commitment					

## Sector Analysis

	Commitments (\$bn)	Collective Provisioning (\$m)	Specific Provisioning (\$m)
Retail	0.2	12.1	2.7
Industrial	0.3	14.9	12.4
Property	0.1	16.2	-
Resources	0.1	4.1	-
TMT	0.2	5.5	5.3
Financial Services	0.02	1.0	-
Transport	0.2	21.7	-
Other	0.4	13.1	0.2
<b>Total</b>	<b>1.5</b>	<b>88.6</b>	<b>20.6</b>



74 All data as at 31 March 2010



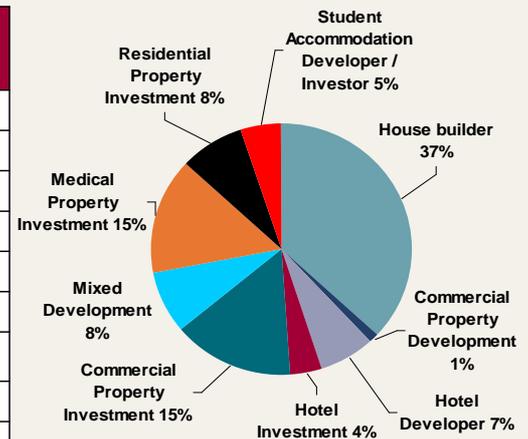
## Property UK Portfolio

**Description:** syndicate and bilateral loans made to national and regional house builders, institutional clients and developers on a secured or unsecured basis. All assets are located within the UK.

No. of Clients	22	Commitments Drawn Balance	\$1.3bn \$1.1bn	Credit RWA	\$1.6bn
No. of Close Review Clients	14	Close Review Commitments	\$751m	Avg* contractual maturity	2.2 yrs
				*weighted average by commitment	

### Sector Analysis

	Commitments (\$bn)	Collective Provisioning (\$m)	Specific Provisioning (\$m)
House builder	0.5	4.7	14.2
Hotel Investment	0.05	1.7	-
Commercial Property Investment	0.2	5.0	-
Mixed Development	0.1	9.2	37.9
Medical Property Investment	0.2	0.2	-
Residential Property Investment	0.1	0.2	-
Student Accommodation Developer/Investor	0.07	0.4	-
Commercial Property Development	0.02	0.0	24.8
Hotel Developer	0.1	0.0	21.1
<b>Total</b>	<b>1.3</b>	<b>21.4</b>	<b>98</b>



75 All data as at 31 March 2010

National Australia Bank

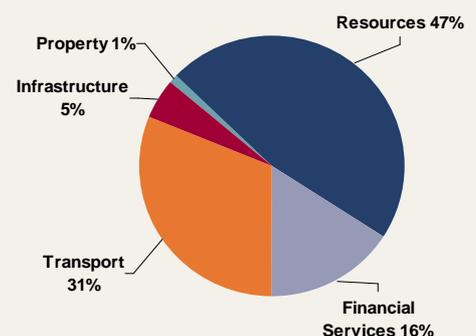
## Structured Asset Finance Portfolio

**Description:** Structured finance and operating leases involving mobile infrastructure assets (i.e. ships, trains, helicopters, etc.) or loans to such structures.

No. of Clients	21	Commitments Drawn Balance	\$1.9bn \$1.9bn	Credit RWA	\$1.8bn
No. of Close Review Clients	1	Close Review Commitments	\$54m	Avg* contractual maturity	14.7yrs
				*weighted average by commitment	

### Sector Analysis

	Commitments (\$bn)	Collective Provisioning (\$m)	Specific Provisioning (\$m)
Property	0.03	0.0	-
Resources	0.9	0.6	-
Financial Services	0.3	0.1	-
Transport	0.6	26.8	-
Infrastructure	0.1	0.0	-
<b>Total</b>	<b>1.9</b>	<b>27.5</b>	<b>-</b>



76 All data as at 31 March 2010

National Australia Bank

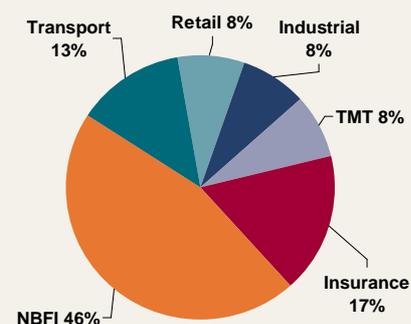
## UK Corporate & NBFi Lending Portfolio

**Description:** Corporate loans and funding facilities for non-bank financial institutions. Largely based in the UK, across a broad mix of industries.

No. of Clients	44	Commitments Drawn Balance	\$2.4bn \$2.0bn	Credit RWA	\$3.8bn
No. of Close Review Clients	13	Close Review Commitments	\$803m	Avg* contractual maturity	2.4 yrs
				*weighted average by commitment	

### Sector Analysis

	Commitments (\$bn)	Collective Provisioning (\$m)	Specific Provisioning (\$m)
Retail	0.2	11.6	-
Industrial	0.2	6.5	-
TMT	0.2	3.7	-
Insurance	0.4	13.2	-
NBFi	1.1	1.0	54.4
Transport	0.3	2.3	-
<b>Total</b>	<b>2.4</b>	<b>38.3</b>	<b>54.4</b>



77 All data as at 31 March 2010

 National Australia Bank

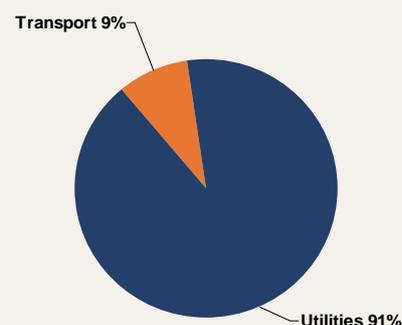
## Credit Wrapped Bonds Portfolio

**Description:** transactions where corporate bond issuers add a monoline insurance company guarantee in order to credit enhance bonds to achieve a higher external rating and better market pricing. The monoline insurance is not factored into the credit rating.

No. of Clients	6	Commitments Drawn Balance	\$1.1bn \$1.1bn	Credit RWA	\$1.0bn
No. of Close Review Clients	-	Close Review Commitments	-	Avg* contractual maturity	5.6 yrs
				*weighted average by commitment	

### Sector Analysis

	Commitments (\$bn)	Collective Provisioning (\$m)	Specific Provisioning (\$m)
Transport	0.1	0.8	-
Utilities	1.0	0.6	-
<b>Total</b>	<b>1.1</b>	<b>1.4</b>	<b>-</b>



78 All data as at 31 March 2010

 National Australia Bank

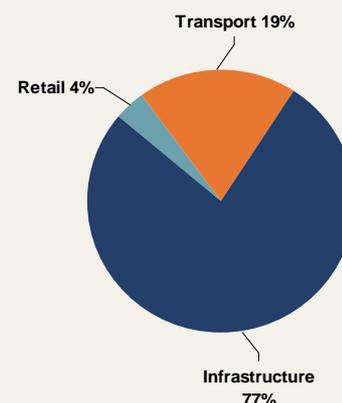
## Infrastructure USA Portfolio

**Description:** portfolio consists of essential infrastructure assets across both the USA and Canada, in both operating and construction phases.

No. of Clients:	13	Commitments Drawn Balance	\$0.5bn \$0.4bn	Credit RWA	\$0.6bn
No. of Close Review Clients:	1	Close Review Commitments	\$23m	Avg* contractual maturity	8.2 yrs
				*weighted average by commitment	

### Sector Analysis

	Commitments (\$bn)	Collective Provisioning (\$m)	Specific Provisioning (\$m)
Retail	0.02	0.4	-
Infrastructure	0.4	2.2	-
Transport	0.1	1.2	-
<b>Total</b>	<b>0.5</b>	<b>3.8</b>	<b>-</b>



79 All data as at 31 March 2010

 National Australia Bank

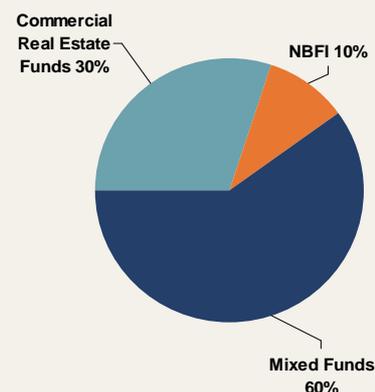
## Private Equity & Real Estate Investment Funds Portfolio

**Description:** Bridging loans and markets facilities to pooled investment funds used for making debt and equity investments primarily in global real estate assets.

No. of Clients	36	Commitments Drawn Balance	\$2.0bn \$1.7bn	Credit RWA	\$2.8bn
No. of Close Review Clients	1	Close Review Commitments	\$211m	Avg* contractual maturity	1.1 yrs
				*weighted average by commitment	

### Sector Analysis

	Commitments (\$bn)	Collective Provisioning (\$m)	Specific Provisioning (\$m)
Commercial Real Estate Funds	0.6	0.2	-
Mixed Funds	1.2	0.0	-
NBFI	0.2	28.1	-
<b>Total</b>	<b>2.0</b>	<b>28.3</b>	<b>-</b>



80 All data as at 31 March 2010

 National Australia Bank

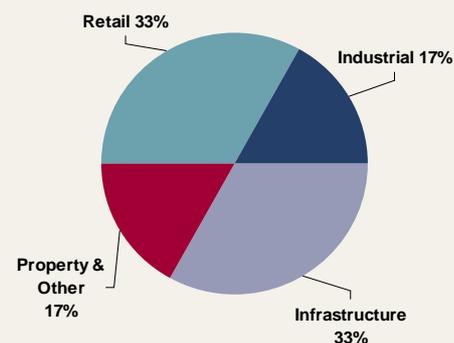
## Corporate Lending USA Portfolio

**Description:** Senior secured and unsecured credit facilities across various sectors within the US including Retail, Industrial, Infrastructure and Property.

No. of Clients	19	Commitments Drawn Balance	\$0.6bn \$0.1bn	Credit RWA	\$0.3bn
No. of Close Review Clients	-	Close Review Commitments	-	Avg* contractual maturity	2.1 yrs
				*weighted average by commitment	

### Sector Analysis

	Commitments (\$bn)	Collective Provisioning (\$m)	Specific Provisioning (\$m)
Retail	0.2	0.5	-
Industrial	0.1	0.7	-
Infrastructure	0.2	0.0	-
Property & Other	0.1	0.8	-
<b>Total</b>	<b>0.6</b>	<b>2.0</b>	<b>-</b>



81 All data as at 31 March 2010

National Australia Bank

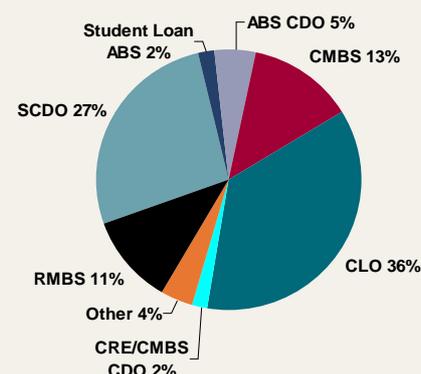
## Structured Asset Management Portfolio

**Description :** CDOs, residential mortgage backed securities ("RMBS"), commercial mortgage backed securities ("CMBS") and other asset backed securities. ABS CDOs were mostly written off in 2008.

No. of Transactions	35	Commitments Drawn Balance	\$5.5bn \$5.5bn	Credit RWA	\$8.9bn
No. of Close Review Clients	3	Close Review Commitments	\$555m	Avg* contractual maturity	13.5 yrs
				*weighted average by commitment	

### Sector Analysis

	Commitments (\$bn)	Collective Provisioning* (\$m)	Specific Provisioning # (\$m)
ABS CDO	0.3	-	-
CMBS	0.7	-	-
CLO	2.0	-	-
CRE/CMBS CDO	0.1	-	-
Other	0.2	-	-
RMBS	0.6	-	-
SCDO	1.5	-	-
Student Loan ABS	0.1	-	-
<b>Total</b>	<b>5.5</b>	<b>94.3*</b>	<b>-</b>



\* Collective provision is applied to the entire portfolio and is not assigned to individual sectors  
 In addition to the collective provision, there is a further \$160m management overlay for conduits and derivative exposures  
 # Excludes \$114m of specific provisions on Investments – Held to Maturity not included in coverage ratios

82 All data as at 31 March 2010

National Australia Bank

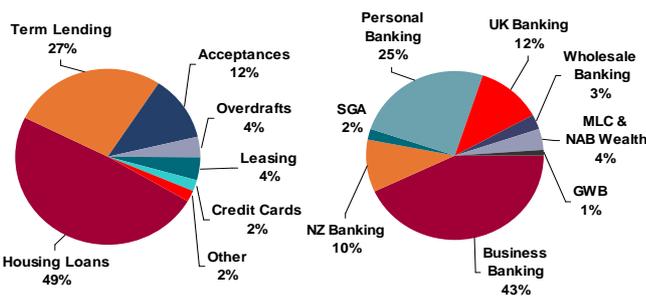
## Additional Information

- Business Banking
  - Personal Banking
  - Wholesale Banking
  - UK Banking
  - NZ Banking
  - MLC & NAB Wealth
  - Specialised Group Assets
- ## Asset Quality
- Capital and Funding
  - Economic Outlook

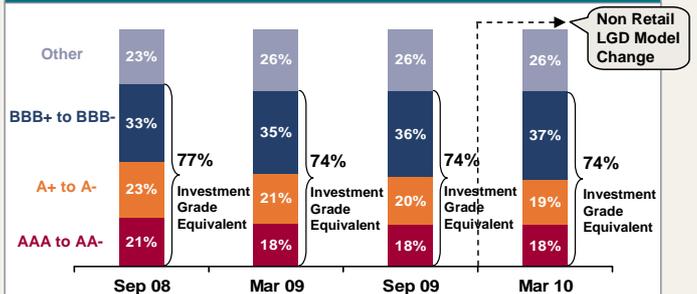


## Group portfolio

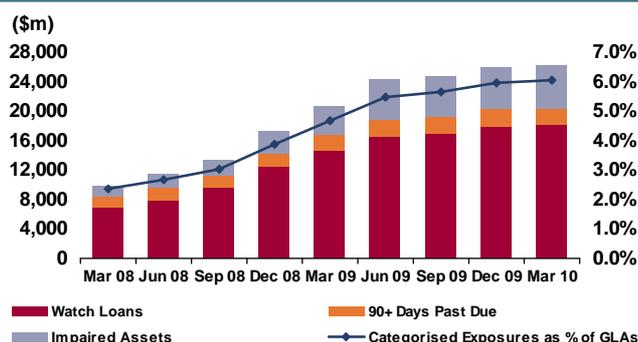
Gross loans and acceptances by product and by business unit as at March 2010



Risk rated non-retail exposures\*



Group Categorised Assets by Balance



Collective Provision balances

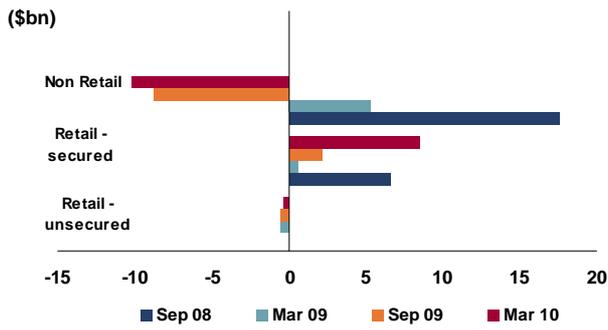


Specific Provision balances

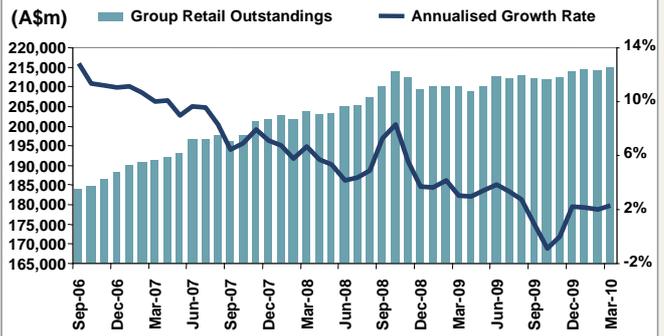


# Group gross loans & acceptances

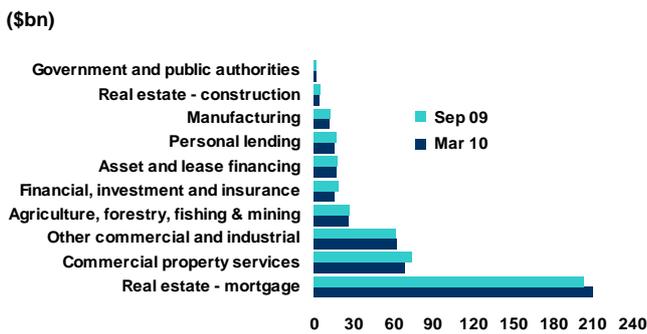
## Group asset composition – growth by product segment



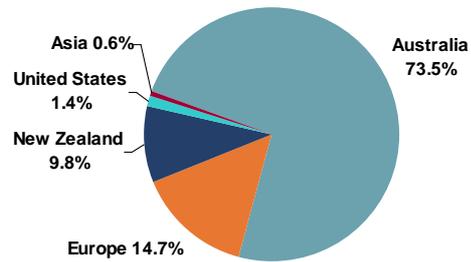
## Retail Portfolio – Outstandings Volume



## Industry balances\*



## Gross loans and acceptances - Geography



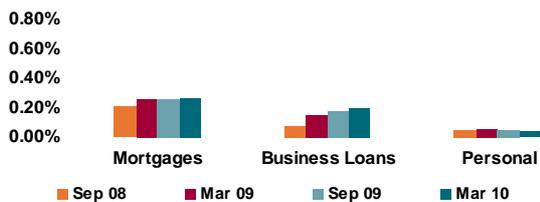
\* Defined by ANZSIC codes

85 Note: These charts use spot exchange rates. Weakening of the Pound Sterling relative to the Australian dollar since September 2008 has partly affected growth rates



# 90+ days past due as a % of GLA

## Group<sup>1</sup>



## Business Banking<sup>1</sup>



## Personal Banking



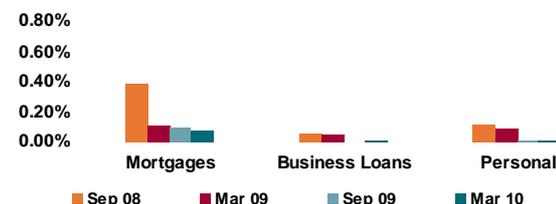
## UK Banking



## NZ Banking



## MLC & NAB Wealth



(1) September 2009 Business Banking mortgages adjusted to include National Portfolio product  
 No change to overall 90+ days past due  
 Note: Wholesale Banking, SGA and GWB have no 90+ DPD loans



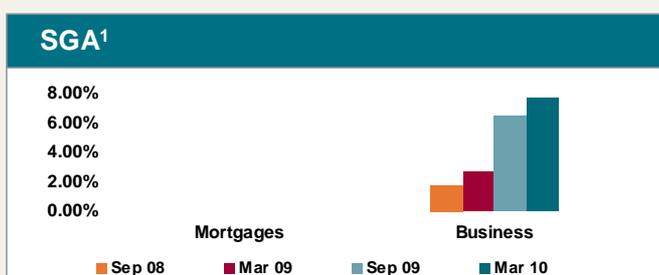
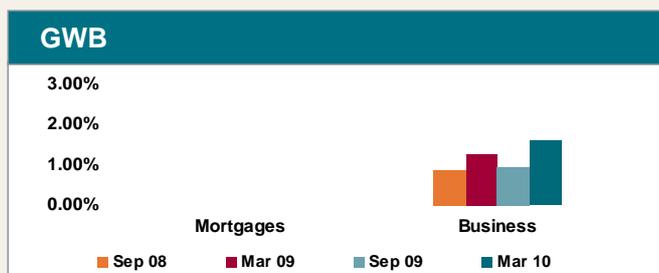
# Impaired assets as a % of GLA



87 (1) September 2009 Business Banking mortgages adjusted to include National Portfolio product. No change to overall impaired assets



# Impaired assets as a % of GLA

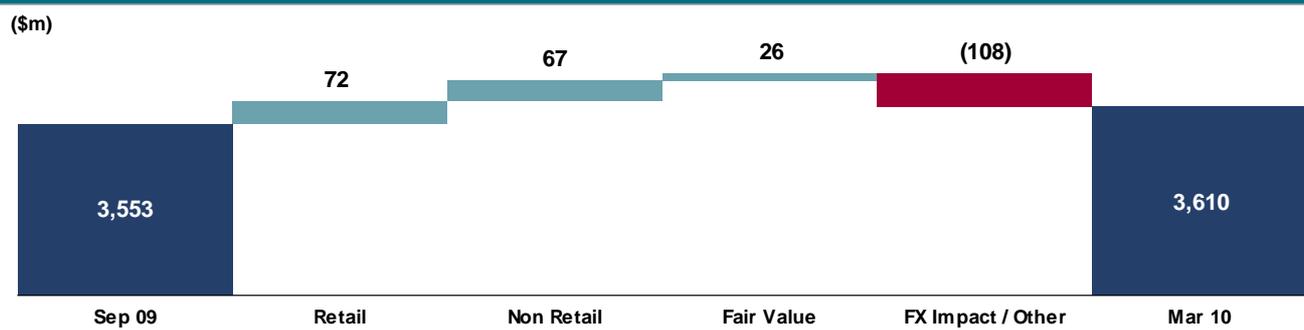


88 (1) SGA does not have any mortgage loans

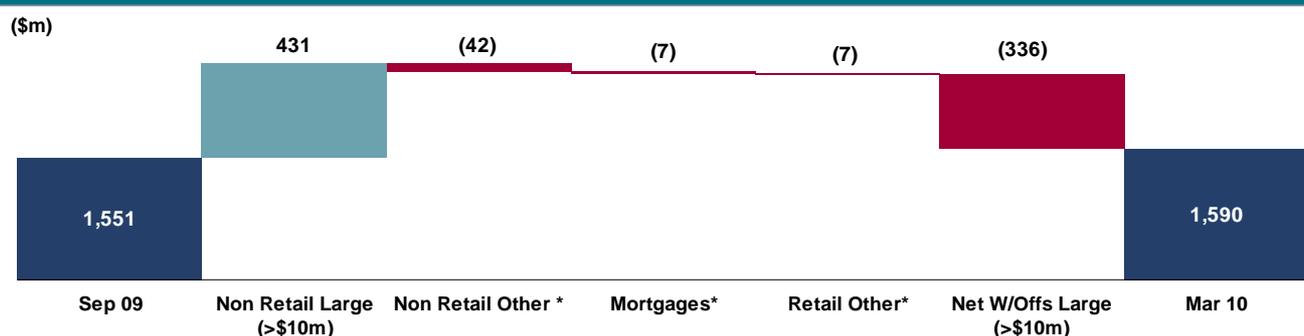


# Attribution analysis

## Collective Provision attribution – Group



## Specific Provision attribution – Group

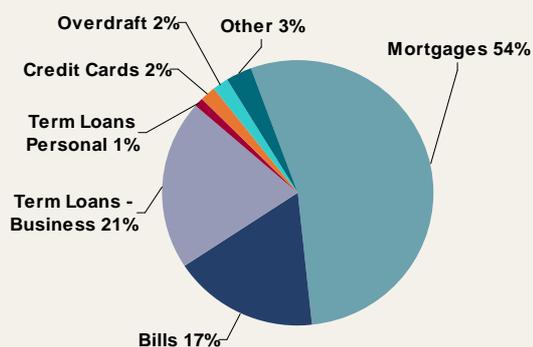


89 \* Net of write-offs



# Business Banking, Personal Banking and NAB Wealth

Portfolio breakdown – total \$311bn



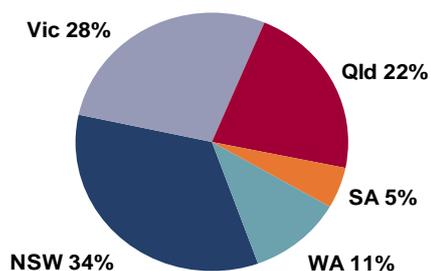
Australian Mortgages	Mar 10	Sep 09	Mar 09
Owner Occupied *	66.9%	66.3%	65.4%
Investment *	33.1%	33.7%	34.6%
Low Document	2.5%	2.0%	2.2%
Proprietary	74.8%	77.2%	76.7%
Third Party Introducer	25.2%	22.8%	23.3%
LMI Insured % of Total HL Portfolio	15.7%	13.8%	13.4%
Loan to Value (at origination) *	67.7%	69.3%	68.3%
Dynamic LVR (Balance to Valuation) % *	54.3%	53.9%	53.5%
Customers ahead 3 repayments or more % *	46.7%	46.4%	45.2%
Average loan size \$ ('000)	\$222.0	\$223.5	\$218.2
90 + days past due	0.56%	0.57%	0.67%
Impaired loans	0.36%	0.43%	0.37%
Specific provision coverage	18.0%	14.9%	14.5%
Loss rate	0.08%	0.09%	0.04%

90 \* Ratios exclude Advantedge mortgages portfolio



## Australia\* Mortgages – \$168bn

### Geography



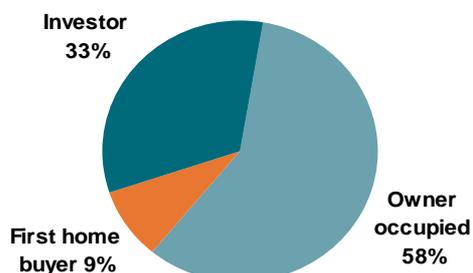
### Low doc loans

- ▶ \$4.2bn outstanding (2.5% of housing book)
- ▶ LVR capped at 60% (without LMI)

### Inner-city apartments#

- ▶ \$5.4bn outstanding
- ▶ Approx 3.2% of housing book

### Customer segment#



### Origination source – flows (Australia)

	Sep 08	Mar 09	Sep 09	Mar 10
Proprietary	77%	81%	81%	75%
Broker	16%	12%	11%	17%
Introducer	7%	7%	8%	8%

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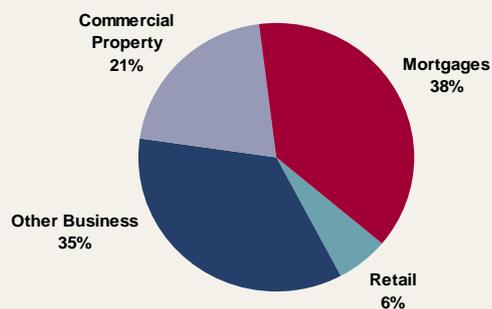


\* Excludes Wholesale Banking  
# Excludes Advantedge mortgage portfolio

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## UK Banking

Portfolio breakdown – total £32.8bn



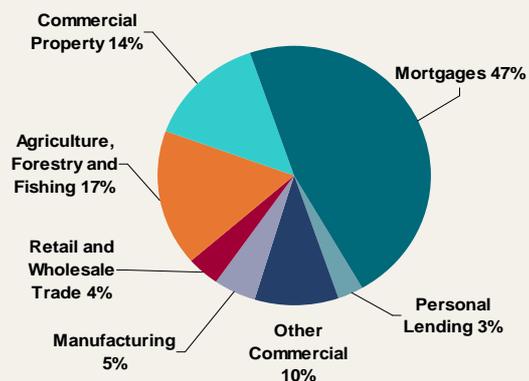
UK Mortgages	Mar 10	Sep 09	Mar 09
Owner Occupied	78%	77%	75%
Investment	22%	23%	25%
Low Document	0%	0%	0%
Proprietary	77%	77%	77%
Third Party Introducer	23%	23%	23%
LMI Insured % of Total HL Portfolio	1%	1%	1%
Loan to Value (at origination)	64%	64%	63%
Loan to Value Indexed	52%	54%	
Average loan size £ ('000)	86	86	87
90 + days past due	0.81%	0.80%	0.75%
Impaired loans	0.24%	0.22%	0.19%
Specific provision coverage	20.0%	30.0%	23.2%
Loss rate	0.06%	0.02%	0.02%

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# New Zealand Banking

Portfolio breakdown – total NZ\$55.0bn



New Zealand Mortgages NZD\$m	Mar 10	Sep 09	Mar 09
Low Document	0.18%	0.14%	0.09%
Proprietary	100%	100%	100%
Third Party Introducer	Nil	Nil	Nil
LMI Insured % of Total HL Portfolio	3.6%	4.0%	4.7%
Loan to Value (at origination)	58.8%	60.7%	61.9%
Average loan size NZ\$ ('000)	236	233	222
90 + days past due	0.38%	0.30%	0.20%
Impaired loans	0.46%	0.43%	0.43%
Specific provision coverage	35.4%	36.4%	29.2%
Loss rate	0.072%	0.040%	0.017%

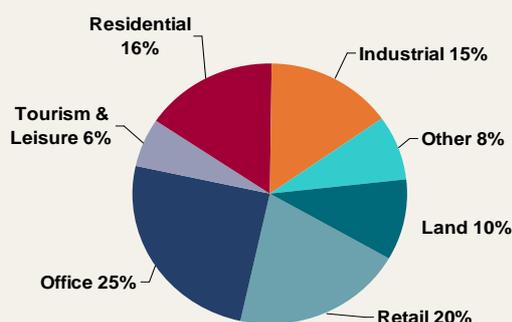
# Commercial Real Estate – Group Summary<sup>1</sup>

Total \$70.6bn

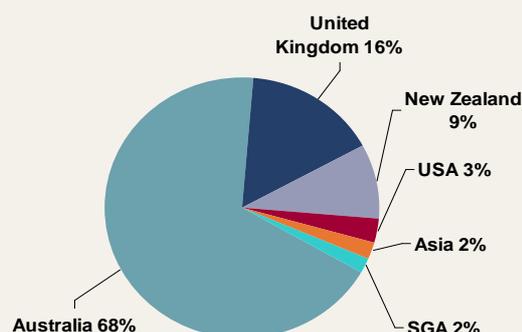
16.2% of Gross Loans & Acceptances

	Aus	UK	NZ	US	Asia	SGA	Total
TOTAL CRE (A\$b)	48.6	11.6	6.2	2.0	1.1	1.1	70.6
% of GLA	15.2%	21.0%	14.5%	33.4%	40.1%	14.5%	16.2%

Group Commercial Property by Type



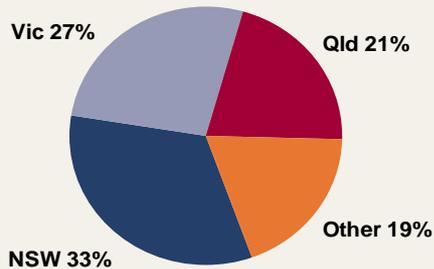
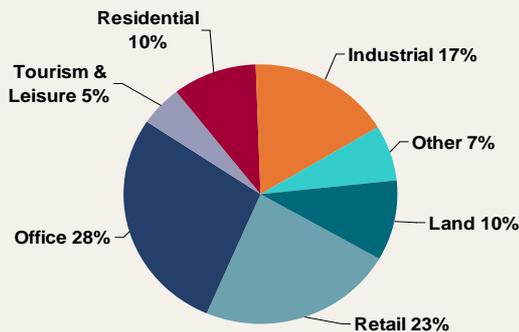
Group Commercial Property by Geography



# Commercial Real Estate – Business Banking

Total \$48.6bn

15.2% of Australian geography Gross Loans & Acceptances



State	NSW	VIC	QLD	Other	Total
Location %	33%	27%	21%	19%	100%
Loan Balance < \$5m	12%	10%	8%	6%	36%
Loan Balance > \$5m < \$10m	5%	3%	3%	2%	13%
Loan Balance > \$10m	16%	14%	10%	11%	51%
Loan tenor < 3 yrs	27%	23%	18%	16%	84%
Loan tenor > 3 < 5 yrs	3%	2%	2%	2%	9%
Loan tenor > 5 yrs	3%	2%	1%	1%	7%
Average loan size	\$2.6m	\$2.3m	\$2.2m	\$2.6m	\$2.4m
Security Level <sup>1</sup> – Fully Secured	24%	20%	16%	14%	74%
Partially Secured	7%	7%	5%	4%	23%
Unsecured	2%	0%	0%	1%	3%
90+ days past due	0.10%	0.06%	0.13%	0.03%	0.32%
Impaired loans <sup>2</sup>	0.36%	0.74%	0.45%	0.24%	1.79%
Specific provision coverage <sup>2</sup>	22.5%	5.9%	22.9%	21.2%	15.6%

Trend	Mar 10	Sep 09	Mar 09	Sep 08
90+ days past due	0.32%	0.21%	0.29%	0.09%
Impaired Loans <sup>2</sup>	1.79%	1.40%	0.41%	0.05%
Specific Provision Coverage <sup>2</sup>	15.6%	10.9%	33.5%	34.0%

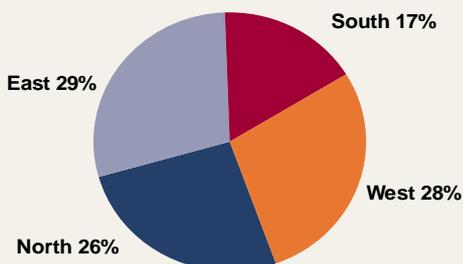
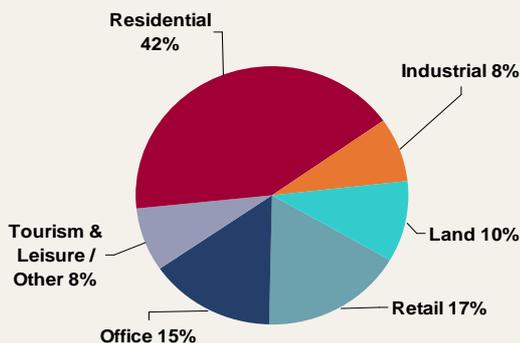
95 (1) Fully Secured represents loans of up to 70% of the Market Value of Security. Partially Secured are over 70%, but not Unsecured. Unsecured is primarily Negative Pledge lending  
 (2) Includes a large Victorian restructured loan in September 2009 and March 2010



# Commercial Real Estate - UK Banking

Total £ 7.0bn

21% of Gross Loans & Acceptances



Region	North	East	South	West	Total
Location %	26%	29%	17%	28%	100%
Loan Balance < £2m	14%	14%	9%	17%	54%
Loan Balance > £2m < £5m	5%	6%	4%	6%	21%
Loan Balance > £5m	7%	9%	4%	5%	25%
Average loan tenor < 3 yrs	7%	10%	7%	12%	36%
Average loan tenor > 3 < 5 yrs	8%	6%	5%	6%	25%
Average loan tenor > 5 yrs	11%	13%	5%	10%	39%
Average customer loan size	£0.70m	£0.75m	£0.87m	£0.70m	£0.74m
Security Level <sup>1</sup> – Fully Secured	13%	15%	10%	16%	54%
Partially Secured	12%	13%	7%	12%	44%
Unsecured	1%	1%	0%	0%	2%

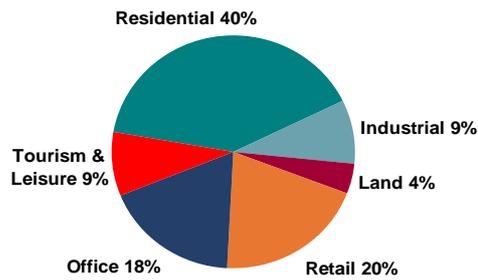
Trend	Mar 10	Sep 09	Mar 09	Sep 08
90+ days past due	1.52%	1.35%	0.68%	0.55%
Impaired Loans	7.15%	5.60%	3.08%	1.28%
Specific Provision Coverage	8.2%	11.8%	12.9%	22.6%

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

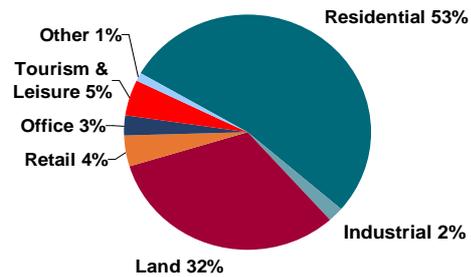


# UK Commercial property investment & development lending

## Investment lending



## Development lending



## Investment lending by balance

Customer Loan Balance £	Size £	% of Commercial Property Portfolio
< 1m	2.1bn	30%
1m > 2m	0.9bn	13%
2m > 5m	1.0bn	15%
5m > 10m	0.5bn	8%
10m > 15m	0.2bn	2%
15m+	0.7bn	10%
<b>Total</b>	<b>5.4bn</b>	<b>78%</b>

## Development lending by balance

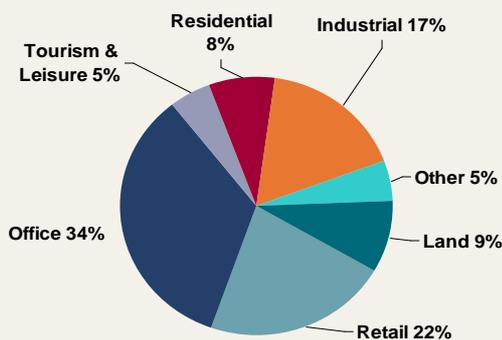
Customer Loan Balance £	Size £	% of Commercial Property Portfolio
< 1m	0.4bn	6%
1m > 2m	0.3bn	5%
2m > 5m	0.4bn	6%
5m > 10m	0.2bn	3%
10m > 15m	0.1bn	1%
15m+	0.1bn	1%
<b>Total</b>	<b>1.5bn</b>	<b>22%</b>

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# Commercial Real Estate – NZ Banking

Total NZ\$8.0bn  
14.5% of Gross Loans & Acceptances



Region	Auckland	Other Regions	Total
Location %	45%	55%	100%
Loan Balance < NZ\$5m	11%	28%	39%
Loan Balance > NZ\$5m < NZ\$10m	4%	7%	11%
Loan Balance > NZ\$10m	30%	20%	50%
Average loan tenor < 3 yrs	38%	44%	82%
Average loan tenor > 3 < 5 yrs	4%	6%	10%
Average loan tenor > 5 yrs	3%	5%	8%
Average loan size	NZ\$4.8m	NZ\$2.2m	NZ\$2.9m
Security Level <sup>1</sup>			
Fully Secured	23%	35%	58%
Partially Secured	17%	16%	33%
Unsecured	5%	4%	9%
90+ days past due	0.40%	0.88%	1.28%
Impaired loans	0.44%	1.33%	1.77%
Specific Provision coverage	39%	17%	23%

Trend	Mar 10	Sep 09	Mar 09	Sep 08
90+ days past due	1.28%	1.11%	0.88%	0.22%
Impaired Loans	1.77%	2.35%	1.20%	0.40%
Specific Provision Coverage	22.6%	28.4%	24.9%	13.3%

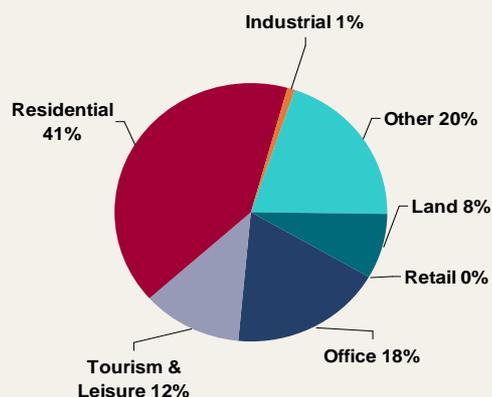
98 (1) Fully Secured represents loans of up to 70% of the Market Value of Security. Partially Secured are over 70%, but not Unsecured. Unsecured is primarily Negative Pledge lending



# Commercial Real Estate – SGA<sup>1</sup>

Total £0.7bn (\$1.1bn)

14.5% of Gross Loans & Acceptances



Region	Scotland	North	South	London	Other	Total
Location %	6%	28%	5%	21%	40%	100%
Loan Balance < £2m	1%	1%	0%	0%	1%	3%
Loan Balance > £2m < £5m	2%	5%	0%	2%	1%	10%
Loan Balance > £5m	3%	22%	5%	19%	38%	87%
Average loan tenor < 3 yrs	3%	22%	5%	8%	36%	74%
Average loan tenor > 3 < 5 yrs	3%	6%	0%	13%	4%	26%
Average loan tenor > 5 yrs	0%	0%	0%	0%	0%	0%
Average customer loan size						£26m
Security Level <sup>2</sup>						
Fully Secured						21%
Partially Secured						59%
Unsecured						20%
Specific Provision Coverage						38%

Trend	Mar 10	Sep 09	Mar 09
90+ days past due	-	-	-
Impaired Loans	23.4%	13.1%	12.9%
Specific Provision Coverage	38.4%	24.9%	21.6%

(1) Represents SGA – Property Lending UK, which is 8% of SGA total commitments

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



## Additional Information

Business Banking

Personal Banking

Wholesale Banking

UK Banking

NZ Banking

MLC & NAB Wealth

Specialised Group Assets

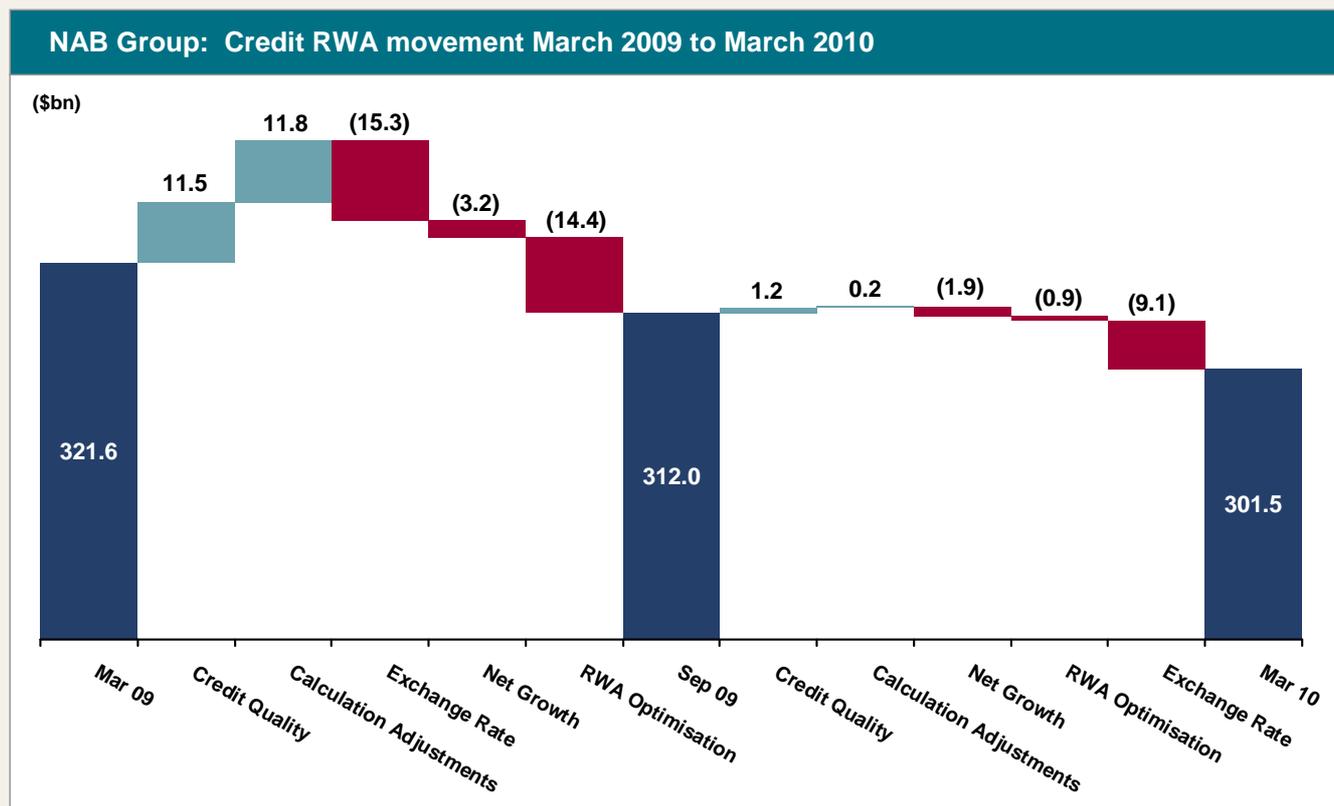
Asset Quality

## Capital and Funding

Economic Outlook



## Credit RWA movement



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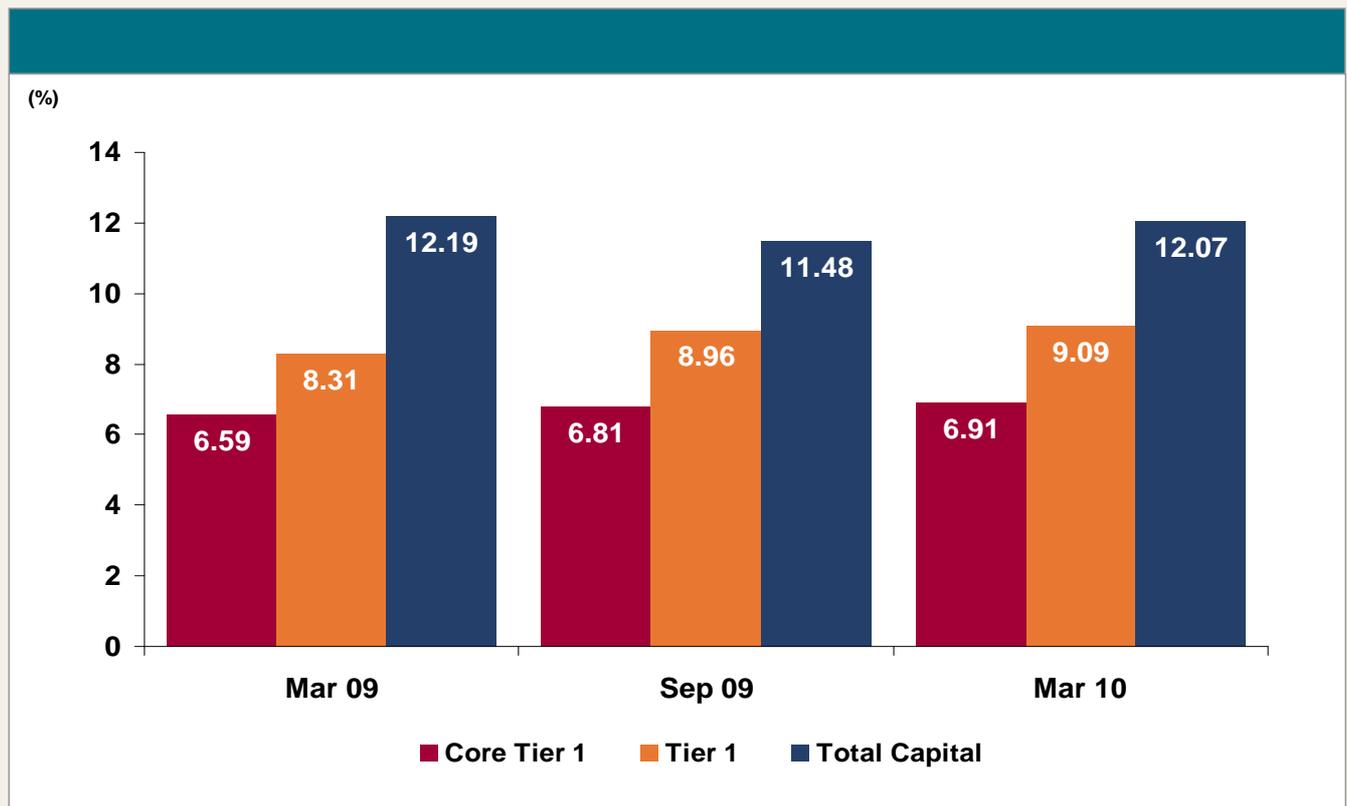
## Regulatory reform

- ▶ Emerging regulatory reform agenda is significant
- ▶ Major Basel proposals released on capital and liquidity in Dec 2009
- ▶ NAB has submitted its Quantitative Impact Study (QIS)
- ▶ Basel Committee targeting finalisation by the end of 2010 with implementation by 2012
- ▶ Timeline is very tight and could be extended
- ▶ Standards are conservatively positioned
- ▶ Potential for recalibration post global QIS (2H 2010)
- ▶ NAB is relatively well positioned for capital proposals relative to global peers
- ▶ Liquidity proposals are highly conservative and implementation is a significant challenge for our sector
- ▶ Sector actively participating in the process and debate

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 National Australia Bank

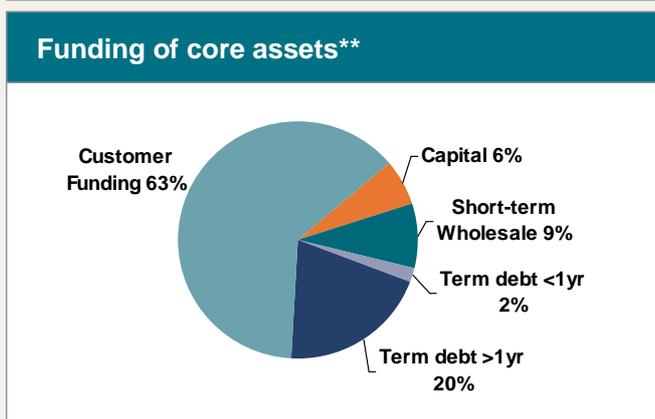
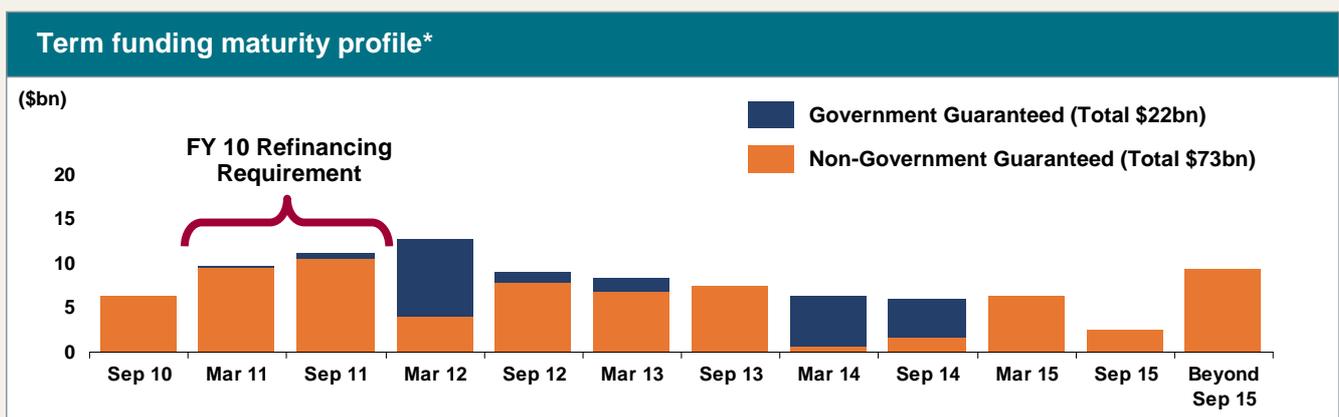
## Group Capital ratios



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## Funding profile remains robust

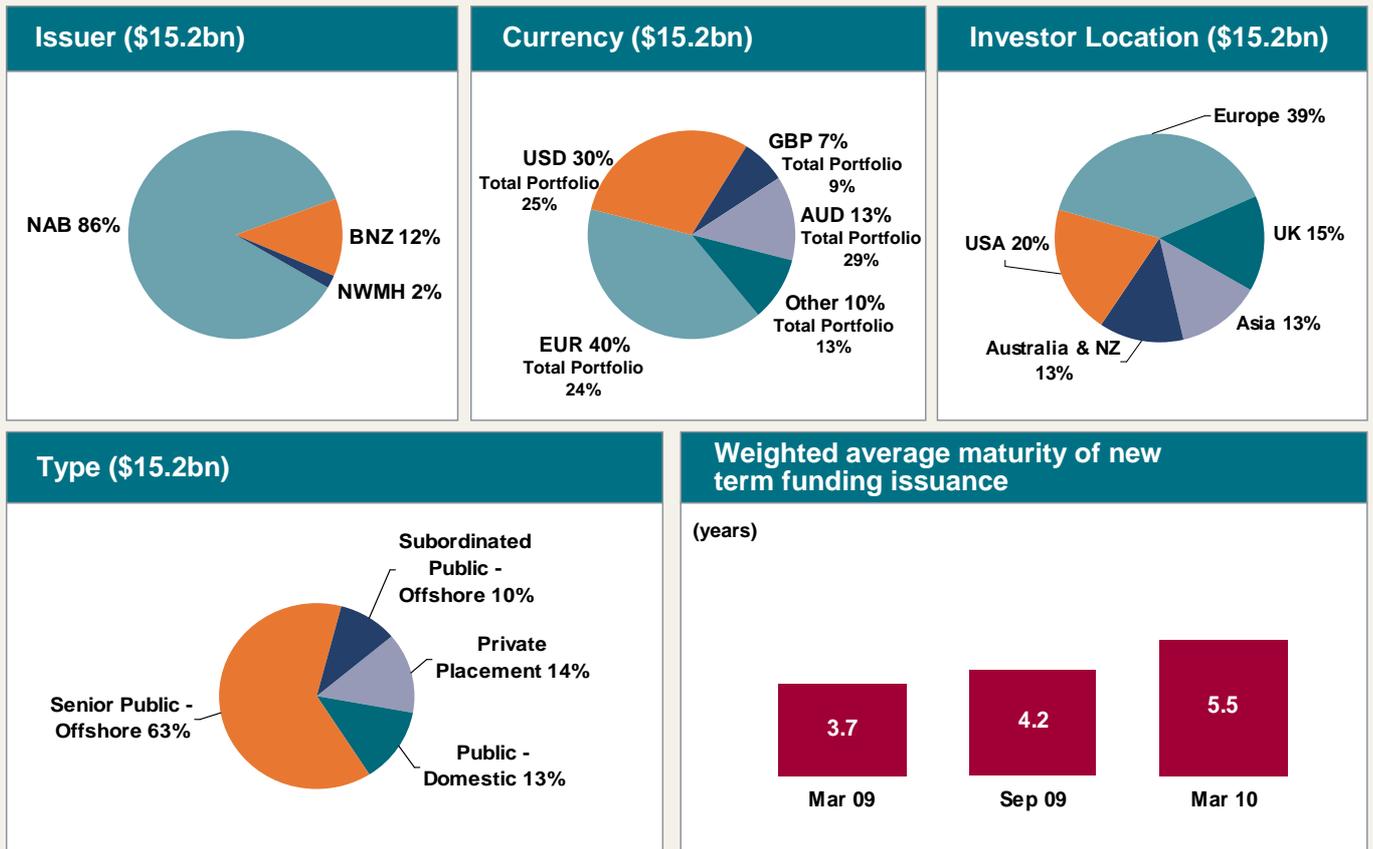


- ▶ The Group's focus is on maintaining a strong SFI
- ▶ Debt that has a remaining term to maturity < 12 months is considered short-term funding under Group metrics
- ▶ FY10 term re-financing requirement is driven by term debt that will roll into the < 12 month maturity category during FY10 and therefore is excluded from the FY10 SFI calculation

\* Based on 31 Mar 2010 exchange rates. Term debt (to call date)  
 \*\* Based on 31 Mar 2010 exchange rates. Term debt (to call date). Term debt includes Hybrids

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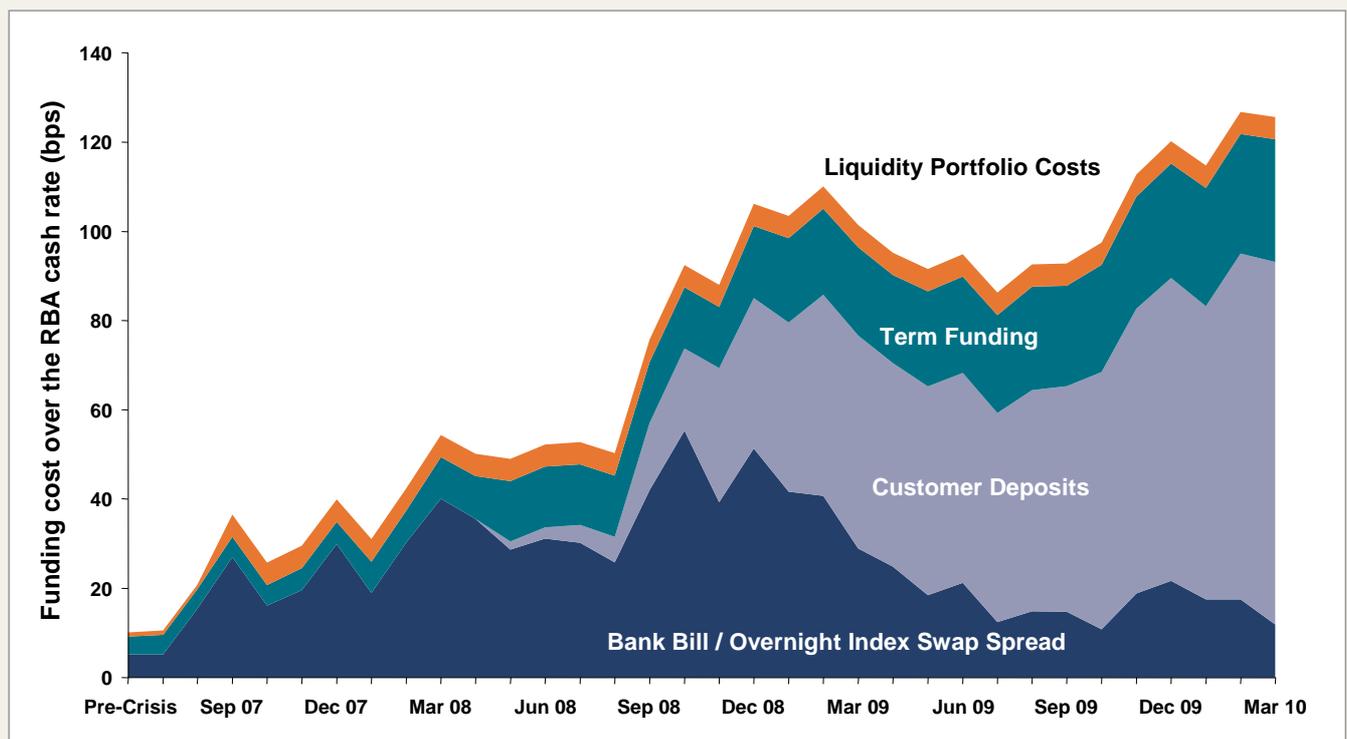
## Diversified funding issuance



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## Funding cost for a variable rate mortgage



**Bank Bill / Overnight Index Swap Spread:** Cost in basis points for NAB to convert 90 day funding into cash rate equivalent

**Customer Deposits:** Additional cost incurred by NAB due to competition for deposits

**Term Funding:** Cost associated with raising term wholesale funding

**Liquidity Portfolio Costs:** Short term funding and liquidity costs associated with funding the balance sheet

106 Based on management estimates  
Note: Applies to NAB Ltd only

National Australia Bank

## UK FSA Capital Comparison – Basel II

- Summarised below are details of current key differences as pertinent to the Group and identified by the ongoing Australian Bankers' Association (ABA) study "Comparison of Regulatory Capital Frameworks – APRA and FSA".<sup>1</sup>

Item	Details of differences	Impact on Bank's Tier 1 capital ratio if FSA rules applied
RWA Treatment – Mortgages,	APRA requires Loss Given Default estimate for loans secured by mortgages to be a minimum of 20% compared to a 10% minimum under FSA rules. This results in lower RWA under FSA rules	Increase
Interest Rate Risk in the Banking Book (IRRBB)	APRA rules require the inclusion of IRRBB within Pillar 1 calculations. This is not required by the FSA and results in lower RWA under FSA rules	Increase
Wealth Value of Business in Force at acquisition	This amount represents the value of business in force (VBIF) at acquisition of MLC, which is an intangible asset. VBIF is deducted from Tier 1 capital under APRA guidelines, whereas under FSA rules, it is deducted from Total Capital	Increase
Estimated Final Dividend	The FSA requires dividends to be deducted from regulatory capital when declared and/or approved. APRA requires dividends to be deducted on an anticipated basis, which is partially offset by APRA making allowance for expected shares to be issued under a dividend re-investment plan. This difference results in higher capital under FSA rules	Increase
DTA (excluding DTA on the collective provision for doubtful debts)	APRA requires Deferred Tax Assets (DTA) to be deducted from Tier 1 capital, except for any Deferred Tax Assets associated with collective provisions which are eligible to be included in the General Reserve for Credit Losses. Under FSA rules, DTA are risk weighted at 100%	Increase
Eligible Deferred Fee Income	APRA requires certain deferred fee income to be included in Tier 1 capital. The FSA does not allow this deferred fee income to be included in Tier 1 capital, which results in lower capital under FSA rules	Decrease
Capitalised Expenses	APRA requires a deduction from Tier 1 capital for up-front costs associated with a debt issuance. The FSA requires costs associated with debt issuance not used in the capital calculations to follow the accounting treatment	Increase
Investments in Non-Consolidated Controlled Entities	APRA requires Wealth Net Tangible Assets (NTA) to be deducted 50/50 from Tier 1 and Tier 2 capital. The FSA allows embedded value (including NTA) to be included in Tier 1 capital and deducted from Total Capital under transitional rules to 31 December 2012 (when it will revert to a 50/50 deduction from Tier 1 and Tier 2)	Increase
UK Defined Benefit Pension Scheme	The scheme continues to be in deficit as at 31 March 2010. Under FSA rules, the bank's deficit reduction amount may be substituted for a defined benefit liability. No deficit reduction amounts are presently being paid, therefore the liability can be reversed from reserves (net of tax) and no liability is required to be substituted at this time	Increase

(1) The above comparison is based on public information on the FSA approach to calculating Tier 1. Some items cannot be quantified where the FSA may have entered into bi-lateral agreements on specific items, which are not generally in the public domain



## UK FSA Capital Comparison – Basel II

### Estimated Impact on NAB's capital position

- The following table illustrates the impact on the Group's capital position considering these key differences between APRA and UK FSA Basel II guidelines.
- This reflects only a partial list of the factors requiring adjustment

	Tier 1 Capital	Total Capital
<b>31 March 2010 – APRA basis</b>	<b>9.09%</b>	<b>12.07%</b>
RWA treatment – Mortgages <sup>1</sup>	0.86%	1.10%
IRRBB (RWA)	0.21%	0.26%
Wealth Value of Business in Force (VBIF) at acquisition <sup>2</sup>	0.47%	0.00%
Estimated final dividend (net of estimated reinvestment under DRP / BSP)	0.38%	0.38%
DTA (excluding DTA on the collective provision for doubtful debts)	0.22%	0.20%
Eligible deferred fee income	(0.08)%	(0.08)%
Capitalised expenses <sup>3</sup>	0.05%	0.05%
Investments in non-consolidated controlled entities (net of intangible component)	0.29%	0.00%
UK Defined Benefit Pension	0.12%	0.13%
<b>Total Adjustments</b>	<b>2.52%</b>	<b>2.04%</b>
<b>31 March 2010 – Normalised for UK FSA differences</b>	<b>11.61%</b>	<b>14.11%</b>

(1) RWA treatment for mortgages is based on APRA 20% loss given default (LGD) floor compared to FSA LGD floor of 10% aligned to the Basel II Framework

(2) This ignores any potential accounting differences between IFRS and UK GAAP

(3) Capitalised expenses associated with debt raisings only

## Basel II Risk Weighted Assets

Asset Class (\$m)	31 March 2010		30 September 2009	
	RWAs	RWA/EAD %	RWAs	RWA/EAD %
Corporate & Business	172,917	54%	179,601	57%
Mortgages	45,932	22%	47,924	23%
Retail	15,962	50%	14,941	50%
Standardised*	59,680	66%	62,468	66%
Other Assets	6,982	76%	7,041	92%
<b>Total Credit RWAs</b>	<b>301,473</b>	<b>45%</b>	<b>311,975</b>	<b>48%</b>
Market RWAs	3,305		3,415	
Operational RWAs	22,402		22,972	
IRRBB RWAs	5,653		4,160	
<b>Total RWAs</b>	<b>332,833</b>		<b>342,522</b>	

\* The majority of the Group's standardised portfolio is the UK Clydesdale Bank PLC banking operations

## IRB Eligible Provisions vs Expected Losses

- ▶ Expected losses (EL): a regulatory measure under Basel II on a gross-of-tax basis, representing losses based on long-term estimates and through-the-cycle considerations
- ▶ Eligible provisions (EP): based on the AIFRS definition of incurred losses for IRB assets. Collective provisions are net of tax while specific provisions and partial write-offs are pre-tax
- ▶ The capital deduction is impacted by the different tax treatment in calculating EL and EP

\$m	Mar 10	Sep 09
IRB Collective Provision	2,271	2,249
IRB Portion of Collective Provision top-up <sup>1</sup>	586	-
Regulatory specific provision	534	467
IFRS specific provision	1,398	1,351
Partial write-offs	1,150	891
<b>Total IRB Eligible Provisions, pre tax on IRB Collective Provision</b>	<b>5,939</b>	<b>4,958</b>
Tax on IRB collective provision	(608)	(578)
<b>Total IRB Eligible Provisions (EP)</b>	<b>5,331</b>	<b>4,380</b>
Regulatory Expected Loss (EL)	5,523	5,090
Tier 1 deductions (50%)	96	355
Tier 2 deductions (50%)	96	355
<b>Total deductions</b>	<b>192</b>	<b>710</b>

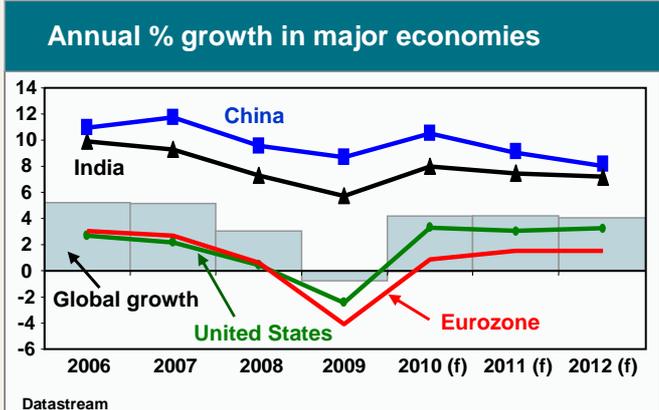
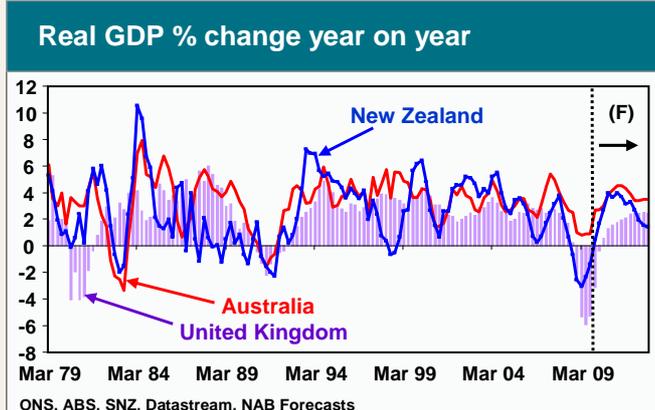
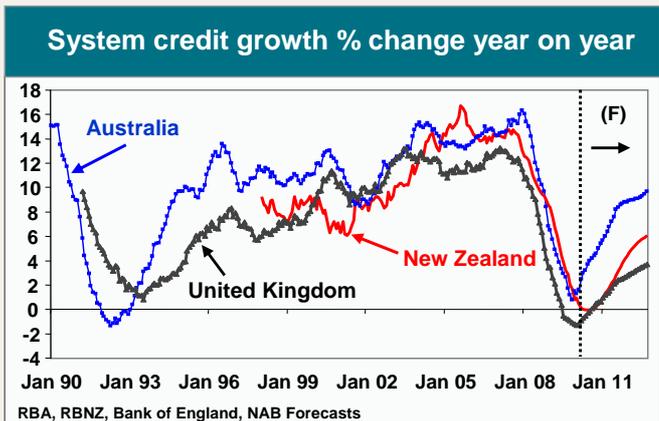
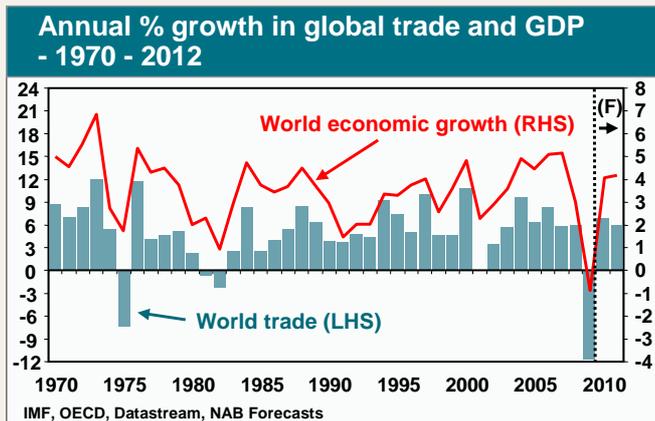
(1) Effective 31 December 2009, the Group changed the GRCL calculation methodology and created an additional reserve to cover these credit losses estimated but not certain to arise in the future extending over the life of all facilities. This additional reserve has been created as a transfer from retained earnings to the "General Reserve for Credit Losses". The portion relating to the IRB portfolio added to eligible provisions for the purpose of calculating the eligible provisions to expected loss capital deduction, further reducing the 50/50 deductions from Tier 1 and Tier 2 capital

## Additional Information

- Business Banking
- Personal Banking
- Wholesale Banking
- UK Banking
- NZ Banking
- MLC & NAB Wealth
- Specialised Group Assets
- Asset Quality
- Capital and Funding
- Economic Outlook**



## Economic conditions



## Australia Regional Outlook

Economic Indicators (%) (a)	CY08	CY09	CY10 (f)	CY11 (f)	CY12 (f)
GDP growth	2.3	1.4	3.5	4.3	3.5
Unemployment rate	4.5	5.6	4.5	4.0	4.0
Core Inflation	4.4	3.4	2.5	2.7	2.5
Cash rate	4.25	3.75	5.25	6.0	5.5
System Growth (%)	FY08	FY09	FY10(f)	FY11(f)	FY12(f)
Housing	9.5	7	8.5	10	13
Other personal (incl cards)	6.0	-7	6	6	6.5
Business	13.4	-2	-2.7	6.5	10
Total system credit	10.6	2.4	4.2	8.4	11.3
Total \$A ADI deposits (b)	15.0	8.2	6.5	9.5	9.5

(a) Percentage change in year ended December, except for cash and unemployment rates, which are as at end December.

(b) Total ADI deposits also includes wholesale deposits (such as CDs), community & non-profit deposits but excludes deposits by government & ADI's.

- ▶ The Australian economy was one of the strongest OECD performers in 2009 – growing by around 1½%
- ▶ That growth, in part, reflected early and aggressive fiscal and monetary policy easing, a resilient banking sector, strong growth in exports to China and a very flexible labor market response (with much of the adjustment taken via lower average hours rather than retrenchments). The residential property market was also relatively well placed going into the downturn (under-building)
- ▶ The Australian economy picked up significantly in late 2009 and has entered 2010 with considerable momentum, high levels of business confidence and increasingly healthy new order inflows
- ▶ Looking forward, growth is expected to accelerate further in the face of a robust expansion in our trading partners (around 5%) as well as significant increases in the terms of trade (with iron ore prices rising by up to 115% and coal prices up by around 50%). That, together with mining projects, drives economic growth estimated at around 4% over the next year with domestic demand reaching over 5%
- ▶ That solid growth should feed into lower unemployment - approaching 4½% by end 2010. This improving environment should accompany lower loan losses
- ▶ While inflation is likely to slow to around 2½%, helped by a higher currency, the RBA will need to move to a more neutral policy soon. We expect cash rates to rise to 5¼% by year-end (which would be on the tighter side of neutral) and 6% by end 2011
- ▶ While business and consumers remain wary, we expect to see credit growth increase moderately over the forecast period. The decline in business credit appears to be bottoming and we expect growth of 5 to 10% over 2010/11. Housing credit should also improve in the face of continuing dwelling under-supply and falling unemployment

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## UK Regional Outlook

Economic Indicators (%)	CY08	CY09	CY10(f)	CY11(f)	CY12(f)
GDP growth	0.9	-4.9	0.9	2.1	2.2
Unemployment	5.8	8.4	8.7	9.2	8.9
Inflation	3.6	2.2	2.7	1.7	1.9
Cash rate	5.0	0.5	0.8	2.5	4.0
System Growth (%)	FY08	FY09	FY10(f)	FY11(f)	FY12(f)
Housing	8.5	2.2	1.1	3.5	4.5
Consumer	6.6	2.9	0	1.6	1.5
Business	12.7	0.7	-2.7	-0.5	2.5
Total lending	9.8	1.7	-0.4	1.5	3.2
Household deposits	8.6	3.2	3.5	5.2	5.5

- ▶ The UK started recovering in the latter half of 2009 – after experiencing one of the worst recessions of the postwar period. Thus far the recovery has been rather muted – with 0.4% growth in December 2009 followed by a preliminary estimate of 0.2% in March 2010
- ▶ There is a good chance that the UK will experience a sustained but modestly paced economic upturn – modest because the serious fiscal position requires deep cuts in spending and/or tax rises to maintain the sovereign credit rating. This fiscal retrenchment would slow economic growth
- ▶ The UK economy requires a structural re-balancing in its growth through the next few years – with more reliance on exports and private investment spending and less on consumption, government spending and housing prices. The approx 25% drop in Sterling should contribute significantly toward that rebalancing in activity toward traded goods output and investment
- ▶ System credit growth should start to grow again later this year as the phase of business sector de-leveraging draws to an expected close and modest growth in housing lending resumes. However we expect credit growth to be subdued compared to the pre-recession period
- ▶ Although system asset quality has worsened with recession and rising unemployment, it has not fared as badly as might have been expected

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## NZ Regional Outlook

Economic Indicators (%)	CY08	CY09	CY10(f)	CY11(f)	CY12(f)
GDP growth	-0.2	--1.6	3.0	3.5	1.9
Unemployment	4.7	7.3	7.1	6.3	5.8
Inflation	3.4	2.0	4.8	2.7	2.7
Cash rate (end period)	5	2.5	3.75	5.75	6.0
System Growth (%)	FY08	FY09	FY10(f)	FY11(f)	FY12(f)
Housing	10.6	3.6	3.0	5.0	7.5
Personal	6.1	-0.9	-4.0	-1	3.5
Business	14.2	10.8	-2.5	-2.3	1.5
Total lending	11.8	6.3	0.5	1.8	5.0
Household retail deposits	13.2	12.4	2.5	2.6	5

- ▶ Growth is expected to settle at around 3 to 3½% in 2010 and 2011 with only moderate growth in private consumption but the start of a sizeable recovery in investment spending. Rugby world cup also affects growth profile
- ▶ Sharply higher commodity prices and solid growth in several of its major trading partners will help boost activity in New Zealand's commodity and tourism-related export sectors
- ▶ If, as looks likely, the Government lifts the GST that would feed into higher CPI inflation. Nevertheless, there seems only a small risk of a wage-price spiral as many households get compensating tax cuts and the jobless rate is still high. Consequently, the expected inflation rate rises through 4½% in 2010 but then falls back within the RBNZ target band as wage growth remains 2 or 3%
- ▶ The RBNZ is expected to gradually lift its cash rate from its current low level - but it does not show the degree of urgency seen at the RBA
- ▶ Credit growth should remain subdued by pre-recessionary standards, although it should lift slightly from mid-2010. Problems in the housing market with affordability and the high debt loads already carried by householders and dairy farmers should curb the pace of system growth
- ▶ While system asset quality has deteriorated, it remains good by historical standards with the system impaired loan ratio well below the peak seen in the early 1990s recession

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**Disclaimer:** This document is a presentation of general background information about the Group's activities current at the date of the presentation, 6 May 2010. It is information in a summary form and does not purport to be complete. It is to be read in conjunction with the National Australia Bank Limited Half Year Results filed with the Australian Securities Exchange on 6 May 2010. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

This announcement contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "outlook", "upside", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

**Note:** Information in this document is presented on a cash earnings basis.

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