



# **MORGAN STANLEY** **FINANCIALS FORUM**

17 March 2011

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National Australia Bank Limited ABN 12 004 044 937

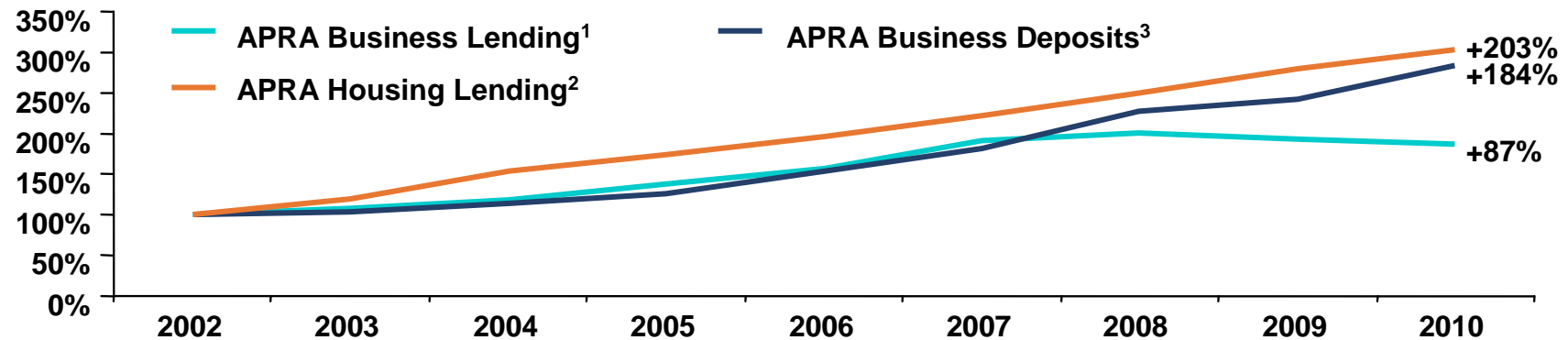


# Our view on new business banking industry dynamics

- ▶ A new reality in credit system growth
- ▶ Contraction in lending by NBFIs, regional banks, foreign banks
- ▶ Return to fundamentals of Risk/Reward
- ▶ A greater focus on Relationship banking
- ▶ Bias to home lending by the banking system?

# Business banking – Industry dynamics

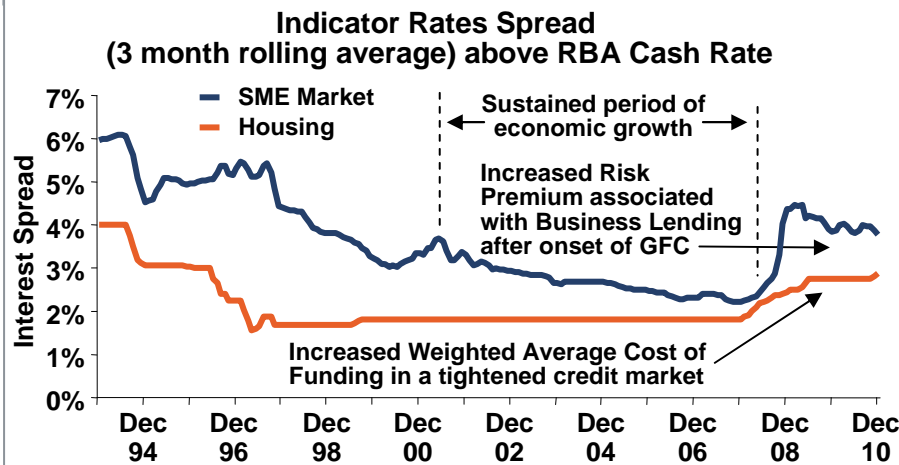
## Long-term System Growth



- (1) Loans & advances to Non-financial corporations + Acceptances of customers
- (2) Loans to Housing: Owner-occupied + Housing: Investment + Outstanding principal balance of securitised assets
- (3) Deposits from Non-financial corporations + financial corporations + government + community services

Source: APRA Monthly Banking Statistics

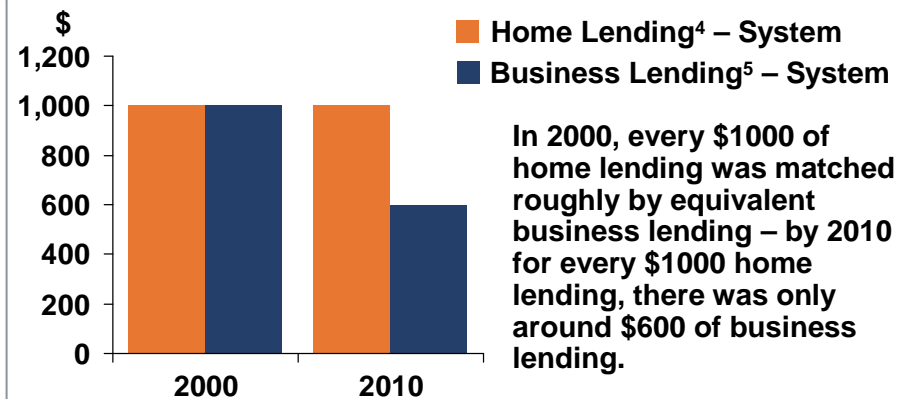
## Long-term Margins



Source: RBA Statistics F1 Interest Rate and Yields – Money Market – Daily; F5 Indicator Lending Rates; NAB historical rates

3 Notes: SME market indicator rate is derived from the RBA's listed historical small business weighted avg rates on credit outstanding. Housing indicator rate is the headline rate and excludes any discounts.

## System bias to Home Lending



In 2000, every \$1000 of home lending was matched roughly by equivalent business lending – by 2010 for every \$1000 home lending, there was only around \$600 of business lending.

- (4) Owner-occupier housing + Investor housing credit
- (5) Business credit

Source: RBA Financial Aggregates



# NAB Business Banking

<b>Vision</b>	▶ Grow Market Leadership through World Class Relationship Banking						
<b>Philosophy</b>	<ul style="list-style-type: none"> <li>▶ Customers at the centre of how we think, talk and act</li> <li>▶ Committed to supporting Australian business</li> <li>▶ Calibre, diversity and engagement of our people is critical to market leadership</li> </ul>						
<b>Position</b>		<b>Small &amp; Emerging<sup>2</sup></b>	<b>SME<sup>3</sup></b>	<b>Agri<sup>4</sup></b>	<b>Corporate Banking<sup>5</sup></b>	<b>Institutional Banking<sup>6</sup></b>	
	<b>Market leadership<sup>1</sup></b>	✓	✓	✓	✓	✗	
	<b>Market Share (lending)</b>	21%	27%	28%	21%	16% <sup>7</sup>	
<b>Key metrics</b>		<b>Cash earnings</b>	<b>Revenue</b>	<b>CTI</b>	<b>ROA</b>	<b>Average GLAs</b>	<b>FTEs</b>
	<b>FY10</b>	\$2,193m	\$5,619m	30.5%	1.19%	\$186.6bn	5,482
	<b>FY10 vs FY09</b>	Up 37.1%	Up 7.6%	Improved 100bps	Up 31bps	Up 1.8%	Up 427

(1) #1 or #2 market share

(2) DBM Consultants NAB Market Share Data January 2011 0-\$1m (rolling 12 month average)

(3) DBM Consultants NAB Market Share Data January 2011 \$1m-\$50m (rolling 12 month average)

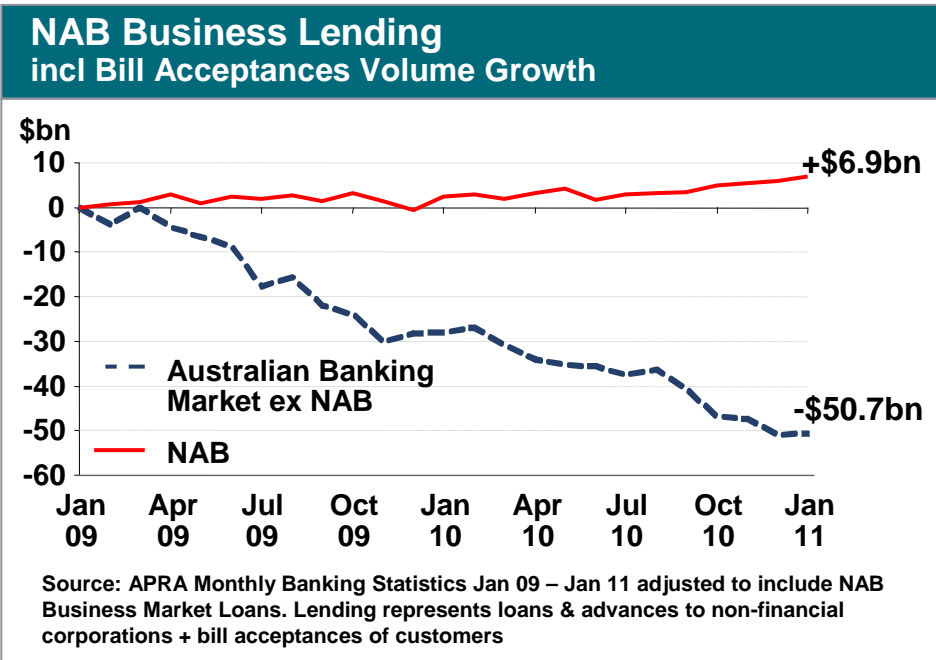
(4) RBA D7 Bank Lending to Business – Total Credit Outstanding by Size and by Sector September 2010

(5) DBM Consultants NAB Market Share Data January 2011 \$50m-\$500m (rolling 12 month average)

(6) Peter Lee Large Corporate and Institutional Banking Relationship Banking Survey 2010

(7) Proportion of borrowers citing NAB as their "lead" lender

# Business Lending



**No.1**

Business Lending market share  
**23.9%<sup>1</sup>**

12 month improvement of  
**+186bps**

(1) APRA Monthly Banking Statistics January 2011 adjusted to include NAB Business Market Loans. Lending represents loans & advances to non-financial corporations + bill acceptances of customers

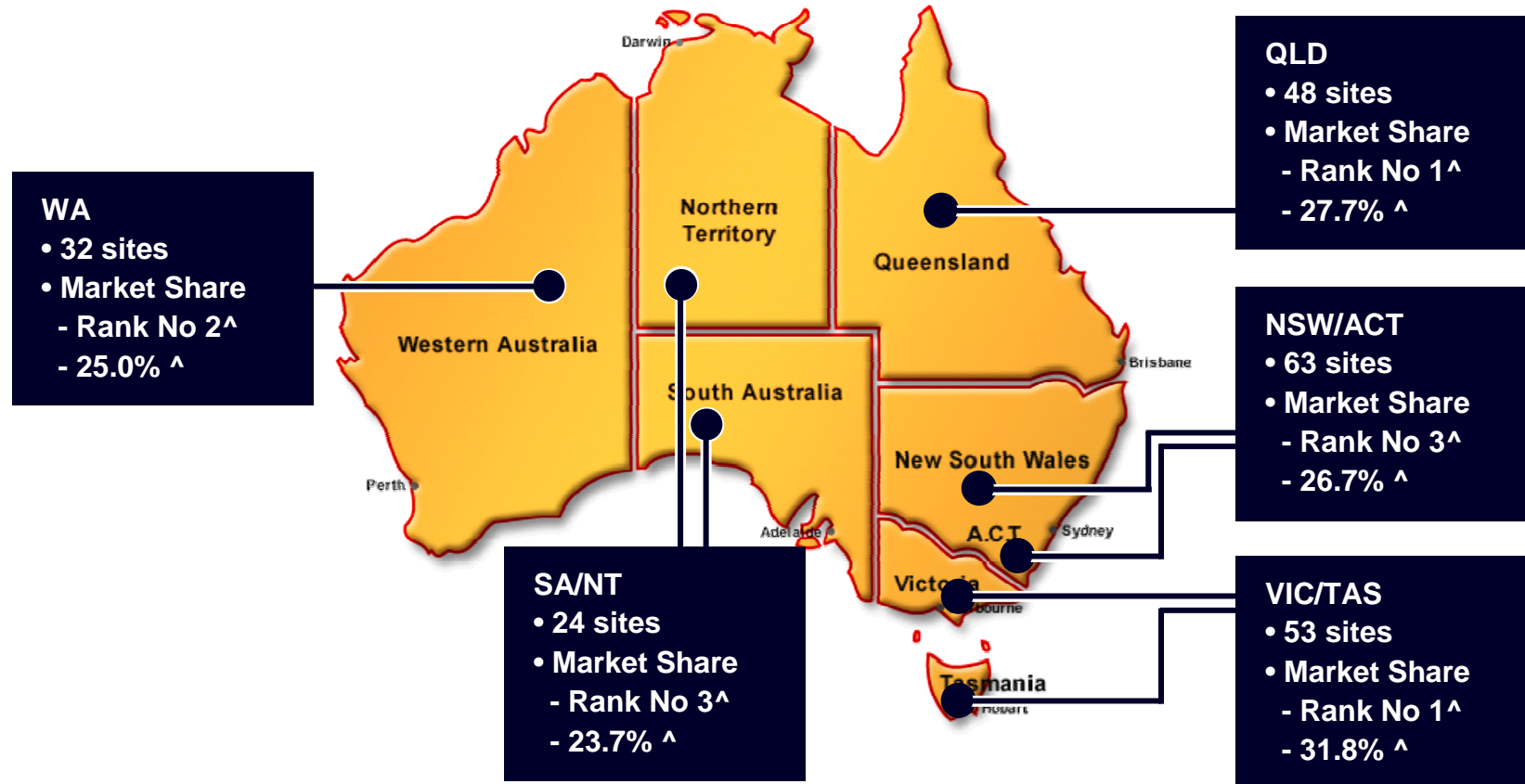
**No.2**

Business Deposits market share  
**21.5%<sup>2</sup>**

12 month improvement of  
**+53bps**

(2) APRA Monthly Banking Statistics January 2011. Total Business Deposits = non-financial corporations + financial corporations + government + community services deposits

# A leading Business Banking presence across Australia



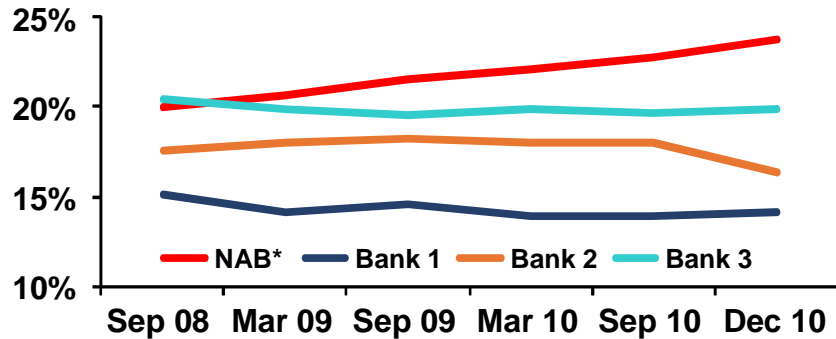
“More Bankers in More Places”

Note: System as of December 2010 is defined as the banks reporting to ABA/Cannex - NAB, ANZ, CBA, WBC/SGB, AMP, ING, SUN, BOQ, ADE and BWA  
<sup>^</sup> Source: ABA CANSTAR Market Share Report December 2010

# Delivering on our “AND” Strategy

## Growing Market Share

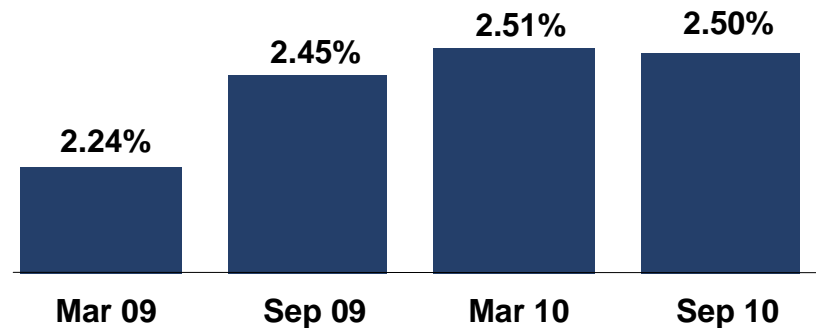
### Business Lending Market Share



Source: APRA Monthly Banking Statistics Sept 2008 - Dec 2010. Lending represents loans & advances to non-financial corporations plus bill acceptances of customers. \* Represents APRA data adjusted historically to include Business Markets Flexible Rate Loans

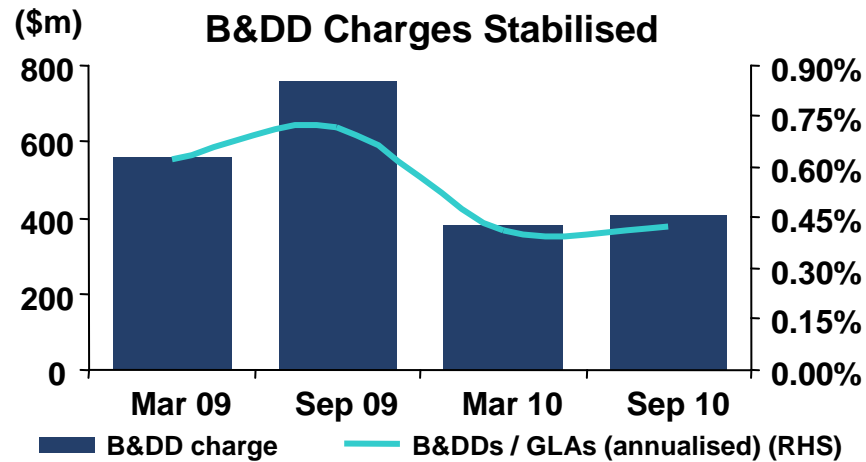
## Managing Margins

### Business Banking NIM



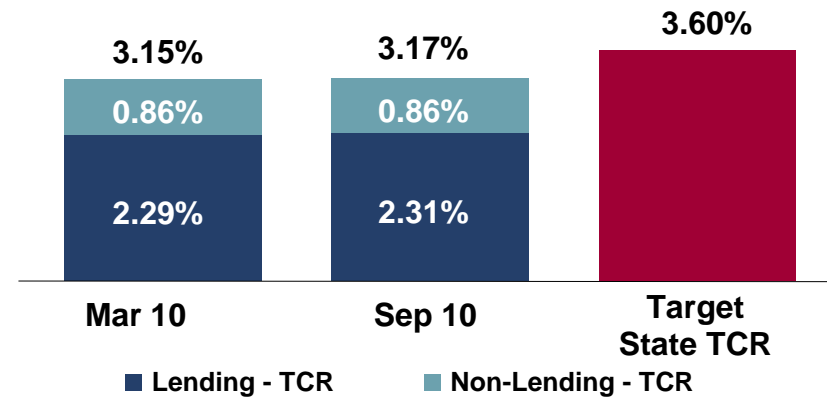
## Managing Risk

### B&DD Charges Stabilised



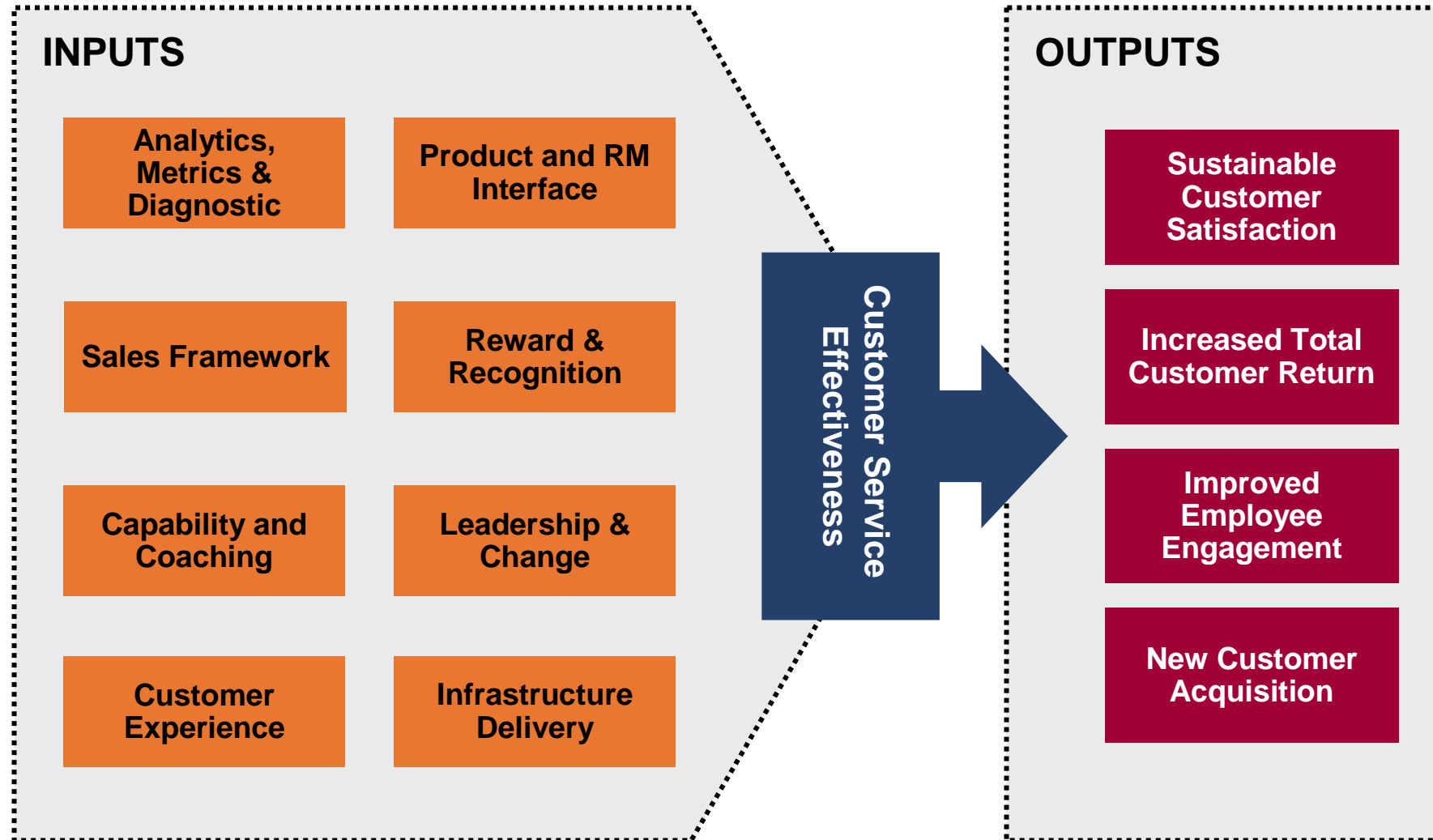
## Growing Cross-sell

### Total Customer Return<sup>1</sup>



(1) Estimated total enterprise revenue/lending assets

# CIS: Building World-class Relationship Banking





# Summary

- ▶ Well positioned for system recovery and changing industry dynamics
- ▶ Significant investment in people
- ▶ Greater focus on capital management, risk economics and ROE
- ▶ Consistent focus on “AND” strategy

**Disclaimer:** This document is a presentation of general background information about the Group's activities current at the date of the presentation, 17 March 2011. It is information in a summary form and does not purport to be complete. It is to be read in conjunction with the National Australia Bank Limited Full Year Results filed with the Australian Securities Exchange on 27 October 2010. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

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

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

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