

NAB Capital Notes

Investor Presentation

National Australia Bank Limited ABN 12 004 044 937



Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 (“**NAB**”) in relation to its proposed offer of NAB Capital Notes. A Prospectus in respect of the NAB Capital Notes was lodged with ASIC on 17 February 2015. The Prospectus does not contain the Margin or the Application Form.

A Prospectus containing the Margin and an Application Form will be lodged with ASIC once the Margin is determined (expected to be on or about 25 February 2015) and will be available within Australia. The initial Prospectus can be obtained electronically from www.nab.com.au/ncnooffer.

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NAB Capital Notes are not deposit liabilities of NAB, are not Protected Accounts or any other accounts with NAB and are not guaranteed or insured by any government, government agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction, by any member of the NAB Group or by any other party. An investment in NAB Capital Notes is riskier than a bank deposit. NAB Capital Notes are complex and may not be suitable for all investors.

Investment products such as NAB Capital Notes are subject to risks which could affect their performance, including Distribution Rate risk and market price fluctuation. NAB does not warrant or guarantee the future performance of NAB or the investment performance of NAB Capital Notes (including market price). Information about key risks of investing in NAB Capital Notes is detailed in sections 1.2 and 6 of the Prospectus.

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NAB Capital Notes – Offer Summary

Issuer	<ul style="list-style-type: none"> National Australia Bank Limited (“NAB”)
Offer size	<ul style="list-style-type: none"> A\$750 million with the ability to raise more or less
Use of proceeds	<ul style="list-style-type: none"> The net proceeds of the Offer will be used for general corporate purposes. APRA has provided confirmation that the NAB Capital Notes, once issued, will qualify as Additional Tier 1 (AT1) Capital for the purposes of NAB’s regulatory capital requirements
Type of security	<ul style="list-style-type: none"> Mandatorily convertible, subordinated, perpetual notes directly issued by NAB which are not guaranteed or secured. NAB Capital Notes are not deposit liabilities of NAB and are not Protected Accounts for the purposes of the Banking Act
Issue price	<ul style="list-style-type: none"> A\$100 per NAB Capital Note
Term	<ul style="list-style-type: none"> Perpetual, NAB Capital Notes do not have a fixed maturity date However, NAB must Convert NAB Capital Notes into Ordinary Shares on the Mandatory Conversion Date (23 March 2022) (subject to the Mandatory Conversion Conditions being satisfied) In addition, with APRA’s prior written approval¹, NAB may elect to Convert, Redeem or Resell NAB Capital Notes on 23 March 2020, or earlier following the occurrence of certain events NAB must also convert NAB Capital Notes into Ordinary Shares if another entity acquires NAB, subject to certain conditions
Distributions	<ul style="list-style-type: none"> Floating rate and expected to be fully franked Margin to be determined under the Bookbuild and expected to be in the range of 3.50% to 3.70%
Quotation	<ul style="list-style-type: none"> Expected to be quoted on ASX under code NABPC
Ranking	<ul style="list-style-type: none"> In a winding up of NAB, NAB Capital Notes rank: <ul style="list-style-type: none"> Ahead of NAB Ordinary Shares Equally among themselves and other Equal Ranking Instruments, including NAB CPS, NAB CPSII and certain other preference shares of NAB Behind depositors, unsubordinated debt securities, term subordinated debt and other trade and general creditors of NAB The amount of any return in a winding up will be adversely affected if a Loss Absorption Event occurs

(1) Holders should not expect that APRA’s approval, if requested, will be given for an optional Conversion, Redemption or Resale

NAB Capital Notes – Distributions

Distributions	<ul style="list-style-type: none"> Quarterly, floating rate Distribution in arrears Distributions are discretionary, non-cumulative and subject to the Payment Condition Failure to pay a Distribution when scheduled will not constitute an event of default
Distribution Rate	<ul style="list-style-type: none"> The Distribution Rate for each quarterly Distribution will be calculated using the following formula: <ul style="list-style-type: none"> Distribution Rate = (Bank Bill Rate¹ + Margin) x (1 – Tax Rate²) Margin determined under the Bookbuild, expected to be in the range of 3.50% to 3.70% For example, if the Bank Bill Rate was 2.39%, the Margin was 3.50% and the Australian corporate tax rate was 30%, assuming the Distribution is fully franked the Distribution Rate for that Distribution Period would be calculated as follows: <ul style="list-style-type: none"> (2.39% + 3.50%) x (1 – 0.30) = 4.123%³ Equivalent to an unfranked distribution rate of 5.89%⁴
Restrictions on dividends and buy-backs in respect of Ordinary Shares	<ul style="list-style-type: none"> If for any reason a Distribution has not been paid in full on a Distribution Payment Date (Relevant Distribution Payment Date), NAB must not, subject to certain exceptions, unless approved by an Ordinary Resolution, until and including the next Distribution Payment Date: <ul style="list-style-type: none"> Declare, determine to pay, or pay, a dividend on Ordinary Shares, or Buy back or reduce capital on Ordinary Shares <p>unless the Distribution is paid in full within 3 Business Days of the Relevant Distribution Payment Date</p>

(1) Bank Bill Rate based on average of rates at which major Australian financial institutions lend short-term cash to each other over a 90 day period

(2) Tax Rate means the Australian corporate tax rate applicable to the franking account of NAB on the relevant Distribution Payment Date (expressed as a decimal)

(3) The Distribution Rate shown is for illustrative purposes only and does not indicate the actual Distribution Rate. The actual Distribution Rate may be higher or lower than this example

(4) Your ability to use the franking credits will depend on your individual tax position. The potential value of franking credits does not accrue to you at the same time as you receive the cash Distribution

NAB Capital Notes – Mandatory Conversion

Mandatory Conversion	<ul style="list-style-type: none">• On the Mandatory Conversion Date, if NAB Capital Notes have not been Converted, Written Off, Redeemed or Resold beforehand, NAB must Convert NAB Capital Notes into Ordinary Shares, provided the Mandatory Conversion Conditions are satisfied• The Mandatory Conversion Date will be the earlier of:<ul style="list-style-type: none">– 23 March 2022, and– the first Distribution Payment Date after 23 March 2022 <p>on which the Mandatory Conversion Conditions are satisfied</p>
Mandatory Conversion Conditions	<ul style="list-style-type: none">• The Mandatory Conversion Conditions are designed to ensure that Holders receive approximately A\$101 worth of Ordinary Shares for each NAB Capital Note they hold• For the Mandatory Conversion Conditions to be satisfied:<ul style="list-style-type: none">– First Mandatory Conversion Condition: the VWAP of Ordinary Shares on the 25th Business Day before a possible Mandatory Conversion Date must be greater than 56% of the Issue Date VWAP– Second Mandatory Conversion Condition: the VWAP of Ordinary Shares during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) a possible Mandatory Conversion Date must be greater than 50.51% of the Issue Date VWAP, and– Third Mandatory Conversion Condition: Ordinary Shares must not have been delisted or suspended from trading on the ASX and there must be no circumstances preventing NAB from converting NAB Capital Notes into Ordinary Shares in respect of a possible Mandatory Conversion Date. This condition is designed to ensure that following conversion, Holders receive Ordinary Shares which are capable of being sold on the ASX

NAB Capital Notes – Conversion, Redemption or Resale Events

Optional Conversion, Redemption or Resale on 23 March 2020	<ul style="list-style-type: none"> • With the prior written approval of APRA, NAB may elect to Convert into Ordinary Shares, Redeem or Resell all or some NAB Capital Notes on 23 March 2020¹ • Conditions and restrictions apply to any Conversion, Redemption or Resale (other than a Conversion following a Loss Absorption Event – see below)
Conversion, Redemption or Resale in other circumstances	<ul style="list-style-type: none"> • With the prior written approval of APRA, NAB may elect to Convert, Redeem or Resell all or some NAB Capital Notes following the occurrence of a Tax Event or Regulatory Event¹ • With the prior written approval of APRA, NAB also may elect to Convert NAB Capital Notes following a Potential Acquisition Event¹
Early Conversion – Acquisition Event	<ul style="list-style-type: none"> • If an Acquisition Event occurs, NAB must (by giving an Acquisition Conversion Notice) Convert all (but not some only) NAB Capital Notes into Ordinary Shares, provided that certain conditions are met
Mandatory Conversion following a Loss Absorption Event	<ul style="list-style-type: none"> • The occurrence of a Loss Absorption Event requires the Conversion of NAB Capital Notes into Ordinary Shares². The Mandatory Conversion Conditions do not apply to a Conversion following a Loss Absorption Event • A Loss Absorption Event is each of: <ul style="list-style-type: none"> – a Common Equity Trigger Event, or – a Non-Viability Trigger Event <p>(See following slide for more information)</p>

(1) Holders should not expect that APRA's approval, if requested, will be given for an optional Conversion, Redemption or Resale

(2) The number of Ordinary Shares that Holders will receive on a Conversion in these circumstances will not be greater than the Maximum Conversion Number

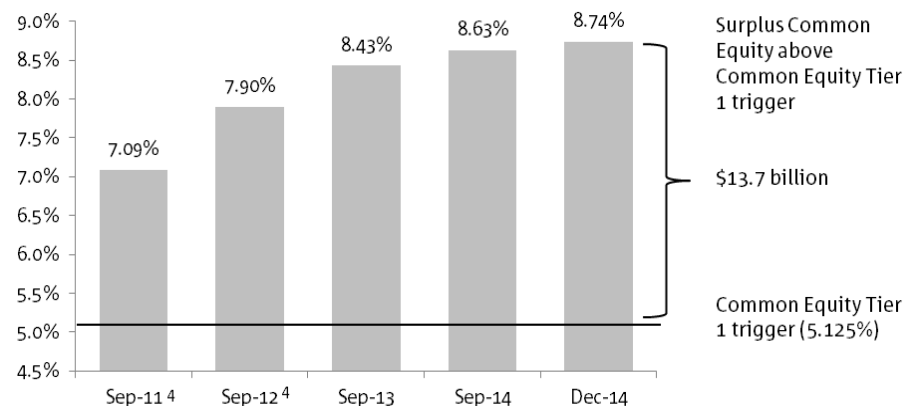
NAB Capital Notes – Loss Absorption Event

Common Equity Trigger Event	<ul style="list-style-type: none"> A Common Equity Trigger Event will occur if NAB's Common Equity Tier 1 Capital (CET1 Capital) Ratio is equal to or less than 5.125% (on either a Level 1 or Level 2 basis)
Non-Viability Trigger Event	<ul style="list-style-type: none"> A Non-Viability Trigger Event means APRA has provided a written determination to NAB that without: <ul style="list-style-type: none"> The conversion or write off of Relevant Tier 1 Capital Instruments, which includes NAB Capital Notes, or A public sector injection of capital into, or equivalent capital support with respect to, NAB, APRA considers that NAB would become non-viable
Conversion or Write Off following a Common Equity Trigger Event or a Non-Viability Trigger Event	<ul style="list-style-type: none"> If a Common Equity Trigger Event or a Non-Viability Trigger Event (each a Loss Absorption Event) occurs, the Mandatory Conversion Conditions will not apply and NAB must immediately convert into Ordinary Shares (limited to the Maximum Conversion Number) or write off: <ol style="list-style-type: none"> All Relevant Tier 1 Capital Instruments, which includes NAB Capital Notes, or <ol style="list-style-type: none"> In the case of a Common Equity Trigger Event – a proportion of the Relevant Tier 1 Capital Instruments if APRA is satisfied that conversion or write off of that proportion will return the CET1 Capital Ratio (on both a Level 1 and Level 2 basis) to a percentage above 5.125% (as determined by NAB) In the case of a Non-Viability Trigger Event – a proportion of the Relevant Tier 1 Capital Instruments if APRA is satisfied that conversion or write off of that proportion will be sufficient to ensure that NAB does not become non-viable (other than in circumstances where APRA determines that a public sector injection of capital or equivalent capital support is needed)
Write Off of NAB Capital Notes where NAB Capital Notes cannot be Converted on a Loss Absorption Event Conversion Date	<ul style="list-style-type: none"> If, following a Loss Absorption Event, for any reason (including where NAB is prevented by applicable law or court order from Converting NAB Capital Notes, (broadly, an "Inability Event")), Conversion has not been effected within 5 days of the Loss Absorption Event Conversion Date, those NAB Capital Notes will not be Converted but instead will be Written Off Following a Write Off, the rights of a Holder (including to payments of Distributions and Face Value) are immediately and irrevocably terminated and written off with effect on and from the Loss Absorption Event Conversion Date

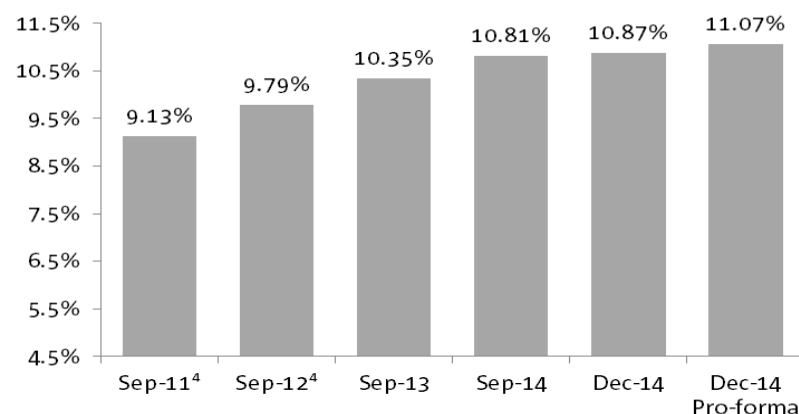
Robust capital buffers

- As previously announced, the Group will target a CET1 Capital Ratio of 8.75% - 9.25% from 1 January 2016, based on current regulatory requirements
- NAB Capital Notes include a Common Equity Trigger Event when the CET1 Capital Ratio (on a Level 1 or Level 2 basis)¹ is equal to or less than 5.125%
- Group CET1 Capital Ratio as at 31 December 2014 was 8.74%
- Group CET1 Capital level as at 31 December 2014 was \$13.7 billion in excess of the Common Equity Trigger Event level
- The Group Tier 1 Capital Ratio increases by 20bps to 11.07% on a pro-forma basis as at 31 December 2014, assuming a NAB Capital Notes issue size of \$750m
- NAB has given notice on 22 January 2015 that the US\$800m TPS II², which currently qualifies as AT1 capital under Basel III transitional rules, will be redeemed on 23 March 2015³

Group Basel III Level 2 CET1 Capital Ratio

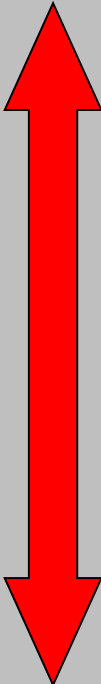


Group Basel III Level 2 Tier 1 Capital Ratio



- (1) Group Level 1 capital ratios comprise National Australia Bank Limited and its subsidiary entities approved by APRA as part of the Extended Licensed Entity. Group Level 2 capital ratios comprise National Australia Bank Limited and the entities it controls, subject to certain exclusions (including wealth management and life insurance activities, and certain securitisation special purpose vehicles)
- (2) TPS II = The trust preferred securities issued by National Capital Trust II (Delaware) in 2005 which are exchangeable for preference shares which may be issued by NAB in an aggregate liquidation amount of up to US\$800 million
- (3) Based on the reported capital ratios in NAB's Annual Report 2014, the redemption of the TPS II would have reduced NAB's Tier 1 Ratio and Total Capital Ratio by 24 basis points
- (4) Basel III estimate

Illustration of ranking on winding up

		Examples	Examples of existing NAB obligations and securities ¹
Higher Ranking			
	Senior obligations	Liabilities preferred by law and secured debt	Liabilities in Australia in relation to protected accounts under the Banking Act (generally, savings accounts and term deposits) and other liabilities mandatorily preferred by law including employee entitlements, liabilities to secured creditors and in respect of covered bonds
		Unsubordinated unsecured debt	Bonds and notes, trade and general creditors
		Term subordinated unsecured debt issued before 1 January 2013	NAB Subordinated Notes and other dated subordinated unsecured debt obligations issued before 1 January 2013
		Term subordinated unsecured debt issued after 1 January 2013 and perpetual subordinated unsecured debt	<ul style="list-style-type: none"> – NAB Undated Subordinated Floating Rate Notes issued in 1986 – €750 million Subordinated Notes due 2024
	Equal ranking obligations	Preference shares and other equally ranked instruments	NAB Capital Notes² , and any securities expressed to rank equally with the NAB Capital Notes, which include: <ul style="list-style-type: none"> – NAB CPS II – NAB CPS – The preference shares comprised in the National Income Securities – The preference shares which may be issued under the TPS, TPS II³, AUD NCIs and EUR NCIs (if issued) – The 2009 Capital Notes
	Lower ranking obligations	Ordinary shares	Ordinary Shares
	Lower Ranking		

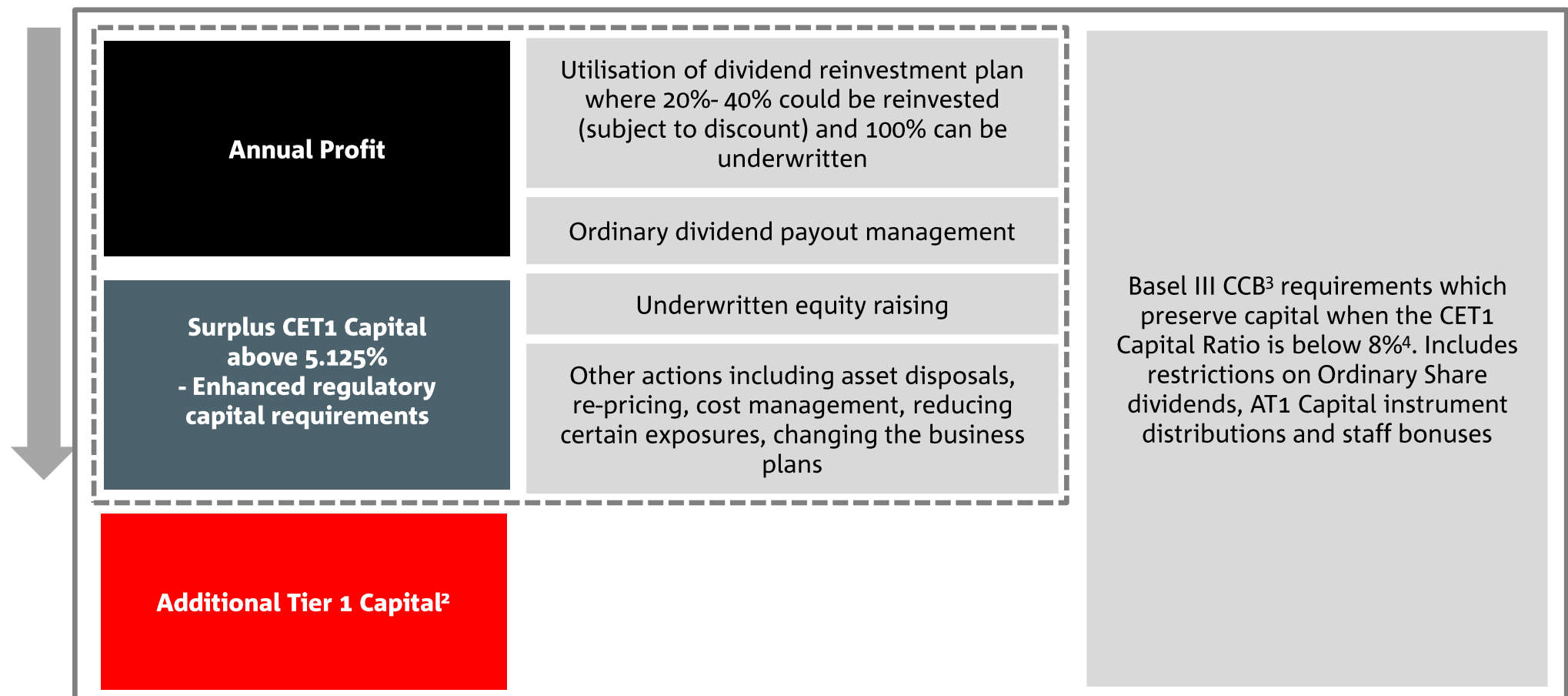
- (1) This is a very simplified capital structure of NAB and does not include every type of security or other obligation issued by NAB. NAB has the right to issue further debt, deposits or other obligations or securities of any kind at any time. The NAB Capital Notes do not limit the amount of senior debt, deposits or other obligations or securities that may be incurred or issued by NAB at any time
- (2) If a Write Off of a NAB Capital Note occurs following a Loss Absorption Event, the rights of Holders to Distributions and returns of capital in respect of that NAB Capital Note will be terminated, NAB Capital Notes that are Written Off will not be Converted, Redeemed or Resold on any subsequent date and a Holder will not have their capital repaid. If a NAB Capital Note is Converted, the Ordinary Shares a Holder receives on Conversion will rank equally with other Ordinary Shares in a winding up of NAB
- (3) NAB has given notice on 22 January 2015 that the TPS II will be redeemed on 23 March 2015

Prudent pre-emptive actions

- NAB's Basel III AT1 Capital instruments, including NAB Capital Notes, would convert into equity if the CET1 Capital Ratio is $\leq 5.125\%$
- Before Conversion Basel III AT1 investors may be buffered by:
 - NAB's profits and capital buffers which are automatically available to absorb losses, and
 - pre-emptive management actions

Buffers above Basel III AT 1 Capital

Illustrative pre-emptive actions before conversion¹



(1) NAB does not commit to take any of the illustrative pre-emptive actions, and NAB's level of Common Equity Tier 1 Capital may be affected by risks associated with its business and its ability to raise and maintain levels of capital which are outside its control

(2) May include some or all Basel II AT1 Capital subject to actions under the Banking Act at the relevant time

(3) CCB = Capital Conservation Buffer

(4) Based on Basel III 2.5% CCB and 1% D-SIB buffer

Comparison of NAB Capital Notes to other NAB Additional Tier 1 Securities

	NAB Capital Notes	NAB CPS II	NAB CPS
ASX Code	NABPC	NABPB	NABPA
Term	Perpetual, subject to Mandatory Conversion on 23 March 2022 (~7 years)	Perpetual, subject to Mandatory Conversion on 19 December 2022 (~9 years)	Perpetual, subject to Mandatory Conversion on 20 March 2021 (~8 years)
Margin	Expected to be in the range of 3.50% – 3.70%	Margin is 3.25%	Margin is 3.20%
Distributions	Floating rate paid quarterly	Floating rate paid quarterly	Floating rate paid quarterly
Franking	Franked, subject to gross-up for unfranked portion	Franked, subject to gross-up for unfranked portion	Franked, subject to gross-up for unfranked portion
Payment Conditions	Yes, subject to NAB's discretion and Payment Condition	Yes, subject to NAB's discretion and Payment Condition	Yes, subject to NAB's discretion and Payment Condition
Distribution Restrictions for non-payment	Yes, applies to Ordinary Shares until the next Distribution Payment Date	Yes, applies to Ordinary Shares until the next Distribution Payment Date	Yes, applies to Ordinary Shares until the next Distribution Payment Date
Mandatory Conversion	Yes on 23 March 2022, subject to Mandatory Conversion Conditions	Yes on 19 December 2022, subject to Mandatory Conversion Conditions	Yes on 20 March 2021, subject to Mandatory Conversion Conditions
NAB redemption rights (subject to prior written APRA approval)	Yes, on 23 March 2020 and in certain specified circumstances	Yes, on 17 December 2020 and in certain specified circumstances	Yes, on 20 March 2019 and in certain specified circumstances
Conversion on Capital Trigger Event or Non-Viability Trigger Event	Yes. Some or all NAB Capital Notes must be Converted into Ordinary Shares, subject to a maximum number	Yes. Some or all NAB CPS II must be Converted into Ordinary Shares, subject to a maximum number	Yes. Some or all NAB CPS must be Converted into Ordinary Shares, subject to a maximum number
Capital classification	Additional Tier 1	Additional Tier 1	Additional Tier 1
Legal Form	Perpetual note	Preference share	Preference share
Voting rights	None	No right to vote at general meetings of holders of ordinary shares, except in limited circumstances	No right to vote at general meetings of holders of ordinary shares, except in limited circumstances

Information about the Offer

Offer Structure	<ul style="list-style-type: none">• The Offer comprises:<ul style="list-style-type: none">– The Securityholder Offer– The Institutional Offer, and– The Broker Firm Offer• Information about the different types of offers and how to apply is provided in Section 3 of the Prospectus “Applying for NAB Capital Notes”
How to Apply	<ul style="list-style-type: none">• Eligible Securityholders should apply online at www.nab.com.au/ncnoffer and pay their Application Monies electronically, or complete a paper Application Form and pay their Application Monies by cheque or money order• Broker Firm Applicants should contact their Syndicate Broker
Minimum Application	<ul style="list-style-type: none">• 50 NAB Capital Notes (\$5,000) and thereafter in multiples of 10 NAB Capital Notes (\$1,000)
Fees and expenses associated with the Offer	<ul style="list-style-type: none">• NAB has incurred certain fees and expenses in connection with the Offer and the Prospectus. These are set out in the Prospectus
More Information	<ul style="list-style-type: none">• If there is excess demand for NAB Capital Notes, Eligible Securityholders Applications may be subject to scale-back• Where the number of NAB Capital Notes allocated is less than the number applied for, or where no allocation is made, surplus Application Monies will be refunded (without interest) as soon as practicable following finalisation of the Offer

Certain events that may occur during the term of NAB Capital Notes

The table below summarises certain events that may occur during the term of NAB Capital Notes, and what Holders may receive upon the occurrence of such events. The events are dependent on factors including share price, the occurrence of contingencies and in some cases election by NAB and, accordingly, may not occur

Event	When?	Is APRA approval required? ¹	Do conditions apply?	What value will a Holder receive?	In what form will that value be provided to Holders?
Mandatory Conversion	On 23 March 2022 or the first Distribution Payment Date after that date on which the Mandatory Conversion Conditions are satisfied	No	Yes	Approximately \$101 ²	Variable number of Ordinary Shares
Optional Conversion	On 23 March 2020	Yes	Yes	Approximately \$101 ²	Variable number of Ordinary Shares
Optional Redemption or Resale	On 23 March 2020	Yes	Yes	\$100 (Face Value)	Cash
Conversion in other circumstances	If a Tax Event, Regulatory Event or Potential Acquisition Event occurs	Yes	Yes	Approximately \$101 ^{2,3}	Variable number of Ordinary Shares
	If an Acquisition Event occurs	No	Yes	Approximately \$101 ^{2,3}	Variable number of Ordinary Shares
	If a Loss Absorption Event occurs	No	No	Depending on the market price of Ordinary Shares, likely to receive significantly less than \$101	Variable number of Ordinary Shares If NAB Capital Notes are not Converted for any reason into Ordinary Shares within the required time, NAB Capital Notes will be Written Off ⁴
Redemption / Resale in other circumstances	If a Tax Event or Regulatory Event occurs	Yes	Yes	\$100 (Face Value) ³	Cash

(1) Holders should not expect that APRA approval will be given if requested

(2) On the basis of the Conversion calculations (the value of Ordinary Shares received on Conversion may be worth more or less than \$101). The number of Ordinary Shares that Holders will receive will not be greater than the Maximum Conversion Number

(3) If a Conversion (other than on account of a Loss Absorption Event), Redemption or Resale occurs on a day that is not a scheduled quarterly Distribution Payment Date, Holders of the NAB Capital Notes which are being Converted, Redeemed or Resold will also receive a Distribution in respect of these NAB Capital Notes for the period from (and including) the immediately preceding Distribution Payment Date to (but not including) the date on which the Conversion, Redemption or Resale occurs (provided the conditions to payment are met, including the Directors resolving to pay the Distribution)

(4) If a NAB Capital Note is Written Off, all rights (including to Distributions) in respect of that NAB Capital Note will be terminated, and the Holder will not have their capital repaid

Key Dates for the Offer¹

Important Dates	
Announcement of the Offer	17 February 2015
Lodgement of Prospectus with ASIC	17 February 2015
Record Date for Securityholder Offer	12 February 2015
Bookbuild	24 February 2015
Announcement of Margin	25 February 2015
Offer Opens	25 February 2015
Securityholder Offer Closes	16 March 2015
Broker Firm and Institutional Offers Close	19 March 2015
Issue of NAB Capital Notes	23 March 2015
Commencement of deferred settlement trading	23 March 2015
Despatch of Holding Statements	from 24 March 2015 ²
Commencement of trading on normal settlement basis	27 March 2015
First Distribution Payment Date	23 June 2015
Optional Conversion / Redemption / Resale Date ³	23 March 2020
Mandatory Conversion Date ⁴	23 March 2022

(1) These dates are indicative only and may change without notice

(2) Expected to be completed by 26 March 2015

(3) With APRA's prior written approval, NAB may elect to Convert, Redeem or Resell NAB Capital Notes on 23 March 2020. Holders should not expect that APRA's approval will be given for any optional Conversion, Redemption or Resale. This date assumes the Issue Date is 23 March 2015

(4) NAB Capital Notes will Convert into Ordinary Shares on 23 March 2022 (subject to the Mandatory Conversion Conditions being satisfied and only if, prior to that date, NAB Capital Notes have not been Converted, Redeemed or Resold with APRA's prior written approval, or Written Off). This date assumes the Issue Date is 23 March 2015



FY14 Results Summary

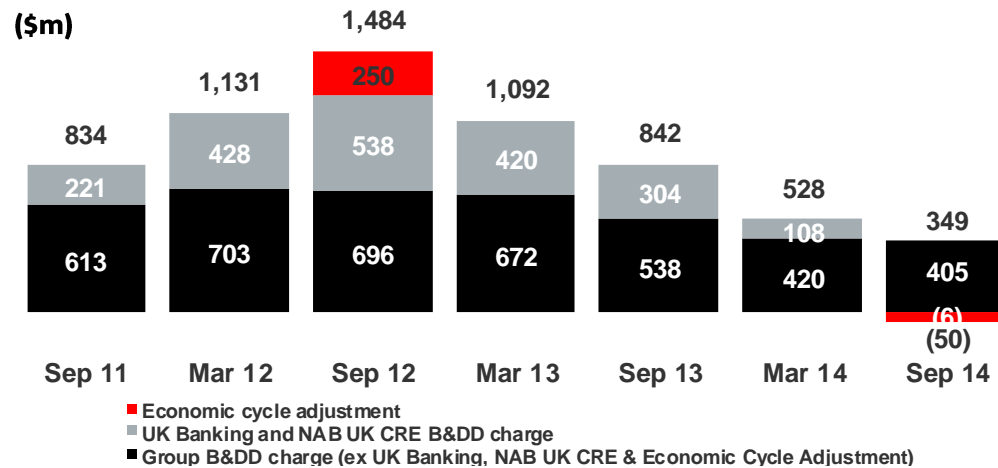
Group financial results

	Mar 14 Half year (\$m)	Sep 14 Half year (\$m)	Change on Mar 14 (%)
Net operating income (ex specified items)¹	9,487	9,426	(0.6%)
Operating expenses (ex specified items)¹	(4,251)	(4,262)	(0.3%)
Underlying profit (ex specified items)¹	5,236	5,164	(1.4%)
B&DDs	(528)	(349)	33.9%
Tax (ex specified items)¹	(1,308)	(1,347)	(3.0%)
Cash earnings (ex specified items)¹	3,310	3,378	2.1%
Cash ROE (ex specified items)¹	15.3%	15.1%	(20bps)
<i>Specified items:</i>			
- UK Conduct (PPI & IRHP) (pre-tax)	(205)	(1,205)	large
- Capitalised software (pre-tax)	-	(297)	N/A
- DTA and R&D (cash earnings impact)	-	(160)	N/A
Cash earnings (Reported)	3,150	2,034	(35.4%)
Cash ROE (Reported)	14.6%	9.1%	(550bps)

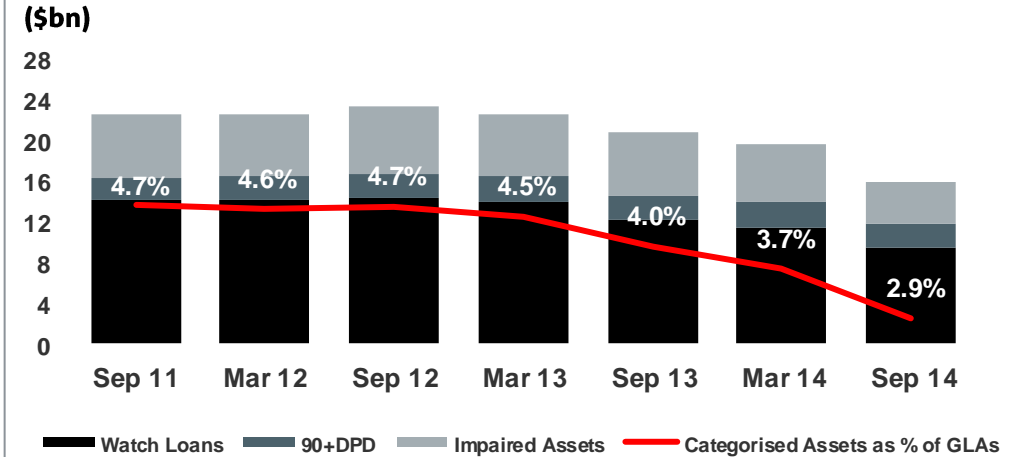
(1) Specified items excluded are - UK Conduct provisions (PPI & IRHP), Capitalised software impairment, DTA provision and R&D tax policy change

Asset quality improvements a highlight

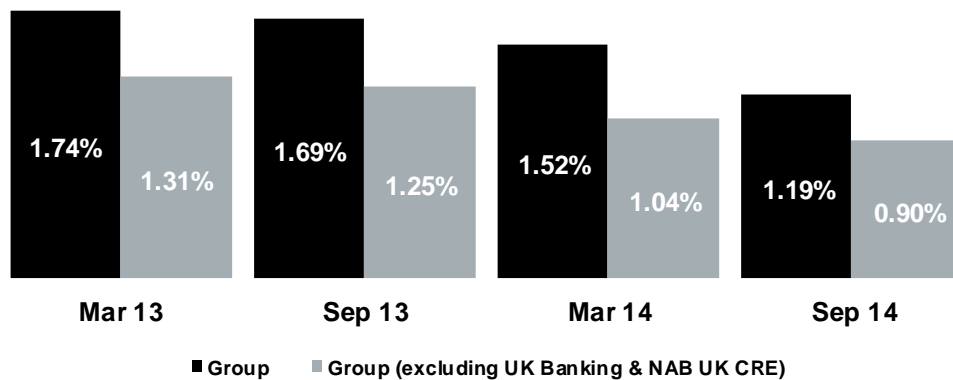
B&DD charge



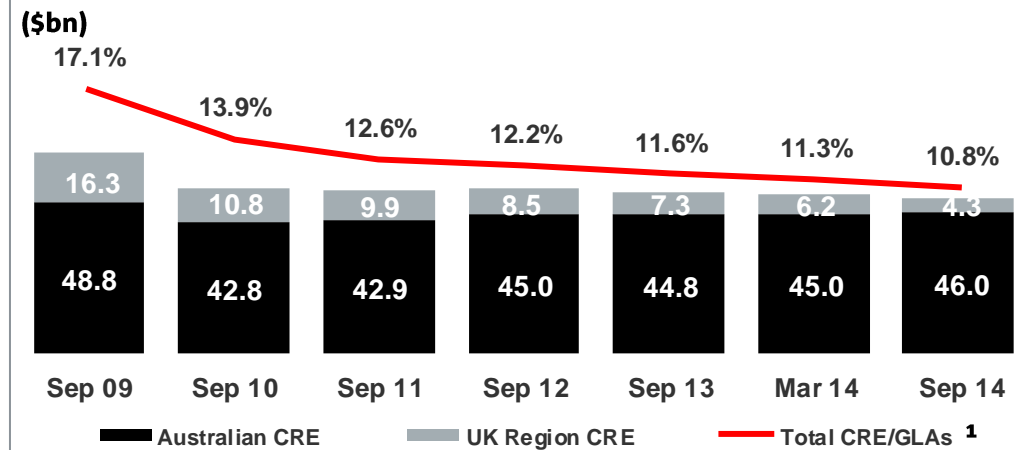
Categorised assets by class



90+ DPD & impaired assets as a % of GLAs



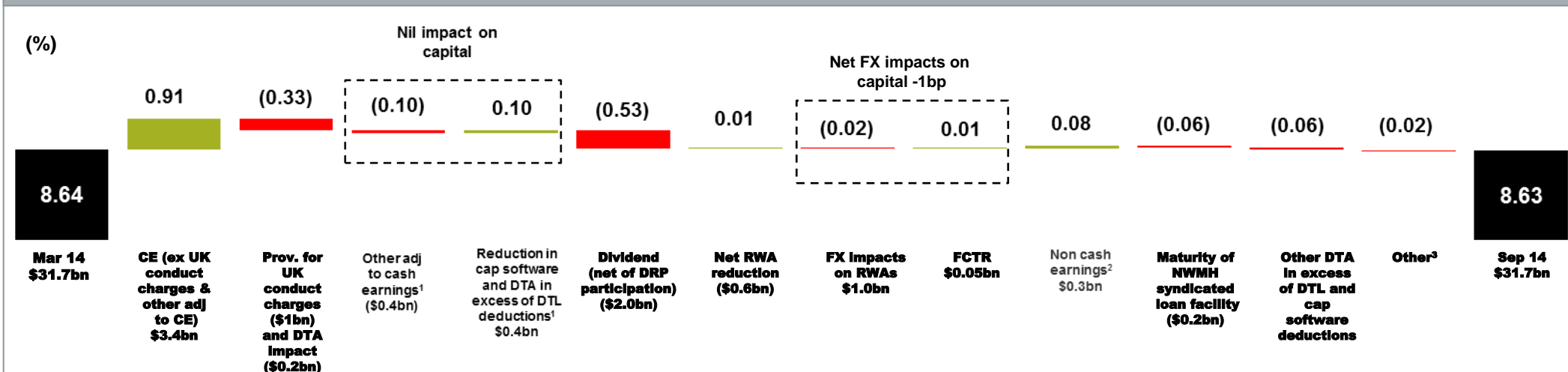
Commercial Real Estate exposure



(1) From September 2013 onwards includes commercial property exposures in both NAB UK CRE and \$0.4bn in UK Banking

Strong capital position

Group Basel III Common Equity Tier 1 Capital Position



Capital considerations

- CET1 Capital Ratio target of 8.75-9.25% by January 2016 based on current regulatory framework
- Non core asset sales including Great Western Bank will increase the CET1 Capital Ratio
- Wealth Management capital benefit of debt held (~47bps of CET1 Capital Ratio) will be removed progressively through to December 2017
- Financial System Inquiry (FSI) recommendations subject to final consultation until 31 March 2015
- The new APS330 Public Disclosure reporting requirements for the Leverage Ratio will not take effect until 1 April 2015 at the earliest
- During 1Q15 NAB increased its share capital by approximately \$1.6 billion (44bps of CET1 Capital) through a combination of Dividend Reinvestment Plan (DRP) participation and the partial underwriting of the DRP
- CET1 Capital Ratio as at 31 December 2014 was 8.74%

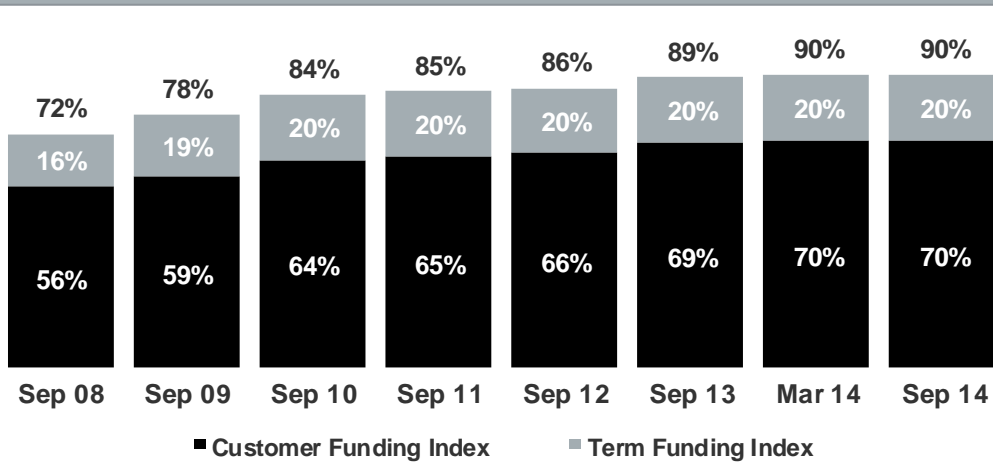
(1) 'Other adjustments to cash earnings' include the impairment of capitalised software and the NY DTA provision, which has a corresponding reduction in capitalised software and the DTA in excess of DTL deduction

(2) Non-cash earnings impact after adjusting for distributions, treasury shares and amortisation of acquired intangibles

(3) 'Other' includes regulatory methodology changes, deconsolidation of wealth management equity and other immaterial movements

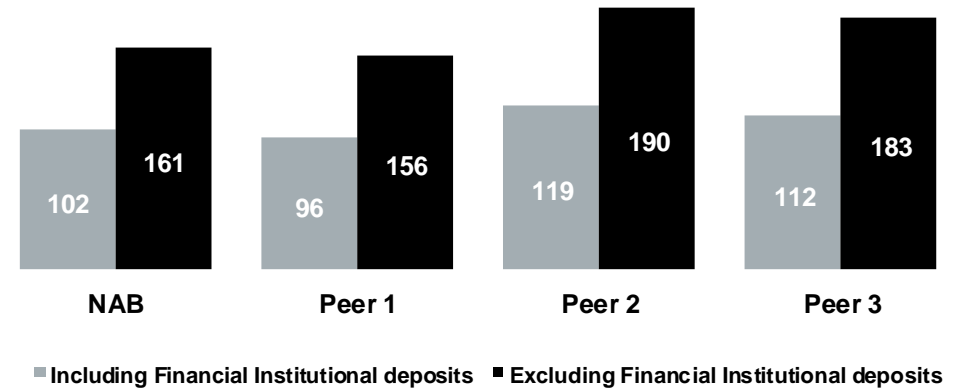
Balance sheet strength remains a priority

Group Stable Funding Index (SFI)

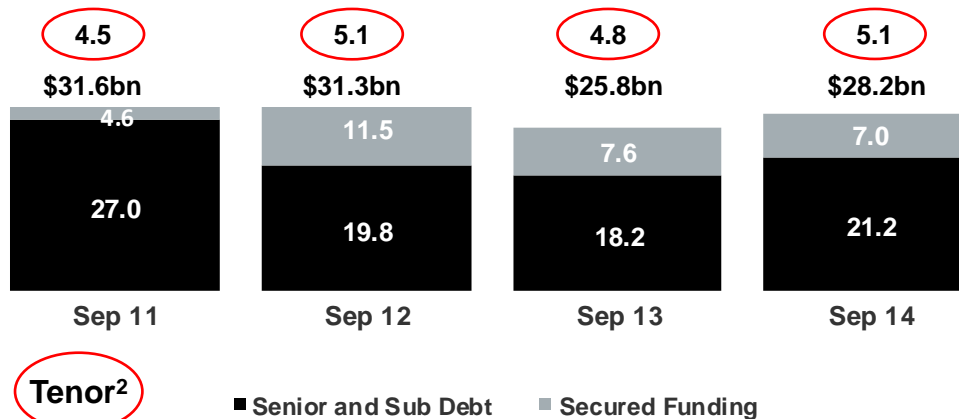


Australian funding gap¹

(\$bn)

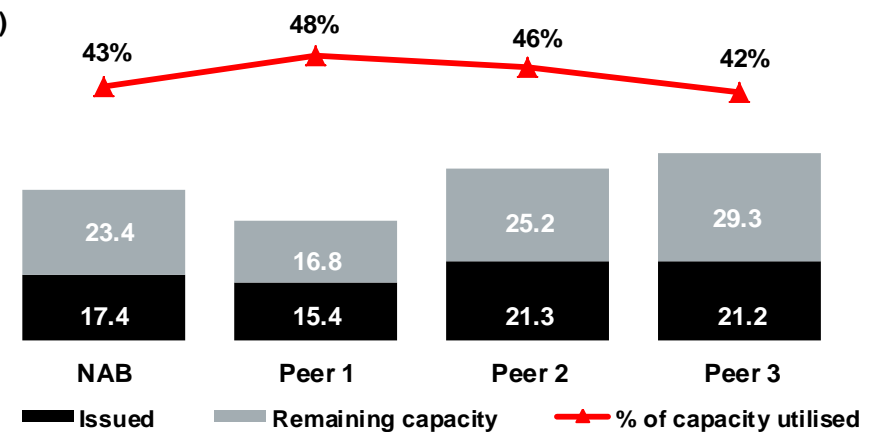


Term funding – volume and tenor² of new issuance



Australian Covered Bond issuance³

(\$bn)



- (1) Australian funding gap = Gross loans and advances + Acceptances less Total deposits (excluding certificates of deposits). Source: APRA Monthly Banking Statistics (31 August 2014)
- (2) Weighted average maturity (years) of term funding issuance (> 12 months)
- (3) Latest Bank covered bond investor reports as at mid October & APRA Monthly Banking Statistics as at 31 August 2014. Remaining capacity based on current rating agency over collateralisation (OC) and legislative limit

FY14 Summary

- Challenging revenue environment, but will not compromise credit standards
- Good Personal Banking revenue performance, stable Business Banking revenue
- Strong cost disciplines to continue, increasing investment in core franchise
- Asset quality a highlight
- Focus on low yielding assets and capital redeployment to close peer ROE gap
- Balance sheet strong – capital, funding, liquidity and asset quality

1Q15 Trading Update

- Continued strengthening of the core Australian and New Zealand franchise
- Reduction of legacy issues
 - Great Western Bank, IPO of 31.8% in October 2014
 - UK CRE, additional GBP 1.2 billion sale in December 2014
- Further significant improvements in asset quality
- CET1 Capital Ratio increased by 11 bp to 8.74% as at 31 December from 30 September 2014
- Solid result with good progress on strategic priorities

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