



# Merrill Lynch conference

14 -15 September 2009

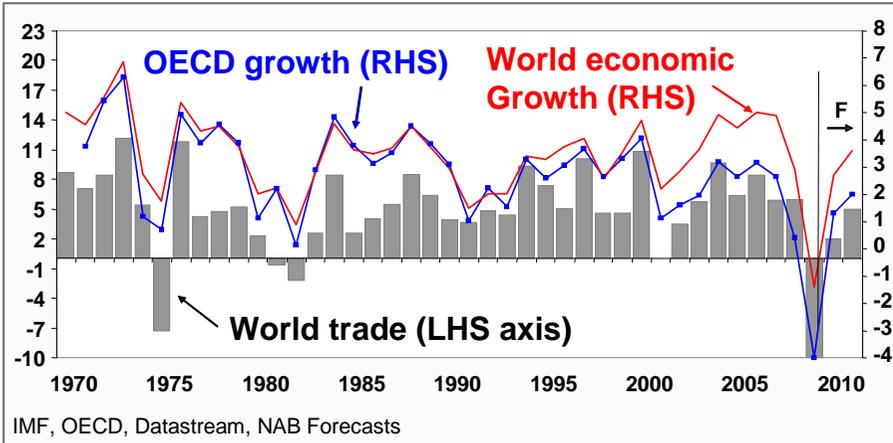
Mark Joiner, Executive Director Finance

National Australia Bank Limited ABN 12 004 044 937

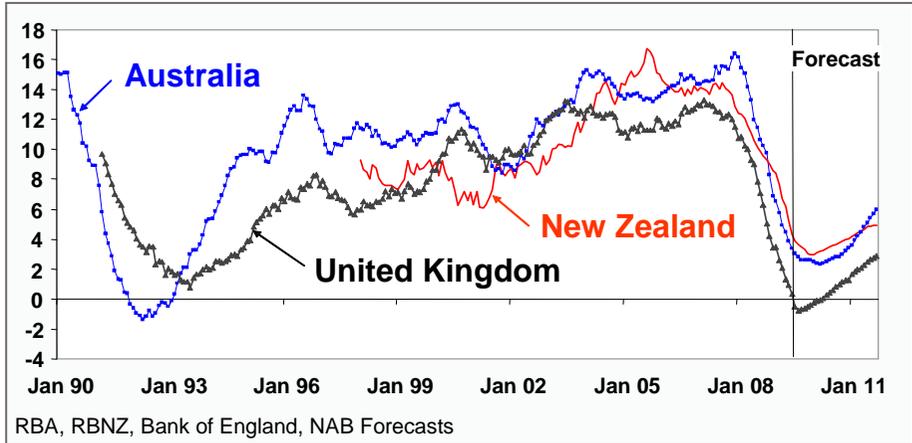


# Economic conditions

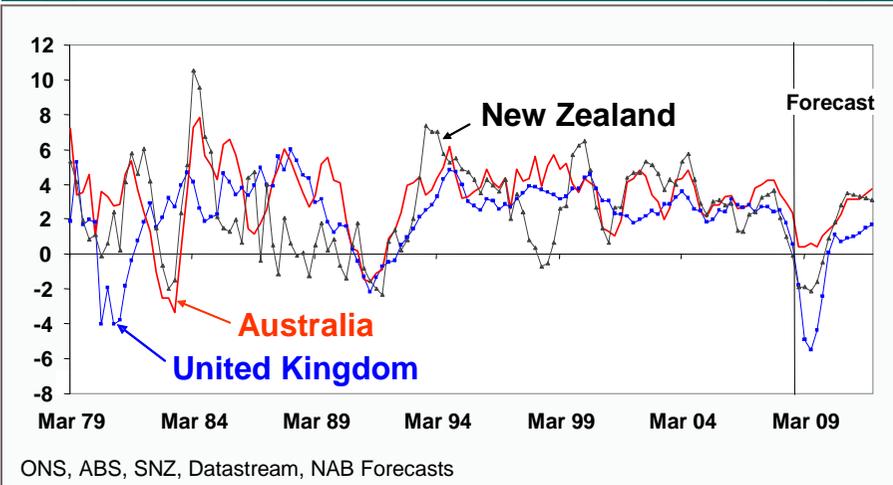
Annual growth in global trade, global GDP and OECD economies - 1970 - 2010



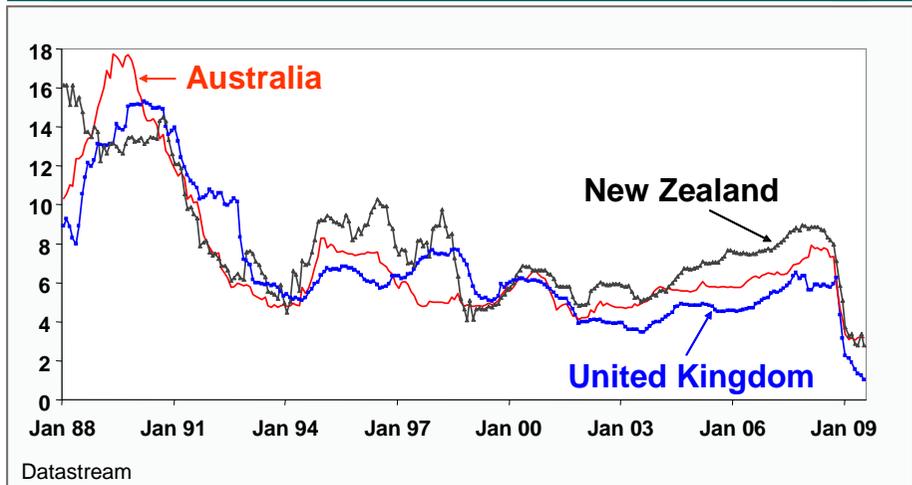
System credit growth % change year on year



Real GDP % change year on year

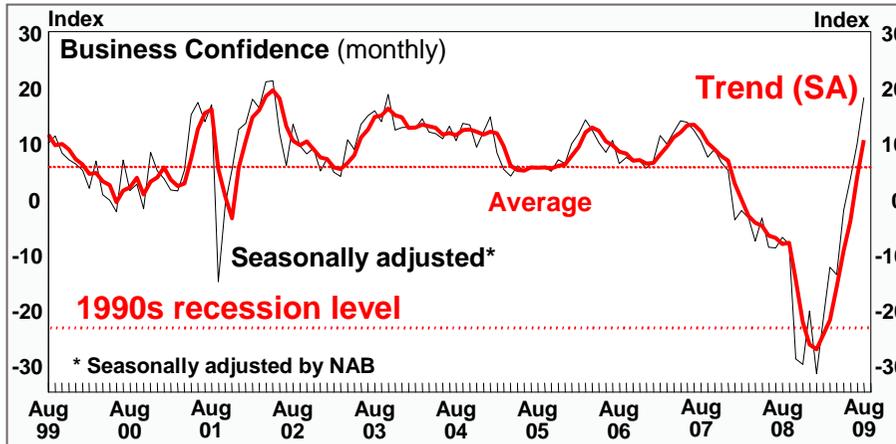


3 month interbank rates in key markets

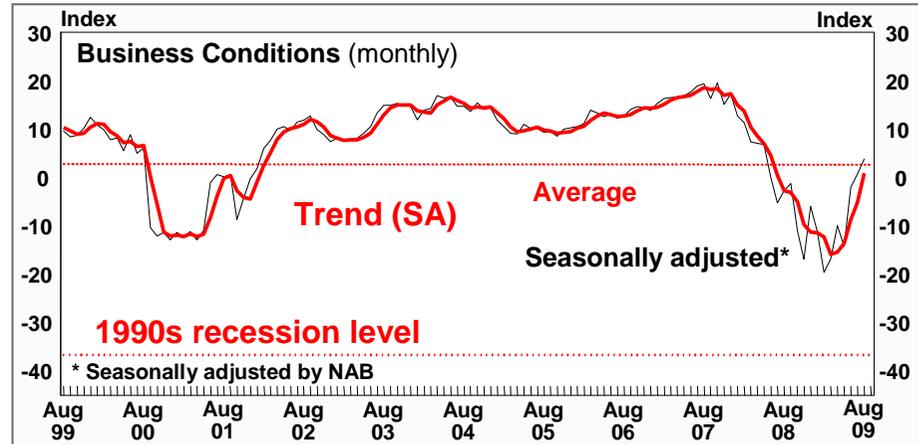


# Australia continues to outperform with the peak in unemployment lower than previously expected

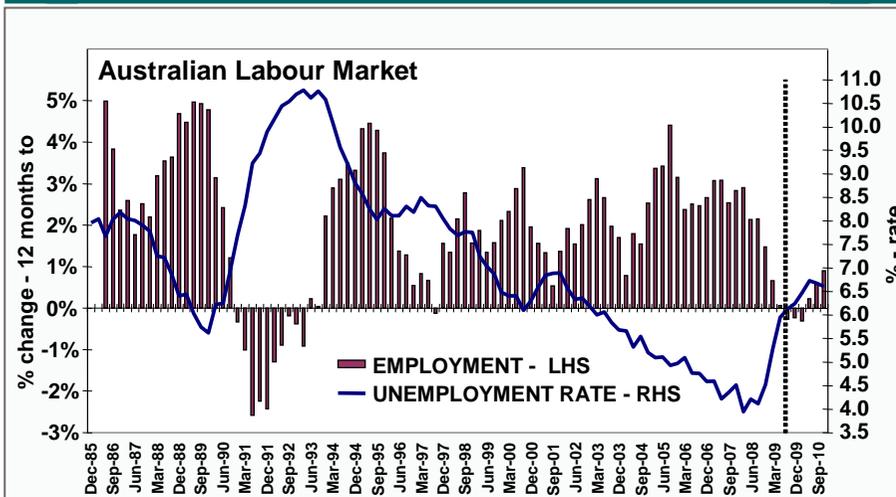
Australian business confidence is now near 6 year highs



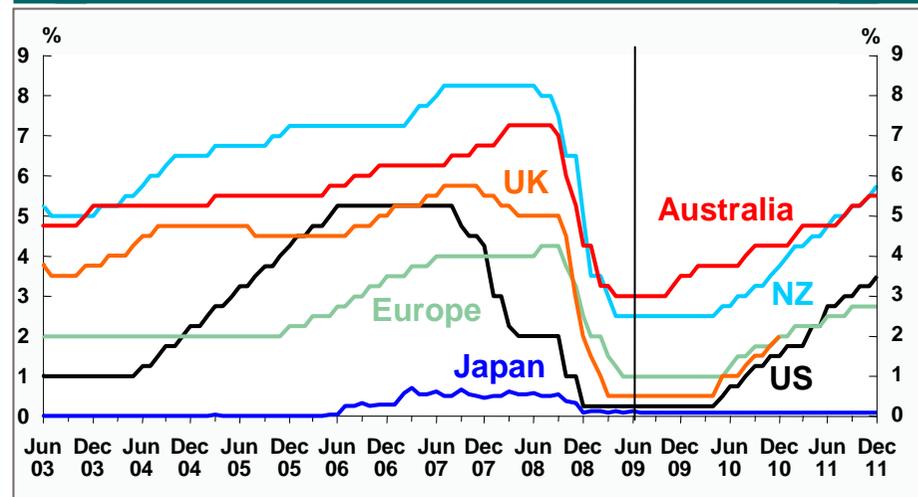
Actual outcomes have also improved albeit that partly reflects the timing of fiscal initiatives



After a flat H2 in 2009 GDP to increase by 2% in 2010. Unemployment to peak at around 6.7%



With the RBA also likely to be the first to move rates away from emergency lows



## Group result

\$m	Half year to			Change	
	Mar 09	Sep 08	Mar 08	Mar 09 v Sep 08	Mar 09 v Mar 08
Net operating income	8,514	7,775	7,639	9.5%	11.5%
Operating expenses	(3,770)	(3,678)	(3,598)	(2.5%)	(4.8%)
<b>Underlying profit</b>	<b>4,744</b>	<b>4,097</b>	<b>4,041</b>	<b>15.8%</b>	<b>17.4%</b>
Charge to provide for bad and doubtful debts	(1,811)	(1,763)	(726)	(2.7%)	Large
<b>Cash earnings (incl IoRE)</b>	<b>2,027</b>	<b>1,679</b>	<b>2,237</b>	<b>20.7%</b>	<b>(9.4%)</b>
<b>ROE</b>	<b>12.7%</b>	11.9%	16.8%	80bps	(410bps)
<b>ROA</b>	<b>0.57%</b>	0.54%	0.75%	3bps	(18bps)
<b>Tier 1 ratio</b>	<b>8.31%</b>	7.35%	6.90%*	96bps	141bps
<b>RWA (\$bn)</b>	<b>352.4</b>	343.5	336.4	2.6%	4.8%
<b>Dividend per share (cents)</b>	<b>73</b>	97	97	(24)	(24)

\* Basel II proforma

# Individual business performance

Home currency m	Half year to			Half year to	
	Mar 09	Sep 08	Change%	Mar 08	Change%
<b>Underlying Profit</b>					
Business & Private Banking	<b>1,808</b>	1,699	6.4	1,506	20.1
Retail Banking	<b>896</b>	800	12.0	729	22.9
MLC	<b>209</b>	267	(21.7)	309	(32.4)
UK Region	<b>£238</b>	£264	(9.8)	£254	(6.3)
NZ Region	<b>NZ\$417</b>	NZ\$388	7.5	NZ\$375	11.2
nabCapital	<b>1,035</b>	578	79.1	731	41.6
Other <sup>1</sup>	<b>(83)</b>	(120)	30.8	(127)	34.6
<b>Group underlying profit</b>	<b>4,744</b>	<b>4,097</b>	<b>15.8</b>	<b>4,041</b>	<b>17.4</b>
<b>Cash Earnings</b>					
Business & Private Banking	<b>1,015</b>	1,080	(6.0)	948	7.1
Retail Banking	<b>455</b>	481	(5.4)	419	8.6
MLC (pre IoRE)	<b>158</b>	188	(16.0)	220	(28.2)
UK Region	<b>£50</b>	£110	(54.5)	£139	(64.0)
NZ Region	<b>NZ\$228</b>	NZ\$243	(6.2)	NZ\$239	(4.6)
nabCapital	<b>345</b>	(417)	Large	373	(7.5)
Other <sup>2</sup>	<b>(247)</b>	(81)	Large	(241)	(2.5)
<b>Group cash earnings</b>	<b>2,027</b>	<b>1,679</b>	<b>20.7</b>	<b>2,237</b>	<b>(9.4)</b>

<sup>1</sup> Other represents Central Functions, GWB and Asia

<sup>2</sup> Other represents Central Functions, GWB, Asia, IoRE and distributions

# June 2009 quarter trading update

## Key points

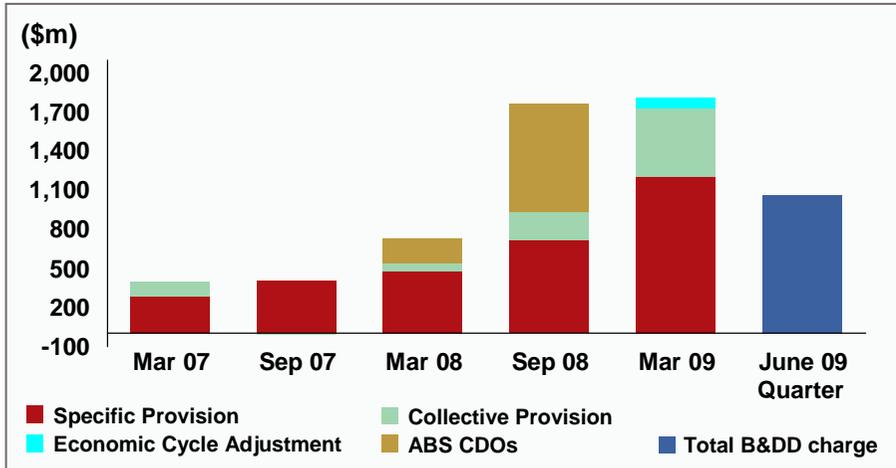
- ▶ Unaudited cash earnings approximately \$0.9bn<sup>1</sup> – reflecting continued solid performance under difficult economic conditions
- ▶ Group revenue slightly lower than 1H09 run rate. Australia Banking and Global Markets Division continued to be areas of particular strength
- ▶ On track to deliver cost growth at around inflation for the full year
- ▶ Asset quality has continued to weaken across all businesses reflecting the economic cycle. Group 90+dpd and GIA/GLAs 177bps 30 June 09 (138bps 31 March 09<sup>2</sup>)
- ▶ 3Q09 Group B&DD charge \$1,064m
  - Specific provision B&DD charge \$859m, of which approx one third related to a small number of individual name exposures
  - Collective provision B&DD charge \$205m, mainly reflecting further downgrades in customer credit quality across all businesses
  - Provision coverage remains strong
- ▶ FY09 funding target of \$19bn achieved; started pre-funding FY10
- ▶ Customer deposit flows continued to be strong. Conservative liquidity position maintained

<sup>1</sup> The June Quarter result is based on management financial information and has not been subjected to external auditor review

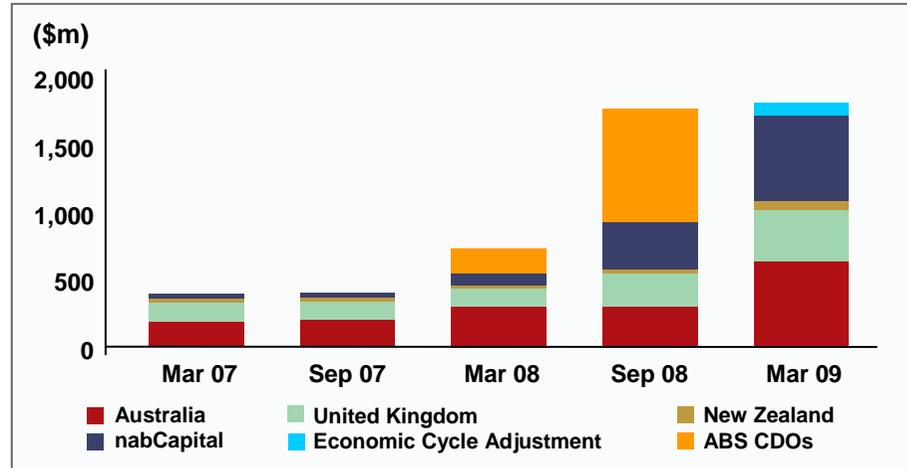
<sup>2</sup> March 2009 adjusted to include impaired loans at Fair Value

# Provisions and coverage

## B&DD charge

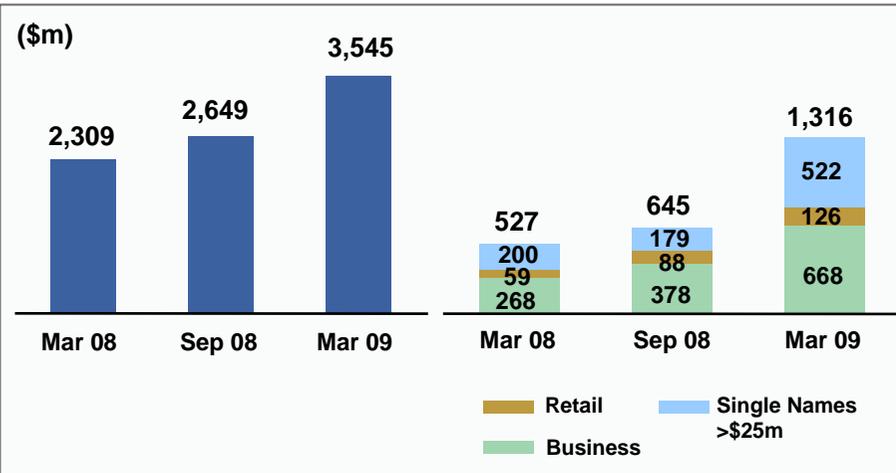


## B&DD charge

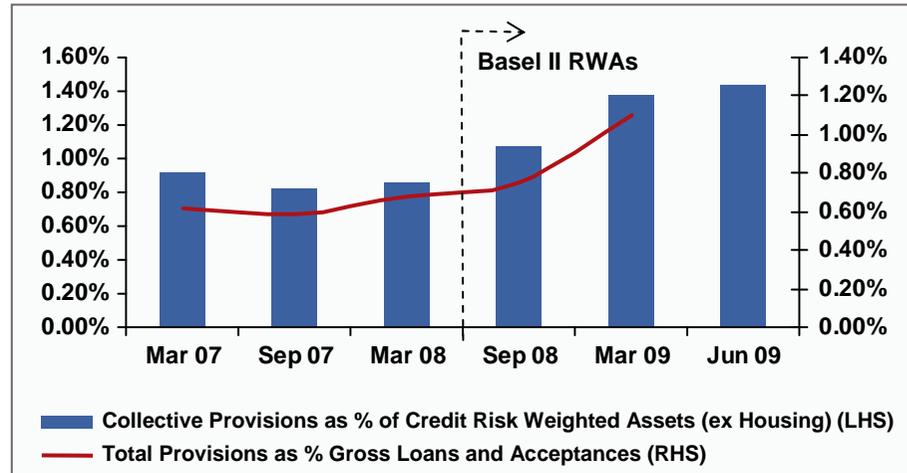


## Collective Provision balances

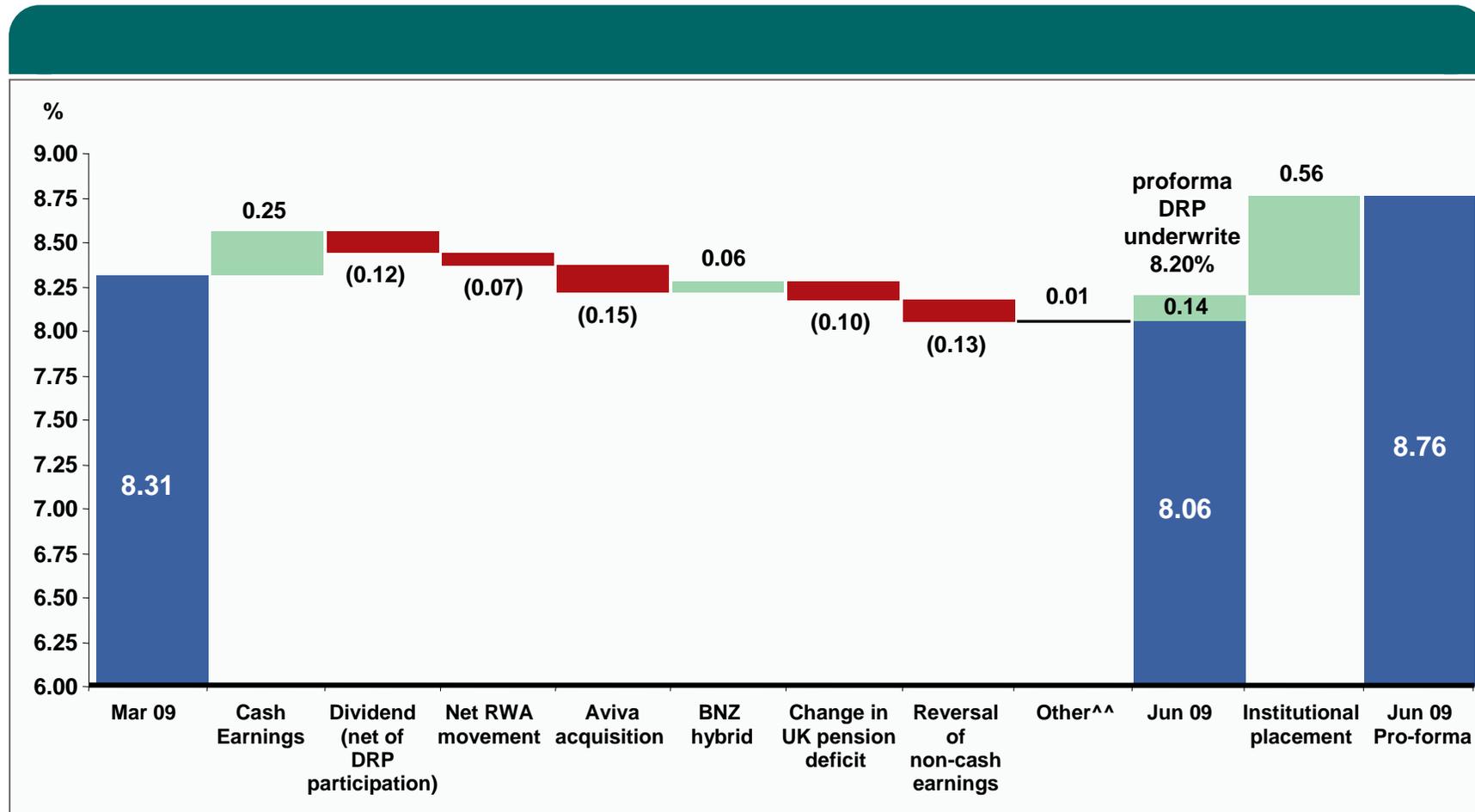
## Specific Provision balances



## Coverage ratios



# Tier 1 movement in the June 2009 quarter^

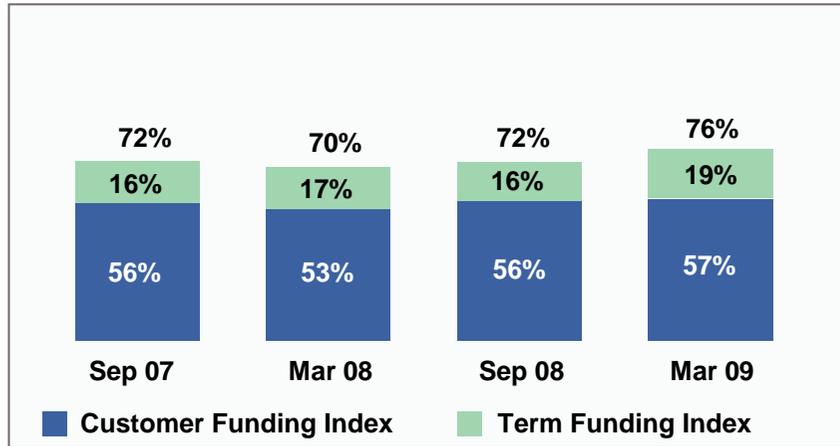


^ As presented in the ASX announcement dated 22 July 2009. Based on the Tier 1 capital number as at 30 June 2009 and does not reflect movements in capital subsequent to that date.

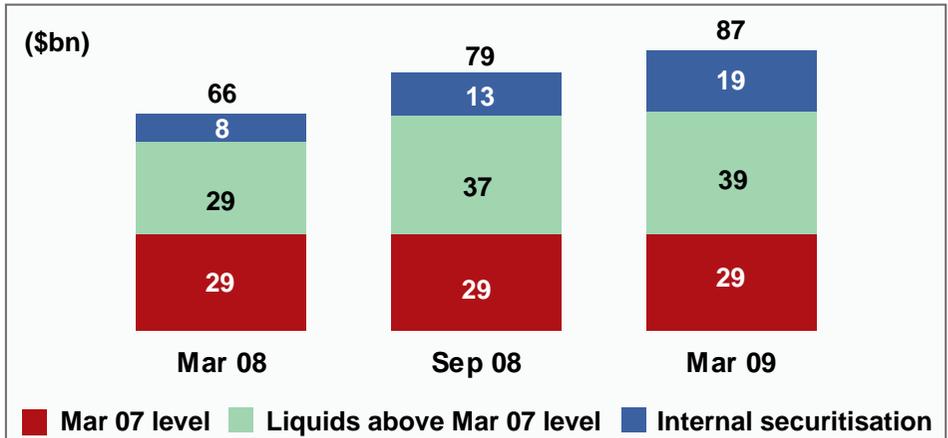
^^ Primarily relates to movements in Foreign Currency Translation Reserve net of FX impact on Goodwill (-7bps), DTA deductions (7bps) and other (1bps).

# Funding and liquidity

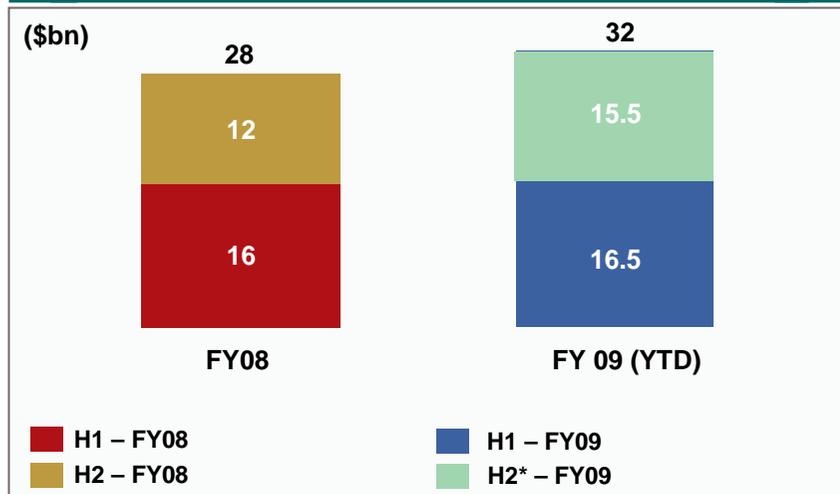
## Group Stable Funding Index (SFI)



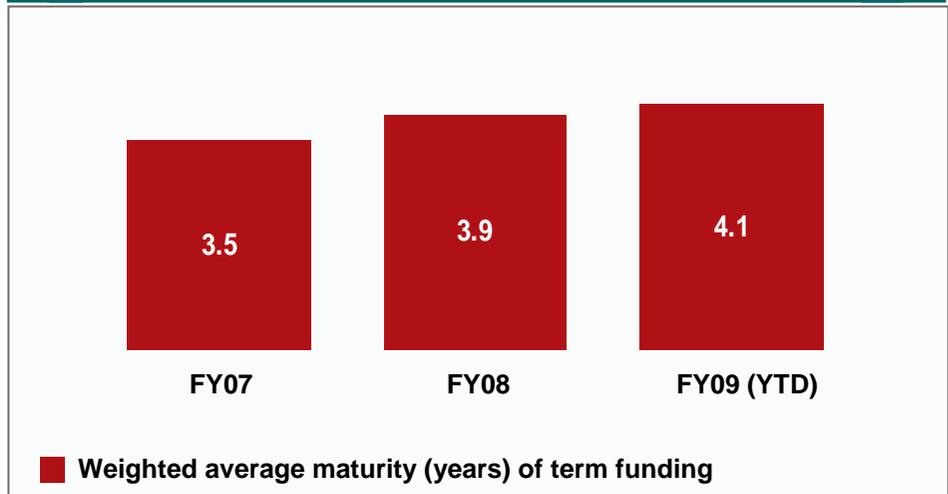
## Liquid asset holdings



## Term funding



## Term funding tenor



\* Over 50% of term funding raised in H2 (FY09) in non government guaranteed format

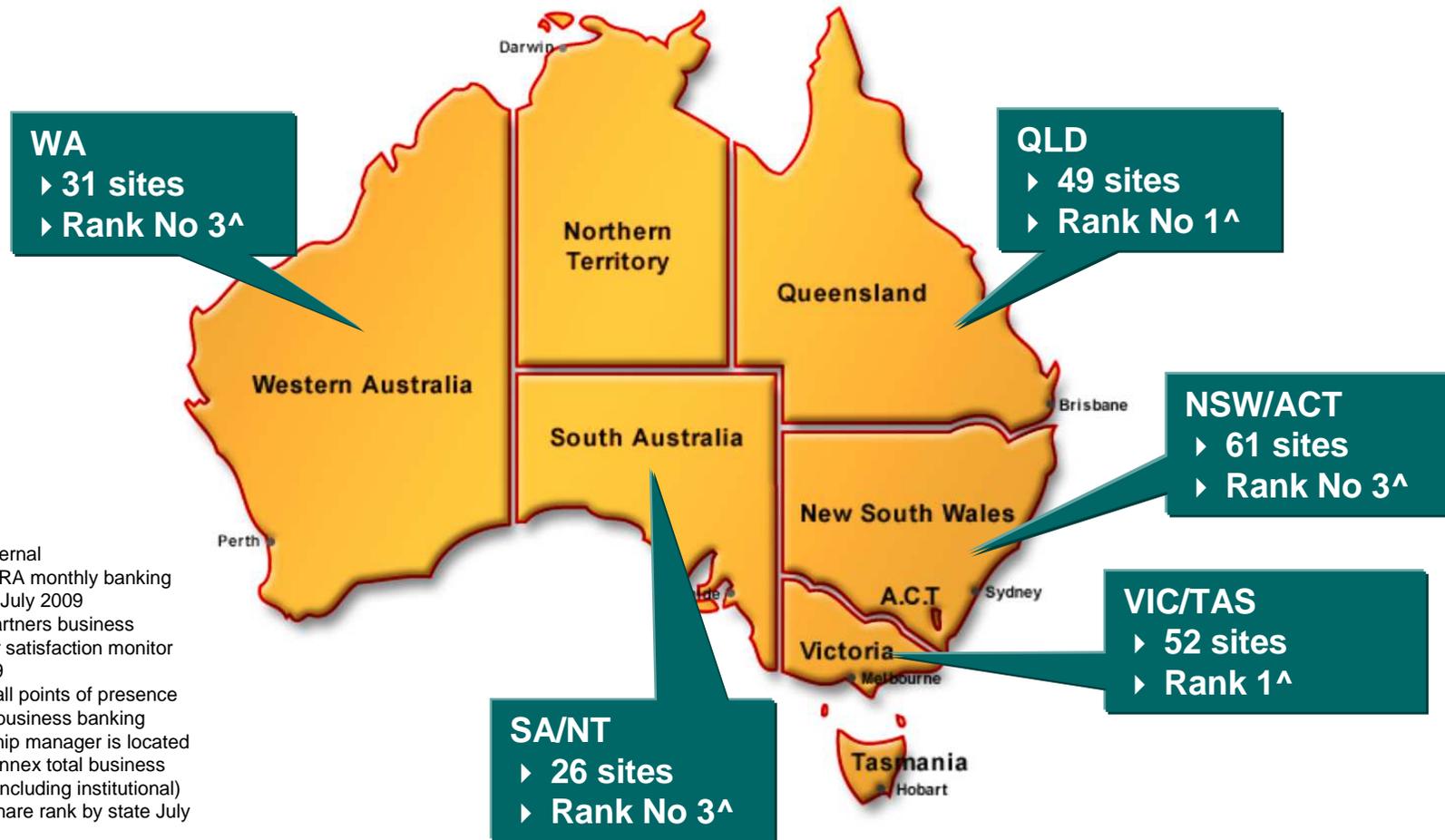
# Portfolio<sup>^</sup>

	Strong position, with growth opportunity	Significant upside from continuing reinvention	Smaller businesses, resilient in tough conditions	Unsatisfactory returns today in tough conditions
<b>Group Contribution (FY08):</b>				
▶ RWA	48%	12%	8%	32%
▶ Cash Earnings <sup>1</sup>	55%	24%	8%	13%
<b>Key Businesses</b>	<ul style="list-style-type: none"> <li>▶ Business/Corporate (Aust)</li> <li>▶ Institutional Wealth (Aust)</li> <li>▶ Insurance (Aust)</li> <li>▶ Markets</li> </ul>	<ul style="list-style-type: none"> <li>▶ Retail (Aust)</li> <li>▶ Investments/superannuation</li> <li>▶ Asset Management</li> <li>▶ Private Wealth (Aust)</li> </ul>	<ul style="list-style-type: none"> <li>▶ BNZ (NZ)</li> <li>▶ GWB (US)</li> <li>▶ Asia</li> </ul>	<ul style="list-style-type: none"> <li>▶ CYB (UK)</li> <li>▶ nabCapital – (non franchise activity<sup>2</sup>)</li> </ul>
	<b>Focus in Australia</b>		<b>Maintain value, innovation &amp; options internationally Restructure nabCapital</b>	

Note: (1) Cash earnings excludes conduit write-offs and Group Funding distributions on hybrids  
 (2) includes CDOs and other non-franchise activity

# Leading Business Banking Position

- ▶ No. 1 business lending market share<sup>1</sup> 20.2% (~30% SME) – YTD improved 133 bps
- ▶ No. 1 business deposits market share<sup>1</sup> 24.1% - YTD improved 161 bps
- ▶ Highest business customer satisfaction of the major banks<sup>2</sup> (in \$5M - \$100M segment)



**Leading Business Banking presence across Australia<sup>3</sup>**



# Creating a broader, stronger wealth business

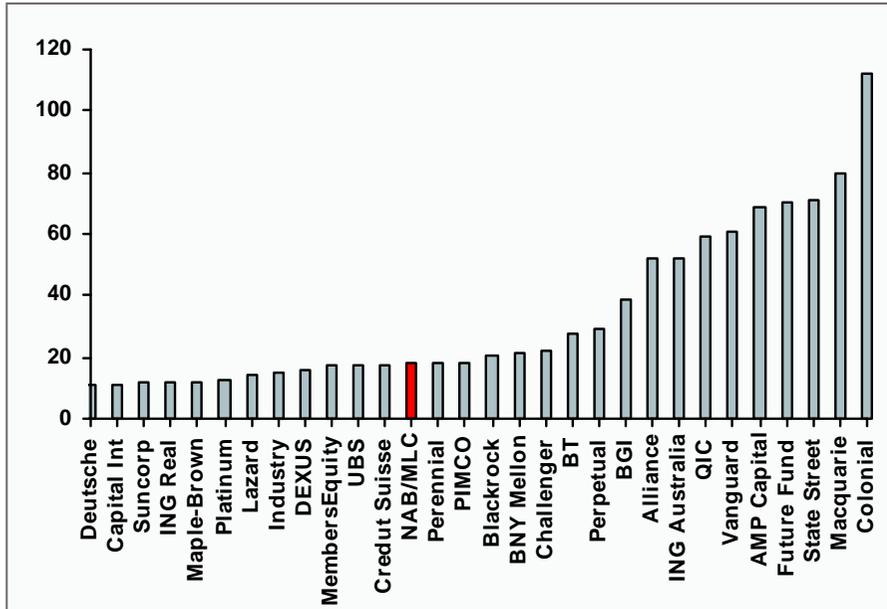
Combining MLC, nab private wealth and nabInvest creates a wealth division with substantial growth opportunities by;

- ▶ targeting all customer segments including opportunity in HNW
- ▶ participating across entire wealth value chain addressing revenue weakness in direct asset management

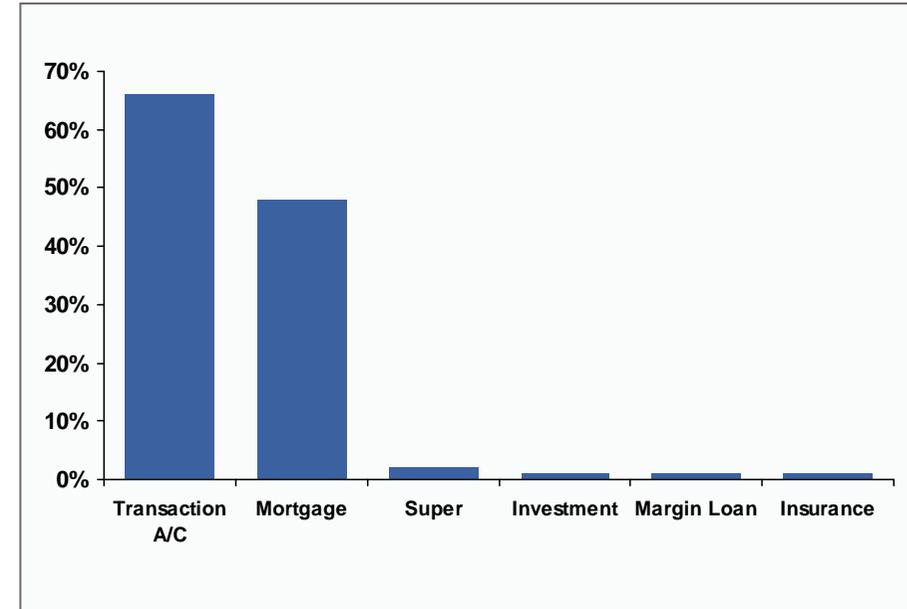
Segment	Advice	Product	MoM	Asset Mgmt
Retail	Strong	Strong	Strong	Weak
HNW	Moderate	Moderate	Weak	Weak
Institutional	Strong	Moderate	Strong	Weak

Relative Position: ■ Weak ■ Moderate ■ Strong

## Australian Direct Asset Managers – Funds under Management: 2008



## Product Penetration of HNW Relationships



# Our priorities

## Continued momentum

- ▶ Keep the bank safe



- ▶ Tight management of costs



- ▶ Invest in leadership & culture



## Additional emphasis

- ▶ Deposit funding
- ▶ Capital allocation
  
- ▶ Accelerate efficiency, quality & service agenda
- ▶ Accommodate slower recovery scenario
- ▶ Lead platform replacement & convergence
  
- ▶ Ignite common purpose for people
- ▶ Develop enterprise leaders
- ▶ Step out from industry in reputation

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