

more give, less take



National
Australia
Bank

UBS Financial Services Conference

25 June 2014

Gavin Slater

Group Executive, Personal Banking

National Australia Bank Limited ABN 12 004 044 937



Important note on these presentation slides

This document is a visual aid accompanying a presentation to analysts by Gavin Slater, Group Executive Personal Banking, on June 25 2014. 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 a sophisticated investor audience familiar with National Australia Bank Limited and its March 2014 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 2014 Half Year Results, which has been lodged with the Australian Securities Exchange and is available at www.nab.com.au.

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 2014 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.

Benefits of updated operating model

Operating model



Benefits of integrated model

- Improved level of accountability, including introduction of 165 performance units (PUs) with KPIs and financial metrics (25 PUs within Personal Banking)
- Greater transparency on product returns and profitability by segment and channel
- Cost efficiencies through the removal of duplicated functions
- Increased skills and capabilities via establishment of 'centres of excellence' across business functions

Personal Banking's role

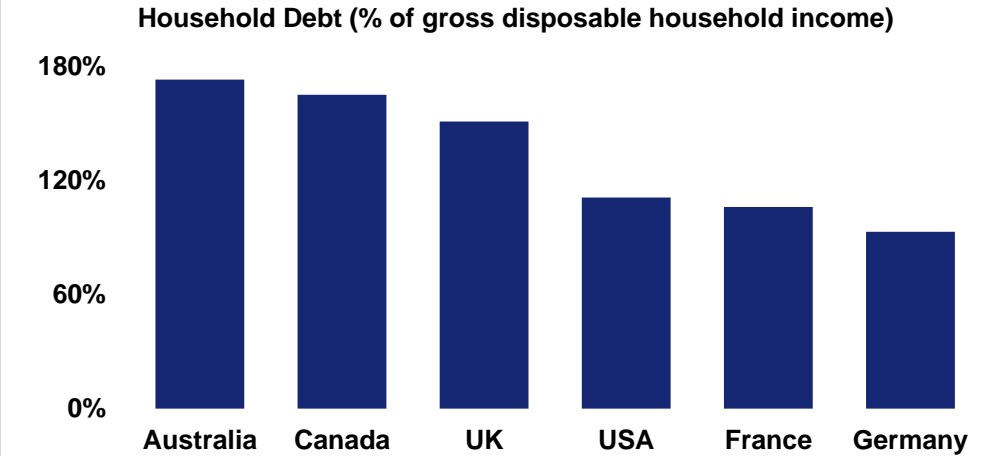
- Consumer and small business customers
- Distribution channel management:
 - Retail (store network)
 - Digital and Direct (online and contact centres)
 - Growth Partnerships (broker/third party distribution)
 - Small Business (customers with <\$1m in business lending)
- Marketing and digital capabilities across the enterprise

Consumer banking landscape

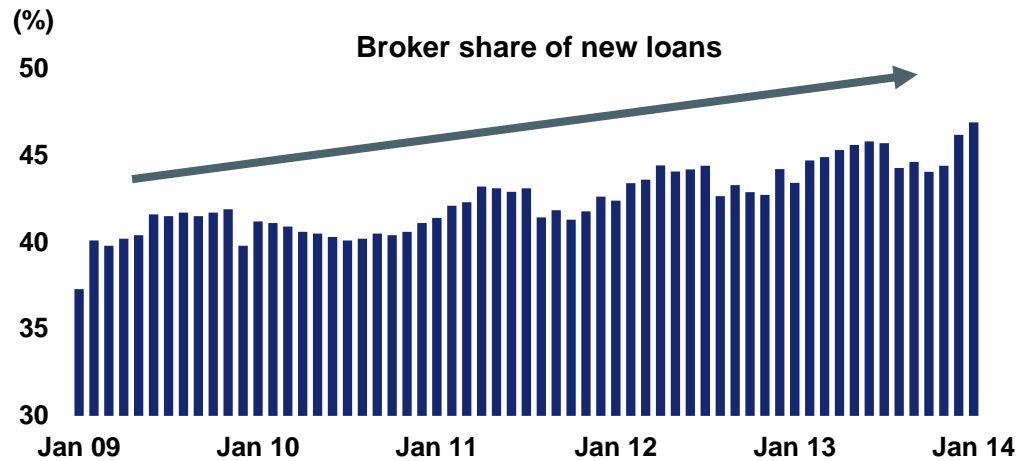
Australian housing and personal credit growth¹



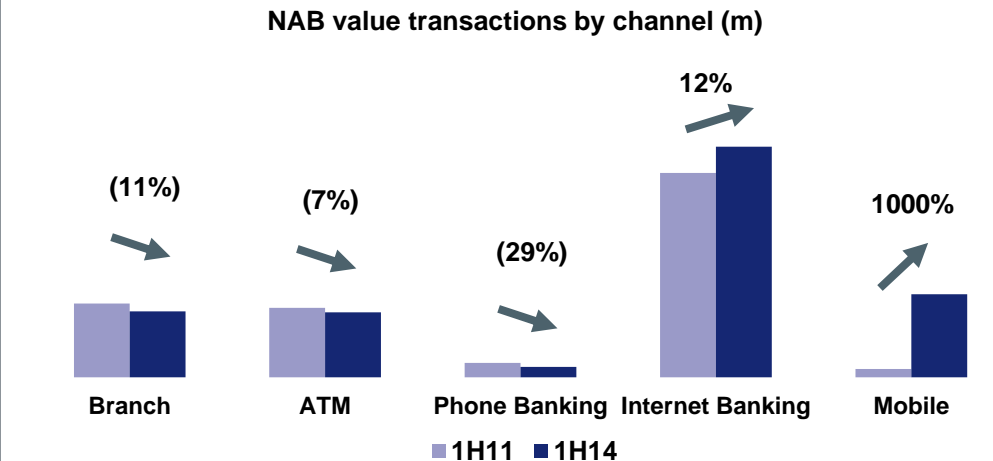
Highly leveraged households²



Growth in broker share of mortgage market³



Shift to digital

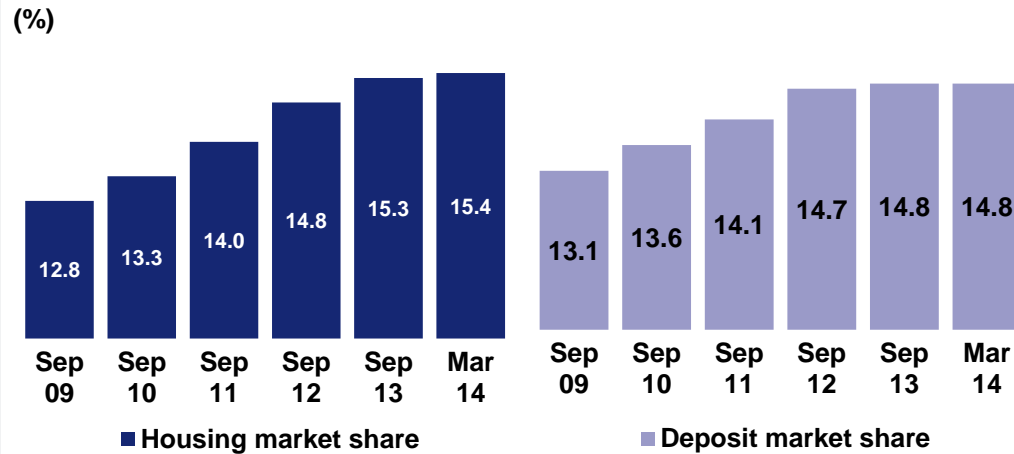


(1) APRA, RBA, NAB
 (2) OECD, ABS 2012
 (3) DFA / JPMorgan

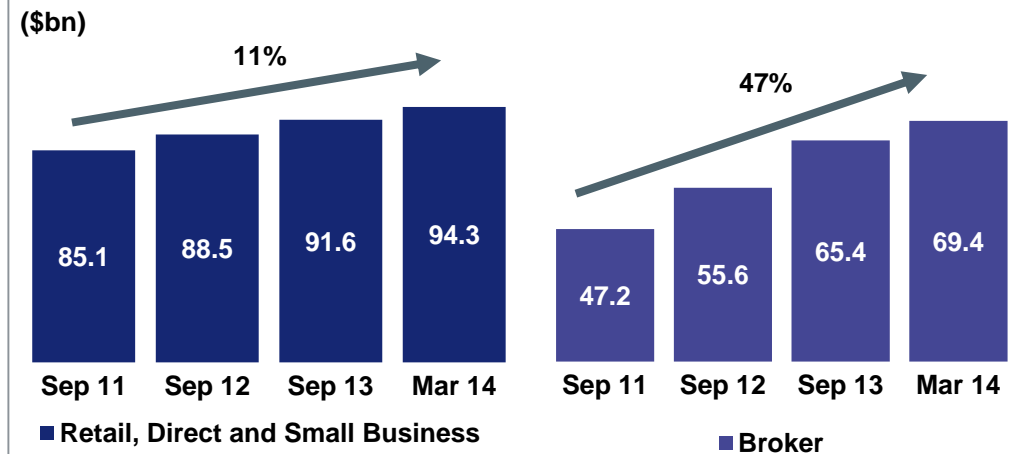


Good progress to date

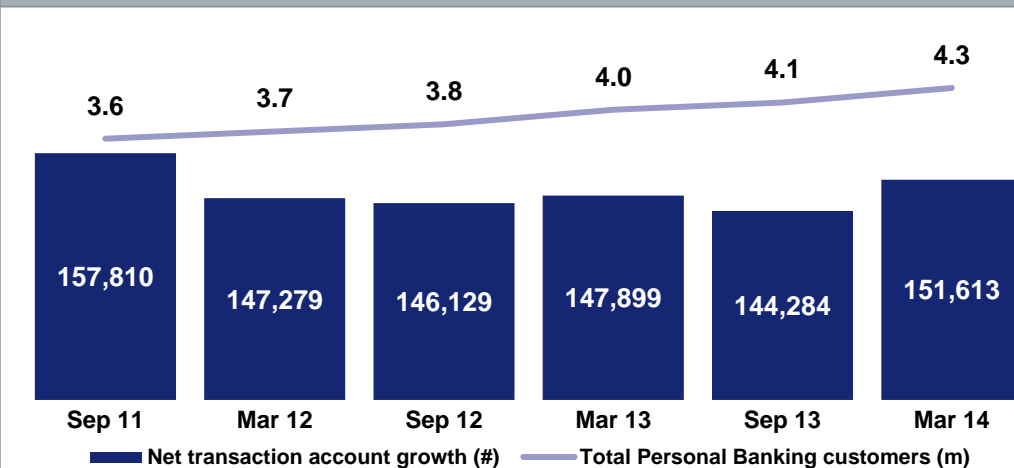
Australian housing lending¹ and household deposit market share²



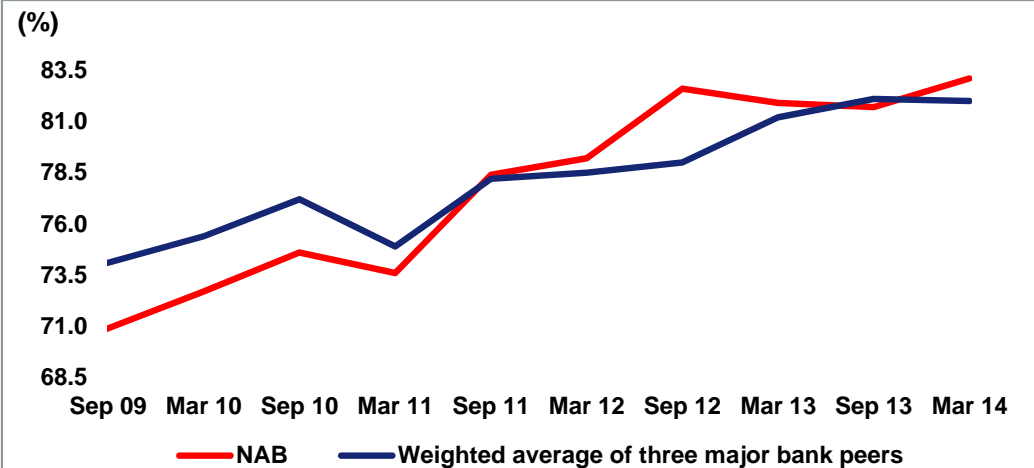
Personal Banking mortgage outstandings growth by channel



Net transaction account growth and total consumer customers³



Retail MFI customer satisfaction⁴



(1) RBA Financial system

(2) APRA Banking system

(3) Excludes Small Business, Advantedge and UBank customers

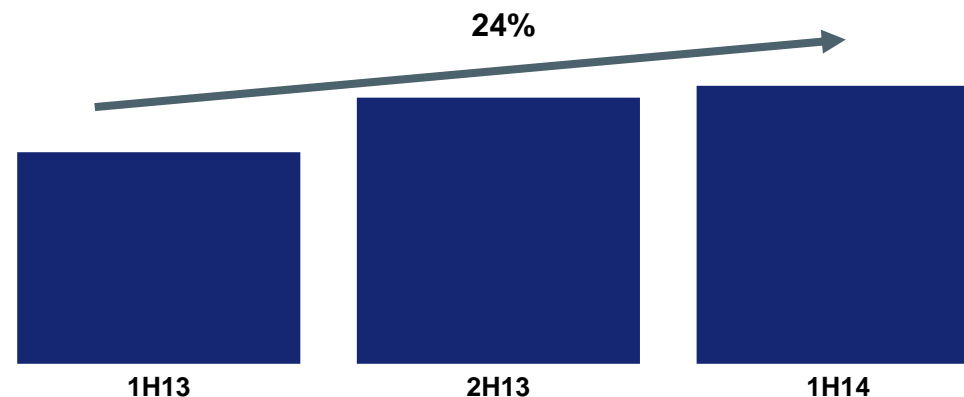
(4) Roy Morgan Research, Aust MFIs, population aged 14+, six month moving average. Customer satisfaction is based on customers who answered very/fairly satisfied. NAB compared with the weighted average of the three major banks (ANZ, CBA, WBC)

Optimising Retail (store network) performance

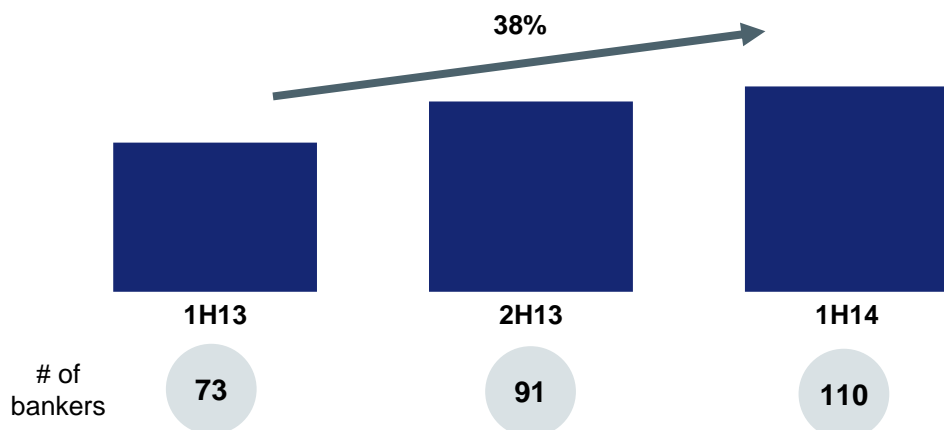
Key areas of focus - Retail

- Sales uplift and increased sales effectiveness
- Footprint optimisation – target of 25% reduction in floor space
- Continued roll-out of in branch self-service machines

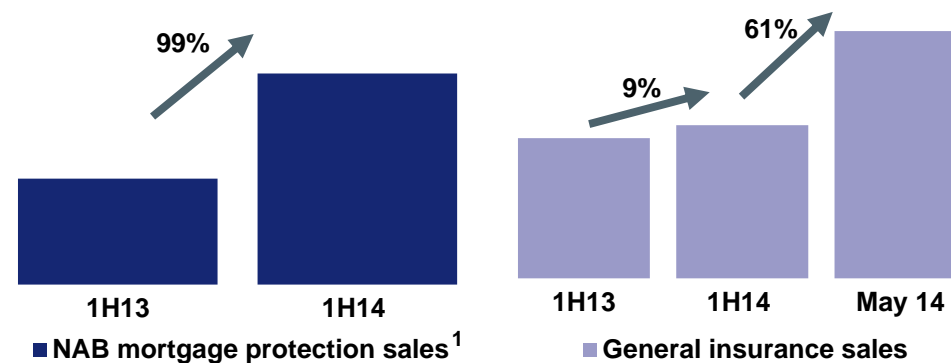
Retail mortgage sales



Mobile Banker sales



Cross-sell of NAB insurance products via Retail

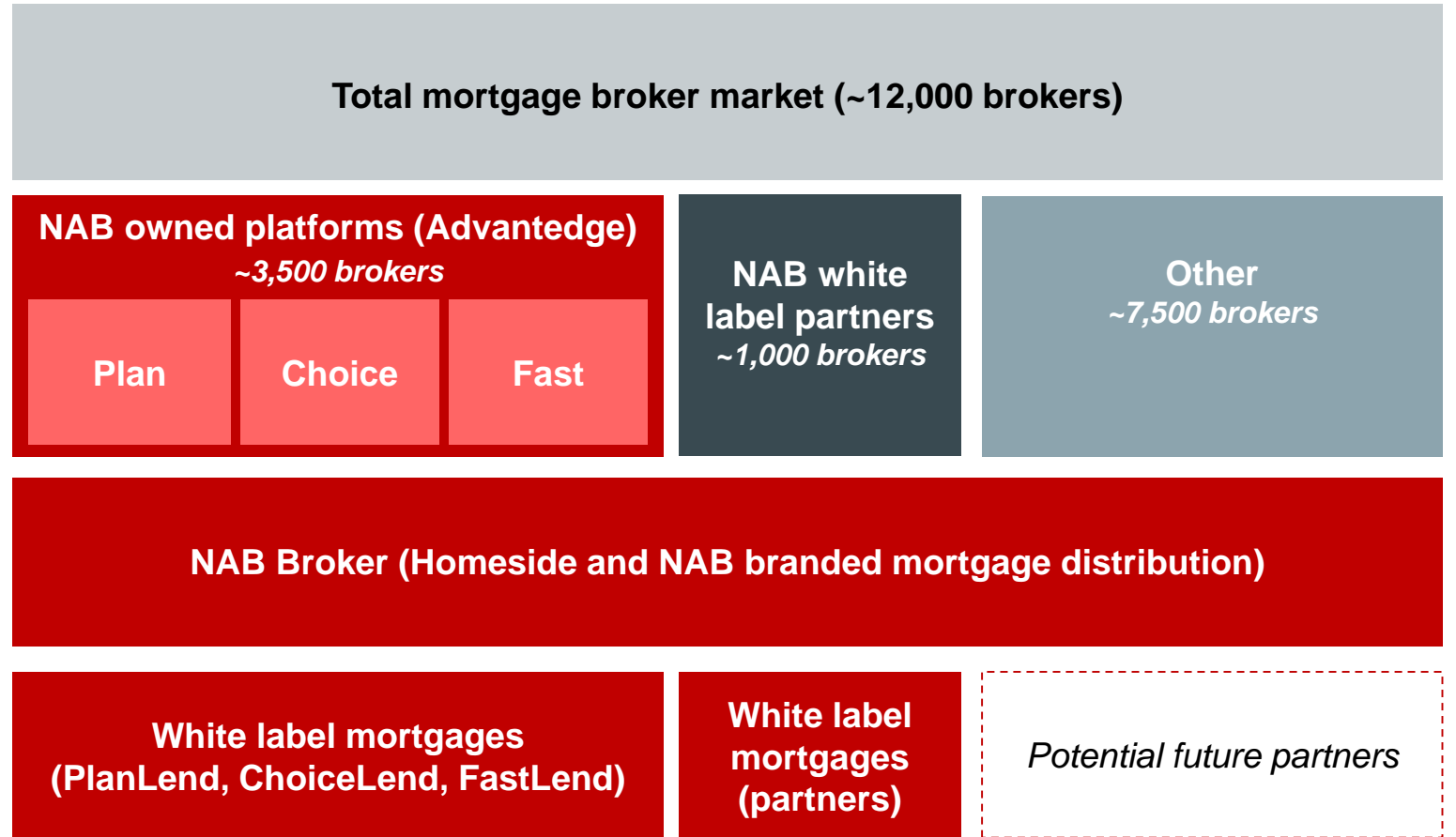


(1) Provides insurance cover to a borrower to assist them paying their mortgage in the event of illness, redundancy or inability to work through disability

Unique position in Broker distribution

Participate in the broker market in three different, complementary ways:

- Own three aggregation platforms servicing ~29% of brokers in the market
- Distribute NAB branded mortgages through active and accredited brokers across all platforms
- Manufacture white label mortgages for our owned platforms and other partners

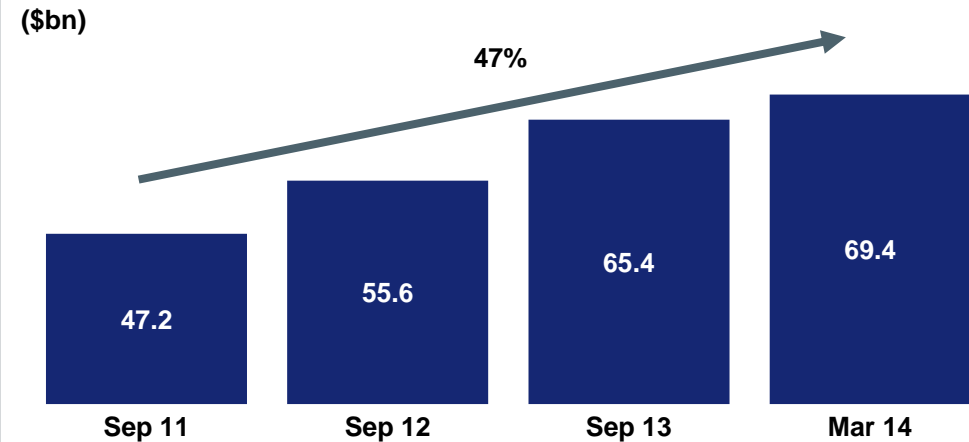


Capitalise on our unique Broker position

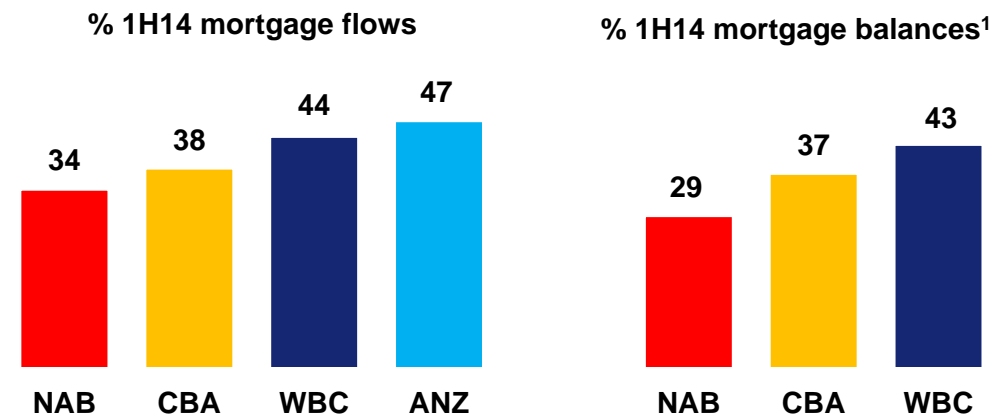
Key areas of focus – Broker

- Rebrand Homeside to NAB
- Continue to leverage and grow our Plan, Fast and Choice aggregation platforms
- Continue to grow our white label lending volumes (PlanLend, FastLend, ChoiceLend and other partners)
- Optimise servicing and commission structure

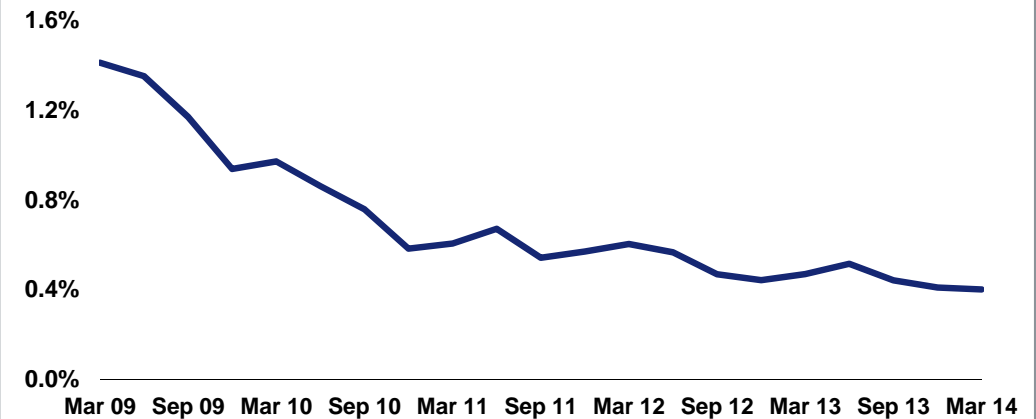
Mortgage outstandings via Broker



Lending via Broker vs major bank peers¹



Broker mortgage 90+ DPD and impaireds as % to total mortgage outstandings



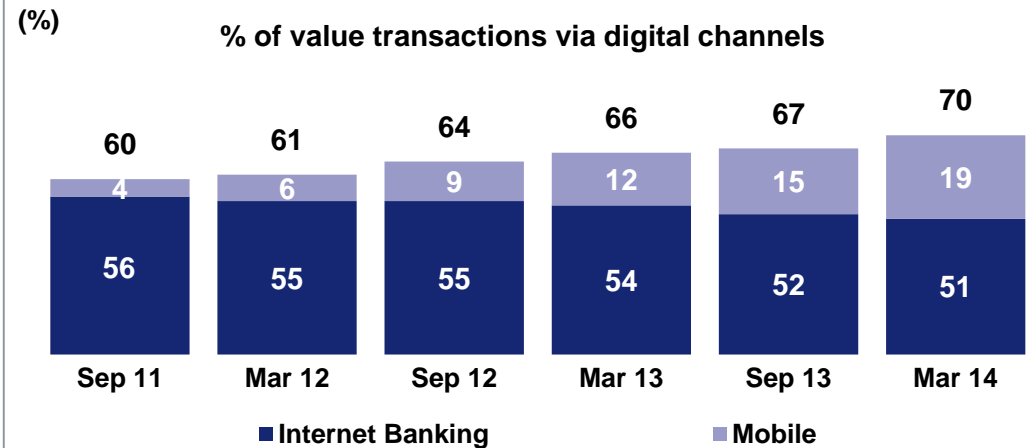
(1) As per peer 1H14 disclosures. ANZ % of mortgage balances not disclosed 1H14.

Accelerate Digital and Direct (voice) capability

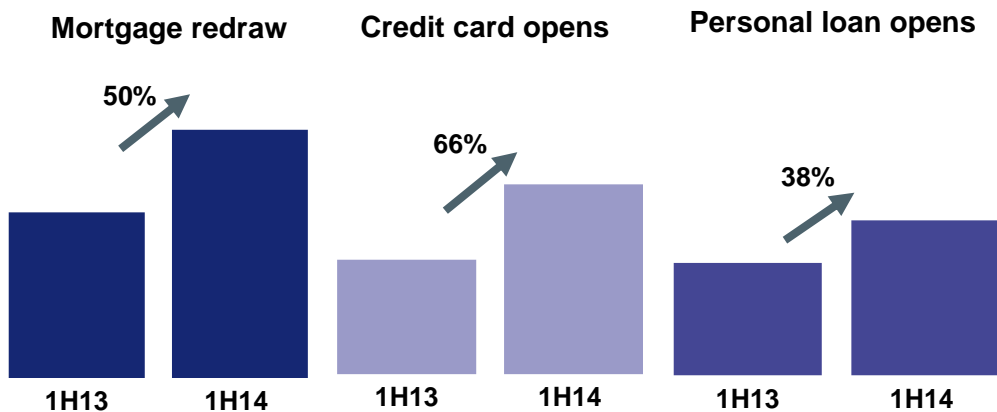
Key areas of focus – Digital and Direct

- Enable self-service migration through internet banking and mobile internet banking
- Continue to lift online sales volumes
- Continue strong performance in inbound and outbound direct sales
- Enhance mobile capability including sales and leads (analytics)

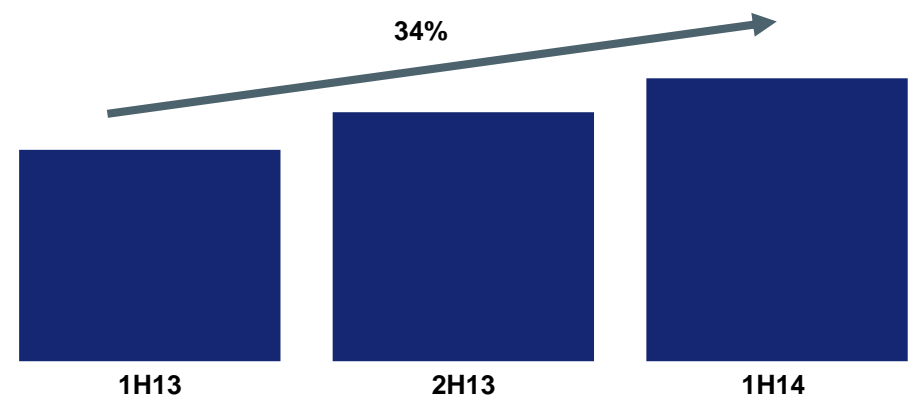
Continued migration to digital self-service



Digital and Direct - Growth in mortgage redraw and credit card and personal loan opens



Direct - Growth in mortgage sales



Conclusion

- Good momentum in Personal Banking
- New operating model providing valuable insights
- Optimised Retail (store network) to drive improved sales and productivity performance
- Unique Broker position a key driver of mortgage market share growth
- Digital and Direct capability an opportunity for strong growth
- Integrated customer experience key

Questions



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Appendix



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Personal Banking leadership team



Gavin Slater
Group Executive
Personal Banking

15 years at NAB
28 years in industry



Vicki Carter
EGM Retail

15 years at NAB
29 years in industry



Anthony Waldron
EGM Growth
Partnerships
(Broker/3rd party)

11 years at NAB
23 years in industry



Adam Bennett
EGM Digital & Direct
Banking

10 years at NAB
11 years in industry



David Bannatyne
GM Small Business

9 years at NAB
14 years in industry



Sandra de Castro
CMO, Marketing

5 years at NAB
20 years in industry



Jodi Heath
Executive Manager

4 years at NAB
4 years in industry



Bob Melrose
GM Business
Management

40 years at NAB
40 years in industry



Sarah White
GM People
Personal Banking

25 years at NAB
25 years in industry



Anja Pannek
GM Finance
Partner
Personal Banking

10 years at NAB
17 years in industry



Jacqui Colwell
Chief Risk Officer
Personal Banking

31 years at NAB
31 years in industry



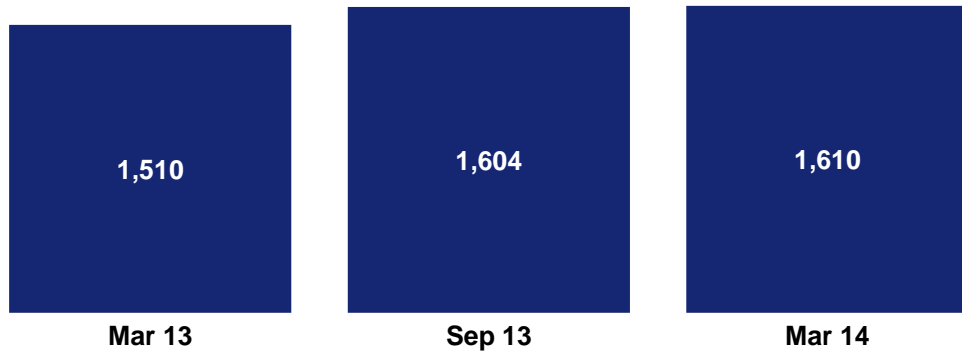
Todd Reichmann
GM Personal
Banking Strategy

3 years at NAB
15 years in industry

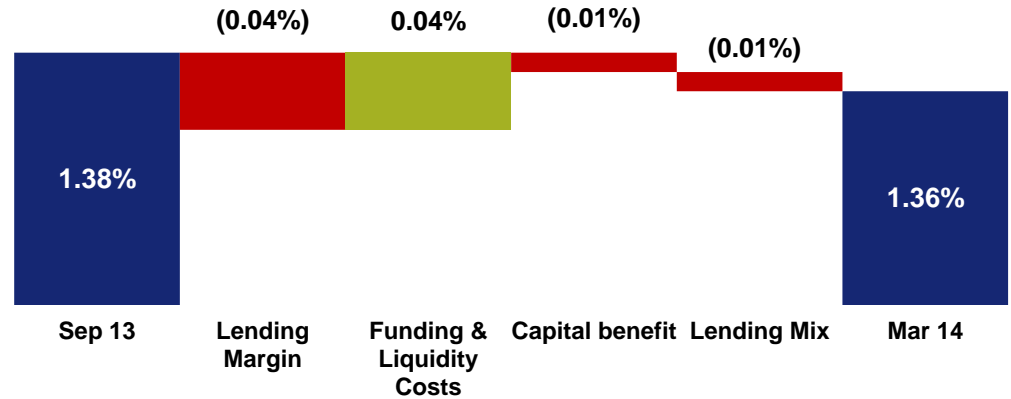
1H14 Australian Banking: Housing lending

Net interest income

(\$m)

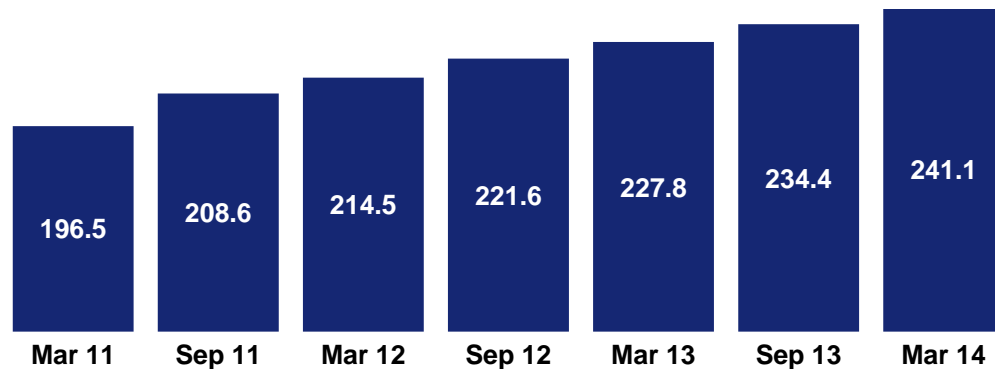


Net interest margin



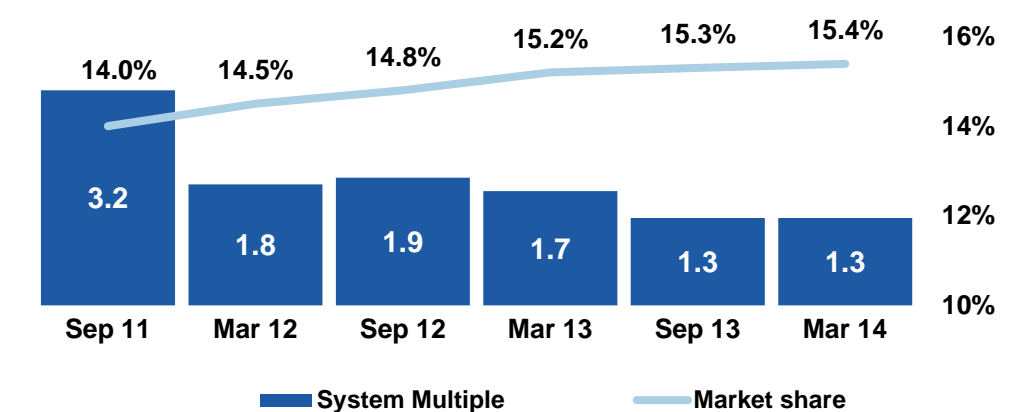
Housing lending outstanding¹

(\$bn)



Housing lending multiple of system growth² and market share²

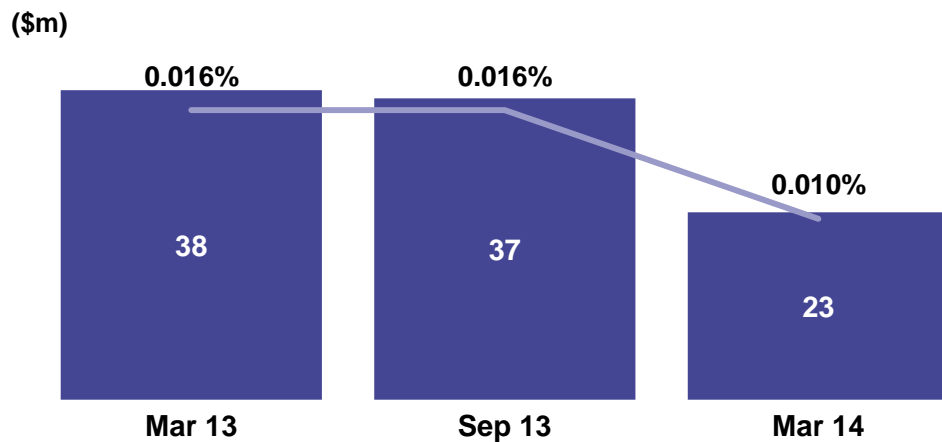
(x)



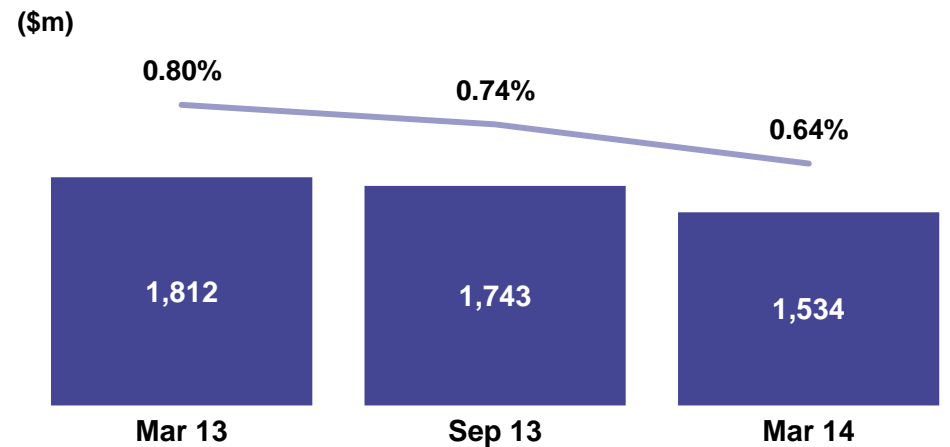
(1) Spot GLA volumes
 (2) RBA Financial System

1H14 Australian Banking: Housing lending - Asset Quality

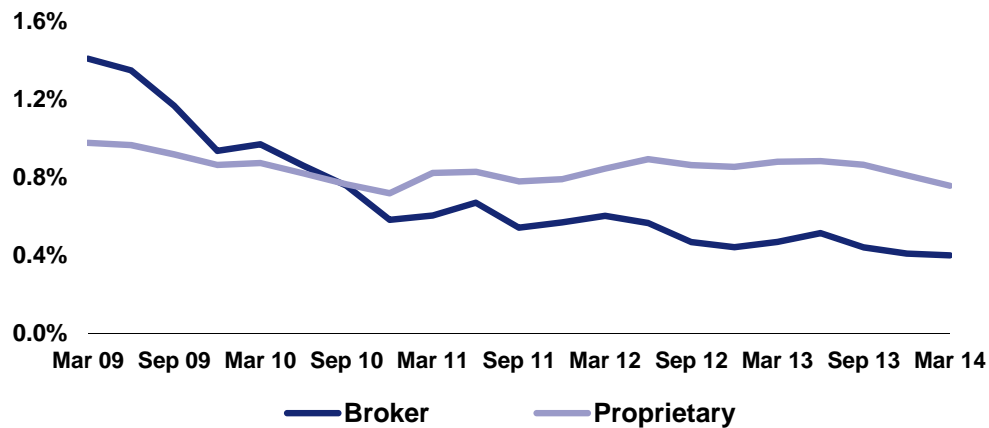
Mortgage B&DD charge and B&DD as % GLAs



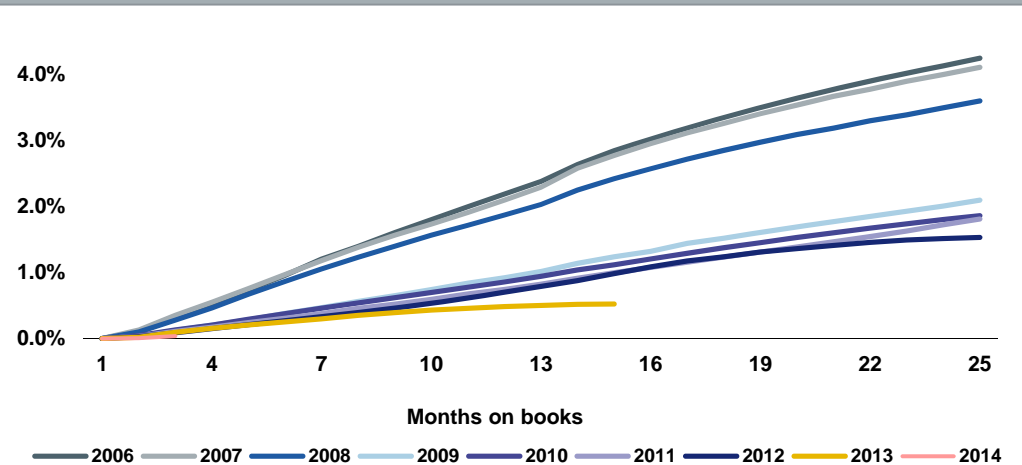
Mortgage 90+ DPD and impaired as % to total mortgage outstandings



Mortgage 90+ DPD and impaired as % to total mortgage outstandings – by channel



Australian mortgages – cumulative 30+DPD



1H14 Australian Banking: Housing lending - Key metrics

| Australian Mortgages | Mar 14 | Sep 13 | Mar 13 | Sep 12 |
|--|--------|--------|--------|--------|
| Owner Occupied ¹ | 72.1% | 72.2% | 71.9% | 71.4% |
| - of which First Home Buyer | 8% | 8% | 8% | 8% |
| Investment ¹ | 27.9% | 27.8% | 28.1% | 28.6% |
| Low Documentation | 1.7% | 1.8% | 2.0% | 2.2% |
| Low Documentation LVR cap (without LMI) | 60% | 60% | 60% | 60% |
| Variable rate lending drawn balance | 72.3% | 72.6% | 74.3% | 73.8% |
| Fixed rate lending drawn balance | 13.8% | 12.4% | 9.9% | 9.2% |
| Line of credit drawn balance | 13.9% | 15.0% | 15.8% | 17.0% |
| Interest only drawn balance | 32.3% | 31.3% | 30.7% | 30.3% |
| Offset account balance \$ (bn) | \$15.6 | \$13.9 | \$12.7 | \$11.3 |
| Mortgage balances attributed to: | | | | |
| - Proprietary | 71.0% | 71.9% | 73.1% | 74.7% |
| - Broker | 29.0% | 28.1% | 26.9% | 25.3% |
| Mortgage drawdowns attributed to: | | | | |
| - Proprietary | 65.7% | 64.9% | 62.1% | 64.6% |
| - Broker | 34.3% | 35.1% | 37.9% | 35.4% |
| Current LVR on an exposure calculated basis ² | 53.4% | 55.4% | 56.1% | 56.3% |
| Current LVR on a drawn balance calculated basis ² | 45.9% | 47.7% | 48.3% | 48.5% |
| Customers in advance >1 month ³ | 63.8% | 63.8% | 64.1% | 65.9% |
| Avg # of payments in advance ⁴ | 13.3 | 12.9 | 12.5 | 12.3 |
| Average drawn balance \$ ('000) | \$267 | \$265 | \$266 | \$262 |
| 90+ days past due | 0.47% | 0.50% | 0.52% | 0.50% |
| Impaired loans | 0.19% | 0.26% | 0.27% | 0.30% |
| Specific provision coverage | 23.0% | 20.7% | 21.2% | 19.1% |
| Loss rate ⁵ | 0.05% | 0.04% | 0.05% | 0.06% |

(1) Portfolio purpose classification under review

(2) Methodology under review

(3) Excludes Advantedge, Offset accounts and Line of Credit

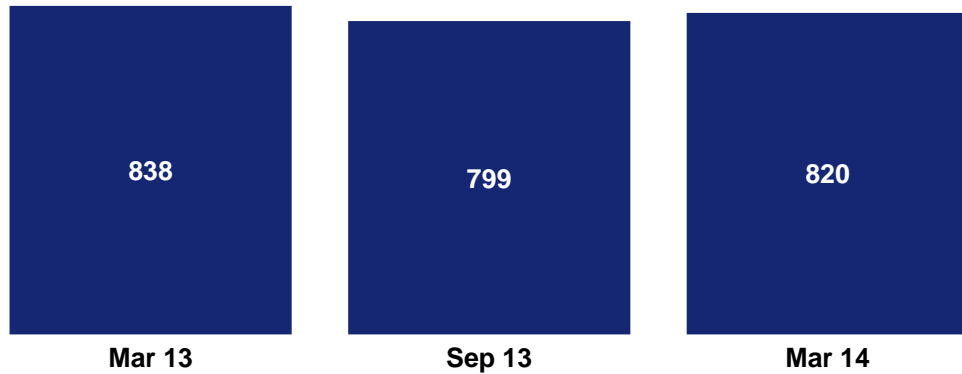
(4) Comparative periods have been revised to present data on a like-for-like basis

(5) Loss Rate = Annual Write-offs / Spot Drawn Balances

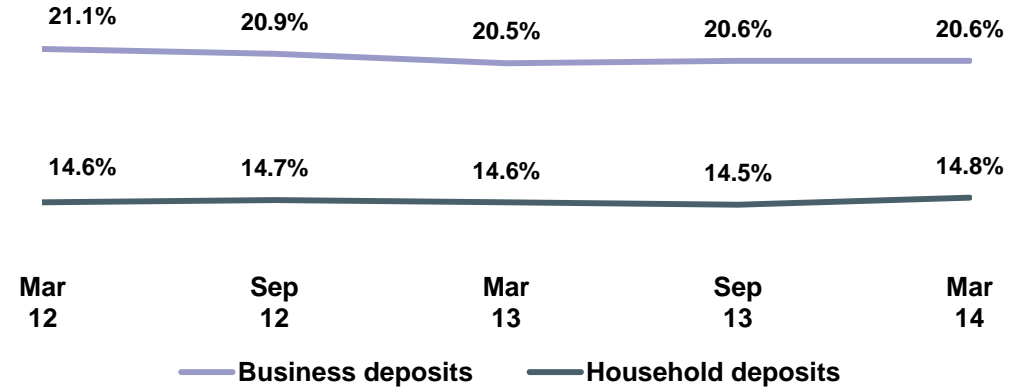
1H14 Australian Banking: Deposits and transaction accounts

Net interest income

(\$m)

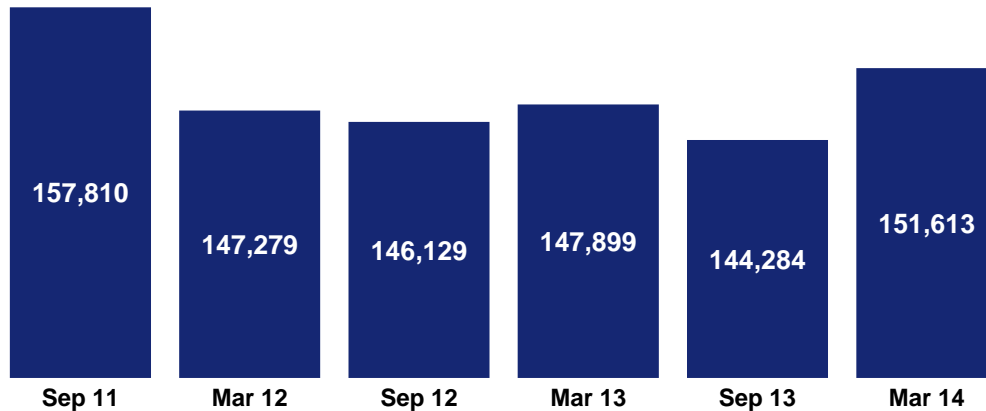


Business deposits and Household deposits¹ - market share



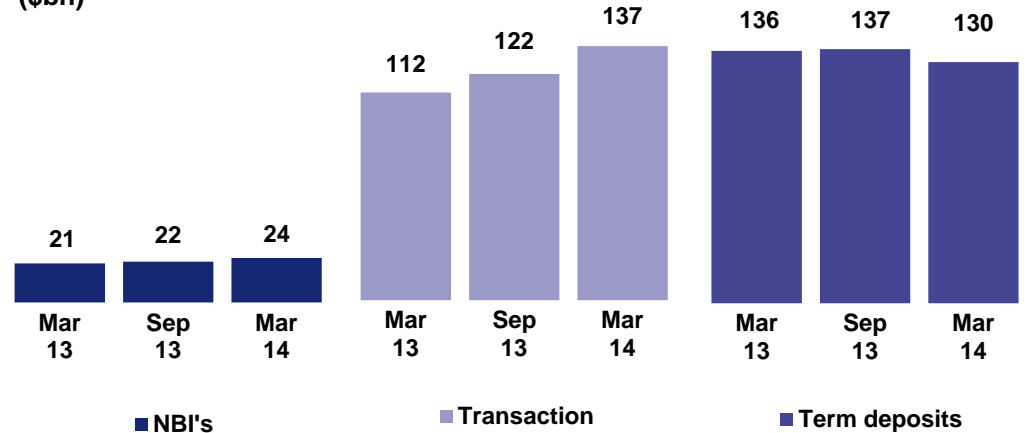
Net transaction account growth

(#)



Deposit growth

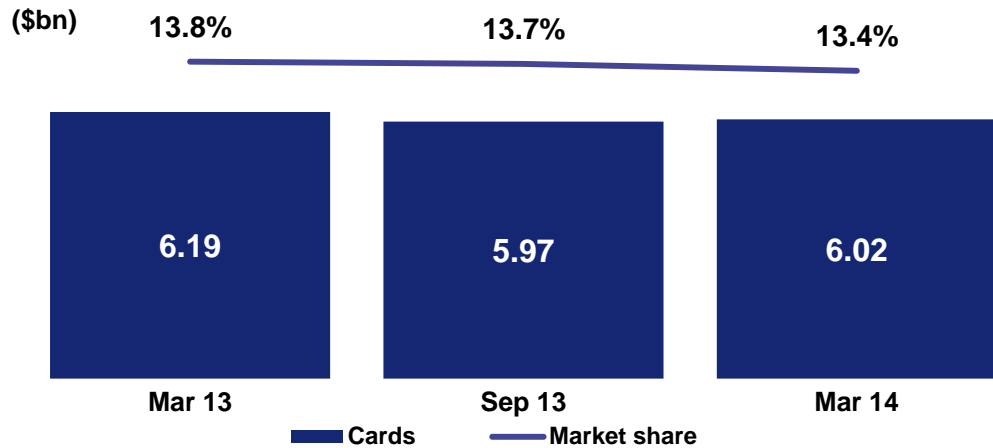
(\$bn)



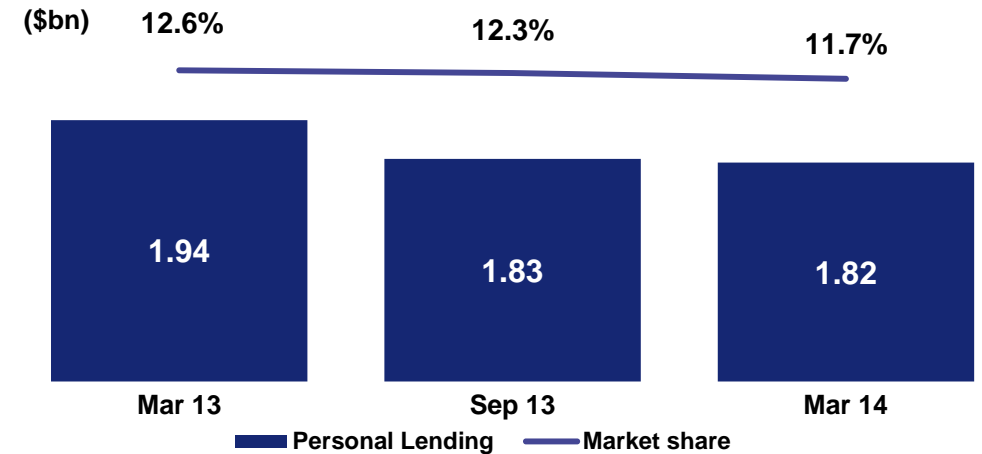
(1) APRA Banking System / NAB

1H14 Australian Banking: Other banking products

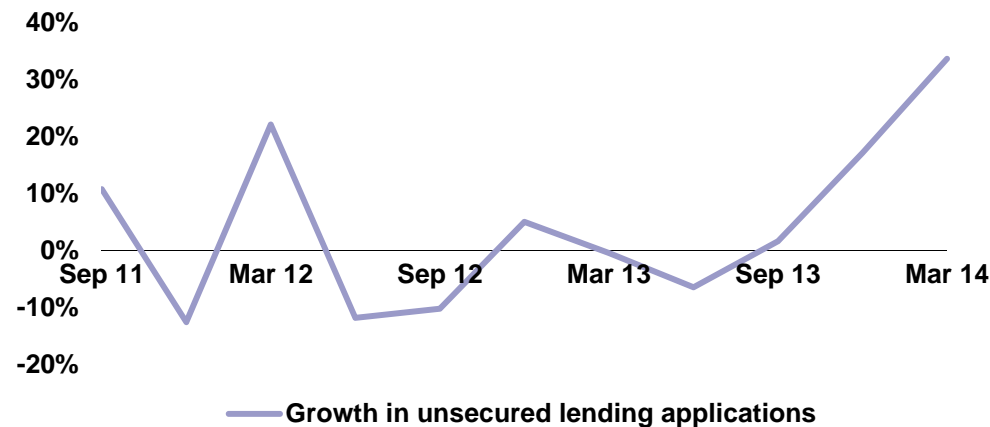
Cards volume¹ and market share²



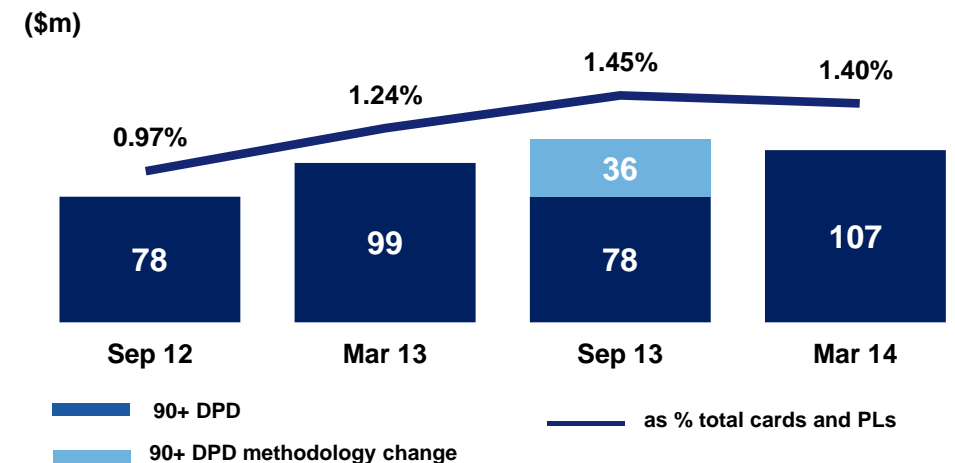
Personal lending volume¹ and market share³



Unsecured lending applications increase



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



- (1) Spot volumes
- (2) APRA Banking System
- (3) Personal loans business tracker reports provided by RFI

For further information visit www.nabgroup.com or contact:

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