

# 2013 Half Year Results

Investor Presentation  
9 May 2013

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Group Chief Executive Officer

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Executive Director Finance

National Australia Bank Limited ABN 12 004 044 937



## Important note on these presentation slides, including the use of non-IFRS financial information

This document is a visual aid accompanying a presentation to analysts by the Group Chief Executive Officer and the Executive Director Finance on 9 May 2013. It is not intended to be read as a stand-alone document. It contains select information, in abbreviated or summary form, and does not purport to be complete. It is intended to be read by an analyst audience familiar with National Australia Bank Limited and its March 2013 Half Year Results, and to be accompanied by the verbal presentation. This document should not be read without first reading the National Australia Bank Limited March 2013 Half Year Results, which has been lodged with the Australian Securities Exchange at the same time as this document and is available at [www.nab.com.au](http://www.nab.com.au).

The verbal presentation to analysts places emphasis on cash earnings measures of the Group's performance. NAB uses cash earnings for its internal management reporting purposes and considers it a better reflection of the Group's underlying performance. Accordingly, as a visual aid to that presentation, information in this document is presented on a cash earnings basis unless otherwise stated.

Cash earnings is calculated by excluding some items which are included within the statutory net profit attributable to owners of the Company. 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. **The definition of cash earnings, 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 is set out on pages 2-8 of the National Australia Bank Limited March 2013 Half Year Results.**

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 2013 Half Year Results Announcement.

### Note:

- The inclusion of percentage changes in brackets in this document indicates an unfavourable movement on a prior comparative period.
- This document 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 document contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "outlook", "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, which 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.



## Solid result from core franchise and improved UK performance

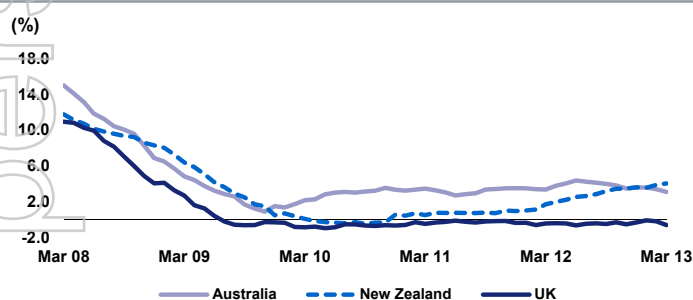
	Mar 13	Mar 13 vs Sep 12	Mar 13 vs Mar 12
Cash earnings (\$m)	2,915	11.9%	3.1%
Dividend (100% franked cps)	93	3.3%	3.3%
APRA Basel III Common Equity Tier 1 ratio	8.22%	32bps <sup>1</sup>	64bps <sup>1</sup>
Cash ROE	14.7%	120bps	(30bps)
Statutory net profit attributable to owners (\$m)	2,520	24.1%	22.8%



(1) Estimated comparison to Sep 12 and Mar 12 as APRA Basel III Common Tier 1 ratio was effective from 1 January 2013

## Environment remains challenging, especially UK

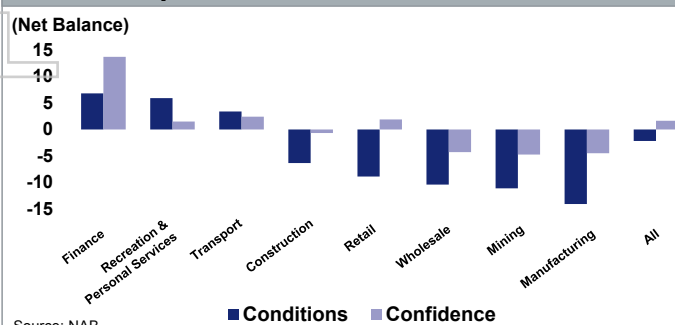
### System credit growth % change year-on-year



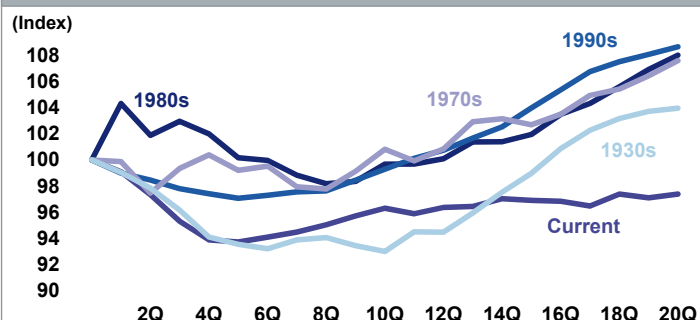
### Regulation

- Basel III liquidity
- Domestic systemically important banks (D-SIBs)
- Supervision of Conglomerate Groups
- Dodd-Frank Act
- Changes to superannuation
- UK customer redress

### Australian business conditions and confidence – Mar 13 quarter



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

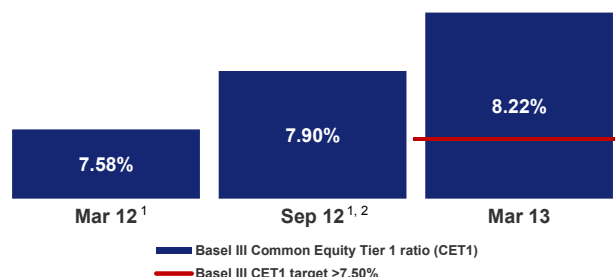


## Good progress on a number of fronts

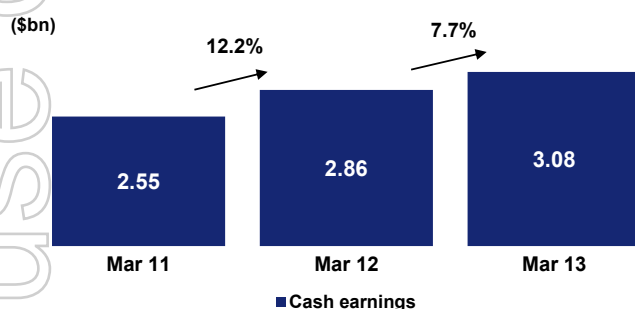
### Technology transformation over 1H13

- NAB Connect launched on any smart mobile device
- Commenced roll-out of 130,000 new Verifone merchant terminals
- Money Tracker and PeopleLikeU launched
- Oracle Credit Risk Engine built and being deployed
- Same day settlement for merchants seven days a week
- NAB's private cloud core infrastructure built
- New state of the art data centre built

### Basel III Common Equity Tier 1 ratio



### Results excluding UK



### UK restructuring

Since UK restructuring announcement in April 2012:

- ~£1bn reduction in NAB UK CRE to £5bn (£4.4bn net of provisions)
- Realised £64m of annual run-rate cost savings
  - Reduction of 1,110 FTEs (1,400 planned by 2015)
  - Footprint rationalisation nearing completion
- Clydesdale Bank now 91.6% customer funded
- 150bps increase in Clydesdale Bank Tier 1 Capital ratio to 11.8%

(1) Estimated Basel III Common Equity Tier 1 ratio

(2) The Group's Sep 12 proforma Basel III Common Equity Tier 1 ratio has been amended down by 1bp to 7.90% from the previously reported 7.91%. This reflects minor refinements to NAB's interpretation of APRA's Basel III standards



## Updated strategy aligned to changing landscape

### To deliver sustainable, satisfactory returns to shareholders

#### Enhance Australian franchise

##### Simplify and digitise our business

- Simplify and standardise product offering
- Re-engineer and automate processes
- Simplify technology
- Reshape footprint
- Enhance payments and mobile capability

##### Meet evolving customer needs

- Deliver world class customer management
- Provide DIY digital options for customers
- Enhance banking services for superannuation and ageing
- Broaden services for Asia active customers

#### Manage international portfolio for value

- Maintain strong NZ franchise
- Complete SGA and UK CRE run-off
- Complete UK restructure

### NextGen technology and infrastructure

### People, culture and reputation

### Balance sheet strength

### Risk and compliance



## Summary

- Strong balance sheet
- Australia and New Zealand banking performing well
- UK restructure ahead of plan; environment still challenging
- Technology transformation well progressed
- Strategy refreshed

## 1H13 Financials

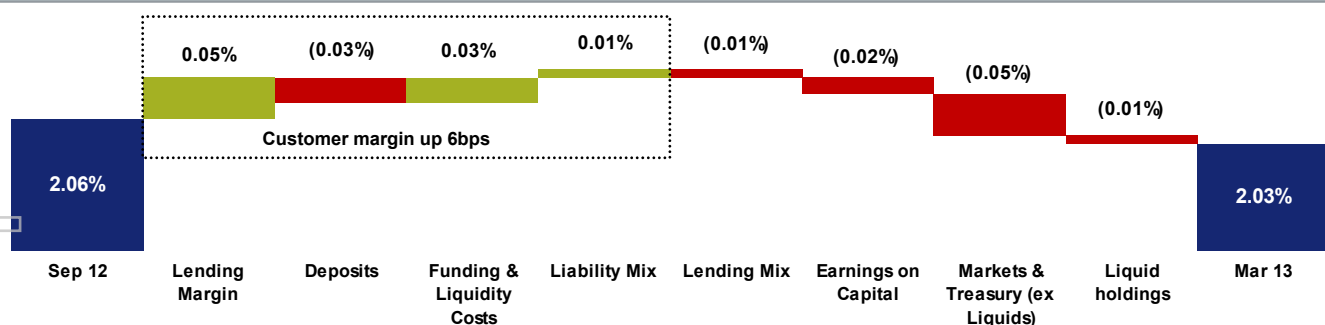
## Group financial result

(\$m)	Mar 13	Change on Sep 12	Change on Sep 12 ex ECA	Change on Mar 12
Net operating income	9,250	1.5%		1.6%
Operating expenses	(3,976)	(2.6%)		(0.6%)
Underlying profit	5,274	0.6%		2.3%
B&DDs	(1,092)	26.4%	11.5%	3.4%
Cash earnings	2,915	11.9%	4.8%	3.1%
Cash ROE (%)	14.7%	120bps	30bps	(30bps)
Spot GLAs (\$bn)	500.6	(0.3)		10.2
Spot Customer Deposits (\$bn)	342.4	3.2		22.4
Statutory net profit attributable to owners (\$m)	2,520	24.1%	14.3%	22.8%



## Net interest margin

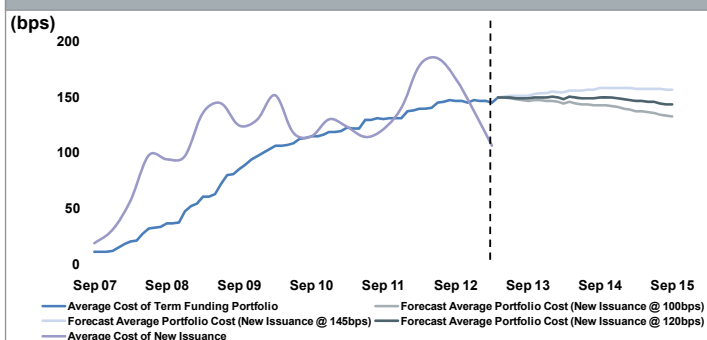
### Group net interest margin – half-on-half attribution analysis



### Business unit net interest margin

(%)	Mar 13	Margin change on Sep 12	Customer margin <sup>1</sup> change on Sep 12
Business Banking	2.53	3bps	4bps
Personal Banking	2.09	5bps	9bps
UK Banking	2.06	9bps	4bps
NZ Banking	2.40	2bps	1bp
Group	2.03	(3bps)	6bps

### Average Long Term Wholesale Funding Costs<sup>2</sup>



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

(2) NAB Ltd Term Wholesale Funding Costs >12 Months at issuance (spread at 3 month BBSW). Average cost of new issuance is on a 6 month rolling basis

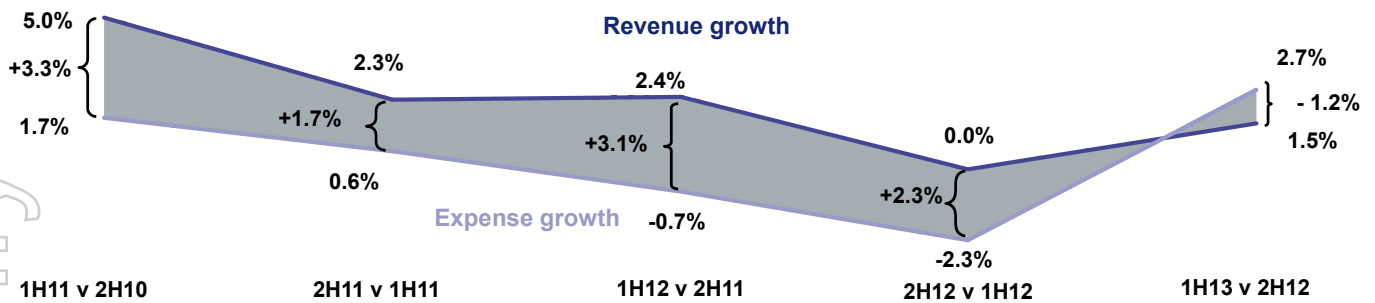
Forecast assumptions as follows:

- new issuance at 100bps: blended onshore and offshore market levels as at 30 April 2013 (5 year)
- new issuance at 145bps: March 2013 average portfolio cost
- new issuance at 120bps: approximate cost of maturing debt to September 2014

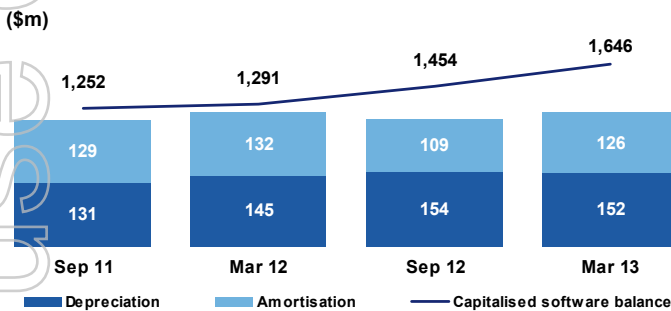


## Operating expense trends

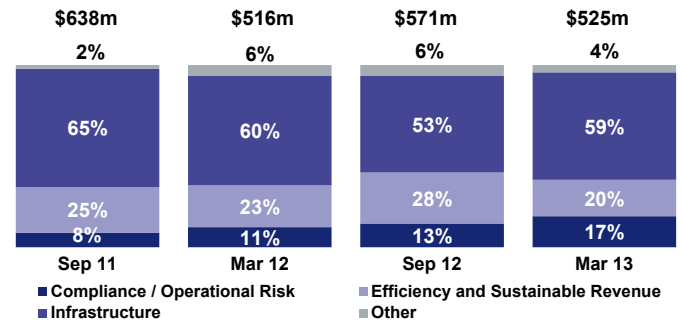
### Jaws momentum (ex SCDO and FX)



### Depreciation, amortisation and capitalised software balance



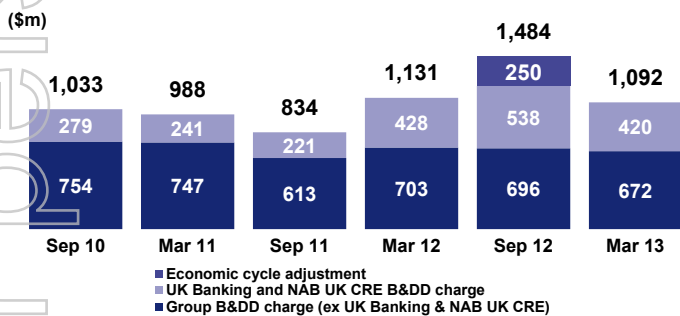
### Investment spend



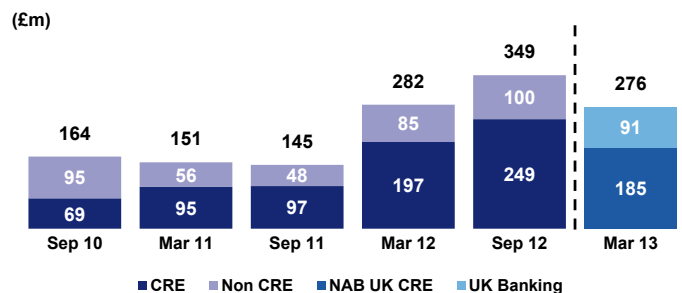
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## Group B&DD charge

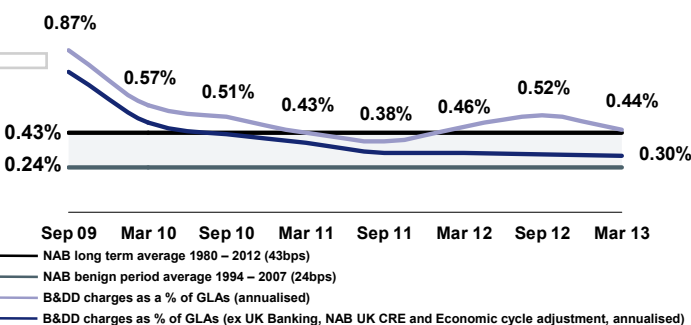
### B&DD charge



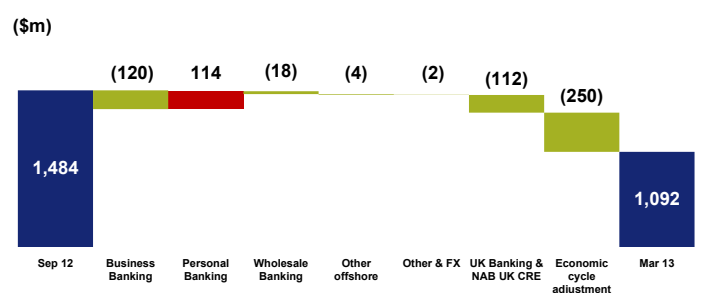
### UK Banking & NAB UK CRE B&DD charge



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



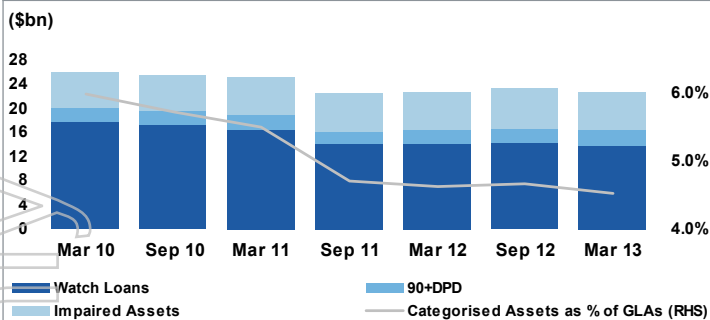
### B&DD charge by business (constant currency)



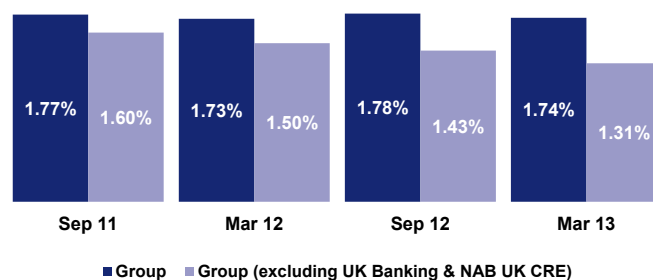
National Australia Bank

## Asset quality and coverage ratios

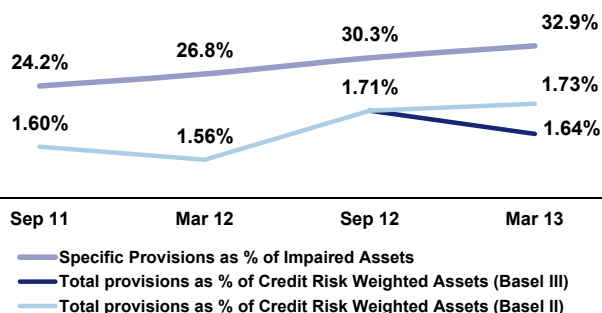
### Categorised assets by class



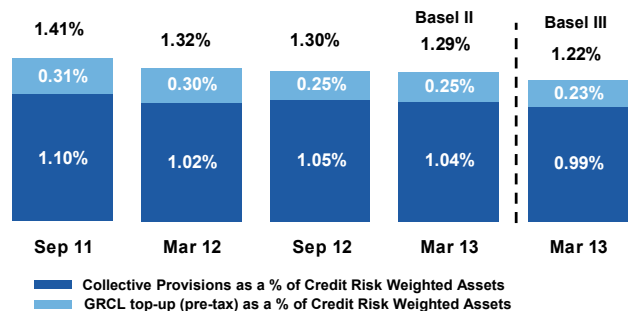
### 90+ DPD & impaired assets as a % of GLAs



### Total and specific provision coverage

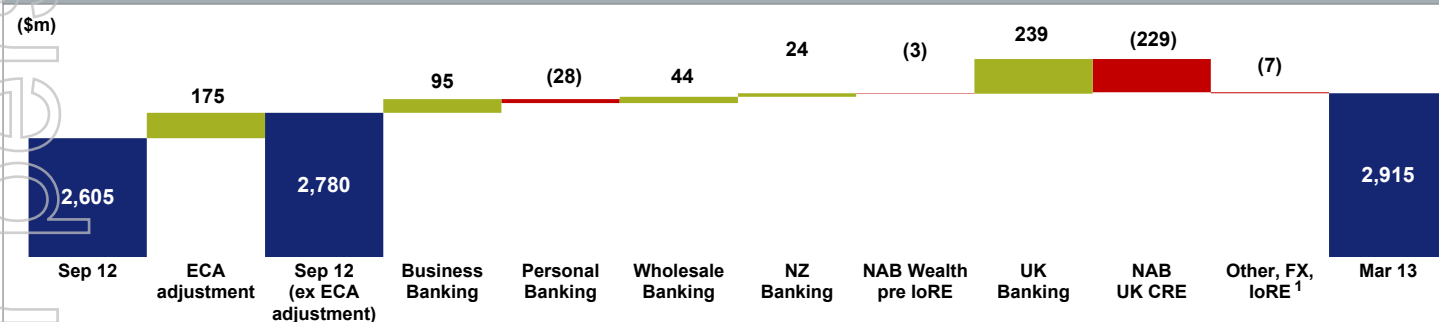


### Coverage ratios (with and without GRCL top-up)

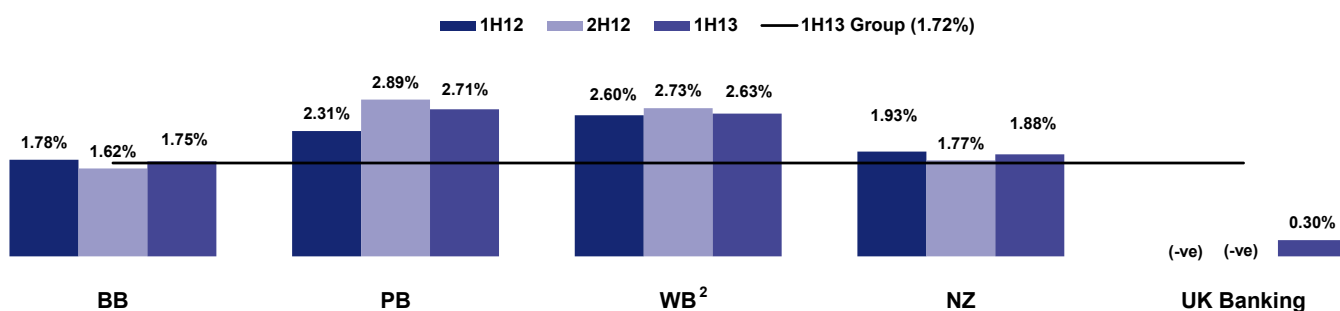


## Business unit contributions

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



### Return on average RWAs for Banking Business Units (annualised)



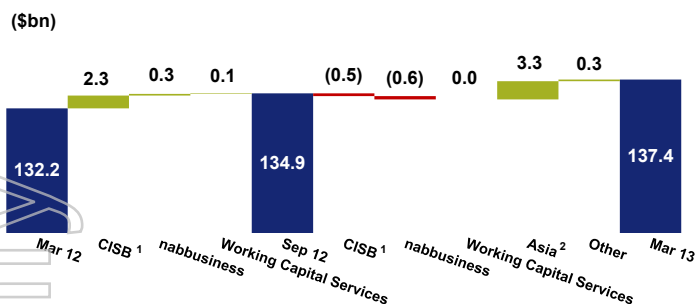
(1) Other comprises SGA, Group Funding, Group Business Services, other supporting units and Great Western Bank

(2) Wholesale Banking Mar 13 risk-weighted assets increased by \$12.5bn due to the introduction of the Basel III regulatory capital framework

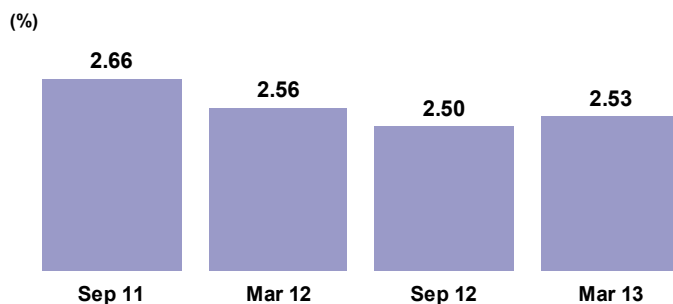


# Business Banking

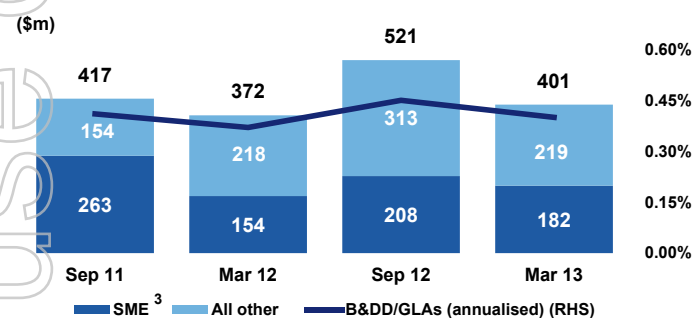
## Business lending volumes



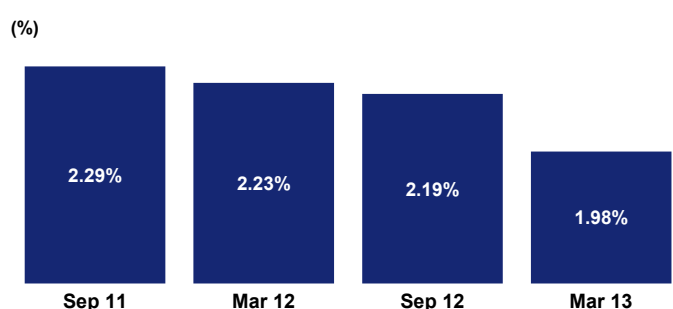
## Net interest margin



## B&DD charge and B&DD as % GLAs



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



(1) Corporate, Institutional and Specialised Banking

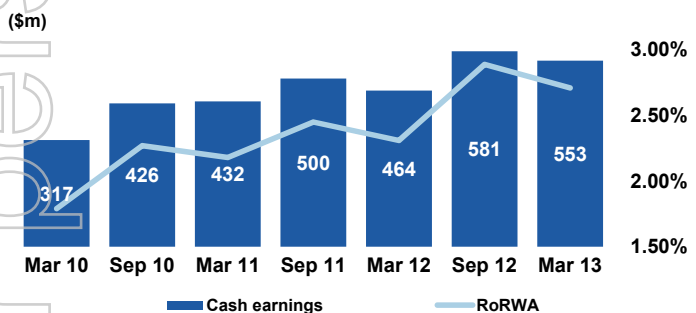
(2) Asia transferred from Corporate Functions

(3) SME business data reflects the nabbusiness segment of Business Banking which supports business customers with lending typically up to \$25m, excluding the Specialised Businesses

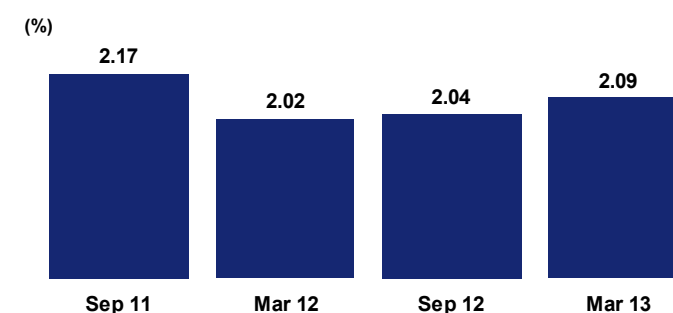
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# Personal Banking

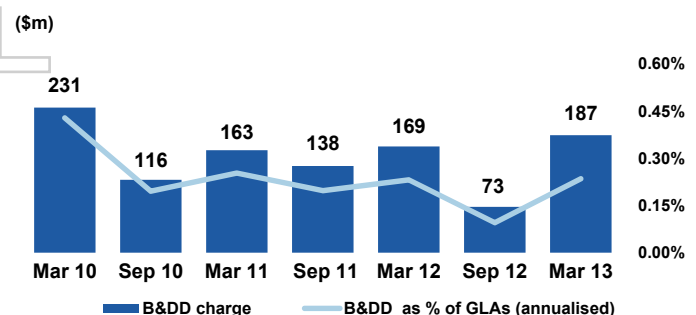
## Cash earnings and RoRWA



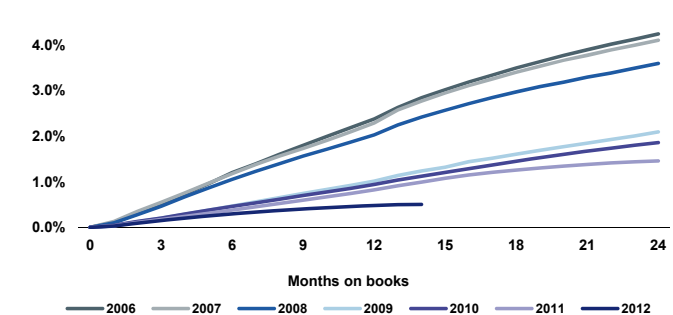
## Sequential margin analysis



## B&DD charge and B&DD as % GLAs



## Australian mortgages<sup>1</sup> - cumulative 30+ DPD



(1) Includes Business Banking and NAB Wealth

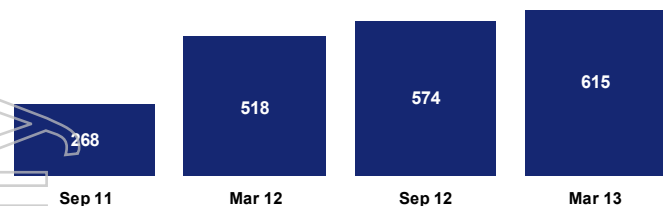
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# Wholesale Banking

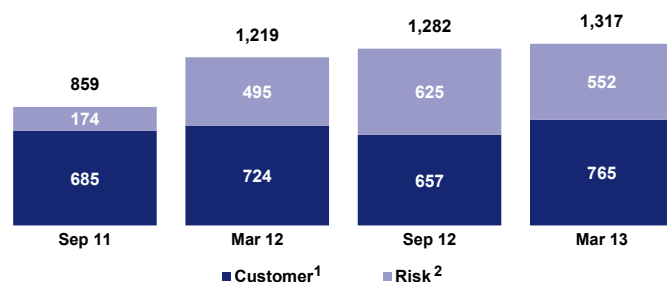
## Cash earnings

(\$m)



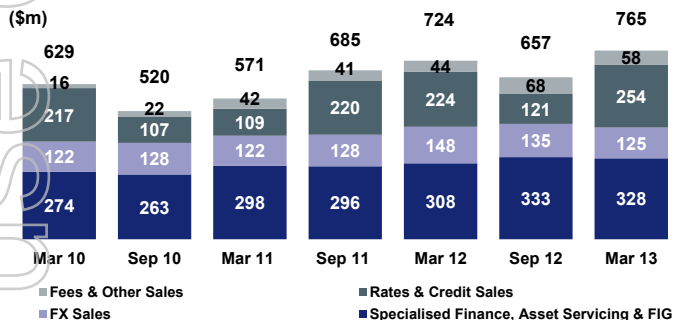
## Customer and risk income

(\$m)



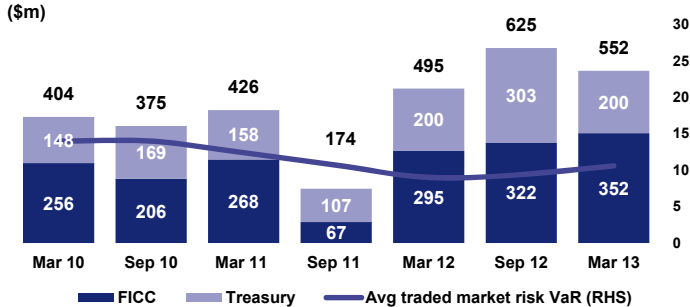
## Customer income

(\$m)



## Risk income

(\$m)



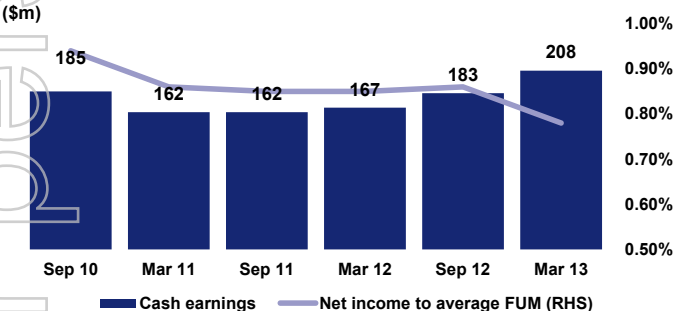
- (1) Customer comprises Corporate and Business Risk Management Sales, Asset Servicing, Specialised Finance, Financial Institutions Group (FIG) and non- balance sheet related activities in Global Capital Markets (GCM)  
 (2) Risk comprises Treasury, FICC, and GCM



# NAB Wealth

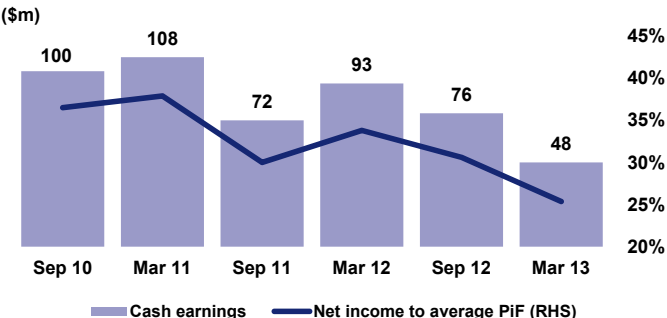
## Investments cash earnings and margin

(\$m)



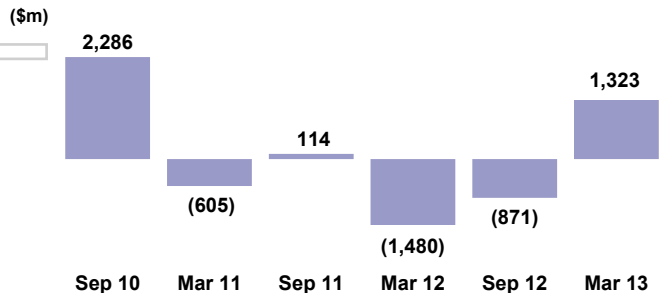
## Insurance cash earnings and income to average PiF

(\$m)

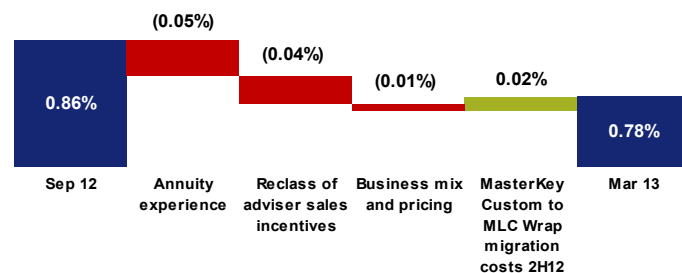


## FUM<sup>1</sup> net funds flow

(\$m)

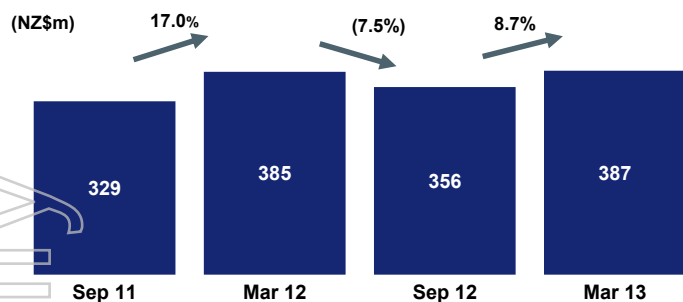


## Movement in total investments margin

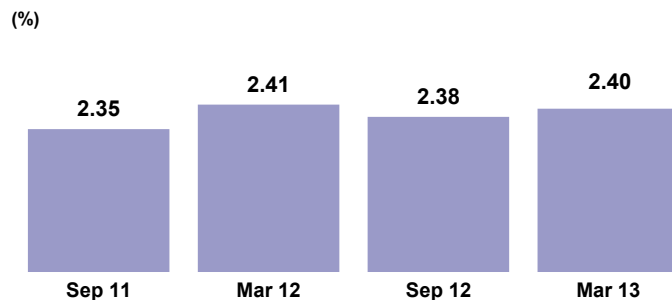


# New Zealand Banking and Great Western Bank

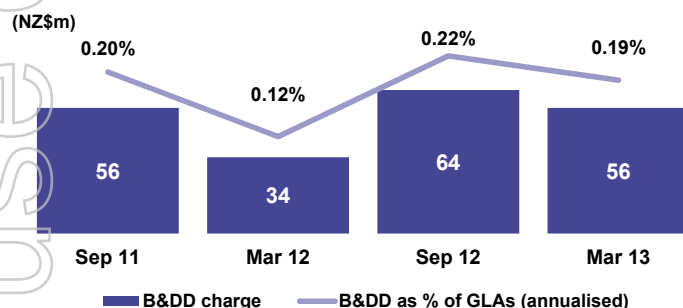
## New Zealand Banking - Cash earnings



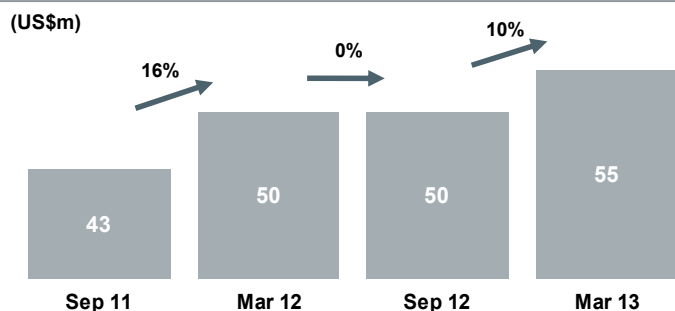
## New Zealand Banking - Net interest margin



## New Zealand Banking - B&DD charge and B&DD as % of GLAs



## Great Western Bank - Cash earnings



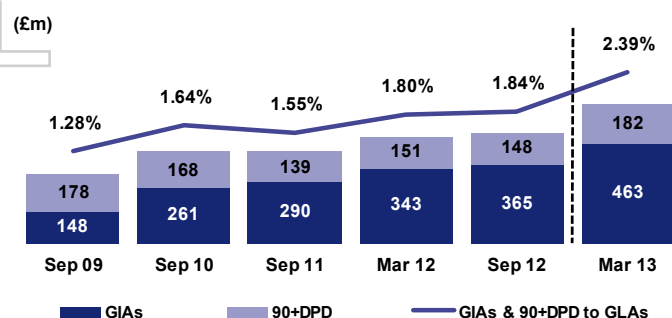
National Australia Bank

# UK Banking

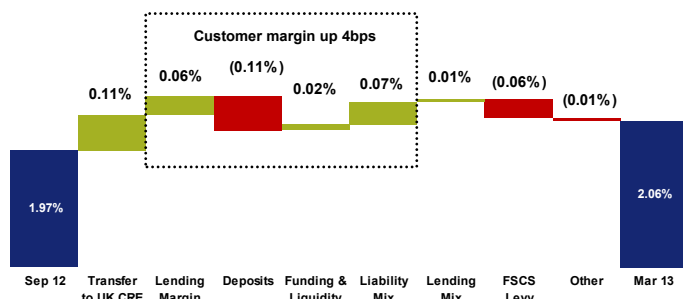
## UK Banking proforma<sup>1</sup>

(£m)	1H13 Result	2H12 Actual	2H12 Proforma
Income	490	553	514
Expenses	(345)	(349)	(342)
B&DDs	(91)	(349)	(100)
Cash earnings	41	(114)	49
CB Tier 1 ratio (%)	11.8%	9.6%	11.6%
CB Assets (£bn)	37.5	44.2	39.0

## Credit quality excluding CRE<sup>2</sup>



## Net interest margin



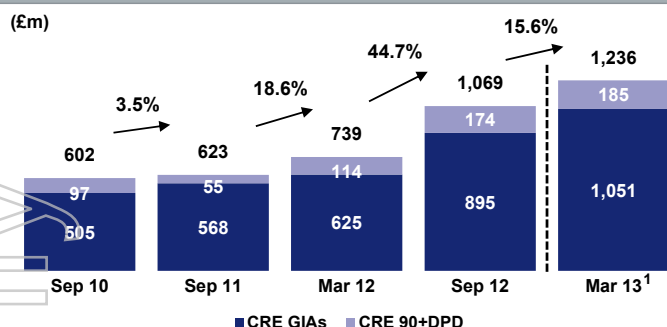
## Other matters

- IAS19 pension deficit was £72m at Mar 13 down from £301m at Sep 12
- PPI claims reduced; provision of £51m remaining at Mar 13 (£108m at Sep 12). Provision usage for month of March was £6m
- Charges taken for other customer redress issues in the half of £23m. Additional £15m taken for interest rate derivative products (reported in Corporate Centre)
- Total provision for non-PPI customer redress, including claims related to interest rate derivatives, amounts to £83m at 31 Mar 13

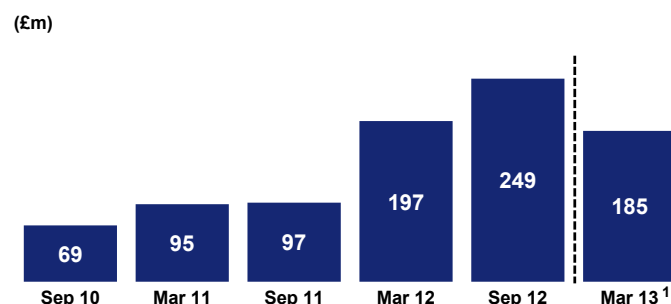
National Australia Bank

(1) Proforma is unaudited and provided for illustrative purposes only. It has been prepared based on estimations and limitations and is not a full accounting restatement. See page 73 of the March 2013 Half Year Result for further details  
 (2) Sep 09 to Sep 12 UK Banking excluding CRE. Mar 13 reflects UK Banking (ie excludes transferred NAB UK CRE portfolio)

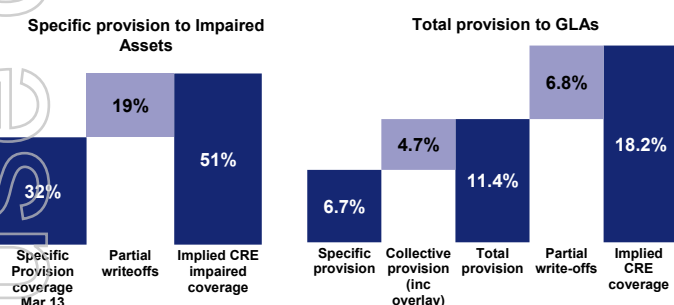
## UK CRE credit quality – indicative comparisons



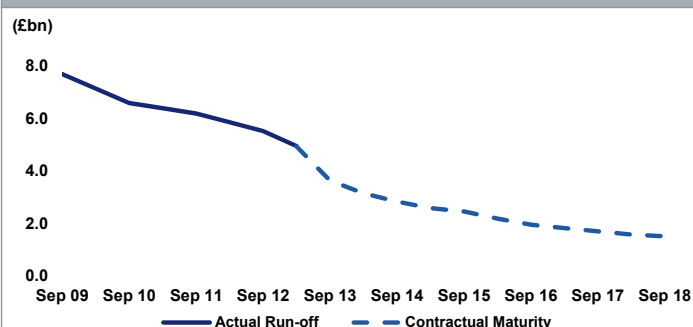
## UK CRE B&DD charge – indicative comparisons



## Provision coverage – March 2013



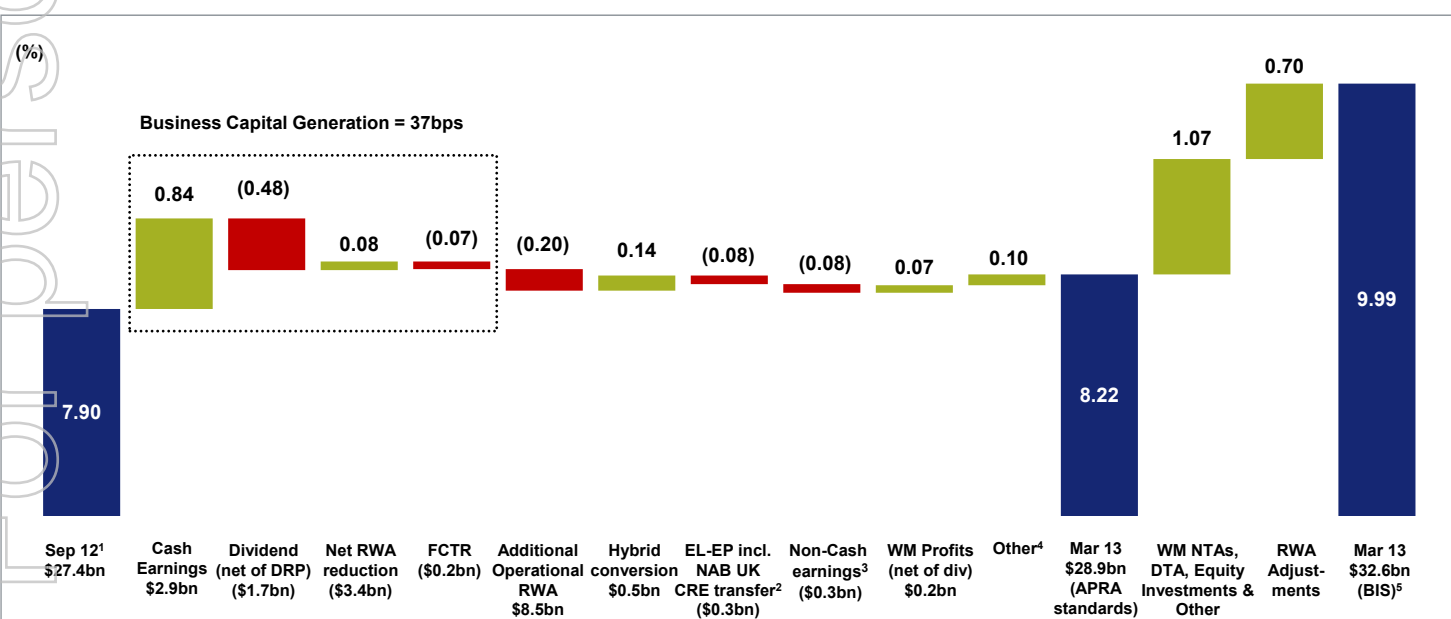
## NAB UK CRE run off<sup>1</sup>



21 (1) Represents CRE portfolio within UK Banking to September 2012 and the NAB UK CRE run-off portfolio for March 2013



# Strong Basel III Common Equity Tier 1 Capital Position



- APRA Basel III Common Equity Tier 1 target for the Group of >7.5%
- \$500m hybrid converted to NAB ordinary shares on 30 November 2012 (+14bps)
- Higher Operational RWAs included in the December 2012 quarter due to increased regulatory requirements (-20bps)
- Final FY12 dividend paid was 90c. Interim FY13 dividend will be 93c paid in July 2013
- All outstanding Tier 1 and Tier 2 securities as at 31 December 2012 are subject to transitional relief from 1 January 2013

(1) The Group's September 2012 proforma Common Equity Tier 1 ratio has been amended down by 1bps to 7.90% from the previously reported estimated position of 7.91%. This reflects minor refinements to NAB's interpretation of APRA's Basel III standards

(2) The transfer of NAB UK CRE portfolio from Clydesdale Bank to NAB Ltd results in the portfolio's RWAs being calculated using an IRB approach. This has resulted in an increase in the Group's capital deduction relating to Expected Loss less Eligible Provisions

(3) Non-cash earnings impact after adjusting for distributions, treasury shares and separately disclosed items not affecting regulatory capital

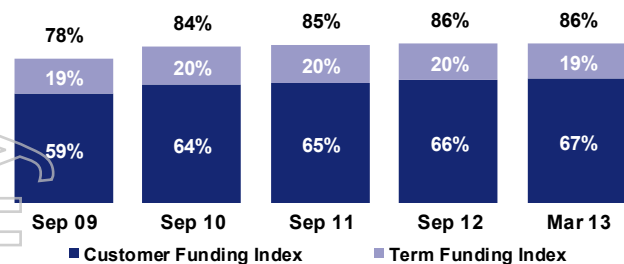
(4) Other includes movements in the Deferred Tax Assets (DTA), Pension Deficit, Capitalised Software and other immaterial movements

(5) The Group's March 2013 Common Equity Tier 1 ratio (BIS) is consistent with the Australian Bankers' Association Fact Sheet "Comparison of APRA and the Basel Committee on Banking Supervision Basel III Capital Ratios", released 14 December 2012

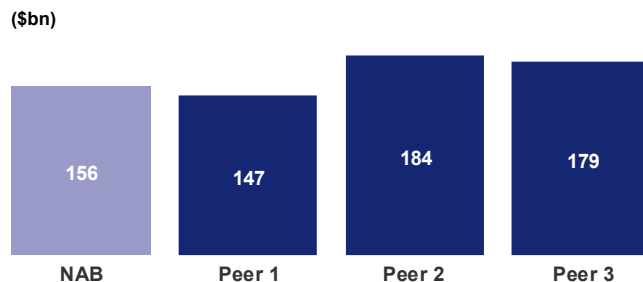


## Balance sheet strength remains a priority

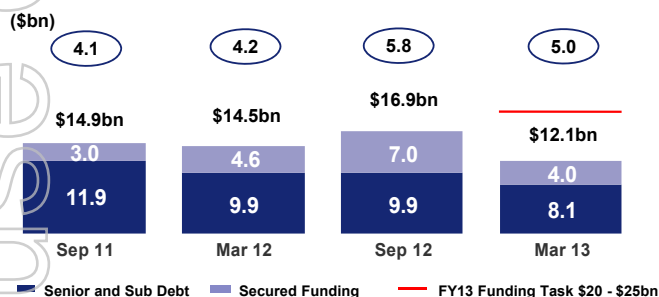
### Group Stable Funding Index (SFI)



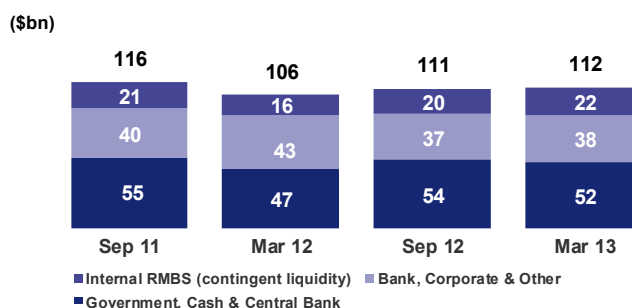
### Australian funding gap<sup>1</sup>



### Term funding – volume and tenor<sup>2</sup> of new issuance



### Conservative liquid assets



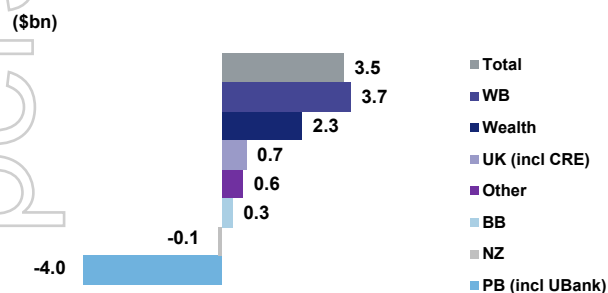
#### Tenor<sup>2</sup>

- (1) Australian funding gap = total loans and acceptances less total deposits (excluding certificates of deposit and financial corporation deposits)  
Source: APRA Monthly Banking Statistics (Mar 2013)
- (2) Weighted average maturity (years) of term funding issuance (> 12 months)

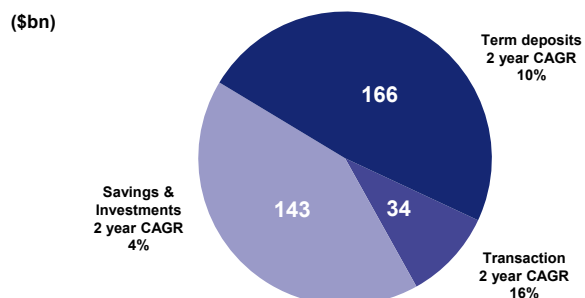


## Remain focused on growing customer deposits

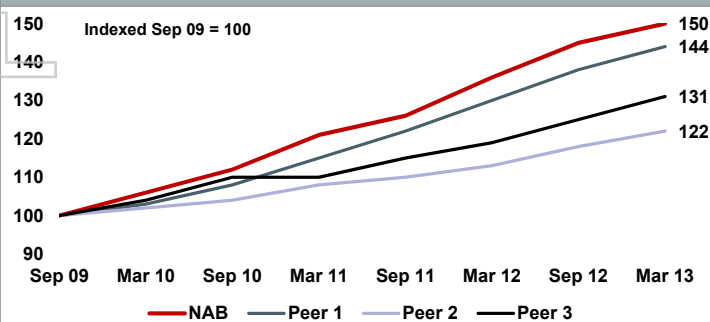
### Customer deposits growth less lending growth – Mar 13 vs Sep 12<sup>1</sup>



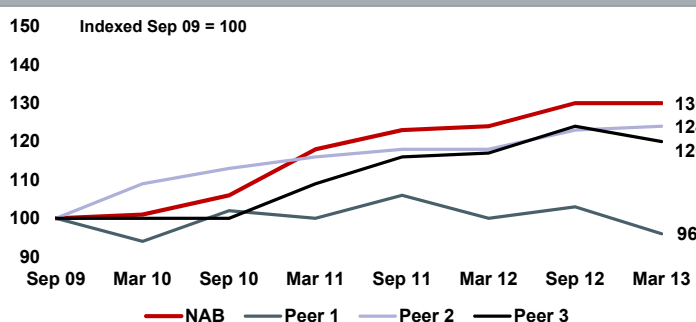
### Group customer deposits by product – Mar 13



### Household deposit growth<sup>2</sup>



### Business deposit growth<sup>2</sup>



- (1) Sep 12 customer deposits and lending have been restated to reflect that 'other' includes SGA and excludes Asia, which is reported under Business Banking and Wealth for Mar 13
- (2) APRA Monthly Banking Statistics (Mar 2013). Business Deposits excludes financial corporation deposits and certificates of deposits



## Summary

- Good momentum in the Australia and New Zealand franchises
- UK still challenging, but bad and doubtful debts declined
- Asset quality improved, especially in Business Banking
- Strong organic capital generation with Common Equity Tier 1 well above minimum

## Questions

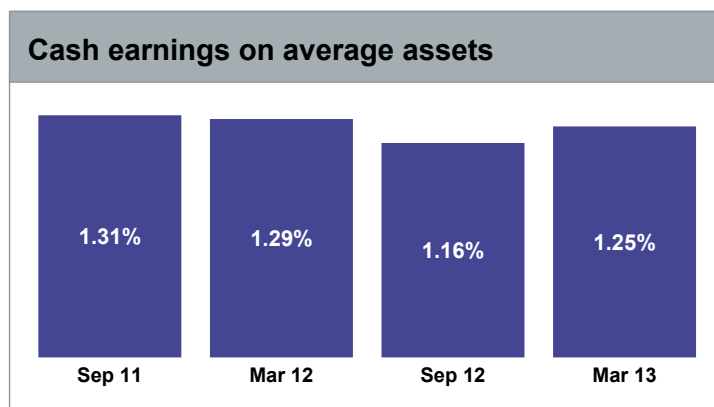
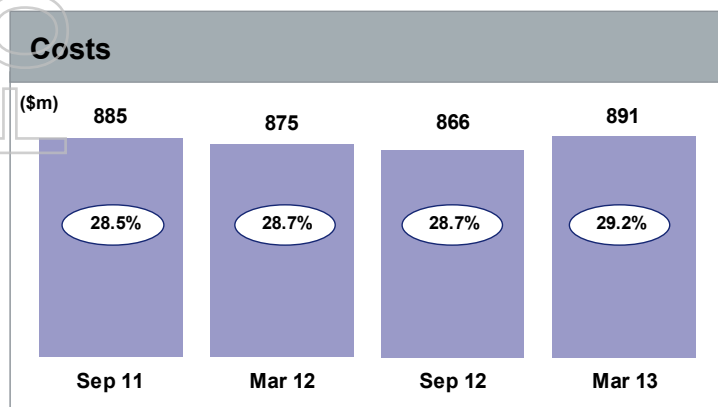
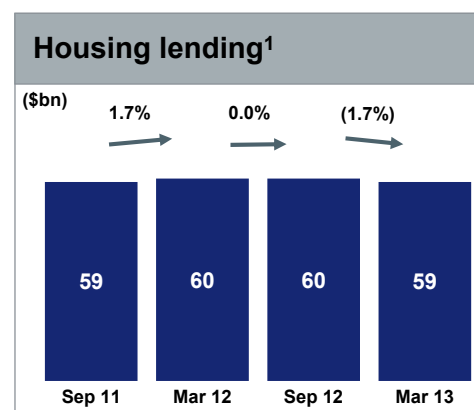
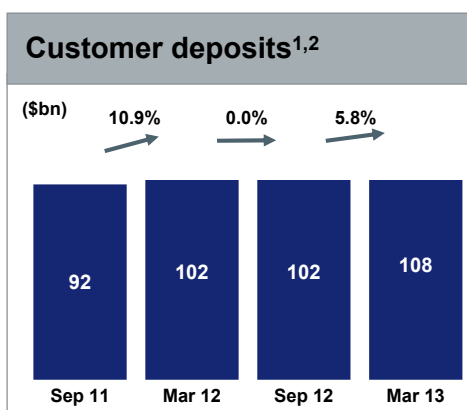
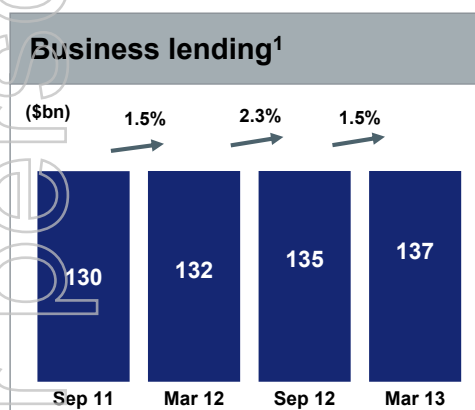
# Additional Information

## Business Banking

Personal Banking  
Wholesale Banking  
NAB Wealth  
NZ Banking  
UK Banking  
NAB UK CRE  
Great Western Bank  
Asset Quality  
Capital and Funding  
Other  
Economic Outlook



## Business Banking



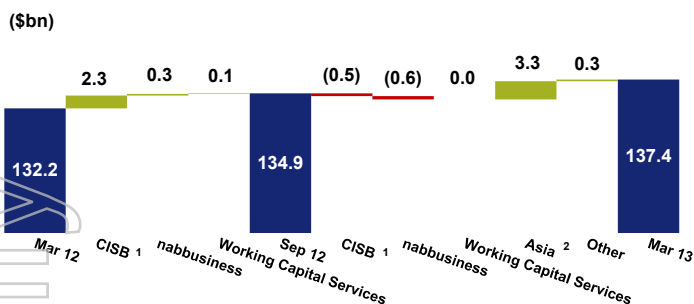
% Cost to income ratio

(1) Average volumes  
(2) Includes retail and institutional deposits

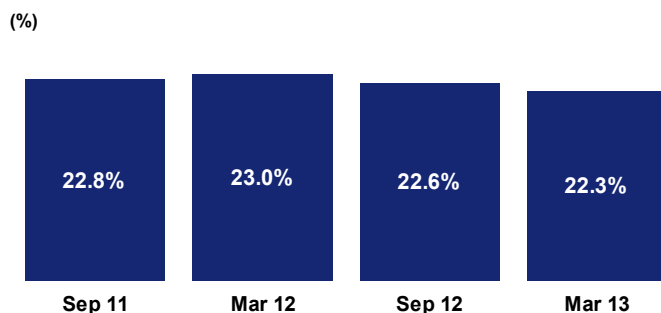


# Business Banking

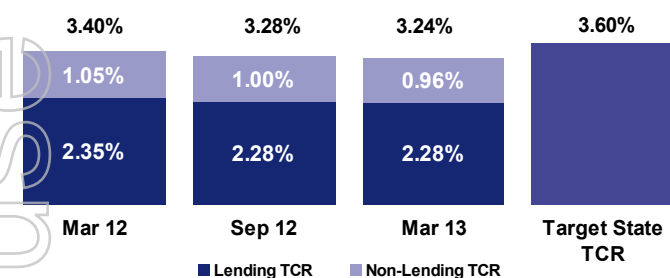
## Business lending volumes



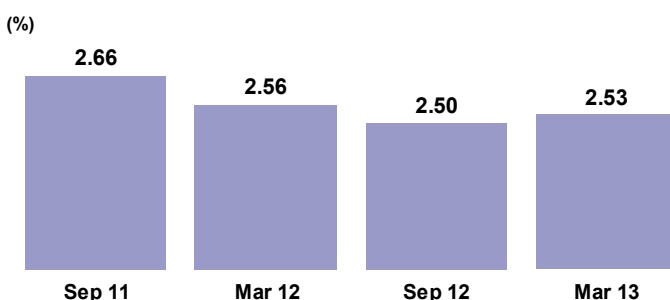
## Business lending market share<sup>3</sup>



## Enterprise cross-sell focus – Total Customer Returns<sup>4</sup>



## Net interest margin



(1) Corporate, Institutional and Specialised Banking

(2) Asia transferred from Corporate Functions

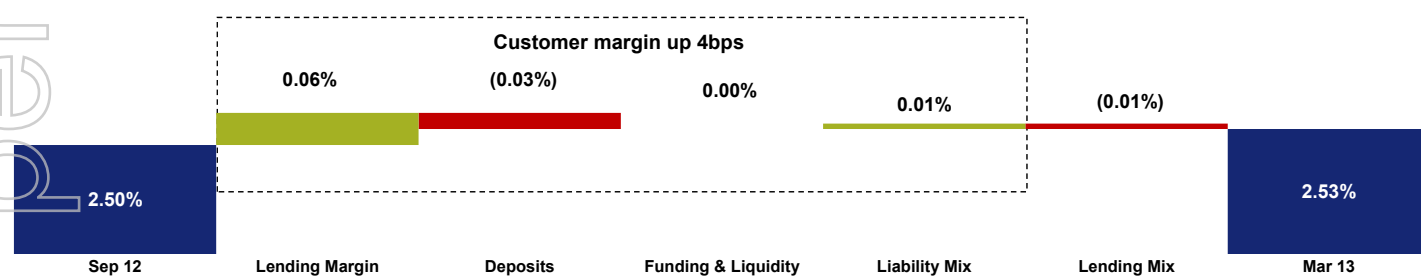
(3) RBA Financial System / NAB

(4) TCR is an internal management tool used to measure banker cross sell effectiveness. From March 2013 the calculation of TCR has been changed to reflect refinements to funding costs (improving comparability across periods), and the inclusion of Asia

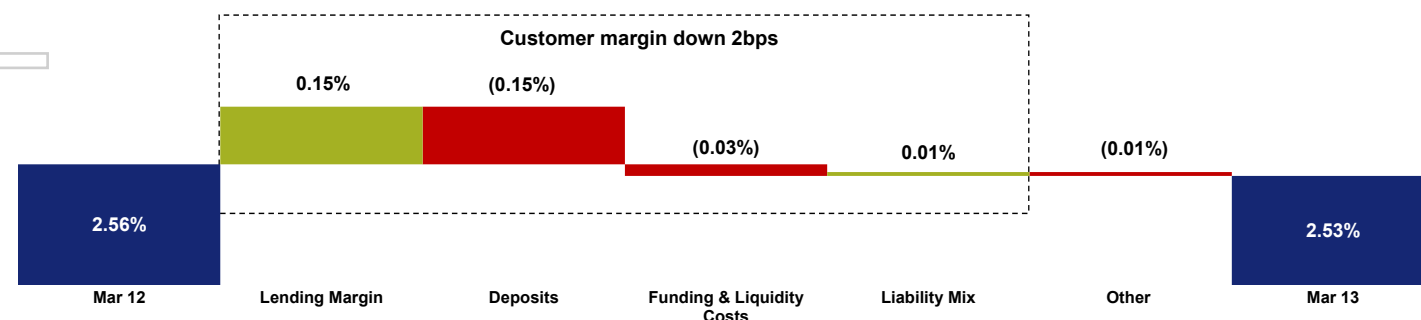


# Business Banking: Net interest margin

## March 13 v September 12

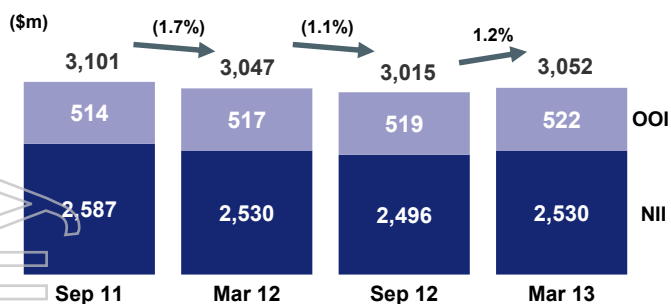


## March 13 v March 12

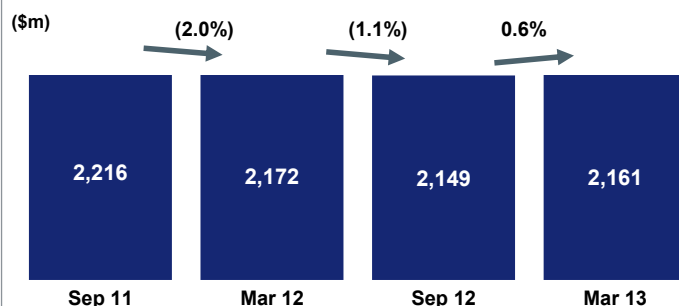


## Business Banking

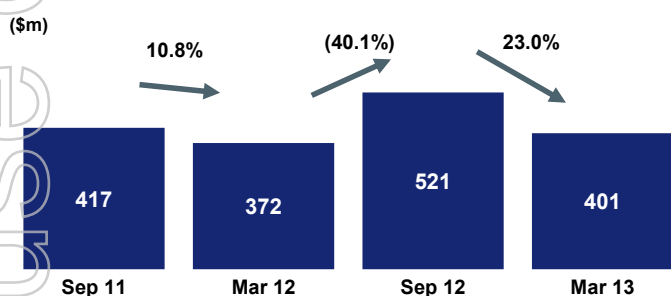
### Revenue



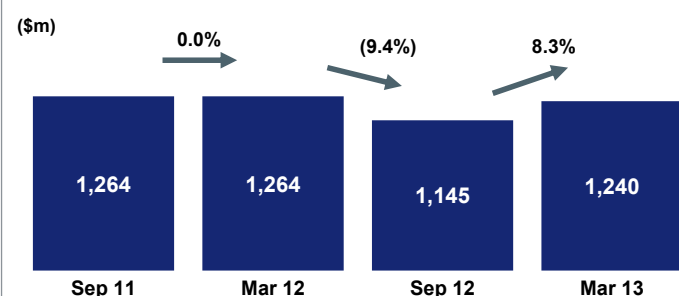
### Underlying profit



### B&DD charge



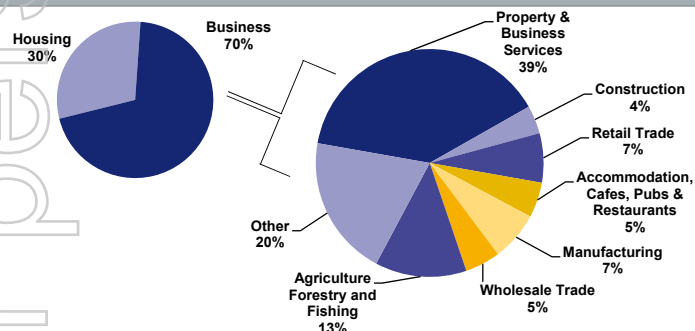
### Cash earnings



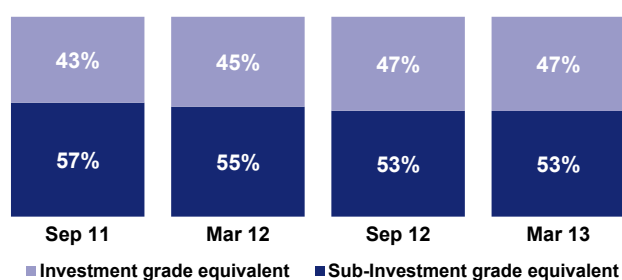
National Australia Bank

## Business Banking: Asset Quality

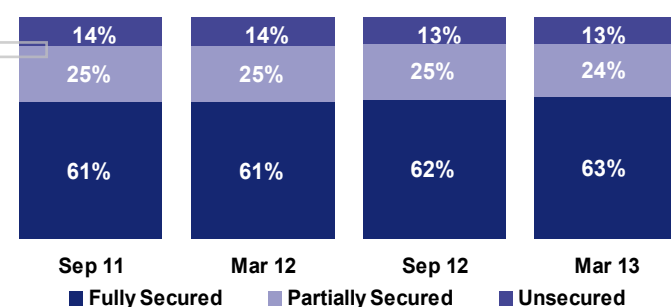
### Diverse assets<sup>1</sup>



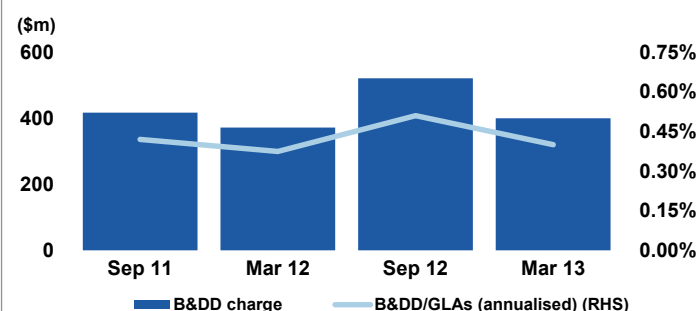
### Portfolio quality<sup>2</sup>



### Well secured – business products<sup>3</sup>



### B&DD charge and B&DD as % GLAs



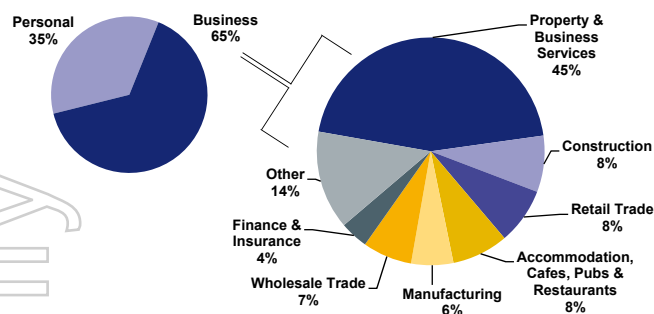
National Australia Bank

(1) Based on product split  
 (2) Portfolio quality on a probability of default basis  
 (3) Based upon security categories in internal ratings systems

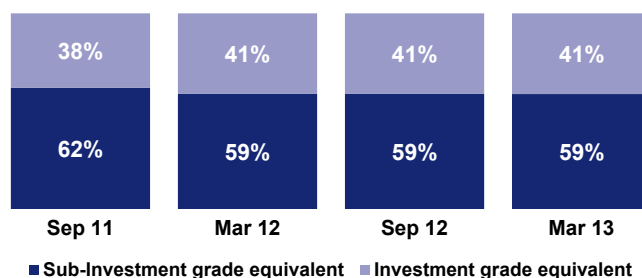


# Business Banking: SME Business<sup>1</sup> Asset Quality

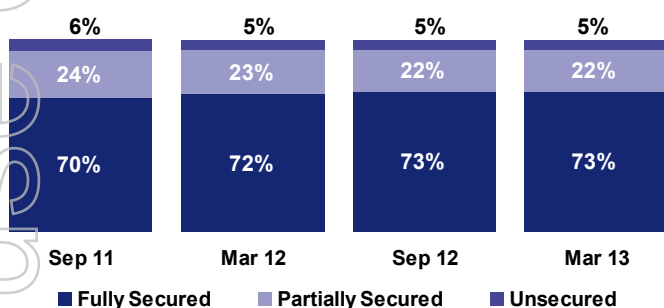
## Diverse assets<sup>2</sup>



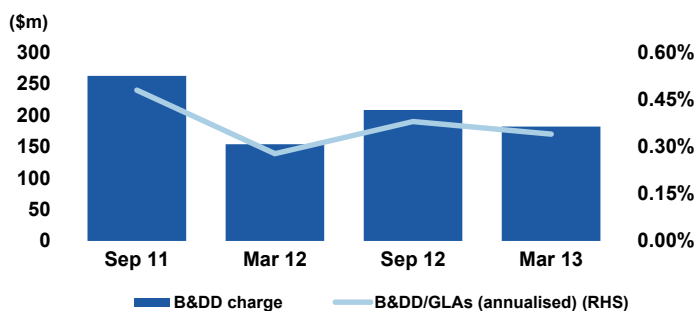
## Portfolio quality<sup>3</sup>



## Well secured – business products<sup>4</sup>



## B&DD charge and B&DD as % GLAs



- (1) SME business data reflects the nabbusiness segment of Business Banking which supports business customers with lending typically up to \$25m, excluding the Specialised Businesses
- (2) Based on customer split
- (3) Portfolio quality on a probability of default basis
- (4) Based upon security categories in internal ratings systems



## Additional Information

Business Banking

Personal Banking

Wholesale Banking

NAB Wealth

NZ Banking

UK Banking

NAB UK CRE

Great Western Bank

Asset Quality

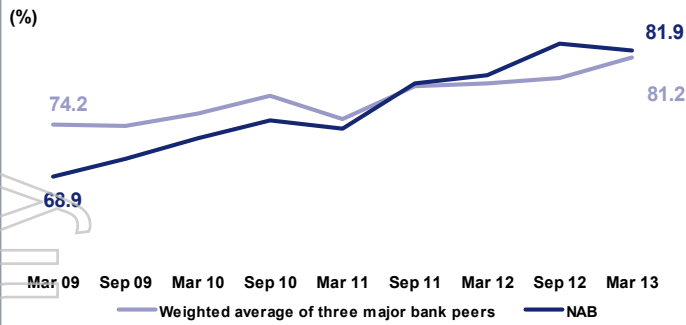
Capital and Funding

Other

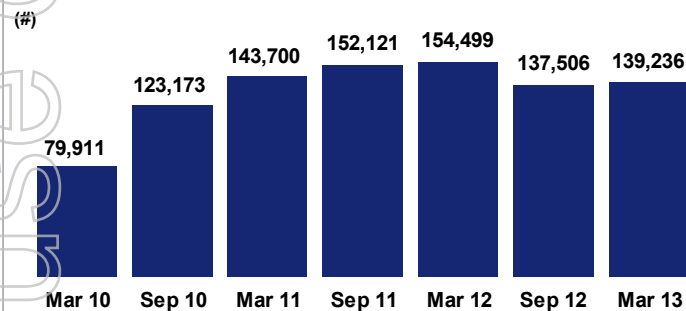
Economic Outlook

## Personal Banking

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

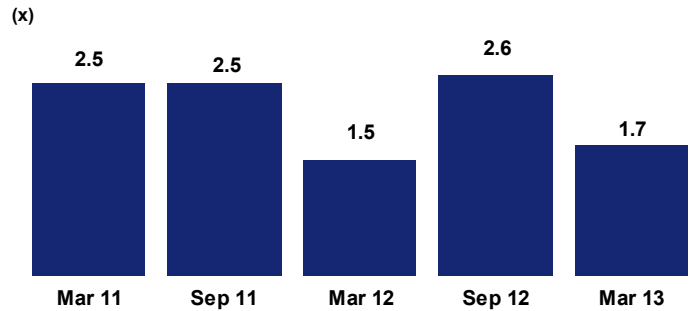


### Net transaction account growth

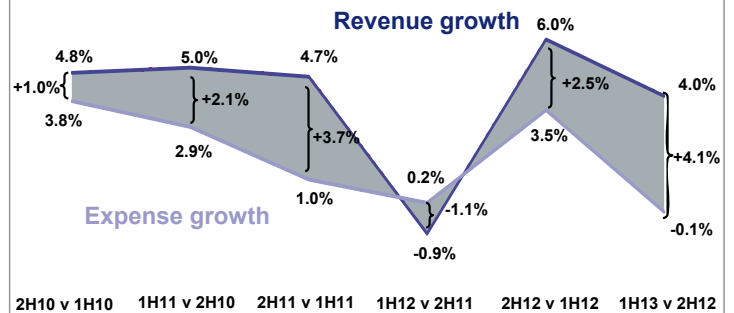


- (1) Roy Morgan Research, Aust MFIs, population aged 14+, six month moving average. Customer satisfaction is based on customers who answered very/fairly satisfied. NAB compared with the weighted average of the three major banks (ANZ, CBA, WBC)  
 (2) RBA Financial System / NAB total Australian mortgages (includes Business Banking and NAB Wealth)

### Home loan multiple of system growth<sup>2</sup>



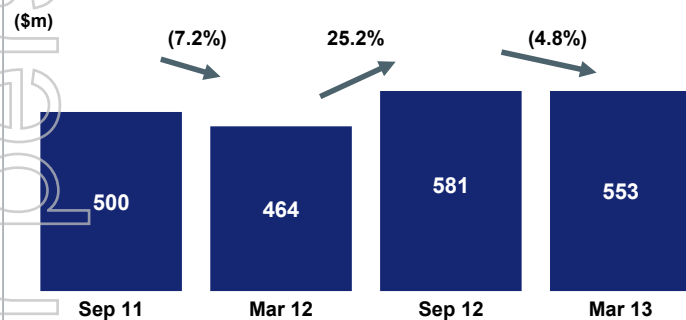
### Jaws momentum



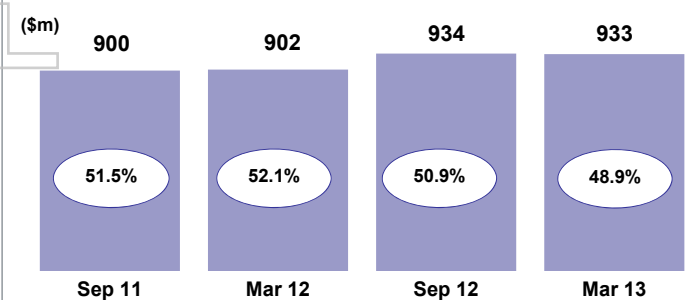
National Australia Bank

## Personal Banking

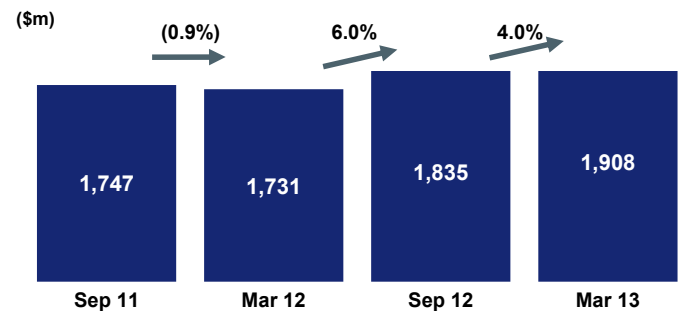
### Cash earnings



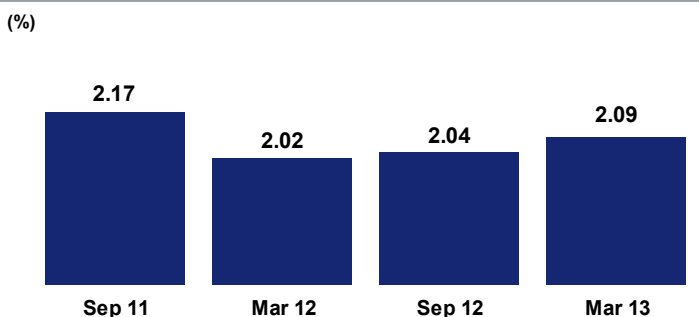
### Costs



### Revenue



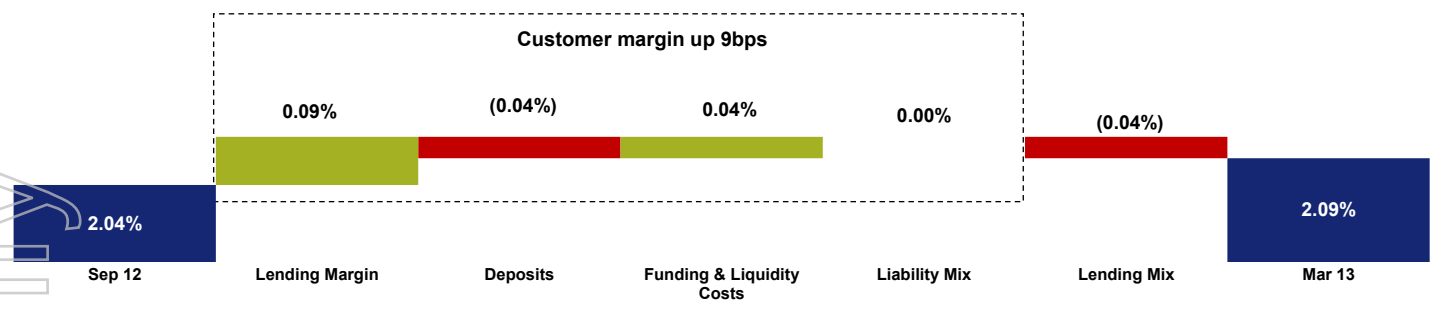
### Net interest margin



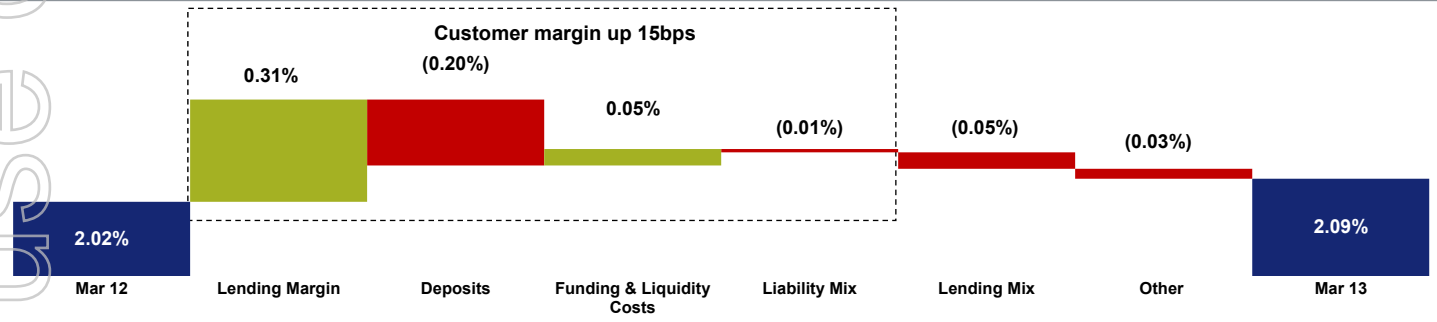
National Australia Bank

# Personal Banking: Net interest margin

## March 13 v September 12



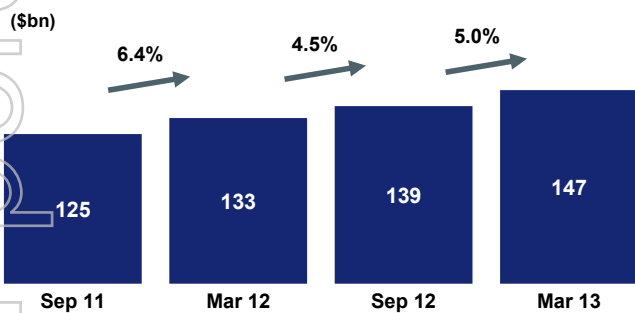
## March 13 v March 12



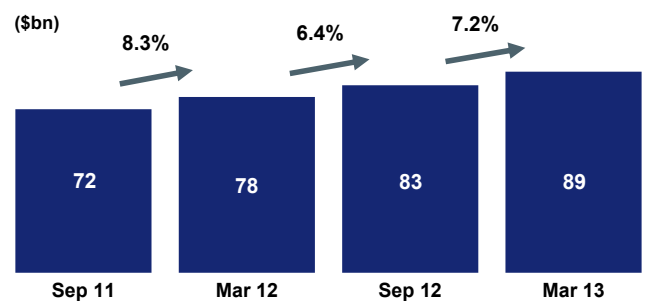
National Australia Bank

# Personal Banking

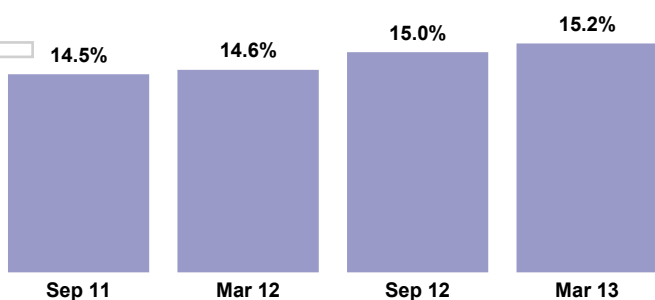
## Housing loans<sup>1</sup>



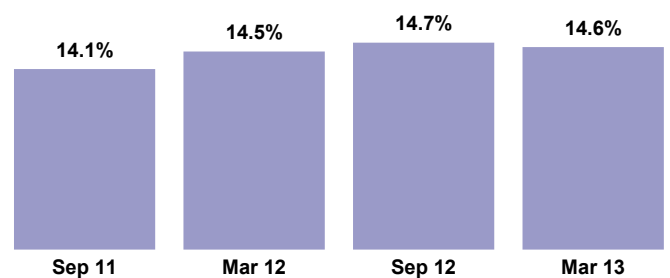
## Customer deposits<sup>1</sup>



## Housing loan market share<sup>2</sup>



## Household deposits market share<sup>3</sup>

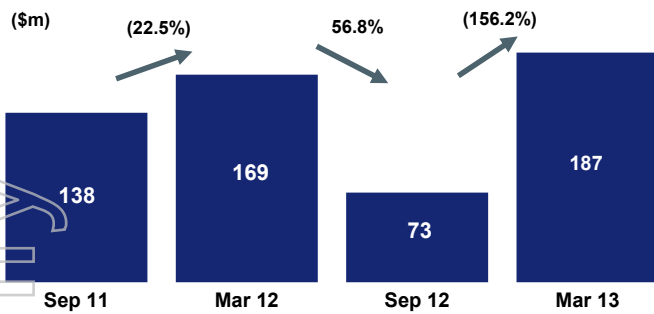


National Australia Bank

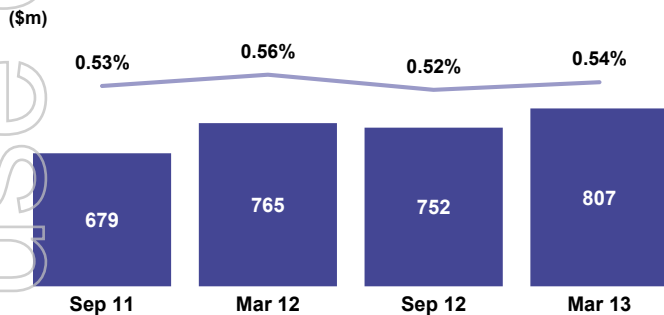
(1) Average volumes  
 (2) RBA Financial System / NAB (includes Business Banking and NAB Wealth)  
 (3) APRA Banking System / NAB (includes Business Banking and NAB Wealth)

## Personal Banking: Asset quality

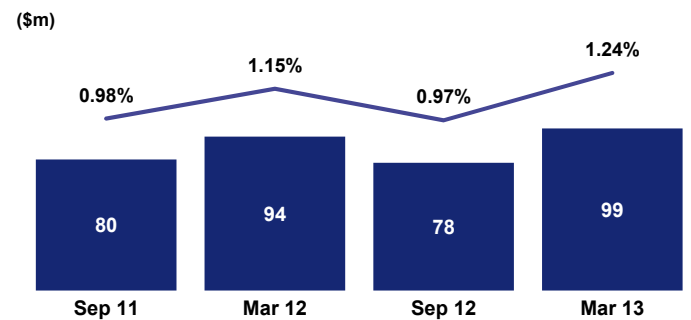
### B&DD charge



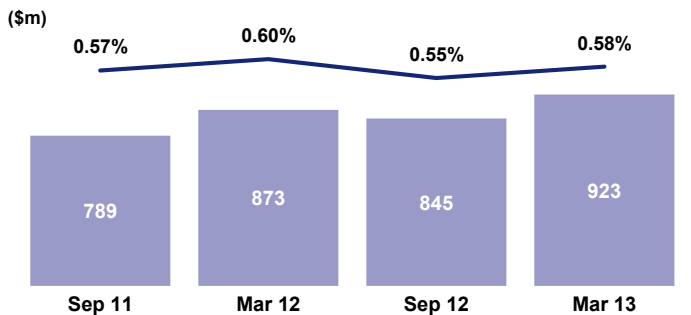
### Mortgage 90+ DPD and impaired and % to total mortgage outstandings



### Cards and personal loans 90+ DPD and % to total cards and personal loans outstandings



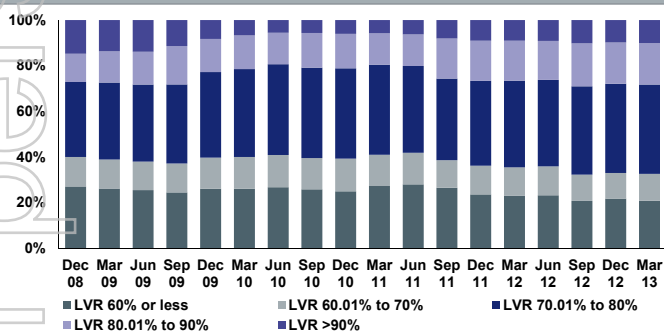
### Total 90+ DPD and impaired and % to total outstandings



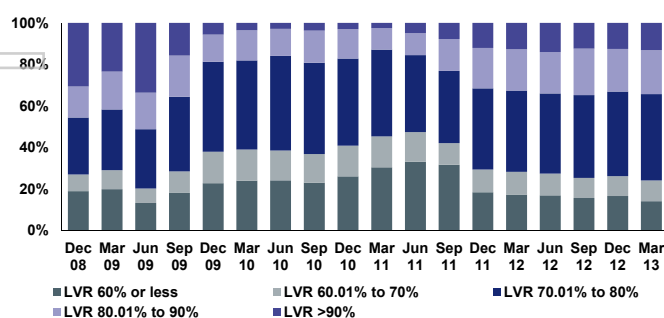
National Australia Bank

## Personal Banking: Change in profile of mortgage approvals

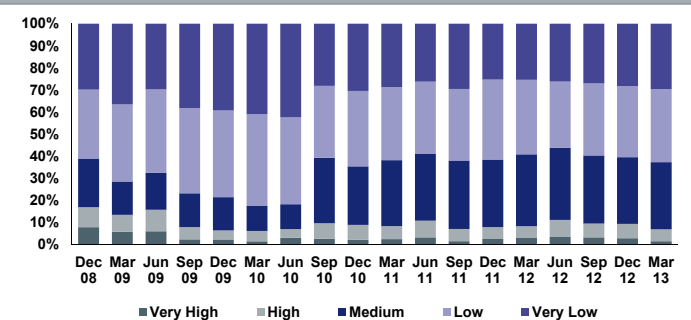
### LVR breakdown of final approvals (Australian Region<sup>1</sup>)



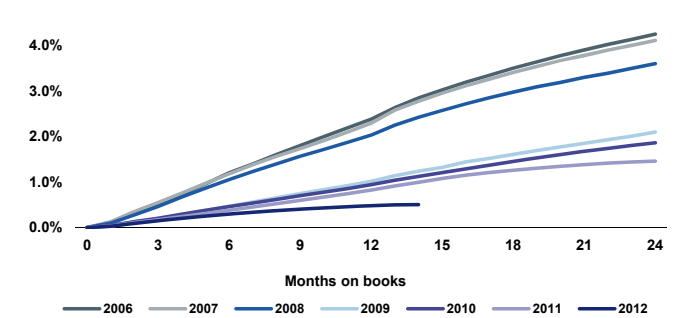
### LVR breakdown of Homeside final approvals



### Risk grade distribution of 90%+ LVR



### Australian mortgages<sup>1</sup> – cumulative 30+ DPD



(1) Includes Business Banking and NAB Wealth

National Australia Bank

## Additional Information

Business Banking

Personal Banking

## Wholesale Banking

NAB Wealth

NZ Banking

UK Banking

NAB UK CRE

Great Western Bank

Asset Quality

Capital and Funding


Other

Economic Outlook

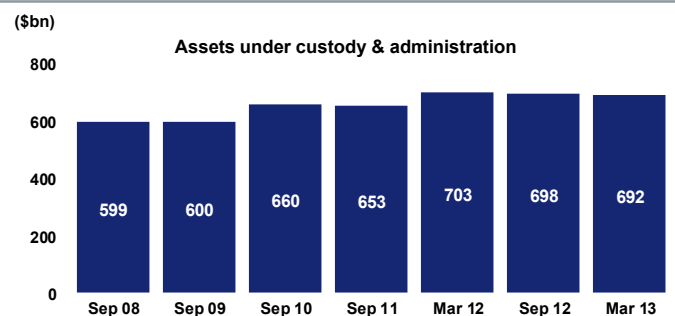


## Wholesale Banking

### Customer sales performance

	Current ranking	Previous ranking
Best advice on Use of Interest Rate Risk Management <sup>1</sup>	#1	#1
Lead Interest Rate provider where the relevant bank is lead credit provider <sup>1</sup>	#1	#1
Lead Interest Rate Derivatives Bank <sup>1</sup>	#1	#3
Best Bank-delivered Industry Analysis <sup>2</sup>	#=2	#3
Provider of Interest Rate Swaps (% of primary relationships – Corporate) <sup>3</sup>	#1	#1
Provider of Spot Foreign Exchange (% of primary relationship – Corporate) <sup>3</sup>	#2	#2
Best Domestic Provider of FX Services as voted by Corporates – Australia <sup>4</sup>	#1	na
 60,000 NAB Traveller Card customers have loaded \$200m for their travel spend since the April 2012 launch		

### Delivering value to Financial Institutions



### Market leading positions

- ★ Largest Asset Servicing business<sup>5</sup> in Australia with ~28% market share (by volume)
- #1 Foreign Exchange Survey of FI's: Market Penetration, Market Share and Relationship Strength Index<sup>6</sup>
- #1 Interest Rate Swaps and Short Dated Securities Market Share<sup>7</sup>
- #1 AUD Repurchase Agreements, with 29.4% market share<sup>8</sup>

(1) Peter Lee Associates – Large Corporate & Institutional Relationship Banking Australia Survey 2012 (Users of Interest Rate Derivatives). Ranking against the four major domestic banks; (2) Peter Lee Associates – Large Corporate & Institutional Relationship Banking Australia Survey 2012. Ranking against the four major domestic banks; (3) East & Partners Australian Corporate Banking Markets Report, Jan 2013; (4) Asiamoney FX Poll 2012; (5) Australian Custodial Services Association, Total Assets Under Custody for Australian Investors, December 2012; (6) Peter Lee Associates – Foreign Exchange Survey Australia 2012, Financial Institution Respondents. Ranking against the four major domestic banks; (7) Peter Lee Associates – Debt Securities Investor Survey Australia 2012. Ranking against the four major domestic banks; (8) AFMA, 2012 Australian Financial Markets Report



# Wholesale Banking

## Originate to distribute funding solutions

Wholesale Banking capabilities assist NAB's clients with direct access to funding markets as well as providing funding and investment products to:

- NabWealth (MLC)
- JBWere and NAB Private Wealth
- Nab Health Corporate
- Business Bank
- Private Bank

Wholesale Banking's market leading debt capital raising and distribution capabilities has raised US\$6.3bn in distributions (volume) in the March 2013 half year exclusive of NAB deals of US\$13.3bn

## Market leading positions



### Infrastructure and Natural Resources

- ★ Infrastructure Bank of the Year, Asia <sup>1</sup>
- #1 MLA in Australian Project Finance <sup>2</sup>
- #1 MLA in Project Finance in Australian Power and Renewable sectors <sup>2</sup>

### Debt Capital Solutions

- #1 Australian Securitisation House of the Year <sup>3</sup>
- ★ Top amongst the Australian banks in US Private Placements <sup>4</sup>

## Key transactions

 <p><b>Peel Ports</b> GBP 1.05bn Term Loan &amp; RCF Loan Bookrunner US\$515m USPP Joint Lead Agent December 2012</p>	 <p><b>168MW Musselroe Wind Farm</b> A\$275m Project Finance Facilities Sole ECA Arranger Mandated Lead Arranger and Bookrunner February 2013</p>	 <p><b>Origin Energy</b> A\$2.4bn Syndicated Loan Facility Mandated Lead Arranger and Bookrunner October 2012</p>
 <p><b>REDS Trust Series 2012-1E</b> A\$1bn Australian RMBS Issue Arranger and Joint Lead Manager November 2012</p>	 <p><b>Australia Pacific LNG</b> US\$8.5bn Project Finance Facilities Mandated Lead Arranger Commercial Bank Facility September 2012</p>	 <p><b>Ichthys Project</b> US\$20bn Commercial Bank and ECA Covered Facilities Mandated Lead Arranger January 2013</p>

(1) Infrastructure Investor Awards, 2012; (2) Infrastructure Journal Online League Tables Project Finance Mandated Lead Arranger, Full Year 2012; (3) Kanganews, Australian Market Awards 2012; (4) Thomson Reuters US Private Placement Review, Full Year 2012 – Traditional Private Placements



## Additional Information

Business Banking

Personal Banking

Wholesale Banking

**NAB Wealth**

NZ Banking

UK Banking

NAB UK CRE

Great Western Bank

Asset Quality

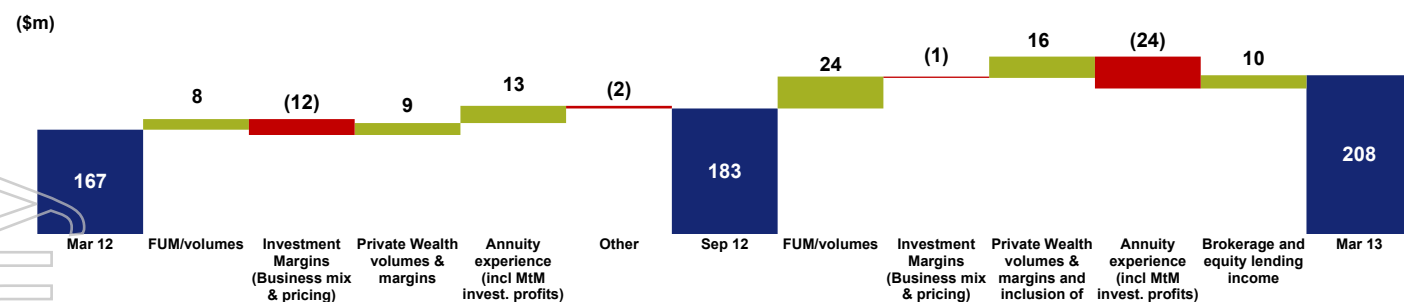
Capital and Funding

Other

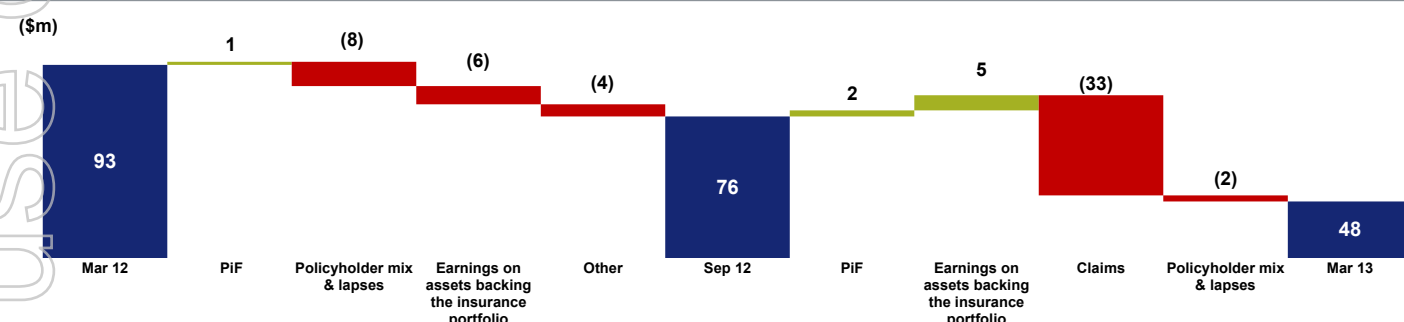
Economic Outlook

# NAB Wealth: Cash earnings

## Investments cash earnings inclusive of Private Wealth

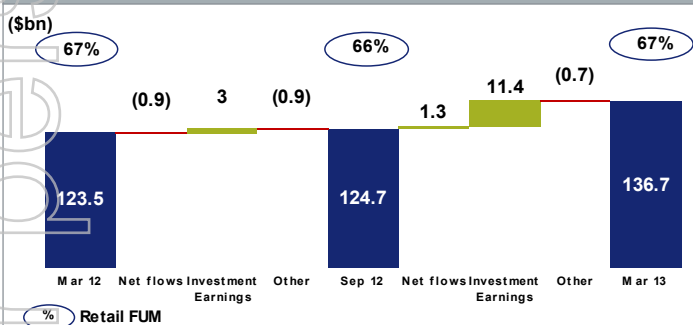


## Insurance cash earnings

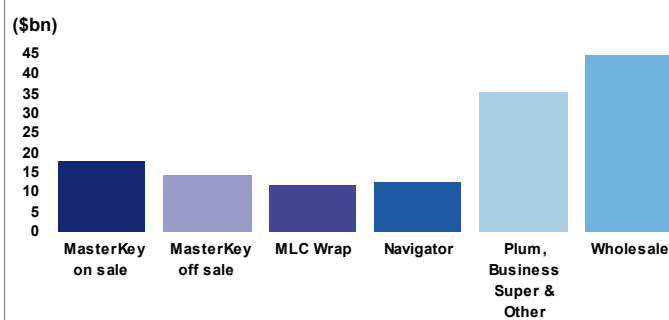


# NAB Wealth: FUM

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



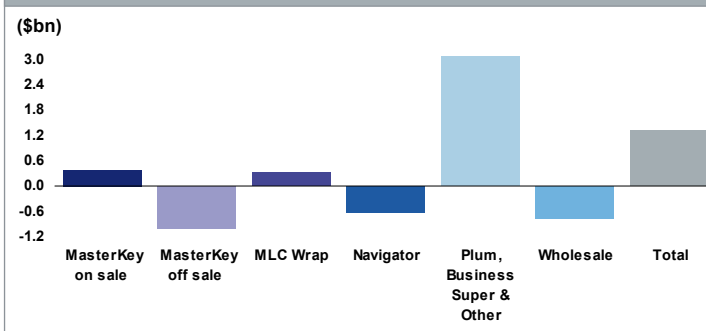
## FUM by product group



## Net Funds Flow by product group

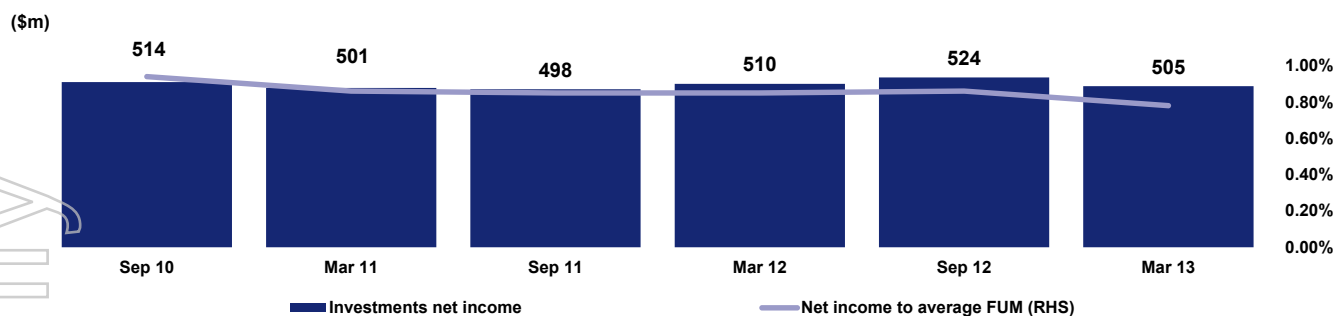
Product group	1H13 NFF (\$m)	NFF as % of Opening FUM	2H12 NFF (\$m)
MasterKey on sale	385	2%	333
MasterKey off sale	(1,023)	(7%)	(1,162)
MLC Wrap	309	3%	238
Navigator	(642)	(5%)	(639)
Plum, Business Super & Other	3,065	10%	(380)
Wholesale	(771)	(2%)	739
<b>Total Net Funds Flow</b>	<b>1,323</b>	<b>1%</b>	<b>(871)</b>

## 1H13 Net Funds Flow by product group

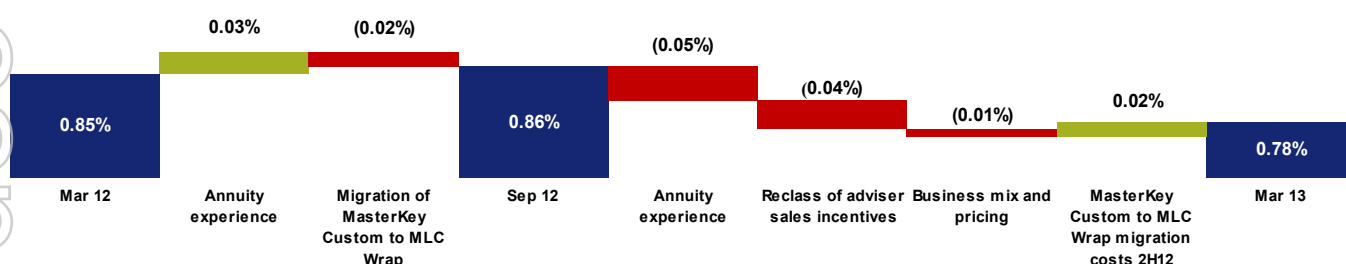


## NAB Wealth: Investments margin

### Investments net income to average FUM



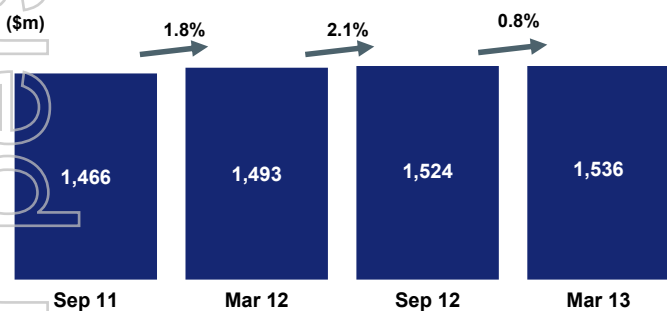
### Movement in total investments margin



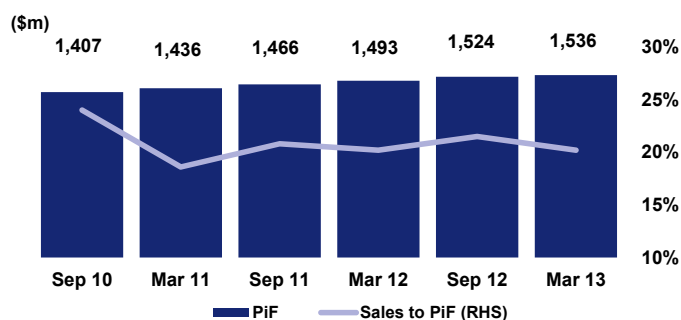
National Australia Bank

## NAB Wealth: Insurance

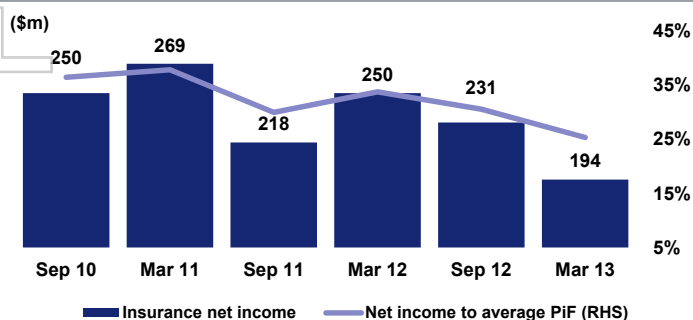
### Premiums inforce



### PiF and Insurance sales as % of PiF



### Insurance net income to average PiF



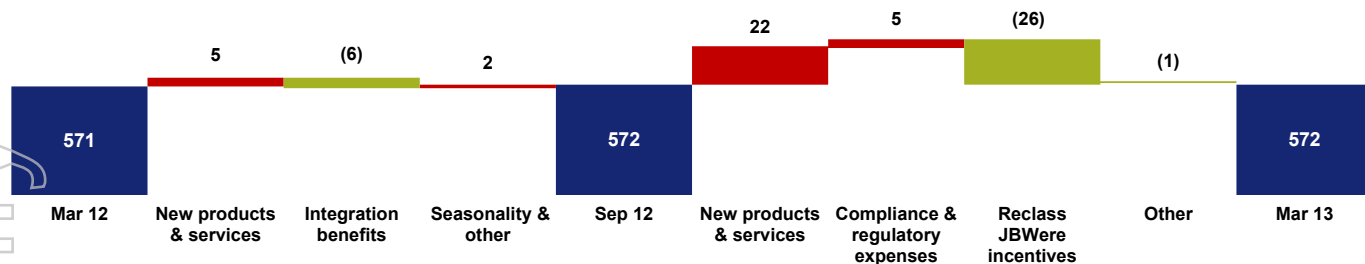
National Australia Bank



# NAB Wealth: Operating Expenses

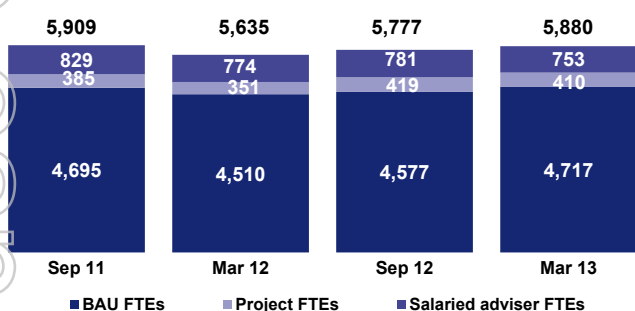
## Movements in operating expenses

(\$m)

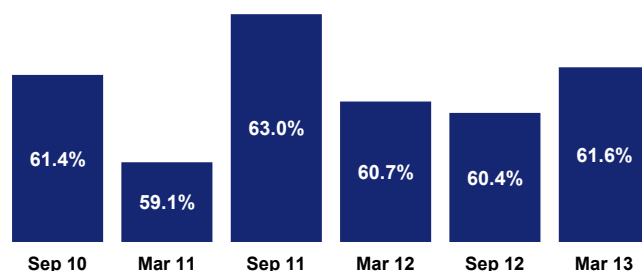


## Movements in FTEs

(#)



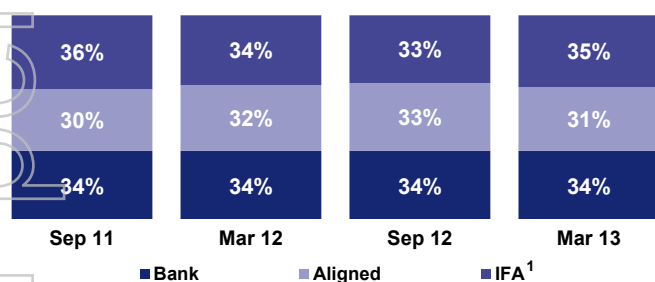
## Cost to Income trends



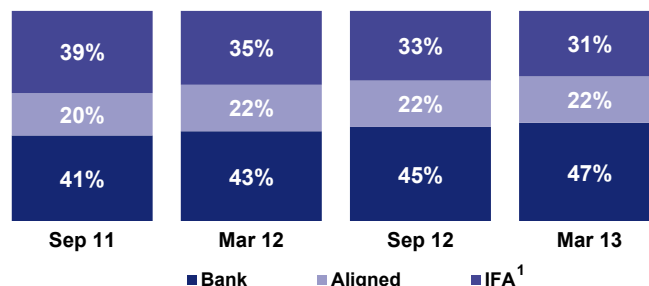
National Australia Bank

# NAB Wealth: Channel and adviser growth

## Investment sales by channel

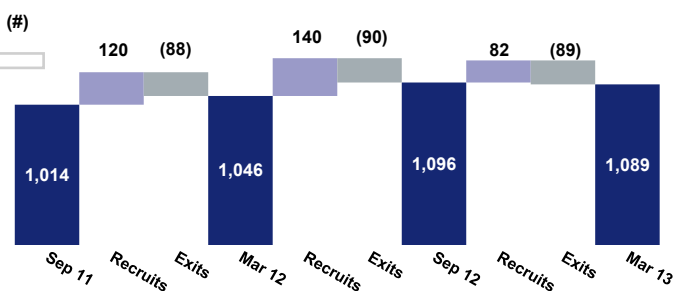


## Insurance sales by channel



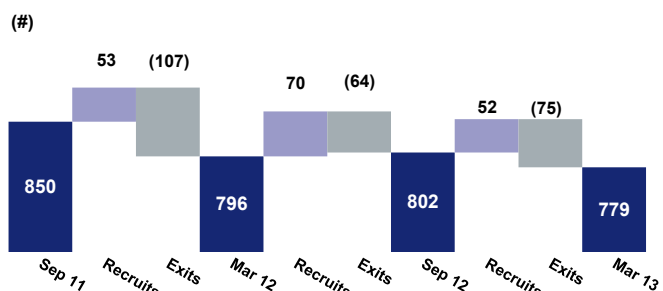
## Wealth aligned adviser movement analysis

(#)



## Wealth salaried adviser movement analysis

(#)



National Australia Bank

## Additional Information

Business Banking

Personal Banking

Wholesale Banking

NAB Wealth

## NZ Banking

UK Banking

NAB UK CRE

Great Western Bank

Asset Quality

Capital and Funding

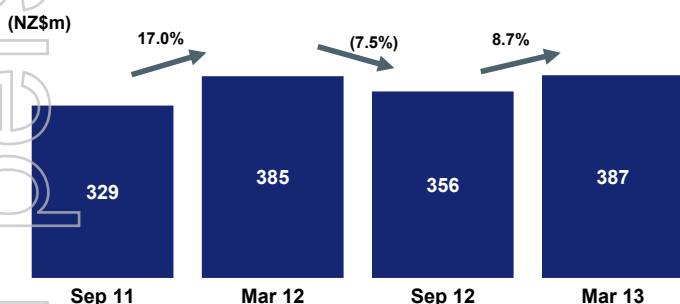
Other

Economic Outlook

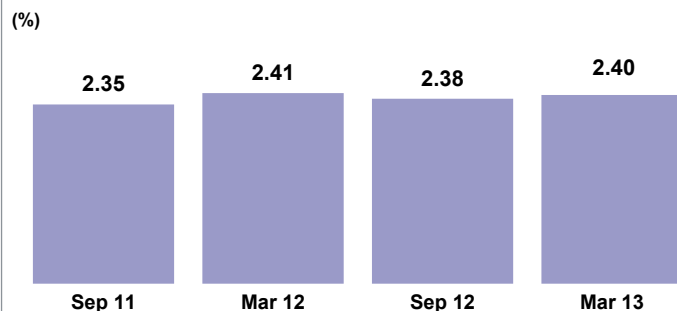


## New Zealand Banking

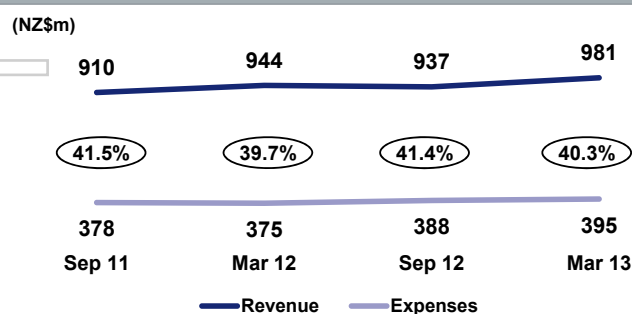
### Cash earnings



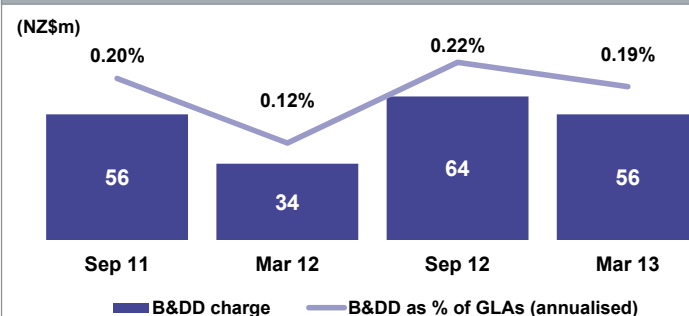
### Net interest margin



### Revenue v expense growth



### B&DD charge and B&DD as % of GLAs

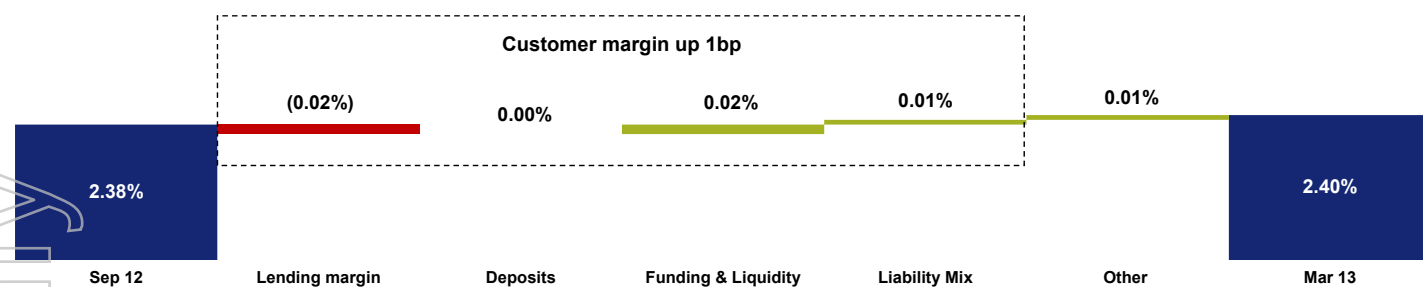


% Cost to income ratio

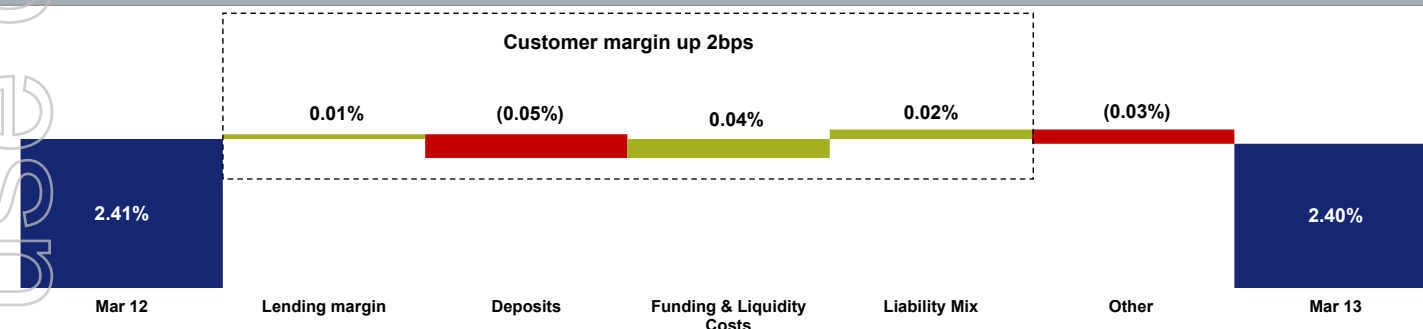


## New Zealand Banking: Net interest margin

### March 13 v September 12



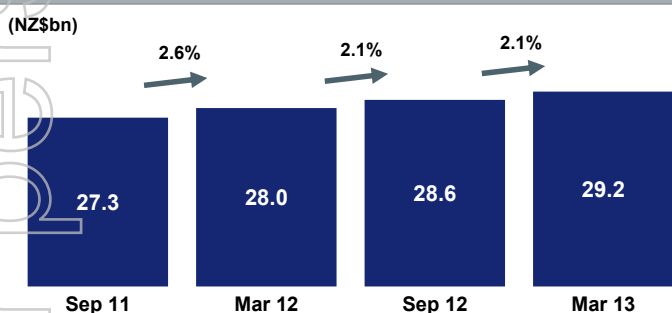
### March 13 v March 12



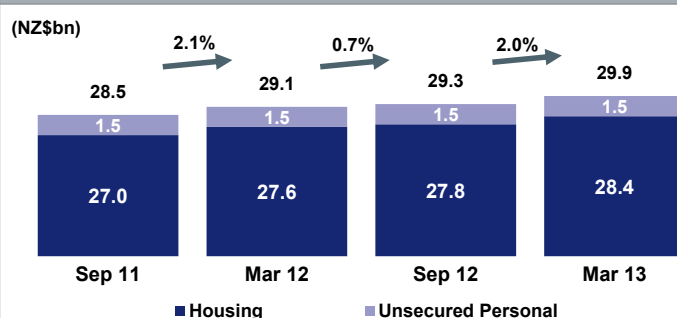
National Australia Bank

## New Zealand Banking: Volumes and market share

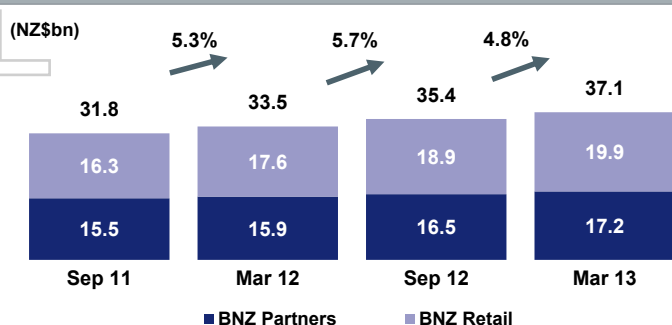
### Business lending<sup>1</sup>



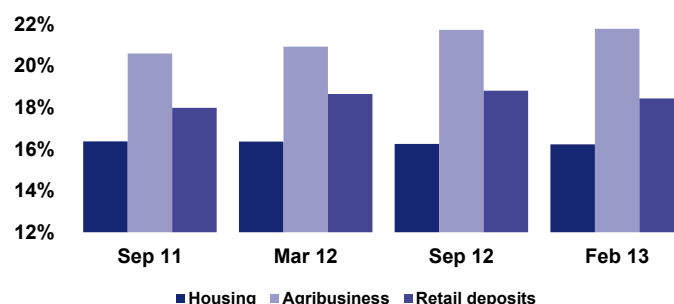
### Retail lending<sup>1</sup>



### Retail deposits<sup>1</sup>



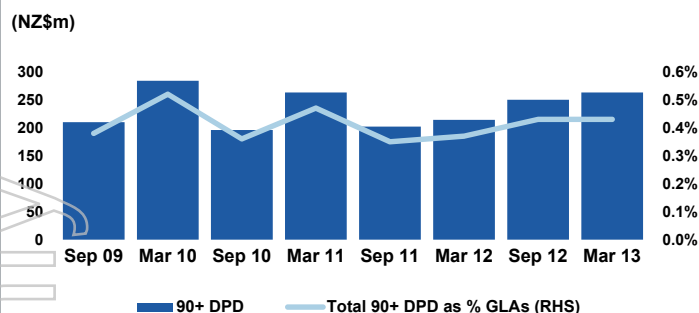
### New Zealand market share<sup>2</sup>



National Australia Bank

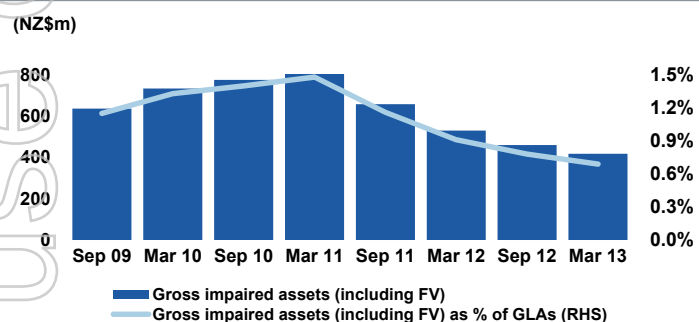
# New Zealand Banking: Asset quality

## Total 90+ DPD as % GLAs

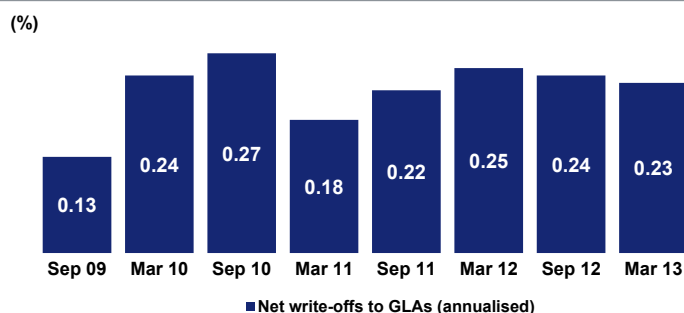


- Gross impaired assets and 90+ DPD to GLAs were 1.13% at Mar 13, lower than 1.21% at Sep 12
- Impairments continue to fall in business and retail due to favourable interest rate environment and improving economic conditions
- 90+DPD assets to GLAs ratio flat on prior half
- Exposures in the commercial property, dairy farming and kiwifruit sectors are the main industry concerns

## Gross impaired assets as % GLAs



## Net write-offs



## Additional Information

Business Banking

Personal Banking

Wholesale Banking

NAB Wealth

NZ Banking

## UK Banking

NAB UK CRE

Great Western Bank

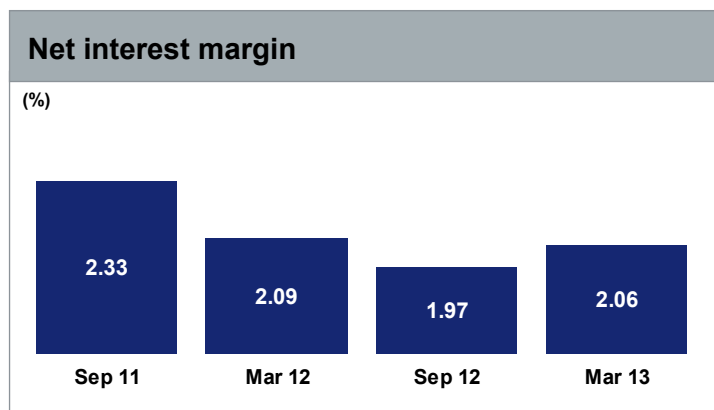
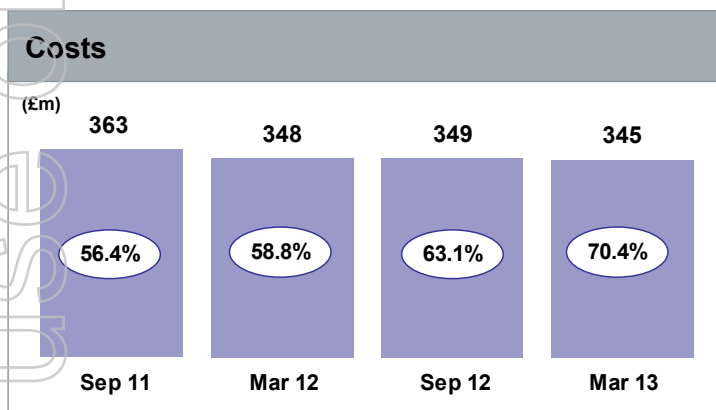
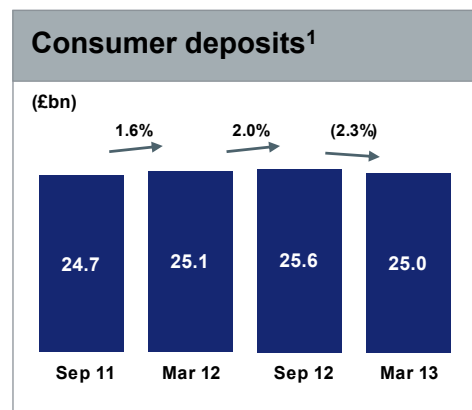
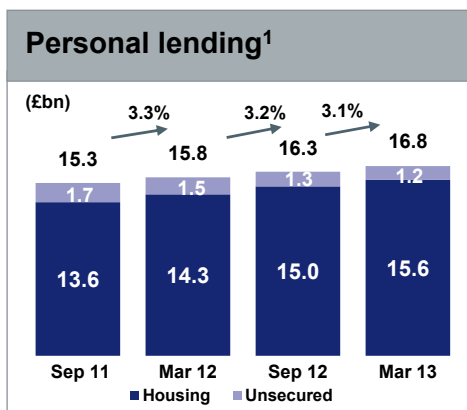
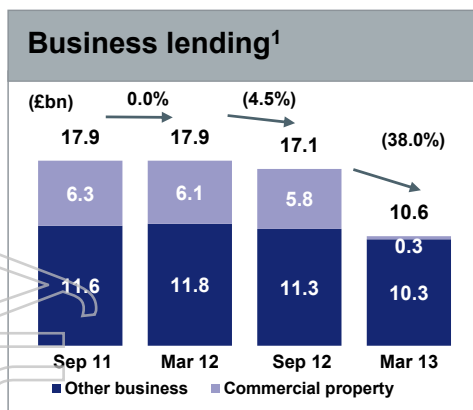
Asset Quality

Capital and Funding

Other

Economic Outlook

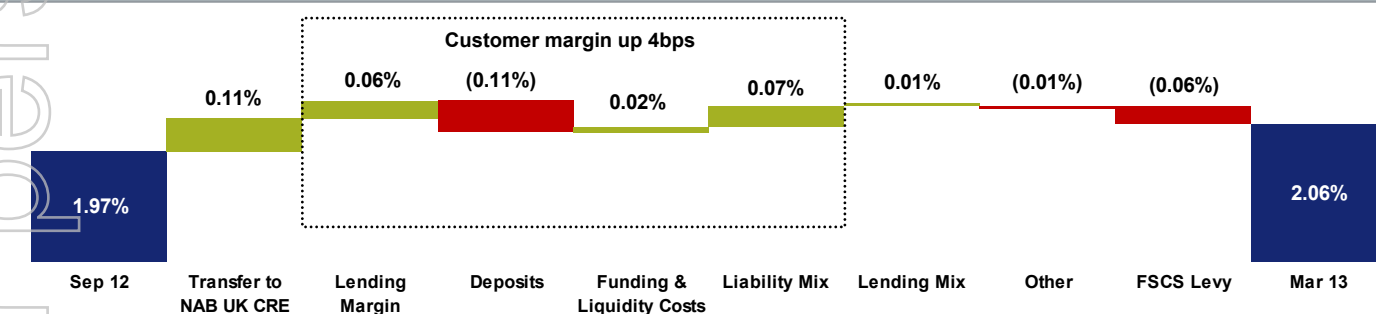
# UK Banking



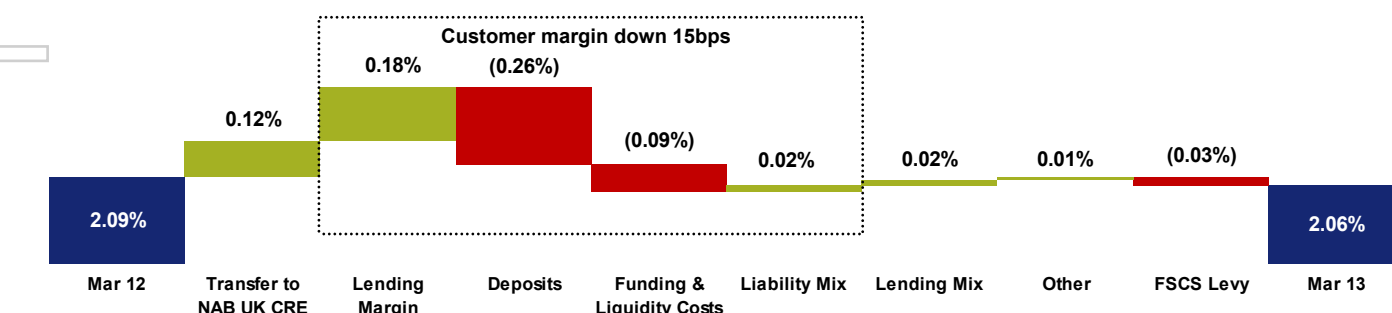
National Australia Bank

## UK Banking: Net interest margin

### March 13 v September 12



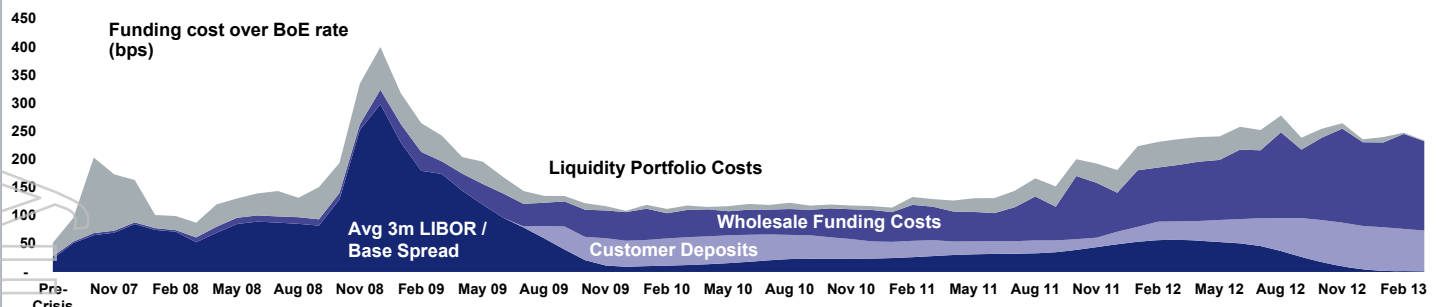
### March 13 v March 12



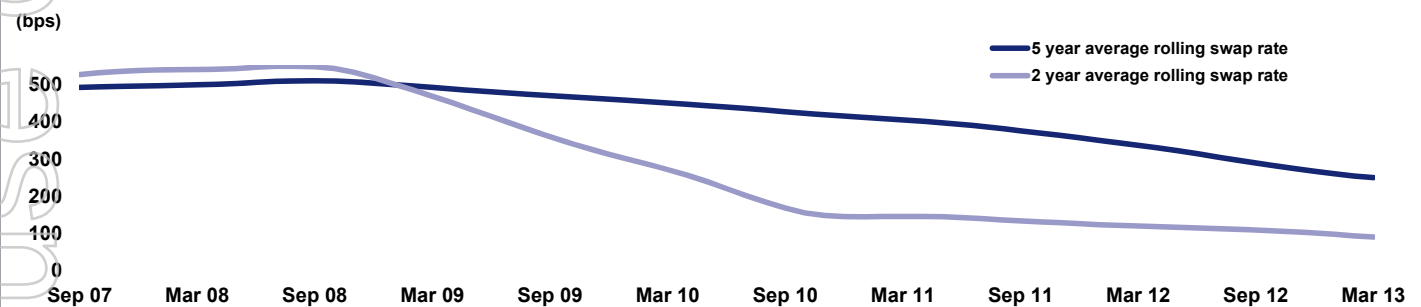
National Australia Bank

# UK Banking: Funding cost components and swap rates

## Clydesdale Bank PLC funding costs since 2007



## Interest rate earned on ~£8bn of free funds<sup>1</sup>

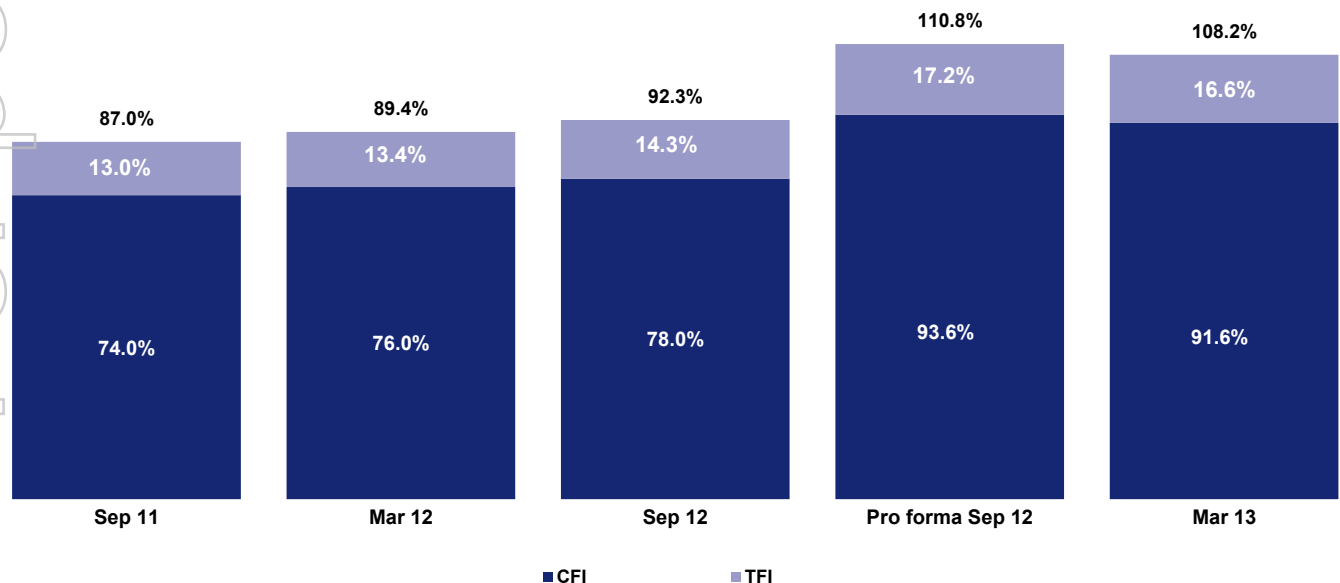


(1) Free funds are shareholders equity and non-interest bearing deposits. These flows are hedged over a 2 and 5 year period to reduce volatility from movements in benchmark interest rates



# UK Banking: Funding mix

## Clydesdale Bank PLC Stable Funding Index

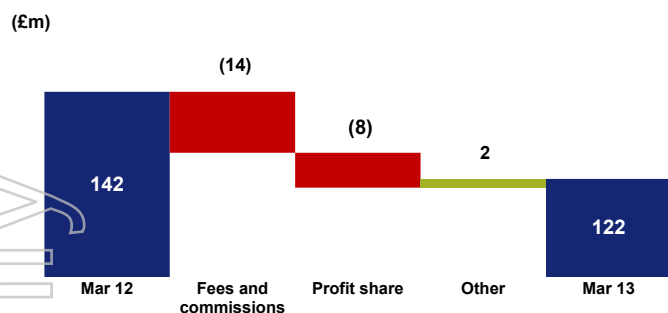


Stable funding index (SFI) based on spot balances

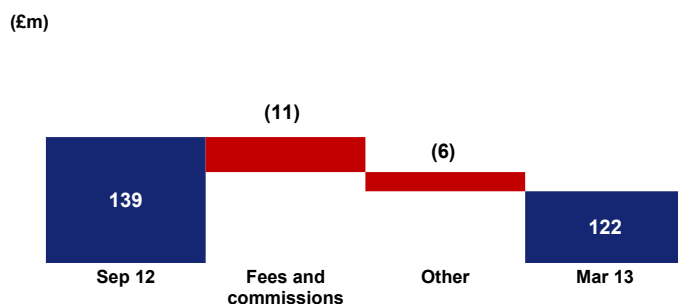


## UK Banking: Other operating income and expenses

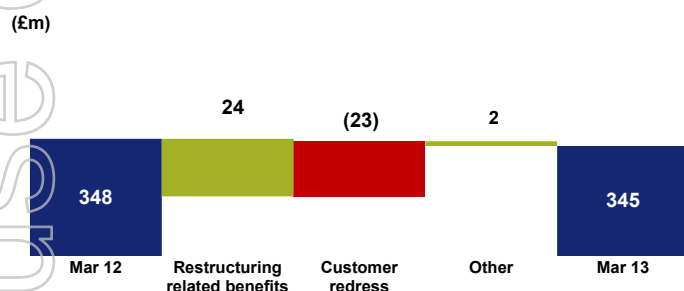
### March 13 v March 12 Other operating income



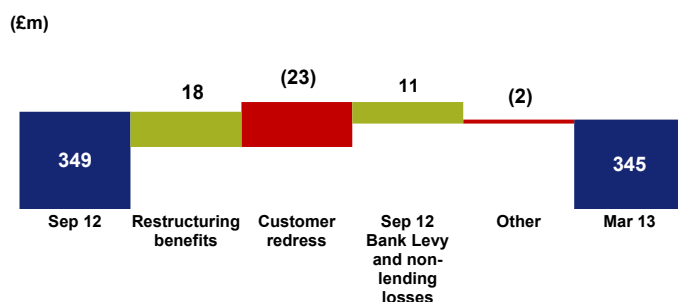
### March 13 v September 12 Other operating income



### March 13 v March 12 Operating expenses



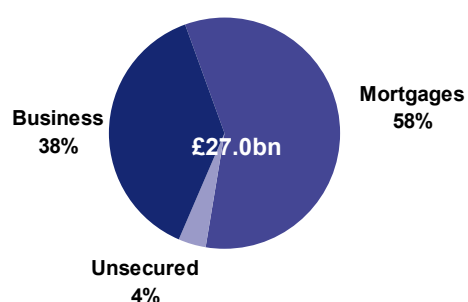
### March 13 v September 12 Operating expenses



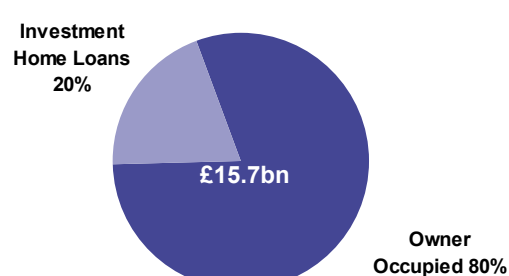
 National Australia Bank

## UK Banking: Portfolio composition

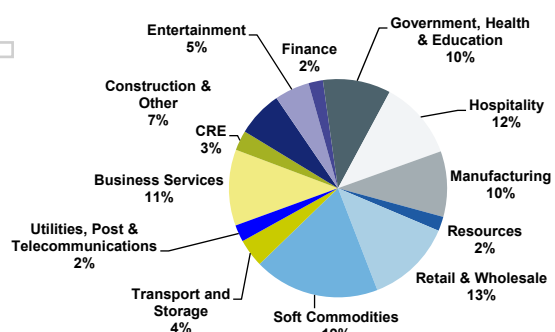
### March 2013 Total portfolio composition



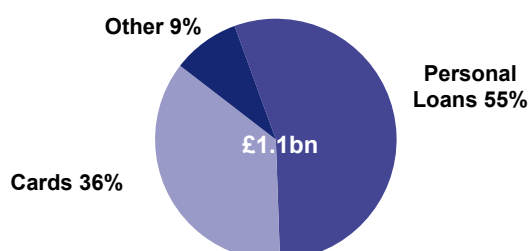
### March 2013 Mortgage portfolio composition



### March 2013 Business portfolio composition



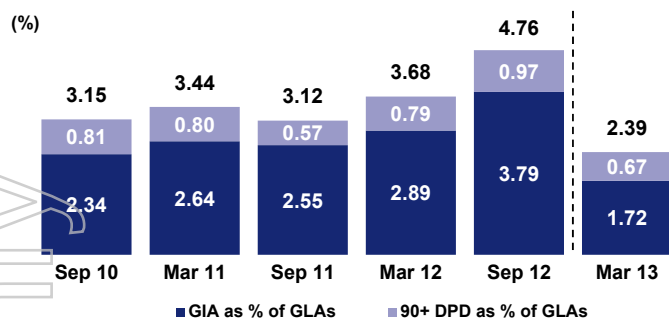
### March 2013 Unsecured portfolio composition



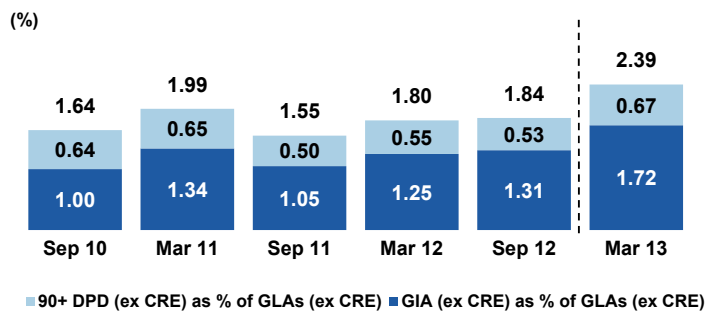
 National Australia Bank

## UK Banking: Asset quality

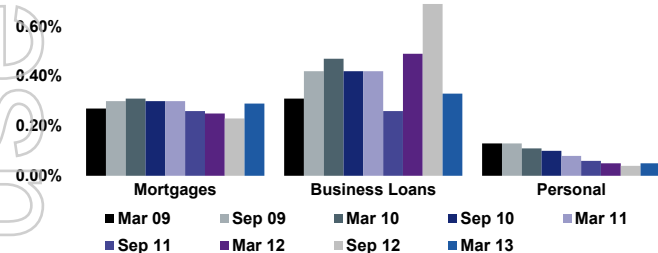
### 90+ DPD and GIAs as a % of GLAs



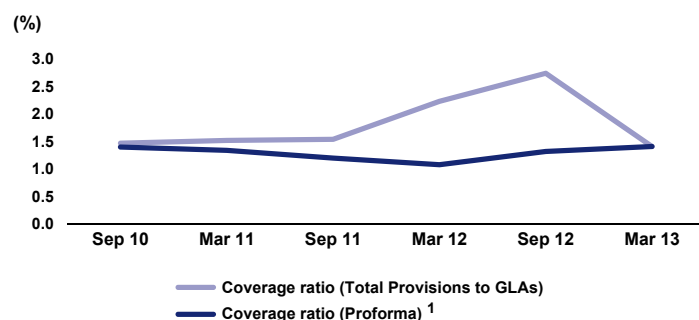
### UK Credit quality (comparatives excluding CRE)



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



### Coverage ratio



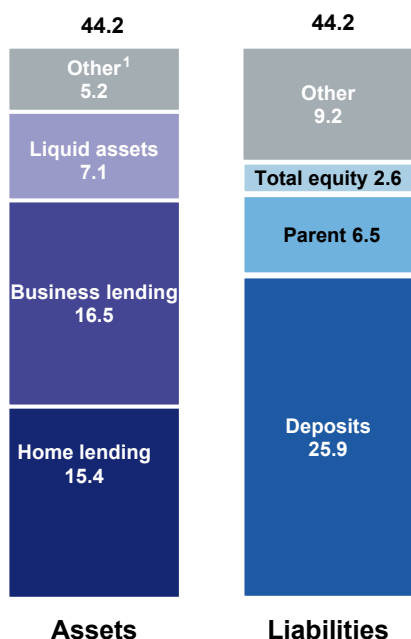
(1) Proforma coverage ratio is UK Banking excluding CRE for the period Sep 10 to Sep 12



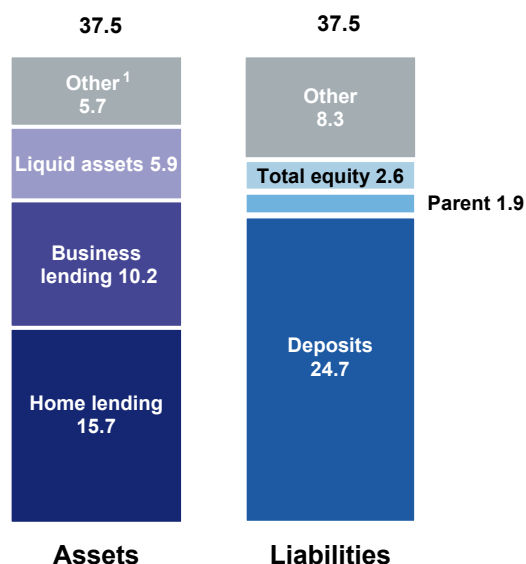
## UK Banking: Restructure improves CB balance sheet structure

(£bn)

### Sep 2012 Actual



### Mar 2013



(1) Other is net of provision for bad and doubtful debts and includes £1.3bn of unsecured personal lending





## Restructuring – provision utilisation and benefits profile

£m	Restructuring costs	Provision	
		Utilised	Remaining
Restructuring provisions	139	65	74
Software write-off	36		
<b>Total</b>	<b>175</b>		

- £65m of the original £139m provision utilised to date
- Timing of provision utilisation currently lags restructuring activity. Particularly surplus lease costs for property exit
- Cost benefits delivered of £24m in 1H13 (£64m on an annual run-rate basis)
- Represents an incremental benefit on 2H12 of £18m
- Including other initiatives FTEs were reduced 1,110 between Sep 2011 and March 2013 (plan of 1,400 in total by 2015)

Benefits profile				
£m	Actual 1H13	Expected FY13	Expected FY14	Expected FY15
Actual <sup>1</sup>	24	35	63	74
Annualised run rate <sup>1</sup>	64	52	64	74
<b>Total Cumulative FTE</b>	<b>643</b>	<b>831</b>	<b>958</b>	<b>987</b>

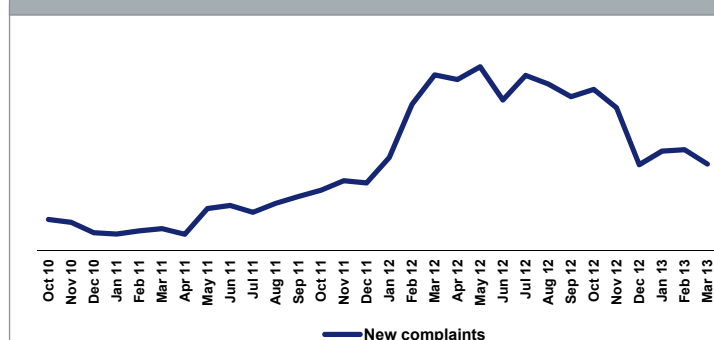
(1) 1H13 actual incorporates benefits related to pre-existing restructuring programs in Business & Private Bank



## UK Banking: Payment Protection Insurance (PPI)

- £57m utilised since 30 September 2012 leaving provisions of £51m at 31 March 2013
- Complaints experience accelerated in 1H12 but have now reduced
- Pattern of recent claims is broadly consistent with modelling used to determine provisions. Provision usage during the month of March was £6m

CB PLC complaints experience by month



As at 31 March 2013 <sup>1</sup>	Cumulative charge (£m)	Redress paid (£m)	Utilisation (%)
Barclays Bank	2,600	1,900	73%
Lloyds Banking Group	6,775	4,930	73%
RBS	2,175	1,470	67%
HSBC (US \$m)	2,397	1,076	45%
Clydesdale Bank	256	205	80%

(1) HSBC is at 31 December 2012 and is not directly comparable. Other banks based on 2013 first quarter results announcements. CB PLC based on management accounts



## Additional Information

Business Banking

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NAB Wealth

NZ Banking

UK Banking

## NAB UK CRE

Great Western Bank

Asset Quality

Capital and Funding

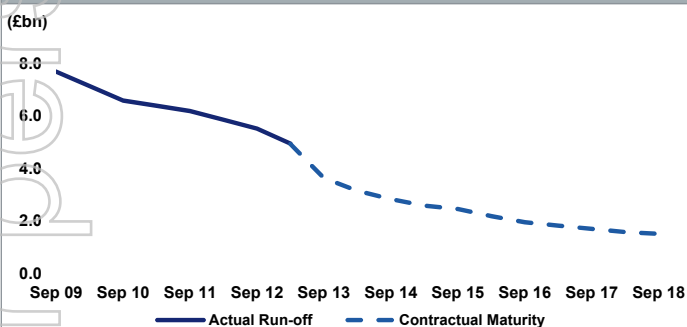
Other

Economic Outlook

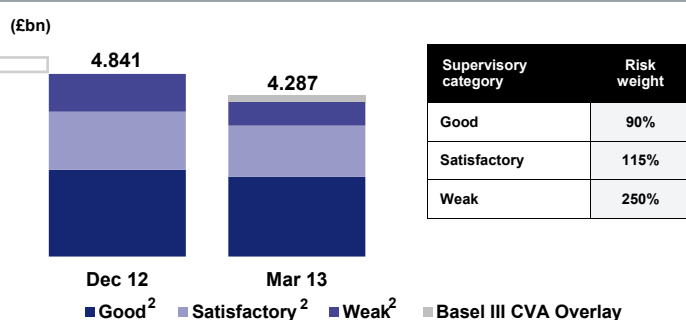


## NAB UK CRE

### NAB UK CRE run-off<sup>1</sup>



### NAB UK CRE RWAs



### UK commercial property capital values



Source: IPD



(1) Represents CRE portfolio within UK Banking to September 2012 and the NAB UK CRE run-off portfolio for March 2013  
 (2) Based on supervisory slotting categories, the criteria of which are based on APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk (see pg 35 NAB Group September 2012 Risk and Capital Report)

## Additional Information

Business Banking

Personal Banking

Wholesale Banking

NAB Wealth

NZ Banking

UK Banking

NAB UK CRE

## Great Western Bank

Asset Quality

Capital and Funding

Other

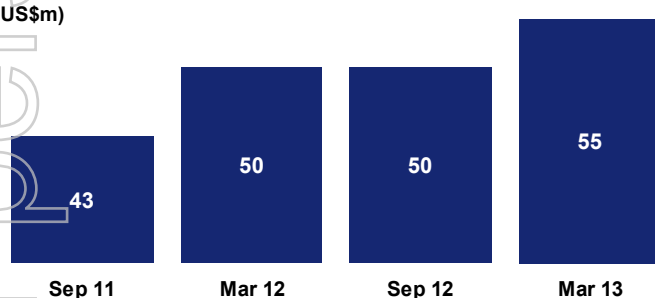
Economic Outlook



### Great Western Bank

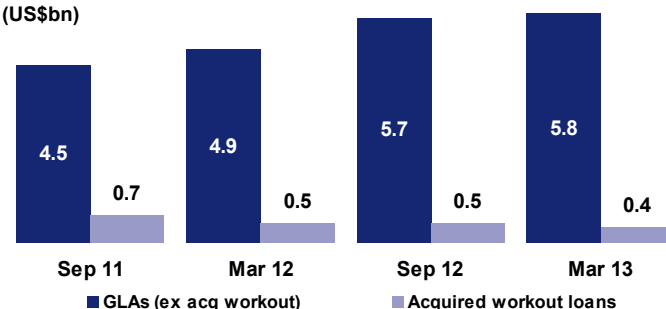
#### Cash earnings

(US\$m)



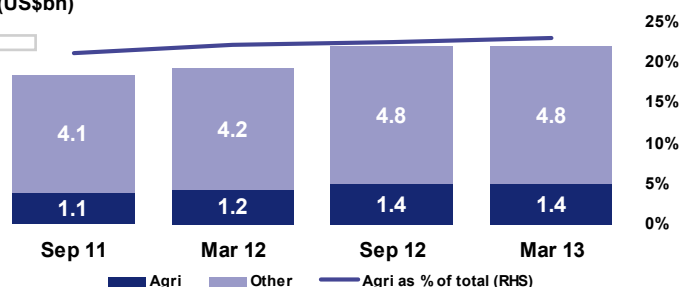
#### Gross loans & acceptances<sup>1</sup>

(US\$bn)



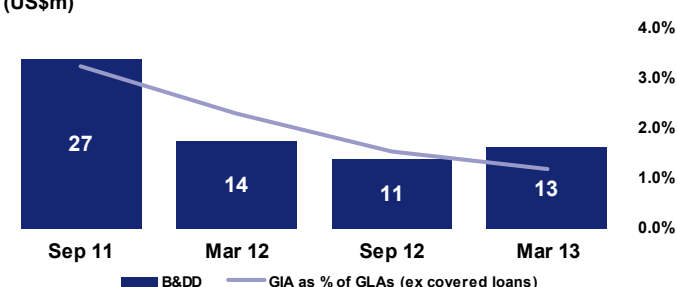
#### Loan portfolio composition

(US\$bn)



#### B&DD charge and asset quality metrics

(US\$m)



(1) GWB acquired First Federal Savings Bank of Iowa on 22 June 2012. The acquisition contributed approximately US\$0.3bn of gross loans and acceptances



## Additional Information

Business Banking  
Personal Banking  
Wholesale Banking  
NAB Wealth  
NZ Banking  
UK Banking  
NAB UK CRE  
Great Western Bank

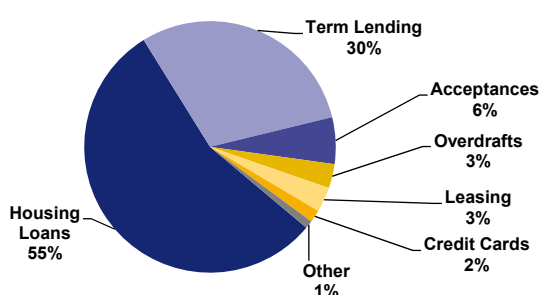
## Asset Quality

Capital and Funding  
Other  
Economic Outlook

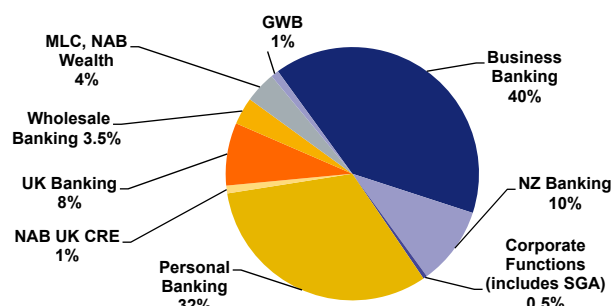


### Group portfolio

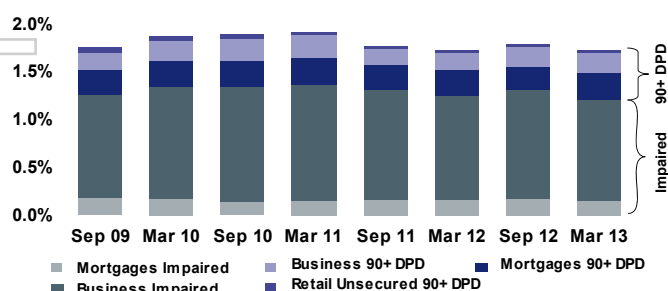
Gross loans and acceptances by product as at March 2013



Gross loans and acceptances by business unit as at March 2013

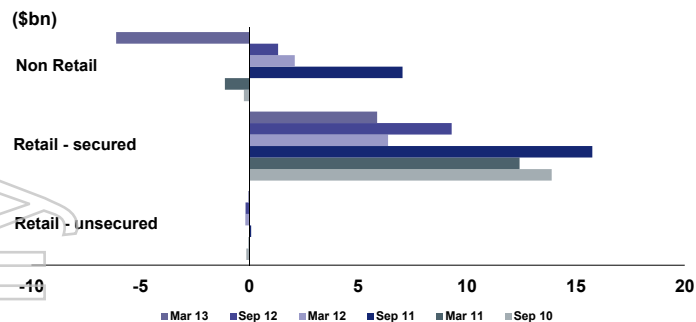


90+ DPD & gross impaired assets as a % of gross loans and acceptances by product



## Group gross loans and acceptances

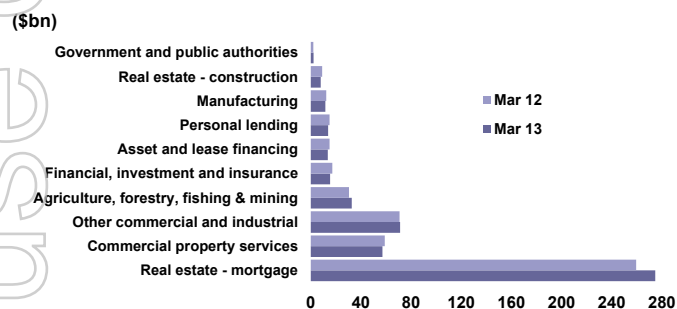
### Group asset composition – growth by product segment



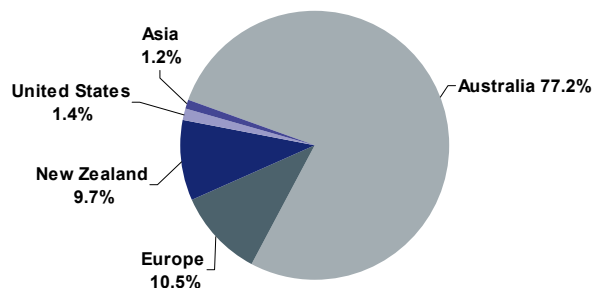
### Retail portfolio – outstandings volume



### Industry balances



### Gross loans and acceptances by geography



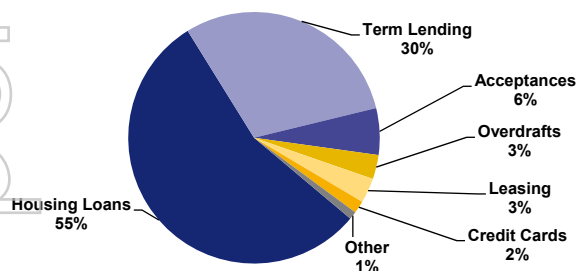
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Note: These charts use spot exchange rates. Changes in exchange rates relative to the Australian dollar since 2008 have partly affected growth rates

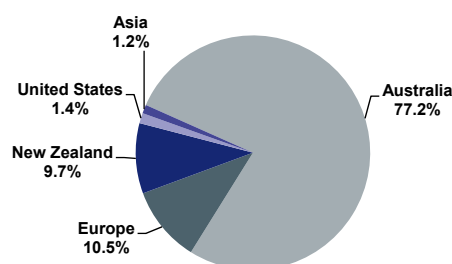


## Group portfolio – change over three year period

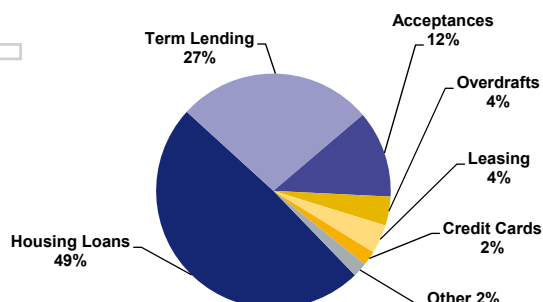
### March 2013 – Gross loans and acceptances by product



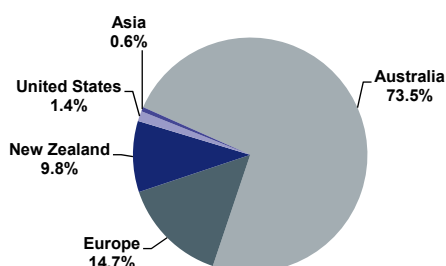
### March 2013 – Gross loans and acceptances by geography



### March 2010 – Gross loans and acceptances by product



### March 2010 – Gross loans and acceptances by geography



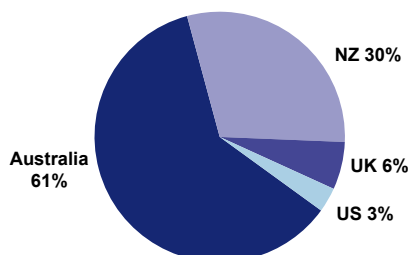
74



# Agricultural and Mining exposures

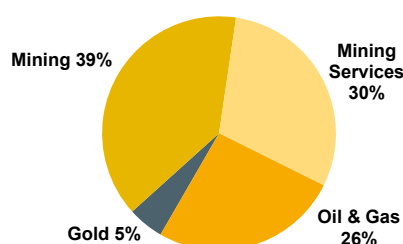
## Agriculture, Forestry and Fishing exposures

Agriculture, Forestry and Fishing EAD \$35.1bn March 2013



## Mining exposure

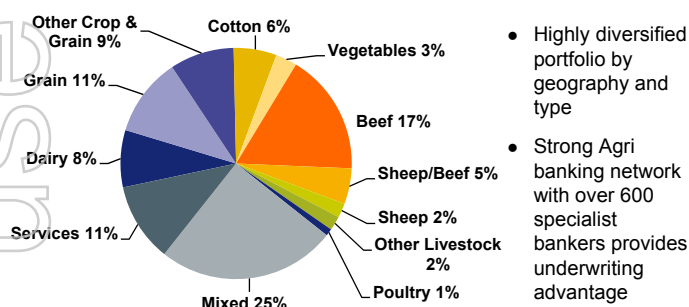
EAD \$9.2bn March 2013



- Impaired assets and 90+DPD <1% of GLAs
- Portfolio concentrated in better rated risk grades

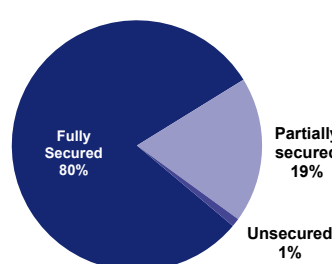
## Australian Agricultural exposures

EAD \$20.3bn March 2013



## Agriculture portfolio asset quality<sup>1</sup>

Australian Agriculture portfolio - March 2013



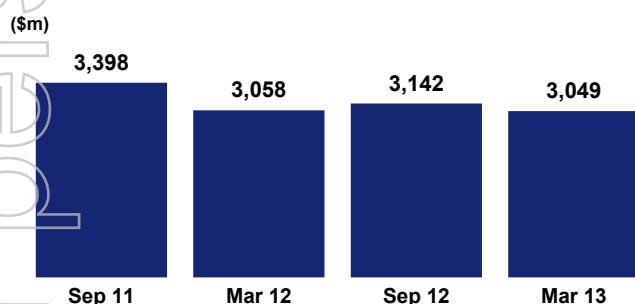
- Well secured portfolio
- Some signs of stress (especially NT cattle, VIC dairy) but in line with expectations and historical experience

(1) Fully secured is where the loan amount is less than 100% of the bank extended value of security; partially secured is where the loan amount is greater than 100% of the bank extended value of security; unsecured is where no security is held and negative pledge arrangements are normally in place. Bank extended value is calculated as a discount to market value based on the nature of the underlying security

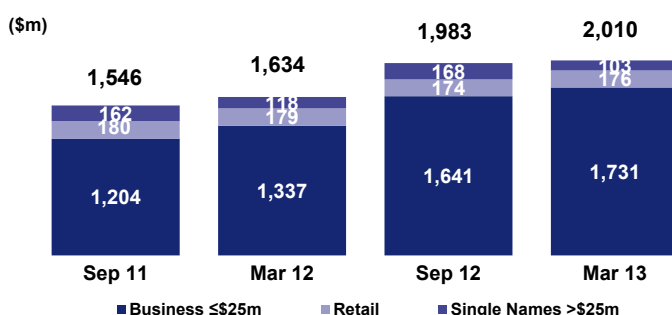


# Group provision balances and coverage ratios

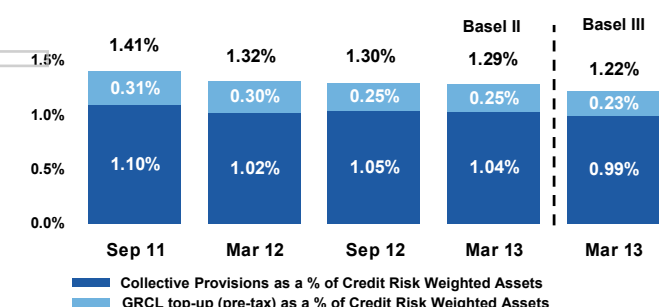
## Collective provision balances



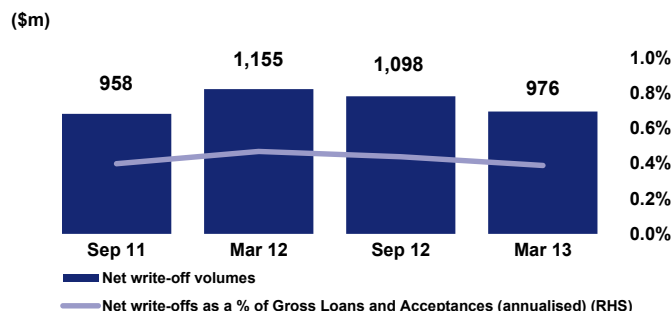
## Specific provision balances



## Coverage ratios (with and without GRCL top-up)

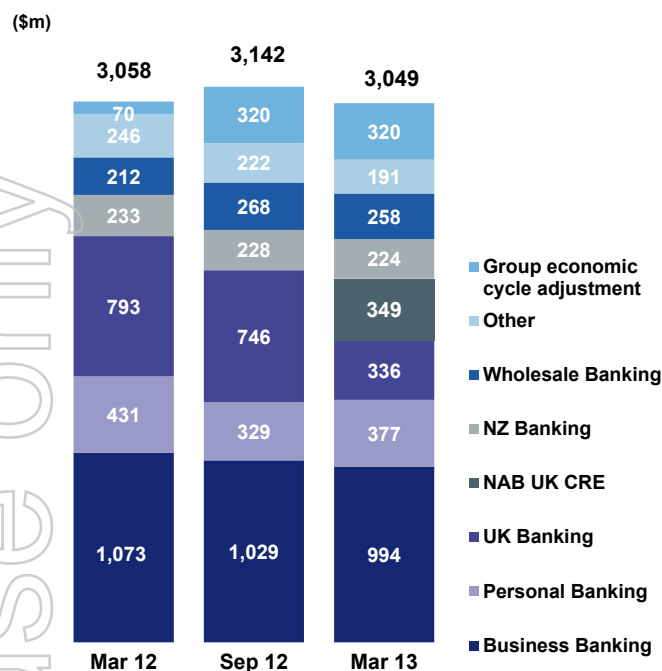


## Net write-off volumes

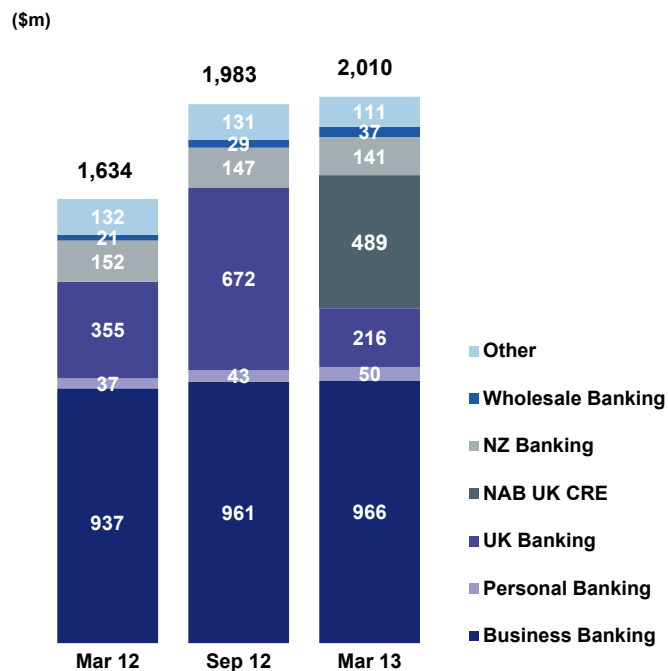


## Group provision movements

### Collective provision

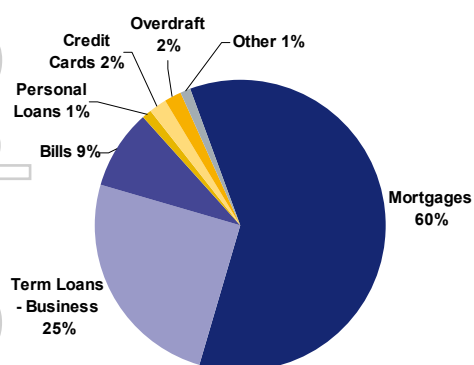


### Specific provision



## Business Banking, Personal Banking and NAB Wealth

Portfolio breakdown – total \$379.6bn\*



Australian Mortgages	Mar 13	Sep 12	Mar 12
Owner Occupied	71.9%	71.4%	70.8%
Investment	28.1%	28.6%	29.2%
Low Document	2.0%	2.2%	2.4%
Proprietary	65.3%	66.6%	68.0%
Third Party Introducer	34.7%	33.4%	32.0%
LMI Insured % of Total HL Portfolio	15.6%	15.0%	14.7%
CLVR on an exposure calculated basis <sup>1</sup>	56.1%	56.3%	55.8%
CLVR on a drawn balance calculated basis <sup>1</sup>	46.8%	47.2%	47.6%
Customers ahead 3 repayments or more <sup>**</sup>	44.8%	45.7%	45.4%
Average loan size \$ ('000)	\$266.0	\$262.0	\$258.4
90 + days past due	0.52%	0.50%	0.55%
Impaired loans	0.27%	0.30%	0.27%
Specific provision coverage	21.2%	19.1%	20.2%
Loss rate	0.05%	0.06%	0.06%

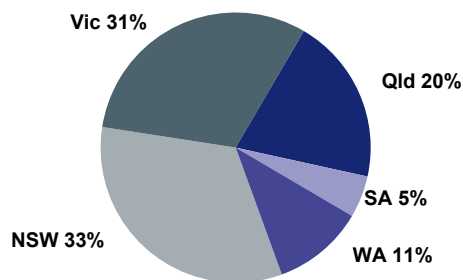
\* Includes Business Banking Asia gross loans and acceptances of \$3.6bn at March 2013

\*\* Ratio excludes Advantedge mortgages portfolio

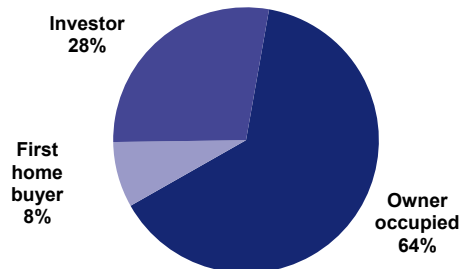


# Australian Mortgages<sup>1</sup> – \$226bn

## Geography



## Customer segment



## Low Doc Loans

- \$4.6bn outstanding (2.0% of housing book)
- LVR capped at 60% (without LMI)

## Origination source – flows (Australia)

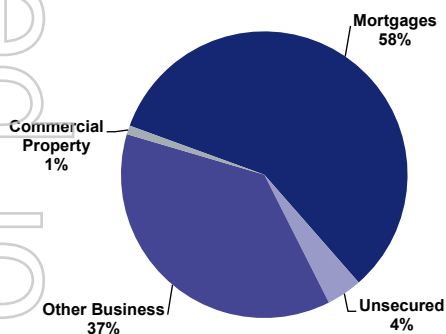
	Mar 13	Sep 12	Mar 12	Sep 11
Proprietary	58%	61%	64%	61%
Broker	36%	32%	29%	31%
Introducer	6%	7%	7%	8%

79 (1) Excludes Wholesale Banking



# UK Banking

Portfolio breakdown – total £27.0bn



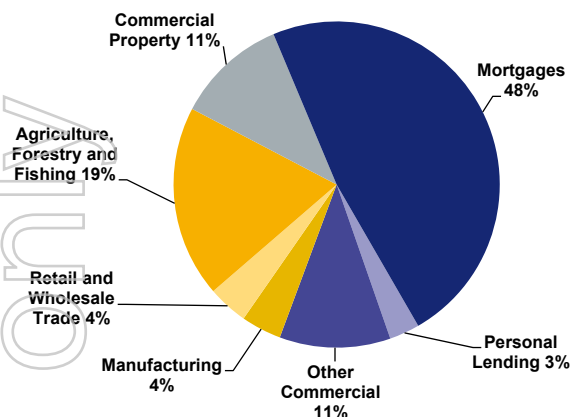
UK Mortgages	Mar 13	Sep 12	Mar 12
Owner Occupied	79.6%	79.8%	79.7%
Investment	20.4%	20.2%	20.3%
Low Document	0.0%	0.0%	0.0%
Proprietary	63.3%	65.1%	72.0%
Third Party Introducer	36.7%	34.9%	28.0%
LMI Insured % of Total HL Portfolio	1.1%	1.2%	1.3%
Loan to Value (at Origination)	63.1%	62.9%	62.7%
Loan to Value Indexed	53.2%	53.6%	53.5%
Average loan size £ ('000)	102	100	97
90+ days past due	0.50%	0.51%	0.57%
Impaired loans	0.45%	0.46%	0.43%
Specific provision coverage	22.0%	20.0%	21.4%
Loss rate	0.06%	0.09%	0.11%





# NZ Banking

Portfolio breakdown – total NZ\$60.4bn



New Zealand Mortgages	Mar 13	Sep 12	Mar 12
Low Document Loans	0.27%	0.26%	0.26%
Proprietary	100%	100%	100%
Third Party Introducer	0.0%	0.0%	0.0%
Insured % of Total HL Portfolio <sup>1</sup>	12.3%	11.8%	11.4%
Loan to Value (at origination)	64.3%	63.7%	63.5%
Average loan size NZ\$ ('000)	265	258	252
90 + days past due	0.22%	0.26%	0.31%
Impaired loans	0.32%	0.35%	0.46%
Specific provision coverage	32.1%	39.0%	38.7%
Loss rate	0.09%	0.10%	0.09%

81

(1) Insured includes both LMI and Low Equity Premium



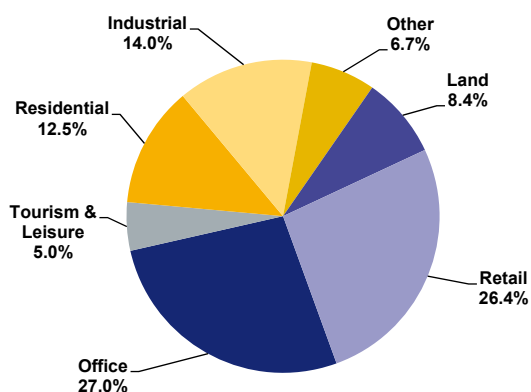
## Commercial Real Estate – Group Summary<sup>1</sup>

Total \$60.1bn

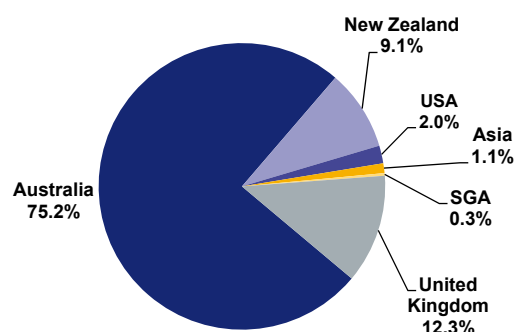
12.0% of Gross Loans & Acceptances

	Aus	NAB UK CRE	NZ	USA <sup>2</sup>	Other <sup>3</sup>	Total
TOTAL CRE (A\$bn)	45.2	7.0	5.4	1.2	1.3	60.1
Increase/(decrease) on Sep 12 (A\$bn)	0.2		0.0	0.0		(1.1)
% of GLAs	11.7%	96.1%	11.2%	20.7%	2.6%	12.0%
Change in % on September 2012	0.0%		(0.4%)	2.2%		(0.2%)

Group Commercial Property by type



Group Commercial Property by geography



(1) Measured as balance outstanding at March 2013 per APRA Commercial Property ARF 230 definitions

(2) Excludes SGA

(3) Includes SGA, Asia and UK Banking commercial real estate

82

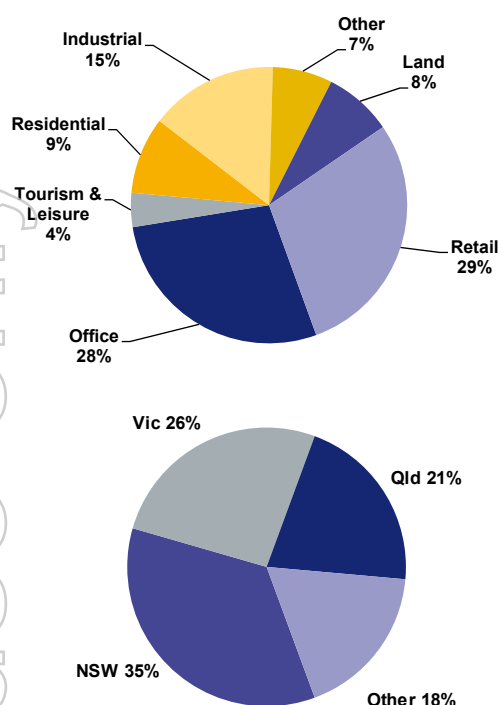


# Commercial Real Estate – Business Banking

Total \$45.1bn

11.7% of Australian geography

Gross Loans & Acceptances



State	NSW	VIC	QLD	Other	Total
Location %	35%	26%	21%	18%	100%
Loan Balance <sup>1</sup> < \$5m	10%	10%	7%	5%	32%
> \$5m < \$10m	4%	3%	3%	3%	13%
> \$10m	21%	13%	11%	10%	55%
Loan tenor < 3 yrs	29%	22%	18%	15%	84%
Loan tenor > 3 < 5 yrs	5%	3%	2%	2%	12%
Loan tenor > 5 yrs	1%	1%	1%	1%	4%
Average loan size \$m	3.4	2.5	2.8	3.2	3.0
Security Level <sup>2</sup> – Fully Secured	26%	23%	16%	16%	81%
Partially Secured	4%	2%	4%	2%	12%
Unsecured	5%	1%	1%	0%	7%
90+ days past due	0.13%	0.06%	0.07%	0.12%	0.38%
Impaired loans	0.70%	0.26%	0.98%	0.07%	2.01%
Specific provision coverage	12.9%	20.9%	23.3%	24.2%	19.3%

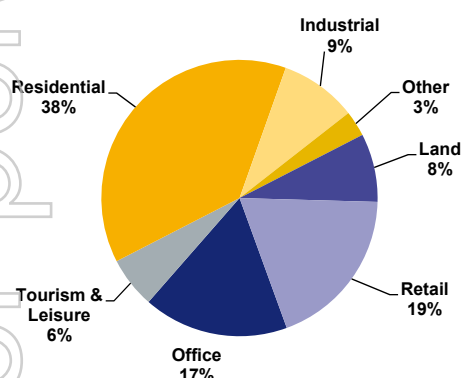
Trend	Mar 13	Sep 12	Mar 12	Sep 11
90+ days past due	0.38%	0.17%	0.31%	0.20%
Impaired Loans	2.01%	2.75%	2.91%	3.12%
Specific Provision Coverage	19.3%	14.0%	16.4%	14.7%

- (1) Distribution based on loan balance  
 (2) Fully Secured represents loans of up to 70% of the Market Value of Security. Partially Secured are over 70%, but not Unsecured.  
 Unsecured is primarily Negative Pledge lending



# Commercial Real Estate – NAB UK CRE

Total £5.0bn<sup>1</sup>



Region	North	East	South	West	Total
Location %	29%	29%	16%	26%	100%
Loan Balance <sup>2</sup> < £2m	13%	12%	6%	14%	45%
> £2m < £5m	8%	6%	3%	5%	22%
> £5m	8%	11%	7%	7%	33%
Average loan tenor < 3 yrs	19%	17%	7%	13%	56%
Average loan tenor > 3 < 5 yrs	3%	3%	4%	4%	14%
Average loan tenor > 5 yrs	7%	9%	5%	9%	30%
Average loan size (£m) spot	£0.77m	£0.90m	£1.12m	£0.76m	£0.84m
Security Level <sup>3</sup> Fully Secured	12%	13%	11%	15%	51%
Partially Secured	15%	14%	5%	11%	45%
Unsecured	2%	2%	0%	0%	4%

Mar 13	
90+ days past due	3.86%
Impaired Loans	21.78%
Specific Provision Coverage	31.53%

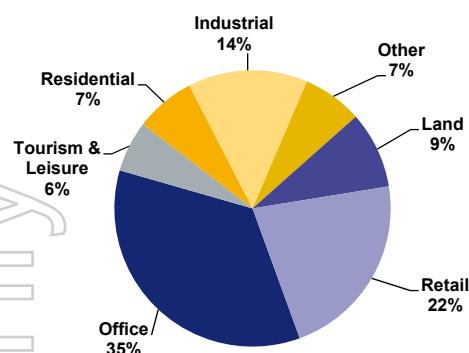
- (1) Total portfolio size of £5.0bn includes £0.2bn non-CRE assets  
 (2) Distribution based on loan balance  
 (3) Fully Secured represents loans of up to 70% of the Market Value of Security. Partially Secured are over 70%, but not Unsecured.  
 Unsecured is primarily Negative Pledge lending



# Commercial Real Estate – NZ Banking

Total NZ\$6.8bn

11.2% of Gross Loans & Acceptances



Region	Auckland	Other Regions	Total
Location %	37%	63%	100%
Loan Balance <sup>1</sup> < NZ\$5m	11%	26%	37%
> NZ\$5m < NZ\$10m	5%	8%	13%
> NZ\$10m	21%	29%	50%
Loan tenor < 3 yrs	35%	55%	90%
Loan tenor > 3 < 5 yrs	1%	4%	5%
Loan tenor > 5 yrs	1%	4%	5%
Average loan size NZ\$m	4.3	3.0	3.4
Security Level <sup>2</sup>			
Fully Secured	24%	44%	68%
Partially Secured	11%	13%	24%
Unsecured	2%	6%	8%
90+ days past due	0.22%	0.48%	0.70%
Impaired Loans	0.23%	1.13%	1.36%
Specific Provision Coverage	54.9%	31.9%	35.8%

Trend	Mar 13	Sep 12	Mar 12	Sep 11
90+ days past due	0.70%	0.81%	0.56%	0.50%
Impaired Loans	1.36%	1.31%	1.34%	1.66%
Specific Provision Coverage	35.8%	22.9%	17.2%	24.6%

- (1) Distribution based on loan balance  
 (2) Fully Secured represents loans of up to 70% of the Market Value of Security. Partially Secured are over 70%, but not Unsecured. Unsecured is primarily Negative Pledge lending



## Additional Information

Business Banking  
 Personal Banking  
 Wholesale Banking  
 NAB Wealth  
 NZ Banking  
 UK Banking  
 NAB UK CRE  
 Great Western Bank  
 Asset Quality

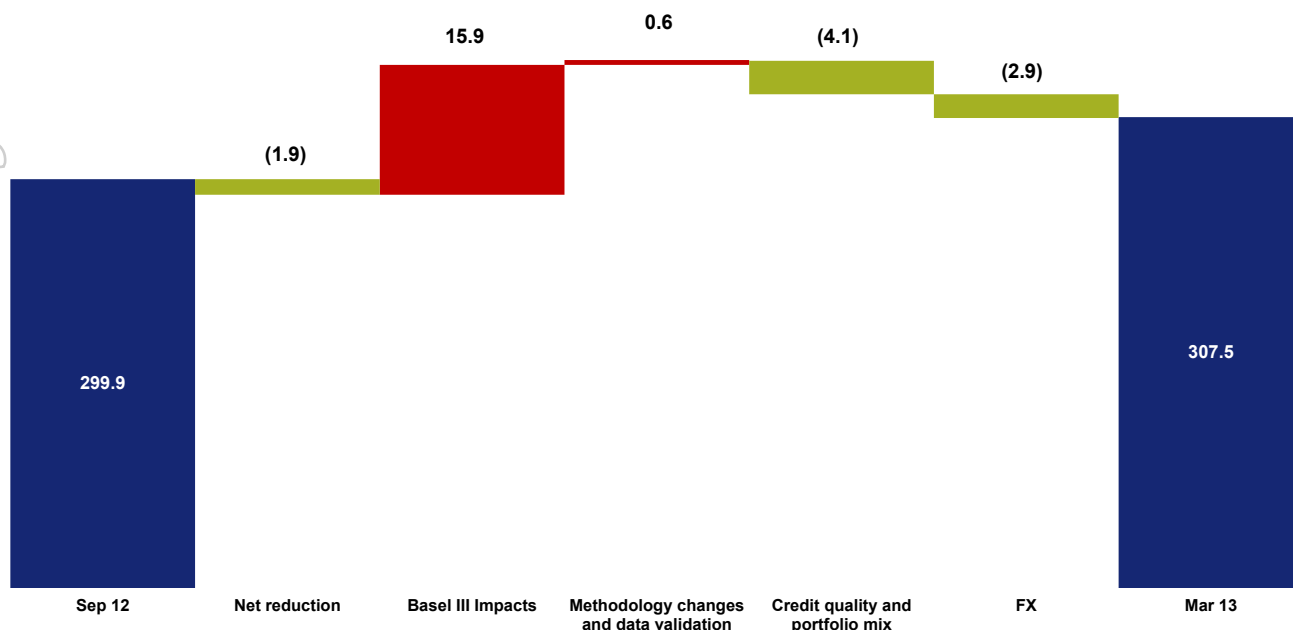
## Capital and Funding

Other  
 Economic Outlook

## Credit RWA movement

### Credit RWA movement September 2012 to March 2013

(\$bn)

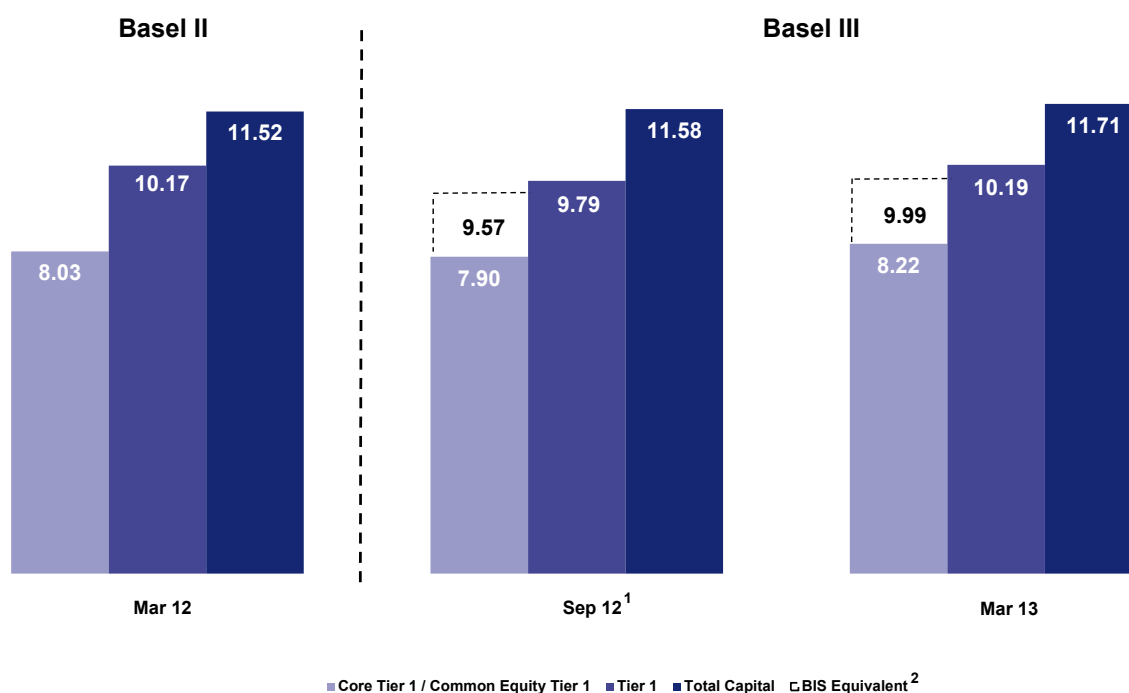


 National Australia Bank

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## Basel II and Basel III Capital Ratios

(%)

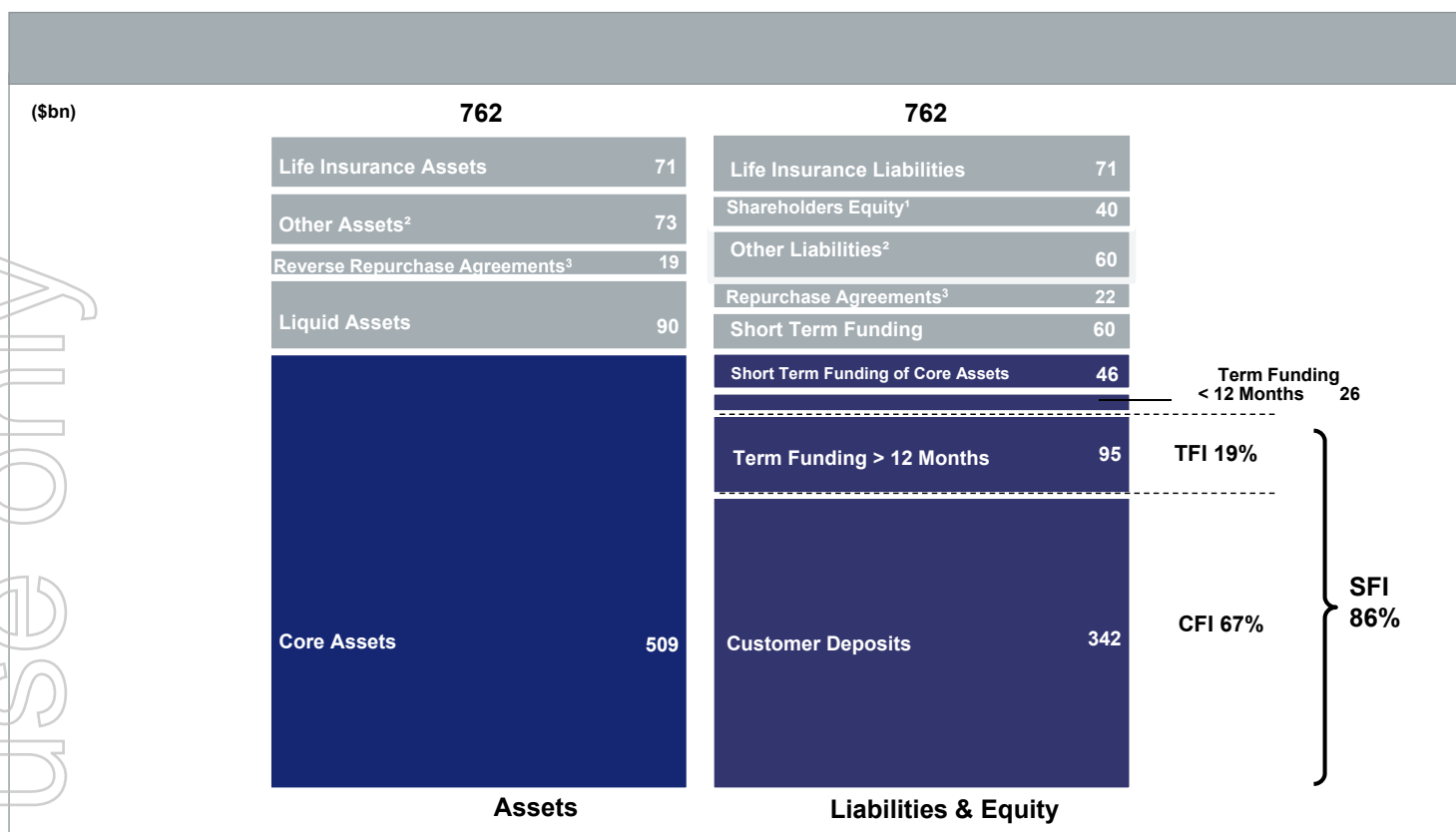


(1) The Group's Sep 12 proforma Basel III Common Equity Tier 1 ratio has been amended down by 1bps to 7.90% from the previously reported position of 7.91%. This reflects minor refinements to NAB's interpretation of APRA's Basel III standards. The Group's Sep 12 proforma Basel III Common Equity Tier 1 ratio (BIS) has been amended up by 32bps from the previously reported position of 9.25% to include Treasury shares held outside of the Level 2 Banking Group. This aligns with the Australian Bankers' Association Fact Sheet "Comparison of APRA and the Basel Committee on Banking Supervision Basel III Capital Ratios", released 14 December 2012

(2) The above comparison is based on public information at the time on the BIS approach to calculating Common Equity Tier 1

 National Australia Bank

## Asset funding – March 2013

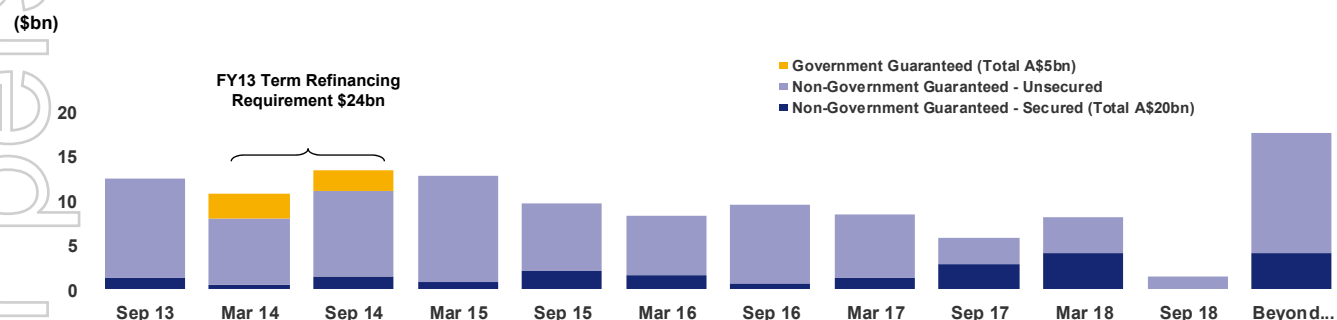


- (1) Shareholder equity excludes preference shares and other contributed equity  
 (2) Other assets and liabilities comprises mainly trading derivatives  
 (3) Repurchase agreements entered into are materially offset by reverse repurchase agreements with similar maturity profiles as part of normal trading activities



## Funding profile remains robust

### Term Wholesale Funding Maturity Profile as at March 2013

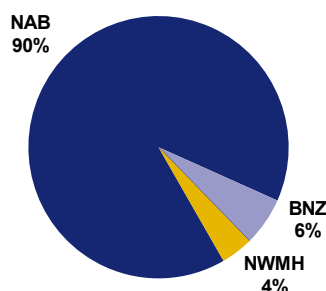


- The weighted average remaining maturity of the Group's term funding index qualifying (includes debt with > 12 months remaining term to maturity, excludes debt with < 12 months) senior, secured and subordinated debt is 3.8 years (3.7 years as at September 2012)
- The weighted average remaining maturity of the Group's senior, secured and subordinated debt is 3.1 years (3.1 years as at September 2012)
- The FY13 term funding requirement is largely driven by the need to refinance term debt that has less than 12 months remaining term to maturity during FY14
- In November 2012, National Australia Bank Limited repurchased and retired \$4.5 billion of Government guaranteed securities. \$5 billion of these securities remain, all of which are due to mature in FY14

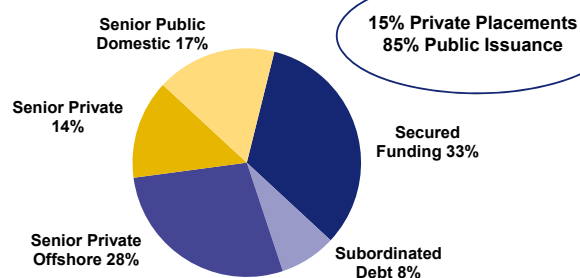


## Diversified funding issuance – March 2013

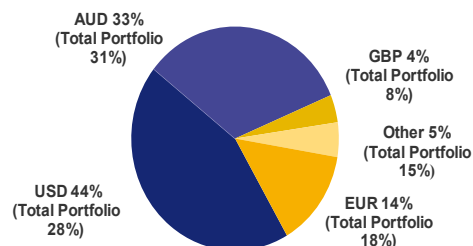
Issuer (\$12.1bn)



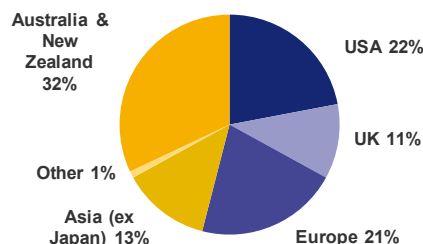
Type (\$12.1bn)



Currency (\$12.1bn)



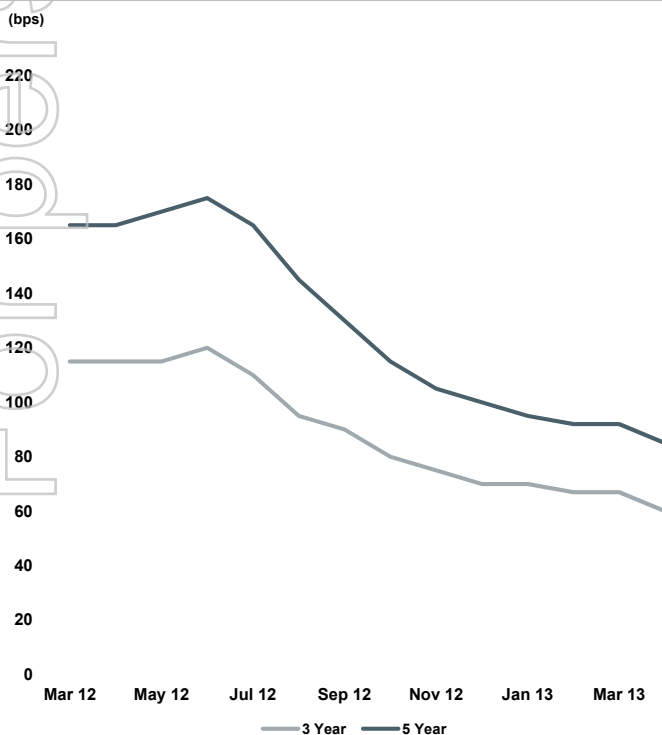
Investor location (\$12.1bn)



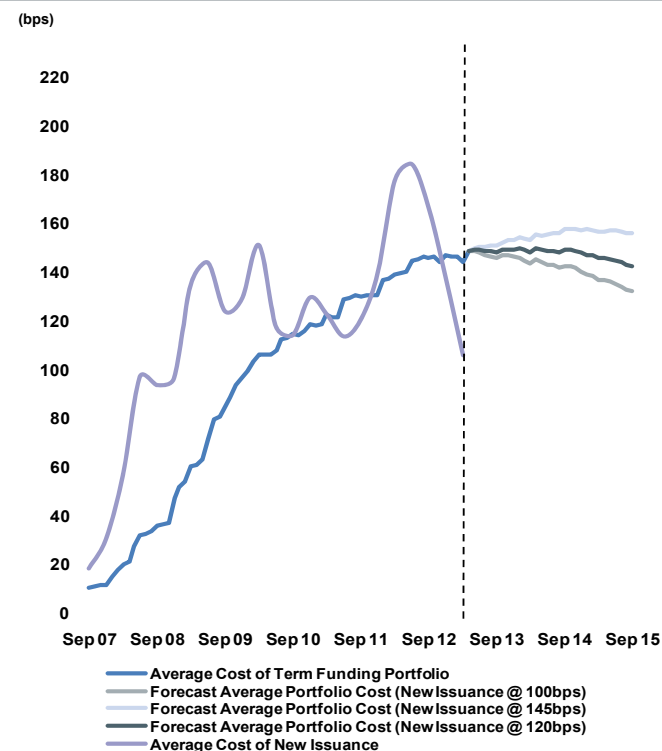
National Australia Bank

## Wholesale Funding Costs

Wholesale Term Issuance Curves<sup>1</sup>



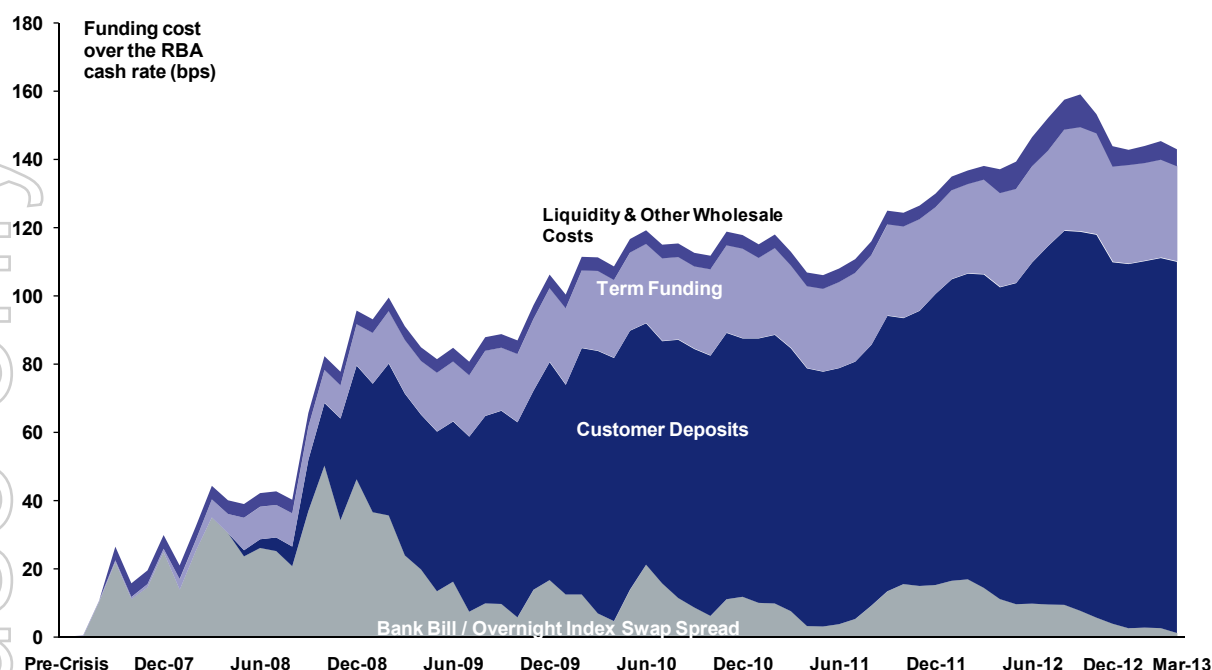
Average Long Term Wholesale Funding Costs<sup>2</sup>



- (1) Source: NAB Group Treasury. Curves based on AUD Major Bank Wholesale Unsecured Funding rate (3 years and 5 years)
- (2) NAB Ltd Term Wholesale Funding Costs >12 Months at issuance (spread at 3 month BBSW). Average cost of new issuance is on a 6 month rolling basis
- Forecast assumptions as follows:
- new issuance at 100bps: blended onshore and offshore market levels as at 30 April 2013 (5 year)
  - new issuance at 145bps: March 2013 average portfolio cost
  - new issuance at 120bps: approximate cost of maturing debt to September 2014

National Australia Bank

## Cost of funding an Australian variable rate mortgage



 National Australia Bank

## Risk Weighted Assets

Asset Class (\$m)	Mar 13		Sep 12	
	RWAs Basel III	RWA/EAD %	RWAs Basel II	RWA/EAD %
Corporate & Business	178,873	47%	169,062	46%
Mortgages	58,062	20%	56,403	20%
Retail	14,341	44%	14,723	45%
Standardised <sup>1</sup>	39,809	41%	51,412	61%
Credit Value Adjustment (Basel III)	10,343	n/a	n/a	n/a
Other Assets	6,089	63%	8,271	83%
<b>Total Credit RWAs</b>	<b>307,517</b>	<b>38%</b>	<b>299,871</b>	<b>39%</b>
Market RWAs	5,899		4,436	
Operational RWAs <sup>2</sup>	33,332		23,008	
IRRBB RWAs	4,643		4,021	
<b>Total RWAs</b>	<b>351,391</b>		<b>331,336</b>	

(1) The majority of the Group's standardised portfolio is the UK Clydesdale PLC banking operations  
 (2) Higher Operational RWAs included in the December 2012 quarter due to increased regulatory requirements

 National Australia Bank

## Additional Information

Business Banking

Personal Banking

Wholesale Banking

NAB Wealth

NZ Banking

UK Banking

NAB UK CRE

Great Western Bank

Asset Quality

Capital and Funding

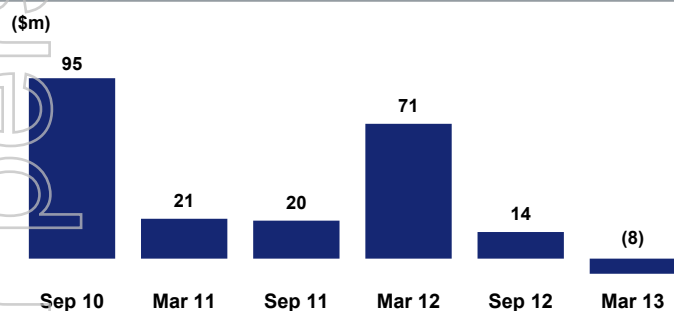
**Other**

Economic Outlook

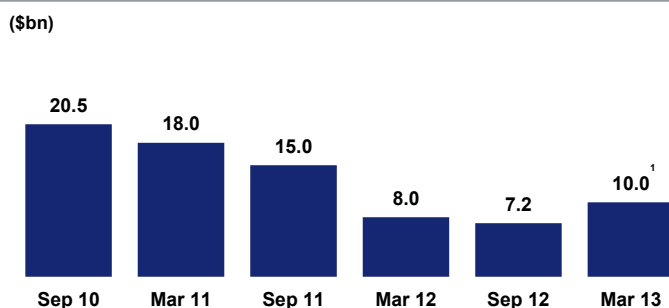


## Specialised Group Assets

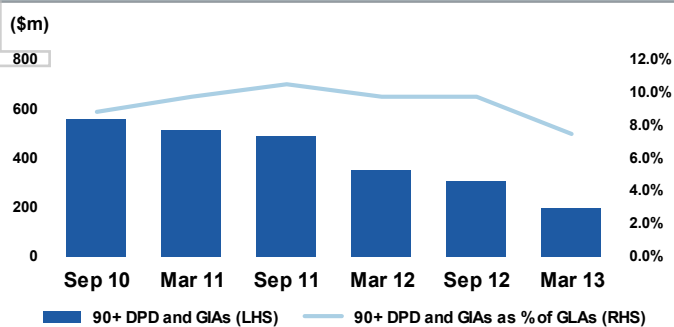
### B&DD charge



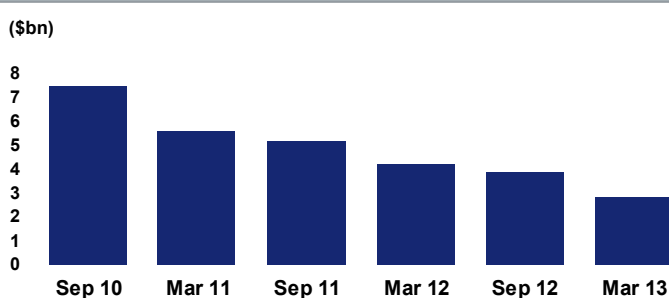
### RWAs<sup>1</sup>



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



### Gross loans & acceptances (average)



(1) The increase of RWAs to March 13 includes \$3.3bn which is primarily due to a change in treatment under APS 120 on the Structured Asset Management Portfolio, but with no impact on underlying capital - the transactions creating the RWA increase were previously capital deductions

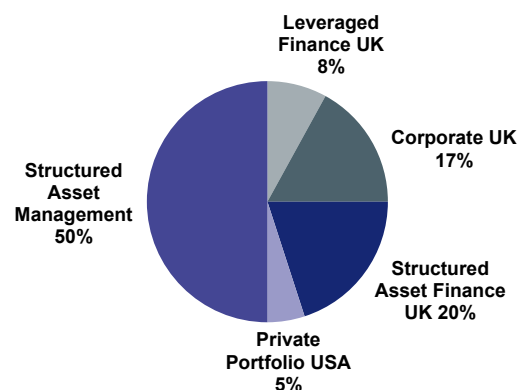


# SGA Portfolio Composition as at March 2013

	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	0.5	31.8	2.6	1.0	22	0.2
Corporate UK <sup>1</sup>	1.0	110.8	2.4	1.5	27	0.6
Structured Asset Finance UK	1.2	4.6	13.9	1.1	13	0.0
Private Portfolio USA	0.3	1.5	14.6	0.3	10	0.0
Total Loans & Advances	3.0	148.7	n/a	3.9	72	0.8
Structured Asset Management <sup>2</sup>	3.0	87.6	10.6	6.1	22	0.7
<b>Total</b>	<b>6.0</b>	<b>236.3</b>	<b>9.4</b>	<b>10.0</b>	<b>94</b>	<b>1.5</b>

(1) Of which:

Property UK	0.2	53.7	0.6	0.4	12	0.2
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97 (2) Held To Maturity Assets



## NAB's operational focus in Asia

Beijing NAB and NAB Wealth representative offices

Shanghai branch

> Institutional and Corporate, Migrant Banking

Fuzhou/Shanghai 16.8% stake in China Industrial International Trust

Tokyo branch & Osaka sub-branch

> Institutional and Corporate, Trade, Markets and Personal Banking

Hong Kong branch

> Institutional and Corporate, Trade, Markets, Personal Banking and Financial Planning (Calibre)

Mumbai branch  
> Institutional and Corporate, Trade, Markets and Personal Banking

Singapore branch

> Institutional and Corporate, Trade, Markets and Personal Banking

Indonesia representative office

> Supporting offshore Trade, Markets and Institutional Banking

● Representative office(s) ● Branch or sub-branch ● Investment stake

### 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
- Personal Banking is in the process of being rebranded NAB Private Wealth

### 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

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NAB Wealth

NZ Banking

UK Banking

NAB UK CRE

Great Western Bank

Asset Quality

Capital and Funding

Other

## Economic Outlook



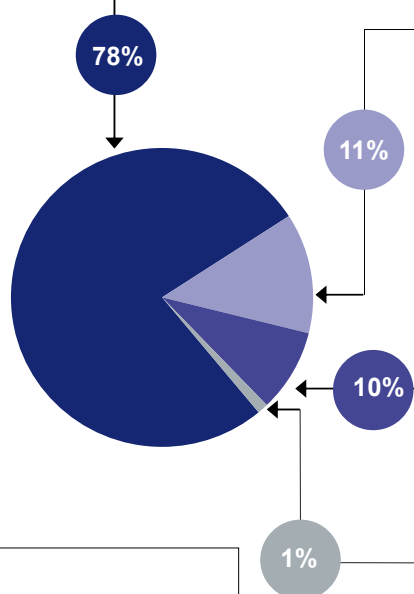
### Economic outlook

#### Australia

- Economy continues to struggle from falling commodity prices and a still high AUD
- Multi-speed economy persists with mining recently joining the ranks of the depressed manufacturing, retail, wholesale and construction sectors
- Outlook is still for low inflation
- Expect year average GDP growth of 2.4% in CY 2013; 3.0% in CY 2014
- Mining investment around its peak. Need for non-mining investment to pick up the slack but unlikely to be sufficient to prevent slowing in growth
- Unemployment expected to drift up
- RBA now focused on non-mining recovery. Rate cuts should help

#### China

- Pace of growth slowing but no hard landing expected
- Government keen to rebalance toward more consumption
- Economy still growing by around 8% annually
- Concern over shadow banking and local government lending
- Curbs on real estate sector



#### United Kingdom

- Output well below its early 2008 level
- Weakest recovery from a downturn since UK data started – slower than 1930s
- Modest economic upturn expected to start
- Property markets still soft
- Credit growth hit by business de-leveraging
- Lack of confidence affecting business investment plans
- Euro-zone recession hitting exports
- Interest rates expected to stay low

#### New Zealand

- Drought and Christchurch rebuild
- Bulk of economy seeing an upturn
- Commodity prices rising again
- Housing upturn, especially in Auckland

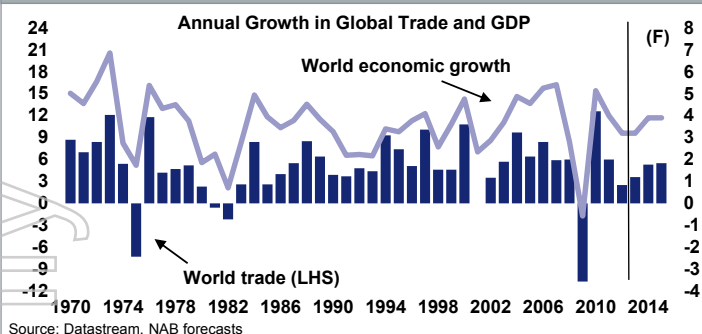
#### United States

- Modest drawn-out economic recovery
- Housing sector now recovering
- Labour market, credit picking up
- Interest rates expected to stay low plus QE - fiscal policy a headwind

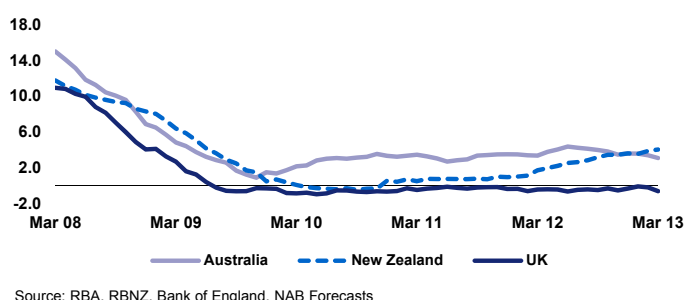


# Economic conditions

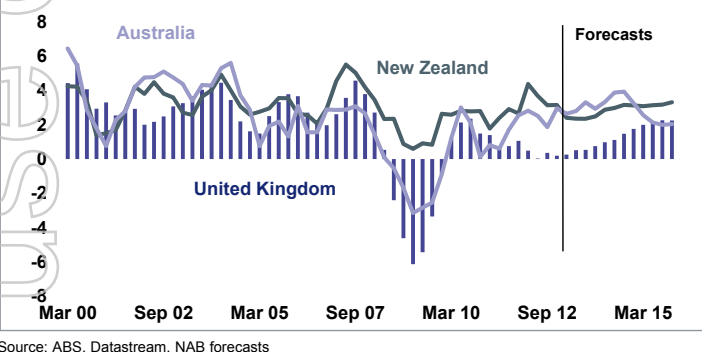
## Annual % growth in global trade and GDP - 1970 - 2015



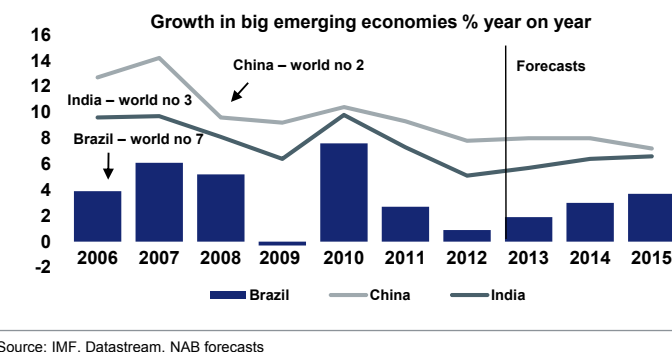
## System credit growth % change year-on-year



## Real GDP % change year on year



## Annual % growth in emerging economies



# Australia regional outlook

Economic Indicators (%) <sup>1</sup>	CY11	CY12	CY13(f)	CY14(f)	CY15(f)
GDP growth	2.4	3.6	2.4	3.0	3.2
Unemployment rate	5.1	5.3	5.9	5.8	5.8
Core inflation	2.8	2.4	2.3	2.6	2.8
Cash rate	4.25	3.00	2.50	3.00	4.00
System Growth (%) <sup>2</sup>	FY11	FY12	FY13(f)	FY14(f)	FY15(f)
Housing	5.8	4.7	5.3	6.2	6.6
Other personal (incl cards)	-1.0	-0.7	1.4	4.5	6.3
Business	0.3	3.7	0.0	3.3	7.4
Total system credit	3.4	4.0	3.2	5.1	6.9
Total A\$ ADI deposits <sup>3</sup>	8.5	7.2	5.0	6.4	8.4

- Australian GDP growth rose by a moderate 0.6% in Q4 2012, to be 3.1% higher over the year
- 'Green shoots' such as improving retail turnover, house prices and equity markets should be balanced against the weakness in labour market forward indicators, the downturn in the mining sector and the relentless pressure of the AUD on trade-exposed businesses
- Continued weak business activity suggests we are yet to see the upswing in consumer demand that policy makers are searching for
- While the mining investment peak is approaching, there remains a significant amount of work in the pipeline yet to be completed
- GDP is forecast to soften to 2.4% in 2013 before lifting to 3.0% in 2014, that is, still below trend. Consistent with this, we forecast unemployment to rise to around 6% by late 2013 as the labour intensive mining investment phase slows and the capital intensive exports phase begins
- With inflationary pressures expected to be well contained in the near term, assisted by soft demand and a still high AUD, there is still scope for another rate cut by year-end (possibly November). Timing is still very fluid with higher house prices a possible delaying factor and unemployment path a key variable
- Despite historically low borrowing rates, overall demand for credit remains subdued, and is expected to remain relatively soft over the year ahead

(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



## UK regional outlook

Economic Indicators (%)	CY11	CY12	CY13(f)	CY14(f)	CY15(f)
GDP growth	1.0	0.3	0.8	1.8	2.2
Unemployment	8.3	7.8	7.8	7.7	7.5
Inflation	4.5	2.8	2.9	2.5	2.4
Cash rate	0.5	0.5	0.5	0.5	1.5
System Growth (%)	FY11	FY12	FY13(f)	FY14(f)	FY15(f)
Housing	0.7	0.8	0.7	1.4	2.8
Consumer	-1.0	-0.5	0.5	0.9	1.7
Business	-2.5	-3.1	-2.5	-0.8	1.1
Total lending	-0.6	-0.7	-0.5	0.5	2.1
Retail deposits	3.1	3.7	5.3	5.7	6.0

- Business conditions remain subdued with the economy shrinking in late 2012 and growth was only modest in the early months of 2013. The level of output remains well below its early 2008 level. After this very disappointing record, we expect to see a sustained period of growth through the next few years but the pace of expansion is likely to be fairly modest
- The UK economy has been hit by a combination of adverse events – the Euro-zone recession has hit sales to its biggest export market, a lack of confidence has held back the upturn in business confidence that the official forecasters have been long expecting, household incomes have been squeezed by modest pay increases combined with reasonably high inflation and the government has been pursuing its fiscal austerity agenda
- Weak property markets have held down spending levels and activity. Commercial property prices are still trending down gently but some of the housing market indicators are looking slightly better (with modestly rising prices and higher volumes). There is a big variation between regions in terms of housing market strength in early 2013 with prices rising in SE England but still falling in Northern England and Scotland. The London commercial property market is also outperforming other regions
- System credit remains weak in the UK with business still de-leveraging (the stock of credit is still trending down) and housing lending is only growing very slowly. The lack of confidence impeding investment is holding back credit demand and government efforts to boost the flow of new lending have not yet had a marked impact on new lending
- Against this background of sluggish growth, the Bank of England seems likely to keep interest rates very low and we do not expect to see any rise off the current historic low until 2015



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## NZ regional outlook

Economic Indicators (%)	CY11	CY12	CY13(f)	CY14(f)	CY15(f)
GDP growth	1.4	2.5	2.9	3.6	2.2
Unemployment	6.4	6.9	6.5	6.0	5.8
Inflation	1.8	0.9	0.9	2.0	2.9
Cash rate (end period)	2.5	2.5	2.5	4.0	4.5
System Growth (%)	FY11	FY12	FY13(f)	FY14(f)	FY15(f)
Housing	1.6	1.6	4.3	6.5	5.7
Personal	-1.6	0.1	2.8	4.5	4.5
Business	-0.7	2.3	4.0	4.9	5.2
Total lending	0.5	1.8	4.1	5.8	5.4
Household retail deposits	7.0	9.0	8.8	8.2	7.1

- Although the drought and reconstruction in Canterbury are expected to substantially affect the economic growth numbers this year, the underlying picture remains one of an upturn in activity continuing across the bulk of the economy. Recent business surveys suggest that the solid economic growth seen in late 2012 has carried over into this year. Domestic demand has picked up, the housing market has turned much more positive and household credit growth is accelerating. This upturn has had surprisingly little impact on the official labour market data with the jobless rate still around 7% and little growth in employment through the last few years
- The recent marked increase in commodity export prices will help support farm incomes, which are being hit hard by the drought and the high New Zealand dollar. The central bank has expressed concern at the impact of the high local currency on the competitiveness of local industry but that strong currency is also holding down price inflation with the CPI growing by under 1% through the year to March 2013
- Interest rates are very low in New Zealand by historical standards – the policy rate has been set at 2.50% since early 2011, a record low. System-wide floating rate mortgages have been around 6% and average fixed mortgage rates are even lower. The RBNZ is expected to start lifting its policy rate in early 2014 and it is watching the housing market (where Auckland prices have been growing at double-digit rates) very closely. The RBNZ is also looking closely into “macro-prudential tools” to address potential risks to financial stability from future asset market bubbles
- The outlook for continued economic growth through the next few years should help boost credit growth but it is expected to remain well below the rates seen before 2008. Higher interest rates should eventually slow housing credit but deposit growth, albeit slowing, should stay solid
- System asset quality indicators remain good with impaired assets being only around 1.25% of registered bank assets in late 2012

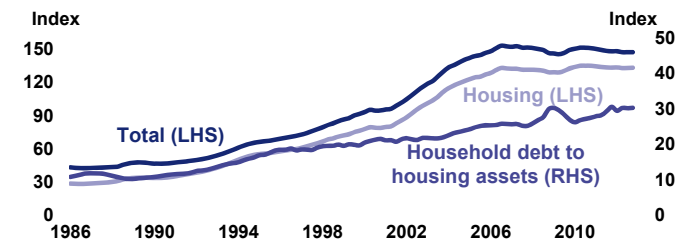


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# Characteristics of the Australian mortgage market

- Solid population growth combined with an insufficient expansion in Australia's dwelling stock has led to an undersupply of housing in most regions
- While Australia's household debt service burden remains at historically high levels, it has improved marginally
- Recent NAB Australian Property Surveys show increased demand from resident investors, likely to be in response to lower borrowing costs and positive income returns
- However, employment security and access to credit remain significant impediments to purchasing existing property
- Around 80% of Australian mortgages are at variable rates, making the most common mortgage rate very sensitive to changes in monetary policy

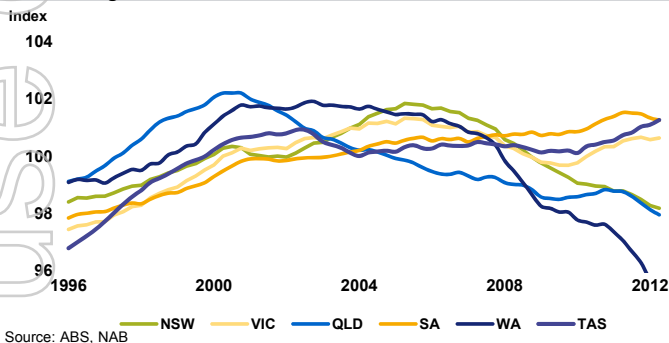
## Household debt-to-income ratio



Source: ABS, NAB, RBA  
Income is disposable income after tax and before interest payments  
Household sector excludes unincorporated enterprises

## Ratio of dwellings to resident population

State average = 100



## Mortgage interest rates



 National Australia Bank

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