

Address by Mr Michael Chaney
Chairman
National Australia Bank

Annual General Meeting
18 December 2014

Good morning,

I am Louise Thomson, Company Secretary of the National Australia Bank. Before commencing this Annual General Meeting, I would like to acknowledge the Turrbul and Yuggera People as the traditional owners and custodians of the land where we gather today and recognise that this land has always been under their custodianship. I pay my respects to elders past and present and to emerging community leaders. I also extend respect to all Aboriginal and Torres Strait Islander people here today.

I would now like to introduce our Chairman, Michael Chaney.

Good morning, ladies and gentlemen.

It is 9.30am, this is a properly constituted meeting and a quorum is present. I therefore declare the Annual General Meeting of National Australia Bank Limited open.

It is a great pleasure to be here in Brisbane and I welcome all those here today as well as those who are watching the meeting online.

I would now like to introduce to you the people who are on the stage with me. Seated on my left, on your right, is our Group Chief Executive Officer, Andrew Thorburn. This is Andrew's first Annual General Meeting as Group Chief Executive Officer. Next to Andrew is our Group Executive, Finance & Strategy, Craig Drummond. Seated on my right is the Company Secretary,

Louise Thomson. Seated in the front row are the other directors whom I will ask to stand as I introduce them.

Firstly, Mr David Armstrong, then next to David is Mr Danny Gilbert, Mr Peeyush Gupta, Dr Ken Henry, Ms Geraldine McBride, Mr Paul Rizzo, Ms Jillian Segal, Mr John Thorn, Mr Geoff Tomlinson, Mr John Waller and Mr Anthony Yuen.

The directors contribute a very strong mix of skills and experience to the Board.

This is an appropriate point to acknowledge that Mr John Thorn and Mr Geoff Tomlinson will both officially retire from our Board after today's meeting. John has served as a director since 2003 and as Chairman of the Board's Audit Committee for the majority of that time. Geoff has served as a director on the NAB Board and as Chairman of the Group's main Wealth subsidiary since 2000. My fellow directors and I thank you – John and Geoff - for your significant contributions to this Company.

I would also like to take this opportunity formally to welcome David, Peeyush and Geraldine, who joined the Board during the 2014 calendar year. Together, they bring a wealth of experience and diversity of skills to the Company.

The auditor, Ernst & Young, is represented here by the Lead Engagement Partner, Mr Andrew Price. Also present is Ms Sarah Lowe.

The Notice of Meeting has been sent to shareholders and I propose that it be taken as read. The Annual Report described in detail the company's performance for the 2014 financial year.

This was a year of significant change to NAB's management team. In August, we said goodbye to Cameron Clyne upon his retirement and

welcomed Andrew Thorburn as Group Chief Executive Officer. And on his first day Andrew announced a new Executive Leadership Team to take the Company forward.

I would like to pay special tribute to Cameron's exceptional leadership and on behalf of the Board I thank him for his five and half years as CEO. He took on the role during the global financial crisis and steered the bank through what was a very challenging period. It was also a time during which the bank underwent significant cultural and structural changes.

Joining the new Executive Leadership team on 1 August were Angela Mentis, who was appointed as the Group Executive looking after Business Banking; Antony Cahill, who was appointed Group Executive, Product and Markets; David Gall, our new Group Chief Risk Officer and Renee Roberts, who relocated from New Zealand to take on the role of Group Executive, Enterprise Services and Transformation.

The close of the year also saw the departure of three senior executives: Joseph Healy, Lisa Gray and Bruce Munro. Each of them made a significant contribution to NAB and we thank them for that.

It was pleasing that the Bank's succession planning processes enabled us to choose someone from within the organisation with the ability and vision to take on the role of Group CEO. Andrew Thorburn demonstrated outstanding performance as CEO of Bank of New Zealand. He is a seasoned banker and is ideally qualified to lead the Company forward.

I want to reflect briefly on the Bank's performance over the last year, before handing over to Andrew to provide you with a more detailed update. The 2014 year was one of mixed fortunes for your company. Our operations in Australia and New Zealand performed well in what was at times a challenging environment. But in the UK, we were required to report additional provisions

for conduct-related charges and impairments which, combined with the write down of some capitalised computer software and taxation benefits, reduced our full year profit.

Cash earnings were \$5.18 billion, compared with \$5.75 billion last year and statutory net profit attributable to the owners of the company was \$5.3 billion. The lower profit was matched by reduced short term incentive awards for our employees. In addition, the 2011 long term incentive was fully forfeited, and the 2010 and 2009 long term incentive grants only partially vested. The directors declared a full year dividend totalling \$1.98 per share, an increase on the prior year of 4%.

Our UK business, Clydesdale Bank, produced higher operating profits before allowing for the conduct provisions for redress on payment protection insurance and interest rate hedging products. All UK banks have experienced these conduct issues but it is disappointing nevertheless. The Group's strategic focus is on our Australian and New Zealand franchises which are in good shape. Personal Bank has continued to perform strongly and we remain the leading Business Bank by business lending market share. Pleasingly NAB Wealth had an improved year, producing increased profits in 2014 after a difficult year in 2013. However, returns in this business are still below acceptable levels and we are considering options to improve them.

Our New Zealand subsidiary, Bank of New Zealand, had another good year, producing increased profits reflecting revenue growth and well contained expense growth. BNZ has consistently reported solid, reliable performance over a number of years.

Over the year we continued the successful run-down in the UK commercial real estate portfolio, which was transferred out of the UK banks in 2013. Part of the portfolio was sold during the year and we were pleased to report earlier this week the sale of the majority of the remaining book. Andrew Thorburn will provide further details on this in a moment.

Dealing with the bank's legacy issues remains a priority for the board and management. We continue to look for opportunities to exit the UK banks and are now looking at a broader range of options.

In late October we achieved a public listing of Great Western Bank in the US. The initial public offering was well supported by investors and we disposed of a 31.8% interest. We expect to be able to sell the remaining 68.2% of GWB over the next 12-18 months, subject to market conditions.

As many of you would be aware, the Commonwealth Government recently released the much anticipated Financial System Inquiry final report. The Inquiry has been a necessary and important process and we fully support initiatives that create a more efficient and stronger financial system.

Some of the key recommendations of the report relate to banks needing to hold more capital to make them less susceptible to extreme events, such as those we saw during the global financial crisis; and to improvements in the efficiency of the superannuation system.

No decisions have yet been made by the Government or regulators, and submissions on this final report are open until the end of March. NAB will continue to be an active participant in the Inquiry's process.

We believe our balance sheet strength positions us well to meet regulatory changes and we look forward to continuing to work with Government and regulators to ensure Australia continues to enjoy the benefits of a world class financial system while avoiding impediments to economic growth.

Looking ahead, 2015 is shaping up to be another year of moderate economic activity in Australia and we expect there to be significant differences between economies and regions around the world.

Growth in the UK and US is forecast to be reasonable, but the outlook in Europe and Japan is poor.

In Australia the bank's economists are forecasting GDP growth in 2014/15 of 2.9% which is below trend. Australia continues to be heavily reliant on the growth in China's economy which, while slowing, is still expected to be around 7% pa.

While the outlook is thus subdued, the focus on growth at the recent G20 summit here in Brisbane, the signing of Australia's free trade agreement with China and our projected population growth give us encouragement that Australia can look forward to reasonable economic conditions going forward. Before I hand over to Andrew, I would like to thank our people for their ongoing commitment during the year. The Bank's nearly 43,000 employees are pivotal to our success. On behalf of the Board, I thank them for their hard work and diligence.

I now call upon our Chief Executive, Andrew Thorburn, to tell you about our priorities and focus for 2015.

Thank you Michael for your introduction and good morning everyone.

Welcome to our Annual General Meeting and thank you for being shareholders in our company.

It's been a big year, and while we still face many challenges I am confident we have a clear plan and the people to achieve our key objective – to deliver a superior return to our shareholders.

As a career banker, it is a great honour to be Chief Executive Officer of National Australia Bank – a company that is over 150 years old.

I believe that the role of a bank in society, and in the economy, is vital.

We have a role to play in allocating capital, growing wealth and doing this with integrity and professionalism.

And it is good to be here in Queensland, a very important region for our business, with:

- Over 70,000 shareholders living here;
- more than 3,000 employees;
- 164 retail branches;
- 46 Business Banking Centres;
- NAB playing a key role in financing of vital infrastructure projects.

Whilst our full year results were disappointing, we have significant strengths with:

- our Australian and New Zealand business producing a 17.2% return on equity;
- continued momentum in mortgages market share at 15.5%, compared to 12.8% five years ago; and
- an ongoing improvement in asset quality.

While the Australian economy is growing, we recognise that confidence remains an issue for consumers and – increasingly – the business community.

Unemployment is currently around 6.6% and our economists anticipate the RBA will cut the cash rate by .25% next March and August, then to hold rates through 2016.

However, the currency, and broader global events, means this is a dynamic environment.

Despite this, we recognise that there is still potential for Australian businesses to grow and to create jobs, and that NAB plays an important part in helping our customers realise their ambitions.

We have a role to play in providing help, guidance and advice and in the case of business, to help viable businesses start, grow and remain healthy.

We have an experienced and capable Executive Leadership Team of banking professionals who have the will to win and a desire for NAB to be successful – backed by almost 43,000 people who are willing to work together to achieve our shared ambition.

Our priority is keeping the bank strong, and to do this our balance sheet, particularly capital and funding, remains critically important.

We will continue to maintain and grow our capabilities in risk management and capital management.

We know that for some of our customers, times are tough – particularly those impacted by the drought in northern NSW and Queensland.

We are proud to have supported the agricultural sector for the last 150 years, and our commitment is to continue to do so, particularly during these challenging times.

I am proud that we have also extended over 100,000 microfinance loans – helping customers on low incomes access affordable credit for the first time.

Connection to the community is something that is really important to us, and so we've also committed to one million employee volunteering hours by 2018, which is equal to \$50 million in value.

And importantly in November, we also took the first step towards settling the fees class action. We did this because it was the right decision for our customers, for our business and for our shareholders.

Our plan to compete and to win is simple, and focused on what will deliver improved performance.

We will focus on our core Australian and New Zealand franchise while recognising greater urgency is needed in dealing to our low returning assets.

In July, we announced the partial sale £625 million of the NAB UK Commercial Real Estate portfolio and in October we began the sale process of Great Western Bank with the listing of a 31.8% stake.

And pleasingly, as the Chairman noted, we announced earlier this week the sale of another £1.2 billion of higher risk UK real estate loans.

The portfolio has been reduced from £5.6 billion in October 2012 when the run-off portfolio was first established to £836 million.

As we announced at our Full Year Results, our intention is to exit our UK banking business.

We are examining a broader range of exit options, including those provided by public markets so that we can concentrate on our businesses in Australia and New Zealand.

We will continue to invest in our core businesses where we have real competitive advantage.

Our commitment to improving service to our customers and lifting our capability to understand their needs remains an absolute priority.

Indeed, one of our values is having a passion for customers in a consistent way across the whole company.

Our Personal Bank has solid momentum, and we are well positioned across all channels.

We are focused on investing in growth initiatives to drive further mortgage share gains.

In Business Banking, we have a strong offering – and remain the number one business bank in Australia.

But, we will increase our focus on the micro, small, and medium segments, and in long term growth sectors such as Agribusiness and in Health.

We are committed to more investment in Business Banking to add value and are hiring an additional 100 frontline bankers, and focusing our effort on improving the processes to make it easier for our customers to do business with us.

Our NAB Wealth business is important to us, and our banking clients have a need for key products such as superannuation and insurance.

However, we do need to improve the return on capital and we are currently examining ways to do this.

Technology and digital enablement is a priority for us, but we know that we need to continue to innovate in this area – as technology and consumer behaviours are changing so quickly.

This is an area of deliberate and continued investment.

In wrapping up, I thank you for investing in our company.

I acknowledge that our financial performance has not been at the level you – or we – desire, and our leadership team and our people are focused on driving better results.

We have a clear agenda in 2015 and are committed to strengthening our core business and addressing legacy issues.

The focus that will follow on our Australian and New Zealand business will be powerful.

We know the challenges ahead are not easy ones, but we are absolutely committed to delivering for you, our shareholders.

We believe we have a good business that will be very competitive in the years ahead.

Thank you for your support.

On behalf of the directors and staff of the company, I thank you for your attendance here today.

I would like to thank our customers and shareholders for their continued support of the National Australia Bank.

Your support is highly valued by the directors and employees.

I now formally declare this Annual General Meeting closed.
