

# 2012 HALF YEAR RESULTS

## Investor presentation

10 May 2012

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National Australia Bank Limited ABN 12 004 044 937



Clydesdale Bank

Yorkshire Bank

Bank of New Zealand

Great Western Bank

**Note:** Information in this document is presented on a cash earnings basis, unless otherwise stated.

Cash earnings is a key financial performance measure used by NAB, the investment community and NAB's Australian peers with a similar business portfolio. NAB also uses cash earnings for its internal management reporting as it better reflects what NAB considers to be the underlying performance of the Group. It is not a statutory financial measure and is not presented in accordance with Australian Accounting Standards nor audited or reviewed in accordance with Australian Auditing Standards. "Cash earnings" is calculated by excluding some items which are included within the statutory net profit attributable to owners of the company. A definition of cash earnings is set out on page [150] of the 2012 Half Year Results Announcement. A discussion of non-cash earnings items and a full reconciliation of the cash earnings to statutory net profit attributable to owners of the Company for the March 2012 half year is included on pages 22 and 141 of the 2012 Half Year Results Announcement. The Group's financial statements, prepared in accordance with the Corporations Act 2001 (Cth) and Australian Accounting Standards, and reviewed by the auditors in accordance with Australian Auditing Standards, are included in section 5 of the 2012 Half Year Results Announcement.

**Disclaimer:** This document is a presentation of general background information about the Group's activities current at the date of the presentation, 10 May 2012. 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 10 May 2012. 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.

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## Solid result and progress against strategy

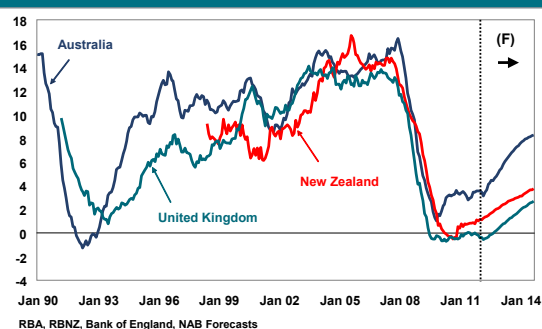
	Half year to				
	Mar 12	Sep 11	Change (%)	Mar 11	Change (%)
Revenue (\$m)	9,108	8,795	3.6%	8,799	3.5%
Underlying profit (\$m)	5,156	4,812	7.1%	4,808	7.2%
Cash earnings (\$m)	2,828	2,792	1.3%	2,668	6.0%
Core Tier 1 ratio	8.03%	7.58%	45bps	7.12%	91bps
Dividend (100% franked cps)	90	88	2.3%	84	7.1%
Cash ROE	15.0%	15.2%	(20bps)	15.1%	(10bps)
Statutory net profit attributable to owners (\$m)	2,052	2,791	(26.5%)	2,428	(15.5%)

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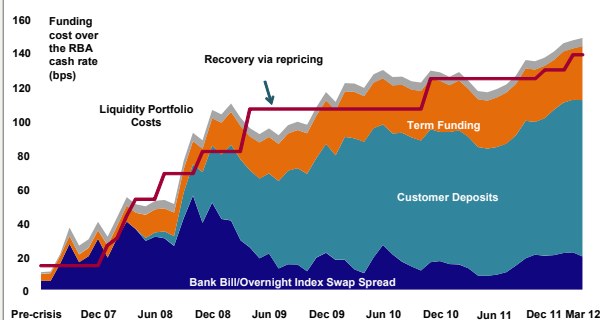


## Environment remains challenging

System credit growth % change year-on-year



Increased cost of funding an Australian variable rate mortgage



### Ongoing full regulatory agenda

#### Key global reforms

- ▶ Basel III Capital & Liquidity
- ▶ Systemically Important Financial Institutions
- ▶ Recovery & Resolution – 'Living Wills'
- ▶ Reforms for Over-The-Counter derivatives (inc. clearing arrangements)

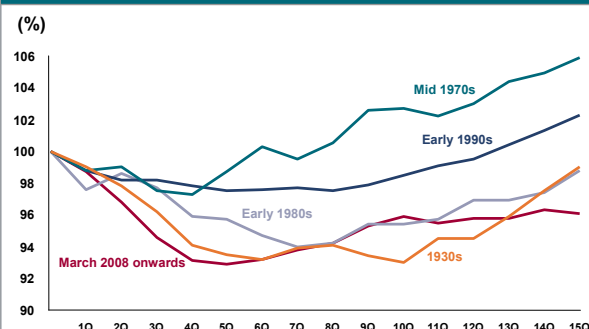
#### Key domestic reforms

- ▶ Financial Claims Scheme
- ▶ Future of Financial Advice
- ▶ Superannuation Reforms
- ▶ Life Insurance and General Insurance Capital Framework
- ▶ National Consumer Credit Protection Phase II

#### Other key international reforms

- ▶ Dodd-Frank reforms (US)
- ▶ Foreign Account Tax Compliance Act (US)
- ▶ Independent Commission on Banking – Business Models (UK)
- ▶ International Financial Reporting Standards 9 – Financial Instruments

### Quarterly real output path during UK recessions<sup>1</sup>



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(1) Previous peak = 100. Source: NAB Economics, UK Office of Budget Responsibility



## Continued focus on strategic priorities

To deliver sustainable, satisfactory returns to shareholders

### Balance sheet strength

- ▶ Keep the bank safe
- ▶ Strong capital, funding and liquidity
- ▶ Tight controls and risk settings

### Efficiency, quality & service

- ▶ Transform the way we do business
- ▶ More competitive cost structure
- ▶ Reduce operational risk
- ▶ Replace ageing infrastructure
- ▶ Improve customer experience and service delivery

### People, culture & reputation

- ▶ Differentiate for our people, customers and communities
- ▶ Shape our future environment

### Portfolio

- ▶ Focus in Australia
- ▶ Maintain value and options internationally
- ▶ Wholesale banking refocused on core franchise

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## Good progress against strategic priorities

### Balance sheet strength<sup>1</sup>

- ▶ Core tier 1 ratio up from 6.6% to 8.0%
- ▶ Stable Funding Index improved from 76% to 85%
- ▶ Liquids up \$22bn to \$90bn
- ▶ Collective Provision and GRCL top-up coverage of CRWA (ex housing) up from 1.38% to 1.76%

### Efficiency, quality & service

- ▶ CAGR cost growth 1.6% over three years
- ▶ Positive jaws over last three halves
- ▶ Continuing to invest (\$955m FY10, \$1,160m, FY11, \$516m 1H12)
- ▶ 1/3<sup>rd</sup> of transformation programme completed – NextGen on track

### People, culture & reputation

- ▶ Differentiated customer proposition
- ▶ Customer satisfaction up from 69.0% to 79.3% since Mar 09<sup>2</sup>
- ▶ Employee engagement remains above global finance industry norms, continual improvement since FY09
- ▶ Employer of Choice for Women for the sixth year in a row

### Portfolio

- ▶ Australian & New Zealand loan and deposit market share growth
- ▶ Portfolio shift to mortgages reduces concentration of risk and averages up returns
- ▶ SGA run-off progressing – RWAs down \$17.3bn (68%) since Sep 09 and SCDO risk closed out
- ▶ Wholesale banking customer income 14% CAGR (Sep 08 to Mar 12)
- ▶ UK CRE assets to be run-off; implement simplified business model

(1) All figures since 31 March 2009

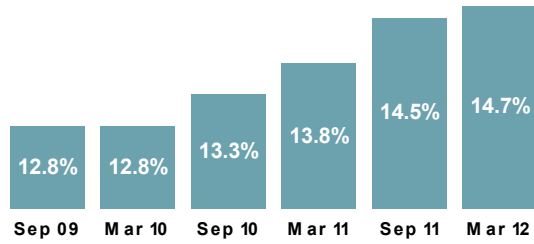
(2) Roy Morgan Research, Aust MFIs, population aged 14+, six month moving average. Customer satisfaction is based on customers who answered very/fairly satisfied. NAB compared with the weighted average of the three major banks (ANZ, CBA, WBC)

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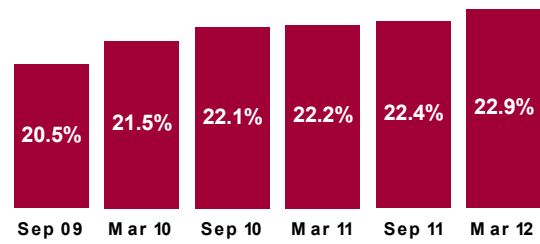


## Market share gains

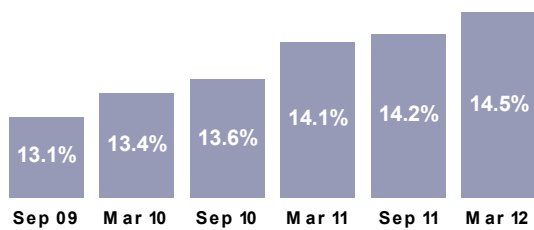
### Australian housing lending market share<sup>1</sup>



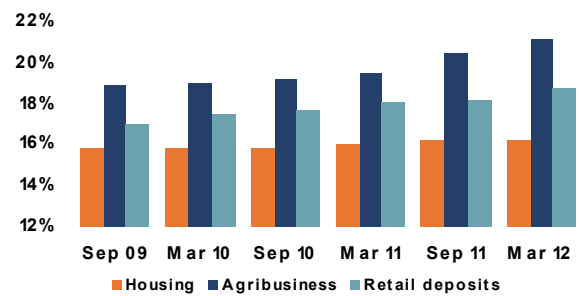
### Australian business lending market share<sup>1</sup>



### Australian household deposit market share<sup>2</sup>



### New Zealand market share<sup>3</sup>



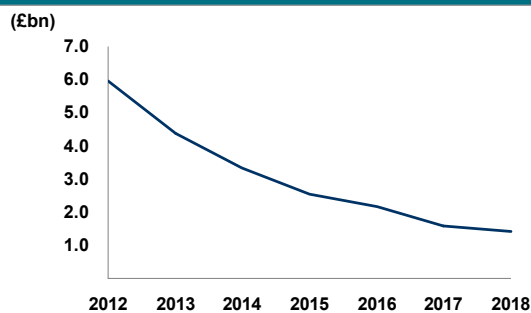
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- (1) RBA Financial System  
 (2) APRA Banking System  
 (3) RBNZ (historical market share rebased with latest revised RBNZ published data)

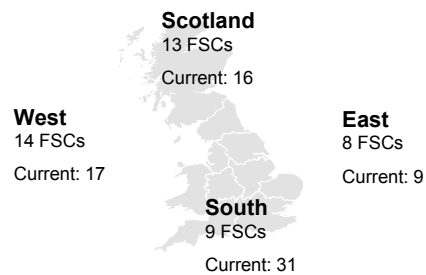


## Transfer UK CRE assets to NAB and put into run-off

### UK CRE run-off profile – contractual maturity<sup>1</sup>



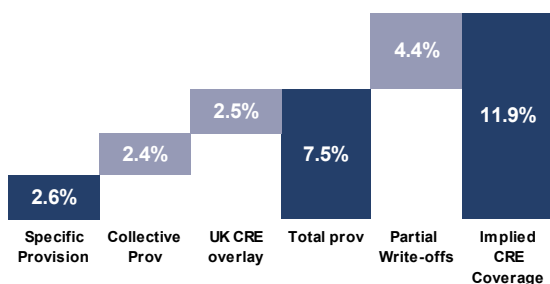
### Rationalise Financial Solutions Centres (FSC) footprint



### Costs and benefits profile

Total costs and impact on Group capital ratio	Total	Group Capital	
	(£m)	(£m)	bps
Restructuring	195	(159)	(7)
Goodwill write-off	141	-	-
PPI	120	(120)	(5)
<b>Total</b>	<b>456</b>	<b>(279)</b>	<b>(12)</b>
<b>Forecast Benefits (£m)</b>			
	FY13	FY14	FY15
Actual	35	63	74
Cumulative FTE <sup>2</sup>	831	958	987

### Total UK CRE provision coverage – Mar 12



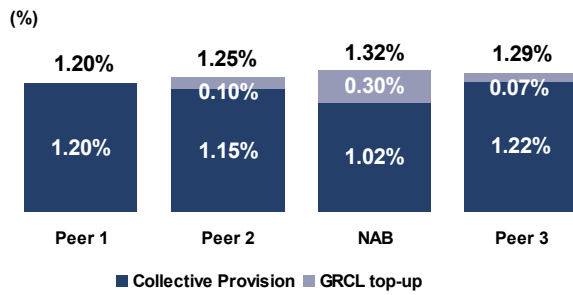
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- (1) Reflects contractual maturity which is subject to ability of customers to refinance or repay on maturity  
 (2) This includes 191 transferred roles to NAB associated with the CRE portfolio and excludes current year initiatives

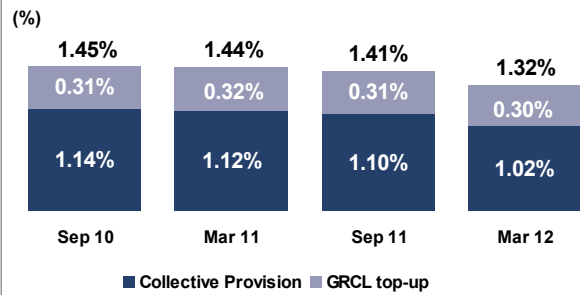


## Balance sheet strength

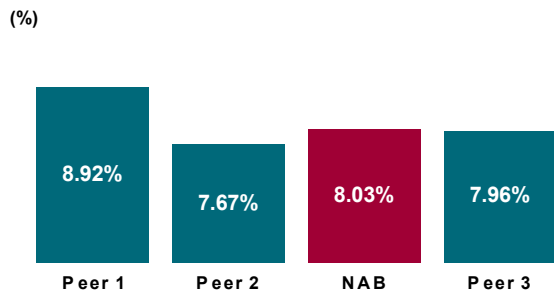
### Collective provisions and GRCL top-up to credit risk weighted assets peer comparison<sup>1</sup>



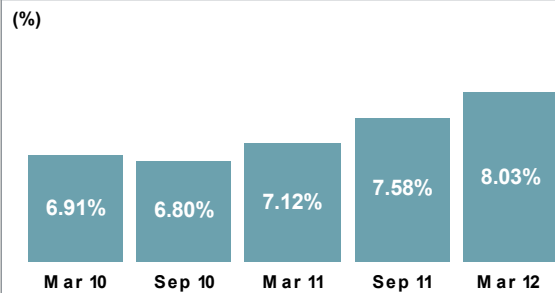
### Collective provisions and GRCL top-up to credit risk weighted assets



### Basel II core tier 1 ratios peer comparison<sup>1</sup>



### Basel II core tier 1 ratio



9 (1) Peer ratios as last reported

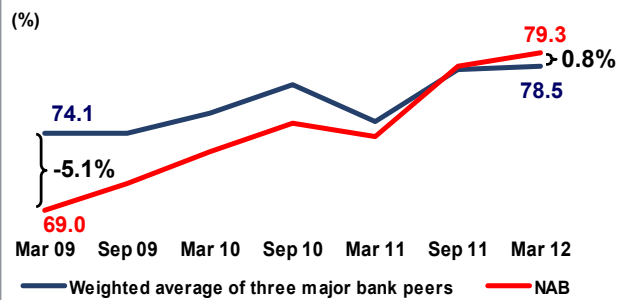


## Transforming the way we do business

Key programmes	Infrastructure & Network Transformation	Re-platforming Programme (NextGen)	Customer Process Transformation
<b>Significant achievements</b>	<ul style="list-style-type: none"> <li>Contact centre voice infrastructure rollout near completion</li> <li>Signed deal for new secure technology data centre, to be opened in 2013</li> </ul>	<ul style="list-style-type: none"> <li>Successful implementation of major technology foundational release of NAB's new banking platform</li> </ul>	<ul style="list-style-type: none"> <li>Broker channel service uplift – ranked 5<sup>th</sup> in 2010, now 1<sup>st</sup> in The Adviser Third Party Banking Report – Major Lenders 2012</li> <li>Enhanced mobile solutions</li> </ul>
<b>FY12 priorities</b>	<ul style="list-style-type: none"> <li>Contact centre voice infrastructure completion</li> <li>Continue to progress payments systems replacement</li> <li>Continue to upgrade technology infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Build customer relationship management and single customer view capability</li> <li>Test new credit risk engine</li> <li>Deploy funds transfer pricing capability</li> </ul>	<ul style="list-style-type: none"> <li>New private client platform launch</li> <li>Extend UBank product capabilities</li> <li>Continue transforming customer processes to provide a better banking experience</li> </ul>

# Reputation and Corporate Responsibility

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



## Customer

- ▶ Lowest SVR of the major banks since June 2009
- ▶ First to abolish overdrawn and monthly account service fees on personal transaction accounts
- ▶ Customer satisfaction reached a 15 year high during 1H12<sup>1</sup>
- ▶ Net new transaction accounts have grown 12 fold since 1H09
- ▶ Microfinance program continues to grow with \$130m committed to helping Australians with low incomes

## People and Community

- ▶ Investment in education through NAB Schools First which supports school/community partnerships
- ▶ Total days volunteered 25,633 during 2011
- ▶ Australia's #1 arranger of project finance to Renewable Power, having arranged over \$1.3bn across wind farms, biomass and landfill gas projects over last six years<sup>2</sup>
- ▶ One of two launch signatories to the United Nations Environment Program, Finance Initiative 'Natural Capital Declaration'

## Recognition



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(1) Roy Morgan Research, Aust MFIs, population aged 14+, six month moving average. Customer satisfaction is based on customers who answered very/fairly satisfied. NAB compared with the weighted average of the three major banks (ANZ, CBA, WBC)

(2) NAB analysis ranking against four major domestic banks - cumulative volume. Data Source: Project Finance International 2006-2011 APAC MLA League Tables US\$ Project Allocation



## Summary

- ▶ Global macro outlook still challenging – likely to remain so
- ▶ Balance sheet strength and cost discipline provide strong foundation
- ▶ Good progress on our strategic priorities but still more to do
  - execute on UK business model change
  - continue to advance technology deployment
  - maintain momentum in Australian franchise
  - further develop NAB's reputation with customers, employees and community
- ▶ Focused on improving returns

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# 1H12 Financials

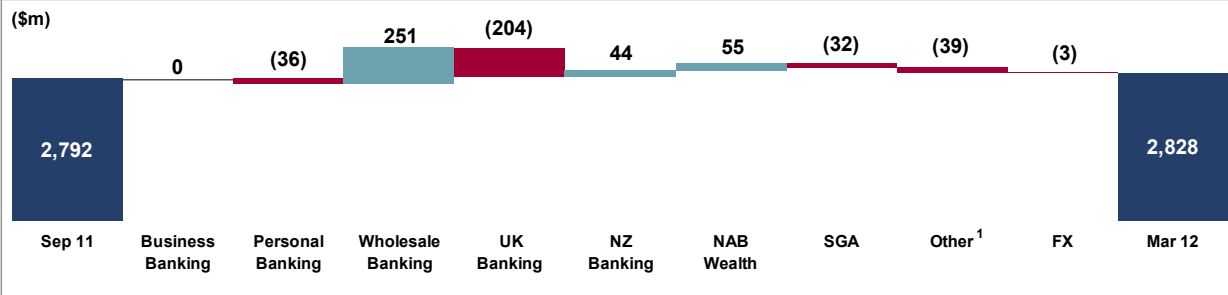


## Group financial result

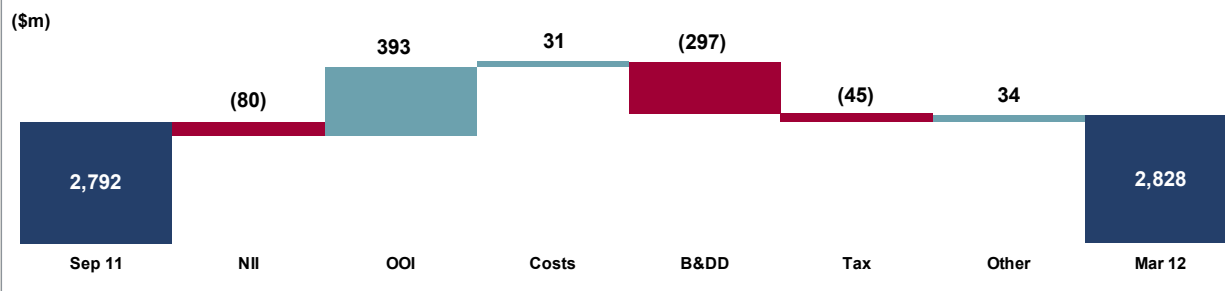
(\$m)	Half year to				
	Mar 12	Sep 11	Mar 11	Change on Sep 11	Change on Mar 11
Net interest income	6,708	6,788	6,304	(1.2%)	6.4%
Other operating income (incl NAB Wealth)	2,400	2,007	2,495	19.6%	(3.8%)
Net operating income	9,108	8,795	8,799	3.6%	3.5%
Operating expenses	(3,952)	(3,983)	(3,991)	0.8%	1.0%
Underlying profit	5,156	4,812	4,808	7.1%	7.2%
B&DDs	(1,131)	(834)	(988)	(35.6%)	(14.5%)
Cash earnings	2,828	2,792	2,668	1.3%	6.0%
Cash ROE	15.0%	15.2%	15.1%	(20bps)	(10bps)
NIM	2.17%	2.28%	2.23%	(11bps)	(6bps)
Core Tier 1 ratio	8.03%	7.58%	7.12%	45bps	91bps
Spot GLAs (\$bn)	490.4	482.1	459.2	1.7%	6.8%

## Strong Wholesale Bank performance offset by UK

### Cash earnings – attribution analysis by business (constant currency)



### Cash earnings – attribution analysis by P&L line items



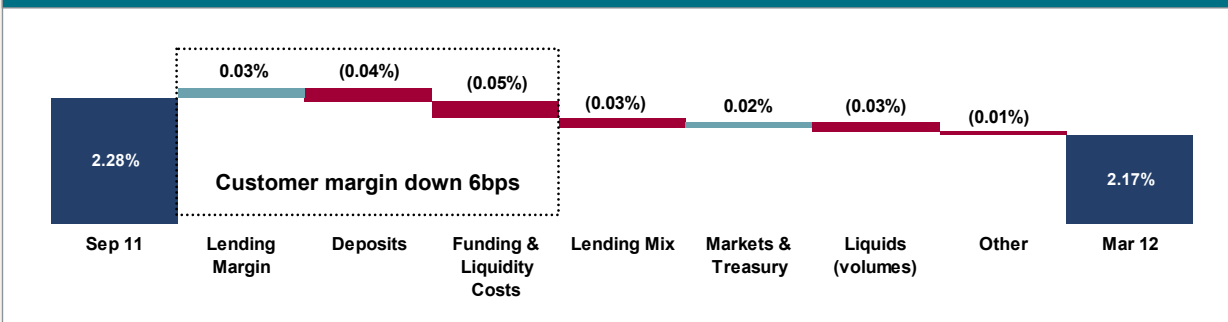
(1) Other comprises Group Funding, Group Business Services, other supporting units, Asia Banking and GWB

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## Net interest margin impacted by funding costs

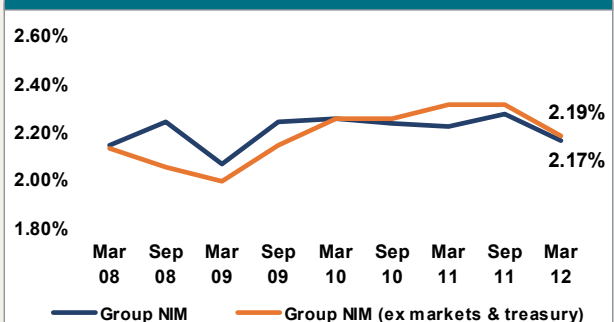
### Group net interest margin – half-on-half attribution analysis



### Business unit net interest margin

(%)	Mar 12	Margin change on Sep 11	Customer margin <sup>1</sup> change on Sep 11
Business Banking	2.56	(10bps)	(9bps)
Personal Banking	2.02	(15bps)	(12bps)
UK Banking	2.09	(24bps)	(17bps)
NZ Banking	2.41	6bps	3bps
Group	2.17	(11bps)	(6bps)

### Group net interest margin



(1) Customer margin comprises lending margin, deposit and funding costs and liability mix

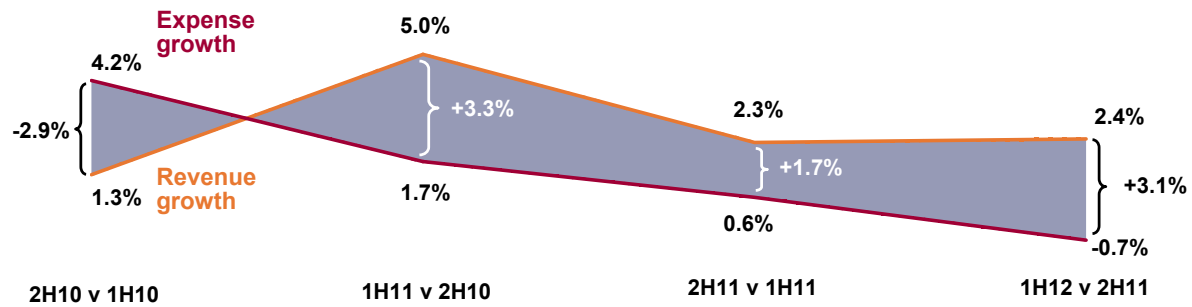
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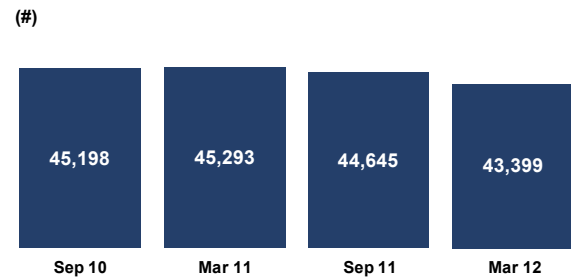


# Maintaining positive jaws and continuing to invest

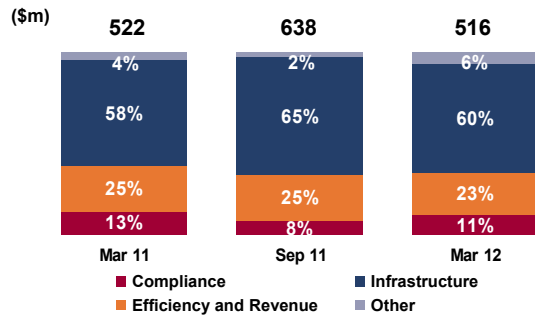
## Jaws momentum (ex SCDO and FX)



## Full time equivalent employees

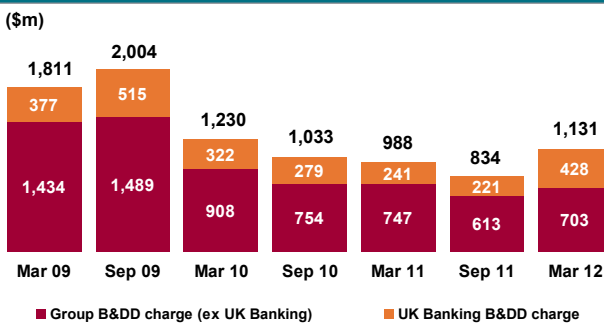


## Investment spend

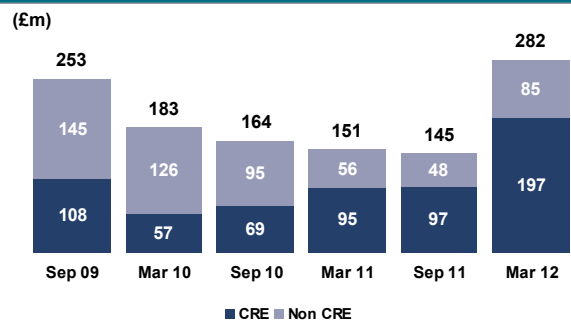


# Group B&DD increase reflects UK/SGA

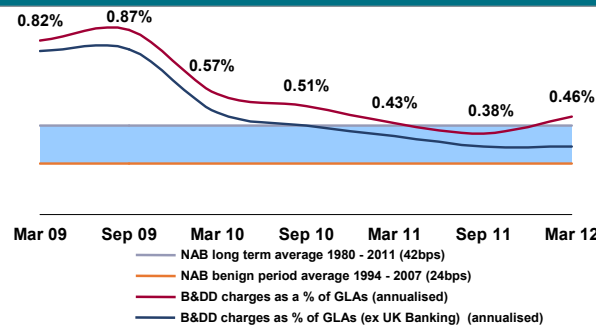
## B&DD charge



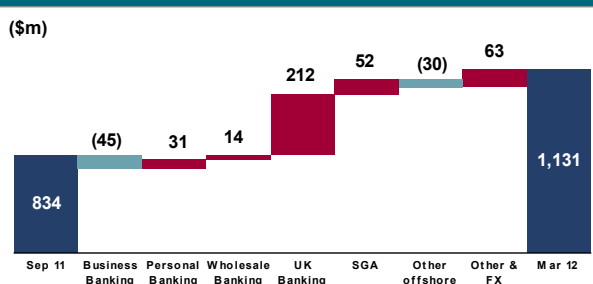
## UK Banking B&DDs



## B&DD charge to GLAs – compared to norms

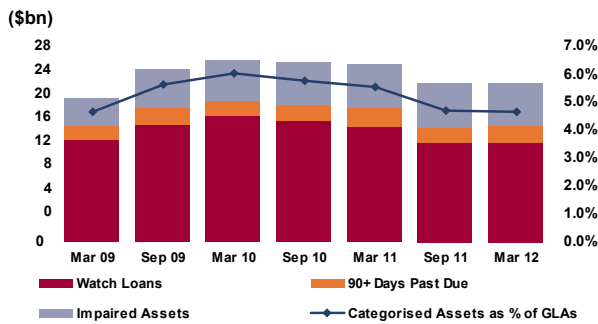


## B&DDs by business (constant currency)

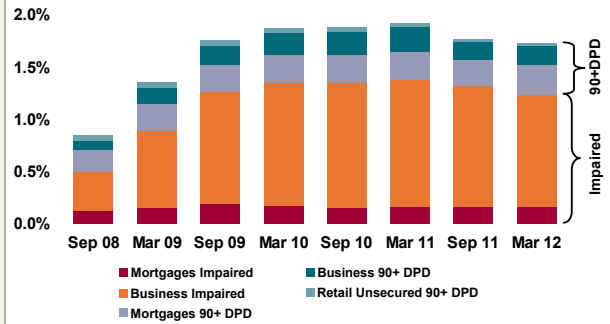


# Asset quality and coverage ratios

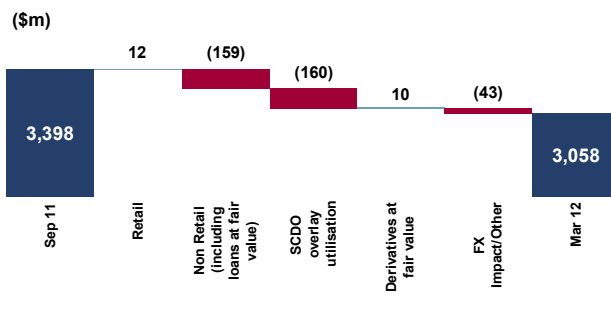
## Categorised assets by balance



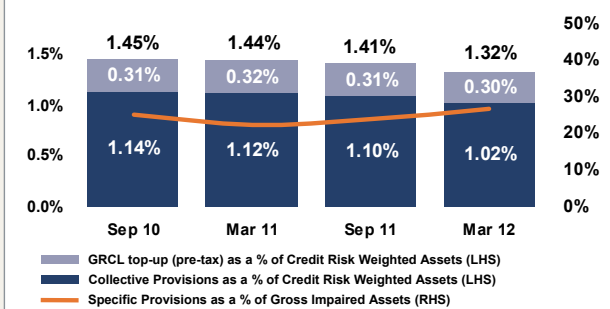
## 90+ DPD & impaired assets as a % of gross loans and acceptances by product



## Collective provision

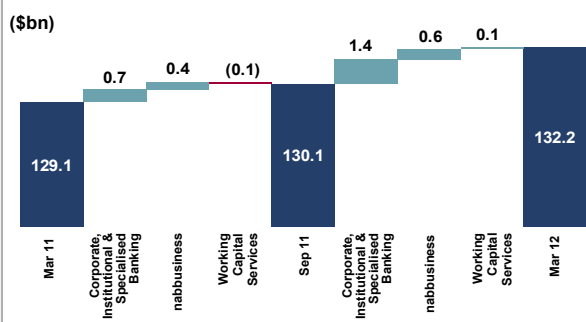


## Coverage ratios (including GRCL top-up)

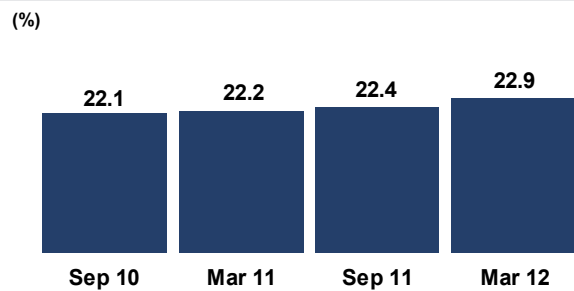


# Business Banking

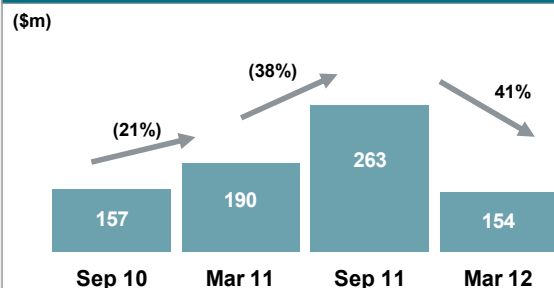
## Business lending volumes<sup>1</sup>



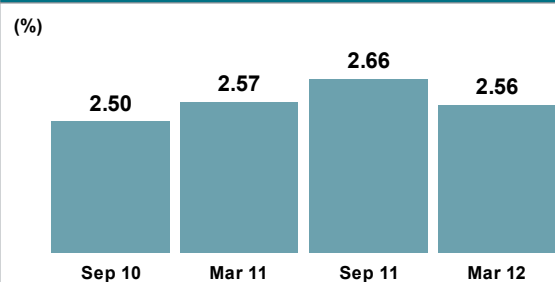
## Business lending market share<sup>2</sup>



## SME<sup>3</sup> B&DD charge

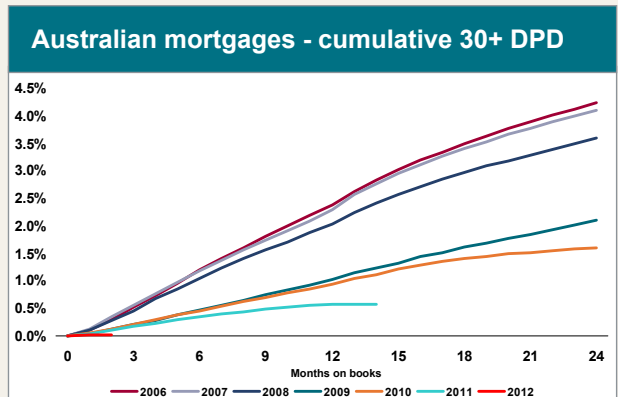
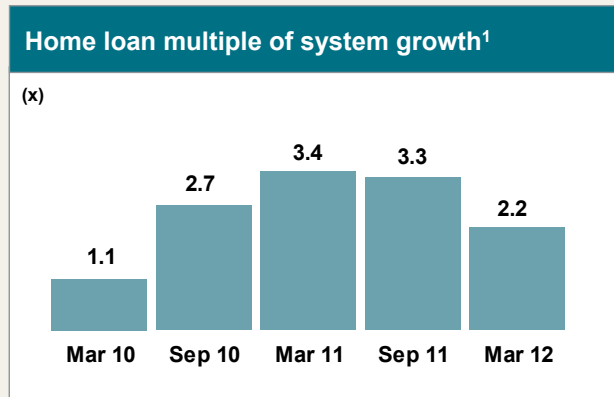
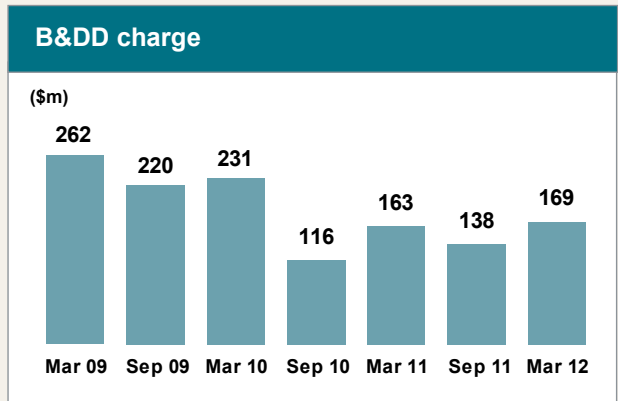
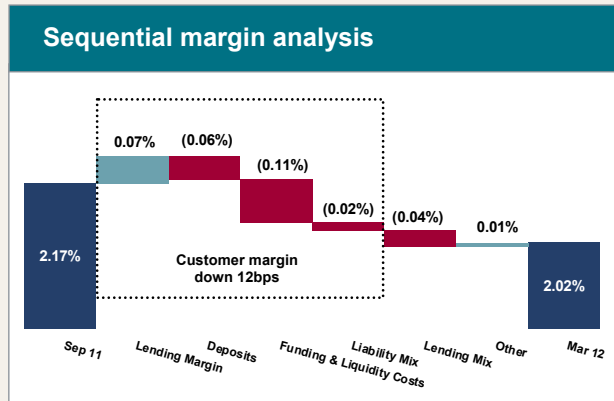


## Net interest margin



(1) Updated to reflect transfers of customers between business units  
 (2) RBA Financial System/NAB  
 (3) SME business data reflects the nabusiness segment of Business Banking which supports business customers with lending typically up to \$25m, excluding the Specialised Businesses

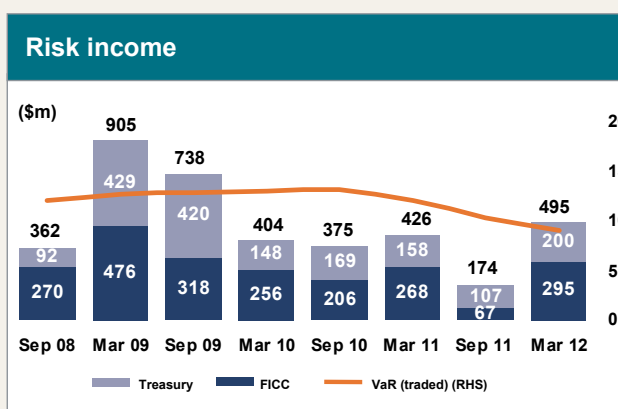
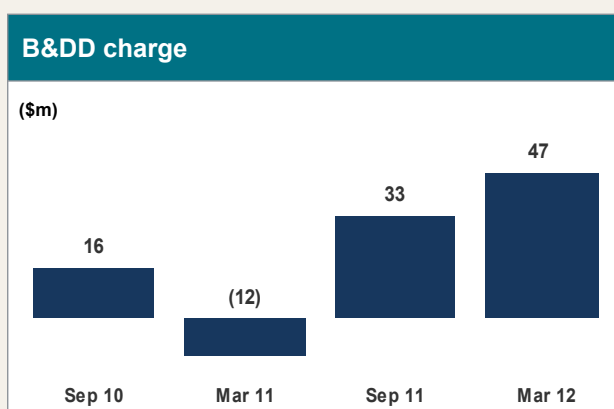
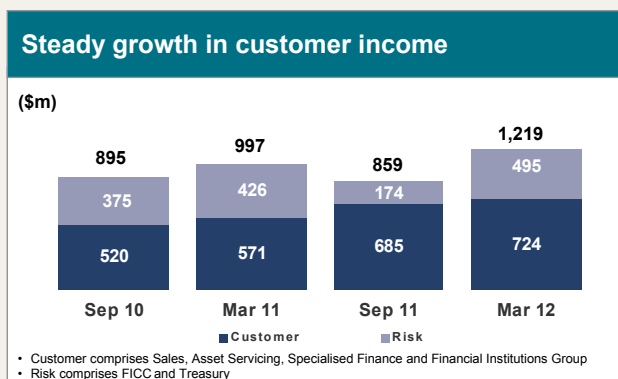
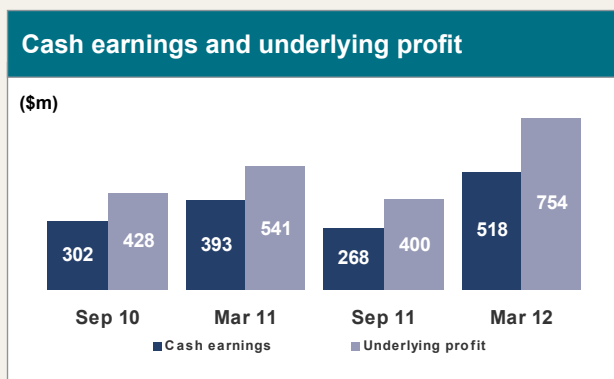
# Personal Banking



21 (1) RBA Financial System/NAB



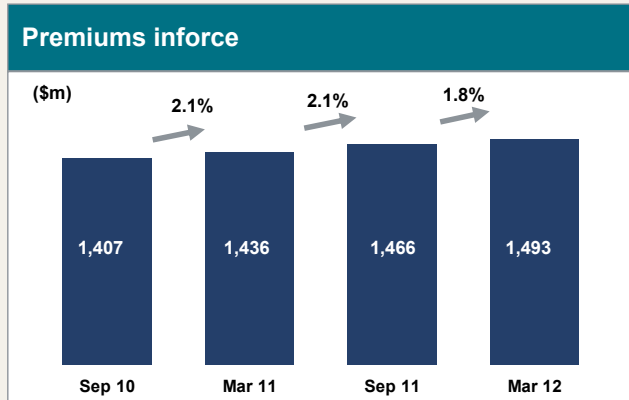
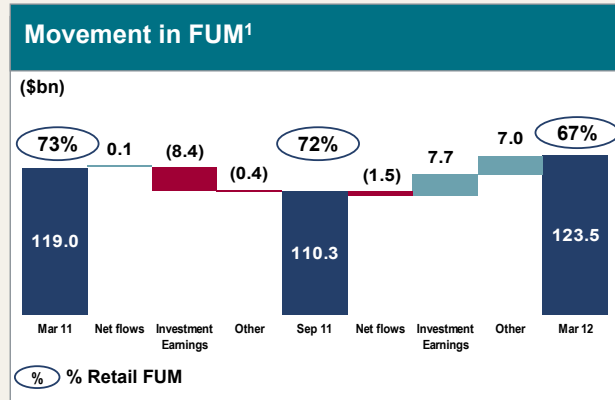
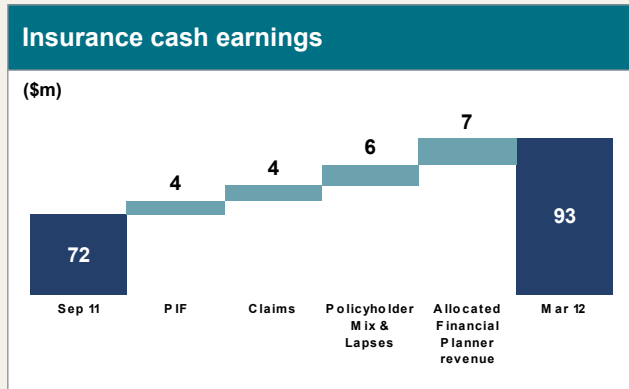
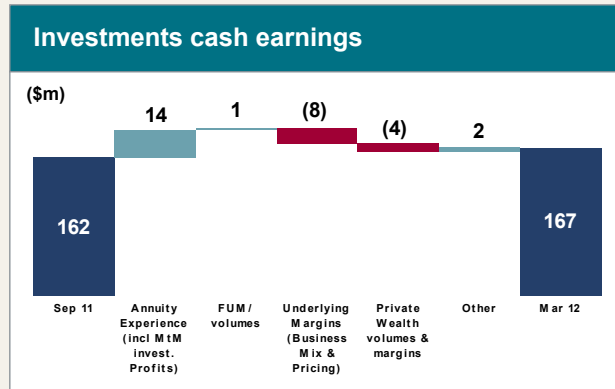
# Wholesale Banking



22



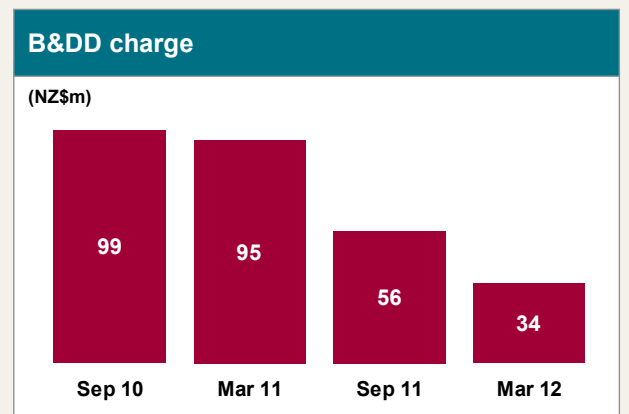
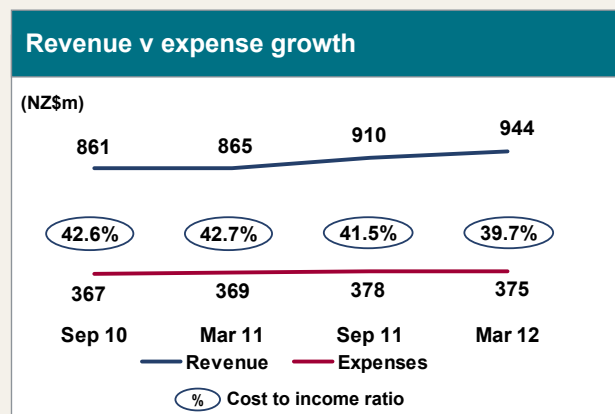
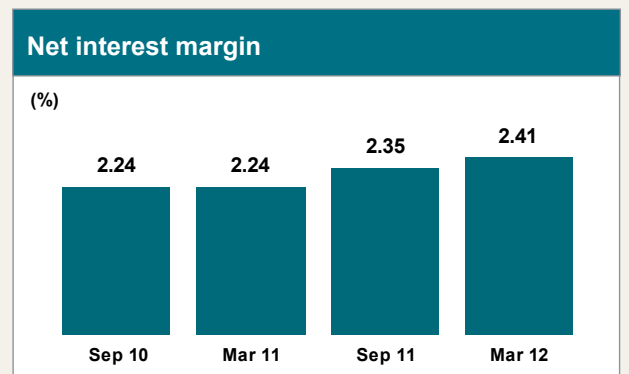
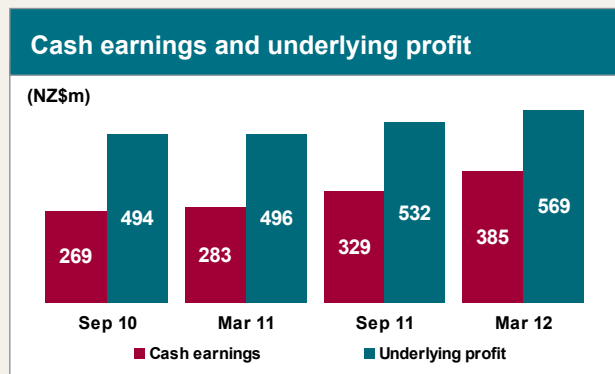
# NAB Wealth



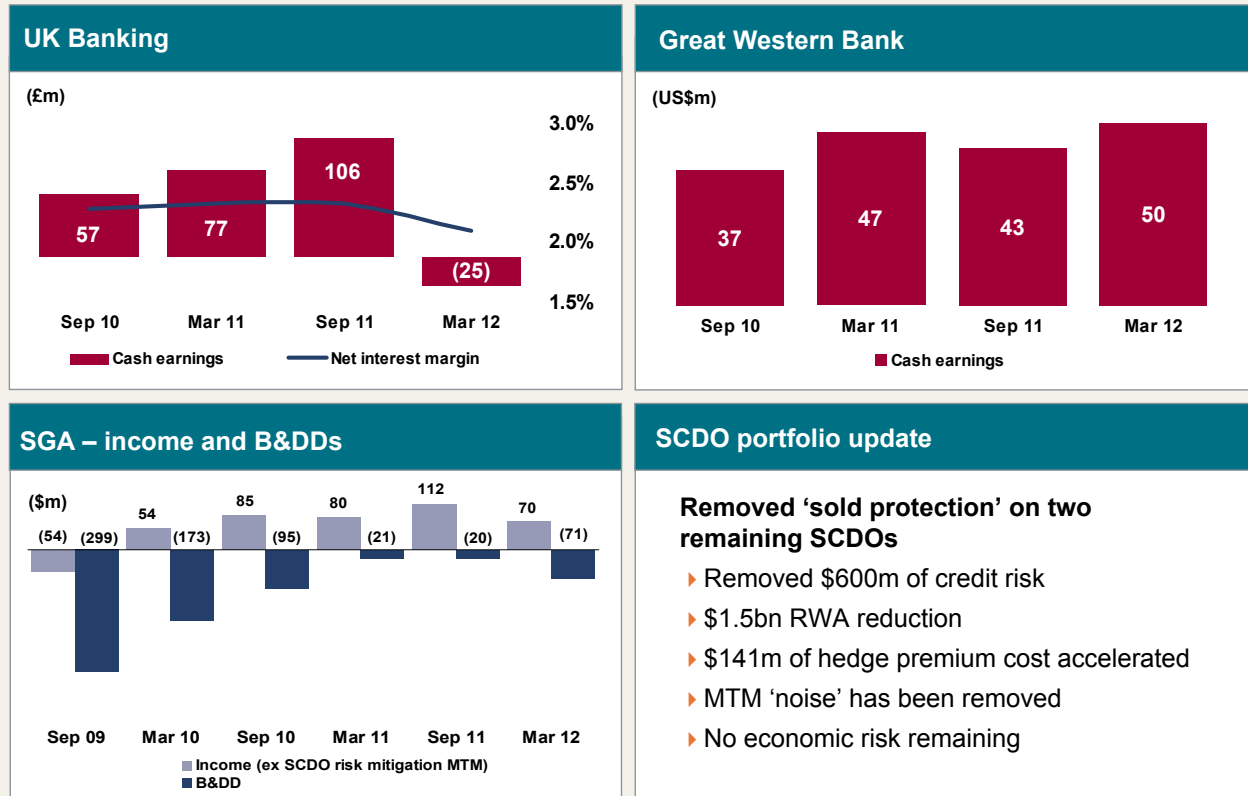
23 (1) FUM based on a proportional ownership basis



# New Zealand



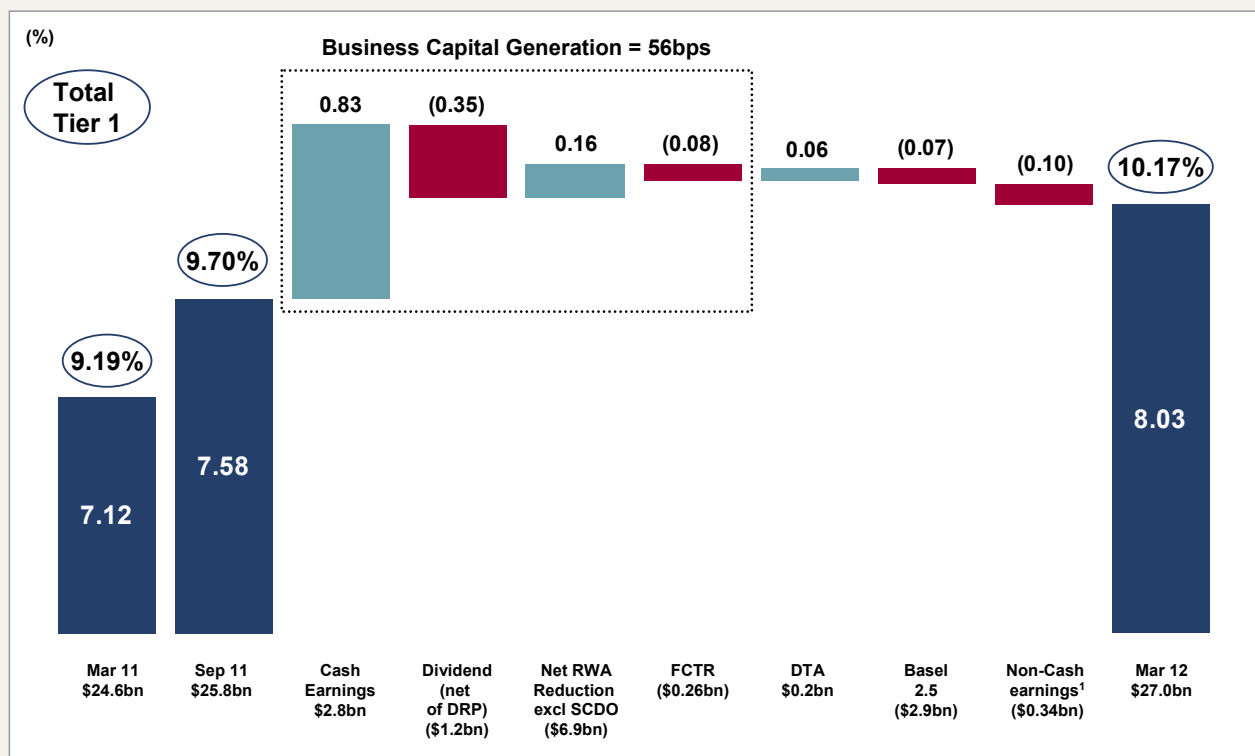
## Other international businesses



25



## Strong Core Tier 1 (Basel II) capital position



26

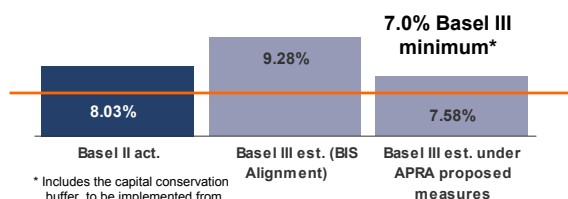
(1) Non-cash earnings impact after adjusting for distributions, treasury shares, UK goodwill, software impairment, and separately disclosed items



# Regulatory reform – status update

## Capital reforms

### Core Tier 1



\* Includes the capital conservation buffer, to be implemented from 1 January 2016

- ▶ Key impacts to NAB from APRA's March 2012 draft capital standards:
  - Hybrids will be subject to transitional arrangements (including NIS)
  - Investments into non-consolidated subsidiaries to be fully deducted
  - Requirements for Basel III compliant hybrids
- ▶ Consultation will continue with APRA throughout 2012
- ▶ Implementation phased from January 2013, earlier than Basel requires
- ▶ Well placed to manage capital impact, with strong core capital generation

## Funding and Liquidity reforms

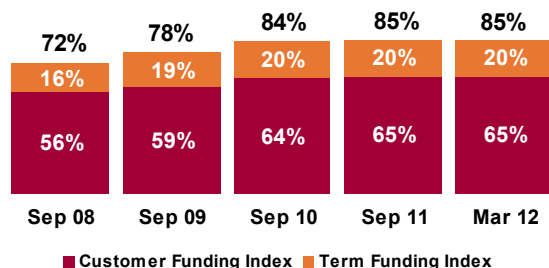
- ▶ APRA proposed Basel III liquidity package delivered in November 2011
- ▶ Clarification of various items and some positive developments
- ▶ Key items remain unresolved, particularly the size and composition of the RBA Committed Liquidity Facility
- ▶ Industry has reviewed proposed standards and given feedback
- ▶ Timing for release of final standards by APRA remains uncertain

27 Note: Supervisory confirmation required

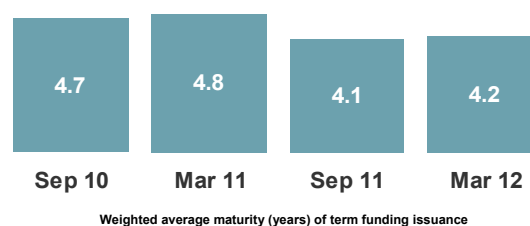


# Funding and liquidity

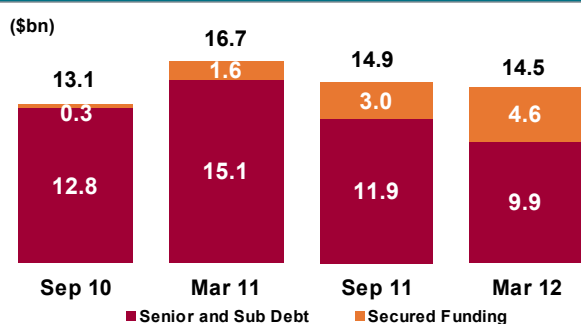
## Group Stable Funding Index (SFI)



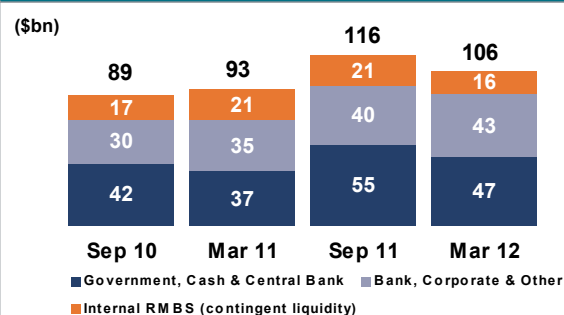
## Term funding – tenor of issuance



## Term funding – volume of new issuance



## Liquid asset holdings

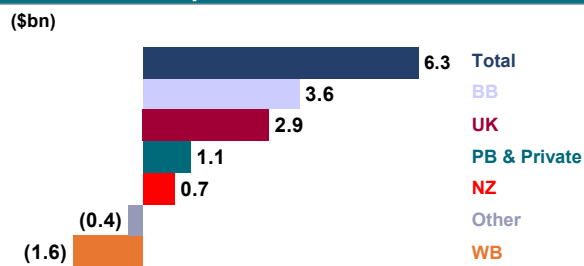


28



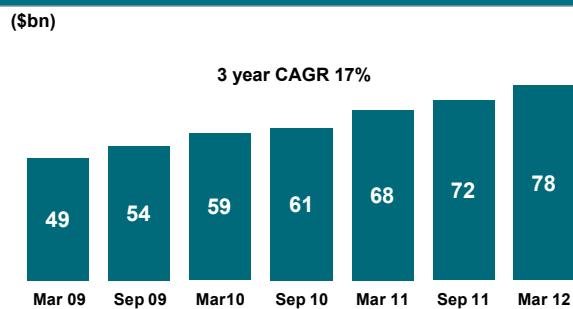
## Remain focused on growing customer deposits

### Retail deposits less total lending (spot) – Mar 12 vs Sep 11

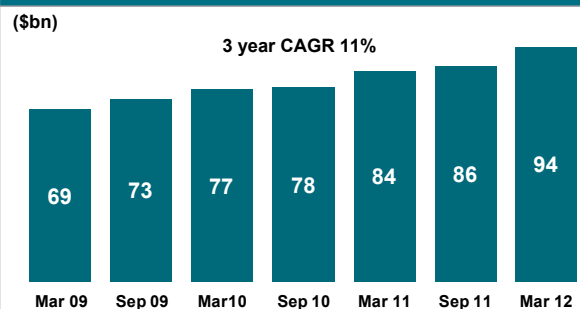


- ▶ Underlying deposit growth funded lending in 1H12
- ▶ Emphasis on household and small business deposits
- ▶ Consistent with NAB's focus on balance sheet strength
- ▶ Over the six months ended March 2012, NAB grew deposit market share<sup>1</sup>:
  - Household deposits up 8.3% vs 5.4% system growth
  - Business deposits (ex financial corps) up 1.0% vs 0.7% system growth

### Personal Bank Customer Deposits



### Business Bank Customer Deposits



29 (1) APRA

National Australia Bank

## Summary

- ▶ Solid momentum in the Australia & NZ franchises
- ▶ Managing to positive jaws while continuing to invest
- ▶ Balance sheet strength a priority as we transition to new regulatory regime
- ▶ Strong focus on ROE at Group and Business Unit levels continues

## Outlook

- ▶ Subdued global economic activity likely
- ▶ Focus on growing deposits and managing margin
- ▶ Continue to drive efficiency to accommodate technology transition
- ▶ Execute on UK business model change

30

National Australia Bank

# Questions



## Additional Information

### Business Banking

Personal Banking

Wholesale Banking

NAB Wealth

NZ Banking

UK Banking

Great Western Bank

Specialised Group Assets

Asia

Asset Quality

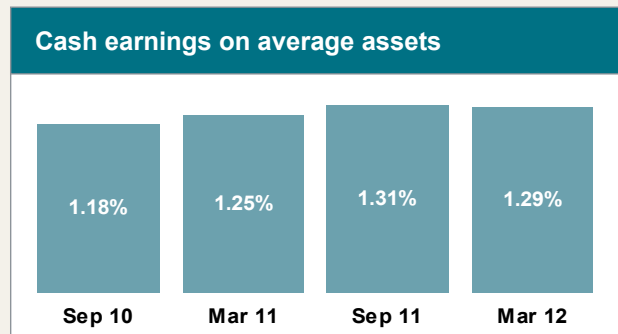
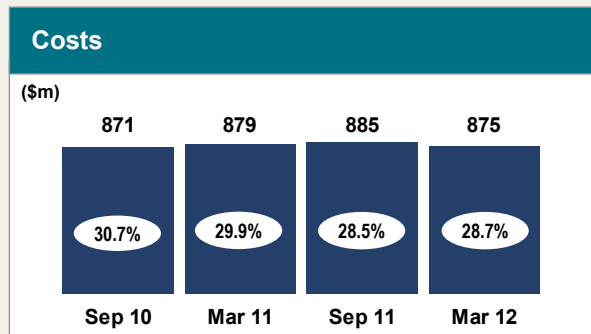
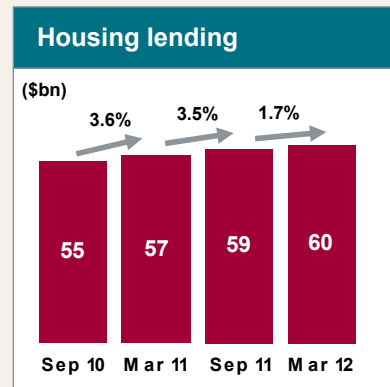
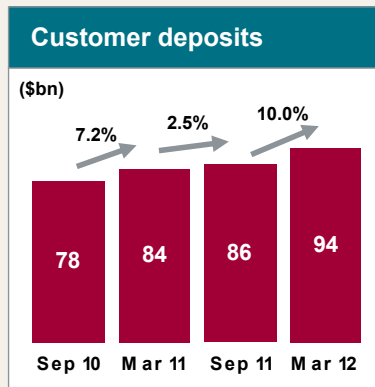
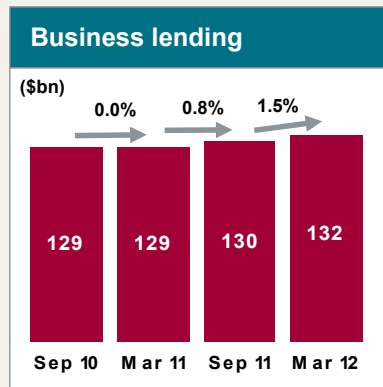
Capital and Funding

Economic Outlook





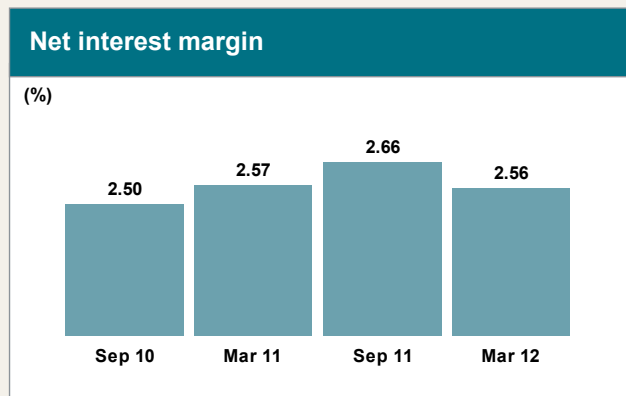
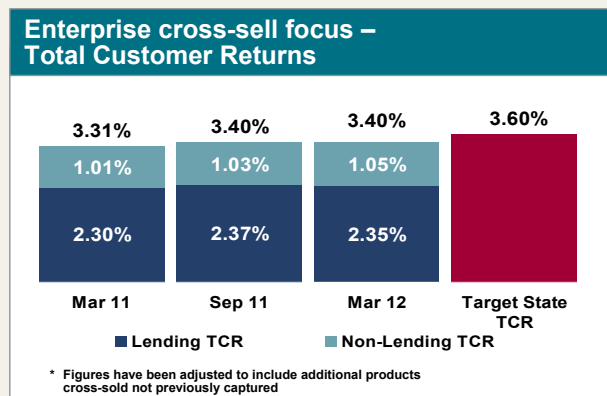
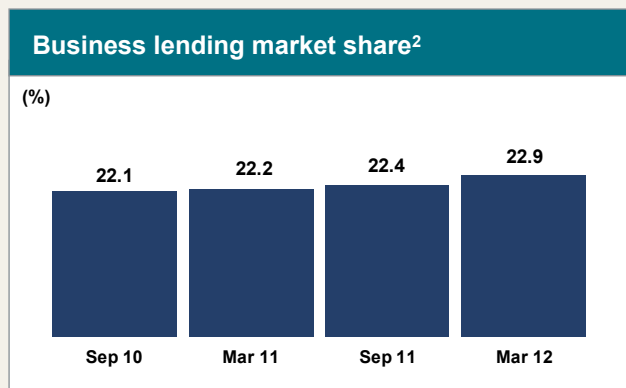
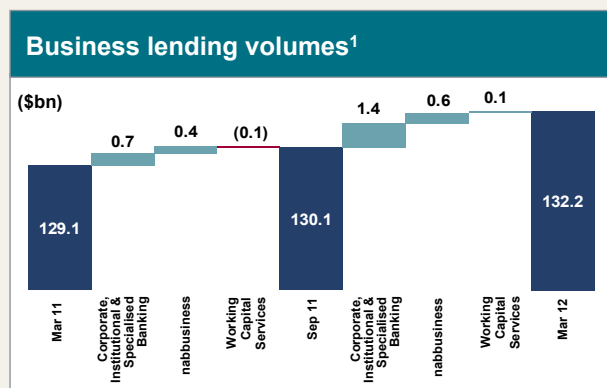
# Business Banking



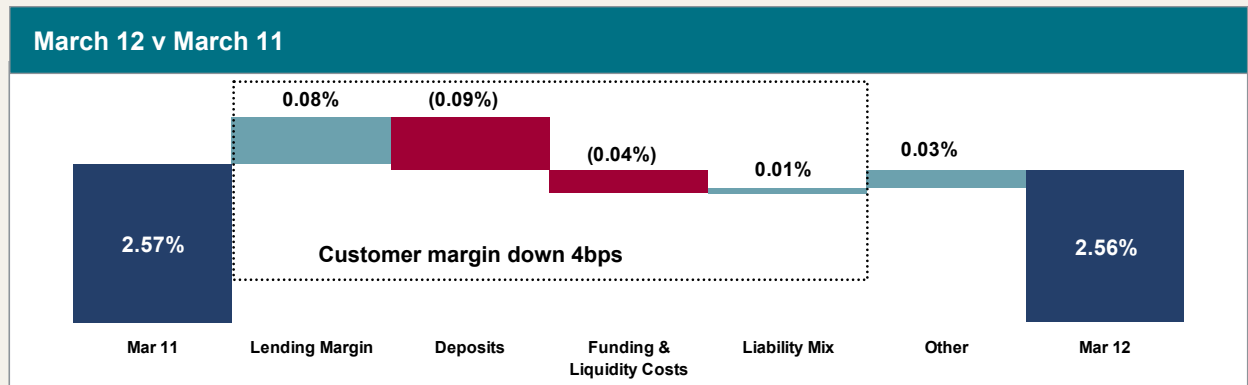
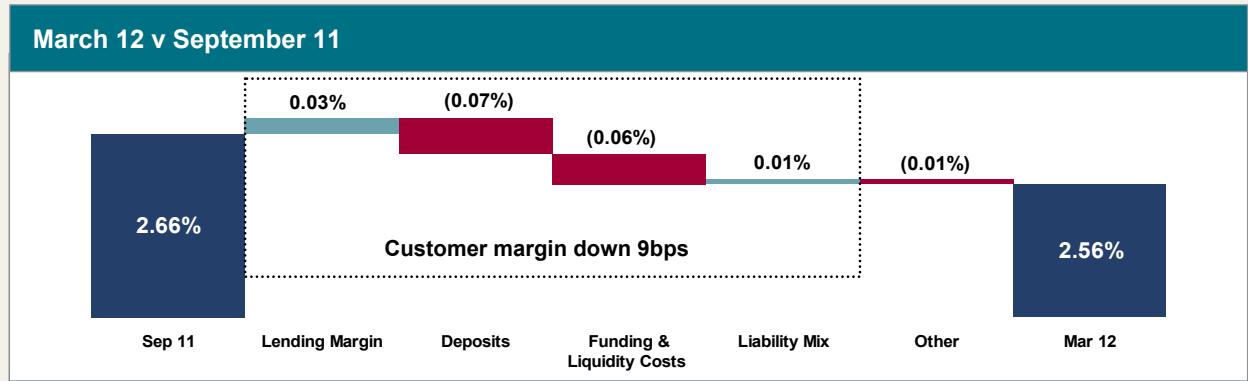
X% Cost to income ratio



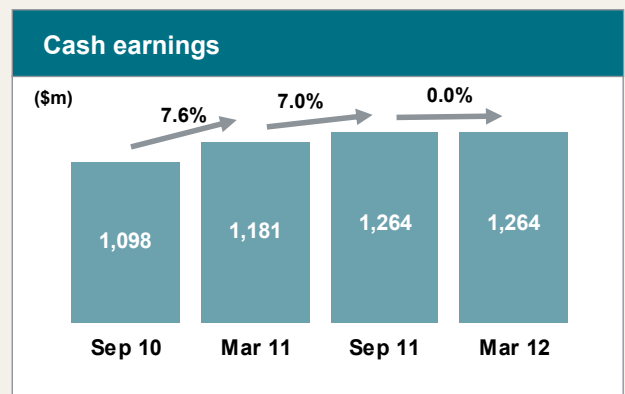
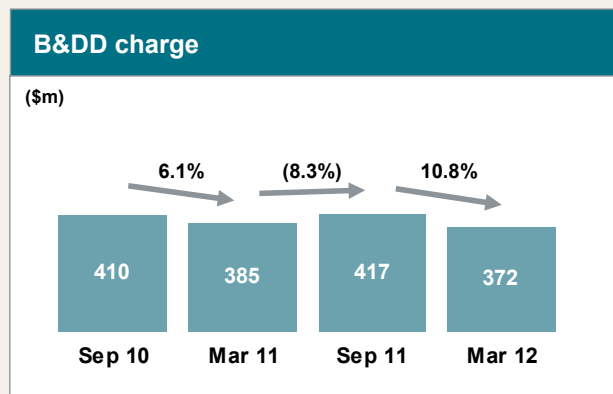
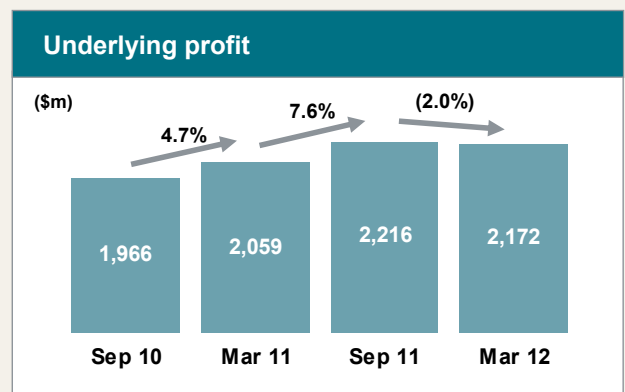
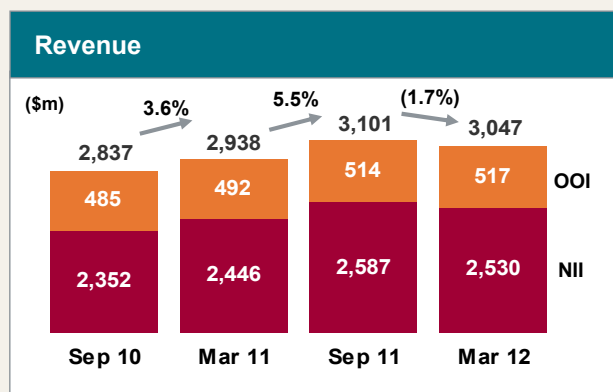
# Business Banking



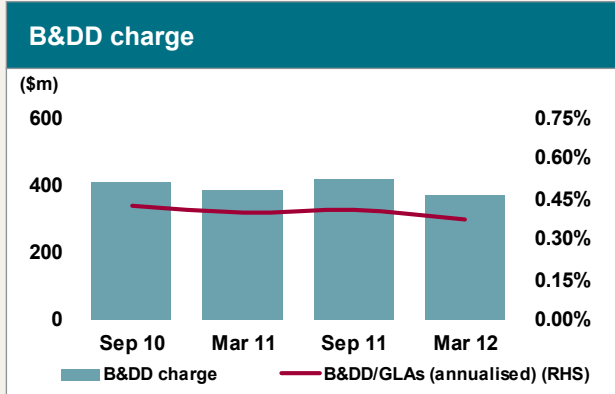
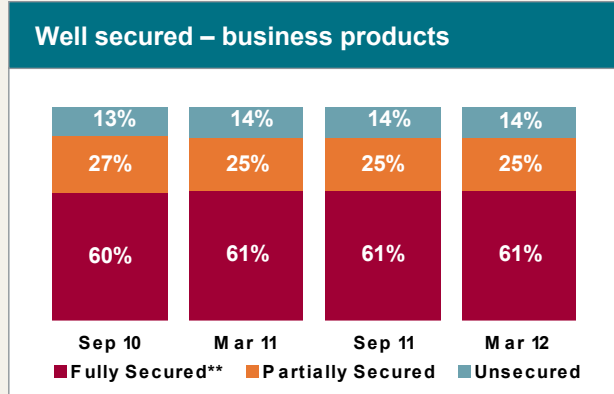
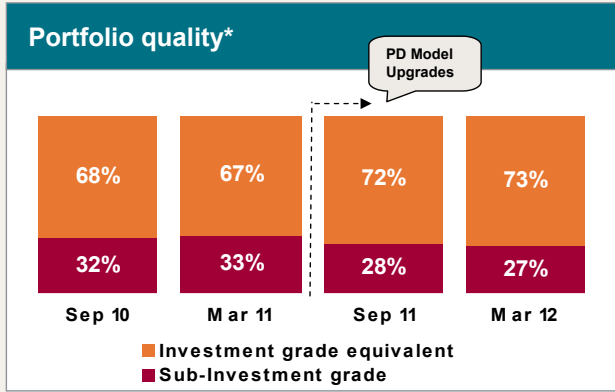
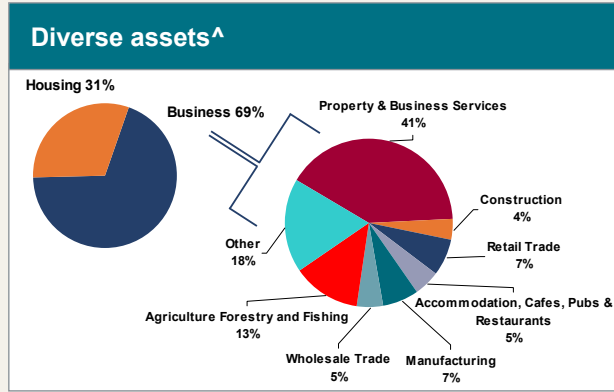
# Business Banking: Net interest margin



# Business Banking

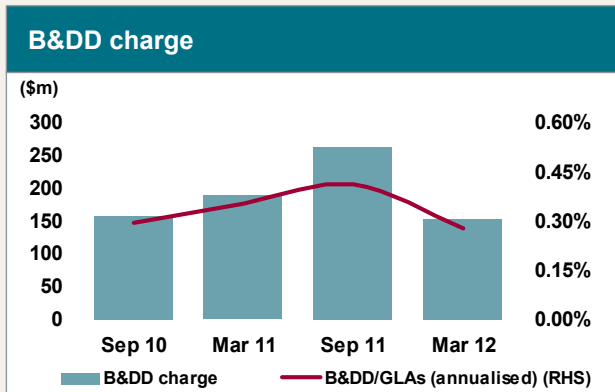
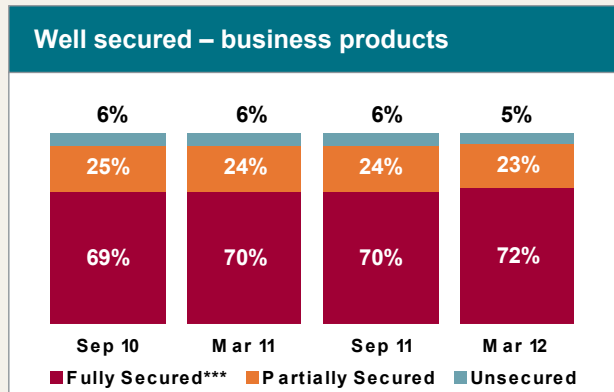
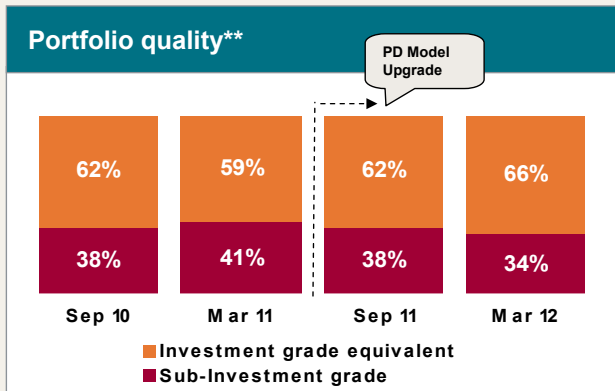
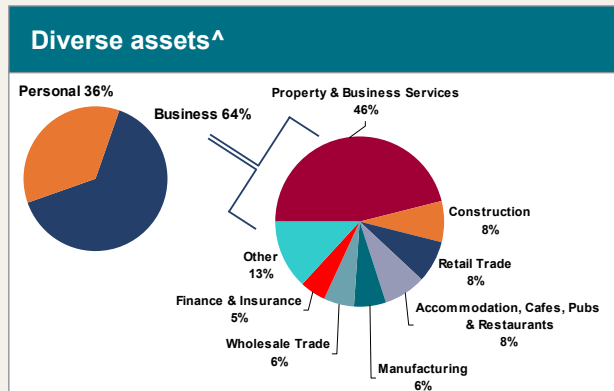


# Business Banking: Total



37 <sup>^</sup> Based on product split  
<sup>\*</sup> Based upon expected loss  
<sup>\*\*</sup> Based upon security categories in internal ratings systems

# Business Banking: SME Business\*



38 <sup>^</sup> Based on customer split  
<sup>\*</sup> SME business data reflects the nabbusiness segment of Business Banking which supports business customers with lending typically up to \$25m, excluding the Specialised Businesses  
<sup>\*\*</sup> Based upon expected loss  
<sup>\*\*\*</sup> Based upon security categories in internal ratings systems

**Additional Information**

Business Banking

**Personal Banking**

Wholesale Banking

NAB Wealth

NZ Banking

UK Banking

Great Western Bank

Specialised Group Assets

Asia

Asset Quality

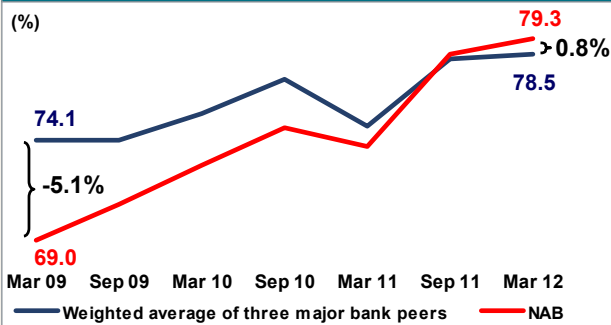
Capital and Funding

Economic Outlook

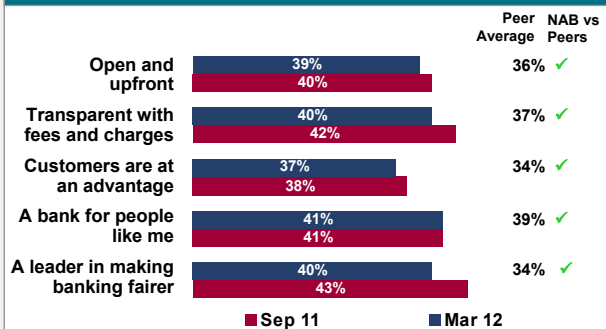


**Personal Banking**

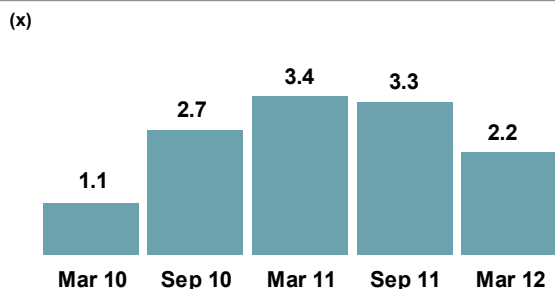
**MFI customer satisfaction<sup>1</sup>**



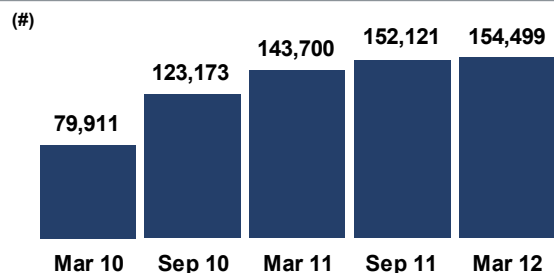
**Sweeney research brand tracker<sup>2</sup>**



**Home loan multiple of system growth<sup>3</sup>**

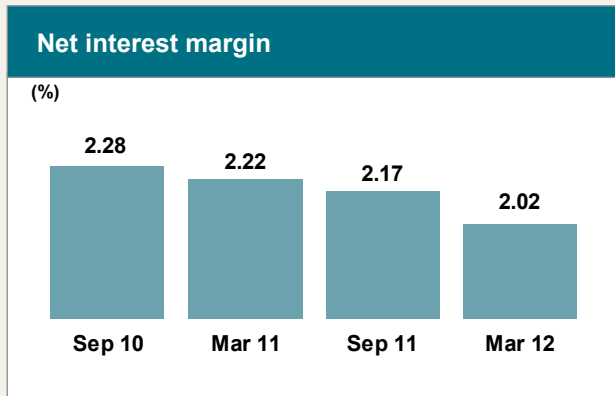
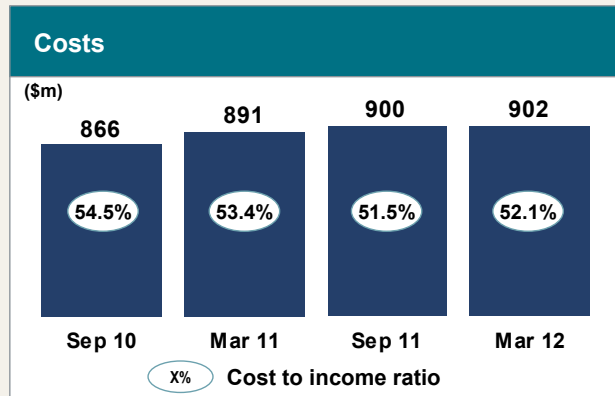
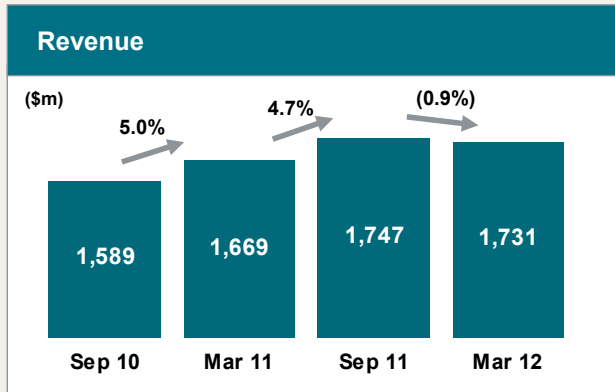
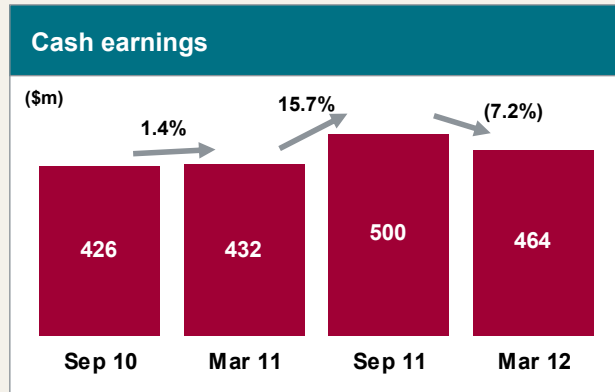


**Net transaction account growth**

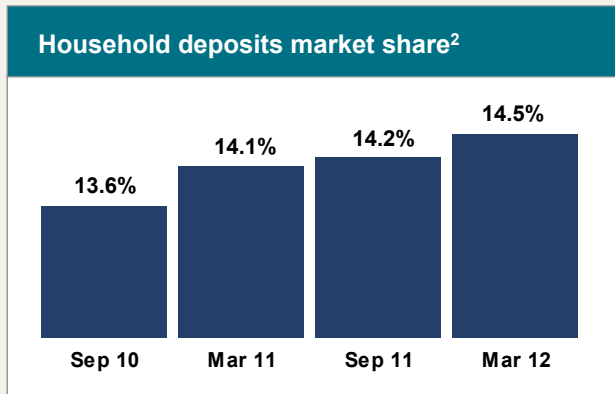
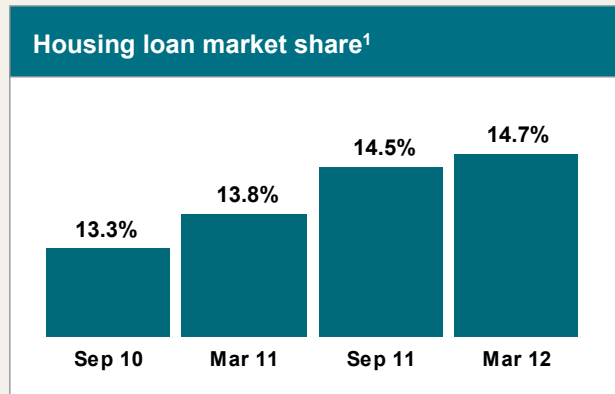
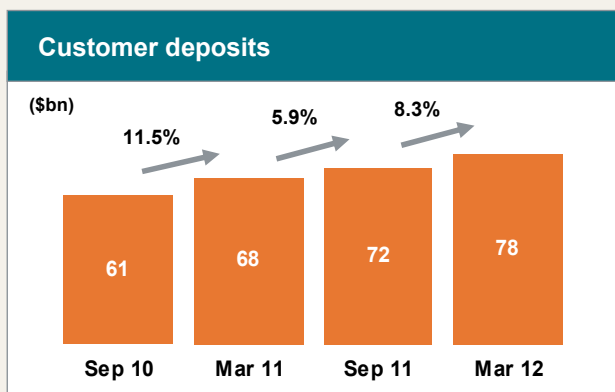
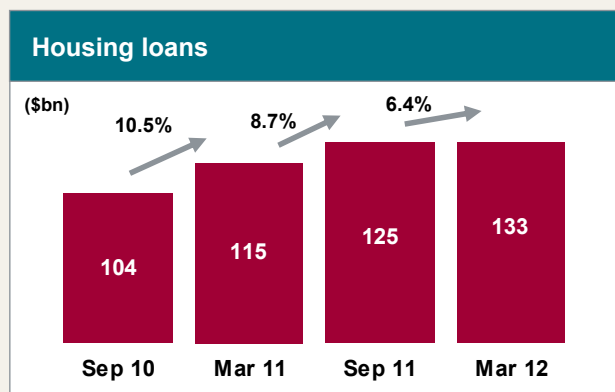


(1) Roy Morgan Research, Aust MFIs, population aged 14+, six month moving average. Customer satisfaction is based on customers who answered very/fairly satisfied. NAB compared with the weighted average of the three major banks (ANZ, CBA, WBC)  
 (2) Sweeney Research Brand Tracker  
 (3) RBA Financial System/NAB

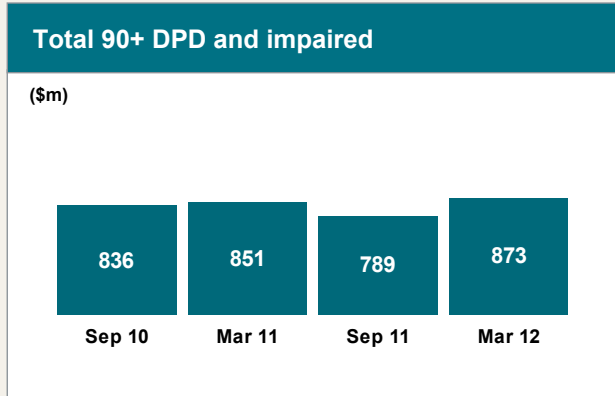
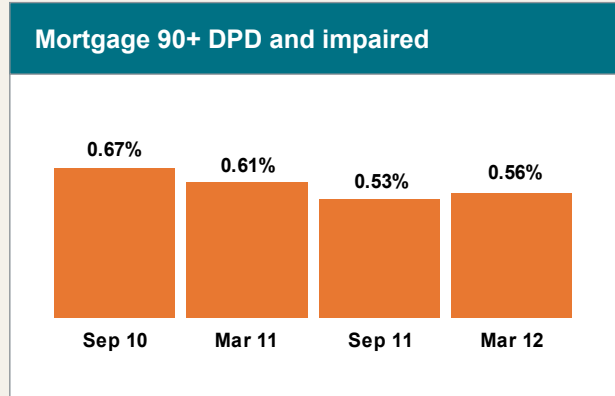
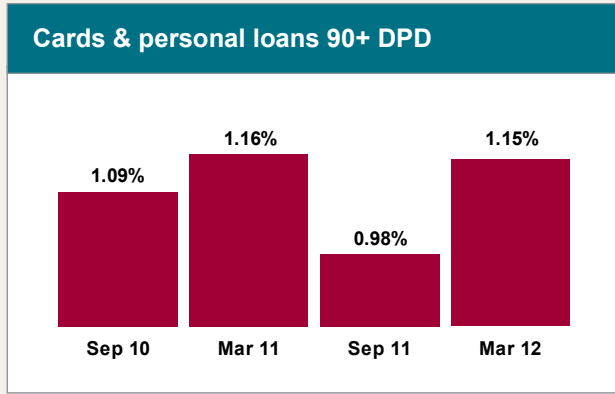
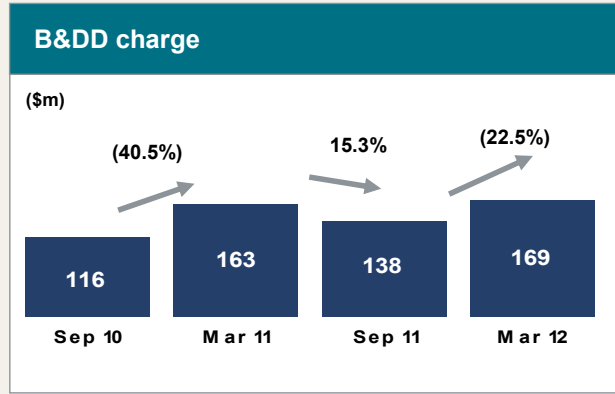
# Personal Banking



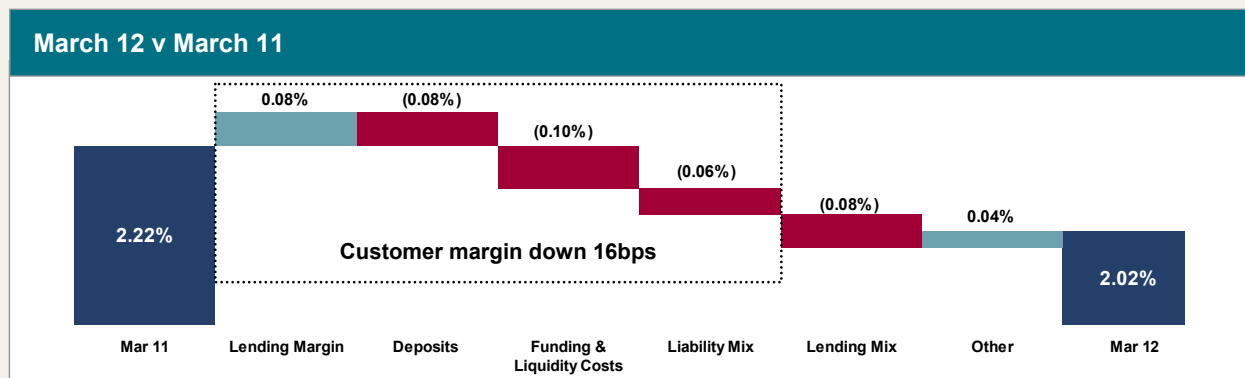
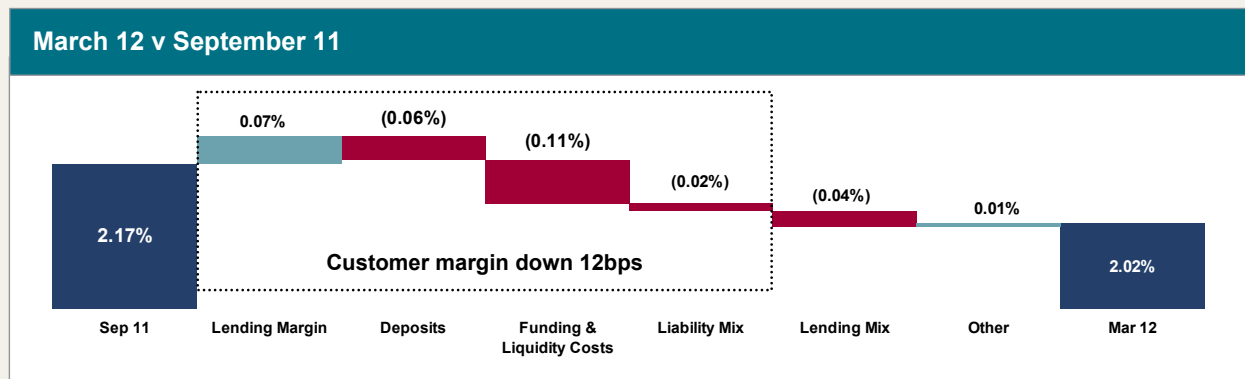
# Personal Banking



# Personal Banking: Asset quality

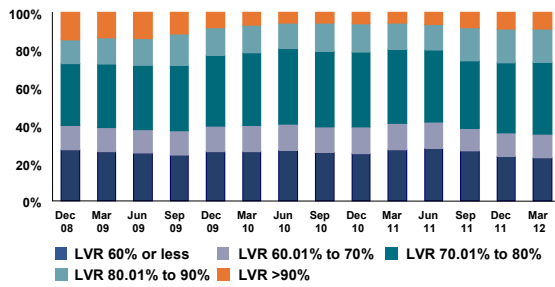


# Personal Banking: Net interest margin

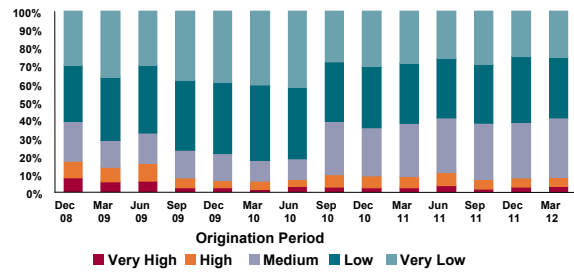


# Change in profile of mortgage approvals

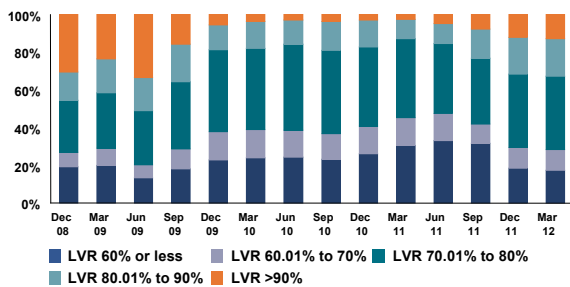
**LVR breakdown of final approvals (Australian Region)**



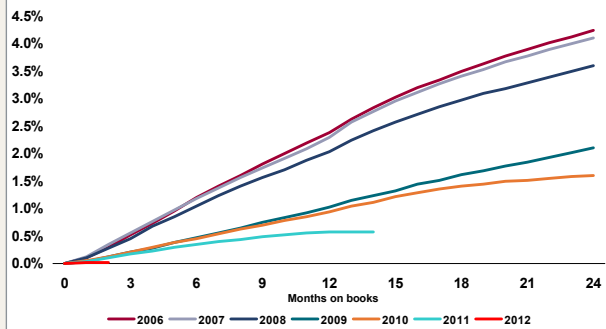
**Risk grade distribution of 90%+ LVR**



**LVR breakdown of Homeside final approvals**



**Australian mortgages - cumulative 30+ DPD**



## Additional Information

Business Banking

Personal Banking

**Wholesale Banking**

NAB Wealth

NZ Banking

UK Banking

Great Western Bank

Specialised Group Assets

Asia

Asset Quality

Capital and Funding

Economic Outlook



# Wholesale Banking

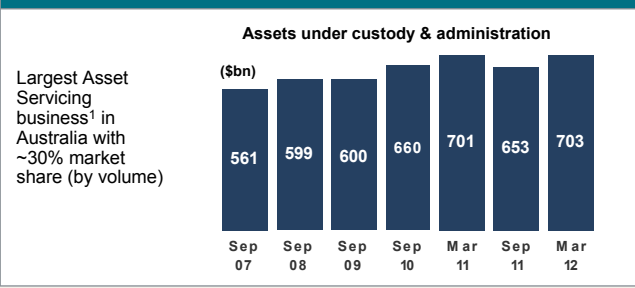
Customer sales performance	Current ranking	Previous ranking
Best advice in Interest Rate Risk Management (Corporate/Institutional: peer group ranking) <sup>2</sup>	#1	#3
Lead Interest Rate provider where the relevant bank is lead credit provider (Corporate /Institutional: peer group ranking) <sup>2</sup>	#1	#=4
Provider of Interest Rate Swaps (% primary relationship – Corporate) <sup>3</sup>	#1	#1
Provider of Spot Foreign Exchange (% primary relationship – Corporate) <sup>3</sup>	#2	#2
Interest Rate Derivatives Market Share <sup>6</sup>	#1	#4
Market Share in Cross Currency Interest Rate Swaps <sup>6</sup>	#1	na
Most Competitive Swap Quotes <sup>6</sup>	#1	#5
Most Valuable/Tailored Foreign Exchange advice to Financial Institutions (Australia Financial Institutions: peer group ranking) <sup>7</sup>	#1	#3

## Infrastructure and natural resources

- #1 arranger of project finance to Australian Infrastructure Public Private Partnership (PPP) projects <sup>8</sup>
- #1 arranger of project finance to Australian Renewable Power projects <sup>9</sup>

 <p><b>Associated British Ports</b> £1.86bn 3, 5 &amp; 7 year Syndicated Facilities Mandated Lead Arranger, Bond Bookrunner December 2011</p>	 <p><b>Victorian Comprehensive Cancer Centre Project</b> \$940m Construction &amp; Term Loan Facility Lender and Mandated Lead Arranger, Swap Provider, Underwriter, Coordinating Bank &amp; Original Acct Bank December 2011</p>	 <p><b>Sandfire Resources NL</b> \$380m Senior Project Facility Mandated Lead Arranger January 2012</p>	 <p><b>Woolnorth Wind Farms</b> \$ 170m Term Facilities, Working Capital and L/C Provider Sole MLA, Underwriter, Bookrunner, Facility Agent &amp; Security Trustee February 2012</p>
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## NAB Asset Servicing



## Debt capital solutions

- #1 ranked Bookrunner in AU Securitisation league table <sup>4</sup>
- #2 ranked in Australian Bookrunner Ranking for Syndicated Loans <sup>5</sup>

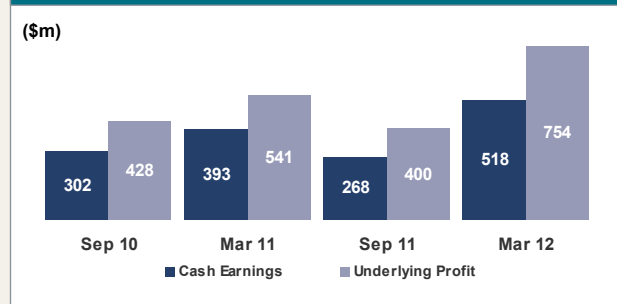
 <p><b>Woolworths</b> \$1.2bn Syndicate Loan Facility Joint Lead Manager October 2011</p>	 <p><b>Apollo Series 2011-1</b> \$1.25bn Australian RMBS Issue Joint Lead Manager November 2011</p>	 <p><b>Bank of China</b> \$600m Floating Rate Offering Joint Lead Manager March 2012</p>	 <p><b>SSE PLC</b> \$700m USPP Joint Agent February 2012</p>
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(1) Australian Custodial Services Association, Total Assets Under Custody for Australian Investors, December 2011; (2) Peter Lee Associates - Large Corporate & Institutional Relationship Banking Australia Survey 2011. Ranking against the four major domestic banks; (3) East & Partners Australian Corporate Banking Market Survey, January 2012; (4) Kanganews, Dec 27<sup>th</sup> 2011 AU Securitisation League Table, AUD tranches only – excl. Self-Led deals; (5) Dealogic Loans Review – Full Year 2011; (6) Peter Lee Associates - Interest Rate Derivatives Australia Survey 2011; (7) Peter Lee Associates - Foreign Exchange Australia Survey 2011, Financial Institutions. Ranking against the four major domestic banks; (8) Project Finance International 2009-2011 APAC MLA League Tables US\$ Project Allocation, NAB analysis ranking against four major domestic banks - cumulative volume; (9) NAB analysis ranking against four major domestic banks - cumulative volume. Data Source: Project Finance International 2006-2011 APAC MLA League Tables US\$ Project Allocation

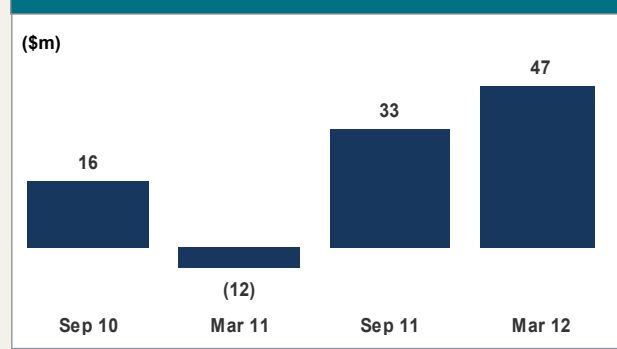


# Wholesale Banking

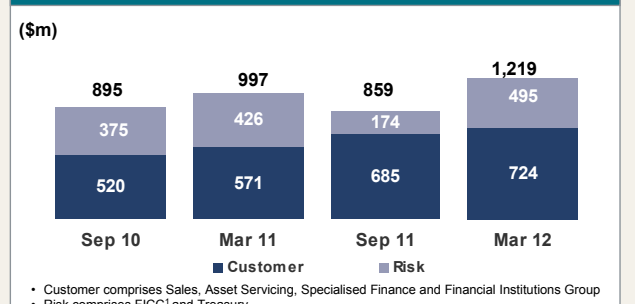
## Cash earnings and underlying profit



## B&DD charge



## Revenue by line of business

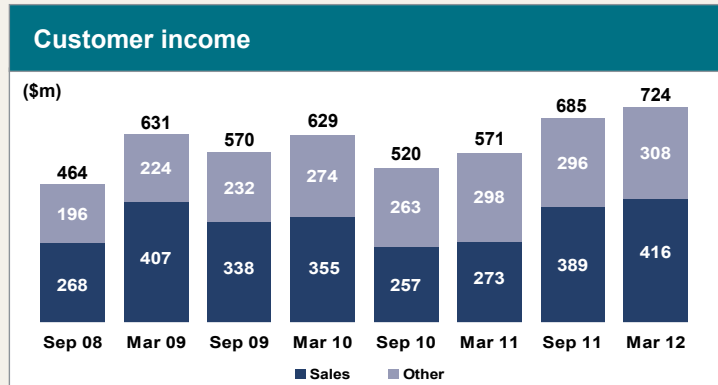


- Customer income up on the September 11 half reflecting continued cross-sell momentum in Corporate & Business Sales
- Risk income (FICC<sup>1</sup> and Treasury) significantly improved during the half resulting from an improved trading environment with higher customer flows
- B&DD charge driven by two provisions raised, asset quality remains sound

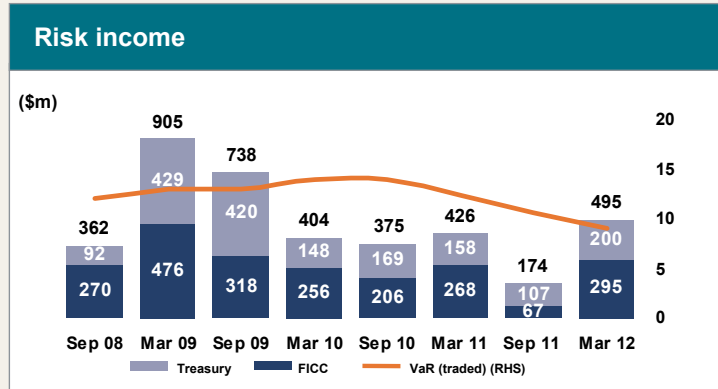




## Wholesale Banking: Income

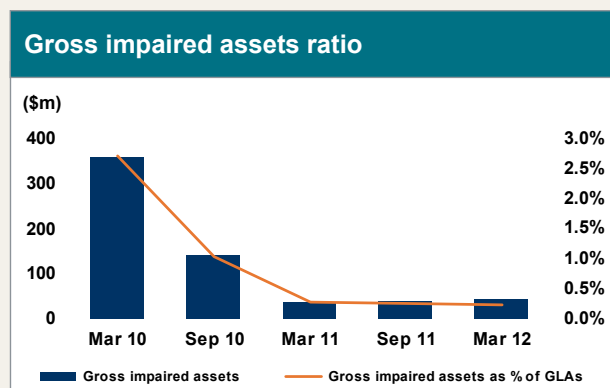


- ▶ Customer income compound annual growth rate from September 2008 to March 2012 is 13.6%, driven by continued success in the franchise focus strategy, investing in capabilities to provide innovative risk management solutions to the Group's customers

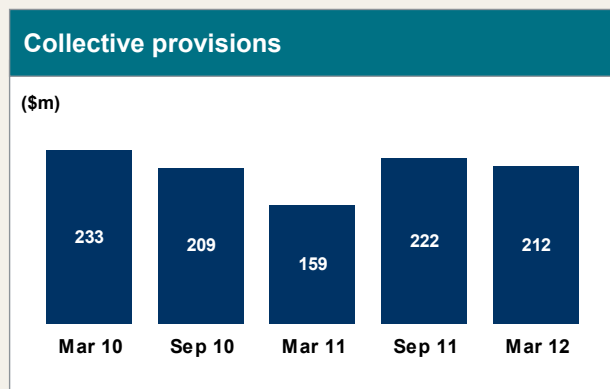


- ▶ Risk income (FICC and Treasury) has significantly improved on the September 2011 half as a result of good client flows and increased trading opportunities through improved market conditions

## Wholesale Banking: Asset quality



- ▶ Portfolio asset quality is stable with over 90% at investment grade equivalent
- ▶ Gross impaired assets were broadly stable on the September 2011 and March 2011 half year



## Additional Information

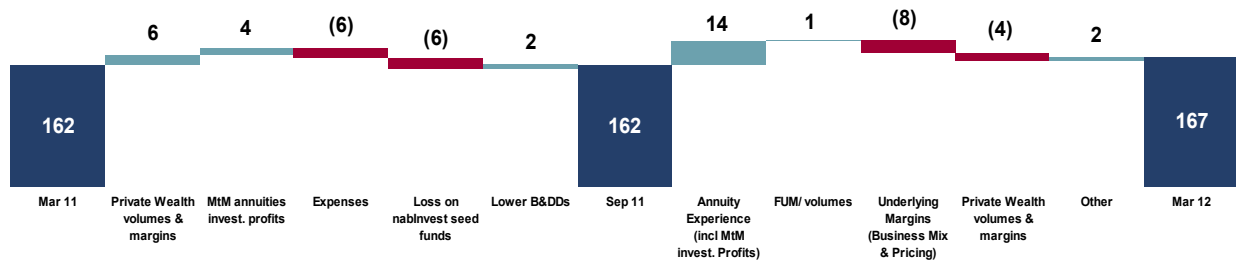
Business Banking  
 Personal Banking  
 Wholesale Banking  
**NAB Wealth**  
 NZ Banking  
 UK Banking  
 Great Western Bank  
 Specialised Group Assets  
 Asia  
 Asset Quality  
 Capital and Funding  
 Economic Outlook



## NAB Wealth

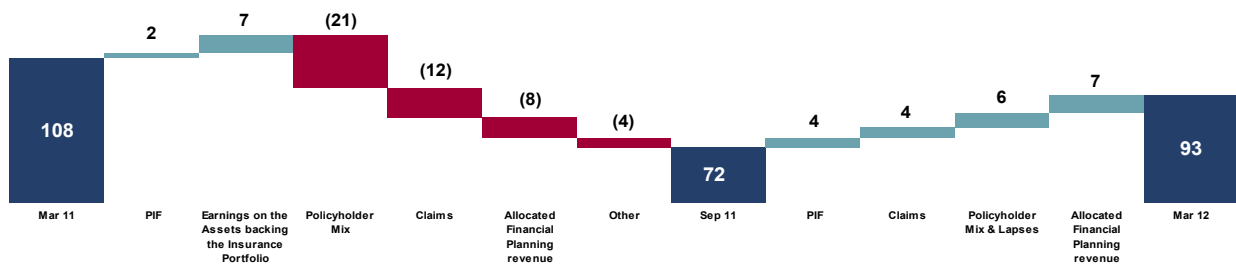
### Investments cash earnings

(\$m)



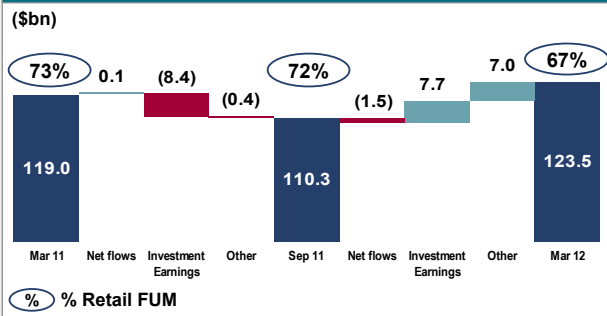
### Insurance cash earnings

(\$m)

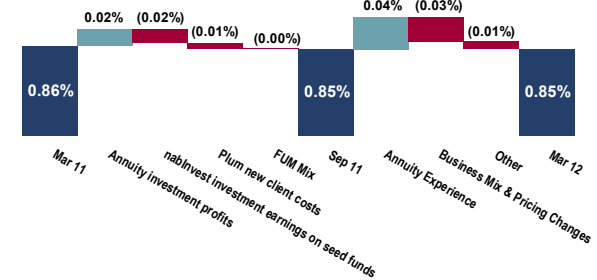


# NAB Wealth

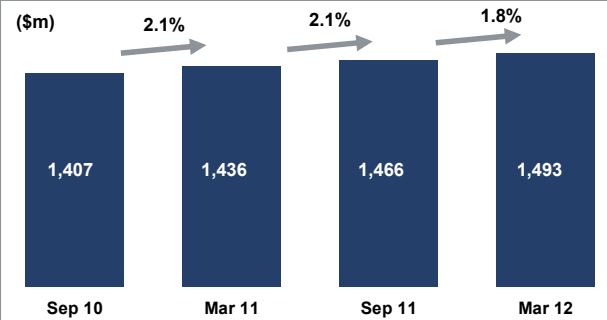
## Movement in FUM<sup>(1)</sup>



## Movement in investments margin



## Premiums inforce



53

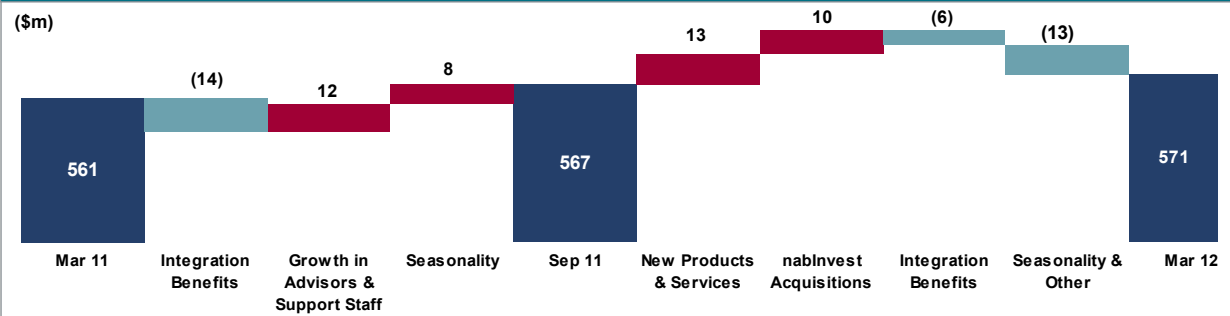


(1) FUM based on a proportional ownership basis

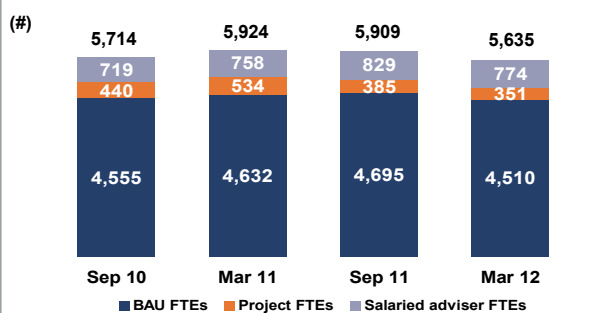


# NAB Wealth

## Movements in operating expenses



## Movements in FTEs

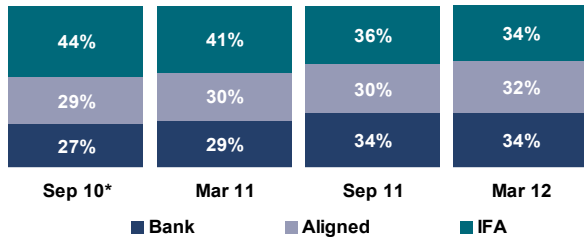


54



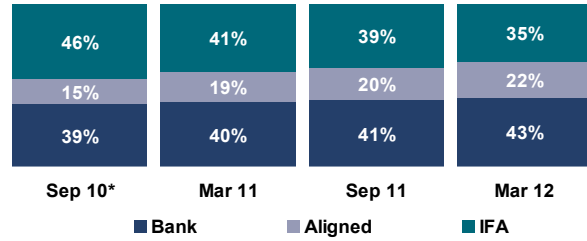
# Channel and adviser growth

## Investment sales by channel



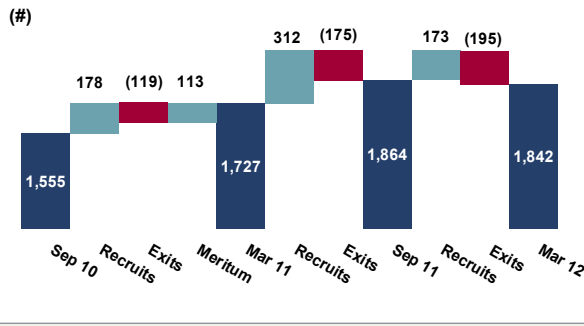
\* IFA sales were re-stated in 2010 to include Aviva

## Insurance sales by channel



\* IFA sales were re-stated in 2010 to include Aviva

## Wealth adviser movement analysis

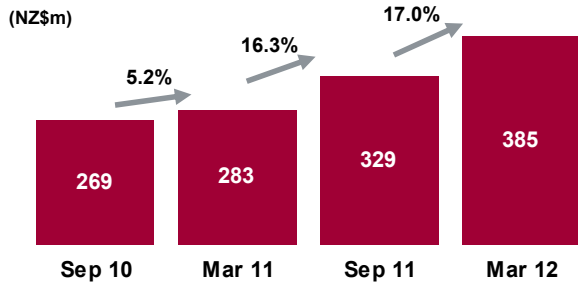


## Additional Information

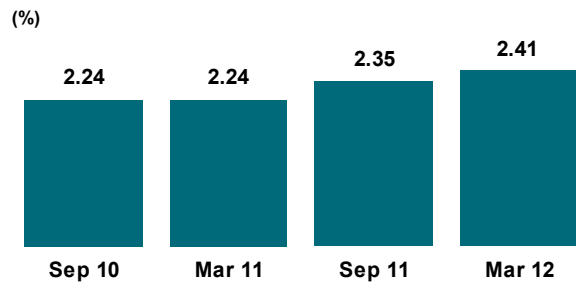
- Business Banking
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# New Zealand Banking

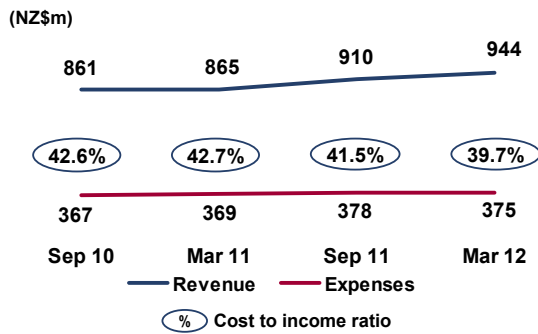
## Cash earnings



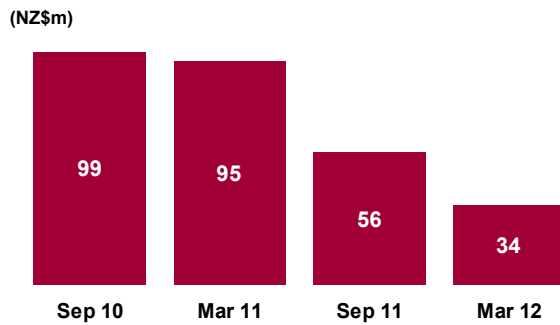
## Net interest margin



## Revenue v expense growth



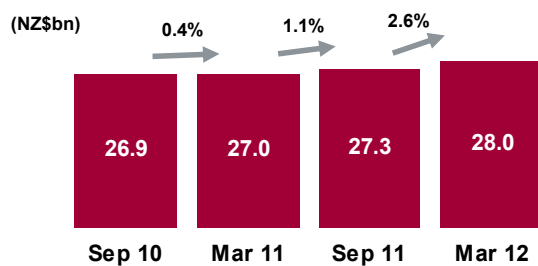
## B&DD charge



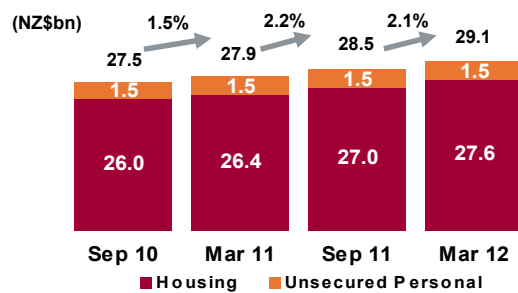
57

# New Zealand Banking

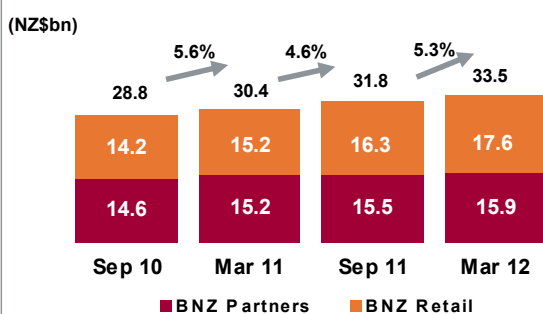
## Business lending



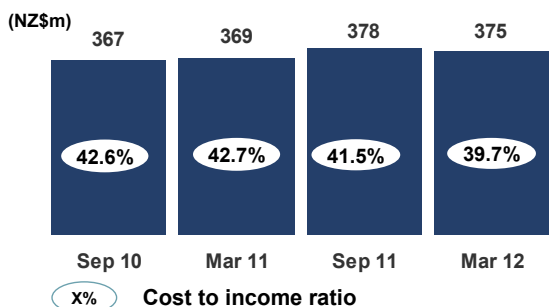
## Retail lending



## Retail deposits



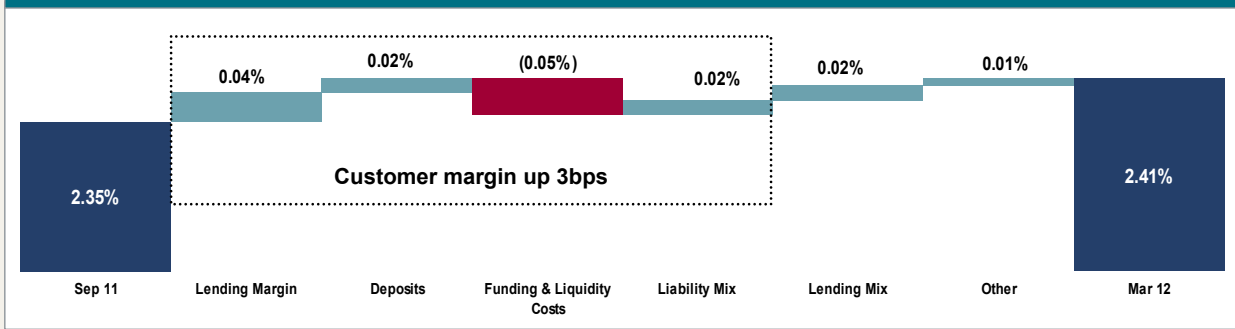
## Costs



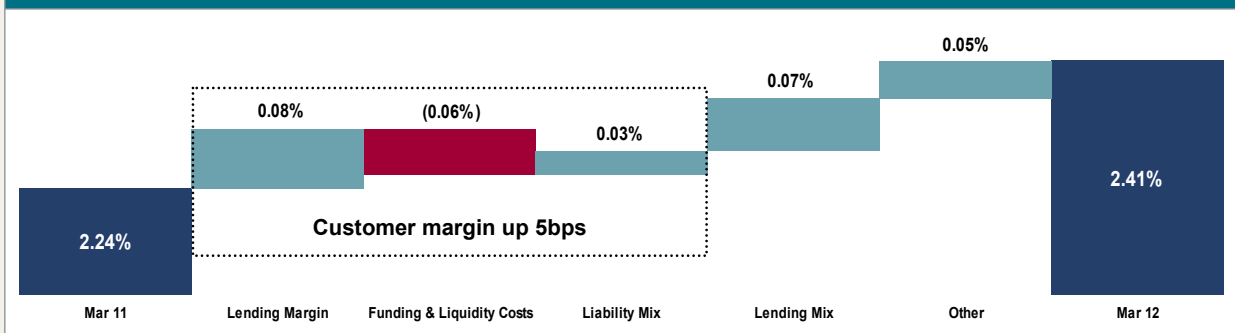
58

# New Zealand Banking: Net interest margin

## March 12 v September 11

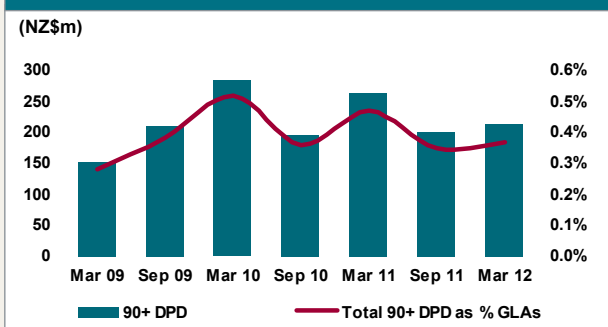


## March 12 v March 11



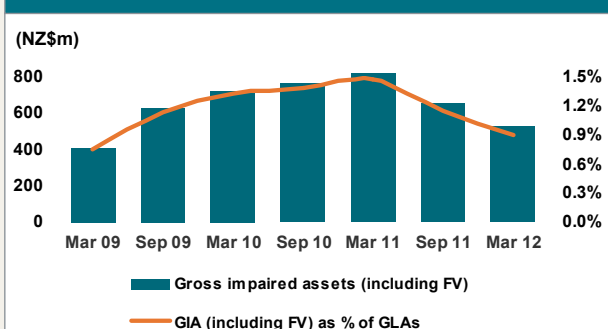
# New Zealand Banking: Asset quality

## Total 90+ DPD as % GLAs

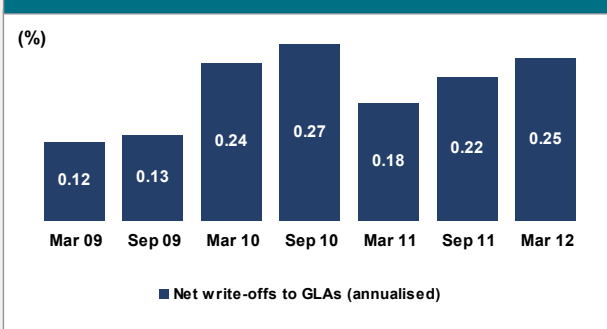


- ▶ The combined total of Gross impaired assets and 90+ DPD has decreased from the prior half primarily due to business exposures
- ▶ Exposures in the commercial property, dairy farming and kiwifruit sectors are the main industry concerns
- ▶ Net write-offs are slightly higher compared to the September 2011 half year due to higher partial write-offs against existing provisions, offsetting lower unsecured write-offs

## Gross impaired assets as % GLAs



## Net write-offs



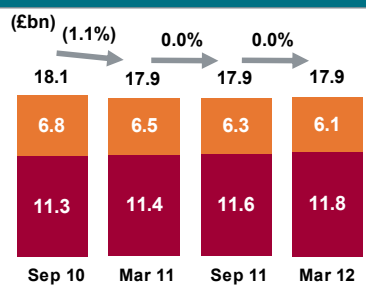
## Additional Information

Business Banking  
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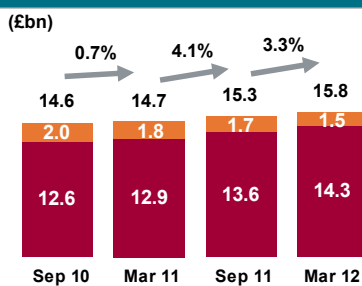
## UK Banking

### Business lending



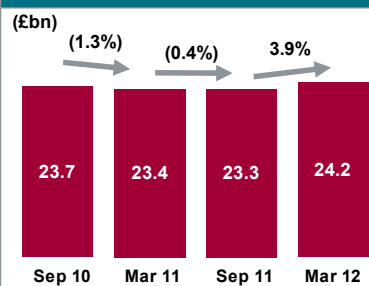
■ Other business ■ Commercial property

### Personal lending

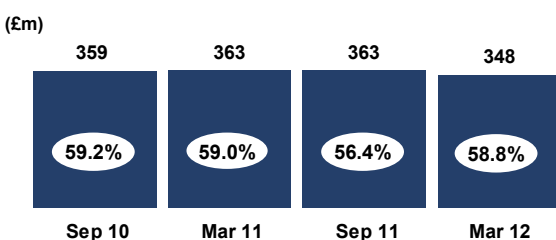


■ Housing ■ Unsecured

### Retail deposits



### Costs



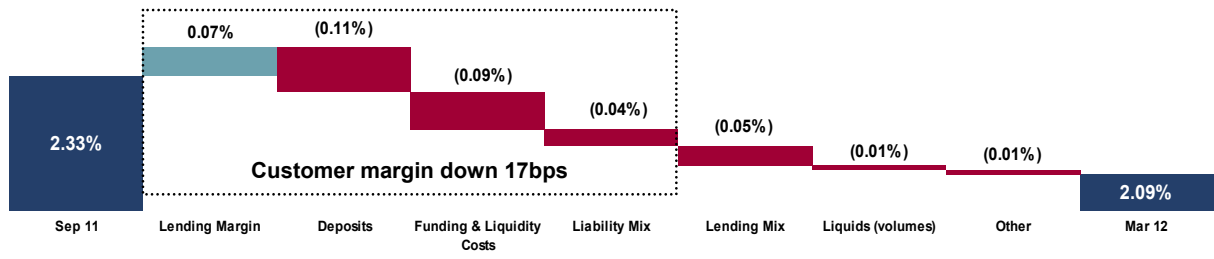
X% Cost to Income Ratio

### Net interest margin

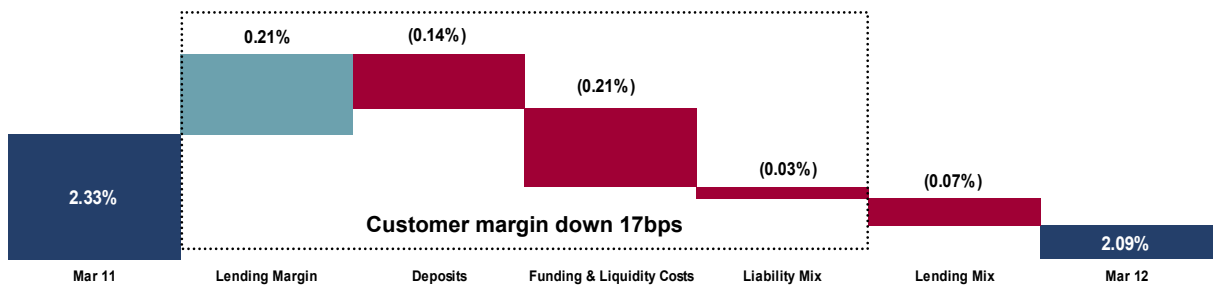


# UK Banking: Net interest margin

## March 12 v September 11

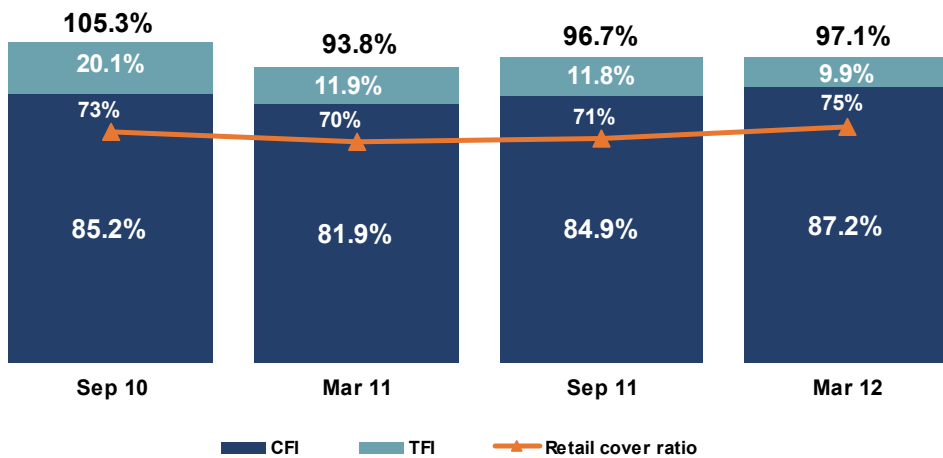


## March 12 v March 11



# Funding mix

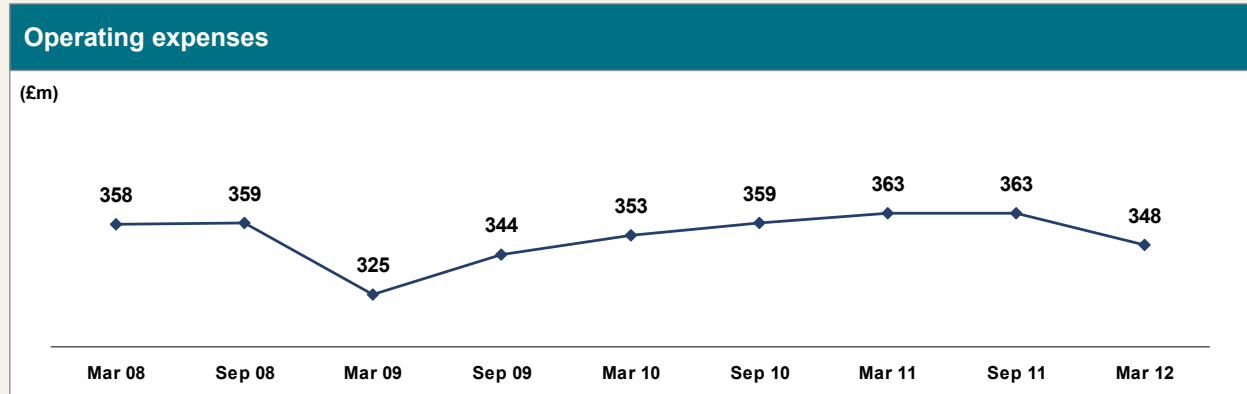
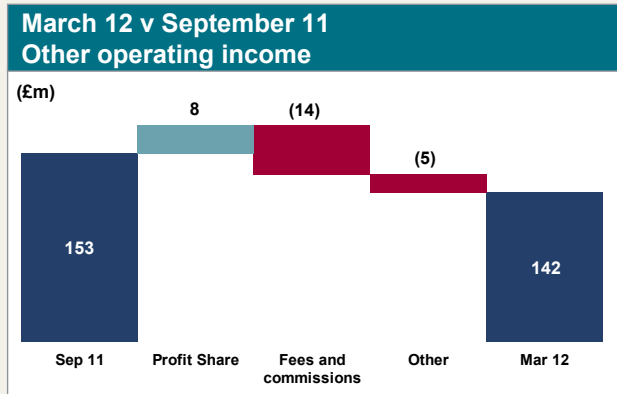
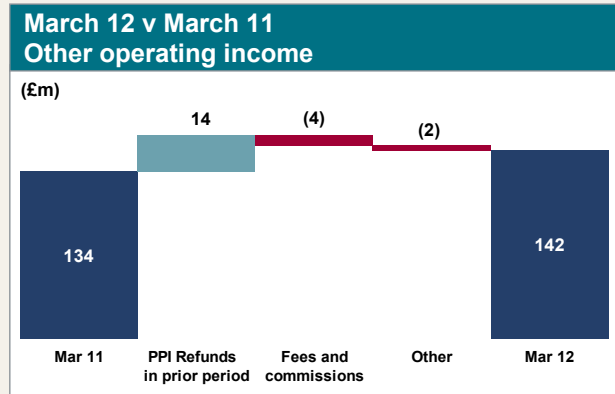
## Stable funding index



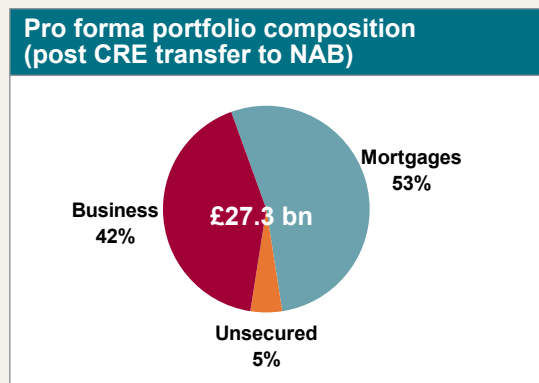
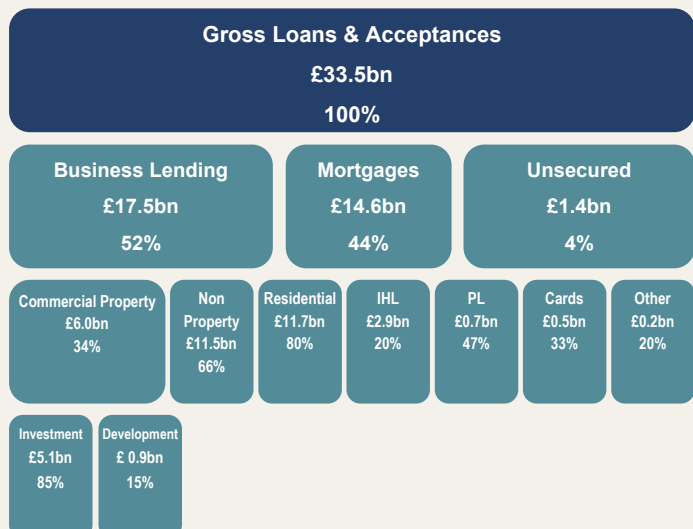
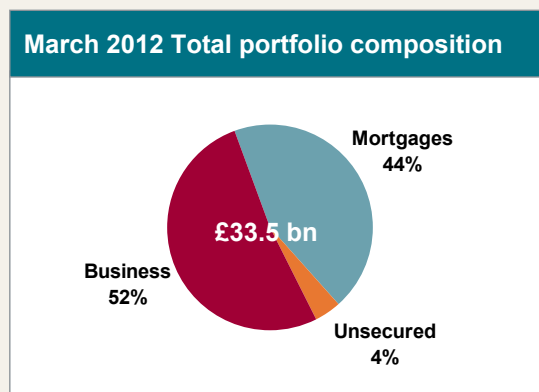
Stable funding index (SFI) based on spot balances



# UK Banking: Other operating income and expenses

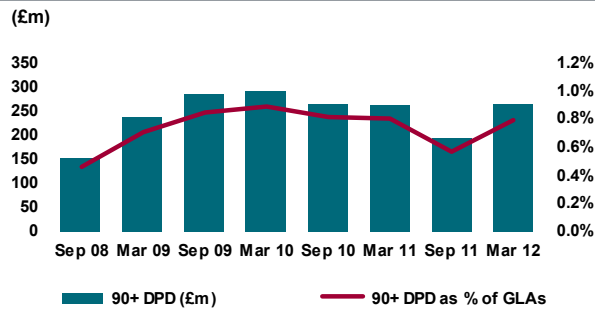


# UK Banking portfolio composition

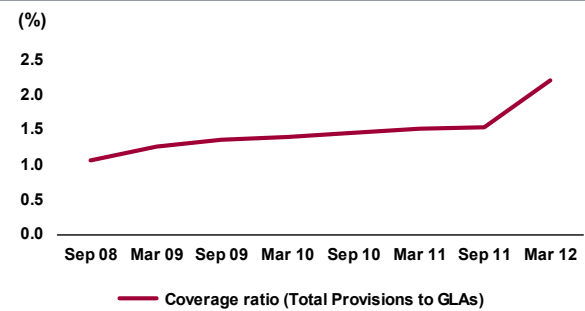


# UK Banking: Asset quality

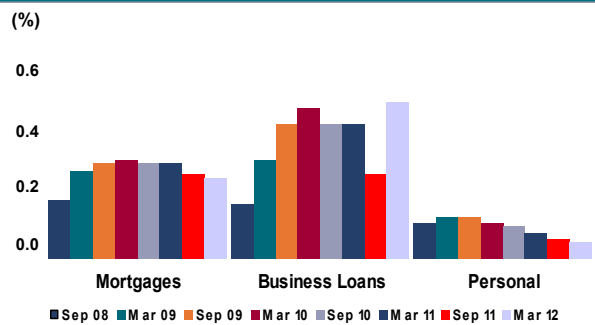
## Total 90+ DPD as a % of GLAs



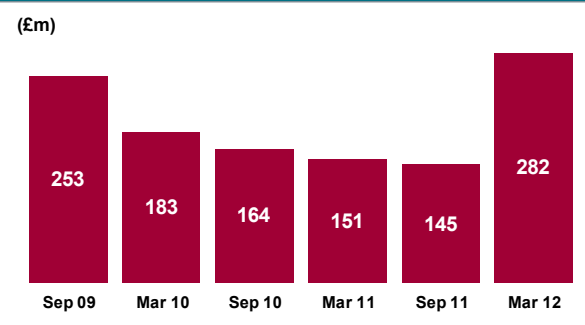
## Coverage ratio



## 90+ DPD as a % of GLAs by product



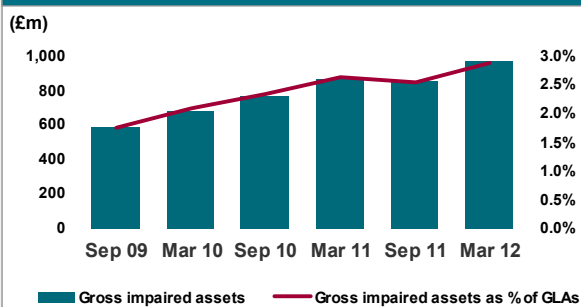
## B&DD charge



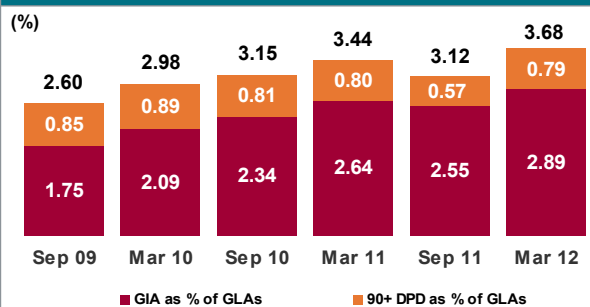
67

# UK Banking: Asset quality

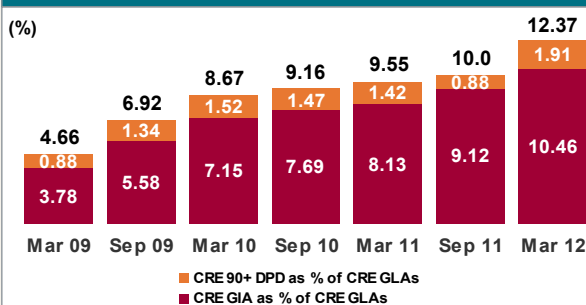
## Gross impaired assets



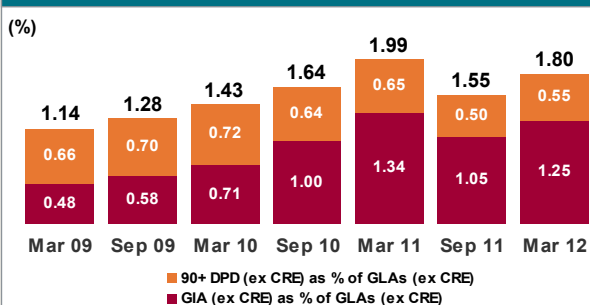
## 90+ DPD and GIAs as a % of GLAs



## UK CRE credit quality<sup>1</sup>



## UK Credit quality excluding CRE

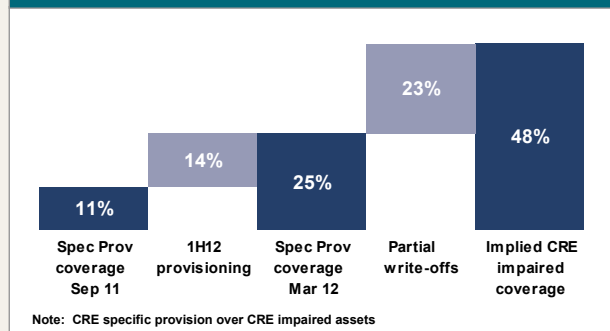


(1) Reflects credit quality of total CRE portfolio

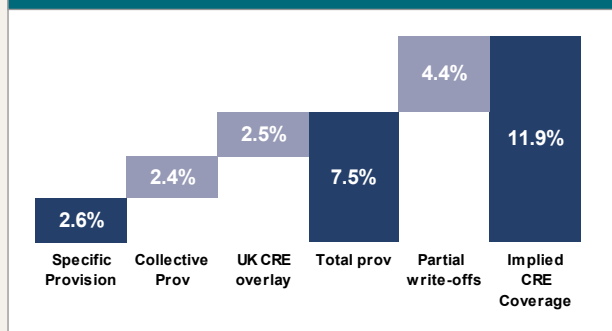
68

# UK Banking CRE provisioning increased

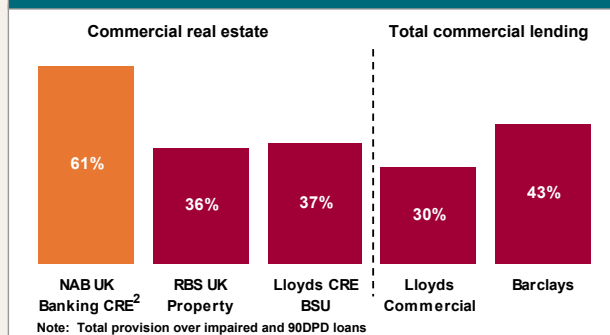
## UK CRE impaired loan coverage



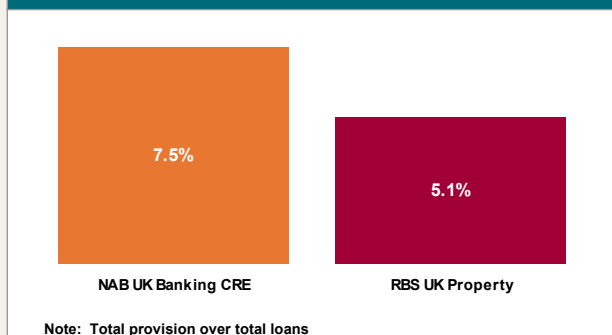
## Total UK CRE provision coverage – Mar 12



## Provision coverage of NPL assets<sup>1</sup>



## Provision coverage of CRE assets<sup>1</sup>



69 (1) Source of peer comparison is 2011 audited financial statements  
 (2) Includes UK CRE overlay of £150m – excluding overlay coverage is 41%



## Additional Information

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

## Great Western Bank

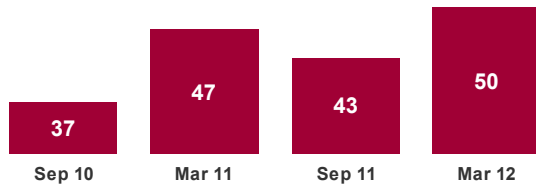
- Specialised Group Assets
- Asia
- Asset Quality
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# Great Western Bank

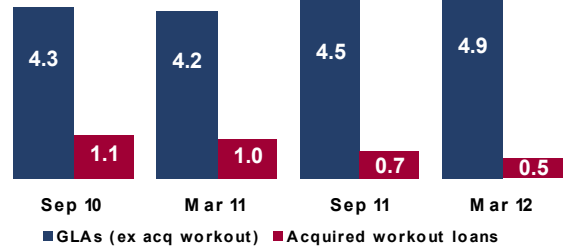
## Cash earnings

(US\$m)



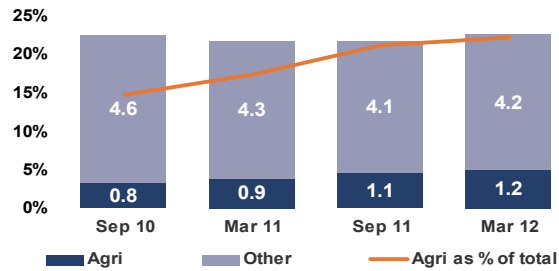
## Gross loans & acceptances

(US\$bn)



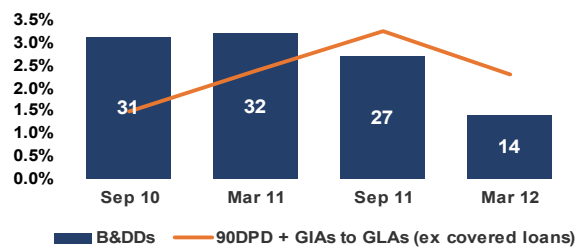
## Loan portfolio composition

(US\$bn)



## B&DDs and asset quality metrics

(US\$m)



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## Additional Information

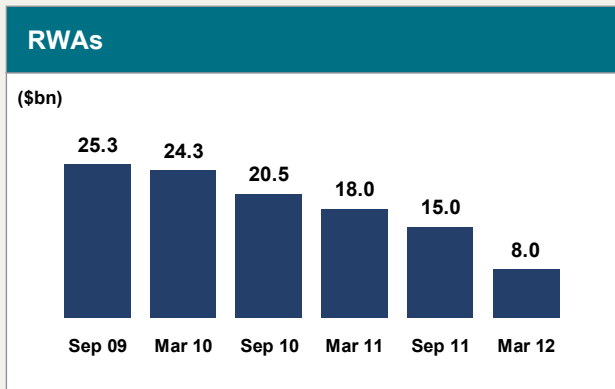
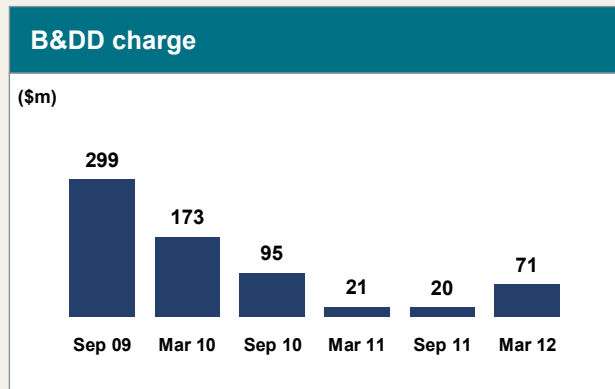
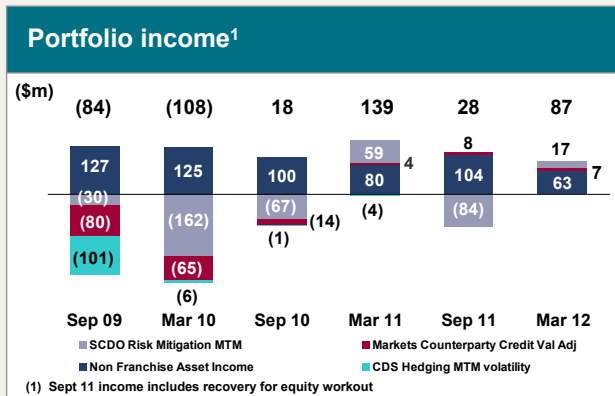
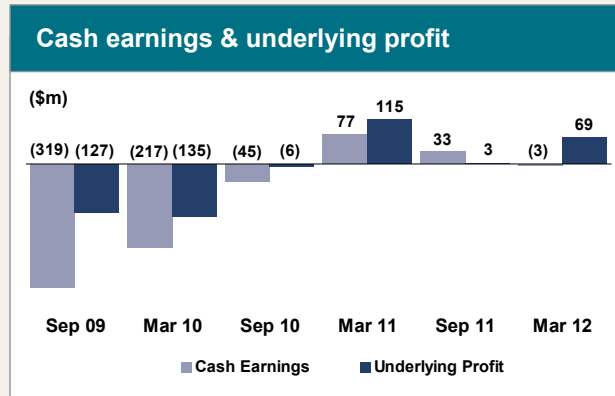
- Business Banking
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## Specialised Group Assets

- Asia
- Asset Quality
- Capital and Funding
- Economic Outlook



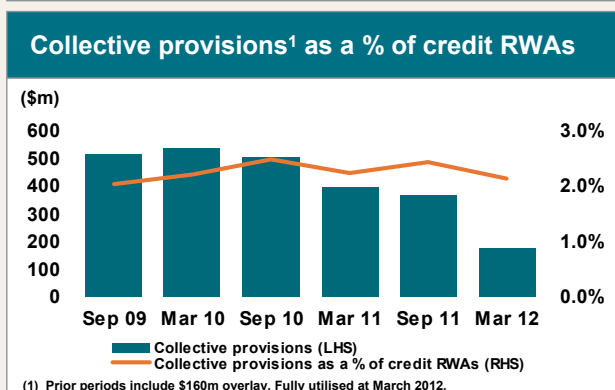
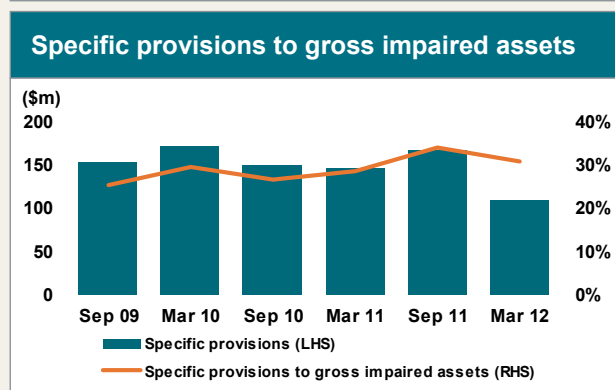
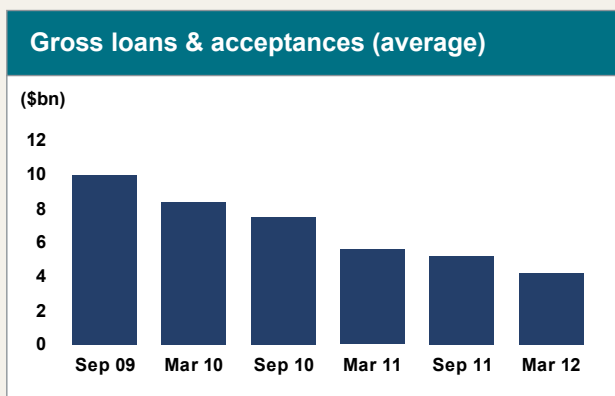
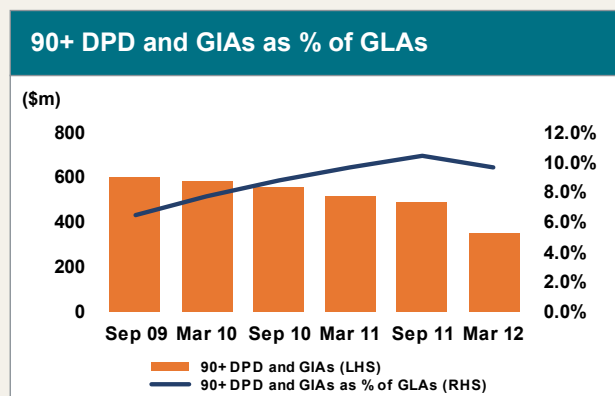
# Specialised Group Assets



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# Specialised Group Assets: Asset quality



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# Specialised Group Assets - SCDO update

In 1H12, removed the 'sold protection' on the last two remaining SCDOs

## What we have done

- ▶ Exited the 'sold protection' of the last two remaining SCDOs
- ▶ Terminated one original CLN note and novated the corresponding hedge (at no cost to NAB)

## Impact

- ▶ Removed \$600m of credit risk
- ▶ \$1.5bn RWA reduction
- ▶ \$141m of hedge premium cost accelerated
- ▶ MTM 'noise' has been removed

## Regarding the remaining SCDOs

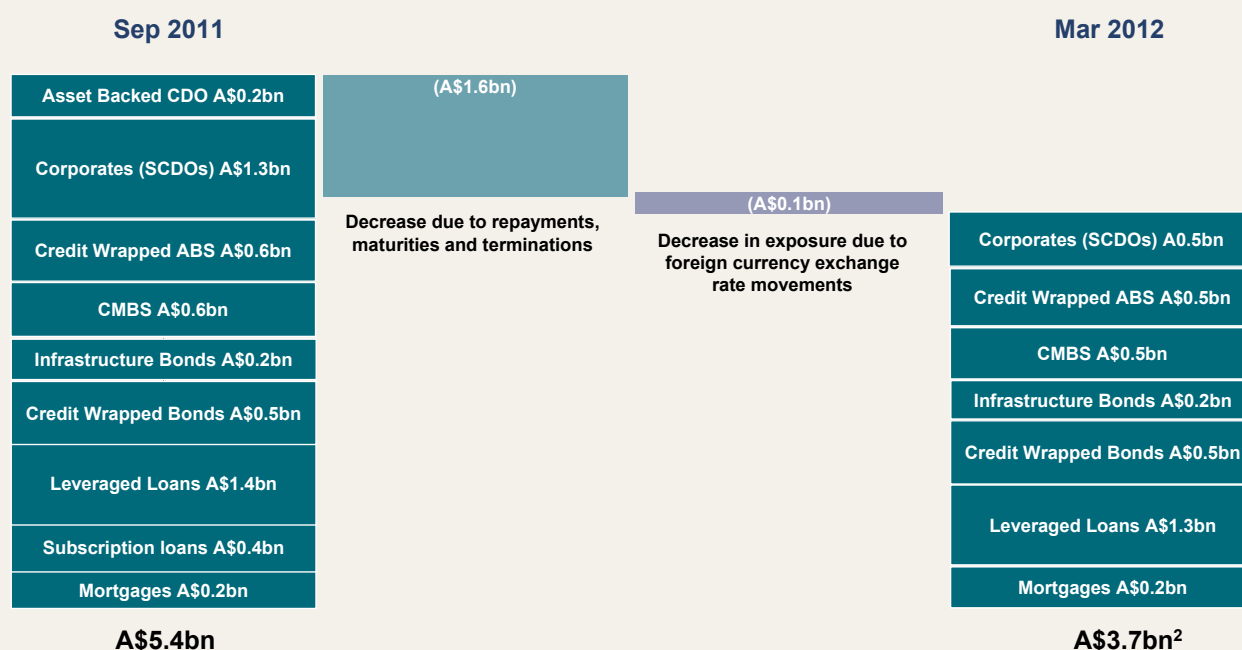
- ▶ Two fully hedged positions remain with one credit event during the first half
- ▶ As at 31 March, there is no longer any unhedged SCDO risk
- ▶ During the current half the final SCDO MTM was a positive \$17 million
- ▶ The recognition of remaining hedge costs related to the SCDO risk mitigation trades have been accelerated by expensing the carrying value of these hedge costs to non-cash earnings
- ▶ During the March 2012 half year, \$141 million (\$99 million after tax) of such costs were expensed through non-cash earnings
- ▶ The \$160 million provision overlay for conduits and derivatives has been used to absorb the residual costs

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# SGA Conduit Portfolio Summary<sup>1</sup>

## Movements between September 2011 and March 2012



(1) Includes Group's exposures (drawn and available to be drawn) initially funded by NAB sponsored and third party sponsored asset backed commercial paper conduits and SPE purchased assets

(2) Specialised Group Assets has removed the economic risk associated with the six sold protection SCDO derivative exposures

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# Structured Asset Management

## Credit Wrapped ABS – \$0.5bn

	Portfolio 1	Portfolio 2
Current NAB Exposure	\$305m (US\$318m)	\$209m (US\$217m)
Average Portfolio Rating (excludes Portfolio Policy, includes Bond Level Policies)	B3 / B	Caa1/ CCC+
Portfolio Guarantor	MBIA (B3 / B)	AMBAC (NR / NR) – Policy terminated Oct 2011
% of Underlying Asset with Wrap	43.4%	30.7%
<b>Asset Breakdown</b>		
Residential Mortgage Backed Security*	34.1%	47.8%
Commercial Mortgage Backed Security	0.0%	5.2%
Insurance	15.6%	3.5%
Student Loan	7.1%	32.1%
Collateralised Debt Obligation	27.4%	0.0%
Transportation & Other ABS	15.9%	11.4%

\* Note that this includes Subprime, Prime, Alternative A, 2<sup>nd</sup> Lien and HELOC RMBS

- ▶ 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 is a portfolio-wide policy from MBIA on Portfolio 1 that serves as insurance against loss. The AMBAC portfolio-wide policy was terminated by mutual agreement in October 2011
- ▶ The provision held against the portfolios has not materially changed
- ▶ Following a change in treatment, the RWA for the Credit Wrapped ABS has been reduced by \$3.2bn, with a corresponding increase in capital deductions of \$229m

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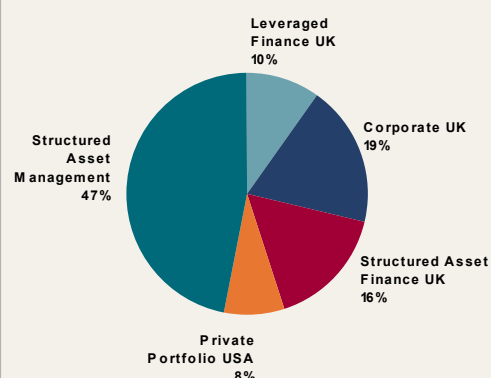
## Portfolio Composition as at 31 March 2012

	Total Commitments (A\$bn)	Total Provisions (specific & collective) (A\$m)	Average Contractual Tenor (years)	RWAs (A\$bn)	Number of Clients	Close Review Commitments (A\$bn)
Leveraged Finance UK	0.8	94	2.9	1.5	28	0.2
Corporate UK <sup>1</sup>	1.5	116	1.6	2.3	33	0.9
Structured Asset Finance UK	1.3	15	14.7	0.9	16	0.0
Private Portfolio USA	0.6	7	8.5	0.6	23	0.0
<b>Total Loans &amp; Advances</b>	<b>4.2</b>	<b>232</b>	<b>n/a</b>	<b>5.3</b>	<b>100</b>	<b>1.1</b>
Structured Asset Management <sup>2</sup>	3.7	91	11.0	2.7	27	0.5
<b>Total</b>	<b>7.9</b>	<b>323</b>	<b>8.8</b>	<b>8.0</b>	<b>127</b>	<b>1.6</b>

(1) Of which:

Property UK	0.4	68	0.8	0.9	15	0.3
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(2) Hold To Maturity Assets



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## Portfolio Composition - Credit profile

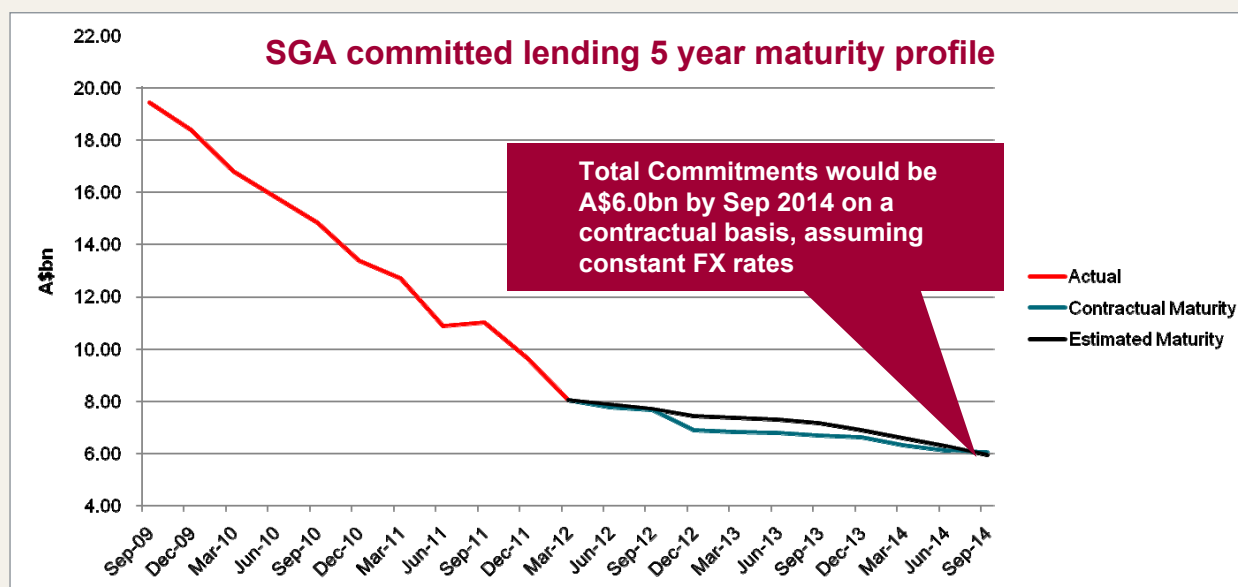
- ▶ 58% of commitments relate to Investment Grade equivalent clients or transactions

(A\$m)	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	181	325	198	103
Corporate UK	277	270	428	298	212
Structured Asset Finance UK	1,036	229	0	0	40
Private Lending USA	464	24	92	12	14
<b>Total Loans &amp; Advances</b>	<b>1,777</b>	<b>704</b>	<b>845</b>	<b>508</b>	<b>369</b>
Structured Asset Management <sup>1</sup>	2,797	97	0	545	307
<b>Total Commitments</b>	<b>4,574</b>	<b>801</b>	<b>845</b>	<b>1,053</b>	<b>676</b>
<b>Total RWAs</b>	<b>3,000</b>	<b>1,210</b>	<b>1,694</b>	<b>1,602</b>	<b>503</b>
<b>Total Provisions</b>	<b>1</b>	<b>6</b>	<b>50</b>	<b>42</b>	<b>224</b>
<b>Number of Accounts</b>	<b>49</b>	<b>19</b>	<b>29</b>	<b>23</b>	<b>19</b>
<b>Number of Close Review Accounts</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>15</b>	<b>19</b>

(1) Hold to Maturity Assets  
All data as at 31 March 2012  
Investment grades equivalent of external ratings

## Portfolio Composition Contractual Maturity Profile - Commitments

- ▶ Actual commitments have decreased from September 2009 largely through repayments and decreased commitments as well as the weakening of both USD and GBP against the AUD
- ▶ 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 the portfolio is 8.8 years

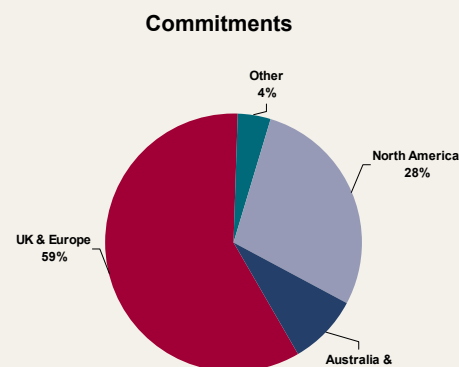




# SGA Portfolio Composition

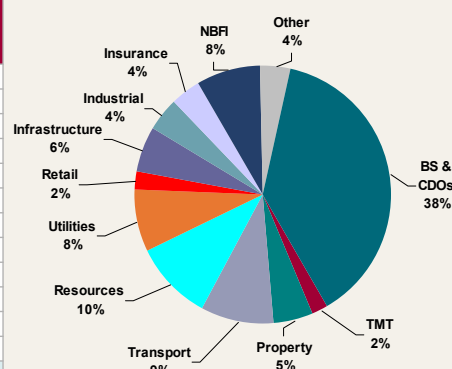
## Commitments by Geography of Risk

	Commitments (\$bn)	RWAs (\$bn)
UK & Europe	4.7	5.5
North America	2.2	1.6
Australia & New Zealand	0.7	0.7
Other	0.3	0.2
<b>Total</b>	<b>7.9</b>	<b>8.0</b>



## Commitments by Sector of Risk

	Commitments (\$bn)	RWAs (\$bn)	Collective Provisions (\$m)	Specific Provisions <sup>1</sup> (\$m)
NBFI	0.6	0.4	0.3	23.0
Insurance	0.3	0.6	6.9	-
Industrial	0.3	0.6	48.2	-
Infrastructure	0.5	0.3	3.3	0.7
Retail	0.2	0.4	14.0	-
Utilities	0.6	0.5	0.3	-
Resources	0.8	0.5	5.4	-
Transport	0.7	0.8	17.4	12.3
Property	0.4	1.0	11.9	58.5
TMT	0.2	0.4	12.5	9.6
ABS & CDOs	3.0	2.0	3.0	87.5
Other	0.3	0.5	3.4	4.5
<b>Total</b>	<b>7.9</b>	<b>8.0</b>	<b>126.6</b>	<b>196.1</b>



81 (1) Provisions for ABS & CDOs is on Hold to Maturity assets. All other specific provisions are on loans and advances



# Structured Asset Management

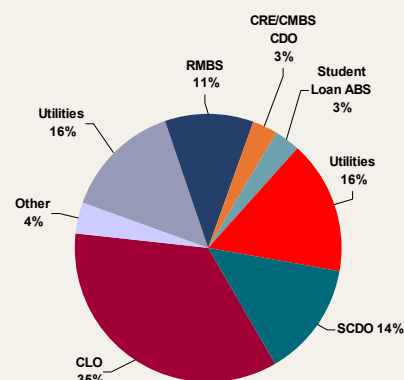
**Description:** CDOs, residential mortgage backed securities ('RMBS'), commercial mortgage backed securities ('CMBS') and other asset backed securities.

No. of Transactions	27	Commitments Drawn Balance	\$3.7bn \$3.7bn	Credit RWA	\$2.7bn
No. of Close Review Clients	2	Close Review Commitments	\$514m	Avg* contractual maturity	11.0 yrs

\*weighted average by commitment

## Sector Analysis

	Commitments (\$bn)	Collective Provisioning <sup>1</sup> (\$m)	Specific Provisioning <sup>2</sup> (\$m)
SCDO	0.5	-	-
CLO	1.3	-	-
Other	0.1	-	-
CMBS	0.5	-	-
RMBS	0.4	-	-
CMBS/CRE CDO	0.1	-	-
Student Loan ABS	0.1	-	-
Utilities <sup>3</sup>	0.7	-	-
<b>Total</b>	<b>3.7</b>	<b>3.3<sup>1</sup></b>	<b>87.5<sup>2</sup></b>



(1) Collective provision is applied to the entire portfolio and is not assigned to individual sectors  
 (2) Provisions on this portfolio are booked against hold to maturity assets  
 (3) Previously disclosed separately as Credit Wrapped Bonds



## Additional Information

Business Banking  
 Personal Banking  
 Wholesale Banking  
 NAB Wealth  
 NZ Banking  
 UK Banking  
 Great Western Bank  
 Specialised Group Assets

## Asia

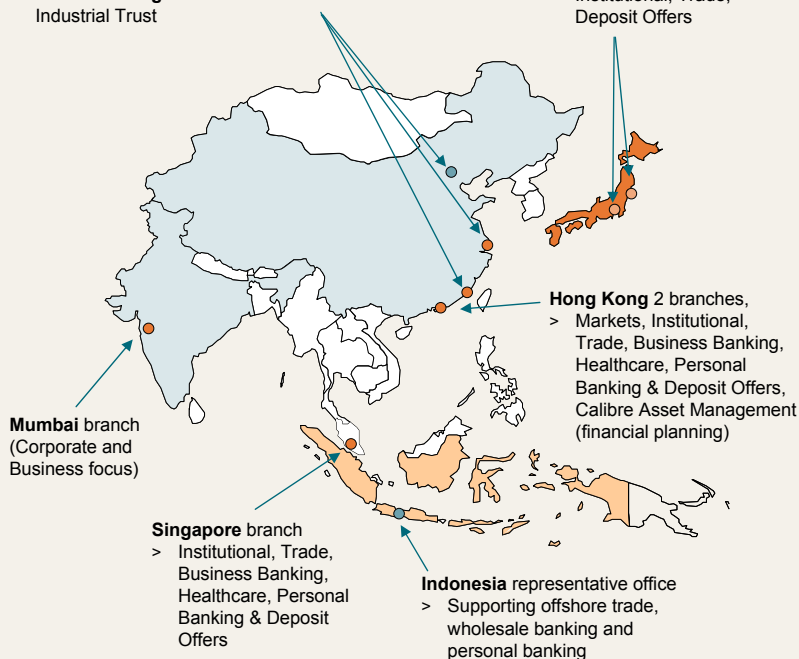
Asset Quality  
 Capital and Funding  
 Economic Outlook



## NAB's operational focus in Asia

**Beijing** NAB and MLC representative offices  
**Shanghai** branch (Corporate and Business focus)  
**Fuzhou/Shanghai** 16.8% stake in China Industrial Trust

**Tokyo & Osaka** branches  
 > Institutional, Trade, Deposit Offers



● Representative office(s) ● Branch(es)

### Geographic Focus

- ▶ Trading partners of Japan, China, India and Indonesia
- ▶ Liquidity hubs of Singapore and Hong Kong
- ▶ Linking the flows of these markets with Australia and New Zealand

### Customer Focus

- ▶ Corporates and institutions in key industries
- ▶ Australian corporates linked to Asia, and Asian corporates with interests in Australia
- ▶ Wealthy individuals and families with links between NAB's home markets and Asia
- ▶ Local cash rich deposit customers

### Product Focus

- ▶ Corporate finance and trade finance
- ▶ FX products, interest rate and commodity risk management
- ▶ Multi-currency mortgages
- ▶ Institutional and retail deposits

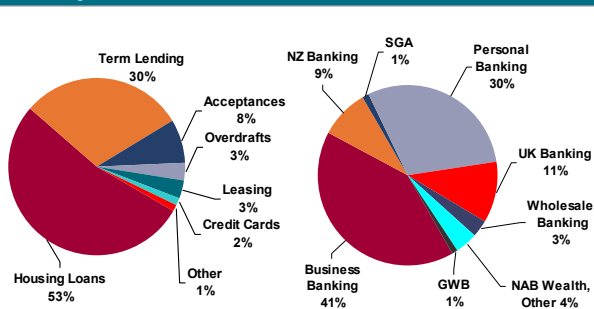
## Additional Information

Business Banking  
 Personal Banking  
 Wholesale Banking  
 NAB Wealth  
 NZ Banking  
 UK Banking  
 Great Western Bank  
 Specialised Group Assets  
 Asia  
**Asset Quality**  
 Capital and Funding  
 Economic Outlook

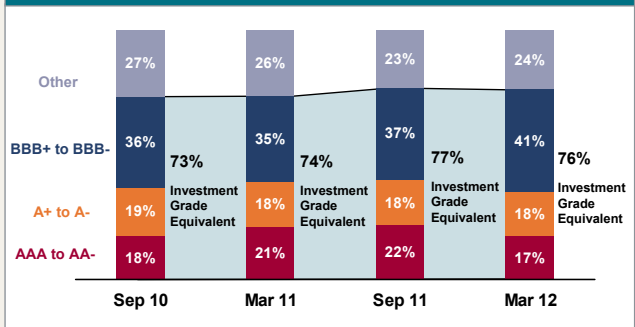


## Group portfolio

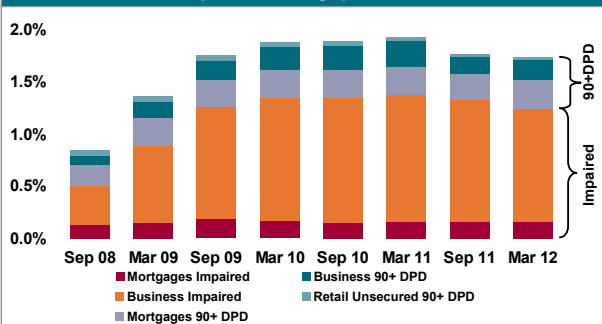
Gross loans and acceptances by product and by business unit as at March 2012



Risk rated non-retail exposures<sup>1</sup>



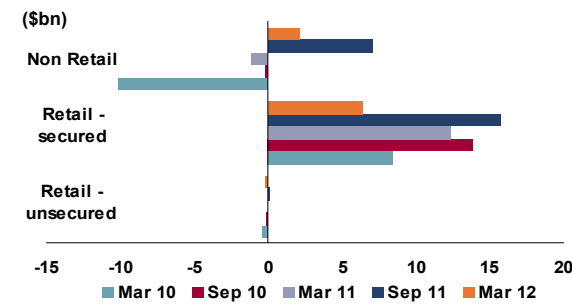
90+ DPD & impaired assets as a % of gross loans and acceptances by product



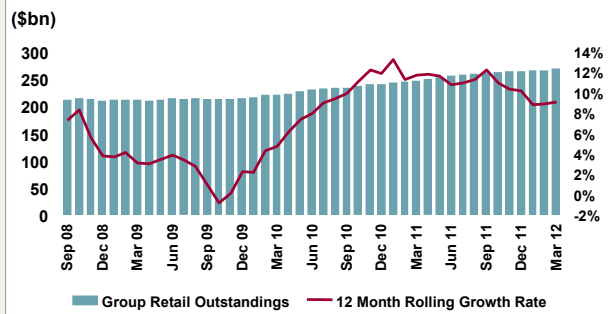
(1) Expected loss is the product of Probability of Default x Exposure at Default x Loss Given Default. The calculation excludes defaulted assets

# Group gross loans and acceptances

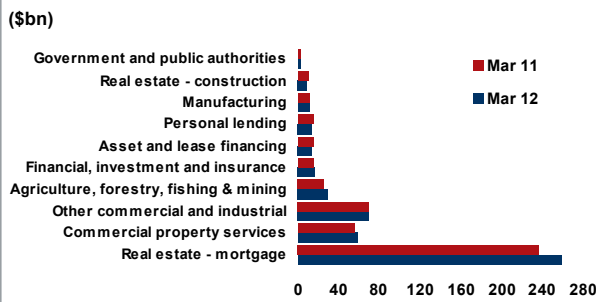
## Group asset composition – growth by product segment



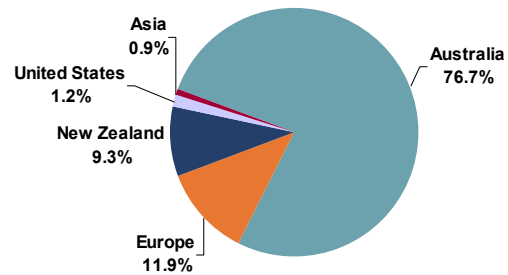
## Retail portfolio – outstandings volume



## Industry balances



## Gross loans and acceptances by geography

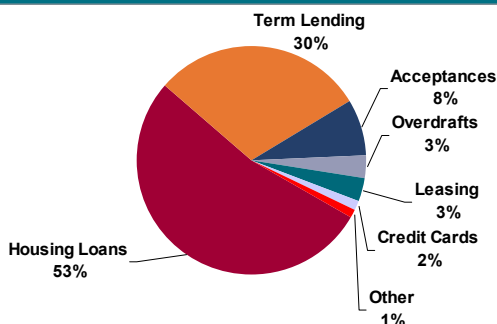


87 Note: These charts use spot exchange rates. Change in exchange rates relative to the Australian dollar since 2008 has partly affected growth rates

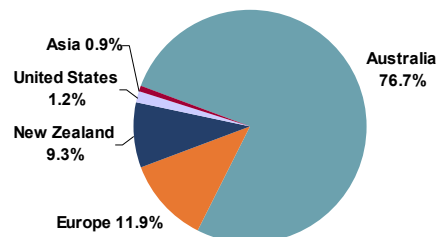


# Group portfolio – change over three year period

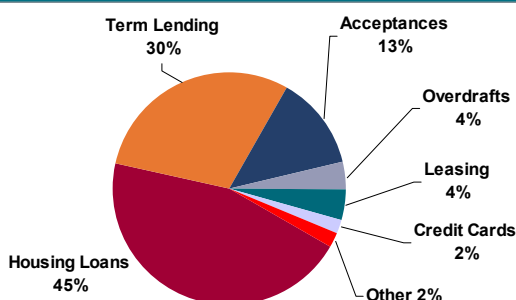
## March 2012 – Gross loans and acceptances by product



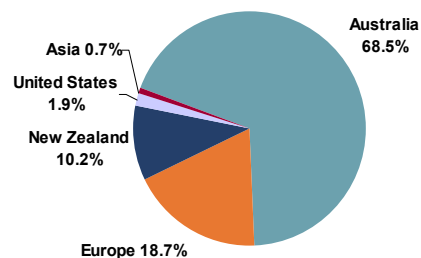
## March 2012 – Gross loans and acceptances by geography



## March 2009 – Gross loans and acceptances by product



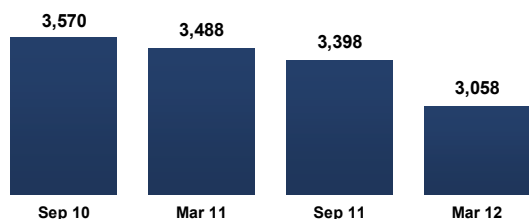
## March 2009 – Gross loans and acceptances by geography



## Group provision balances and coverage ratios

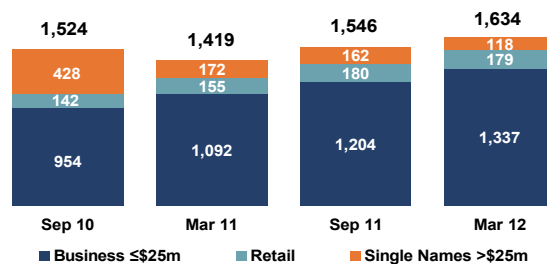
### Collective provision balances

(\$m)

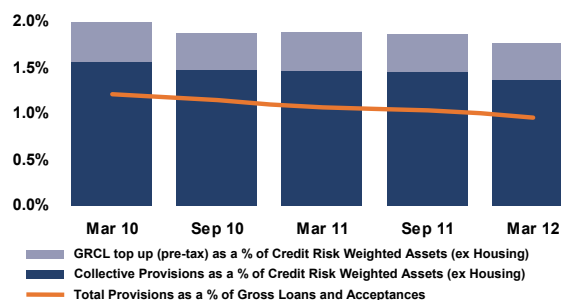


### Specific provision balances

(\$m)



### Coverage ratios



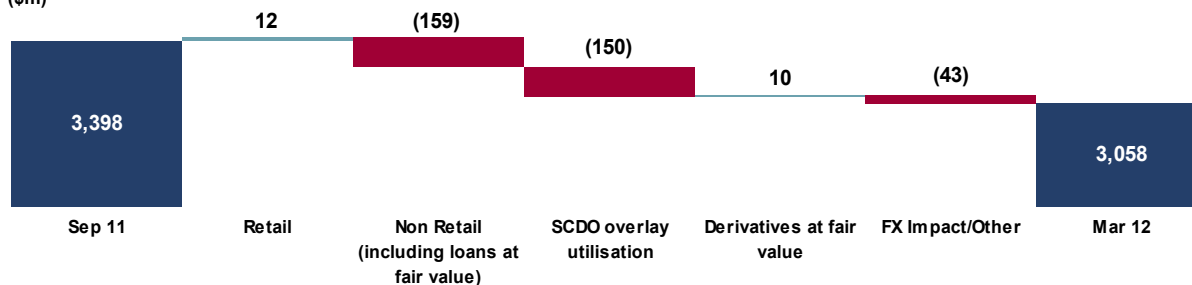
89



## Group provision movements

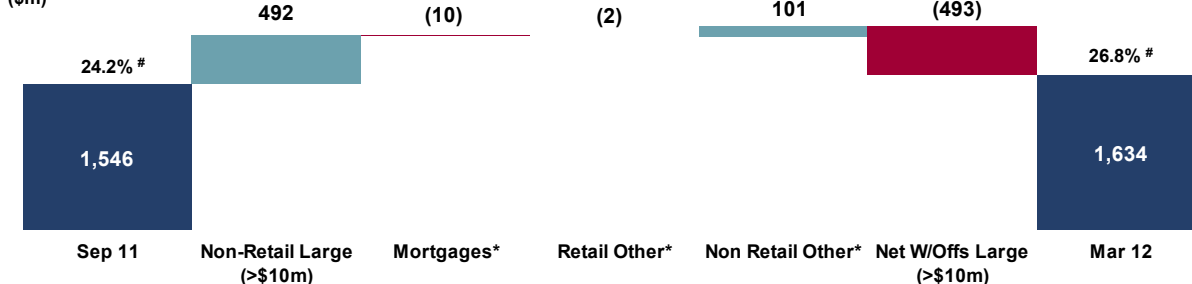
### Collective provision

(\$m)



### Specific provision

(\$m)

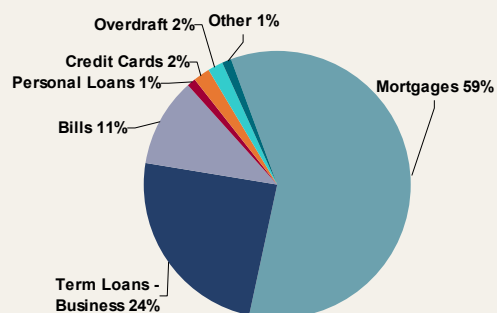


90 # Specific provision as a % of impaired assets  
\* Net of write-offs



# Business Banking, Personal Banking and NAB Wealth

Portfolio breakdown – total \$362.8bn



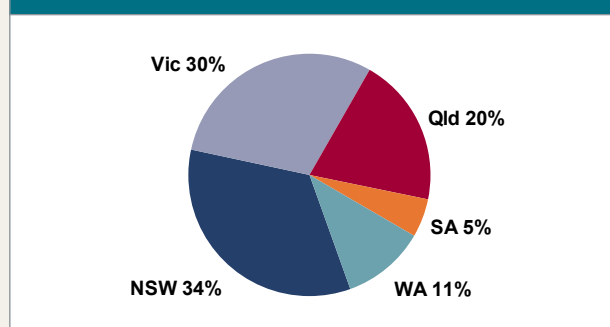
Australian Mortgages	Mar 12	Sep 11	Mar 11
Owner Occupied	70.8%	70.2%	68.6%
Investment	29.2%	29.8%	31.4%
Low Document	2.4%	2.4%	2.0%
Proprietary	68.0%	69.0%	70.6%
Third Party Introducer	32.0%	31.0%	29.4%
LMI Insured % of Total HL Portfolio	14.7%	14.4%	14.7%
Current Loan to Value Ratio (CLVR) <sup>1</sup>	55.8%	52.4%	50.2%
Customers ahead 3 repayments or more <sup>1</sup>	45.4%	45.7%	46.0%
Average loan size \$ ('000)	\$258.4	\$254.9	\$247.5
90 + days past due	0.55%	0.48%	0.54%
Impaired loans	0.27%	0.29%	0.28%
Specific provision coverage	20.2%	19.6%	18.2%
Loss rate	0.06%	0.06%	0.06%

91 (1) Ratio excludes Advantaged mortgages portfolio



## Australian Mortgages<sup>1</sup> – \$213bn

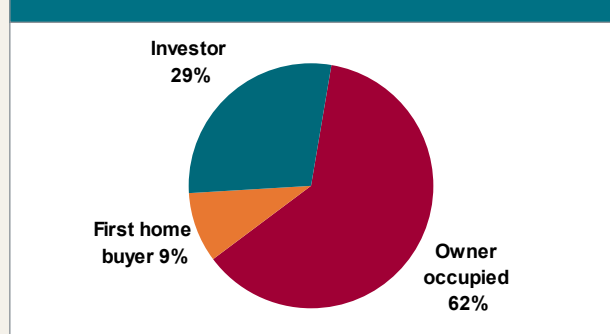
### Geography



### Low doc loans

- ▶ \$5.1bn outstanding (2.4% of housing book)
- ▶ LVR capped at 60% (without LMI)

### Customer segment



### Origination source – flows (Australia)

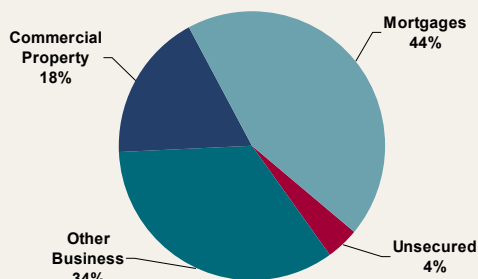
	Mar 12	Sep 11	Mar 11	Sep 10
Proprietary	64%	61%	60%	61%
Broker	29%	31%	32%	31%
Introducer	7%	8%	8%	8%

92 (1) Excludes Wholesale Banking



## UK Banking

Portfolio breakdown – total £33.5bn



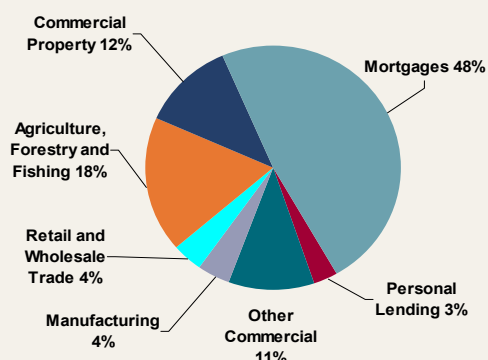
UK Mortgages	Mar 12	Sep 11	Mar 11
Owner Occupied	79.7%	79.6%	79.6%
Investment	20.3%	20.4%	20.4%
Low Document	0.0%	0.0%	0.0%
Proprietary	72.0%	72.8%	75.1%
Third Party Introducer	28.0%	27.2%	24.9%
LMI Insured % of Total HL Portfolio	1.3%	1.4%	1.5%
Loan to Value (at Origination)	62.7%	64.0%	62.5%
Loan to Value Indexed	53.5%	53.4%	53.5%
Average loan size £ ('000)	97	94	90
90 + days past due	0.57%	0.62%	0.76%
Impaired loans	0.43%	0.44%	0.38%
Specific provision coverage	21.4%	30.1%	22.8%
Loss rate	0.11%	0.06%	0.05%

93

National Australia Bank

## NZ Banking

Portfolio breakdown – total NZ\$58.1bn



New Zealand Mortgages	Mar 12	Sep 11	Mar 11
Low Document Loans	0.26%	0.24%	0.22%
Proprietary (Distributed by Bank)	100%	100%	100%
Third Party Introducer	0.0%	0.0%	0.0%
Insured % of Total HL Portfolio <sup>1</sup>	11.4%	10.7%	10.0%
Loan to Value (at origination)	63.5%	63.0%	61.7%
Average loan size NZ\$ ('000)	252	248	242
90 + days past due	0.31%	0.29%	0.35%
Impaired loans	0.46%	0.51%	0.58%
Specific provision coverage	38.7%	37.0%	35.0%
Loss rate	0.09%	0.08%	0.07%

94 (1) Insured includes both LMI and Low Equity Premium

National Australia Bank

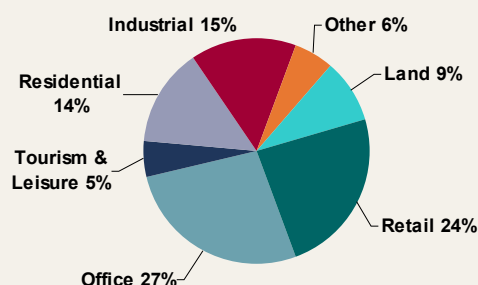
# Commercial Real Estate – Group Summary<sup>1</sup>

Total \$60.0bn

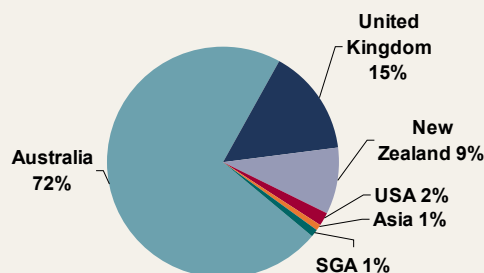
12.2% of Gross Loans & Acceptances

	Aus	UK <sup>2</sup>	NZ	USA <sup>2</sup>	SGA	Asia/Other	Total
TOTAL CRE (A\$bn)	43.0	9.2	5.4	1.2	0.4	0.8	60.0
Increase/(decrease) on Sep 11 (A\$bn)	0.1	(0.7)	(0.1)	(0.2)	(0.4)	0.4	(0.9)
% of GLAs	11.4%	17.8%	11.9%	21.3%	10.2%	17.4%	12.2%
Change in % on Sep 11	(0.3%)	(0.6%)	(0.3%)	(2.4%)	(6.3%)	6.2%	(0.4%)

Group Commercial Property by type



Group Commercial Property by geography



95

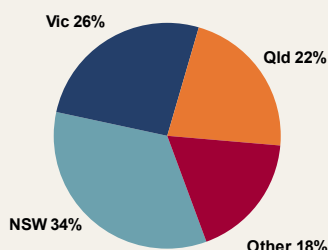
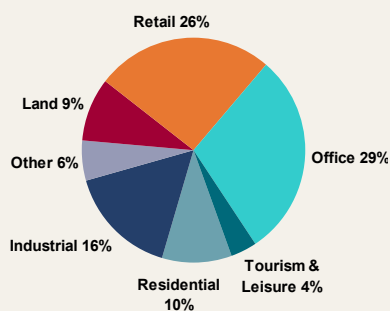
(1) Measured as balance outstanding at March 2012 per APRA Commercial Property ARF definitions  
(2) Excludes SGA



# Commercial Real Estate – Business Banking

Total \$42.9bn

11.4% of Australian geography  
Gross Loans & Acceptances



State	NSW	VIC	QLD	Other	Total
Location %	34%	26%	22%	18%	100%
Loan Balance < \$5m	10%	10%	7%	5%	32%
Loan Balance > \$5m < \$10m	4%	4%	3%	2%	13%
Loan Balance > \$10m	20%	12%	12%	11%	55%
Loan tenor < 3 yrs	26%	22%	19%	15%	82%
Loan tenor > 3 < 5 yrs	6%	3%	2%	2%	13%
Loan tenor > 5 yrs	2%	1%	1%	1%	5%
Average loan size \$m	3.4	2.5	3.0	3.1	3.0
Security Level <sup>1</sup> – Fully Secured	25%	22%	17%	15%	79%
Partially Secured	4%	4%	4%	2%	14%
Unsecured	5%	0%	1%	1%	7%
90+ days past due	0.13%	0.08%	0.08%	0.02%	0.31%
Impaired loans	1.07%	0.26%	1.52%	0.06%	2.91%
Specific provision coverage	15.6%	19.3%	16.0%	25.1%	16.4%

Trend	Mar 12	Sep 11	Mar 11
90+ days past due	0.31%	0.20%	0.43%
Impaired Loans	2.91%	3.12%	2.80%
Specific Provision Coverage	16.4%	14.7%	16.6%

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

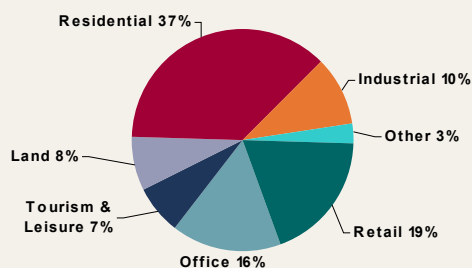




## Commercial Real Estate - UK Banking

Total £6.0bn

17.8% of Gross Loans & Acceptances



Region	North	East	South	West	Total
Location %	28%	29%	16%	27%	100%
Loan Balance < £2m	14%	13%	8%	14%	49%
Loan Balance > £2m < £5m	6%	6%	3%	6%	21%
Loan Balance > £5m	8%	10%	5%	7%	30%
Average loan tenor < 3 yrs	19%	16%	11%	15%	61%
Average loan tenor > 3 < 5 yrs	3%	4%	2%	5%	14%
Average loan tenor > 5 yrs	6%	9%	3%	7%	25%
Average loan size	£0.75m	£0.84m	£1.00m	£0.76m	£0.81m
Security Level <sup>1</sup>					
Fully Secured	13%	14%	11%	15%	53%
Partially Secured	14%	15%	5%	12%	46%
Unsecured	1%	0%	0%	0%	1%

Trend	Mar 12	Sep 11	Mar 11	Sep 10
90+ days past due	1.91%	0.88%	1.42%	1.47%
Impaired Loans	10.46%	9.12%	8.13%	7.69%
Specific Provision Coverage	25.21%	11.2%	9.1%	4.8%

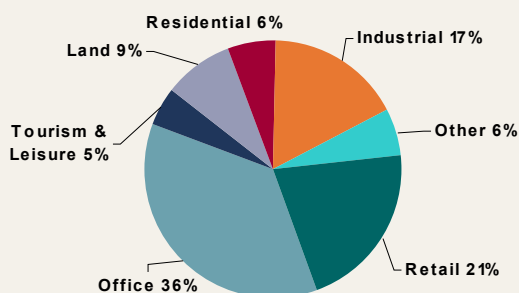
97 (1) Fully secured represents loans of up to 70% of the market value of security. Partially secured are over 70%, but not unsecured. Unsecured is primarily negative pledge lending



## Commercial Real Estate – NZ Banking

Total NZ\$6.9bn

11.9% of Gross Loans & Acceptances



Region	Auckland	Other Regions	Total
Location %	38%	62%	100%
Loan Balance < NZ\$5m	10%	26%	36%
Loan Balance > NZ\$5m < NZ\$10m	5%	9%	14%
Loan Balance > NZ\$10m	23%	27%	50%
Loan tenor < 3 yrs	35%	51%	86%
Loan tenor > 3 < 5 yrs	1%	6%	7%
Loan tenor > 5 yrs	2%	5%	7%
Average loan size NZ\$m	4.5	2.8	3.3
Security Level <sup>1</sup>			
Fully Secured	23%	44%	67%
Partially Secured	11%	12%	23%
Unsecured	4%	6%	10%
90+ days past due	0.37%	0.19%	0.56%
Impaired Loans	0.16%	1.18%	1.34%
Specific Provision Coverage	24.1%	16.3%	17.2%

Trend	Mar 12	Sep 11	Mar 11
90+ days past due	0.56%	0.50%	0.89%
Impaired Loans	1.34%	1.66%	2.03%
Specific Provision Coverage	17.2%	24.6%	21.3%

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



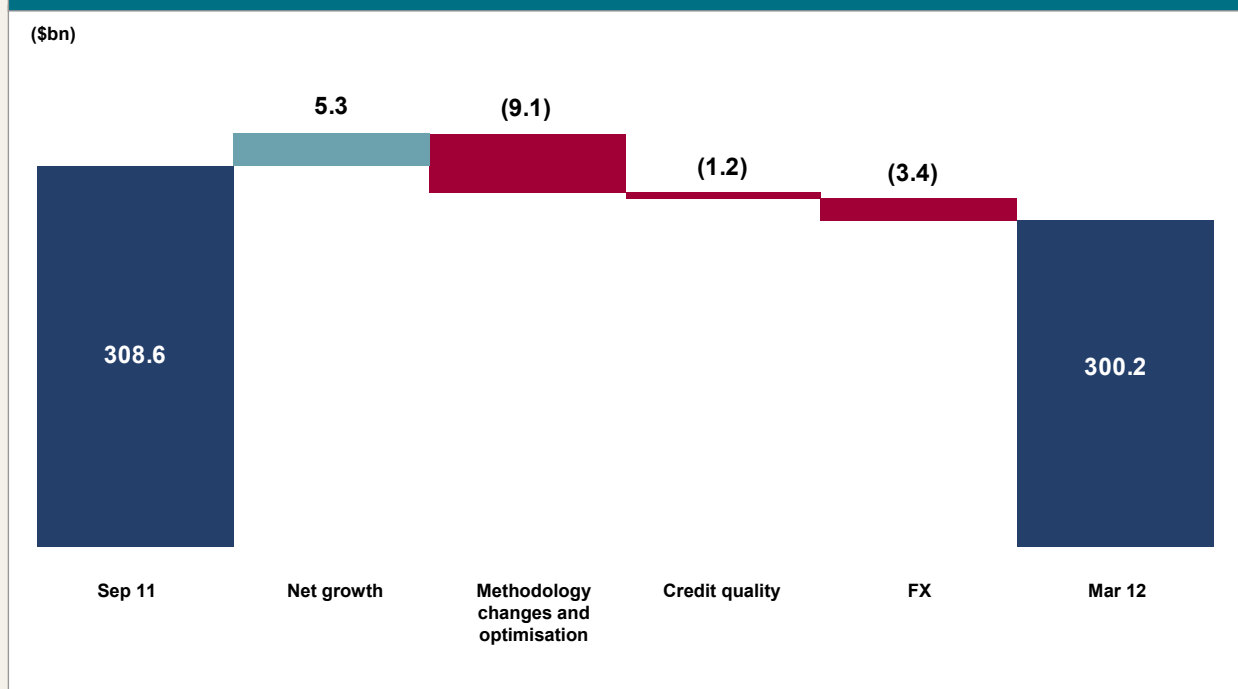
## Additional Information

Business Banking  
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 Great Western Bank  
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 Asia  
 Asset Quality  
**Capital and Funding**  
 Economic Outlook

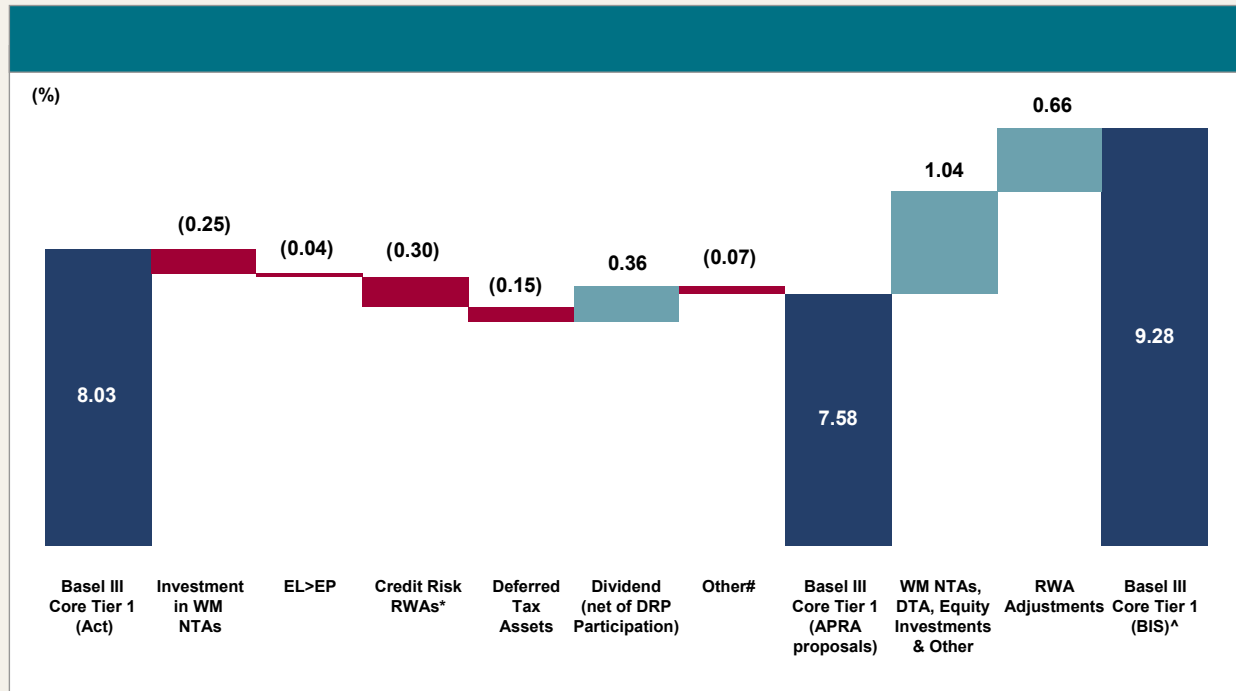


## Credit RWA movement

Credit RWA movement September 2011 to March 2012



## Estimated impacts of Basel III: March 2012



Estimated based on APRA response paper on Basel III capital reforms, released 30 March 2012.

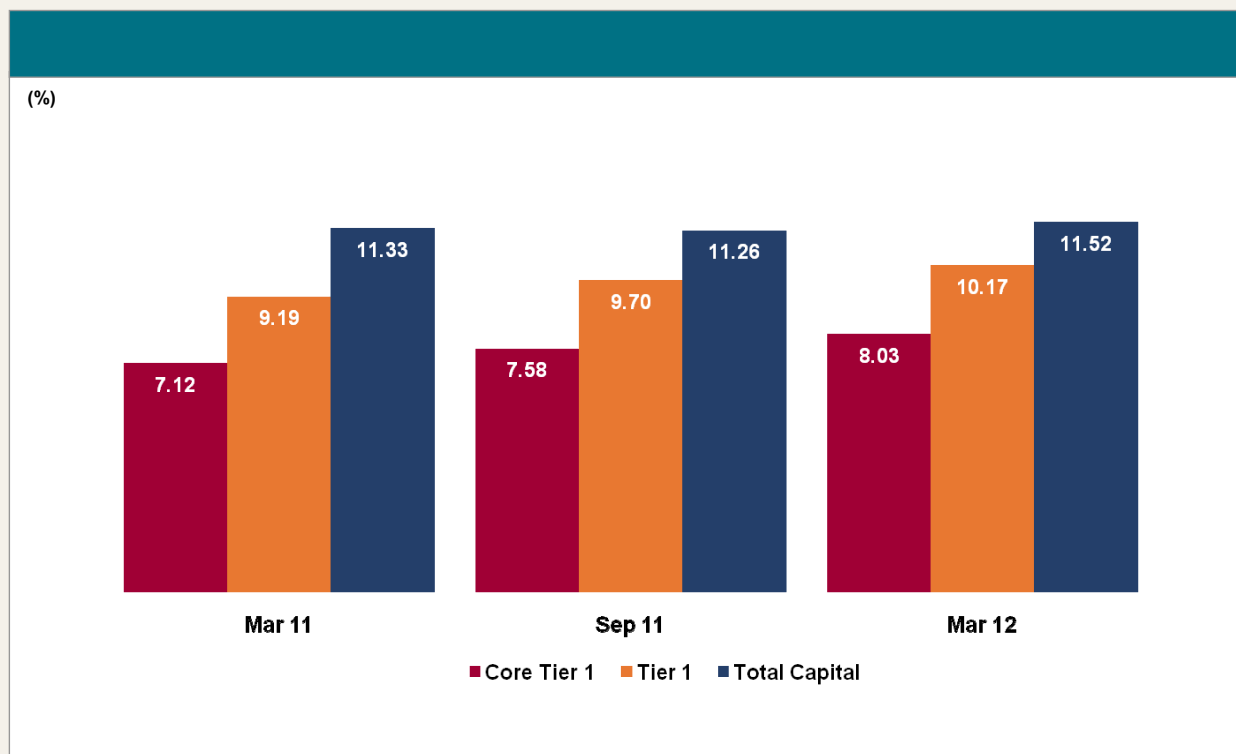
\* Counterparty credit risk (CCR) is estimated to add an additional \$13 billion of risk weighted assets. APRA intends to release its proposed approaches to the implementation of the Basel III reforms relating to CCR once the Basel Committee has finalised these particular reforms.

# Other consists of equity investments (-10bps), 1,250% securitisation risk weighting and other immaterial movements.

^ Assumes no change to the treatment of treasury shares.

101

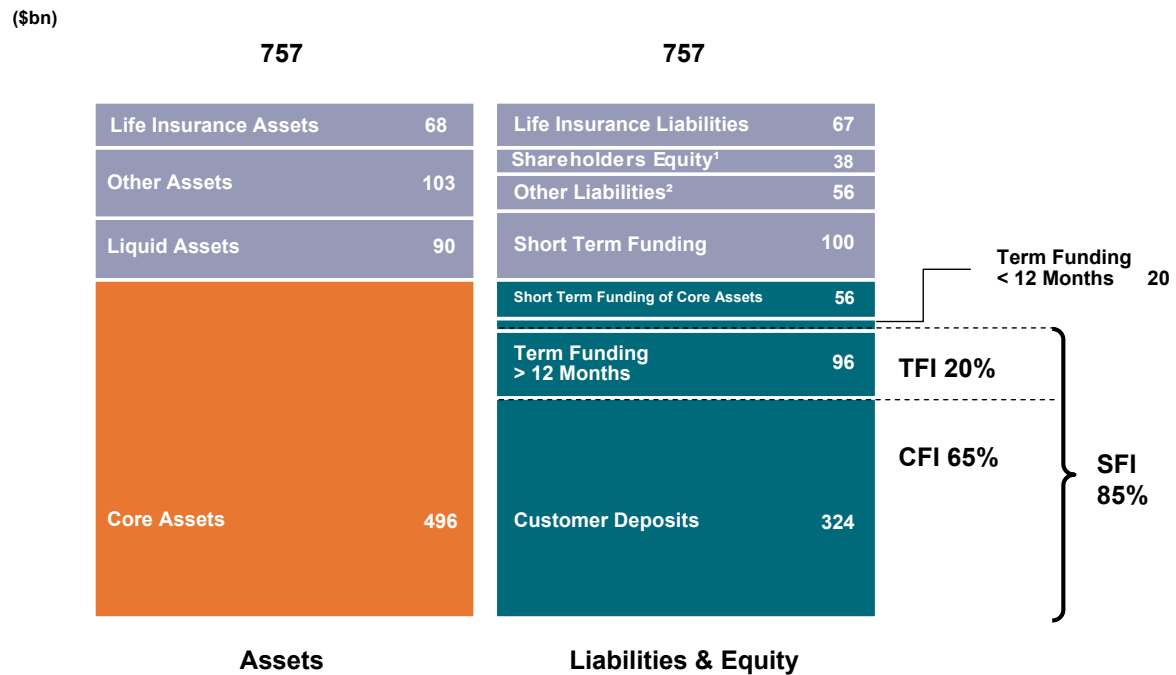
## Group capital ratios



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# Asset funding

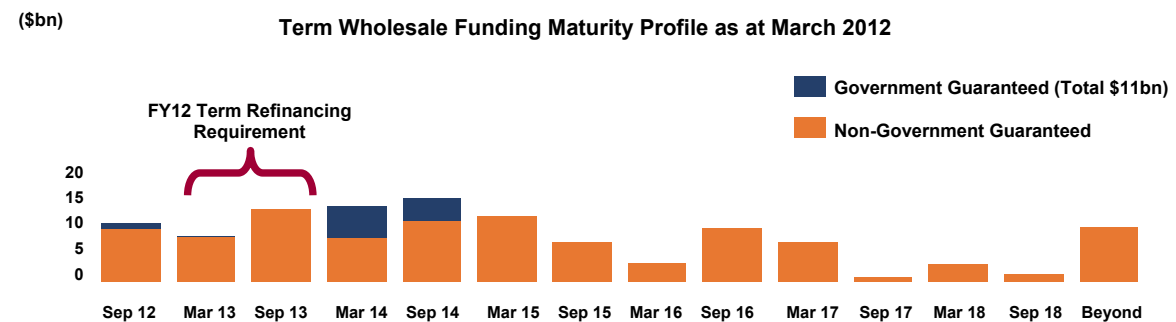
## Balance sheet



103 (1) Shareholder equity excludes preference shares and other contributed equity  
 (2) Other liabilities comprises mainly trading derivatives

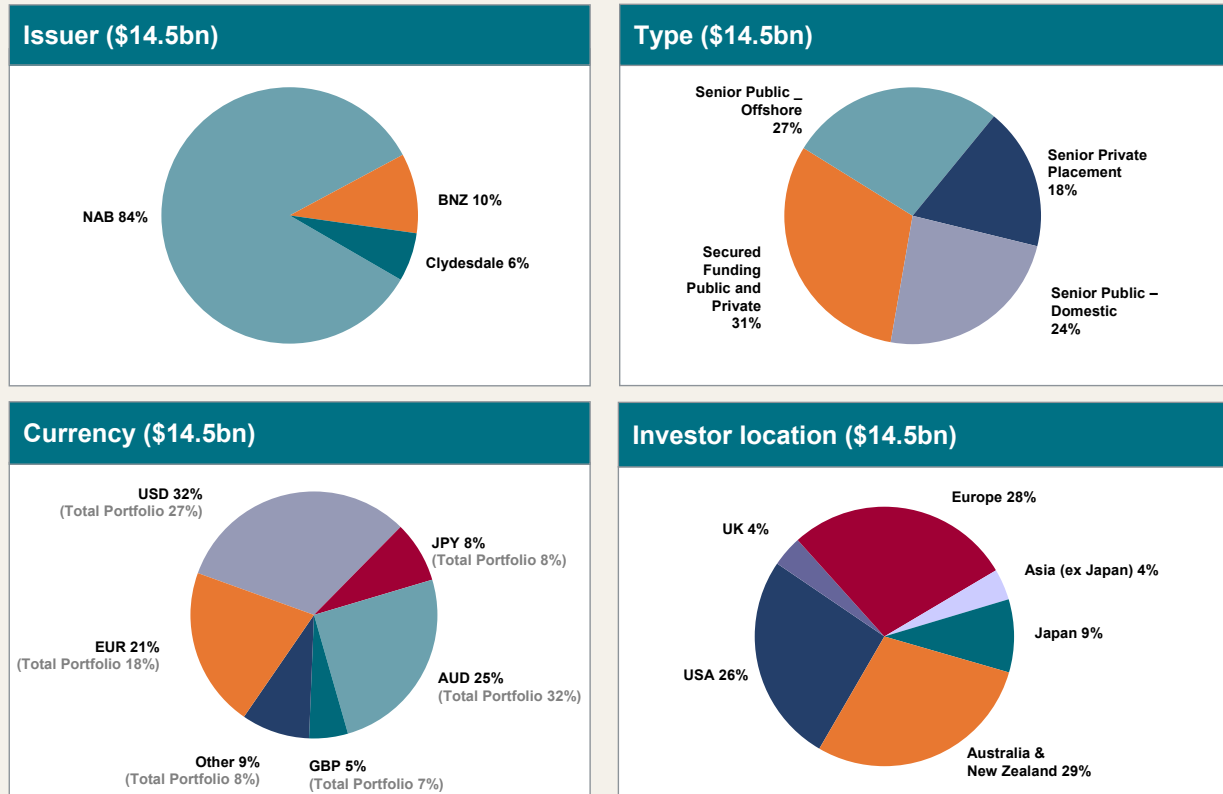
# Funding profile remains robust

## Term funding maturity profile



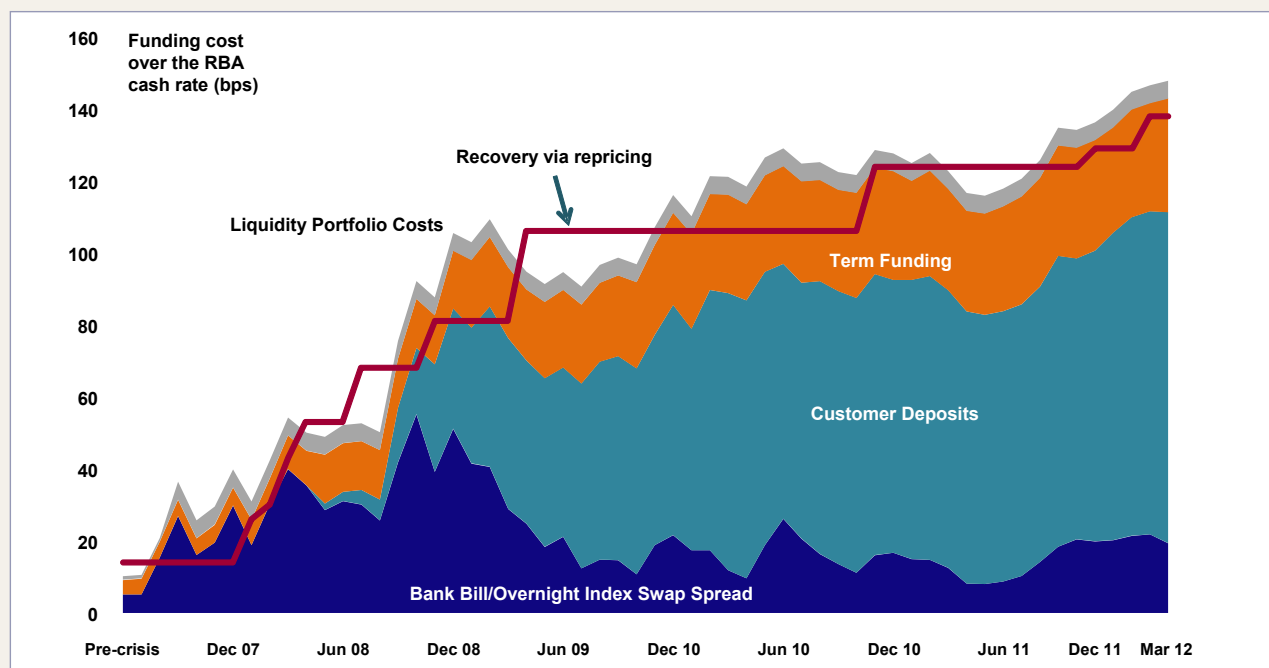
- ▶ The weighted average remaining maturity of the Group's term funding index qualifying (includes debt with > 12 months remaining term to maturity, excludes debt with < 12 months) senior and subordinated debt is 3.2 years (3.5 years as at September 2011)
- ▶ The weighted average remaining maturity of the Group's senior and subordinated debt is 2.8 years (2.9 years as at September 2011)
- ▶ The FY12 term funding requirement is largely driven by the need to refinance term debt that has less than 12 months remaining term to maturity during FY12

## Diversified funding issuance – March 2012



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## Increased cost of funding an Australian variable rate mortgage



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## 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 DTA 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 2011. 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

107 (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 2012 – APRA basis</b>	<b>10.17%</b>	<b>11.52%</b>
RWA treatment – Mortgages <sup>1</sup>	1.10%	1.24%
IRRBB (RWA)	0.25%	0.28%
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)	0.36%	0.36%
DTA (excluding DTA on the collective provision for doubtful debts)	0.19%	0.19%
Eligible deferred fee income	(0.07%)	(0.07%)
Capitalised expenses <sup>3</sup>	0.04%	0.04%
Investments in non-consolidated controlled entities (net of intangible component)	0.27%	0.00%
UK Defined Benefit Pension	0.03%	0.03%
<b>Total Adjustments</b>	<b>2.64%</b>	<b>2.07%</b>
<b>31 March 2012 – Normalised for UK FSA differences</b>	<b>12.81%</b>	<b>13.59%</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 2012		30 September 2011	
	RWAs	RWA/EAD %	RWAs	RWA/EAD %
Corporate & Business	168,534	43%	172,208	47%
Mortgages	56,351	21%	51,620	21%
Retail	15,025	43%	16,198	46%
Standardised <sup>1</sup>	52,253	63%	59,922	61%
Other Assets	8,022	79%	8,700	82%
<b>Total Credit RWAs</b>	<b>300,185</b>	<b>38%</b>	<b>308,648</b>	<b>41%</b>
Market RWAs	5,277		2,968	
Operational RWAs	23,810		22,255	
IRRBB RWAs	6,281		7,198	
<b>Total RWAs</b>	<b>335,553</b>		<b>341,069</b>	

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



### Additional Information

[Business Banking](#)  
[Personal Banking](#)  
[Wholesale Banking](#)  
[NAB Wealth](#)  
[NZ Banking](#)  
[UK Banking](#)  
[Great Western Bank](#)  
[Specialised Group Assets](#)  
[Asia](#)  
[Asset Quality](#)  
[Capital and Funding](#)

### Economic Outlook

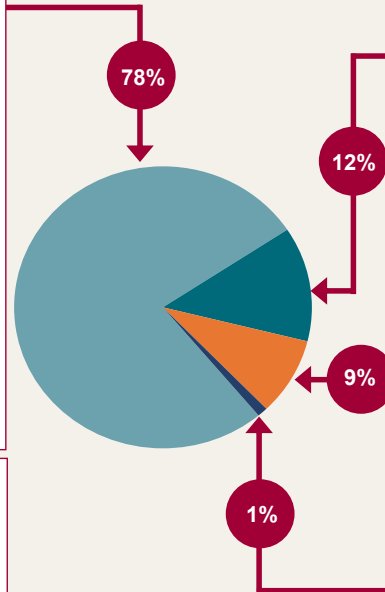
# Economic outlook

## Australia

- ▶ Multi-speed economy expected to continue
- ▶ High \$A affecting tourism/ trade and manufacturing
- ▶ Rate cut expected to help softer sectors given low inflation outlook. Further near term cut possible.
- ▶ Expect year average GDP growth of 2.5% in CY 2012; 3.5% in CY 2013
- ▶ Terms of trade have peaked in Q3 2011 and expected to fall further as global supply/demand imbalances ease
- ▶ Large mining investment projects (LNG etc) driving much of total capital spending
- ▶ Unemployment rate low by global standards but the trend in job growth remains sluggish

## China

- ▶ Domestic activity slowing (softer property market)
- ▶ Exports clearly softened
- ▶ Lower official growth target (cut from 8% to 7.5%)
- ▶ We still expect a soft landing ~ 8% GDP growth in CY 2012



## United Kingdom

- ▶ GDP growth forecast under 0.5% in 2012
- ▶ Output well below its early 2008 level
- ▶ Credit demand affected by weak property market and de-leveraging in household and business sectors
- ▶ Credit growth expected to remain soft as income growth remains modest
- ▶ Sterling depreciation is assisting exports and economic rebalancing
- ▶ Interest rates at all time lows

## New Zealand

- ▶ Recovery under way
- ▶ Housing market improving
- ▶ Commodity prices falling but still high
- ▶ Rebuilding in Christchurch started

## United States

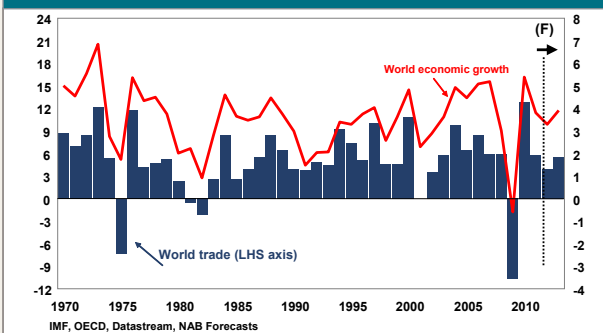
- ▶ Modest drawn-out economic recovery
- ▶ Risk of recession clearly receded
- ▶ Labour market and credit picking up
- ▶ Interest rates to stay low

111 % represent share of 31 March 2012 GLAs, Australia includes Asia

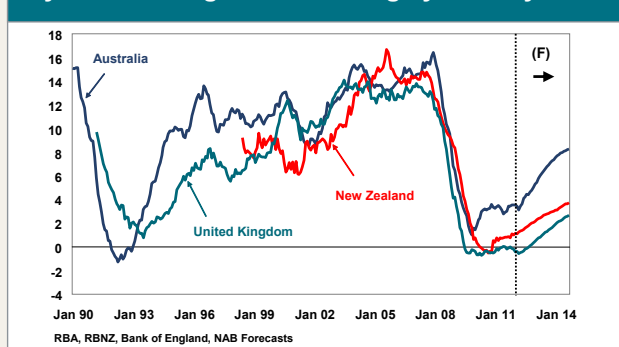


# Economic conditions

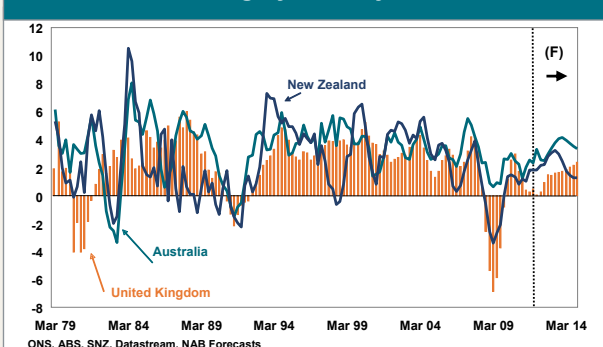
Annual % growth in global trade and GDP - 1970 - 2013



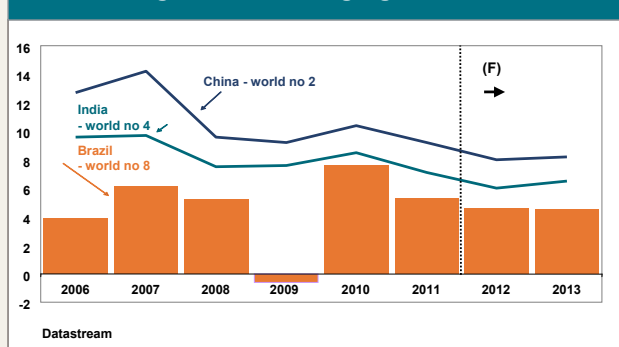
System credit growth % change year-on-year



Real GDP % change year on year



Annual % growth in emerging economies



112 (F) - Forecast





## Australia regional outlook

Economic Indicators (%) <sup>1</sup>	CY09	CY10	CY11	CY12 (f)	CY13 (f)
GDP growth	1.4	2.5	2.0	2.5	3.5
Unemployment rate	5.6	5.0	5.1	5.4	5.3
Core Inflation	3.5	2.4	2.6	2.1	2.5
Cash rate	3.75	4.75	4.25	3.25	3.75
System Growth (%) <sup>2</sup>	FY09	FY10	FY11	FY12(f)	FY13(f)
Housing	7.2	7.6	5.8	6.2	8.1
Other personal (incl cards)	-5.5	2.9	-0.6	0.2	3.5
Business	-4.1	-3.3	0.3	2.0	5.5
Total system credit	1.8	3.2	3.4	4.4	6.9
Total A\$ ADI deposits <sup>3</sup>	7.5	5.6	8.3	8.5	10.0

(1) Percentage change at year end December, except for GDP, which is year-average at year end December, and cash and unemployment rates, which are as at end December

(2) Percentage change at bank fiscal year end September

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

- ▶ The Australian economy slowed towards the end of 2011 with recorded growth of 0.4% in Q4. Fundamentally the economy slowed to around trend growth and has probably edged a touch lower in early 2012. Business confidence and conditions remain a touch below long run averages and forward indicators overall remain soft
- ▶ The economy continues to exhibit a multi speed nature
- ▶ The long-awaited mining investment boom is well underway and accelerating. Many services sectors (utilities, lawyers, business professionals, health etc) also report solid activity and confidence levels with strong orders
- ▶ The trade-exposed manufacturing sector however continues to struggle with poor conditions, while the construction industry has softened noticeably on the back of a softening property market and reduced fiscal spending. Activity in industries dependant on consumer demand – retail and wholesale – remains soft – especially discretionary retailing
- ▶ The latter has seen heightened retail discounting which in conjunction with a continuing high AUD has seen core inflation fall to levels towards the bottom of the RBA's target range – and could well go lower
- ▶ While the outlook for weakening global demand is likely to see further softening in commodity prices, they should remain high relative to history, keeping the terms of trade elevated. That in turn is likely to see the AUD remaining high by historical standards
- ▶ The RBA lowered the cash rate by 50bp at its May meeting with the aim of lowering borrowing rates significantly to help struggling sectors of the economy - given the prospect of relatively low inflation over the next year or two. With fiscal policy significantly tightened and the labour market likely to soften a touch we expect the RBA will lower the cash rate by a further 25bp in coming months. However, as 2013 develops, the case will probably build for the extra cut to be unwound
- ▶ Business credit growth has been fairly soft in recent months and is expected to remain moderate over 2012 – with business and consumer caution still very much to the fore. Consistent with high savings rates, personal credit growth is expected to remain soft. Housing credit has also remained relatively modest but could edge higher in the face of lower rates, a stabilising house price market and continued undersupply

## UK regional outlook

Economic Indicators (%)	CY10	CY11	CY12(f)	CY13(f)	CY14(f)
GDP growth	2.1	0.7	0.4	1.5	2.0
Unemployment	7.9	8.1	8.7	8.8	8.2
Inflation	3.3	4.5	2.6	2.0	2.1
Cash rate	0.5	0.5	0.5	0.5	2.0
System Growth (%)	FY10	FY11	FY112f)	FY13(f)	FY14(f)
Housing	0.9	0.7	1.0	2.2	3.2
Consumer	0.7	1.6	2.1	1.9	3.1
Business	-3.3	-2.6	-2.8	-1.7	0.3
Total lending	-0.6	-0.4	-0.3	0.8	2.1
Retail deposits	4.4	3.1	3.2	3.2	3.8

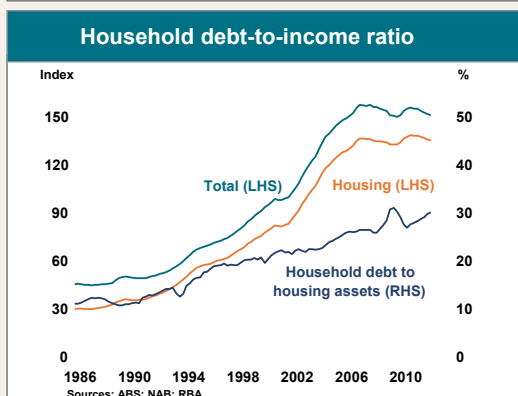
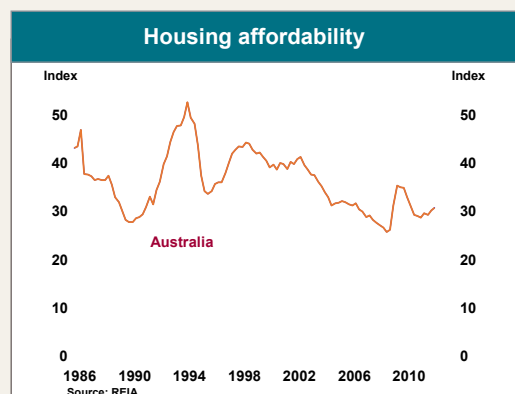
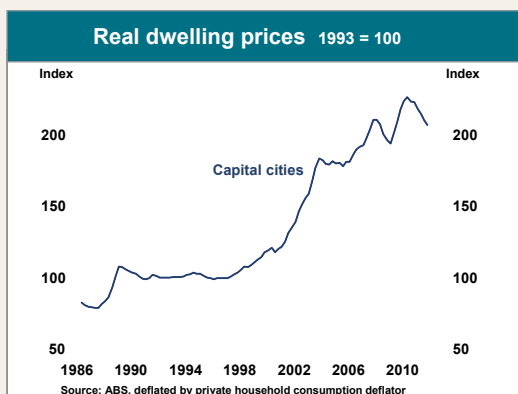
- ▶ The UK economy has gone back into recession with GDP falling in late 2011 and early 2012. This is a much weaker performance than the Government had expected and output is still over 4% below its early 2008 level. The property market has been flat (houses) to down (commercial)
- ▶ Although activity has been cushioned by the lowest policy interest rates on record, the central bank's efforts to boost liquidity and the lagged impact of the big Sterling depreciation in 2007/8, it has been held back by pressure on household incomes and austerity in the public sector
- ▶ The UK economy needs to be 're-balanced' so that exports and business investment play a larger role in future growth while the contribution from consumer spending and the public sector falls below what was seen pre-2008. However, although exports are benefiting from improved UK cost competitiveness they have been held back by the weakness in key Euro-zone export markets. Even more concerning, business investment has stopped growing in the last year and boosting it forms a crucial part of the growth strategy
- ▶ Inflationary pressures are now subsiding and that should help limit the erosion of household incomes that has undercut consumer spending. However borrowing remains very low, the savings ratio is higher and unemployment has been trending higher – factors that should discourage any rapid recovery in consumer spending (which is still below its early 2008 level)
- ▶ Overall, the UK economy faces a long difficult period as private sector de-leveraging continues at a time of government cutbacks. The danger is that demand proves insufficient to give business the confidence to invest and the economy gets caught in a self-fulfilling low-growth trap. System credit growth is forecast to remain very modest and bad debts, which have been held down by lender forbearance and very low interest rates, could remain elevated for an extended period

# NZ regional outlook

Economic Indicators (%)	CY10	CY11	CY12(f)	CY13(f)	CY14(f)
GDP growth	1.2	1.4	2.1	2.9	1.4
Unemployment	6.7	6.4	6.2	5.6	5.4
Inflation	4.0	1.8	2.3	2.6	3.2
Cash rate (end period)	3.0	2.5	2.75	3.75	4.25
System Growth (%)	FY10	FY11	FY12(f)	FY13(f)	FY14(f)
Housing	3.1	1.6	1.4	2.4	3.4
Personal	-3.3	-1.0	0	1.5	2.8
Business	-3.0	-0.8	1.3	2.5	3.3
Total lending	0.4	0.5	1.3	2.4	3.3
Household retail deposits	2.8	7.2	8.3	7.5	6.9

- ▶ The latest business surveys are consistent with the moderate recovery we are forecasting for New Zealand. Although the rebuilding in Christchurch will drive a lot of construction through the next year, there is still quite a broad-based upturn in demand
- ▶ This upturn follows years of restrained retail spending and a sluggish housing market. House prices have plateaued since 2007 but have more recently begun to edge up. Households have lifted their savings effort, building up their bank deposits. This process suppressed consumer spending for a long time but retail sales growth improved in the latter half of 2011 and the surveys show that continuing
- ▶ The household sector has been gradually strengthening its balance sheet through very low borrowing, restrained spending and improved saving. Debt to income ratios are falling, liquid assets are building up. While it continues, this slow process should hold down economic growth but lay the foundations for a more sustainable economy later on
- ▶ Activity has been boosted by very high commodity export prices which have taken the terms of trade to levels not seen since the early 1970s boom. Commodity prices are now falling and the terms of trade are off their mid-2011 peak, but prices are still high by historical standards, supporting farm incomes
- ▶ We expect only a modest recovery in system credit growth as de-leveraging continues. Asset quality has deteriorated through the long period of sluggish economic performance but the system impaired loan ratio remains very low (around 1.4% at end 2011)

# Australian housing prices and debt



- ▶ House prices have fallen from their peak in mid-2010, though remain at relatively high levels
- ▶ House price growth was most marked from mid 1990s to 2004, and also accelerated sharply through 2009 and the first half of 2010
- ▶ Expectations are now for a stabilisation of prices in coming months followed by only marginal appreciation into the medium term
- ▶ Housing affordability and the debt service burden have improved in the face of lower mortgage rates (with recent cuts to help further) and household deleveraging. That said, the debt burden remains at historically high levels

# Characteristics of the Australian Mortgage Market

- ▶ Solid population growth combined with an insufficient expansion in Australia's dwelling stock has led to a broad-based undersupply of housing in most locations
- ▶ The latest NAB Australian Property Survey indicates that overall demand for existing property improved slightly in the March quarter. Resident owner occupiers continue to dominate the market for existing properties – with investors shying away in the more difficult economic climate – although there was a small decrease in first home buyer activity in the first quarter of 2012. Access to credit, employment security and interest rate uncertainty continue to be the biggest impediments to demand side housing credit growth
- ▶ Around 80% of Australian mortgages are at variable rates, making the most common mortgage rate very sensitive to changes in monetary policy

