

UBS FINANCIAL SERVICES CONFERENCE

The Top Line Challenge –
How to Grow Revenue from Here

20 June 2012

Lisa Gray, Group Executive Personal Banking

National Australia Bank Limited ABN 12 004 044 937

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, 20 June 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.

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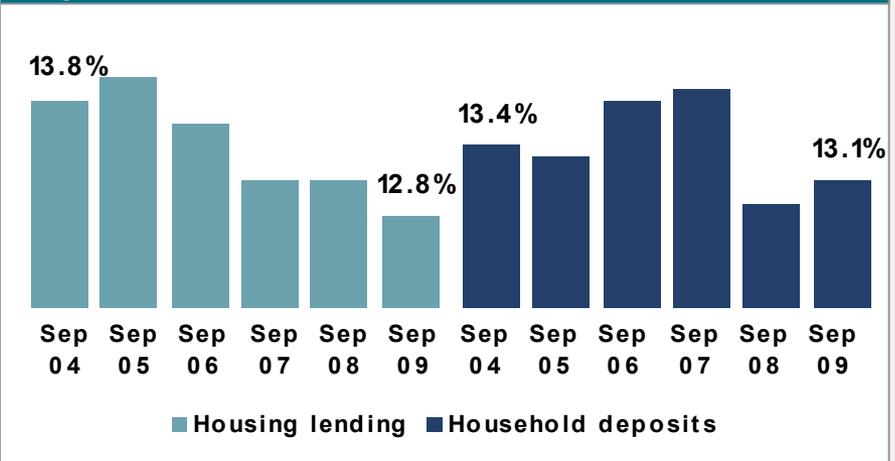
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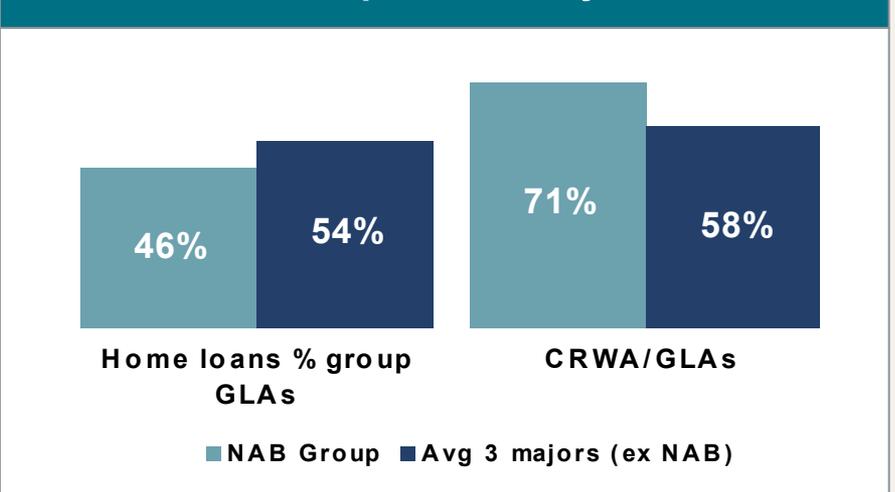
Personal Banking at a glance 2008/2009

- ▶ Challenging economic environment
- ▶ Mortgage growth half system – constraining growth in Business Banking
- ▶ Deposit market share falling
- ▶ Emerging scale disadvantage following acquisitions by peers
- ▶ Customer satisfaction lowest of major banks
- ▶ Industry reputation poor, increased consumer and political scrutiny

Australian housing lending and household deposit market share¹



Concentration & capital intensity²



(1) RBA Financial System, APRA Banking System

(2) As at 30 Sept 2008 for NAB; Avg of 3 majors based on ANZ, CBA and WBC publicly reported data, as at 30 Sept 2008 for ANZ and WBC, and as at 30 June 2008 for CBA. Includes securitisation and acceptances.

Personal Banking - a key part of Group strategic agenda

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

Personal Banking strategy

**Our
belief**

Fair exchange of value

**Our
priorities**

**Restore the
core business**

People capability

Customer
experience

Sales
performance

Reputation

Invest in gaps

Broker channel

Credit cards

Small business¹

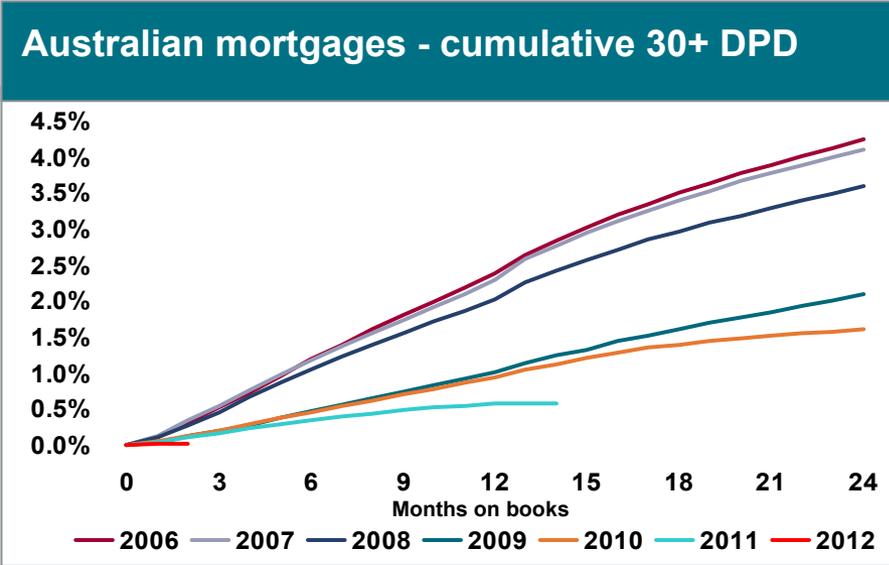
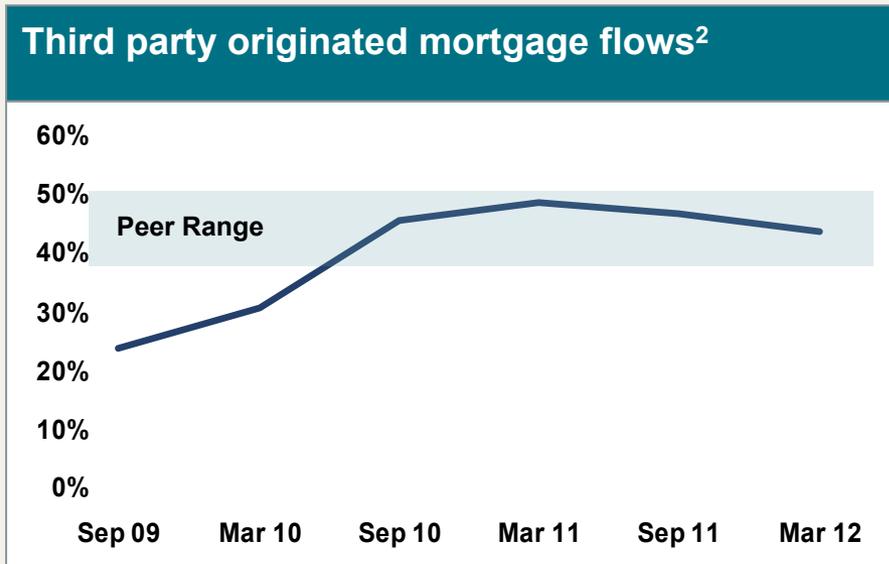
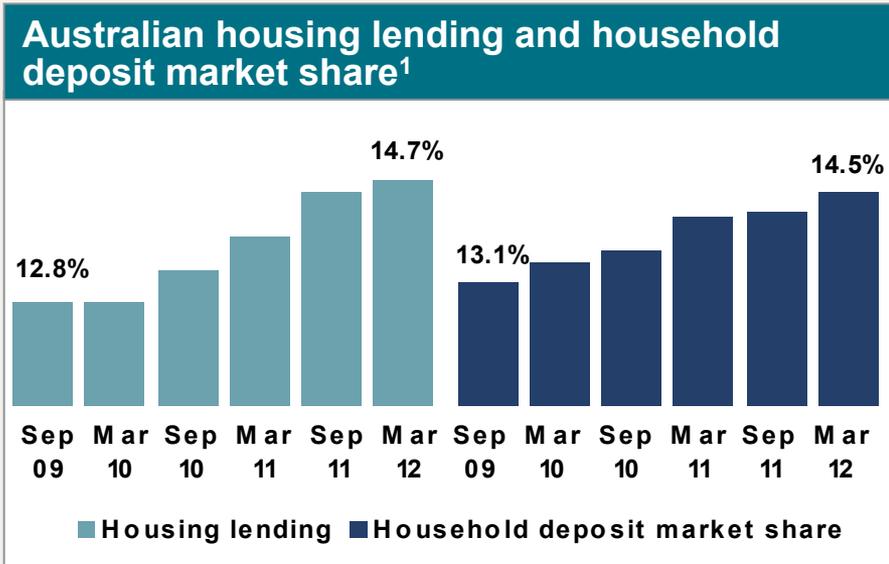
**Longer term
growth**

New customer
driven models

Leverage wealth
& business
strength

(1) Small business defined as business with annual turnover of up to \$1m, and at least one deposit or lending product.

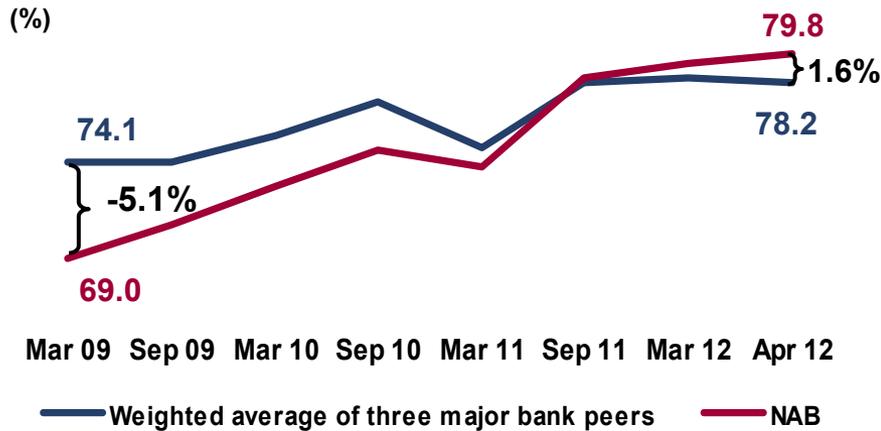
Progress since 2009 – back on track in mortgages & deposits



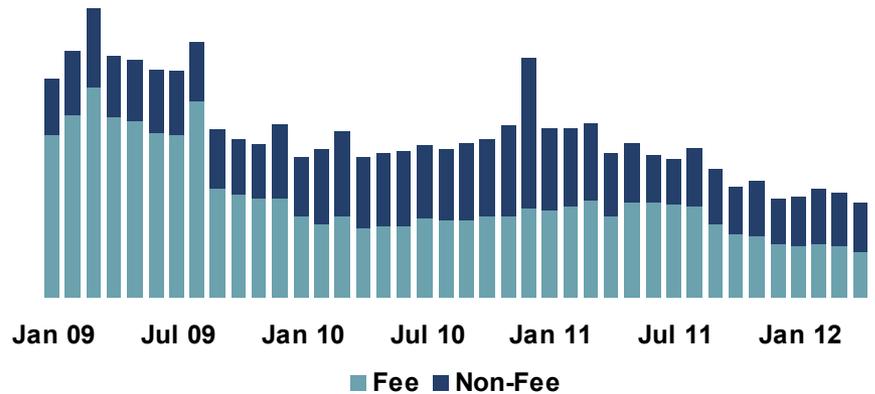
(1) RBA Financial System, APRA Banking System
 (2) Peer range based on NAB estimates for ANZ, CBA and WBC. NAB data based on Personal Banking only.

Progress since 2009 – improved customer & people metrics

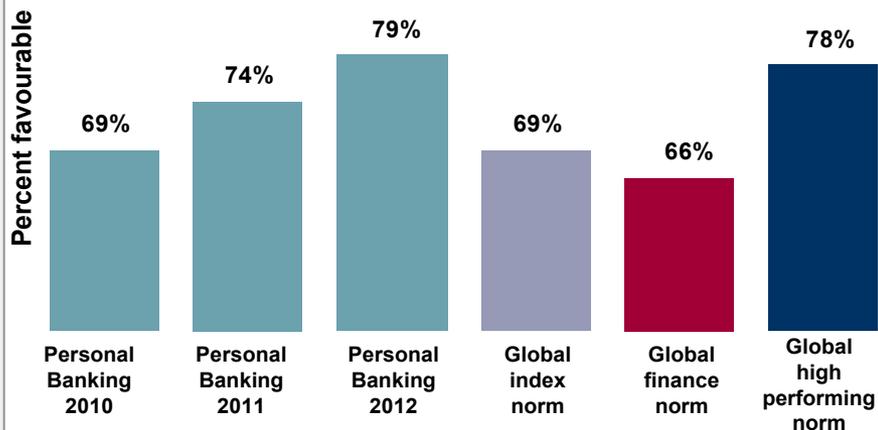
MFI customer satisfaction¹



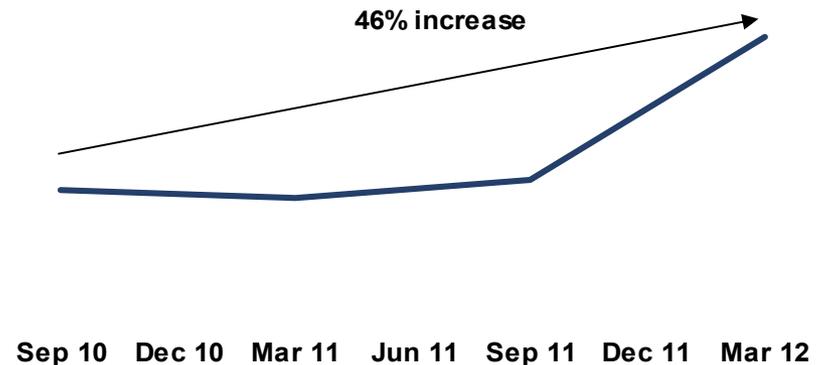
Total customer complaints²



Employee engagement³



Retail network sales per salesperson



(1) Roy Morgan Research, Aust MFIs, population aged 14+, six month moving average. Customer satisfaction based on customers who answered very/fairly satisfied. NAB compared with the weighted average of the three major banks (ANZ, CBA, WBC)
 (2) December 2010 increase in complaints relates to processing issues
 (3) Speak Up Step Up survey 2012 Hay Group

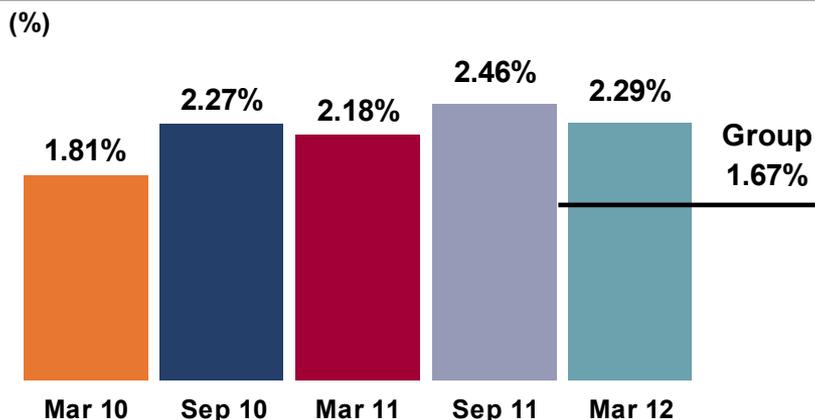
Shareholder returns reflect business repositioning

Personal Banking key shareholder metrics¹

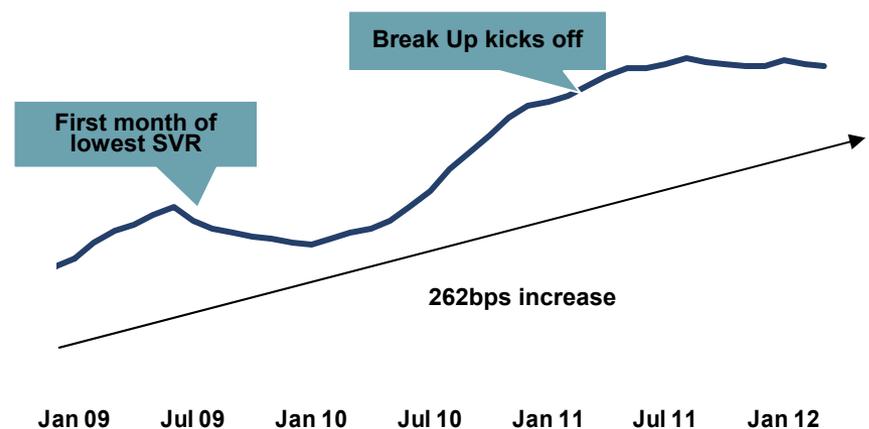
	1H09	1H10	1H12	Δ 1H09 -1H12	Δ1H10 -1H12
Cash earnings \$m	408	317	464	4% CAGR	21% CAGR
Underlying profit \$m	825	682	829	0% CAGR	10% CAGR
NIM %	2.49	2.34	2.02	-47bps	-32bps
RoRWA %	2.45	1.81	2.29	-16bps	+48bps
BDD / CRWA %	1.76	1.40	0.92	-84bps	-48bps

- ▶ Earnings growth since 1H09 impacted by fee reductions
- ▶ Key driver of NIM has been mix change (mortgages vs unsecured)
- ▶ Personal Banking returns improving and above Group
- ▶ Lowest SVR of majors (for 36 months, committed to lowest for 2012) has delivered several benefits:
 - improved retention
 - ~600,000 net Personal Banking customer growth since Break Up campaign launched in Feb 2011
 - less front book discounting

Personal Banking Return on average RWAs²



Mortgage retention³

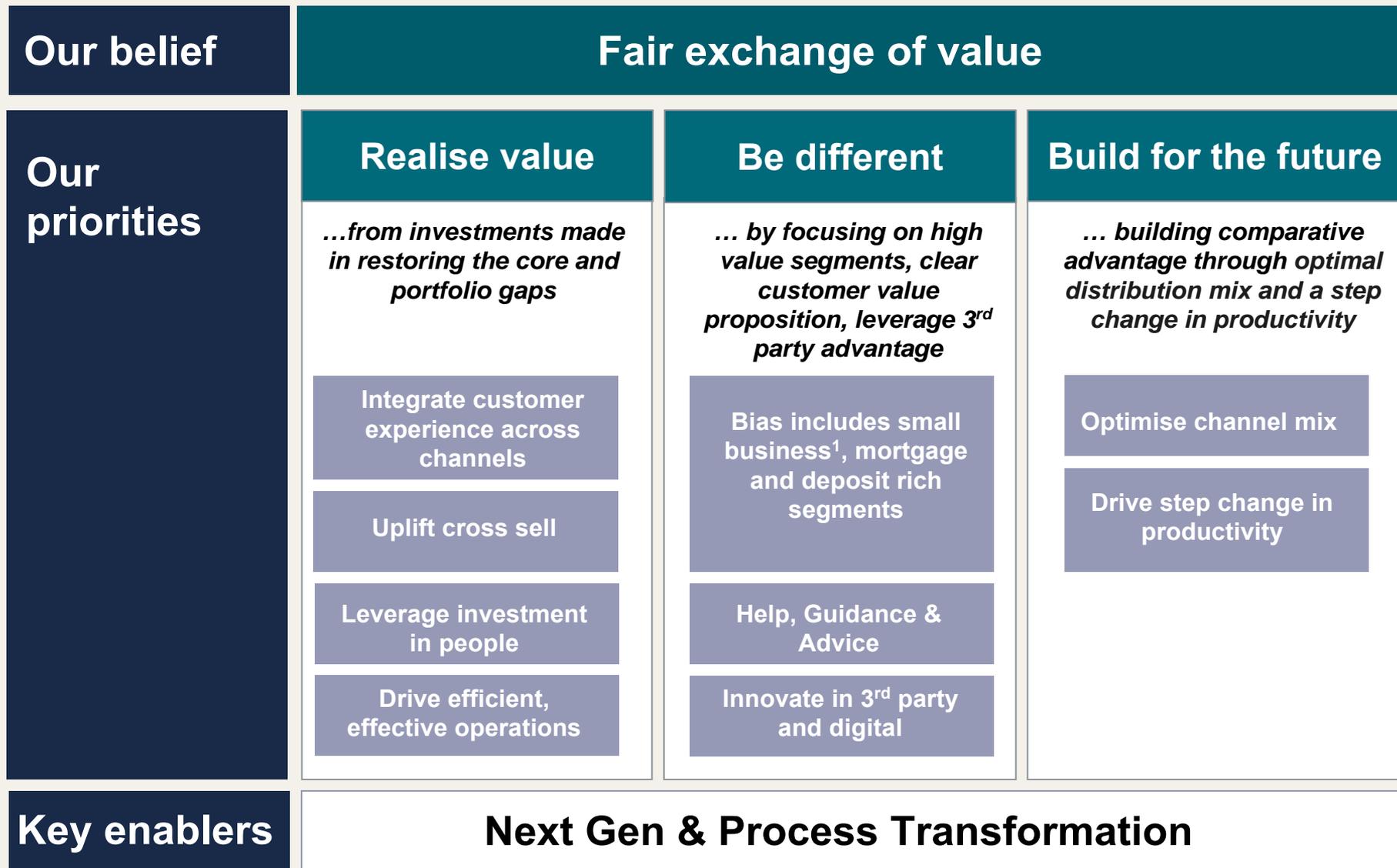


(1) NIM, RoRWA and BDD/CRWA are annualised.

(2) Average RWA based on spot opening and closing RWA.

(3) NabRetail and Homeside only, excludes Advantagedge and UBank. Proportion of mortgage customers that were with NAB a year ago and still with NAB

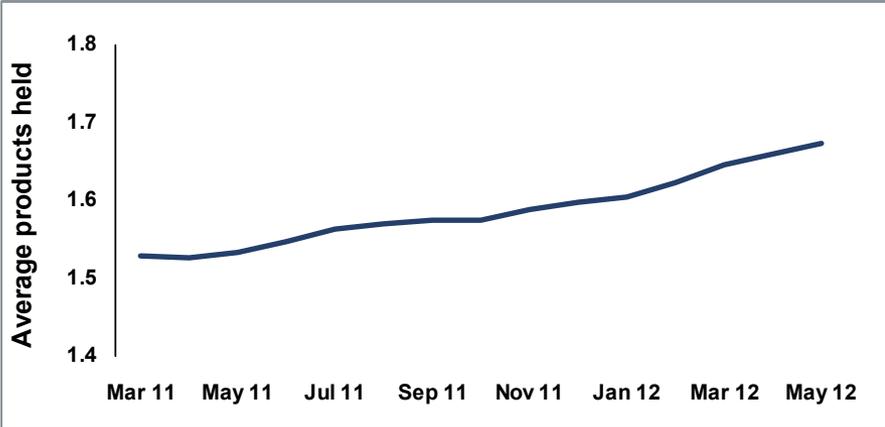
Personal Banking – building on strong foundations



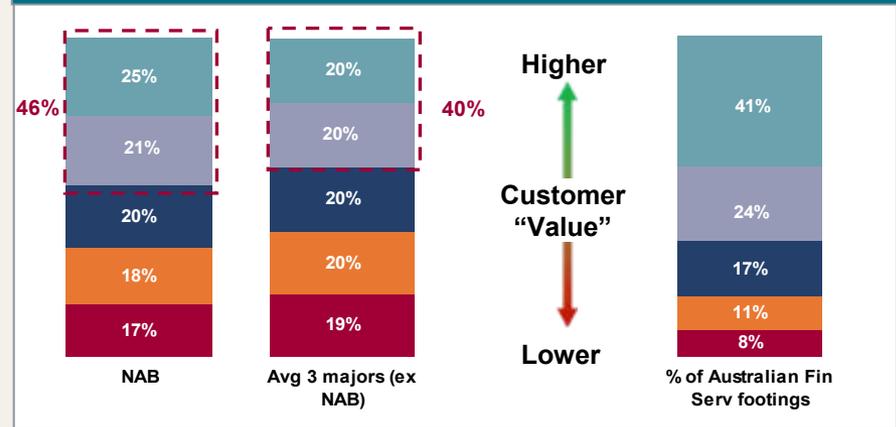
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Personal Banking – building on strong foundations

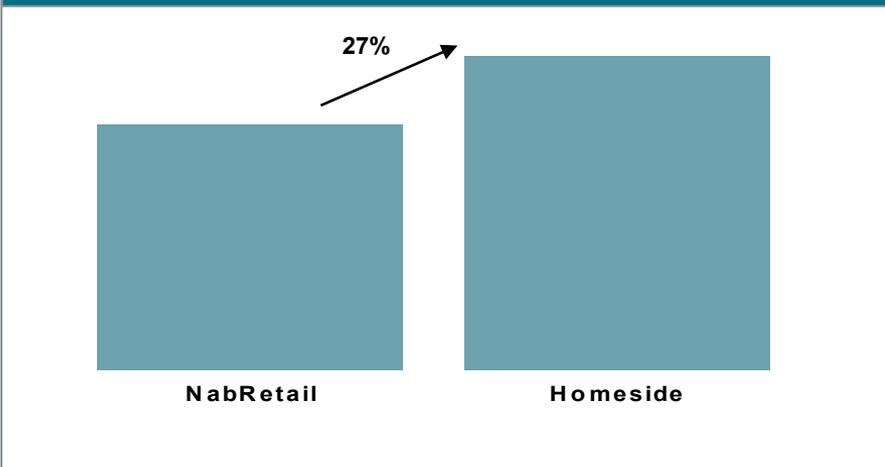
New to bank cross-sell



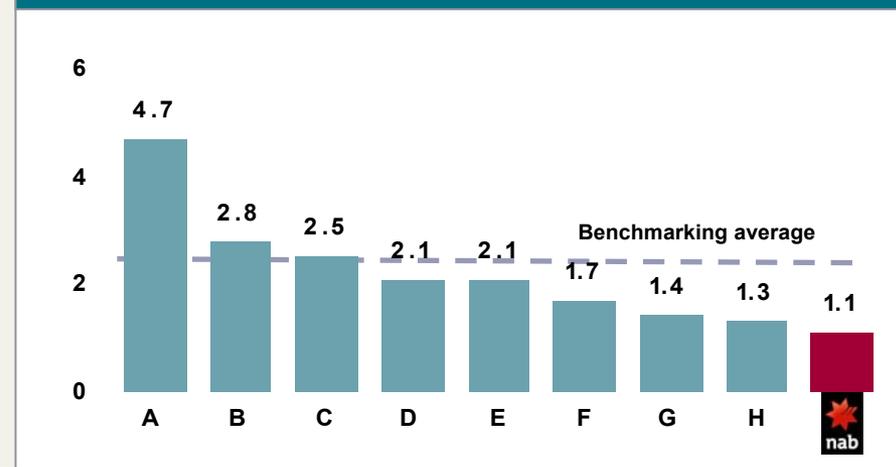
MFI customer socio economic distribution¹



Mortgage conversion rates²



Personal Banking customers per operations FTE³



(1) When Roy Morgan collect satisfaction survey data they gather additional data that allows customers to be categorised in to five socio-economic groupings, or quintiles. These quintiles are based on the customers education level, income and occupation. NAB refers to individual brand. Three peers includes ANZ Bank, Commonwealth Bank (inc. Bankwest) and Westpac Bank (inc. St George Bank). Australian Financial Services includes Accounts, Cards, Loans, Managed Investments and Superannuation. 12 months to March 2012.

(2) Conversion from completed mortgage application to loan drawdown, for the month of December 2011.

(3) BCG Retail Banking Process & Productivity Benchmarking 2011; includes outsourced FTE. Covers a sample of top retail banks across America, Europe, APAC.

Summary

- ▶ Personal Banking back in the game
- ▶ Peer-leading customer and people metrics
- ▶ Earnings rebased in 1H10
- ▶ Upside from improved mortgage conversion ratios, cross-sell and efficiency
- ▶ Continue to provide a fair exchange of value for all stakeholders
- ▶ Positioned to meet 'top line challenge' and improve returns

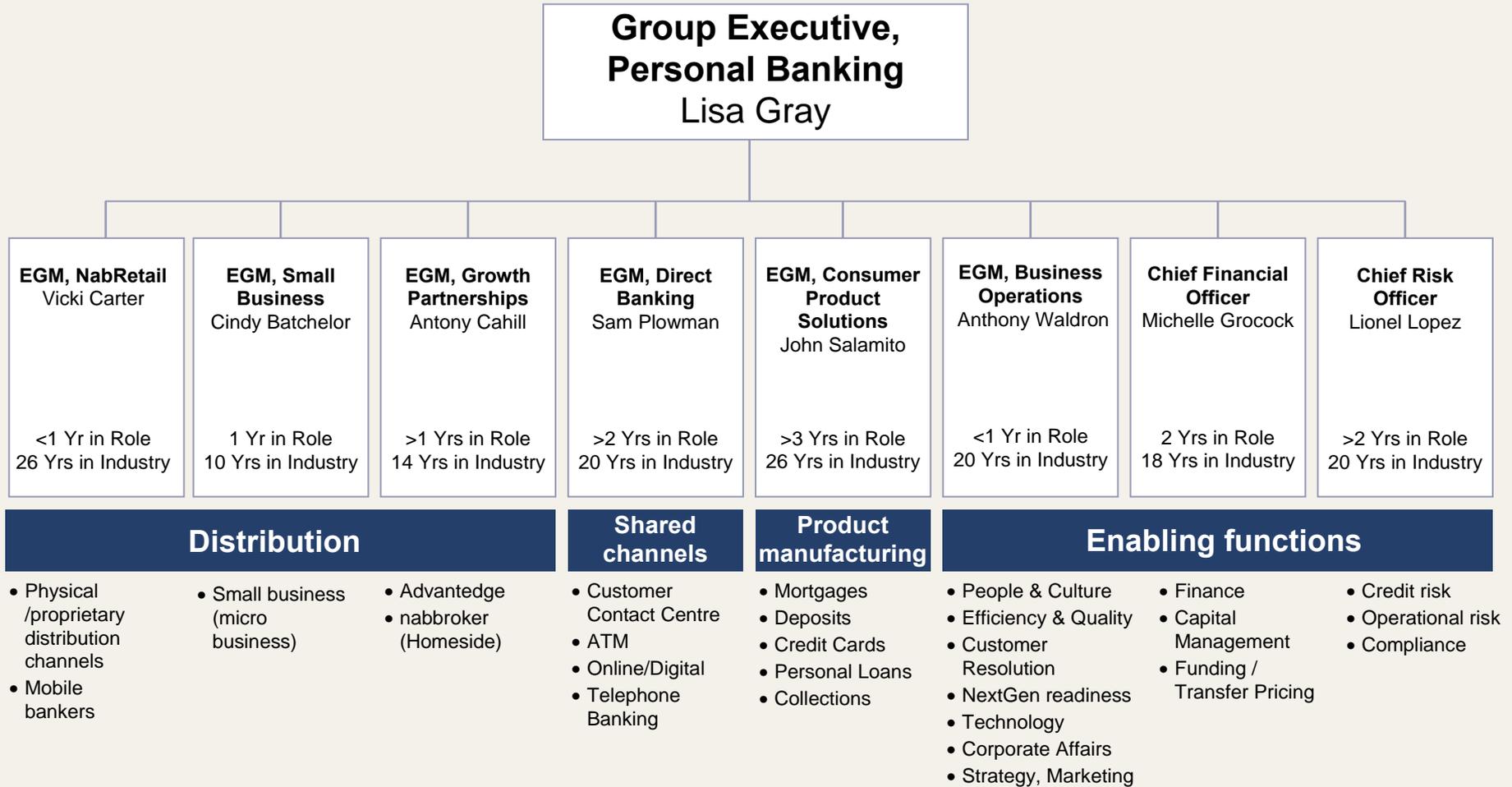
Questions

Appendix

Personal Banking snapshot 31 March 2012

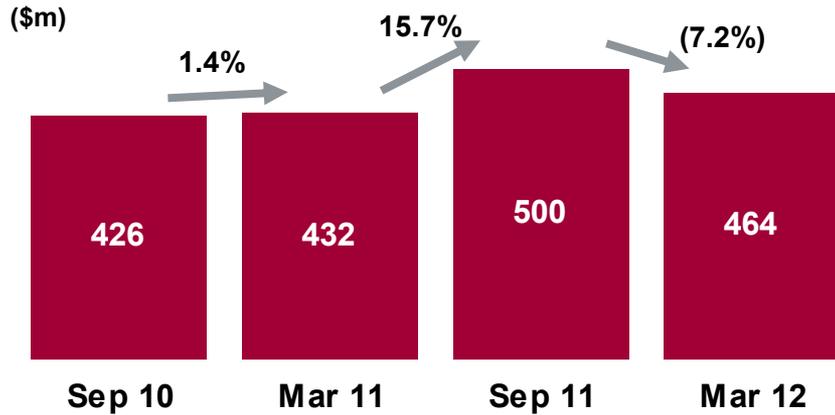
- ▶ 1H12 cash earnings \$464m, 16% of group earnings
- ▶ 19% of group assets and 12% of group RWA
- ▶ Total lending \$145bn, 94% is mortgages
- ▶ Retail deposits \$81bn
- ▶ 8,493 FTEs, 785 retail outlets
- ▶ 4.9m individual and small business customers
- ▶ Distribution channels include retail network, 3rd party/broker and small business
- ▶ Multiple brands including NAB, Homeside, UBank, variety of broker and 'mortgage manager' brands operated by Advantedge business

Experienced leadership team

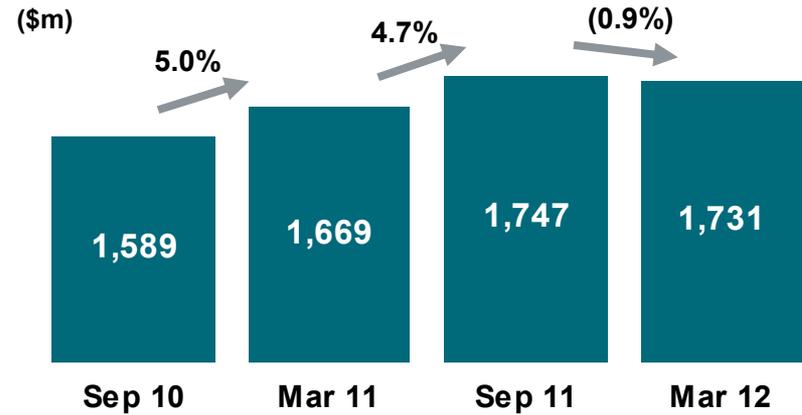


Personal Banking

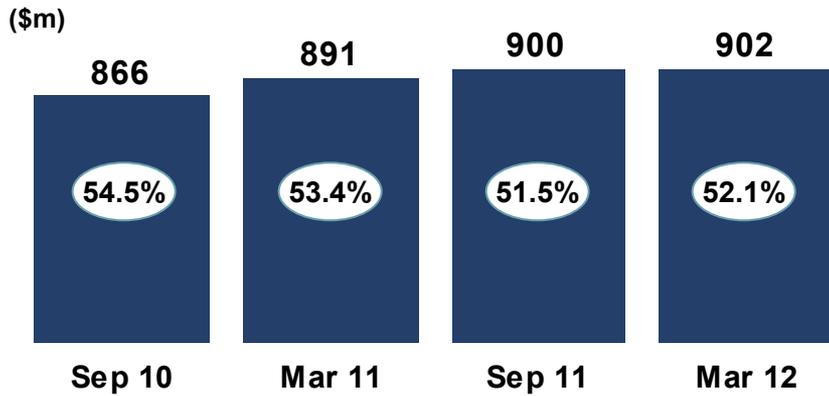
Cash earnings



Revenue

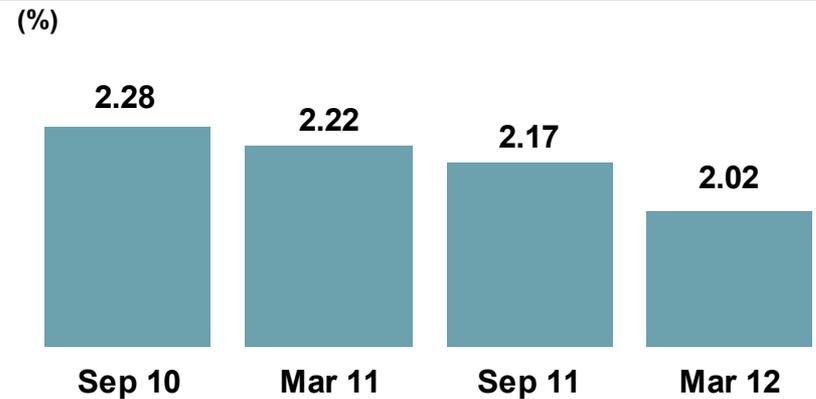


Costs



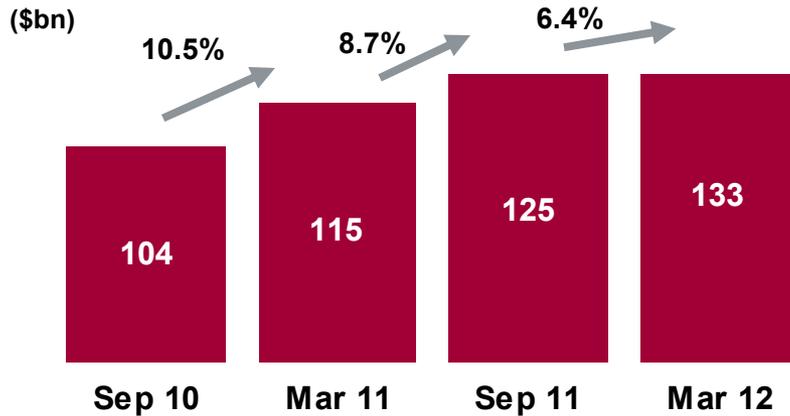
X% Cost to income ratio

Net interest margin

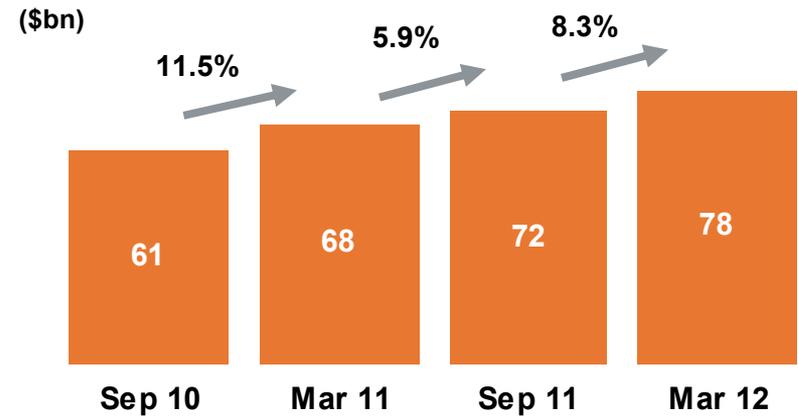


Personal Banking

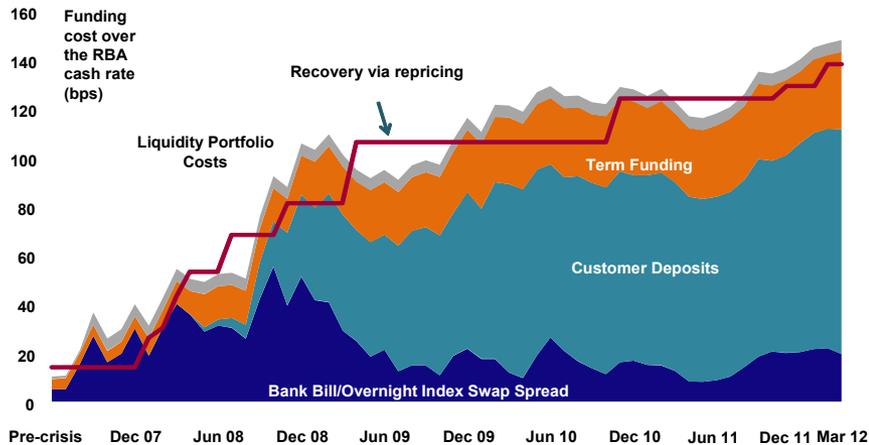
Housing loans



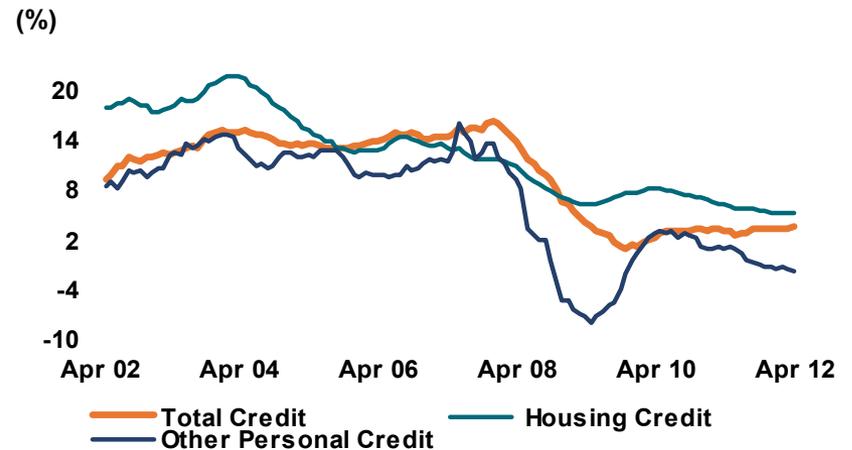
Customer deposits



Increased cost of funding an Australian variable rate mortgage



Australian credit growth % change year-on-year ¹



(1) RBA Financial System

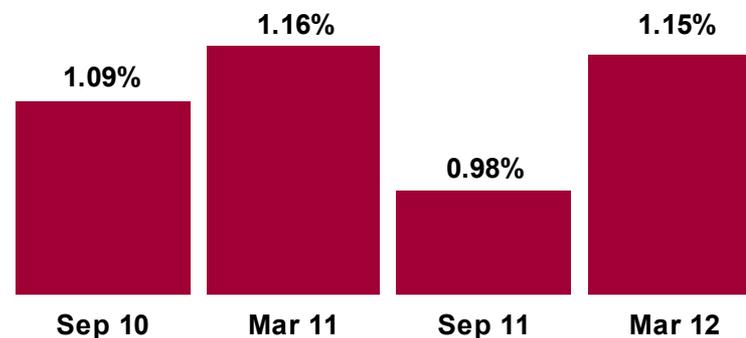
Personal Banking: Asset quality

B&DD charge

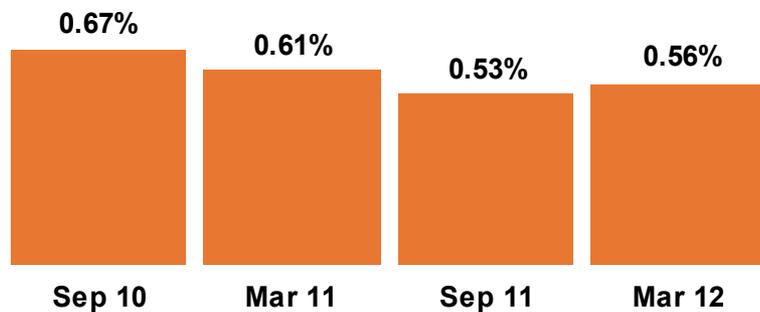
(\$m)



Cards & personal loans 90+ DPD



Mortgage 90+ DPD and impaired



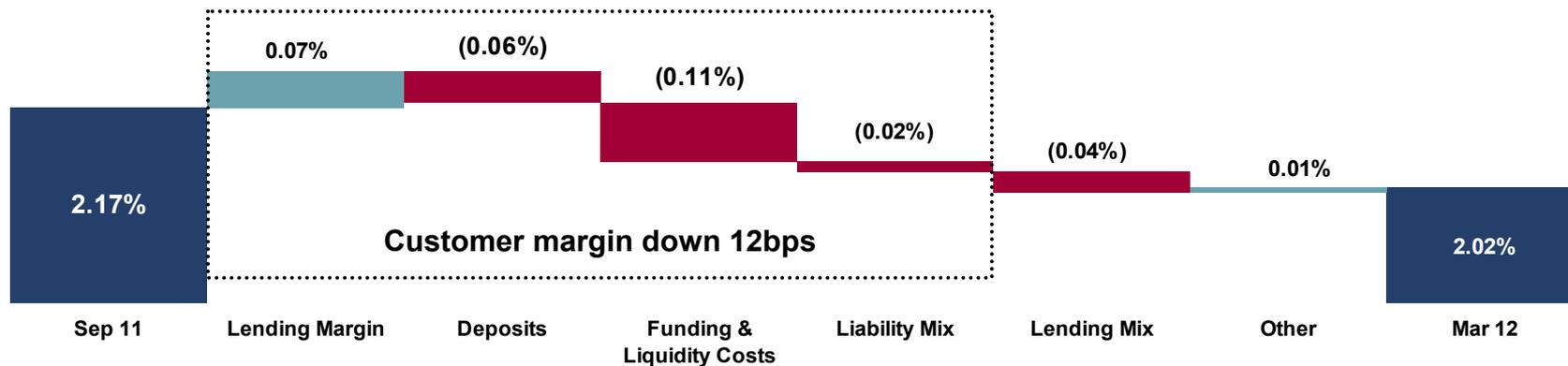
Total 90+ DPD and impaired

(\$m)

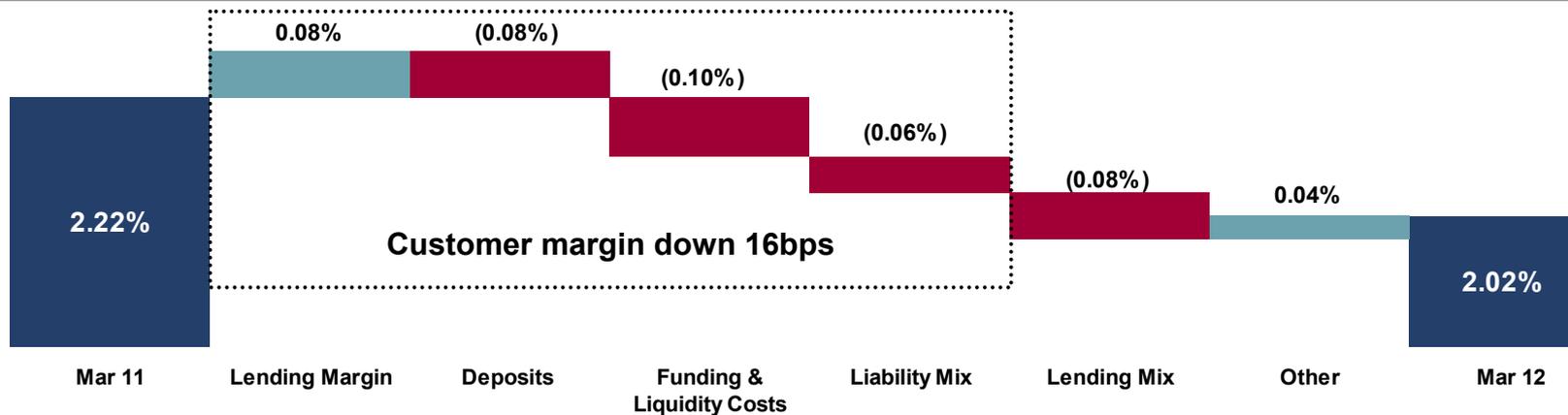


Personal Banking: Net interest margin

March 12 v September 11

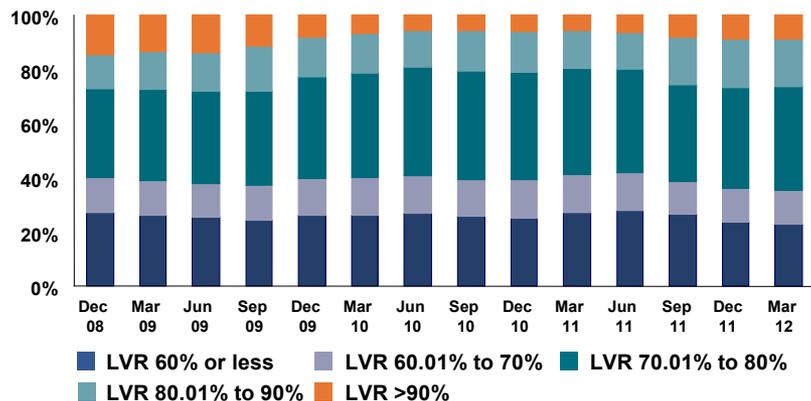


March 12 v March 11

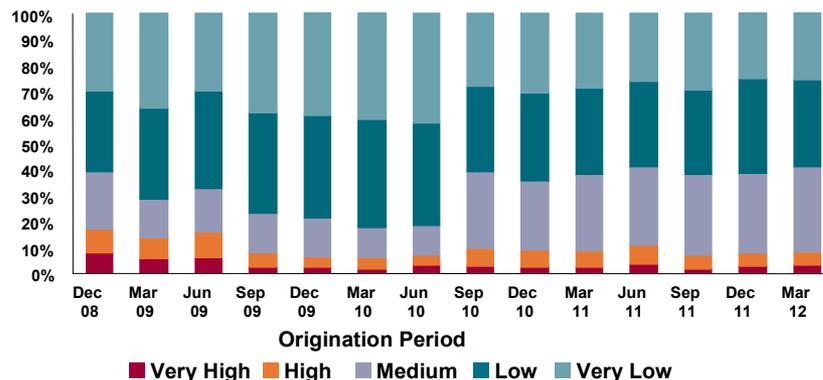


Change in profile of mortgage approvals

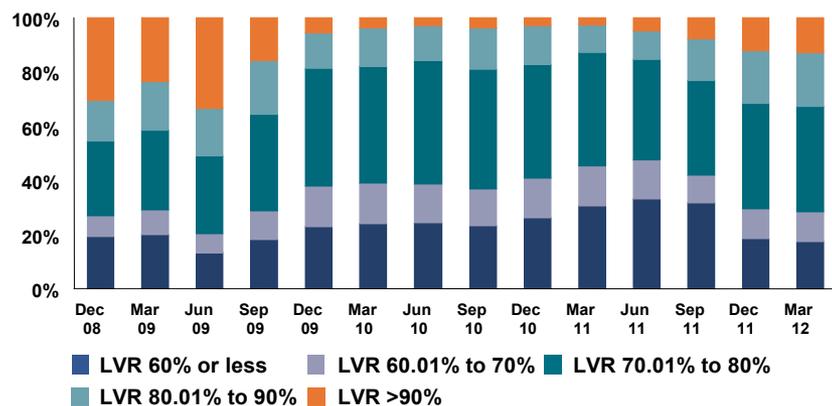
LVR breakdown of final approvals (Australian Region)



Risk grade distribution of 90%+ LVR

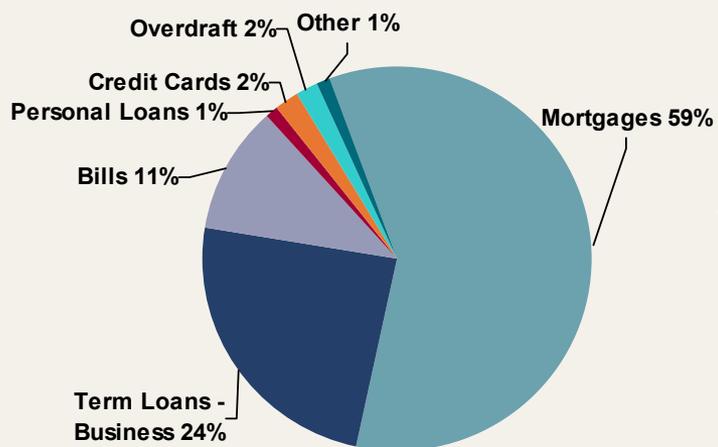


LVR breakdown of Homeside final approvals



Business Banking, Personal Banking and NAB Wealth

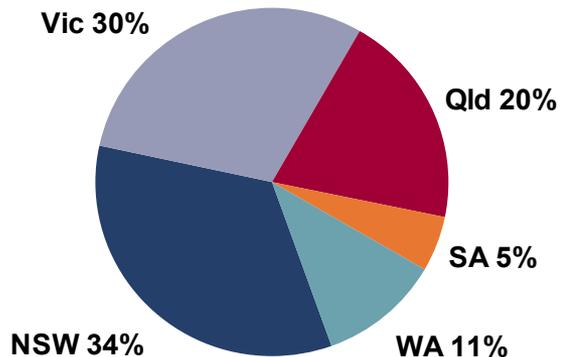
Portfolio breakdown – total \$362.8bn as at March 2012



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) ¹	55.8%	52.4%	50.2%
Customers ahead 3 repayments or more ¹	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%

Australian Mortgages¹ – \$213bn as at March 2012

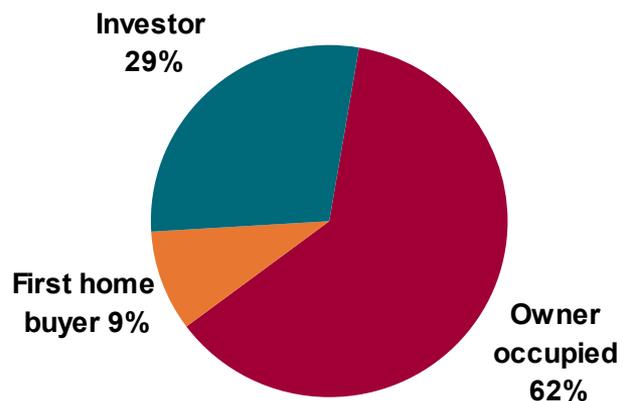
Geography



Low doc loans

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

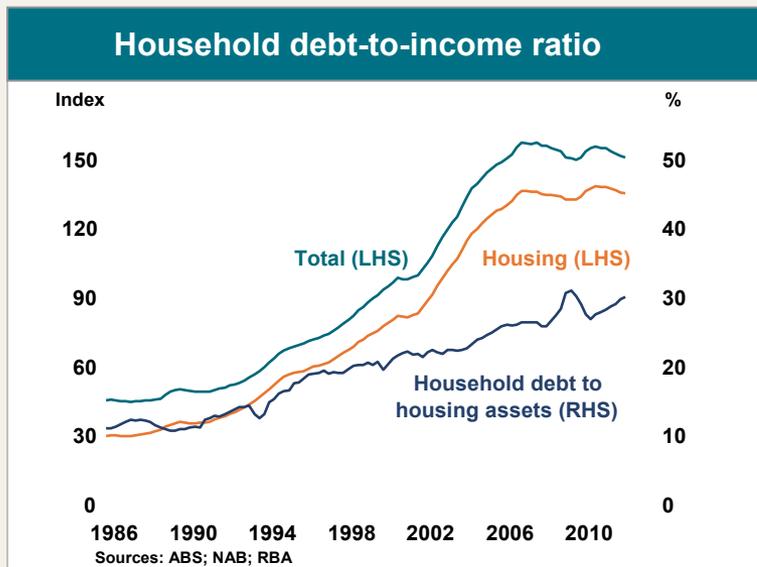
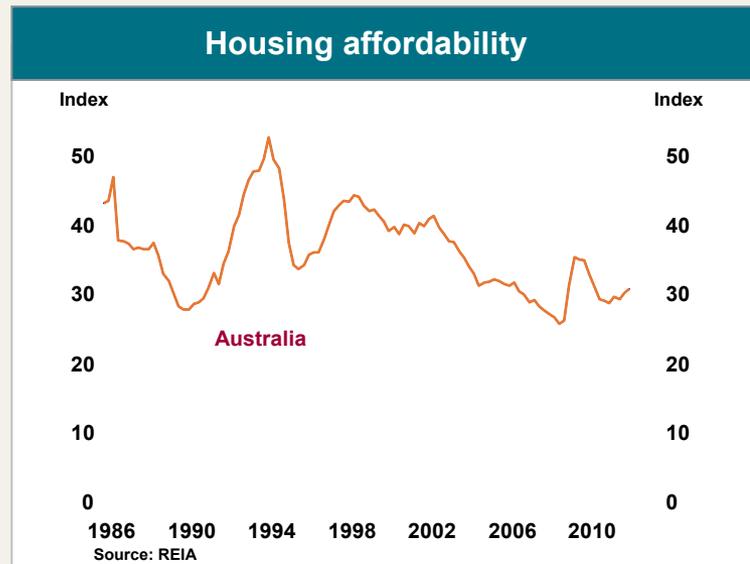
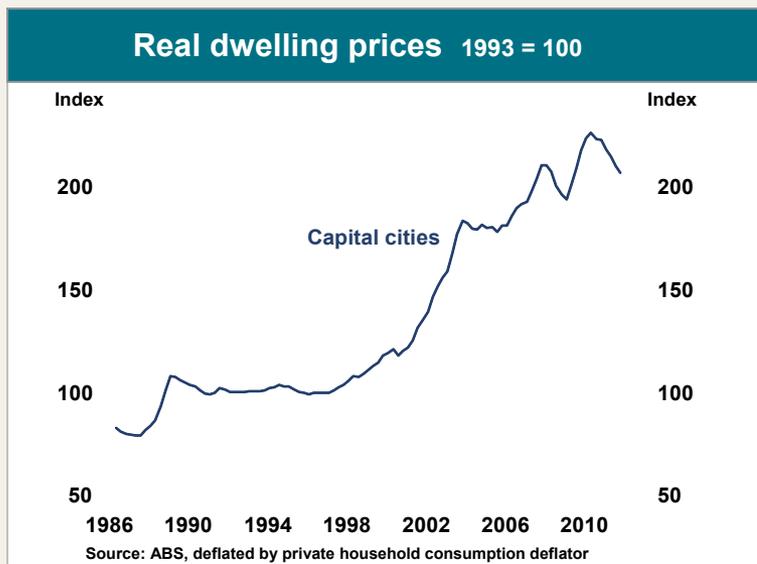
Customer segment



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%

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

Note: Income is disposable income after tax and before interest payments
Household sector excludes unincorporated enterprises

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

