



2015 Half Year Results

Investor Presentation
7 May 2015

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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 Group Executive Finance and Strategy on 7 May 2015. 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. Except as noted below, it is intended to be read by an analyst audience familiar with National Australia Bank Limited and its March 2015 Half Year Results Announcement, and to be accompanied by the verbal presentation. This document should not be read without first reading the National Australia Bank Limited March 2015 Half Year Results Announcement, which has been lodged with the Australian Securities Exchange at the same time as this document and is available at 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 – 7 of the National Australia Bank Limited March 2015 Half Year Results Announcement.**

Section 5 of the March 2015 Half Year Results Announcement sets out the Group's financial statements, prepared in accordance with the *Corporations Act 2001 (Cth)* and Australian Accounting Standards, and reviewed in accordance with Australian Auditing Standards

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Andrew Thorburn

Group Chief Executive Officer

Introduction



Agenda

- Introduction – Andrew Thorburn, Group Chief Executive Officer
- Progress on Legacy and Low Returning Assets – Craig Drummond, Group Executive Finance & Strategy
- Capital Raising – Craig Drummond
- 1H15 Financials – Craig Drummond
- Progress on Strategic Priorities – Andrew Thorburn
- Summary – Andrew Thorburn
- Q&A

Our focus for FY15

Strong Australia & NZ franchise

- Customer experience
 - Consistent measurement
 - Fix pain points
 - Digital enablement
- Clear segment focus
 - SME, Specialised Business customers
 - Home loan customers
- Culture
 - Accountability, Performance, Delivery
 - Passion for customers

Banking essentials: Balance sheet, Risk, Technology

Run off low returning assets

Improving shareholders' returns by closing ROE gap to peers



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Overview

- Solid result with growth from all major business units
 - Business Banking revenue stable, but franchise indicators improving
 - Continued Personal Banking momentum
 - Sound New Zealand performance
 - Wealth earnings continue to improve
- Significant progress on legacy and low returning assets
 - UK CRE, SGA
 - GWB sell-down
 - Re-insurance transaction
 - UK exit path
- Strong balance sheet, particularly capital position post raising

Building a strong and focused Australia and NZ business



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Improvement in key shareholder metrics

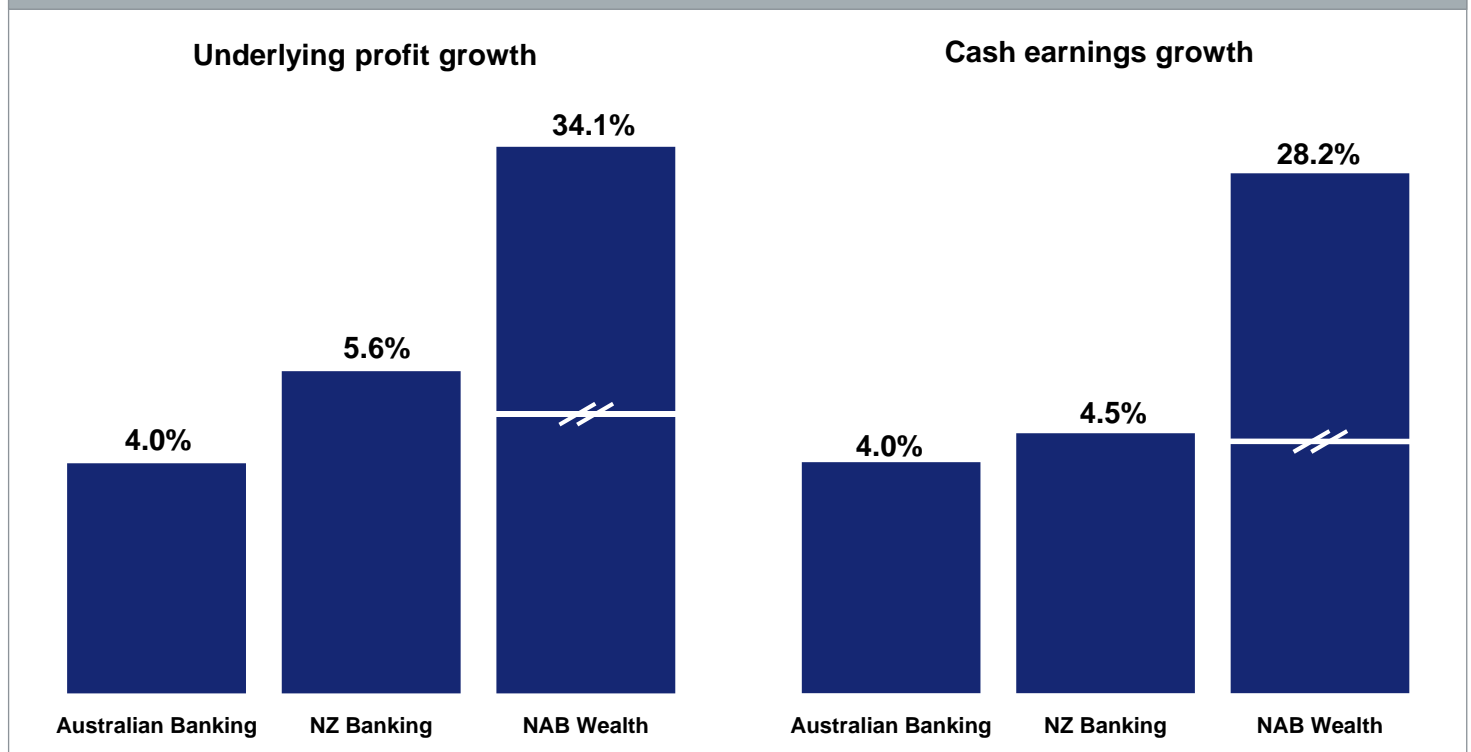
	Mar 15	Mar 15 vs Sep 14	Mar 15 vs Mar 14
Cash earnings (\$m)	3,320	63.2%	5.4%
Cash EPS (diluted cps)	136.1	59.9%	3.7%
Dividend (100% franked cps)	99	-	-
Cash ROE	14.7%	560bps	10bps
Statutory net profit attributable to owners (\$m)	3,440	41.0%	20.4%



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All core businesses contributing

Underlying profit and cash earnings growth by business unit (local currency) Mar 15 vs Mar 14



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Craig Drummond
Group Executive Finance & Strategy

Progress on legacy and low returning assets



Significant progress on legacy and low returning assets

- UK demerger and IPO plans well advanced
- GWB second sell down
- UK CRE run-off largely complete following second portfolio sale
- SGA to be closed and absorbed into Australian Banking
- Reinsurance agreement for Life Insurance

Proposed UK demerger and IPO

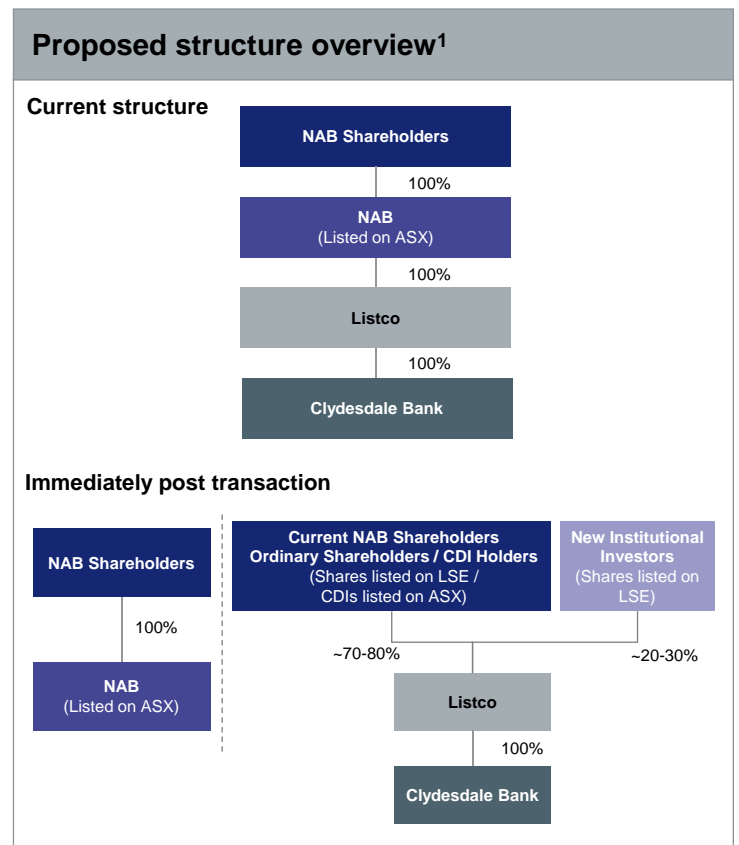
- UK exit will facilitate focus on core Australian and New Zealand franchise, flagged UK exit at FY14 results
- Significant work undertaken on a range of exit options, in particular those provided by public markets. Trade sale not ruled out but no certainty of outcome or timing
- Preferred public market exit option is a demerger of 70-80% of National Australia Group Europe Ltd and its subsidiaries (Listco) to NAB shareholders and an IPO of the balance of approximately 20-30% to institutional investors, targeting exit by end of this calendar year. The principal operating subsidiary is Clydesdale Bank PLC which also operates under the Yorkshire Bank brand
- Demerger would accelerate full exit, deliver greater certainty than full IPO alternative, and NAB shareholders can retain potential upside from Listco
- Listco is well positioned to be a standalone retail and business bank with a strong franchise across its core regional markets in the UK
- The proposed demerger and IPO is a substantial and complex undertaking, subject to risk and addressing a range of issues of which the most substantive is conduct mitigation
- **There is no certainty that a transaction will occur and discussions with regulators and other key stakeholders, whilst significant to date, remain ongoing**



Proposed transaction structure

Proposed transaction structure

- Demerger of approximately 70-80% of Listco's shares to existing NAB shareholders, with sale of the balance of 20-30% by IPO to institutional investors
- It is proposed that Listco has its primary listing on the London Stock Exchange (LSE), with a fully fungible CHESS Depository Interest (CDI) listing on ASX
- NAB shareholders participating in the demerger will be able to elect to receive shares or fully fungible CDIs in Listco, with sale facility available for eligible small shareholders
- Rationale for IPO:
 - Establish a natural shareholder base for Listco in the UK
 - Create liquidity on the LSE (Listco expected to qualify for full FTSE index inclusion, including CDIs, and S&P/ASX200 inclusion)
 - Improves capital consequences of the transaction for NAB
- Engaging with the ATO to obtain a class ruling on the taxation treatment of the return of capital from the perspective of NAB shareholders



(1) Does not show all intermediary holding companies



Conduct update and implications for demerger and IPO

UK conduct update

- Unutilised provisions for legacy conduct issues stand at £481m for payment protection insurance (PPI) and £212m for interest rate hedging product (IRHP) / fixed rate tailored business loans (FRTBLs)
- PPI - £21m fine relating to UK Financial Conduct Authority (FCA) enforcement action recognised against NAB cash earnings in 1H15
- IRHP - Significant progress made towards completion of in-scope IRHP review
- The total costs associated with conduct related matters remain subject to a wide range of uncertain factors

UK conduct expenses

	Mar 14	Sep 14	Mar 15	Remaining Provision ¹
Payment Protection Insurance (£m)	-	420	21	481
Interest Rate Hedging Products (£m)	115	250	-	212
Other Matters (£m) ²	13	-	(1)	33
Total Remaining Provision (£m)				726
Group cash expense impact (£m)	128	670	20	
Group cash expense impact (A\$m)	229	1,205	39	

(1) Listco as at 31 March 2015, excluding the £21m raised in respect of the FCA's enforcement action which does not cover customer redress

(2) Other matters refers to a range of smaller conduct issues including industry wide schemes

(3) A past business review considers all sales since 2005 (the date at which the FSA became relevant regulator) to identify whether the sales practices at that time did or could have caused customer detriment. In the event that they did suffer detriment, redress is paid. In the event of a determination that they could have caused detriment, Listco will proactively write to the affected customer asking if they wish to have their case reviewed

(4) Fixed rate tailored business loans are outside of the scope of the formal regulatory review of IRHPs or Listco's own independently reviewed redress programme of more complex loans. Out of scope loans are reviewed in the event of a customer complaint

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Conduct considerations for transaction

- To achieve the demerger and IPO, NAB will provide capital support to Listco in relation to potential future legacy conduct costs not covered by existing provisions
- NAB intends to demerge Listco in calendar 2015. Capital support capped at £1.7bn, as determined by the UK Prudential Regulation Authority (PRA), provided demerger occurs within intended timeframe. Any additional conduct provisions prior to that time deducted from the cap. This figure is far higher than NAB and Listco's conduct stress scenarios. The £1.7bn reflects a severe conduct stress scenario for Listco and PRA's conditions for Listco to become standalone
 - PPI severe stress scenario includes the potential for higher levels of 'walk-in' complaints and potential outcome of the 'past business review'³ (identified as a contingent liability in NAB's FY14 results). Past business review clarifying developments are likely in CY15
 - IRHP / FRTBLs severe stress scenario includes potential for additional claims for redress for sales of out-of-scope products⁴
- The capital support to be provided does not require additional provisioning under accounting standard requirements
- Expect capital support to be deducted from NAB CET1 at separation. Actual losses lower than £1.7bn should result in a capital release for NAB over time
- **Form of support, duration and final regulatory capital treatment of capital support remain subject to ongoing regulatory discussion and NAB and Listco Board approval**



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Separation of Listco

Capital and funding

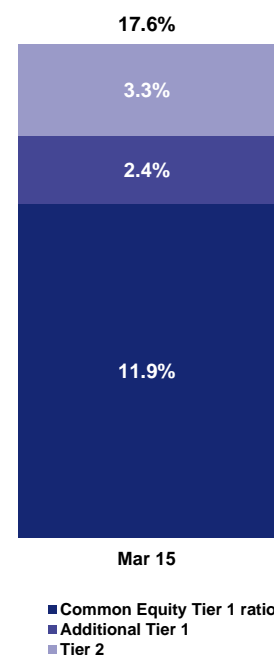
- Listco proposed to have CET1 ratio of ~13%¹ at separation
- NAB currently holds several Listco capital and funding instruments:
 - £450m Additional Tier 1, and £475m subordinated debt securities. NAB plans to reduce these Listco exposures over time, and
 - ~£1bn senior unsecured/secured debt to be refinanced prior to or repaid at maturity
- Preliminary standalone credit rating of Listco expected to be senior investment grade post separation
- Listco currently undertakes all balance sheet hedging through NAB with mark-to-market hedges cash collateralised. Plans in place to reduce NAB's exposure to Listco and for Listco to transact future hedging transactions with third parties

Pensions and operational separation

- Listco's defined benefit pension scheme considerably de-risked since 2011
- Constructive and ongoing engagement with Pension Trustees on NAB's separation plans
- NAB and Listco are already substantially operationally independent. A small number of services will be provided for an interim period post separation under a transitional services agreement

(1) On a UK Prudential Regulation Authority basis

Listco capital profile Mar 15



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Impact on NAB

Proposed demerger and IPO expected to have the following impact on NAB:

- NAB cash earnings will reduce on separation of Listco with shares in Listco to be received by NAB shareholders
- NAB cash ROE should increase on separation
- Transaction expected to have a broadly neutral impact on NAB's capital position excluding the capital support to Listco¹
- Listco capital support of £1.7bn is, from separation, expected to be a full deduction from NAB CET1. Actual losses lower than £1.7bn should result in a capital release for NAB over time
- Post separation, future actual conduct cost will be recognised by NAB within discontinued operations outside of cash earnings with no impact on capital (netted against £1.7bn support)
- No impact on NAB's credit ratings expected

Significant accounting loss on proposed demerger and IPO due to:

- The difference between the market value of Listco's shares distributed in the demerger plus the proceeds of the IPO and the carrying value of Listco's net assets. The carrying value of Listco, excluding Additional Tier 1 capital instruments was ~\$5.4bn as at 31 March 2015
- A loss on the realisation of the Foreign Currency Translation Reserve (FCTR) attributable to Listco, which was ~\$1.5bn as at 31 March 2015

(1) Refer to slide 27 'NAB pro forma capital position' for more detail, including assumptions

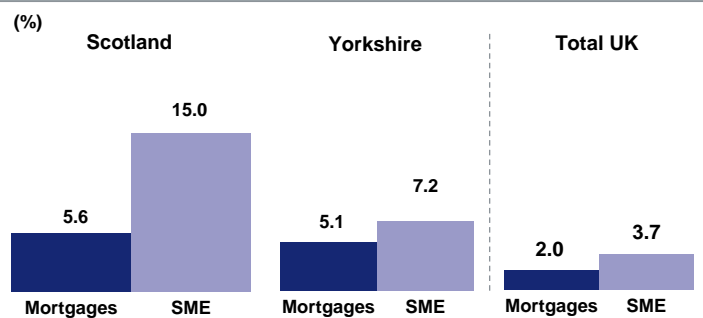


Listco well positioned to grow over medium term

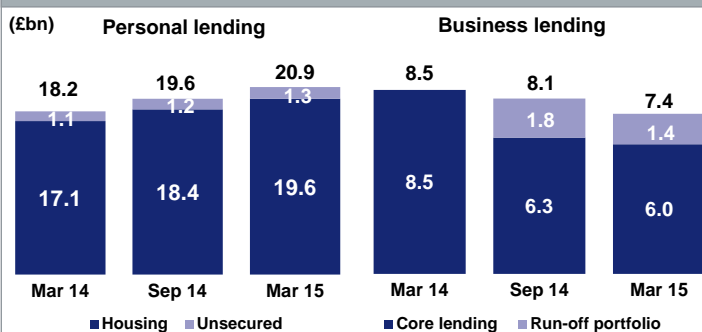
Well positioned for growth over medium term

- Strong regional brands with good market share in core regional markets
- Refreshed senior management team
- Recent strong growth in mortgages
- Business lending tilt away from lower yielding assets into SME
- Reduced risk in portfolio

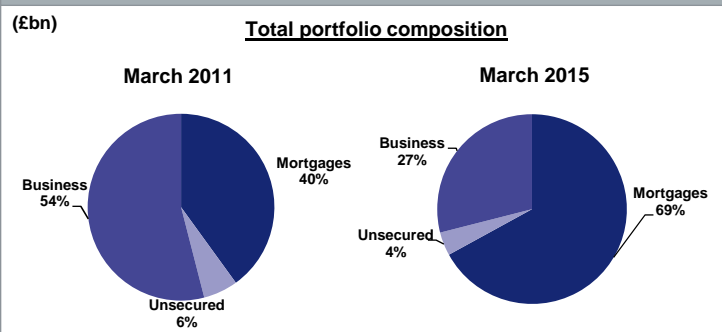
Strong market share in core markets¹



Lending growth profile



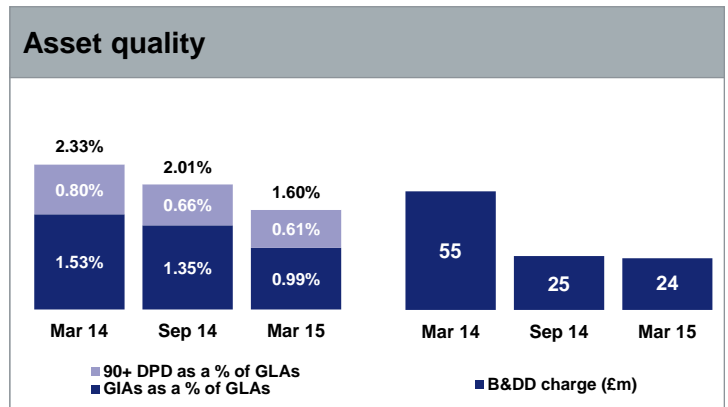
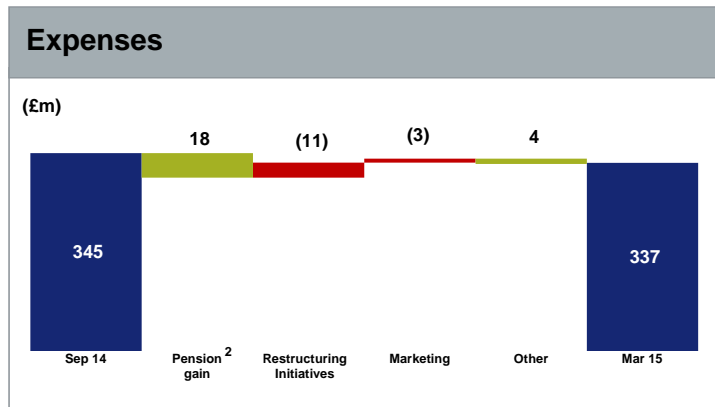
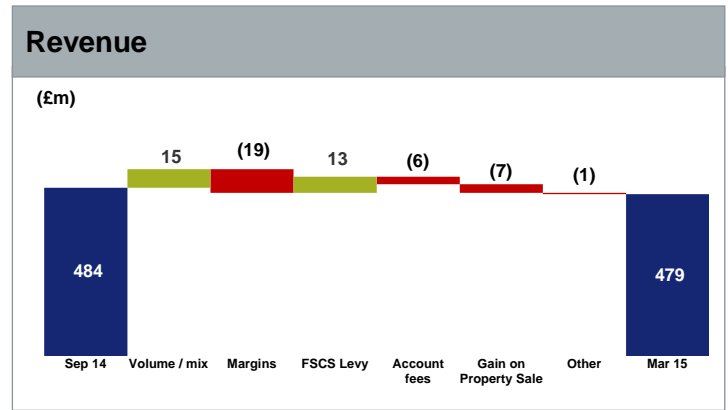
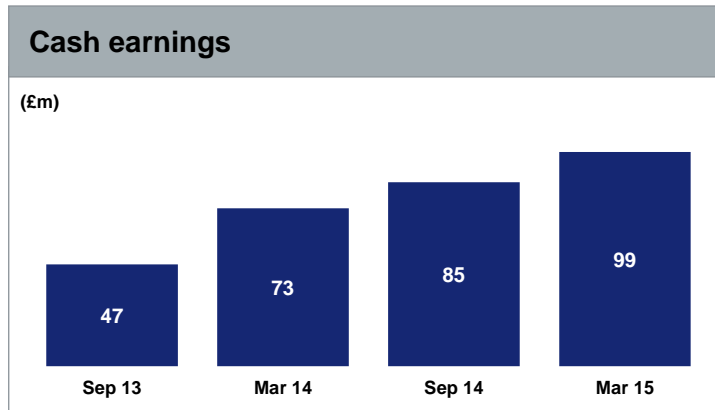
Portfolio risk reduced



(1) British Bankers' Association as at Sep 14 (data is published half yearly with a 6 month lag)



UK Banking¹ earnings continue to recover



(1) UK Banking segment as reported in the NAB Group's results. For reconciliation to Listco see slide 102
 (2) Pension gain reflects the accounting impact of scheme members now being able to elect (after receiving independent advice) to take a higher day one pension in exchange for waiving future index related rises.



Strong investor appetite for UK mid tier banks¹

	IPO date	Current market capitalisation ²	Share price performance since listing ²	Total assets ³
TSB	Jun 14	£1.7bn ⁴	+29% ⁴	£27.2bn
Virgin Money	Nov 14	£1.8bn	+41%	£26.5bn
OneSavings Bank	Jun 14	£0.7bn	+69%	£4.9bn
Aldermore	Mar 15	£0.8bn	+20%	£5.6bn
Shawbrook	Apr 15	£0.8bn	+5%	£2.8bn

(1) Note that share price performance depends on the specific circumstances of individual banks. These figures are not intended to provide any guidance about the share price performance associated with Listco if the demerger and IPO proceeds
 (2) Current market capitalisation and share price performance per Bloomberg as at close 1 May 2015
 (3) Total assets as at peers' FY14 period end
 (4) On 20 March 2015, TSB Banking Group plc (TSB) announced that it had agreed a recommended cash offer with Banco de Sabadell S.A. (Sabadell) to acquire TSB for 340 pence per share. This announcement followed TSB's confirmation on 12 March 2015 that it had received a preliminary proposal from Sabadell. TSB's last undisturbed closing share price on 11 March 2015 was 264.1 pence per share



Next steps

- New Listco management team appointed and continuing to work on reshaping and building the business
- The proposed transaction remains subject to a range of matters including:
 - Further engagement with and approvals from:
 - Regulatory authorities in the UK and Australia
 - UK and Australian listing authorities
 - Finalisation of transaction documentation
 - NAB and Listco Board approvals
- Shareholders will have the opportunity to vote on the proposed demerger
- Will continue to update the market as appropriate
- Targeting completion by the end of the 2015 calendar year



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Great Western Bank exit progressing well

Recent secondary offer

- Initial public offering of 31.8% in October 2014
- Secondary offer of 39.7% priced at US\$21.50 per share, with gross proceeds realised by NAB of US\$495m
- Following the exercise of the Underwriters' option, NAB owns 28.5% of GWB's outstanding common stock
- Intention to sell 100% of GWB over time, subject to market conditions

Capital impacts

- GWB sell down expected to release a total of ~30bps CET1 capital¹, the majority on loss of control or full disposal and subsequent deconsolidation
- Loss of control is determined in accordance with the U.S. Bank Holding Company Act of 1956, and will require a determination from the Federal Reserve
 - Relevant factors include the percentage of voting securities held and the existence of director and management interlocks²

Accounting treatment

- GWB remains consolidated and NAB retains control as per the Shareholders Agreement
- Book value of sold net assets reflected in Non Controlling Interest (NCI) in controlled entities
- Difference between proceeds and book value of sales to date recognised in retained profits - no P&L impact
- Exposure to GWB goodwill reduced to remaining ownership percentage

GWB – Summary 1H15 P&L³

(US\$m)	Mar 14 Half year	Sep 14 Half year	Mar 15 Half year	Change on Sep 14 (%)	Change on Mar 14 (%)
Net operating income	181	182	178	(2%)	(2%)
Operating expenses	(85)	(90)	(88)	2%	(4%)
Underlying profit	96	92	90	(2%)	(6%)
B&DDs	(2)	(6)	(10)	(67%)	(large)
Cash earnings	63	58	54	(7%)	(14%)

(1) Subject to market conditions and market prices

(2) For further information see S-1 filed 28 April 2015

(3) GWB references Great Western Bank, not consolidated with its holding company. Results are prepared under Australian Accounting Standards and are not meant to represent the results of consolidated Great Western Bancorp, Inc. as filed in the United States under US GAAP in any way.

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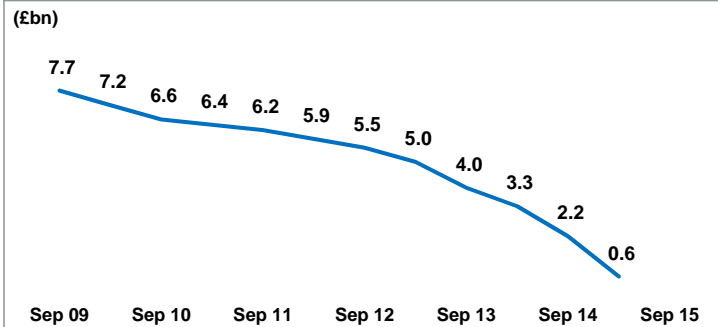


Run off of UK CRE and SGA assets largely complete

UK CRE update

- NAB UK CRE loans reduced by £1.6bn to £0.6bn over the half
- Reduction largely reflects £1.2bn sale in Dec 2014, releasing ~\$240m capital
- Remaining balance of largely performing loans (>95% not impaired or past due) transferred to Corporate Centre with options being considered
- NAB UK CRE overlay of £44m at 30 Sept 2014 absorbed into the Group collective provision on adoption of AASB 9 from 1 October 2014

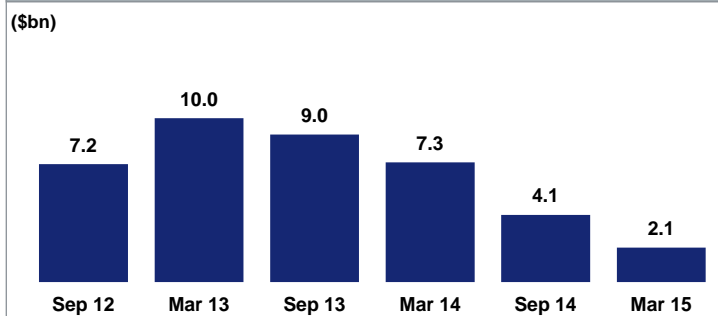
NAB UK CRE – Portfolio run off^{1,2,3}



SGA update

- SGA RWA down ~\$2bn to \$2.1bn largely reflecting asset sales, releasing capital benefit of ~\$190m
- Remaining portfolio comprises better quality long term assets
- Portfolio will be absorbed into Australian Banking wholesale operations in 2H15 and SGA will be closed

SGA – RWAs⁴



- (1) On 5 October 2012 NAB UK CRE was separated from UK Banking
- (2) Represents CRE portfolio within UK Banking to September 2012 and the NAB UK CRE run-off portfolio post September 2012
- (3) Reflects the sales of £0.6bn loans in July 2014 and £1.2bn in December 14
- (4) The increase of RWAs from September 12 to March 13 was 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

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Life reinsurance transaction a step in the right direction

- Reinsurance arrangement with a major global reinsurer covering ~21% of retail advised insurance book
- Expected to take effect in fourth quarter of FY15
- Releases ~\$500m of CET1 capital (13bps) to NAB Group, equivalent to approximately 15% of embedded value¹
- Expected reduction in NAB Wealth cash earnings of approximately \$25m pa, mildly accretive to NAB Wealth ROE
- Continue to distribute life insurance products to NAB Group customers
- Continue to look at other options to improve the returns in this business

(1) Based on internal estimates and calculations of MLC and insurance activities embedded value. Final capital release remains subject to APRA approval

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Craig Drummond

Group Executive Finance & Strategy

Capital raising



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Capital raising

Purpose	Timetable														
<ul style="list-style-type: none"> • Provide a CET1 ratio buffer above the target range ahead of anticipated regulatory changes • Facilitate proposed demerger and IPO of Listco in CY15 • Peer leading capital position 	<table border="1"> <tbody> <tr> <td>Institutional offer</td> <td>7 – 8 May</td> </tr> <tr> <td>Institutional shortfall bookbuild</td> <td>11 May</td> </tr> <tr> <td>Retail entitlement trading begins (on a deferred settlement basis)</td> <td>12 May</td> </tr> <tr> <td>Retail offer opens</td> <td>13 May</td> </tr> <tr> <td>Retail entitlement trading ends</td> <td>25 May</td> </tr> <tr> <td>Retail offer closes</td> <td>1 June</td> </tr> <tr> <td>Retail shortfall bookbuild</td> <td>4 June</td> </tr> </tbody> </table>	Institutional offer	7 – 8 May	Institutional shortfall bookbuild	11 May	Retail entitlement trading begins (on a deferred settlement basis)	12 May	Retail offer opens	13 May	Retail entitlement trading ends	25 May	Retail offer closes	1 June	Retail shortfall bookbuild	4 June
Institutional offer	7 – 8 May														
Institutional shortfall bookbuild	11 May														
Retail entitlement trading begins (on a deferred settlement basis)	12 May														
Retail offer opens	13 May														
Retail entitlement trading ends	25 May														
Retail offer closes	1 June														
Retail shortfall bookbuild	4 June														
Structure and terms	Financial impact														
<ul style="list-style-type: none"> • Shareholder rights issue to raise approximately \$5.5bn • 2:25 at \$28.50 per share • New shares rank pari passu but, do not receive dividend for the half year ended 31 Mar 2015 • 16.7% discount to the dividend adjusted last trading price • 15.6% discount to dividend adjusted theoretical ex rights price¹ based on last trading price • Retail shareholders can trade rights on ASX 	<ul style="list-style-type: none"> • Estimated pro forma 1H15 annualised cash diluted EPS impact of approximately -4.5% • Estimated pro forma 1H15 annualised cash ROE impact of -140bps • Intend to maintain fully franked dividend of 99 cents per share in September 2015 half year² • Strong capital position post capital raising – well above current 8.75 - 9.25% target range 														

(1) The Theoretical Ex-Rights Prices (TERP) is the theoretical price at which NAB shares should trade immediately after the ex-date for the entitlement offer. The theoretical ex-rights price is a theoretical calculation only and the actual price at which NAB shares trade immediately after the ex-date for the entitlement offer will depend on many factors and may not be equal to the theoretical ex-rights price. TERP adjusted for the March 2015 dividend of 99 cents per share

(2) Subject to finalisation and independent audit of the Group’s September 2015 full year results

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NAB pro forma capital position

As at 31 March 2015	Status	%
CET1 ratio	Reported	8.87
Impact of rights issue (\$5.5bn)	Underwritten	1.40 ¹
Pro forma CET1 ratio, post capital raise		10.27
Proposed major initiatives²		
Listco demerger and IPO	Intended	Broadly neutral ³
Listco severe conduct stress scenario support	Intended (Subject to Regulator discussions)	up to (0.84) ⁴
Great Western Bank final sale	Intended	~0.30 ⁵
Life re-insurance	Announced	0.13 ⁶
Net uplift from lower RWA base, post major initiatives		~0.11 ⁷
		(0.30)⁸
CET1 ratio pro-forma for proposed major initiatives		~10.00
Current target CET1 ratio from 2016 (8.75% – 9.25%)		9.00 midpoint
Buffer for regulatory change and developments		~1.00

(1) Gross of transaction costs

(2) This is not a projection of NAB's future capital position or intended to be a forecast of that position, but sets out the potential capital impact of the proposed strategic initiatives noted below on the basis of certain assumptions which may or may not reflect the actual position at the relevant time. These strategic initiatives involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of NAB. There is no certainty that all of these strategic initiatives will occur or will occur as currently proposed

(3) Subject to market conditions, FX rates and IPO price and size. Assumptions include IPO size of 20%-30%, FX Rate of 0.517 GBP/AUD and Listco book value of £3,174m, which includes £450m of preference shares

(4) Listco capital support capped at £1.7bn, calculated at an FX rate of 0.517 GBP/AUD. Support is expected to be deducted from NAB's CET1 ratio upon completion of the demerger, subject to on-going regulatory discussion

(5) Subject to market conditions and market prices (as disclosed and footnoted in the ASX announcement on Friday, 1 May 2015)

(6) The final capital release is subject to APRA approval

(7) The proposed Listco and GWB transactions would, if completed, reduce Group Risk Weighted Assets (RWA). The net positive impact of the other proposed initiatives in aggregate (including the rights issue, conduct severe stress scenario support and life reinsurance) would increase given the lower RWA base, leading to an uplift in the CET1 ratio

(8) Assuming the capital impact of conduct severe stress scenario support required to be provided by NAB is (0.84%). This is set out in the assumptions to (4) above.

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Not for distribution or release in the United States

Rights issue to raise \$5.5bn

Offer	<ul style="list-style-type: none"> 2 for 25 fully underwritten pro-rata accelerated renounceable entitlement offer¹ with retail entitlements trading to raise approximately \$5.5 billion Approximately 194 million new NAB ordinary shares to be issued (c. 8% of issued capital) Eligible shareholders may choose to take up all or part of their pro rata entitlement, or none at all
Offer Price	<ul style="list-style-type: none"> \$28.50 per new share - a 16.7% discount to the dividend adjusted last closing price² (\$5.71 per share) - a 15.6% discount to the dividend adjusted TERP (\$5.29 per share³)
Institutional Entitlement Offer	<ul style="list-style-type: none"> Institutional Entitlement Offer open from 7 May to 8 May Institutional Entitlements not taken up and entitlements of ineligible institutional shareholders will be sold under the Institutional Shortfall Bookbuild to be conducted on 11 May
Retail Entitlement Offer	<ul style="list-style-type: none"> Retail Entitlement Offer open from 13 May to 1 June Retail entitlements tradeable on ASX from 12 May (deferred basis), 19 May (normal basis)⁴ Retail entitlements cease trading on 25 May Entitlements not taken up and entitlements of ineligible retail shareholders will be sold under the Retail Shortfall Bookbuild to be conducted on 4 June
Ranking & Dividends	<ul style="list-style-type: none"> New shares issued will rank equally in all respects with existing shares from the date of allotment but will not be entitled to the 31 March 2015 dividend of 99 cents per share
Record Date	<ul style="list-style-type: none"> 7.00pm (Sydney time) on 12 May 2015

(1) Fractional Entitlements will be rounded up to the nearest whole number of shares

(2) As at close of trading on 6 May adjusted for the 31 Mar 2015 dividend of 99 cents per share to reflect the fact that new shares will not be entitled to receive this dividend payment

(3) The Theoretical Ex-Rights Prices (TERP) is the theoretical price at which NAB shares should trade immediately after the ex-date for the entitlement offer. The theoretical ex-rights price is a theoretical calculation only and the actual price at which NAB shares trade immediately after the ex-date for the entitlement offer will depend on many factors and may not be equal to the theoretical ex-rights price. TERP adjusted for the 31 Mar 2015 dividend of 99 cents per share

(4) Refer to slide Annexure A for information on restrictions on shareholders eligible to exercise entitlements

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Offer Timetable

Event	Date
Trading halt, Institutional Entitlement Offer opens	Thursday 7 May
Institutional Entitlement Offer closes	Friday 8 May
Institutional shortfall bookbuild	Monday 11 May
Existing shares recommence trading on ASX	Tuesday 12 May
Retail Entitlements commence trading on deferred settlement basis	Tuesday 12 May
Record Date	Tuesday 12 May
Retail Entitlement Offer opens	Wednesday 13 May
Retail Offer Booklet despatched and Retail Entitlements allotted	Monday 18 May
Retail Entitlements commence trading on normal settlement basis	Tuesday 19 May
Settlement of the Institutional Entitlement Offer	Tuesday 19 May
Issue and quotation of new shares under the Institutional Entitlement Offer	Wednesday 20 May
Retail Entitlement trading on ASX ends	Monday 25 May
Retail Entitlement Offer closes	Monday 1 June
Retail shortfall bookbuild	Thursday 4 June
Settlement of the Retail Entitlement Offer	Wednesday 10 June
Issue of new shares under the Retail Entitlement Offer	Thursday 11 June
New shares under the Retail Entitlement Offer commence trading on ASX	Friday 12 June

The above timetable is indicative only and subject to change. NAB reserves the right to vary these dates or to withdraw the Entitlement Offer at any time. Subject to the requirements of the Corporations Act, the ASX Listing Rules and any other applicable laws, NAB, in consultation with the Underwriters, reserves the right to amend this timetable at any time

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Not for distribution or release in the United States

Craig Drummond
Group Executive Finance & Strategy

1H15 Financials



Group financial result

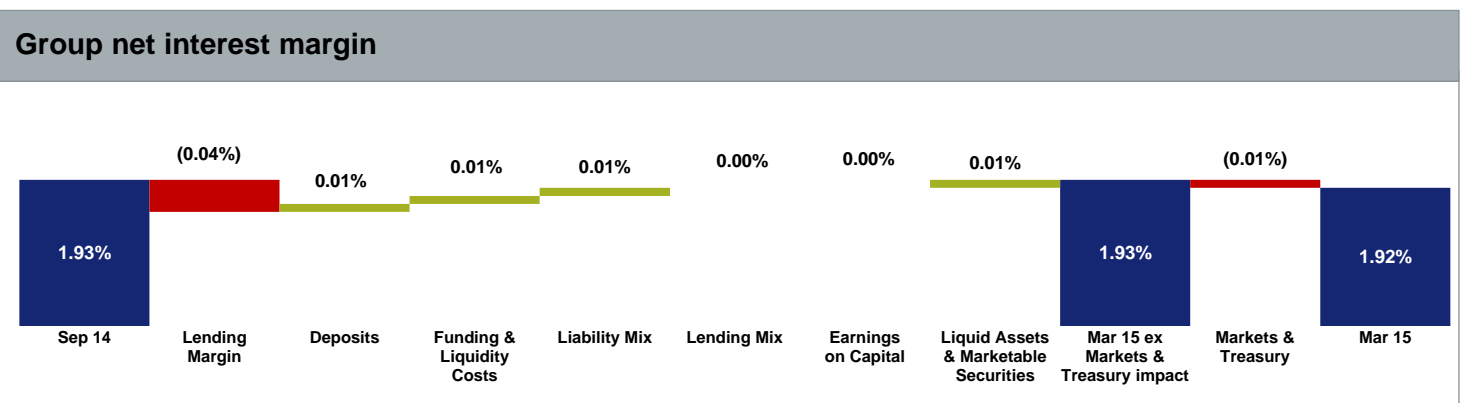
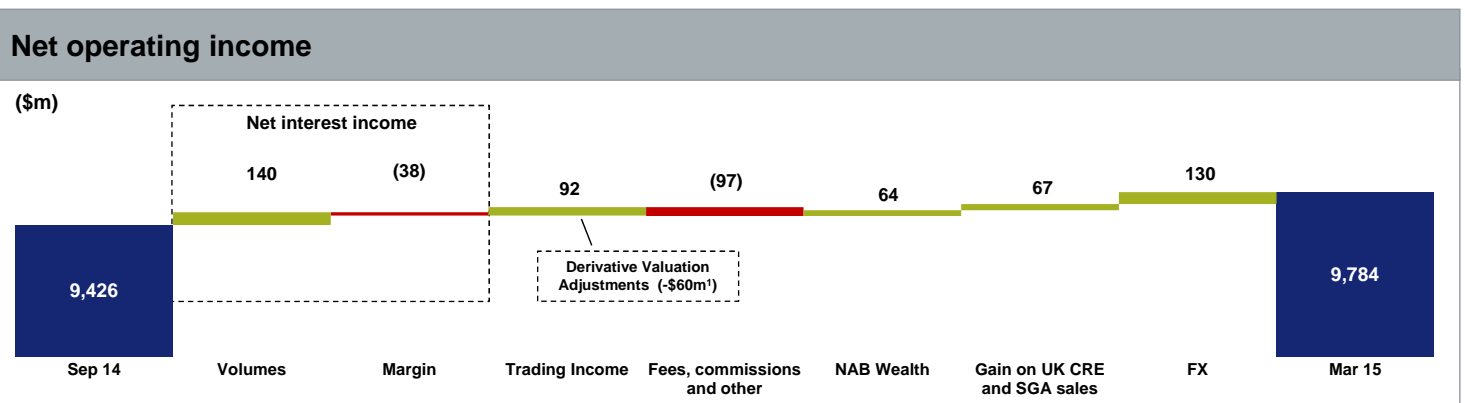
	Sep 14 Half year (\$m)	Mar 15 Half year (\$m)	Change on Sep 14 (%)
Net operating income (ex specified items) ¹	9,426	9,784	3.8%
Operating expenses (ex specified items) ¹	(4,262)	(4,460)	(4.6%)
Underlying profit (ex specified items) ¹	5,164	5,324	3.1%
B&DDs	(349)	(455)	(30.4%)
Tax (ex specified items) ¹	(1,347)	(1,424)	(5.7%)
Cash earnings (ex specified items) ¹	3,378	3,320	(1.7%)
Cash ROE (ex specified items) ¹	15.1%	14.7%	(40bps)
Specified items:			
- UK Conduct (PPI & IRHP) (pre-tax)	(1,205)	-	N/A
- Capitalised software (pre-tax)	(297)	-	N/A
- DTA and R&D (cash earnings impact)	(160)	-	N/A
Cash earnings (Reported)	2,034	3,320	63.2%
Cash ROE (Reported)	9.1%	14.7%	560bps

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



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Good growth in operating income with modest margin decline

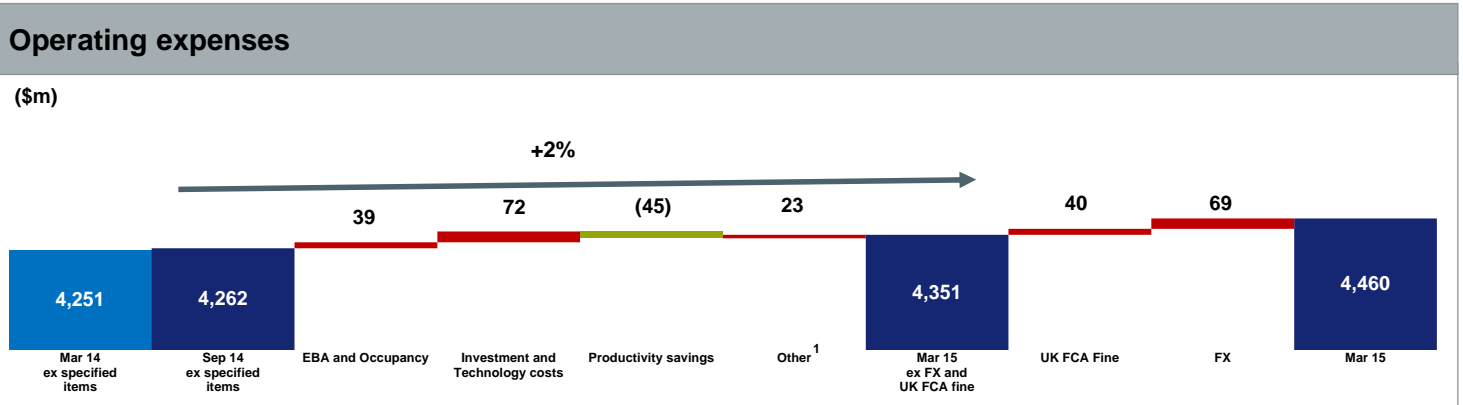


(1) Derivative Valuation Adjustments consists of CVA, FVA and OIS



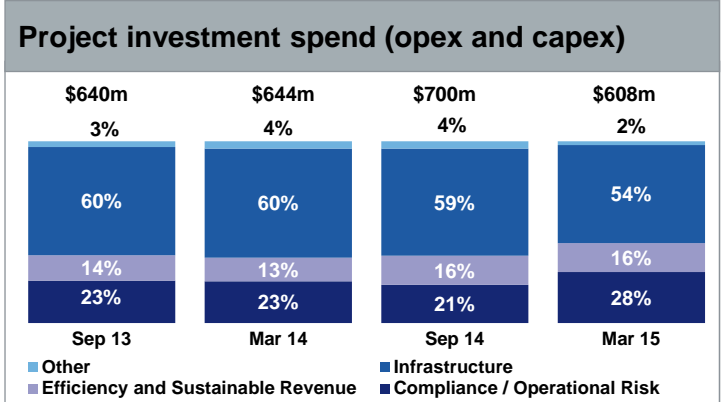
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Operating expenses well contained



Further detail on operating expenses

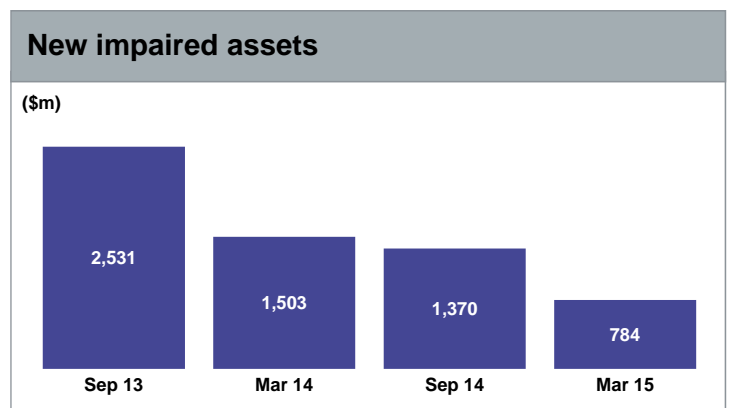
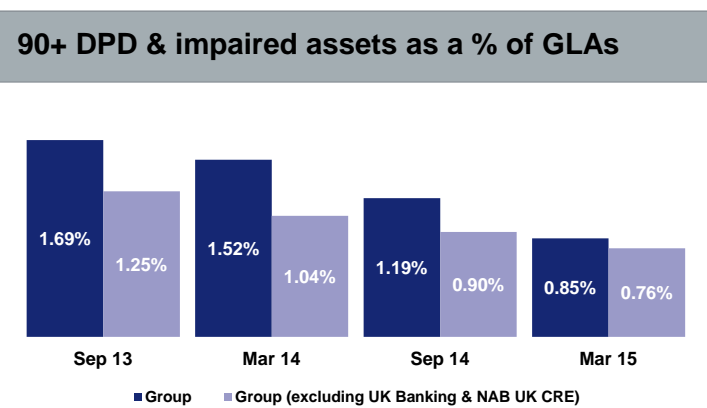
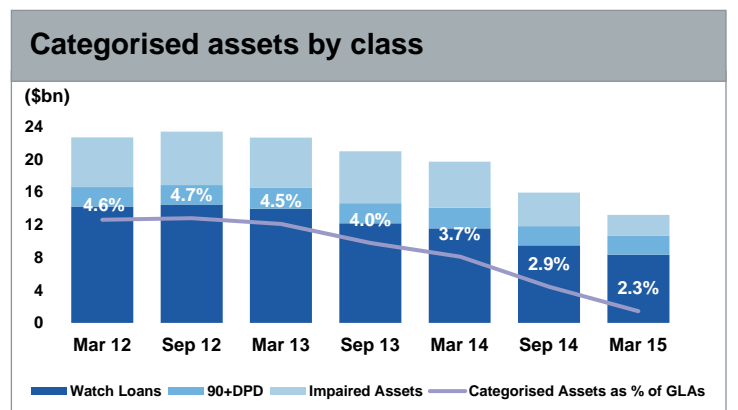
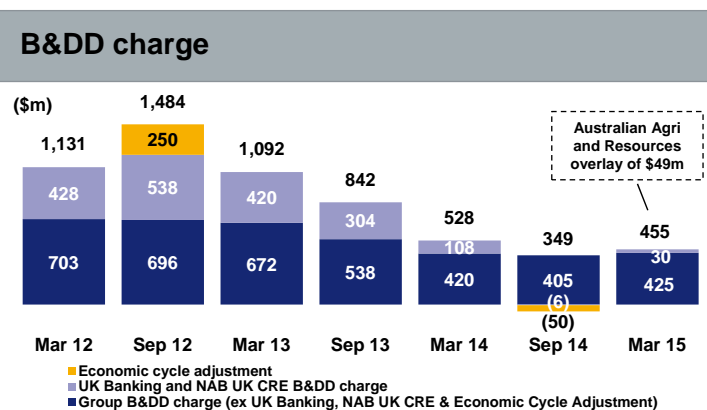
- 1H15 investment spend in Australian priority customer segments included >200 additional Business and Personal Banking hires
- Productivity savings in 1H15 of \$45m. Expect on-going savings of \$100m – \$150m pa driven by operational improvements and simplification. Some productivity savings reinvested in priority customer segments
- Capitalised software balance increased \$192m to \$2,318m (ex UK capitalised software balance \$1,859m). Depreciation and Amortisation expense up \$2m in 1H15 and expected to increase by ~\$37m in FY15



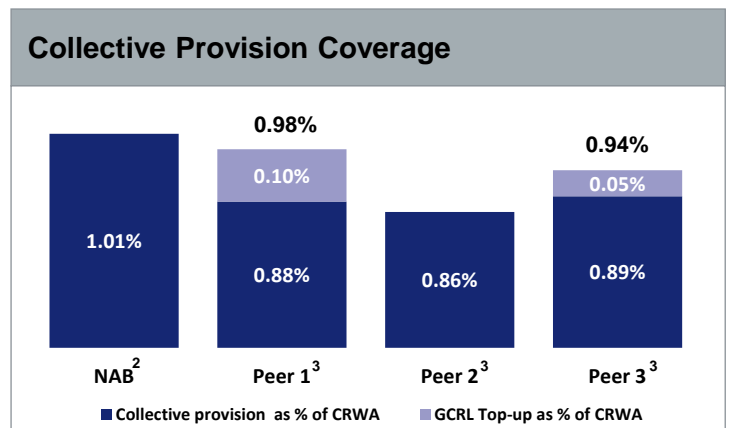
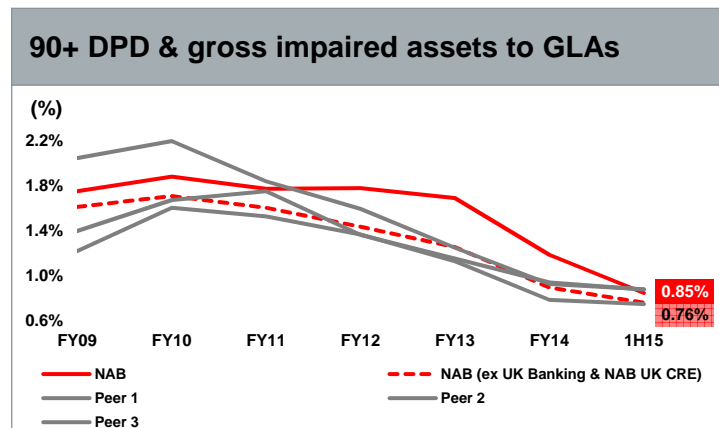
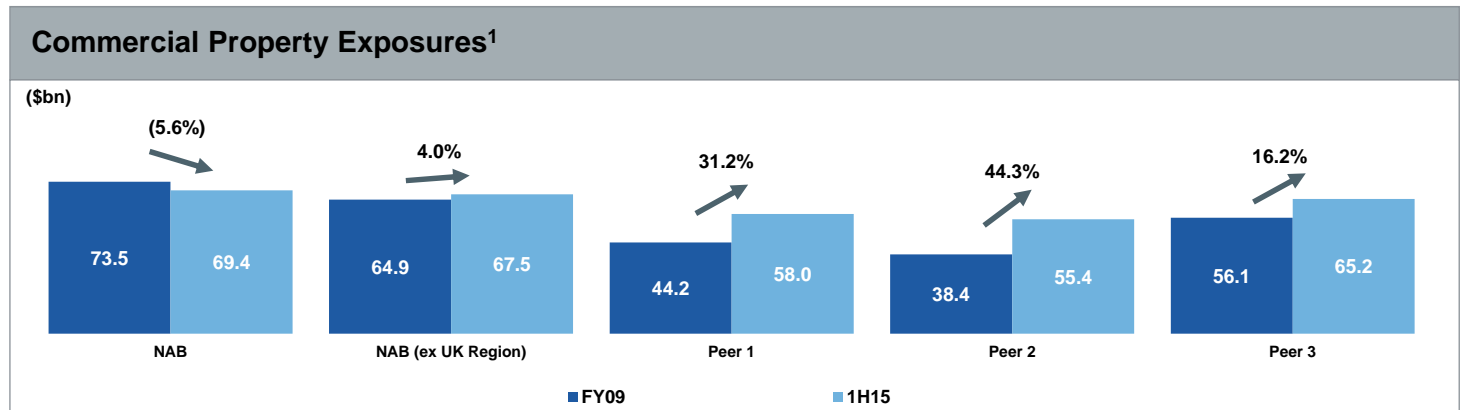
(1) Other includes STI normalisation, transaction costs for UK separation, GST credits and rebates, UK pension gain and restructure costs



Asset quality continues to improve



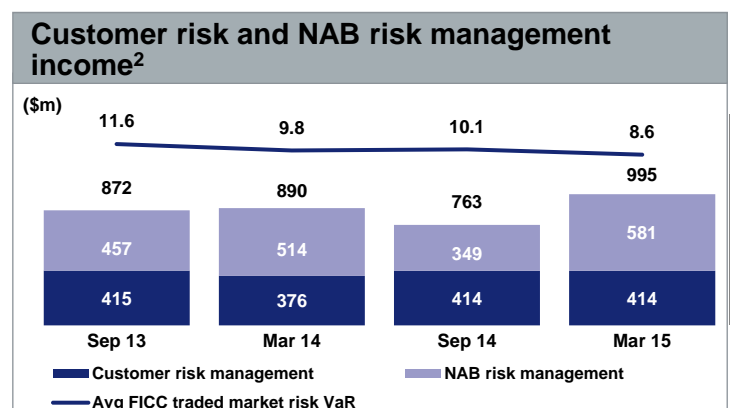
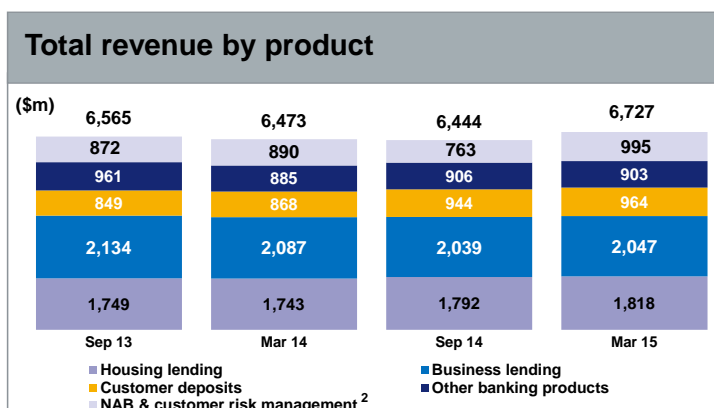
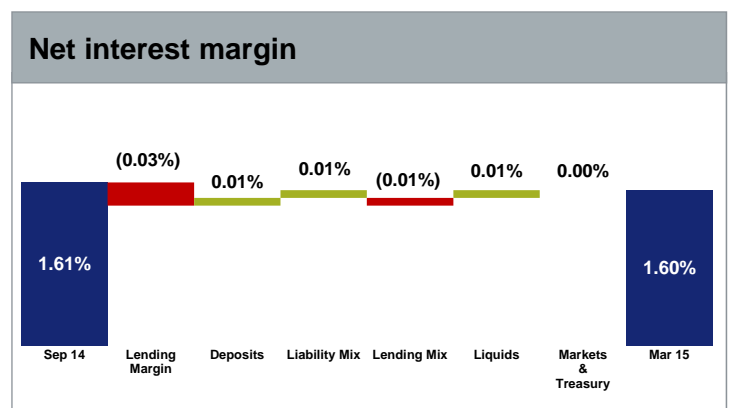
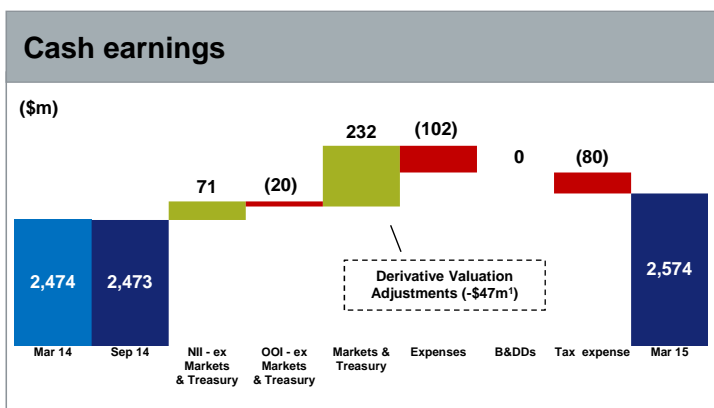
Asset quality peer differentials have closed



(1) Based on EAD data from Pillar 3 Industry disclosures, EAD and Industry definitions may vary between banks
 (2) Includes 7bps of collective provisions on derivatives at fair value as % of cRWA
 (3) Latest Pillar 3 disclosures



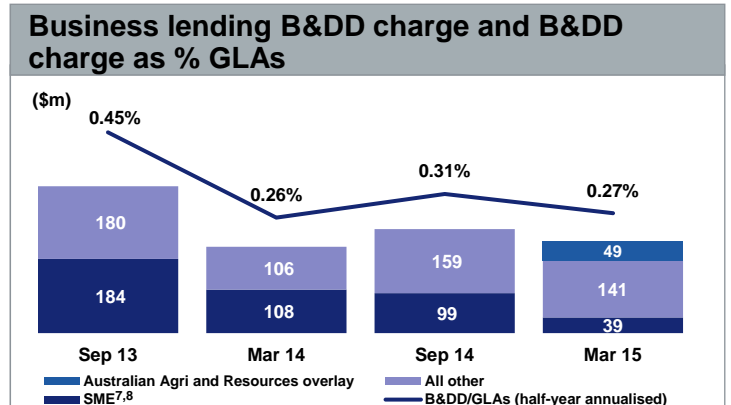
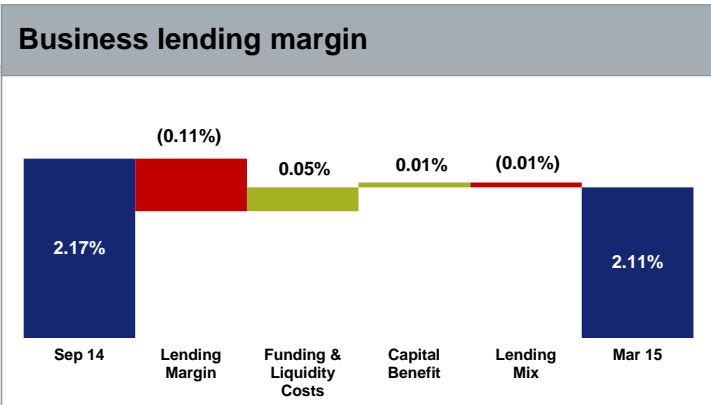
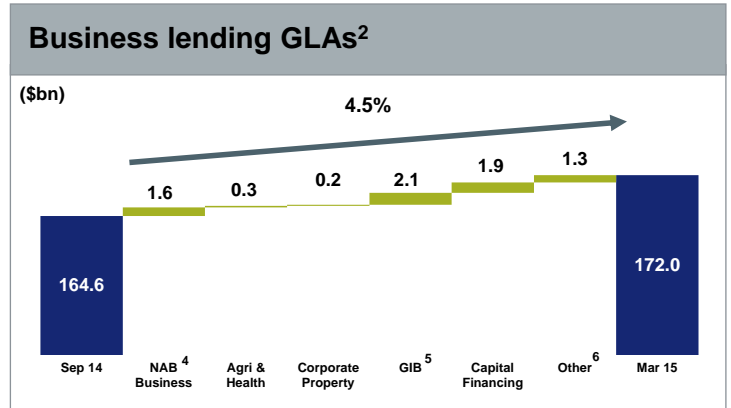
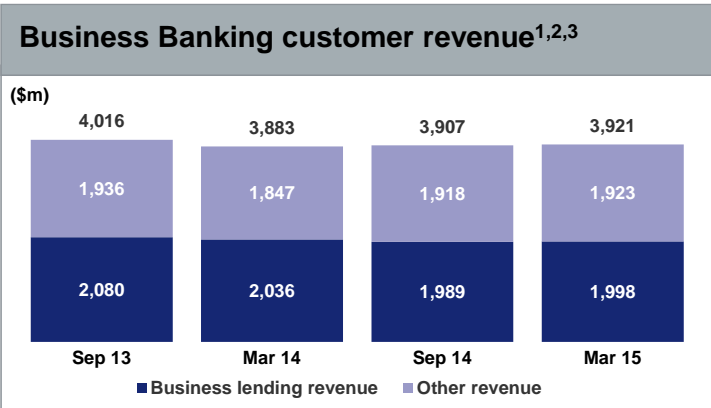
Australian Banking benefits from rebound in revenue



(1) Derivative Valuation Adjustments consists of CVA, FVA and OIS
 (2) NAB risk management comprises NII and OOI and is defined as management of interest rate risk in the lending book, wholesale funding and liquidity requirements and trading market risk to support the Group's franchises. Customer risk comprises OOI



Business Banking revenue stable despite lending margin pressure

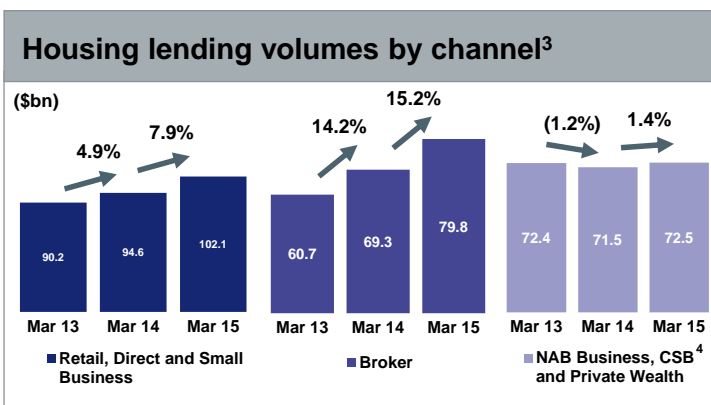
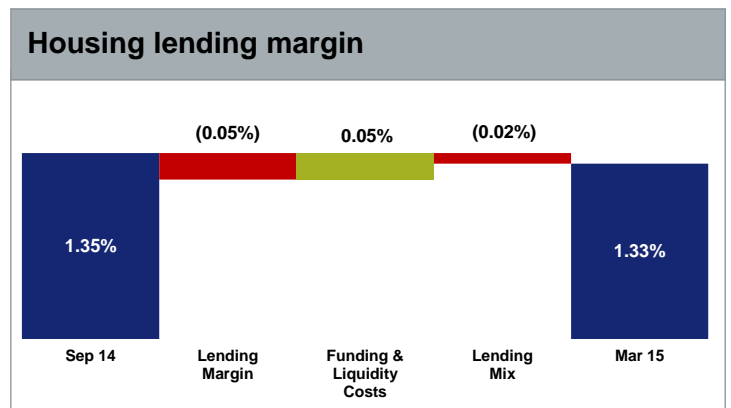
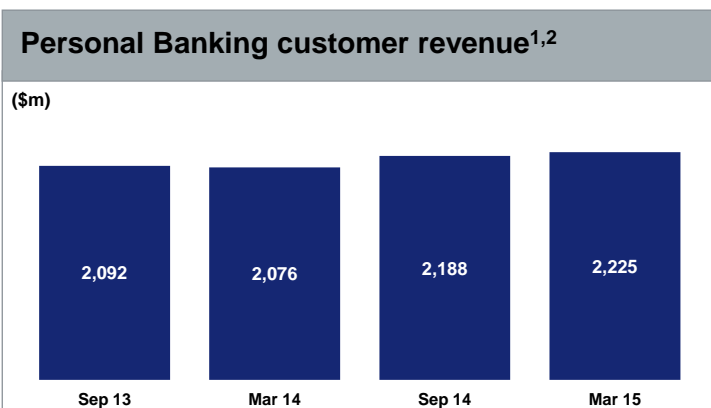


(1) Excludes Wealth cross-sell revenue
 (2) Based on unaudited management information data, except for period end Business lending GLAs
 (3) Customer revenue numbers for prior periods have been restated to reflect transfer of customers between Business Banking and Personal Banking, consistent with where customers are domiciled in 2015
 (4) NAB Business is the segment of Business Banking which supports business customers with lending typically up to \$25m, excluding the Specialised Businesses

(5) Global Institutional Banking. Core business lending only (includes FIG)
 (6) Other includes Private Wealth and Corporate
 (7) Based on unaudited management information
 (8) SME business data reflects the NAB Business segment of Business Lending which supports business customers with lending typically up to \$25m, excluding the Specialised Businesses



Personal Banking delivers another pleasing result



Housing lending practices

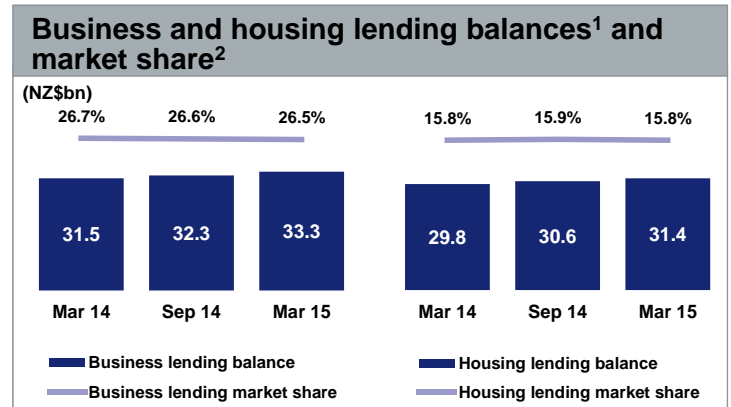
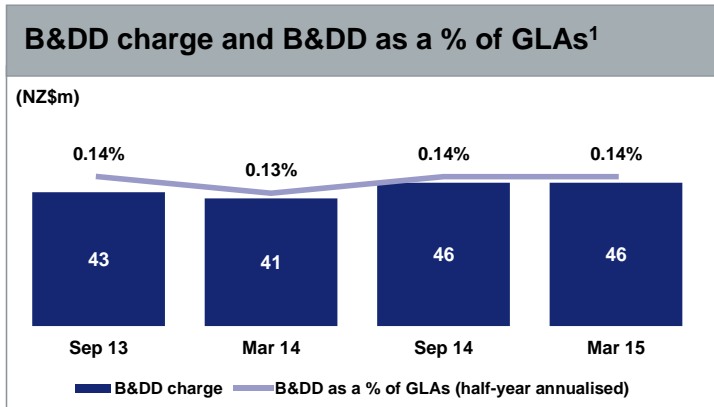
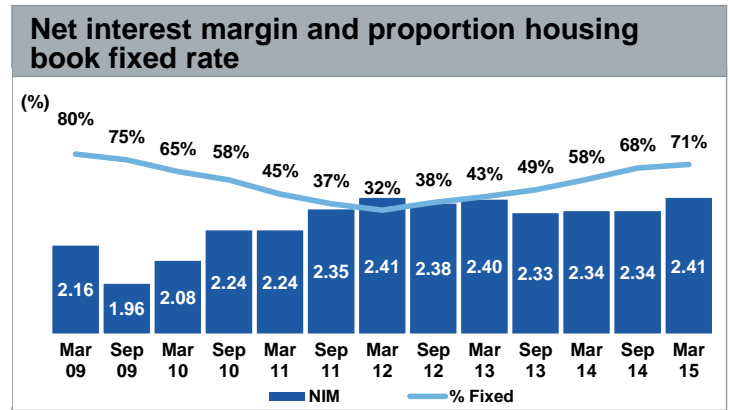
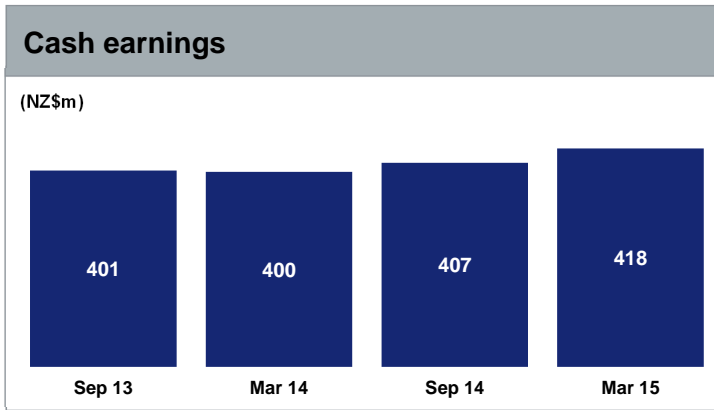
- Steps are being taken to slow growth in investor mortgage lending to meet APRA's 10% YoY threshold
- On track to comply with APRA's best practice serviceability guidelines by June 2015 – floor rate comfortably above 7.0% and serviceability buffer comfortably above 2.0% (including buffer on existing debt)
- Interest only lending assessed on a principal and interest basis

(1) Based on unaudited management information data. Excludes Wealth cross-sell revenue
 (2) Customer revenue numbers for prior periods have been restated to reflect transfer of customers between Business Banking and Personal Banking, consistent with where customers are domiciled in 2015

(3) Excludes UBank, Asia and non-performing loans. Prior periods have been restated to reflect customer transfers
 (4) Corporate & Specialised Banking



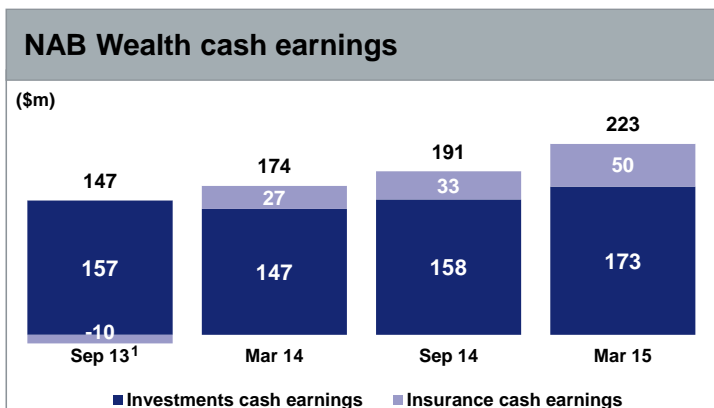
Solid performance from New Zealand Banking



(1) Spot volumes
(2) Source: RNBZ

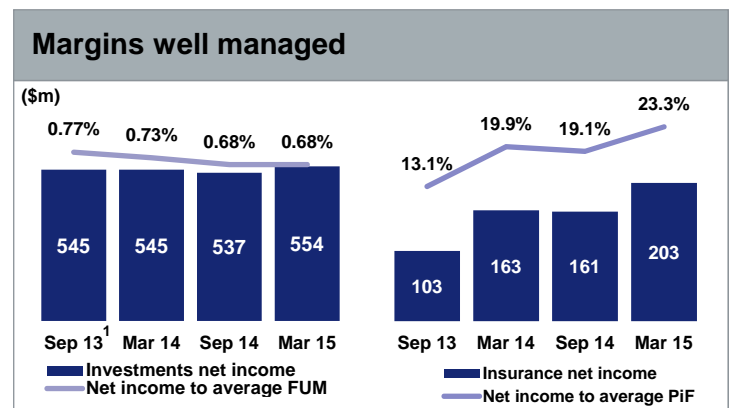
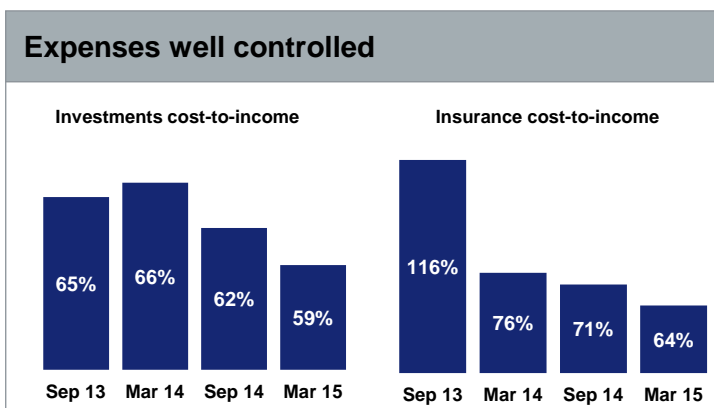


NAB Wealth earnings continue to improve



Regulatory considerations

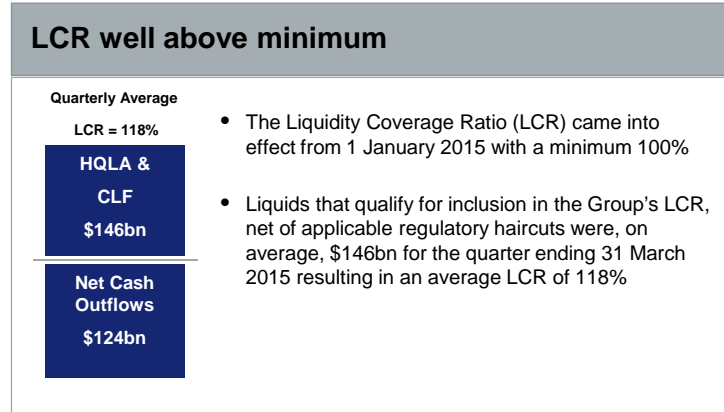
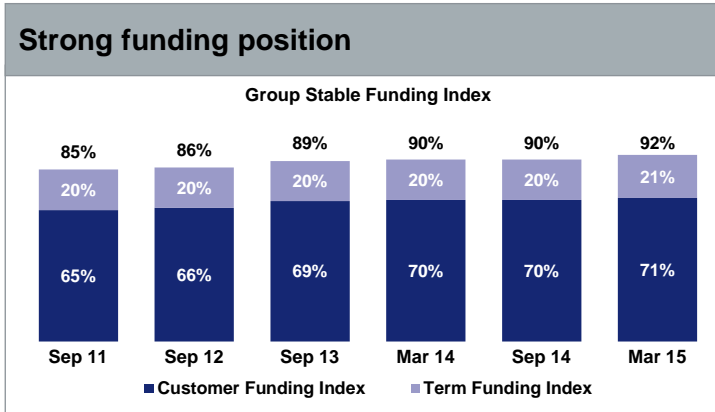
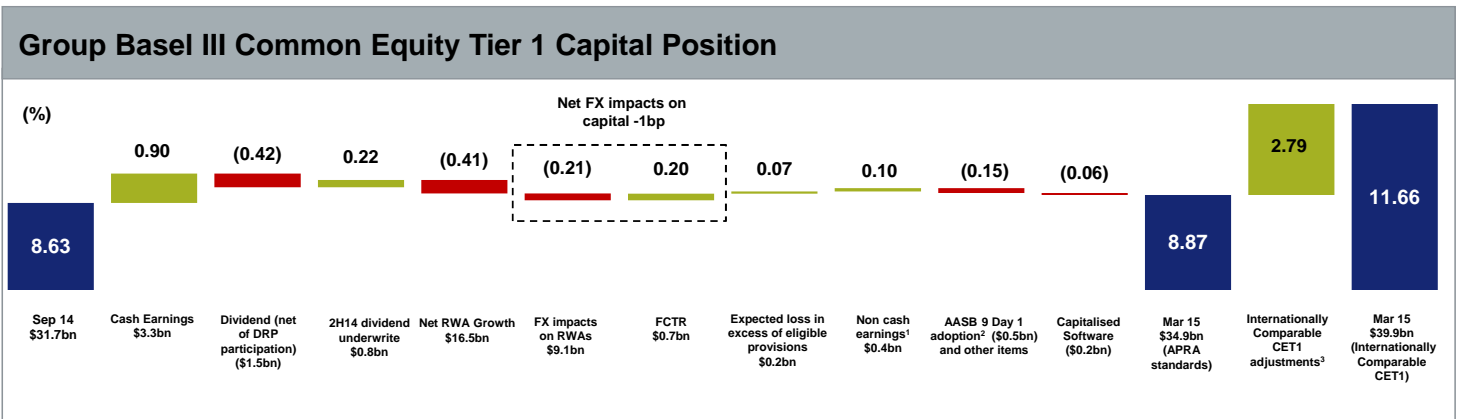
- Trowbridge Report recommends improved adviser remuneration practices including move away from high upfront commissions – NAB Financial Planning advisers moved away from high upfront commissions in 2014
- MySuper requirements likely to see continued investment margin pressure, with next stage (transferring members with accrued default Super to MySuper) to be implemented by 30 June 2017
- Awaiting Government response to FSI report, with potential to broaden the available market for retirement incomes



(1) Includes sale of AREA Property Partners as disclosed in September 2013



Strong capital, liquidity and funding position



(1) Non-cash earnings impact after adjusting for distributions, treasury shares and amortisation of acquired intangibles
 (2) Partly offset by asset sales contributing 6 basis points at 31 March 2015.
 (3) March 2015 Internationally Comparable CET1 ratio consistent with PwC and ABA methodology as part of their response to the FSI in August 2014. September 14 CET1 ratio was 11.58%



Delivering on priorities

- Accelerate run-down of legacy and low returning assets
- Prudent control of expenses, with investment in priority segments
- Continue to build balance sheet strength – capital, funding and asset quality
- Close the ROE gap to peers



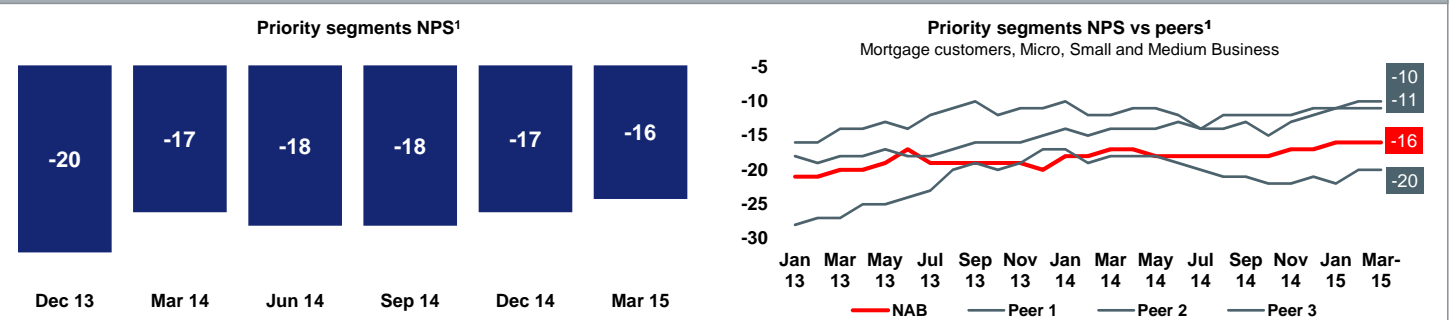
Andrew Thorburn
Group Chief Executive Officer

Progress on Strategic Priorities



Customer experience improving but more to do

Improving Net Promoter Score¹ in priority segments



Addressing customer 'pain points' ... more to do

- Mortgage variations – reduction in turnaround time to 2-4 days for a range of variations including limit and term changes, interest only to principal and interest
- Simple Secured Business (<\$2m) and Equipment Finance lending process – reduced customer documentation required and improved time to decision for majority of deals to within 2-4 days
- NAB Connect amendment process – improved ability for business customers to make account amendments with increased online options and simplified forms, reduced time to amend and lower error rates

(1) Priority segments Net Promoter Score (NPS) is a simple average of the NPS scores of four priority segments: Mortgage Customers, Micro (<\$1m) Business Segment, Small (\$1m-<\$5m) Business Segment and Medium (\$5m-<\$50m) Business Segment. The priority segments NPS data is based on all customers six month moving averages from Roy Morgan Research and DBM BFSM Research



Investing in our priority Business Banking segments

Building people numbers and capability

- 150 new additional front line banker roles filled in 1H15, including:
 - NAB Business, Agri, Health, Govt & Education
 - 100 net external hires
- New banker training underway reinforcing customer relationship management, sales disciplines and maximising usage of sales tools
- Initial investment spend of ~\$40m largely complete; will hire a further 70 bankers in 2H15

Improved service and fulfilment outcomes

- Fulfilment centre and new service model roll out completed 1H15 as planned, but improvements ongoing
- Improved workflow management delivering better service outcomes on higher volumes during 1H15 with ~24% improvement in time-to-yes since October 2014
- Further improvements remain a strong focus of 2H15

Technology investments improving sales and customer experience

NAB View

Roll-out completed in March 2015 to bankers in NAB Business, Agri, Health and Private Wealth:



Customer Hub
~ 135 million customer records
~12 million Australian customers across all divisions

- Full view of customer holdings
- Improved reporting, forecasting and planning
- Customer "heat map" to identify opportunities
- Customer call plans and sales funnel view

NAB Now

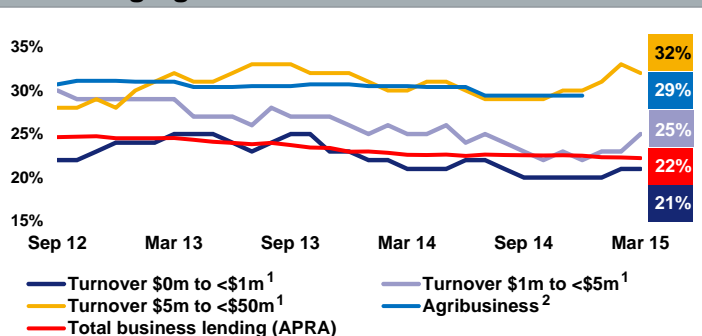
Launched in January 2015 for small business customers

- Make a sale anytime anywhere
- Card payments from smartphone or tablet
- Same day funds
- On the spot invoicing

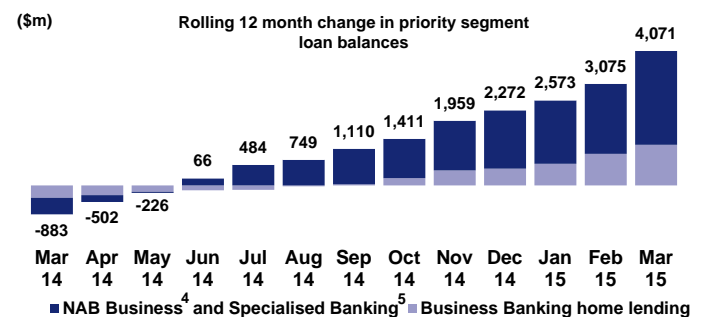


Business Banking performance in priority segments encouraging

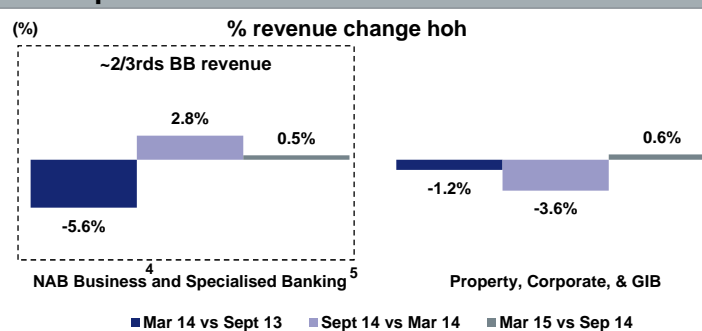
Market share trends in priority segments encouraging



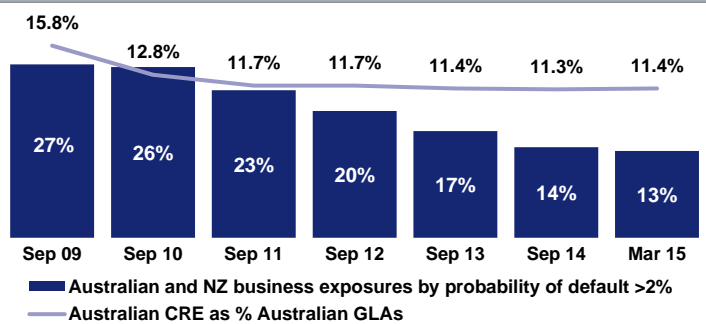
Loan balances picking up³



Continued revenue growth in NAB Business⁴ and Specialised Businesses^{3,5}



Risk profile unchanged



(1) March 2015. DBM APRA aligned lending dollars. All MFI respondents. 12 month rolling average
 (2) December 2014. NAB APRA submission / RBA System
 (3) Based on unaudited, management information data, excludes NAB Private Wealth
 (4) NAB Business supports business customers with lending typically up to \$25m, excluding the Specialised Businesses
 (5) Specialised Banking includes Agri, Health, Government, Education and Community

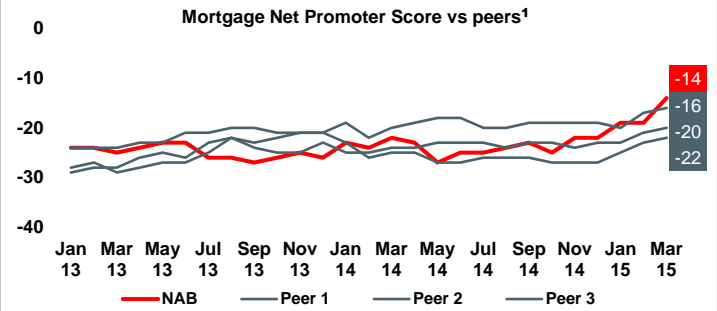


Continued strong momentum in Personal Banking

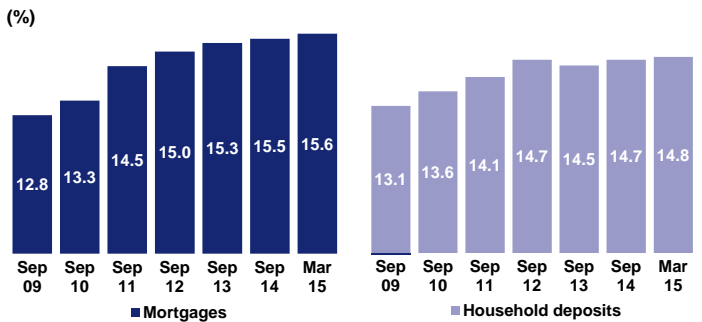
Investment and growth initiatives in 1H15

- Additional investment in frontline bankers – 29% increase in mobile bankers and 13% increase in Direct (Voice) sales and retention bankers
- Ongoing growth in NAB Broker and developments on four white label partnerships (including AFG) will double white label distribution reach
- Increased marketing spend on mortgage and unsecured campaigns by 19% – supporting above system mortgage growth and 16% growth in card opens

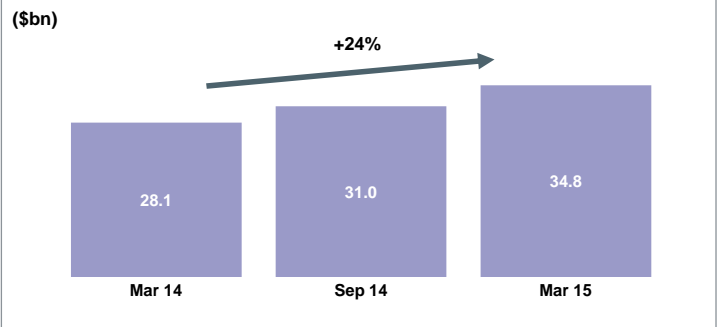
Improving mortgage net promoter score



Ongoing mortgage and household deposit market share² gains



Strong consumer transaction account growth



(1) Roy Morgan Research, all consumers six month rolling average Australian population 14+. Net Promoter Score (NPS) is based on customers likelihood to recommend institution on a scale of 1 to 10 (very unlikely to very likely). NAB compared with the NPS of the three major banks (ANZ, CBA, WBC)
 (2) APRA/RBA Financial System

47 NPS® is a registered trademark and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld



Personal Banking Origination Platform pilot commencing 2H15

Overview

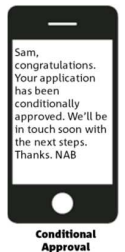
- Personal Banking Origination Platform will be used to originate and fulfil all consumer banking products
- Will modernise every step, end-to-end, of the origination and fulfilment process
- Customer-centric design, as opposed to product-centric
- A significant milestone and foundation for all future releases
- Partnership with Oracle provides ability to receive regular cycle of updates and upgrades

Upcoming delivery

- Personal Banking Origination Platform is live in our testing environment and pilot will commence 2H15
- Currently in final stages of systems integration testing and business acceptance testing
- 2015 – 2016 roll-out staggered across States and channels
- The platform will be deployed to over 14,000 staff

Benefits

- Customer**
 - Faster time to approval – conditional home loan approval in 5 minutes¹
 - Single application for multiple products
 - Upload, submit and accept documents online
 - Track application progress online and receive SMS updates
- Bankers**
 - Faster time to 'Yes' – from 250 to 50 banker clicks for conditional home loan approval
 - Pre-population of customer data fields
 - Integrated credit decisioning
 - Improved transparency of application progress
 - Better customer conversations
- Fulfilment team & processing**
 - Standard documents generated electronically
 - Minimal need to handle physical documents
 - Improved inbound and outbound quality – reduced errors
 - All products to follow same process flow

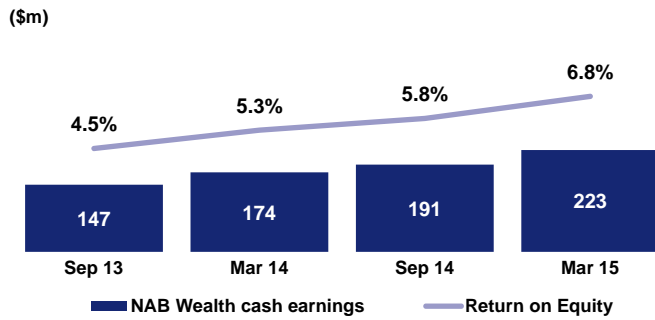


(1) Conditional approval for an existing customer with sufficient equity



NAB Wealth performance improving

Cash earnings and ROE¹ improving



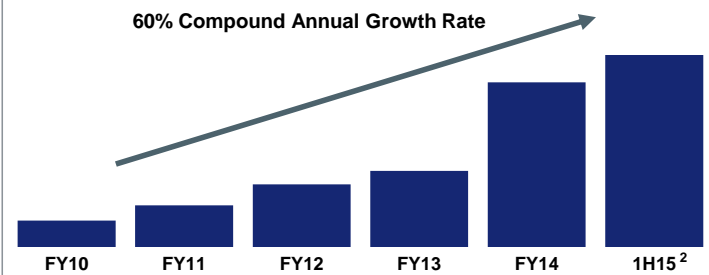
At the forefront of putting customers first

- Fee for service for investments and Super introduced 2007
- NAB Financial Planning moved away from high upfront insurance commissions in 2014
- Internal financial planning review revealed a small number of issues and very low (<1%) complaints rate, but we can do better:
 - Improved process to resolve complaints within 45 days
 - Appointing a customer advocate to bring more independence to complaints process

Benefits of closer alignment with the Bank

- NAB Wealth FUM per customer 51% higher if also hold banking products
- \$10bn of NAB Wealth sourced deposits
- Revenue through NAB Asset Servicing
- NAB Mortgages sold through NAB Wealth Channels up 17% on pcp
- Strong sales of direct insurance offer, Essentials Life, since August 2014 launch
- General Insurance sales up 22% on pcp

Business Super sales through NAB channels



(1) ROE based on annualised half year NAB Wealth cash earnings divided by Wealth-related deductions from Group Common Equity Tier 1 Capital as disclosed in NAB's 2015 Half Year Profit Announcement
 (2) 1H15 annualised sales



Overall summary

- Our future lies in focusing on and excelling in Australia and New Zealand
- We have good momentum in our Australian and New Zealand businesses
- Drawing a line under our legacy businesses
- Balance sheet very strong, especially capital and now well positioned for regulatory headwinds





Additional Information

Australian Banking

NZ Banking

NAB Wealth

UK Banking

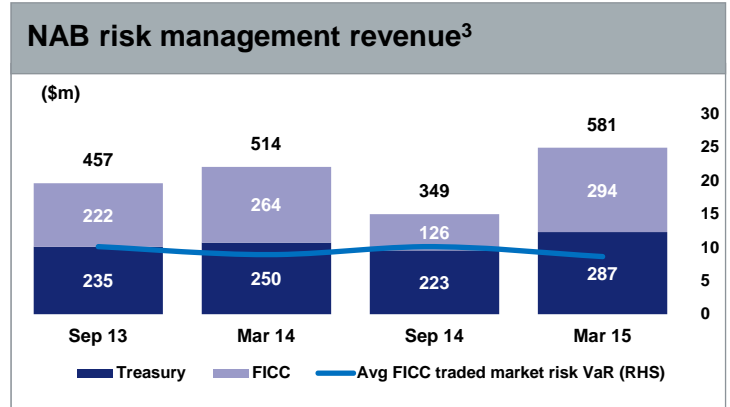
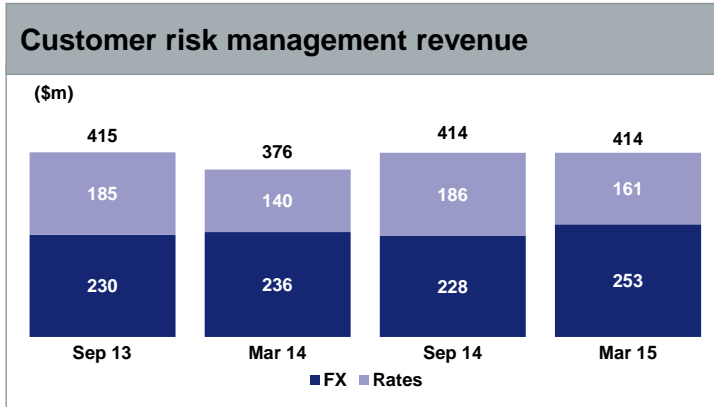
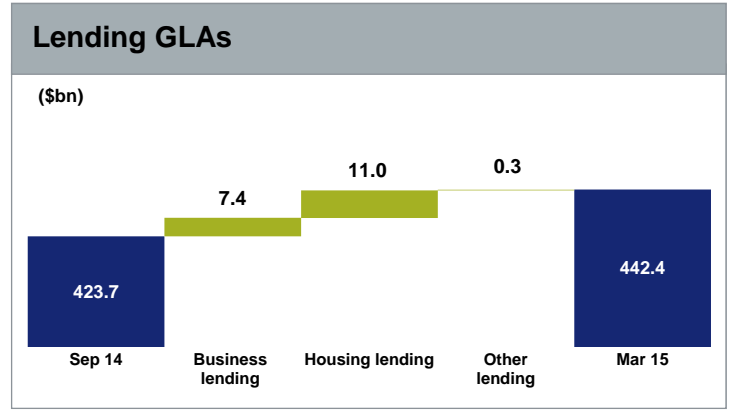
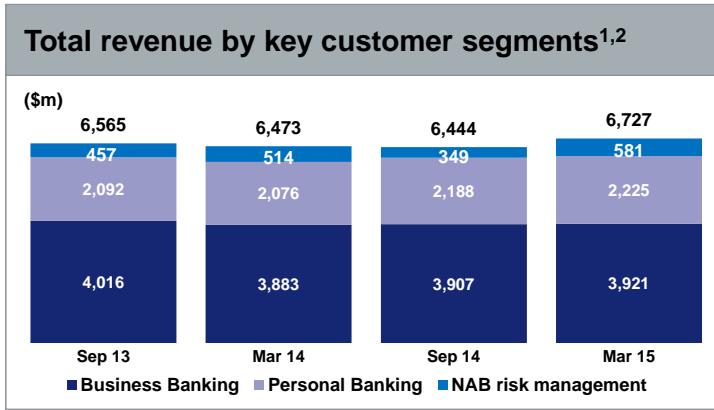
Group Asset Quality

Capital and Funding

Additional Information

Economic Outlook

Australian Banking



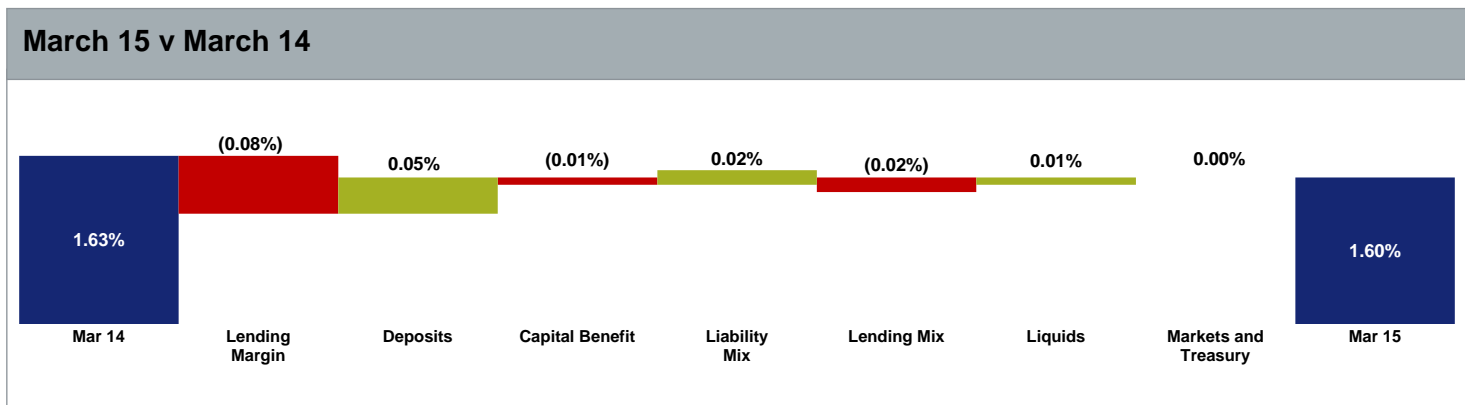
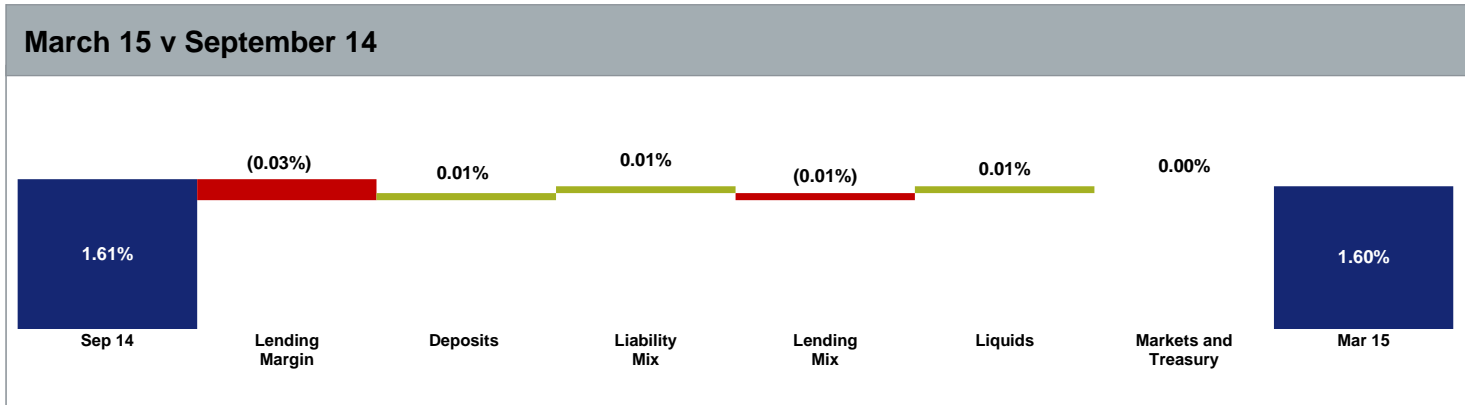
(1) Based on unaudited, management information data

(2) Customer revenue numbers for prior periods have been restated to reflect transfer of customers between Business Banking and Personal Banking, consistent with where customers are domiciled in 2015

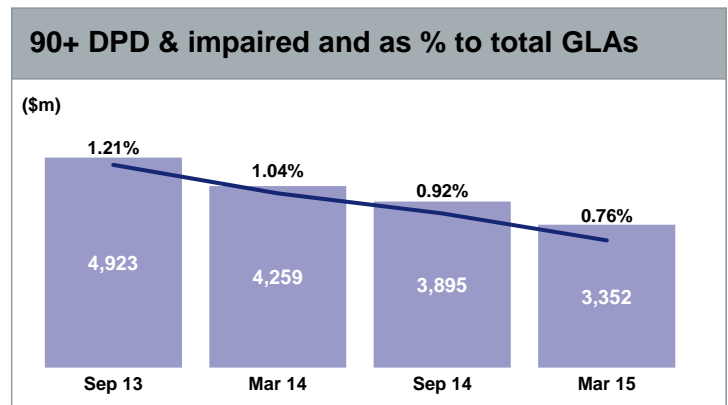
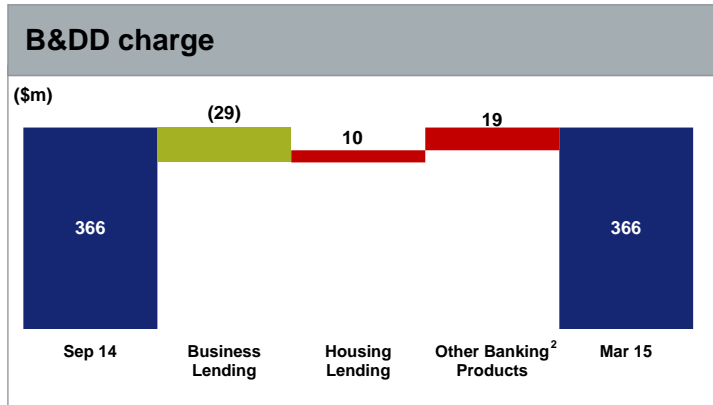
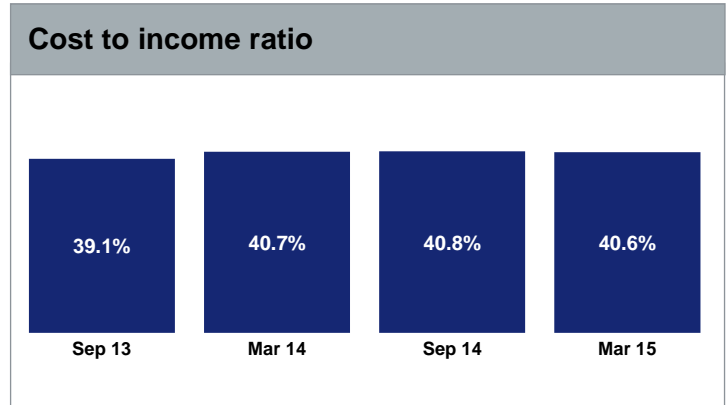
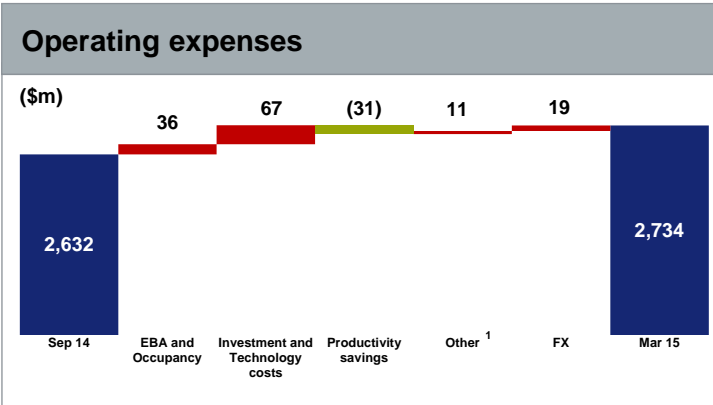
(3) Includes NII and OOI



Australian Banking: Net interest margin



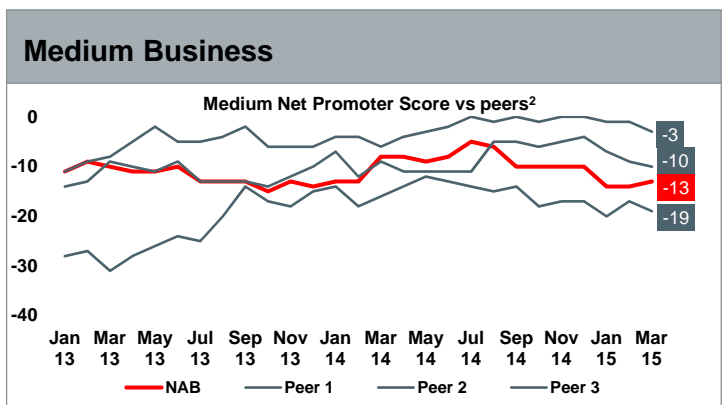
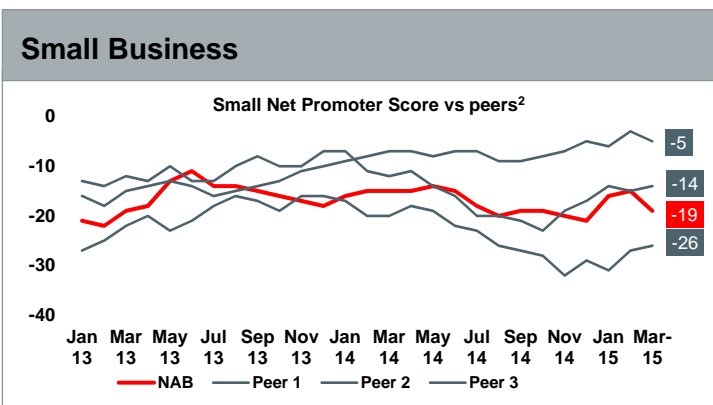
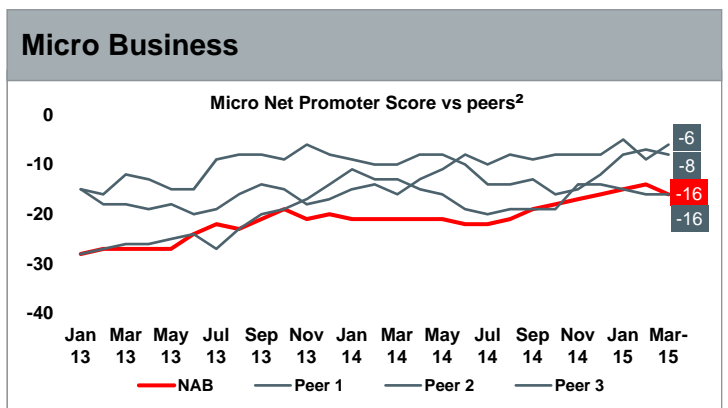
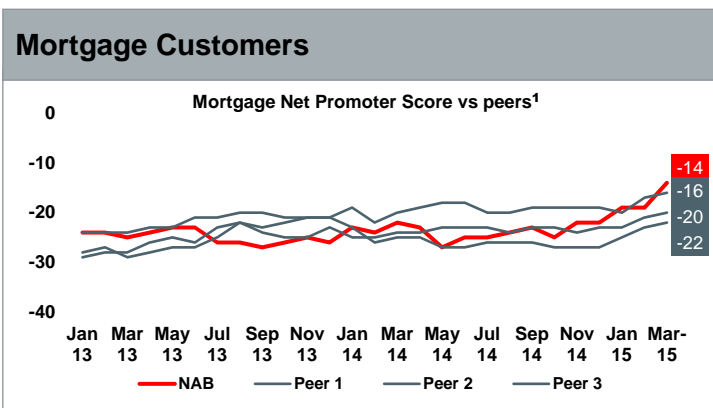
Australian Banking



(1) Other expenses include STI normalisation and GST credits and rebates received in the September 2014 half year
 (2) Other Banking Products includes personal lending, credit cards, investment securities and margin lending



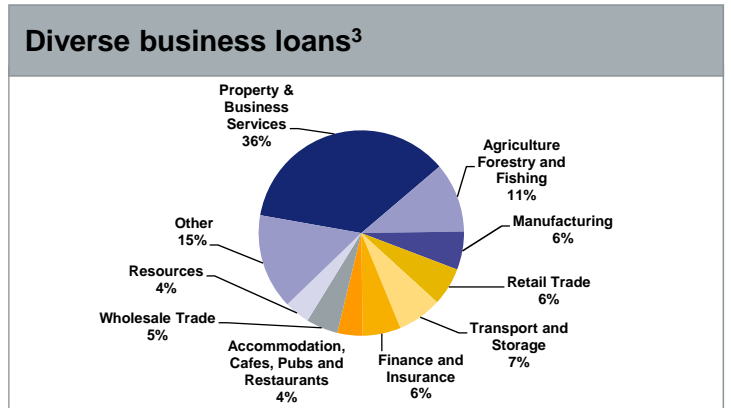
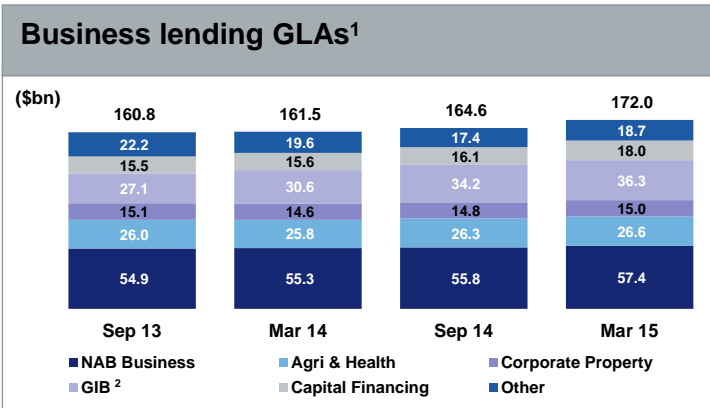
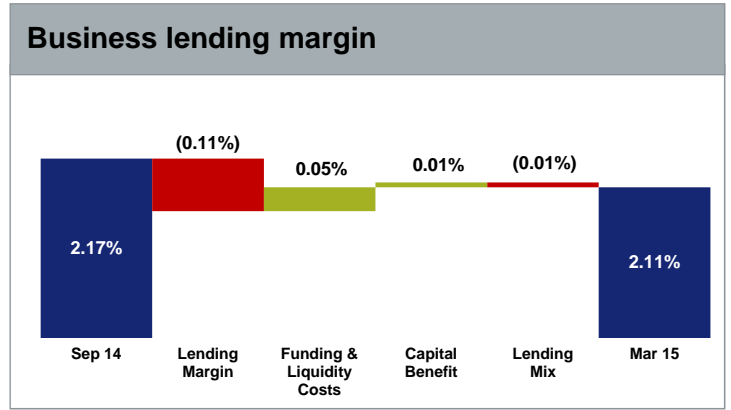
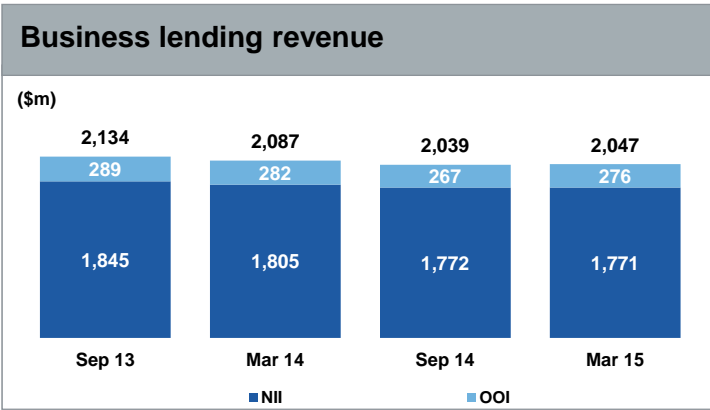
Australian Banking: Customer Engagement – Net Promoter Score



(1) Roy Morgan Research, all consumers six month rolling average Australian population 14+. Net Promoter Score (NPS) is based on customers' likelihood to recommend institution on a scale of 1 to 10 (very unlikely to very likely). NAB compared with the NPS of the three major banks (ANZ, CBA, WBC)
 (2) DBM Business Financial Services Monitor, all customers' six month rolling averages for Micro (<\$1m) Business Segment, Small (\$1m-<\$5m) Business Segment and Medium (\$5m-<\$50m) Business Segment. Net Promoter Score (NPS) is based on customers' likelihood to recommend on a scale of 0 to 10 (extremely unlikely to extremely likely). NAB compared with the NPS of the three major banks (ANZ, CBA, WBC)



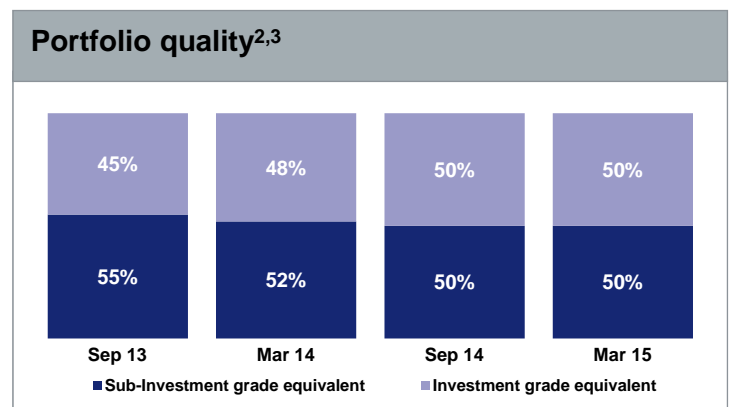
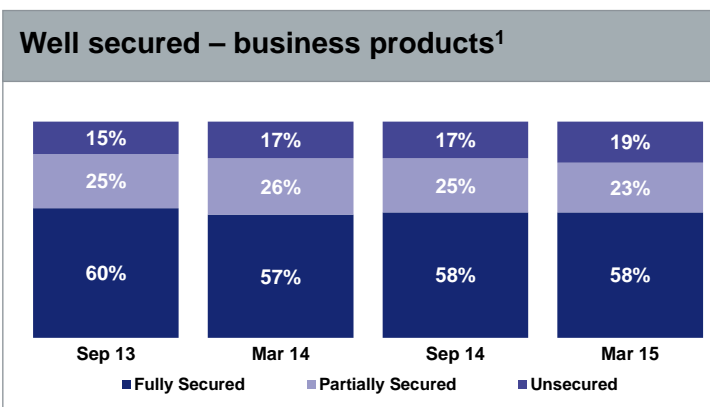
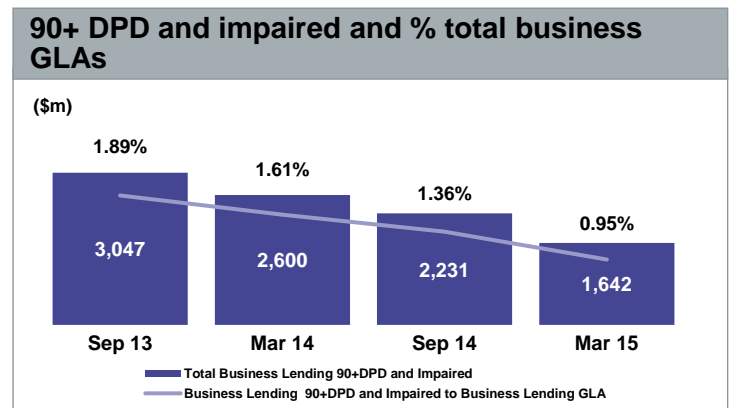
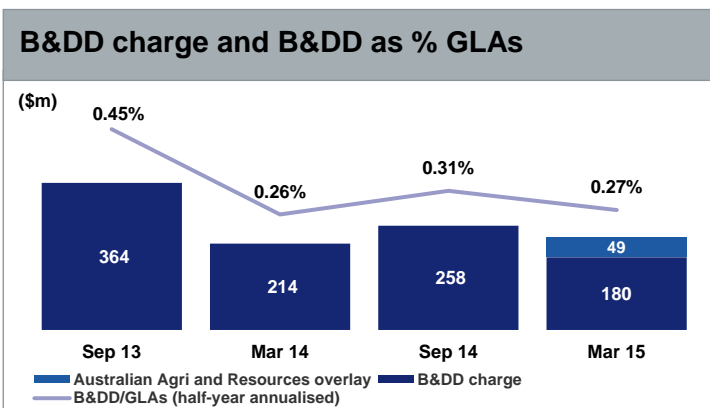
Australian Banking: Business lending



(1) Spot GLA volumes. Segment lending volumes are based on unaudited, management information data, and prior periods have been restated to reflect the transfer of customers, consistent with where customers are domiciled in 2015
 (2) Global Institutional Banking. Core business lending only (includes FIG)
 (3) Represents assets within the Australian geography



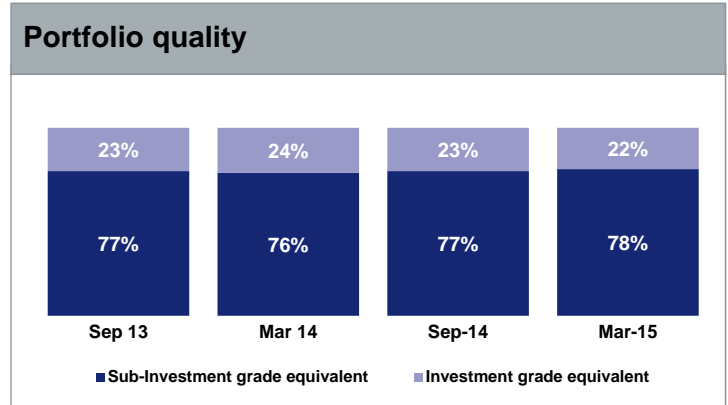
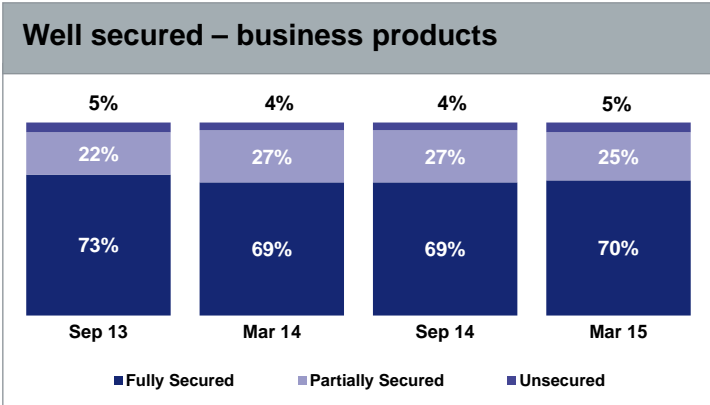
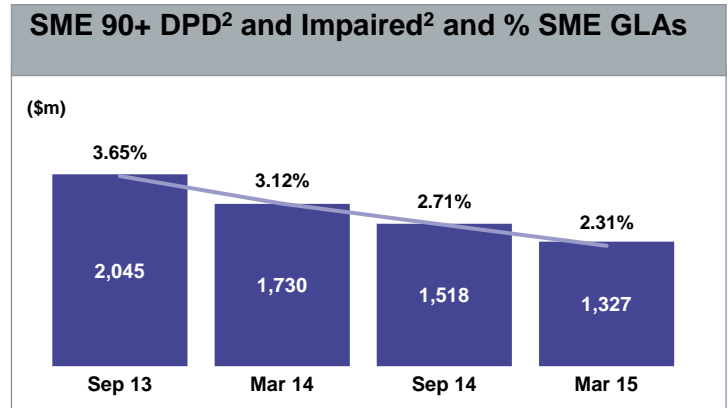
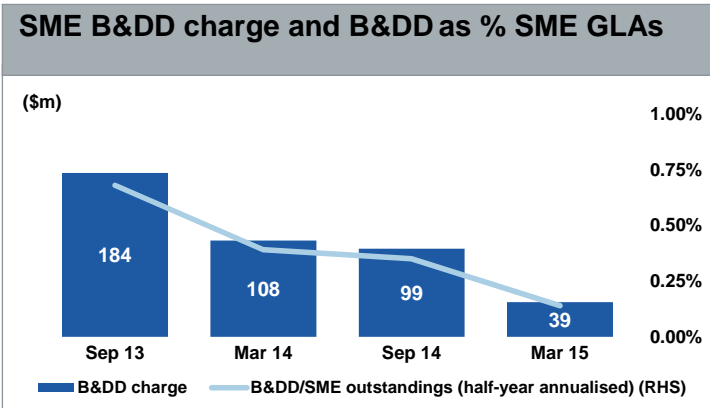
Australian Banking: Business lending – Asset Quality



(1) Represents assets within the Australian geography
 (2) Portfolio quality on a probability of default basis
 (3) Includes Asia



Australian Banking: Business lending – SME¹ Asset Quality

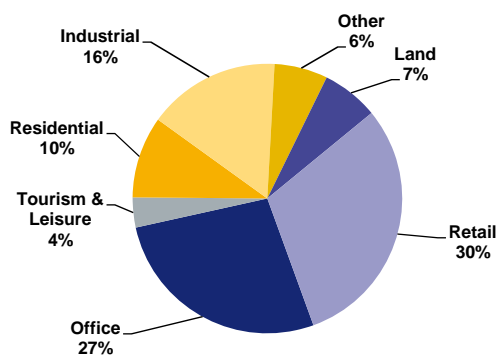


(1) SME business data reflects the NAB Business segment of Business Lending which supports business customers with lending typically up to \$25m, excluding the Specialised Businesses. Based on unaudited, management information data. Represents assets within the Australian geography
 (2) Includes NAB Business mortgages



Australian Banking: Business lending – Commercial Real Estate

Total \$48.6bn¹
 11.4% of Gross Loans & Acceptances²



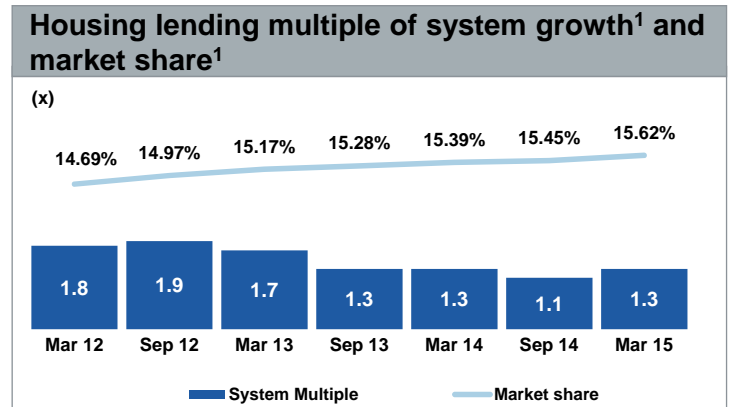
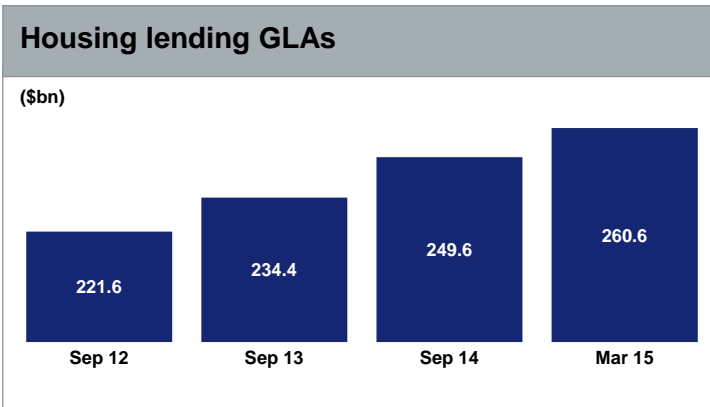
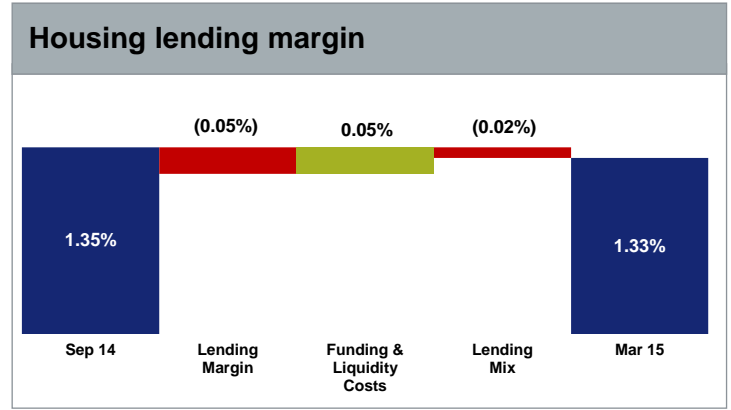
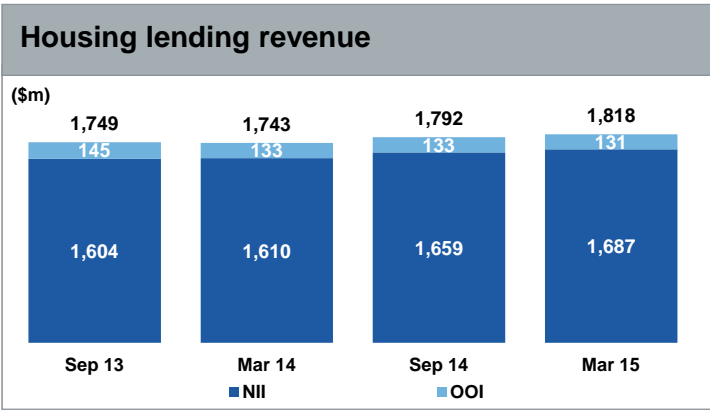
State ³	NSW	VIC	QLD	Other	Total
Location %	37%	28%	18%	17%	100%
Loan Balance ⁴ < \$5m	28%	39%	36%	35%	33%
> \$5m < \$10m	10%	13%	13%	14%	12%
> \$10m	62%	48%	51%	51%	55%
Loan tenor < 3 yrs	75%	79%	85%	78%	79%
Loan tenor > 3 < 5 yrs	21%	16%	11%	17%	17%
Loan tenor > 5 yrs	4%	5%	4%	5%	4%
Average loan size \$m	3.4	2.5	2.6	2.8	2.9
Security Level ⁵ – Fully Secured	70%	81%	83%	89%	79%
Partially Secured	13%	12%	15%	10%	13%
Unsecured	17%	7%	2%	1%	8%
90+ days past due ratio	0.09%	0.20%	0.14%	0.03%	0.12%
Impaired loans ratio	0.43%	0.20%	1.30%	0.15%	0.47%
Specific provision coverage ratio	21.5%	6.3%	19.4%	41.9%	19.7%

Trend	Sep 13	Mar 14	Sep 14	Mar 15
90+ days past due ratio	0.18%	0.14%	0.18%	0.12%
Impaired loans ratio	1.75%	1.43%	1.02%	0.47%
Specific provision coverage ratio	18.0%	15.1%	19.2%	19.7%

(1) Data has been prepared in accordance with APRA ARF230 guidelines
 (2) Represents assets within the Australian geography, at September 2014 Commercial Real Estate to Australian geography GLA was 11.3%
 (3) Data for individual regions is now presented on a stand-alone basis (previously regional data was shown on the basis of the proportional impact that region had on the total metrics)
 (4) Distribution based on loan balance
 (5) 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



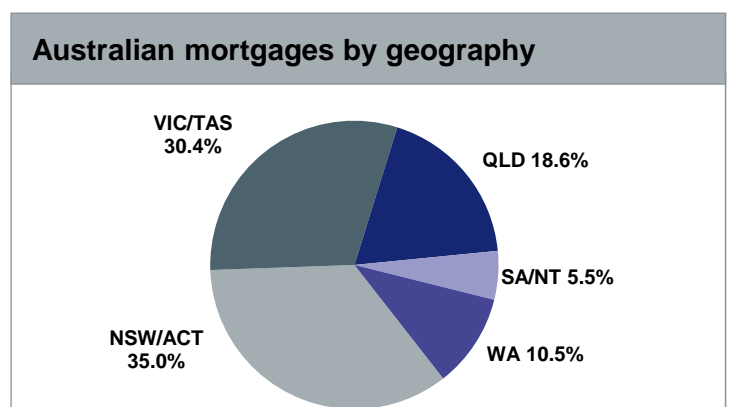
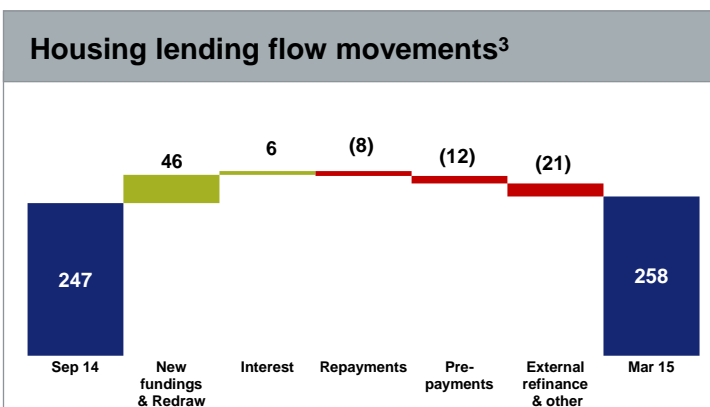
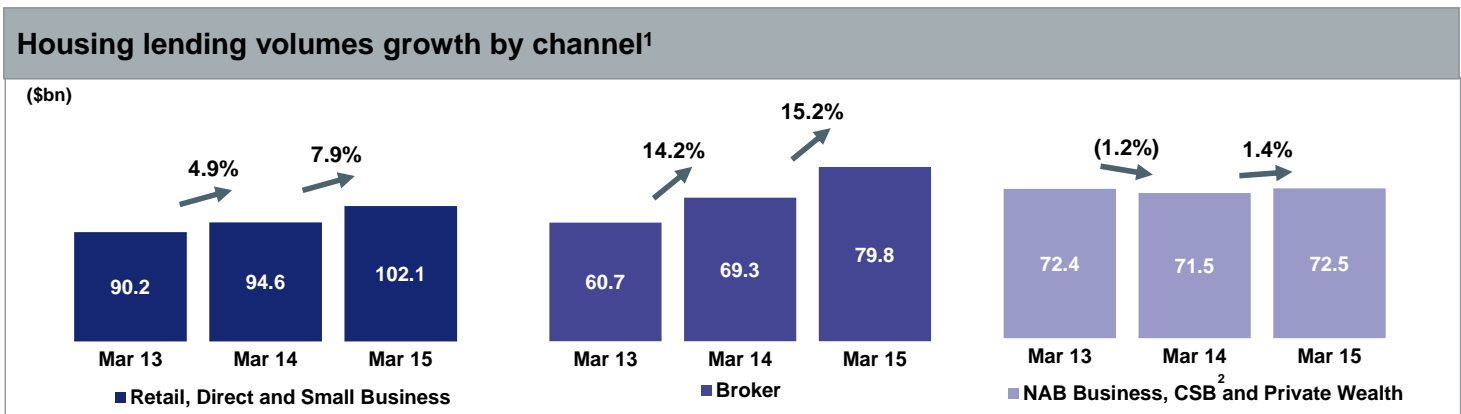
Australian Banking: Housing lending



(1) RBA Financial System



Australian Banking: Housing lending



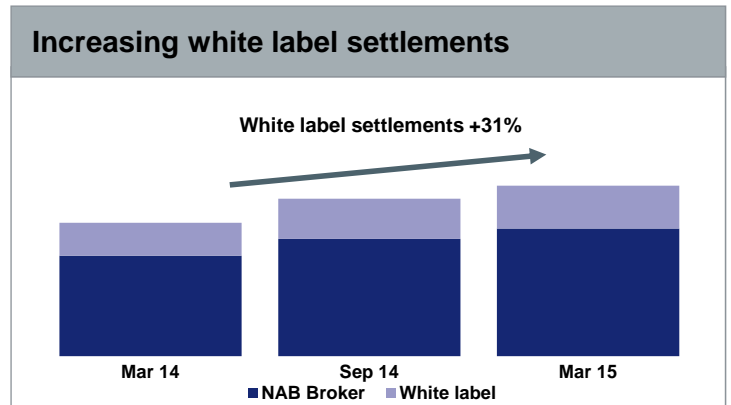
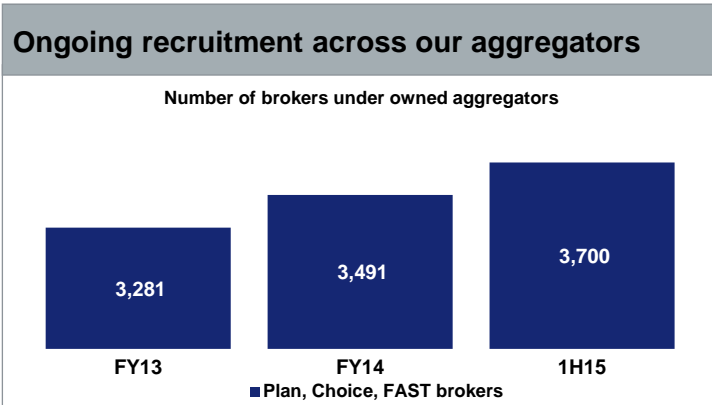
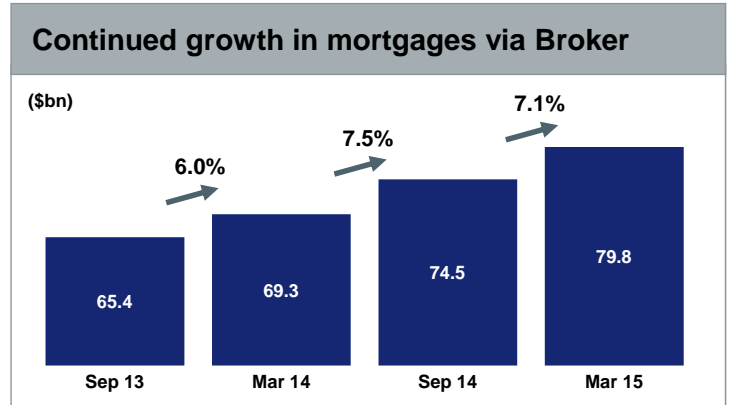
(1) Excludes UBank, Asia and Non Performing Loans. Prior periods have been restated to reflect customer transfers
 (2) Corporate and Specialised Banking
 (3) Excludes Asia



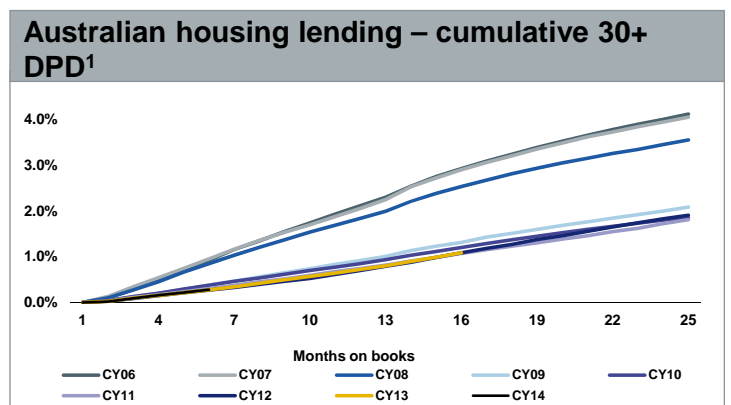
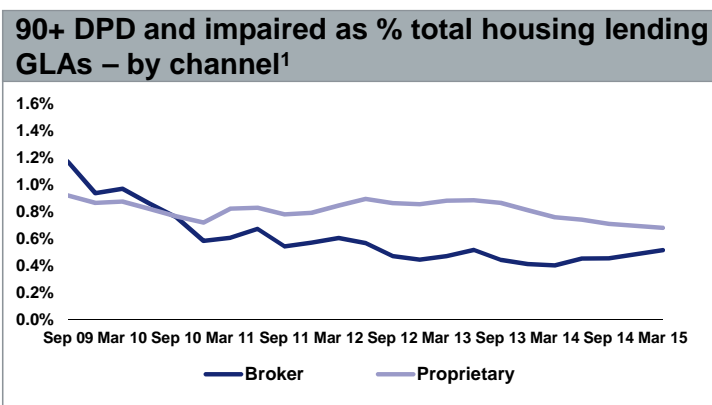
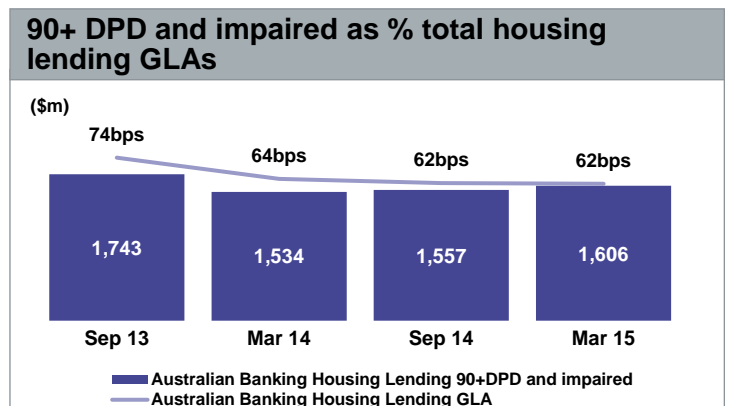
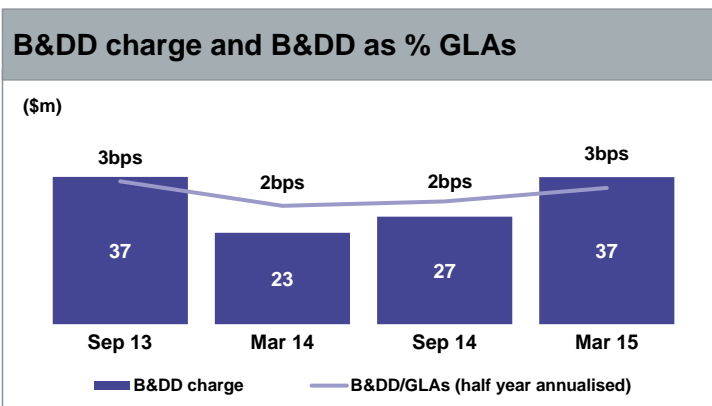
Australian Banking: Housing lending – Broker

1H15 achievements

- Record lending volumes in 1H15 driven by strong growth in white label settlements, successful NAB Broker rebrand and introduction of first year trail
- Successful launch of white label product for AFG (AFG Edge) rolled out nationally with strong early volumes. Three further white label agreements in progress
- Organic aggregation growth via recruitment with net 209 increase in brokers across our aggregators PLAN, Choice and FAST – currently 3,700 affiliated brokers



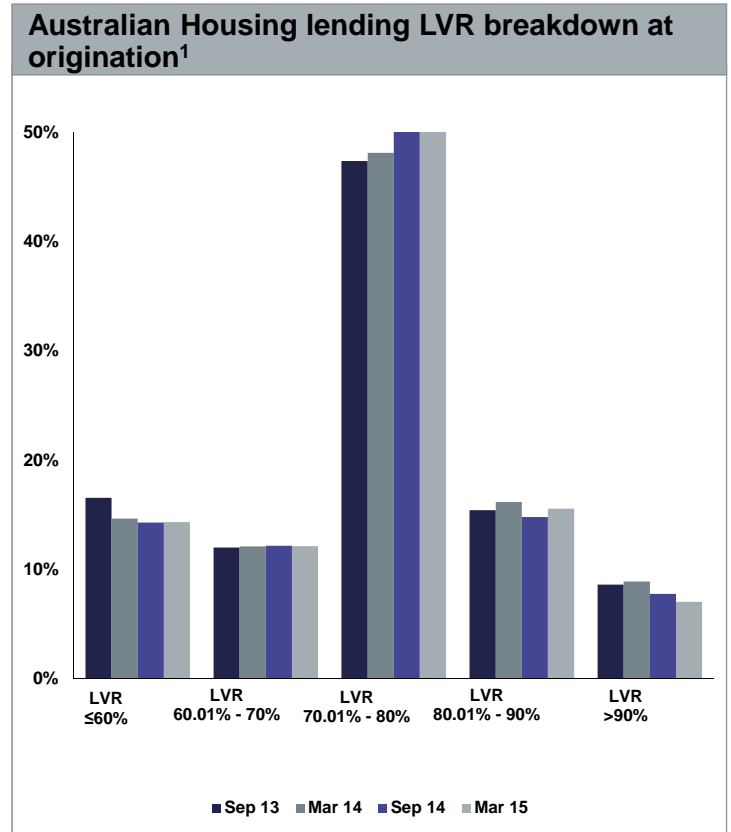
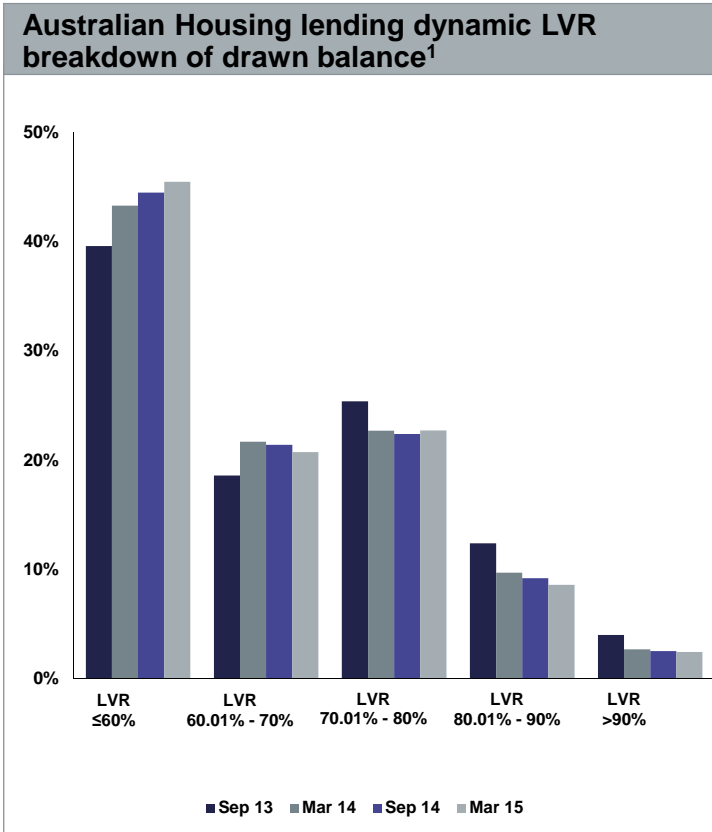
Australian Banking: Housing lending – Asset Quality



(1) Excludes Asia



Australian Banking: Housing lending – LVR profile



(1) Excludes Asia



Australian Banking: Housing lending – Key metrics¹

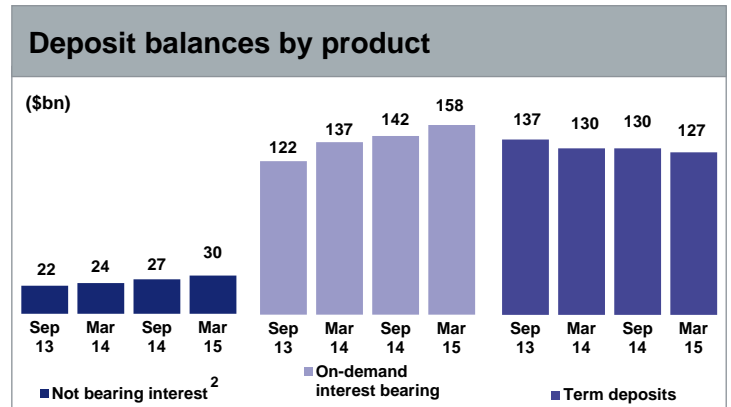
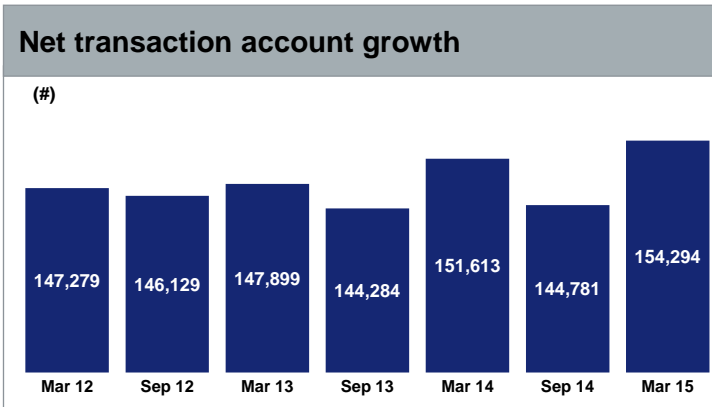
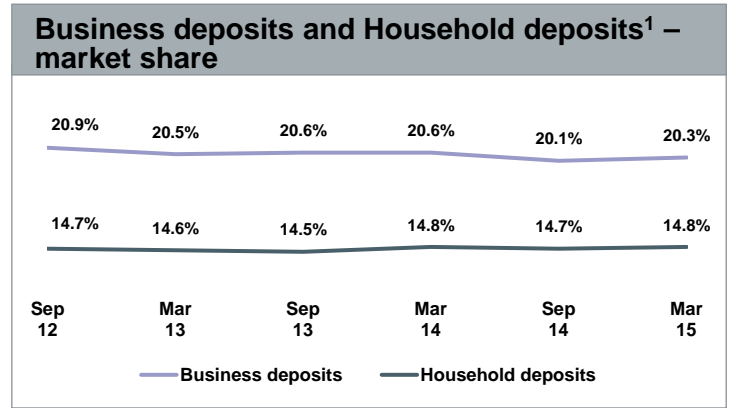
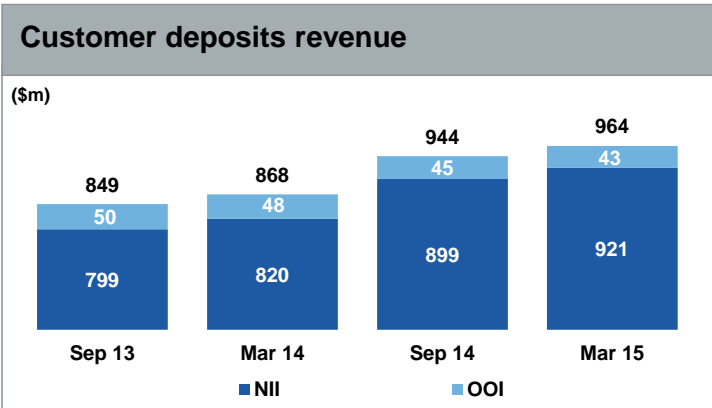
Australian Housing lending	Sep 13	Mar 14	Sep 14	Mar 15
Balances attributed to:				
Owner Occupied ²	72.5%	72.4%	71.8%	71.2%
- of which First Home Buyer	8.6%	8.4%	8.0%	7.7%
Investment ²	27.5%	27.6%	28.2%	28.8%
Low Documentation	1.8%	1.7%	1.5%	1.4%
Low Documentation LVR cap (without LMI)	60%	60%	60%	60%
Balances attributed to:				
- Variable rate	72.6%	72.3%	72.2%	73.4%
- Fixed rate	12.4%	13.8%	14.9%	14.8%
- Line of credit	15.0%	13.9%	12.9%	11.8%
Drawdowns attributed to:				
- Variable rate	69.3%	76.2%	76.1%	81.0%
- Fixed rate	26.7%	20.7%	20.9%	16.7%
- Line of credit	4.0%	3.1%	3.0%	2.3%
Interest only drawn balance	31.3%	32.3%	33.6%	35.3%
Offset account balance \$ (bn)	\$13.9	\$15.6	\$17.4	\$20.1
Balances attributed to:				
- Proprietary	71.9%	71.0%	69.8%	69.1%
- Broker	28.1%	29.0%	30.2%	30.9%
Drawdowns attributed to:				
- Proprietary	66.6%	67.7%	66.3%	66.3%
- Broker	33.4%	32.3%	33.7%	33.7%
Dynamic LVR on a drawn balance calculated basis ³	47.7%	45.9%	45.4%	45.2%
Customers in advance ≥1 month ⁴	63.8%	63.0%	63.8%	63.1%
Avg # of payments in advance	12.9	13.3	13.6	13.9
Average drawn balance \$ ('000)	\$265	\$267	\$271	\$276
90+ days past due ⁵	0.48%	0.46%	0.47%	0.48%
Impaired loans ⁵	0.26%	0.18%	0.15%	0.14%
Specific provision coverage ratio	20.7%	23.0%	23.5%	26.3%
Loss rate ⁶	0.04%	0.05%	0.04%	0.03%

(1) Excludes Asia
 (2) Portfolio purpose classification under review
 (3) Methodology under review

(4) Excludes Advantaged, Offset accounts, Line of credit and Interest only loans
 (5) Includes Asia
 (6) Loss Rate = 12 month rolling Net Write-offs / Spot Drawn Balances



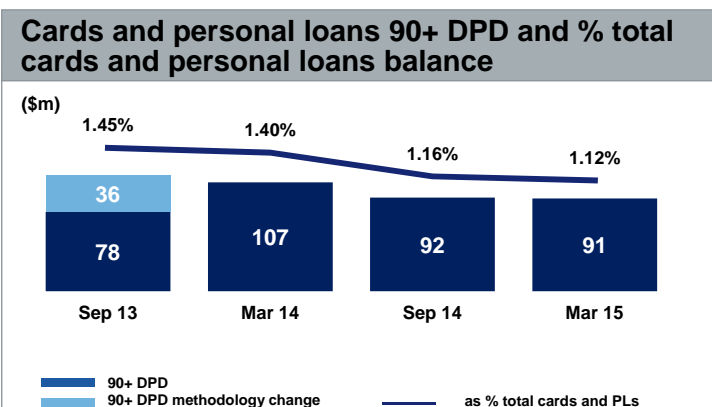
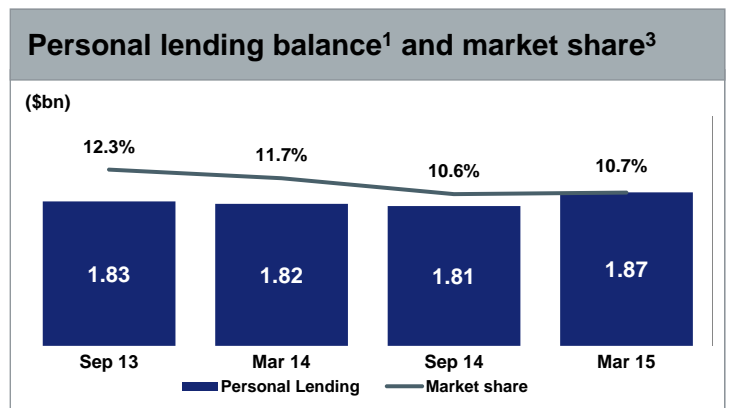
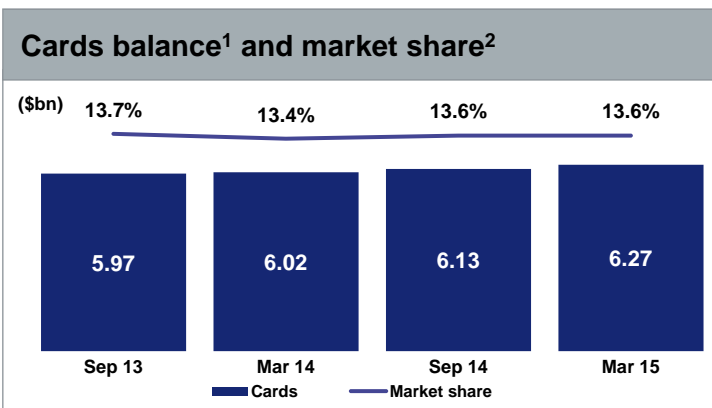
Australian Banking: Deposits and transaction accounts



(1) APRA Banking System
(2) Includes offset accounts



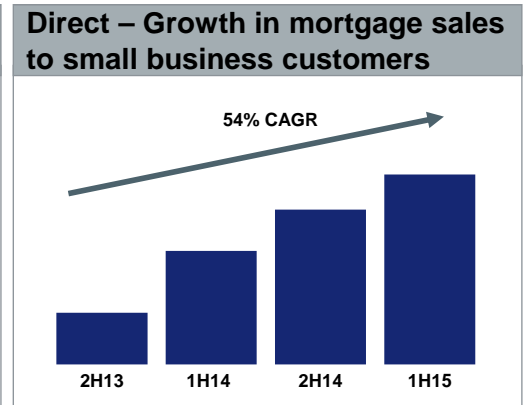
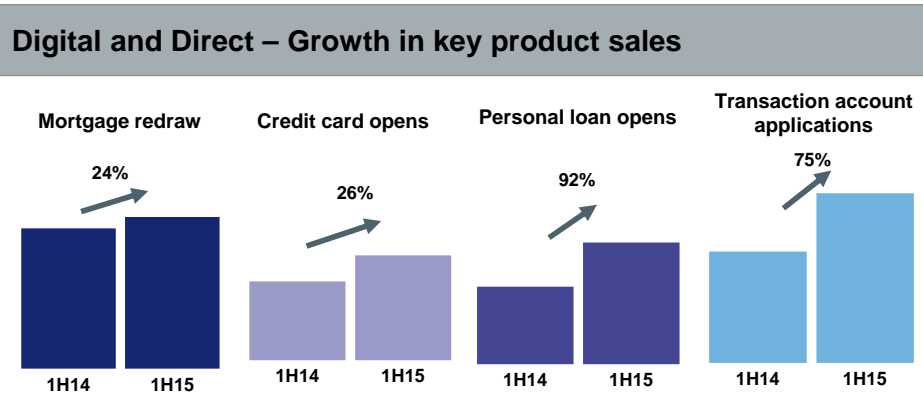
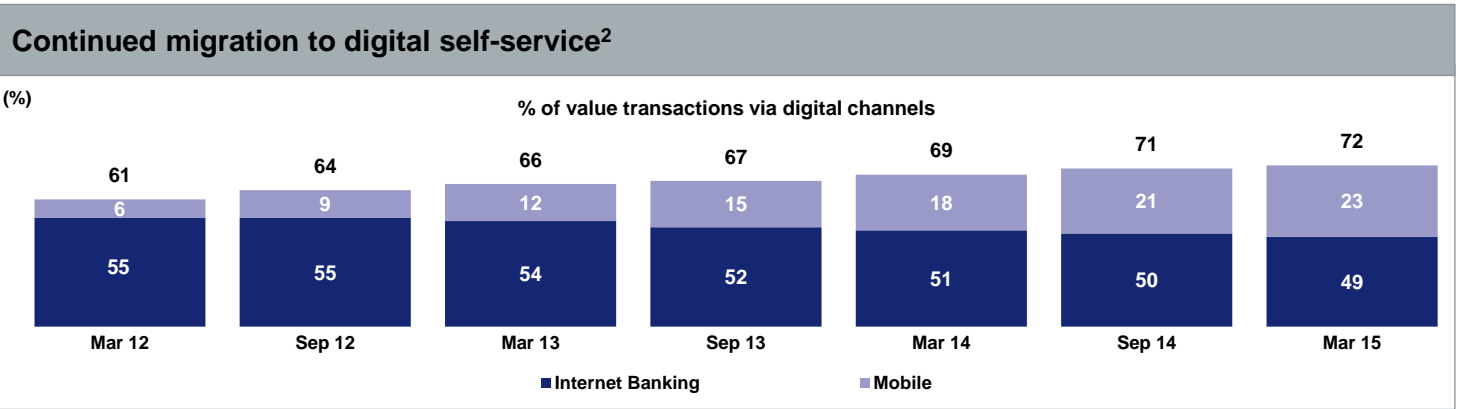
Australian Banking: Other banking products



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



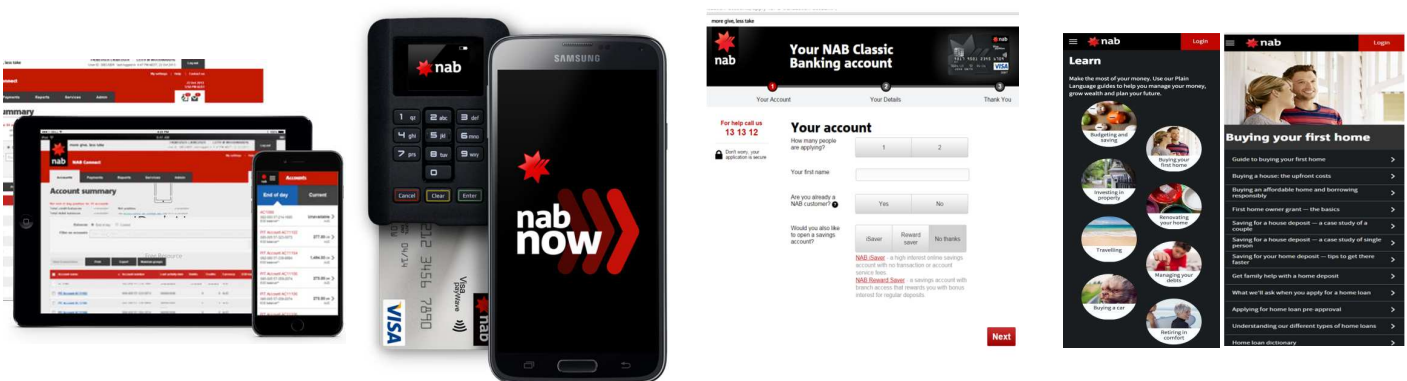
Australian Banking: Digital and Direct¹



(1) Digital and Direct includes internet banking, mobile banking and contact centres
 (2) Data presented is one month in arrears



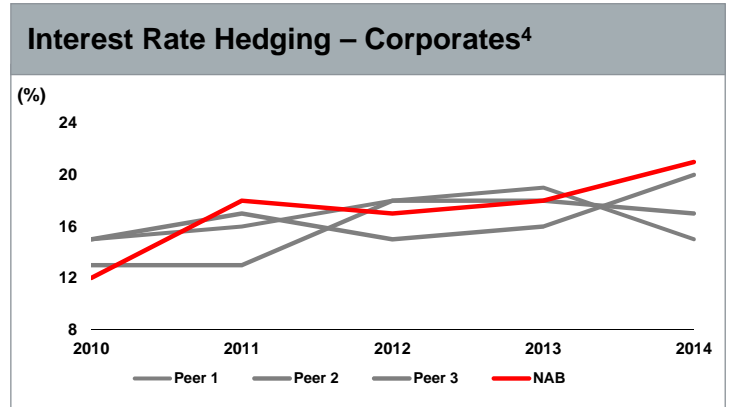
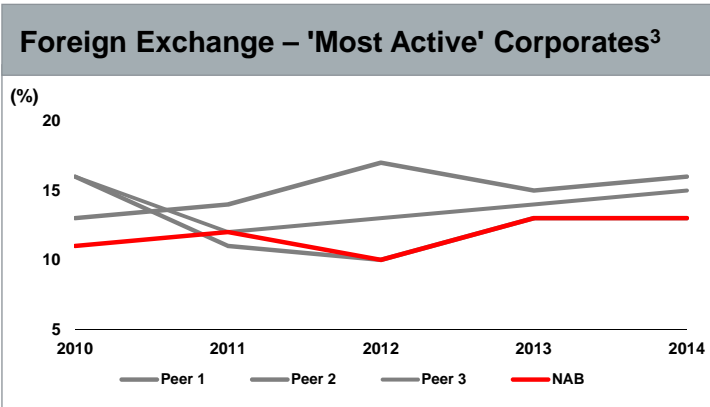
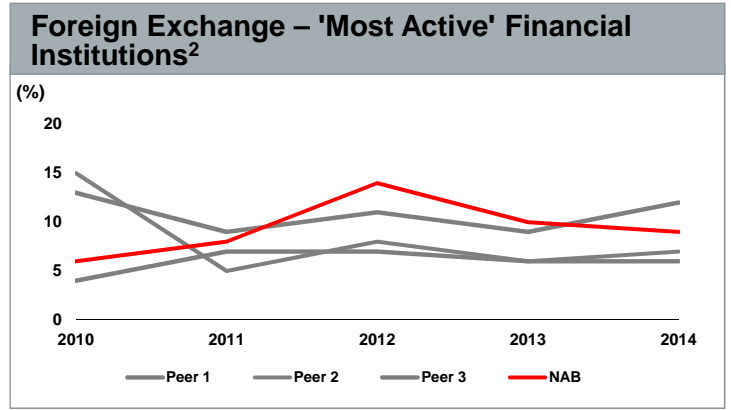
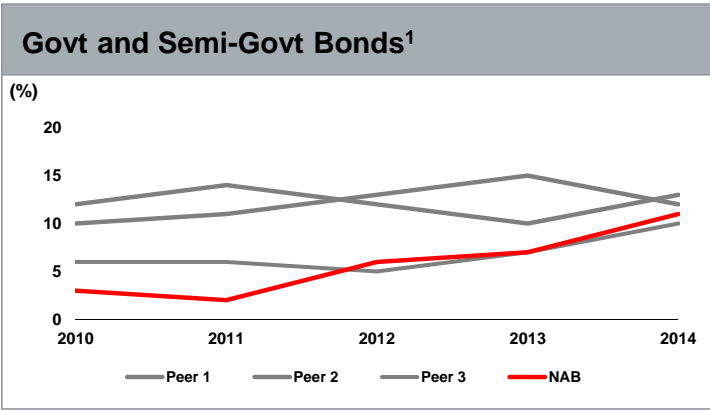
Australian Banking: Digital driving sales and service



Business Banking	Small Business	Consumer Sales	Consumer Servicing
<p>The Internet Banking user experience for Business customers continues to evolve:</p> <ul style="list-style-type: none"> BPAY Batch – enabling faster, more efficient way to pay multiple suppliers and service providers Digitisation of Tailored FX Deals Bulk authorisation enhancements reducing customer processes by > 200% 	<p>January launch of NAB Now making the lives of our small and micro business customers easier by:</p> <ul style="list-style-type: none"> Improving cash-flow Reducing admin time On the spot invoicing <p>Strong positive early customer feedback around functionality and features</p>	<p>Increasing efficiency in our processes and customer touch points by:</p> <ul style="list-style-type: none"> A refreshed online personal loan form reducing application time to ~15 mins, resulting in 92% sales uplift on PCP Enhanced forms capability resulting in a 75% increase in transaction account applications and a 82% increase in savings account openings on PCP 	<p>Market leading 'mobile first' design catering for the accelerating trend of mobile usage:</p> <ul style="list-style-type: none"> 66% increase in customer satisfaction <p>Mobile usage continues to grow:</p> <ul style="list-style-type: none"> 60% of logons to Internet Banking performed via mobile 36% increase in value transactions via mobile on PCP



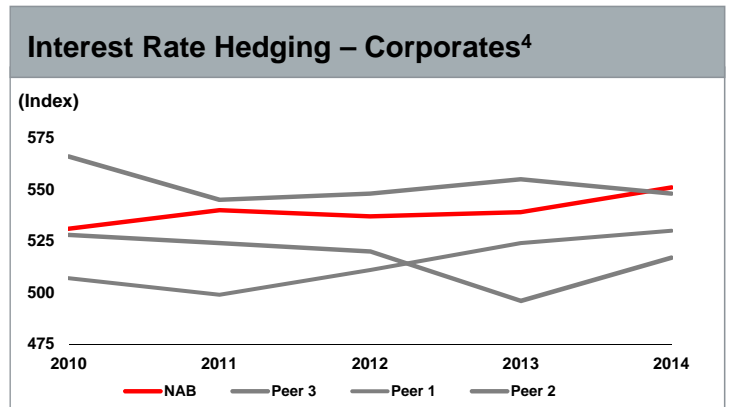
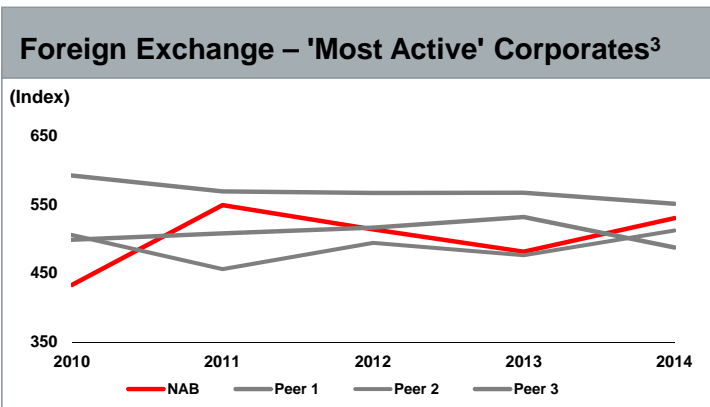
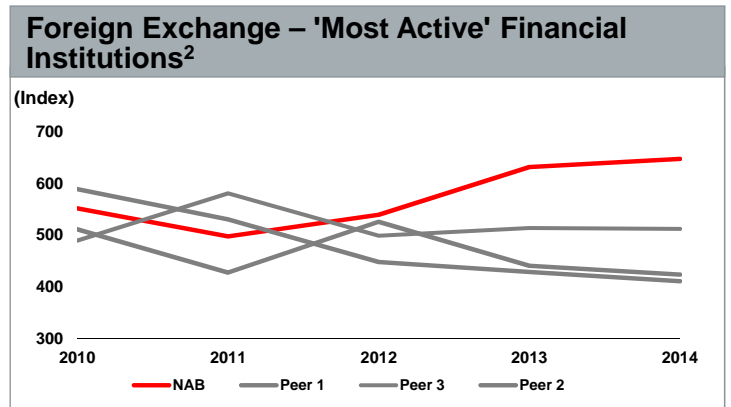
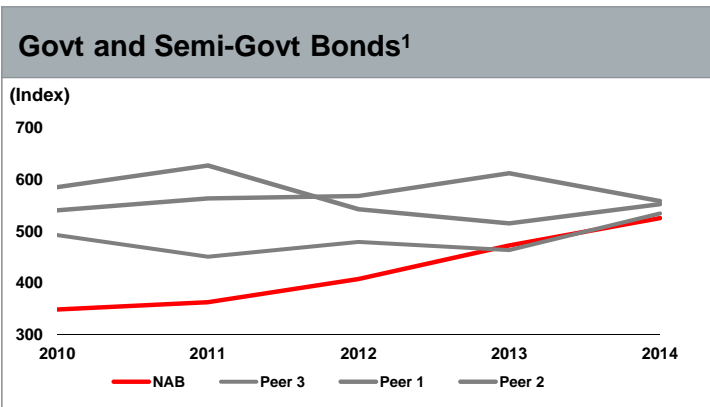
Australian Banking: Markets – Market share trends



(1) Peter Lee Associates Debt Securities Investors Survey 2014 ('Most Active' Investors). Based on the four major domestic banks
 (2) Peter Lee Associates Foreign Exchange Survey 2014 ('Most Active' FI respondents). Based on top four banks by penetration
 (3) Peter Lee Associates Foreign Exchange Survey 2014 ('Most Active' Corporate respondents). Based on top four banks by penetration
 (4) Peter Lee Associates Interest Rate Derivatives Survey 2014. Based on top four banks by penetration



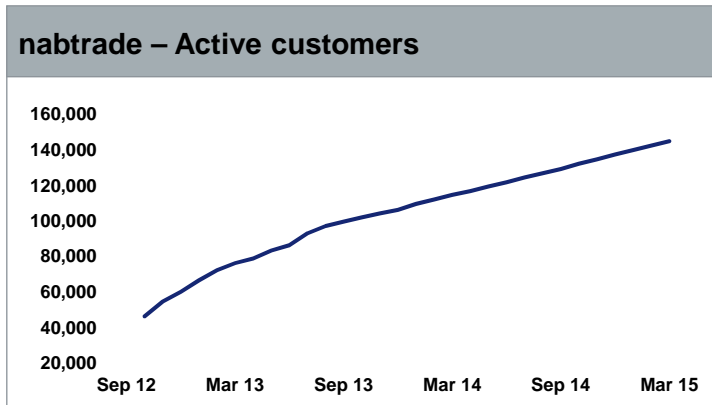
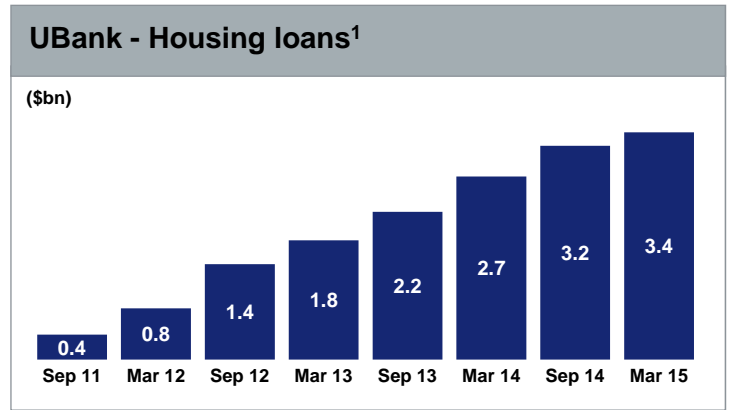
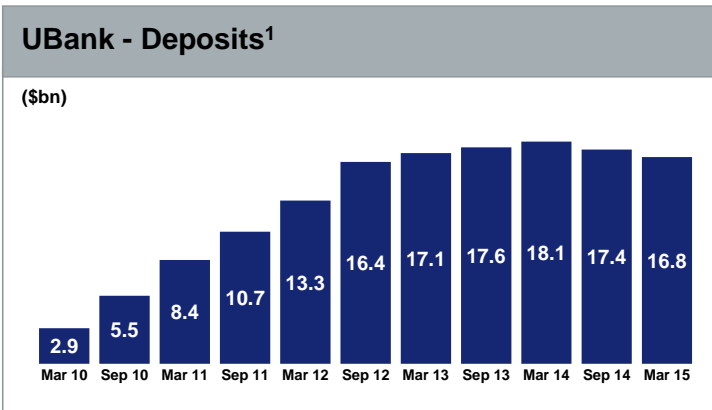
Australian Banking: Markets – Relationship Strength Index



(1) Peter Lee Associates Debt Securities Investors Survey 2014 ('Most Active' Investors). Based on the four major domestic banks
 (2) Peter Lee Associates Foreign Exchange Survey 2014 ('Most Active' FI respondents). Based on top four banks by penetration
 (3) Peter Lee Associates Foreign Exchange Survey 2014 ('Most Active' Corporate respondents). Based on top four banks by penetration
 (4) Peter Lee Associates Interest Rate Derivatives Survey 2014. Based on top four banks by penetration



Australian Banking: UBank and Nabtrade

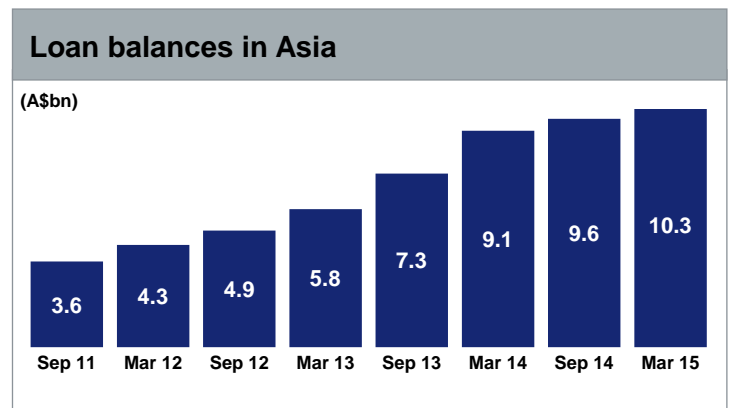
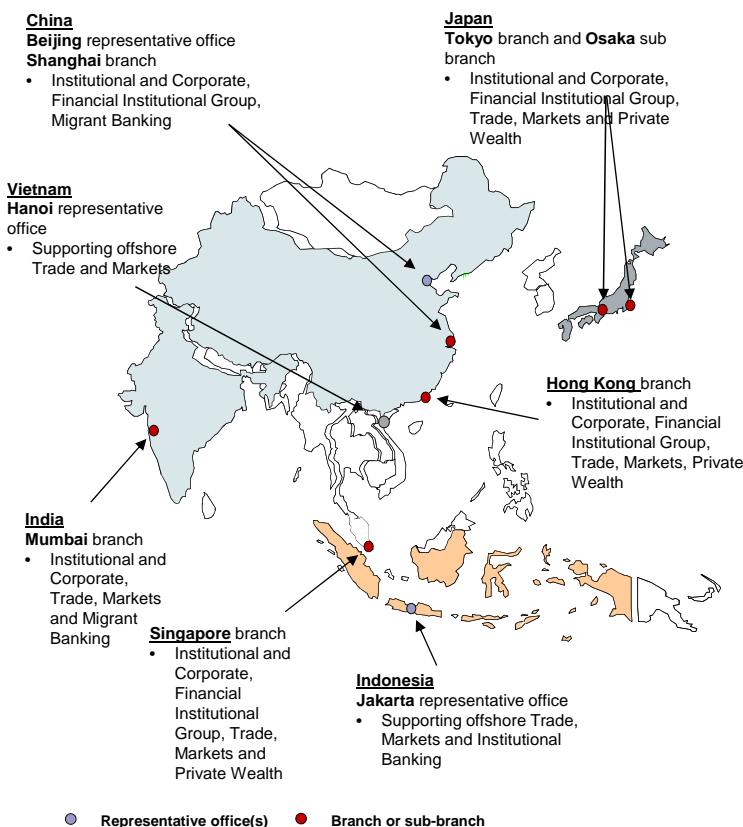


- ### nabtrade – Highlights
- Launched international share trading capability
 - Total market share² up 1% to 12% among all online investors
 - Strong customer acquisition: doubled primary market share to 24% among new on-line traders²
 - Strong proposition: #1 on value; #1 on insights; #1 on service (versus Big-4 bank peers)²

(1) Spot volumes
(2) Investment Trends Report Feb – Nov 2014



Australian Banking: NAB's operational focus in Asia



Additional Information

Australian Banking

NZ Banking

NAB Wealth

UK Banking

Group Asset Quality

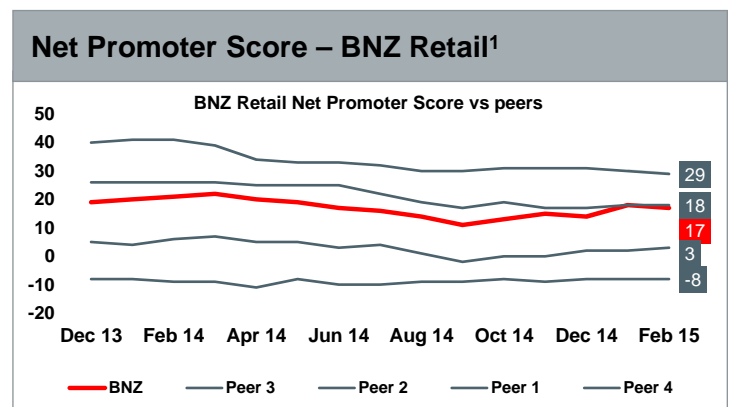
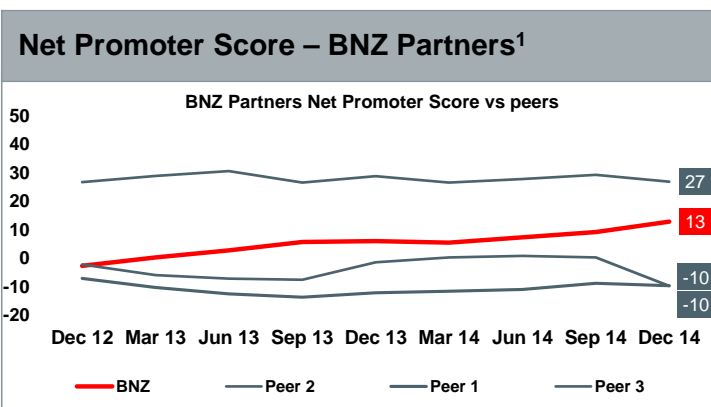
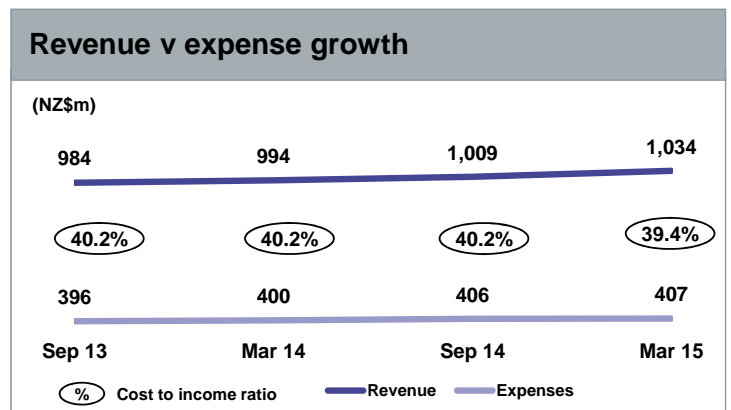
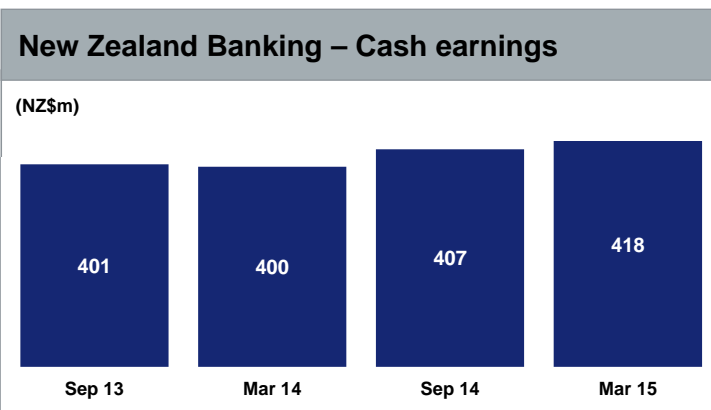
Capital and Funding

Additional Information

Economic Outlook



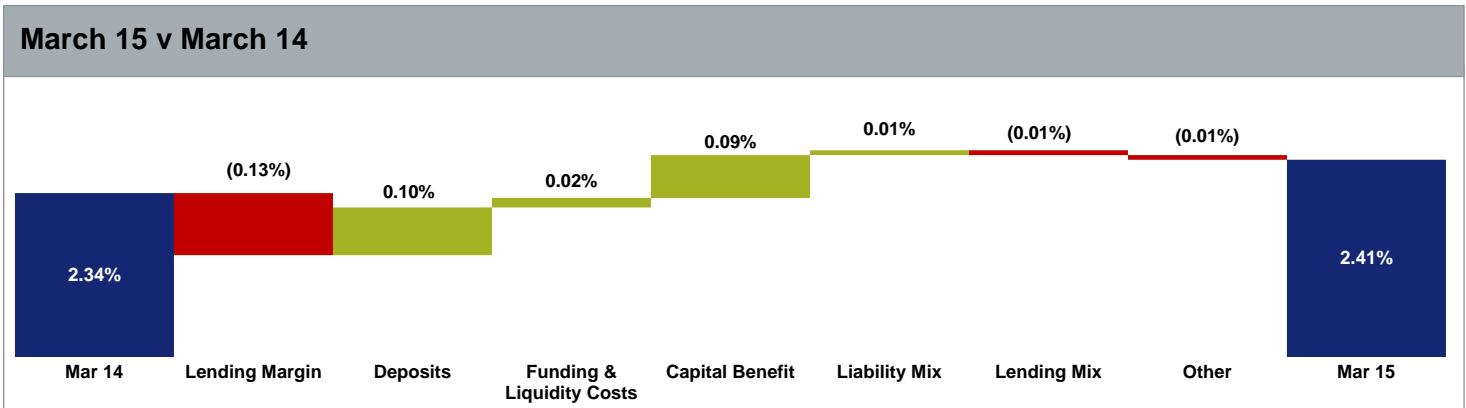
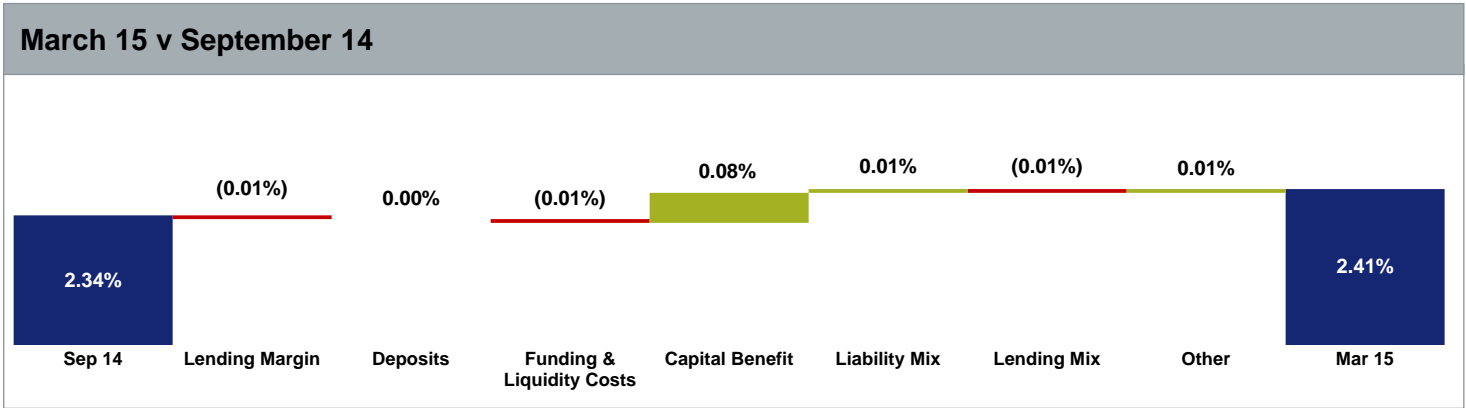
New Zealand Banking



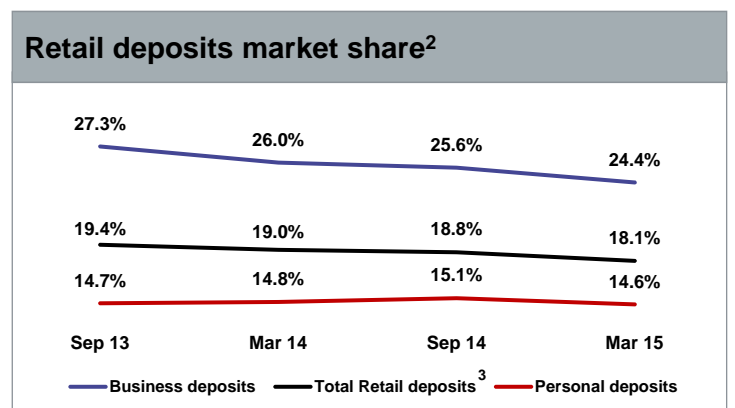
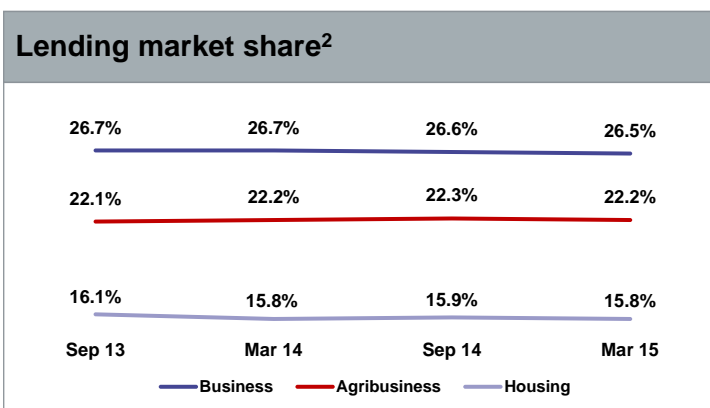
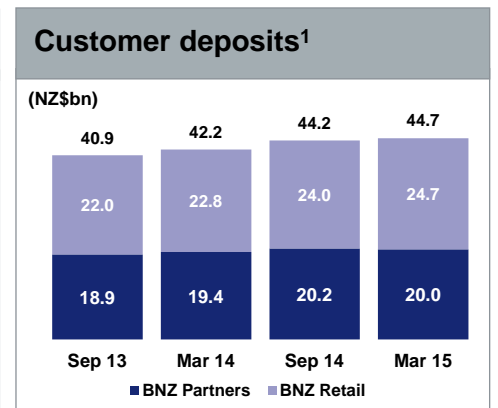
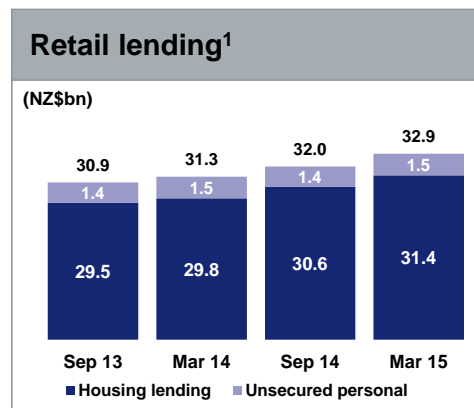
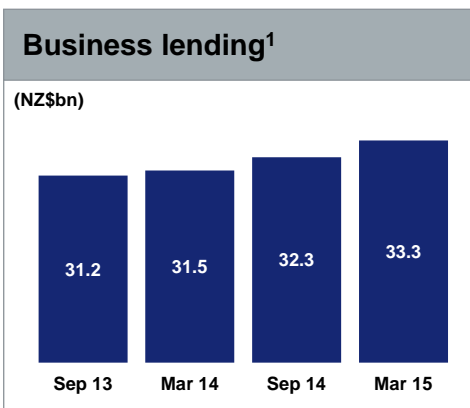
(1) Source: Retail Market Monitor data on six monthly roll; Partner – Business Finance Monitor data on a 12 month roll



New Zealand Banking: Net interest margin



New Zealand Banking: Volumes and market share

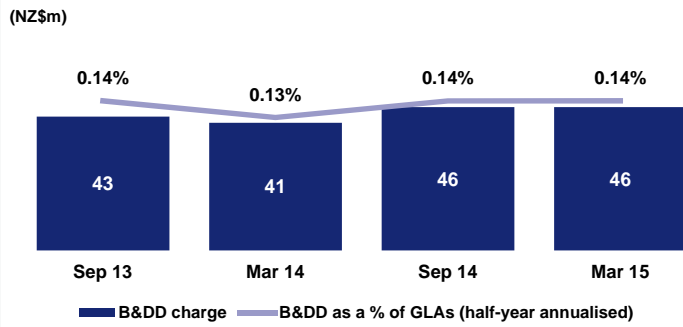


(1) Spot volumes
 (2) Source RBNZ: Historical market share rebased with latest revised RBNZ published data
 (3) Source RBNZ: Retail deposits include both Personal and Business deposits

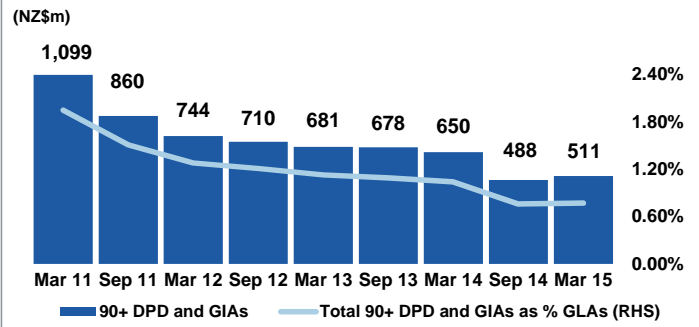


New Zealand Banking: Asset quality

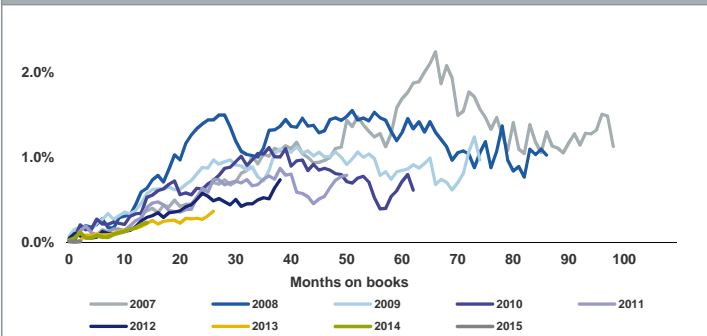
B&DD charge and B&DD as % of GLAs



Total 90+ DPD and GIAs as % GLAs

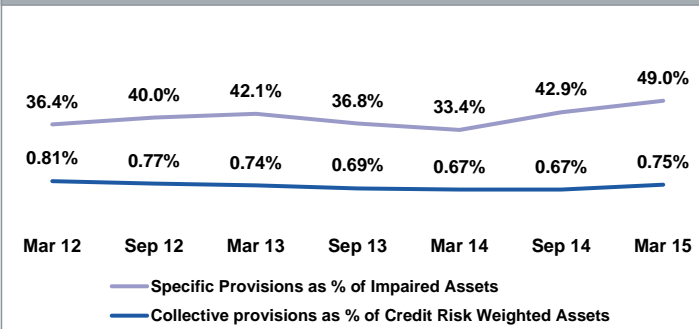


New Zealand Banking mortgages - 30+ DPD ¹



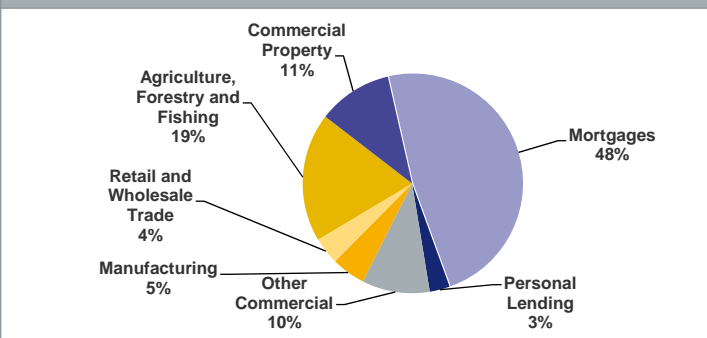
(1) The New Zealand vintage methodology differs from Australian Banking which is calculated on a cumulative basis

Collective and specific provision coverage

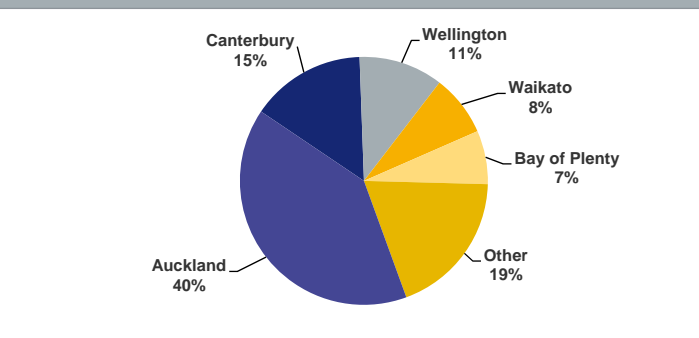


New Zealand: Lending mix and LVR

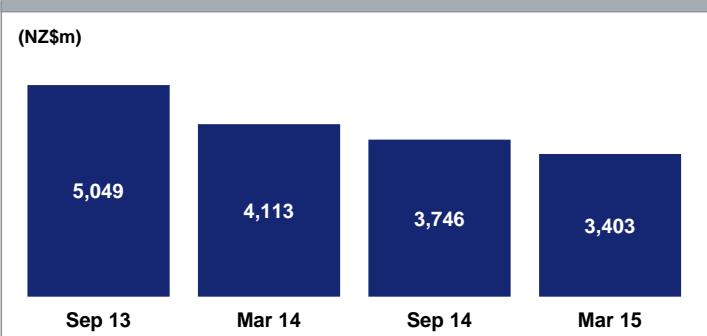
Portfolio breakdown – total NZ\$66.2bn



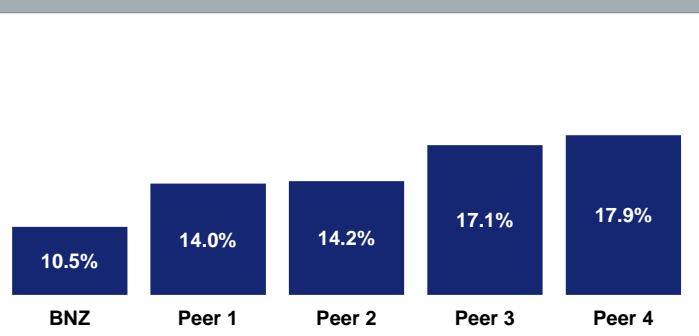
Mortgage portfolio breakdown by geography



Home loans >80% LVR ¹



Home loan LVR Proportion >80% ²



(1) >80% LVR volumes are on an exposure at default (EAD) basis, and include commitments
 (2) Dec 14 is the latest available LVR peer comparison



New Zealand: Housing lending – Key metrics

New Zealand Housing lending	Sep 13	Mar 14	Sep 14	Mar 15
Low Documentation	0.23%	0.21%	0.18%	0.15%
Proprietary	100%	100%	100%	100%
Third Party Introducer	0.0%	0.0%	0.0%	0.0%
Variable rate lending drawn balance	46.6%	38.3%	28.2%	25.5%
Fixed rate lending drawn balance	49.4%	57.9%	68.1%	70.8%
Line of credit drawn balance	4.0%	3.8%	3.7%	3.7%
Interest only drawn balance ¹	23.0%	23.0%	23.5%	23.2%
Insured % of Total Portfolio ²	12.5%	11.4%	9.9%	8.5%
Current LVR on a drawn balance calculated basis	64.7%	64.0%	63.8%	63.5%
LVR at origination	69.9%	69.3%	69.1%	68.9%
Average loan size NZ\$ ('000)	272	281	289	296
90+ days past due ratio	0.20%	0.18%	0.11%	0.17%
Impaired loans ratio	0.21%	0.24%	0.21%	0.16%
Specific provision coverage ratio	35.2%	32.7%	33.1%	36.9%
Loss rate ³	0.07%	0.04%	0.03%	0.04%

- (1) Excludes Line of credit
(2) Insured includes both LMI and Low Equity Premium
(3) Loss Rate = 12 month rolling Net Write-offs / Spot Drawn Balances



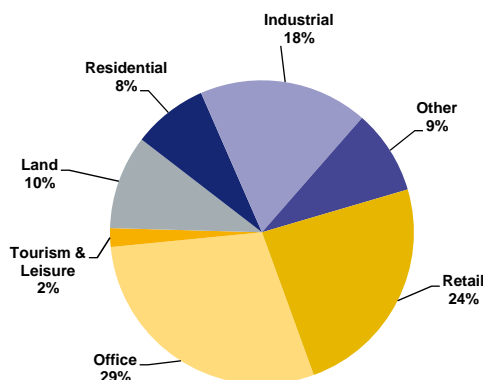
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Not for distribution or release in the United States

Commercial Real Estate – NZ Banking

Total NZ\$7.0bn

10.6% of Gross Loans & Acceptances



Region ¹	Auckland	Other Regions	Total
Location %	43%	57%	100%
Loan Balance < NZ\$5m	27%	43%	36%
Loan Balance > NZ\$5m<NZ\$10m	15%	15%	15%
Loan Balance > NZ\$10m	58%	42%	49%
Loan tenor < 3 yrs	89%	84%	86%
Loan tenor > 3 < 5 yrs	3%	6%	5%
Loan tenor > 5 yrs	8%	10%	9%
Average loan size NZ\$m	4.6	2.6	3.3
Security Level ²			
Fully Secured	62%	68%	65%
Partially Secured	34%	29%	31%
Unsecured	4%	3%	4%
90+ days past due	0.53%	1.00%	0.80%
Impaired loans ratio	0.40%	0.70%	0.57%
Specific Provision Coverage	11.3%	26.0%	21.5%
Trend	Sep 13	Mar 14	Sep 14
90+ days past due	0.83%	0.64%	1.21%
Impaired loans ratio	1.02%	0.99%	0.58%
Specific Provision Coverage	46.3%	47.9%	22.5%

- (1) Data for individual regions is now presented on a stand-alone basis (previously regional data was shown on the basis of the proportional impact that region had on the total metrics)
(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



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Additional Information

Australian Banking

NZ Banking

NAB Wealth

UK Banking

Group Asset Quality

Capital and Funding

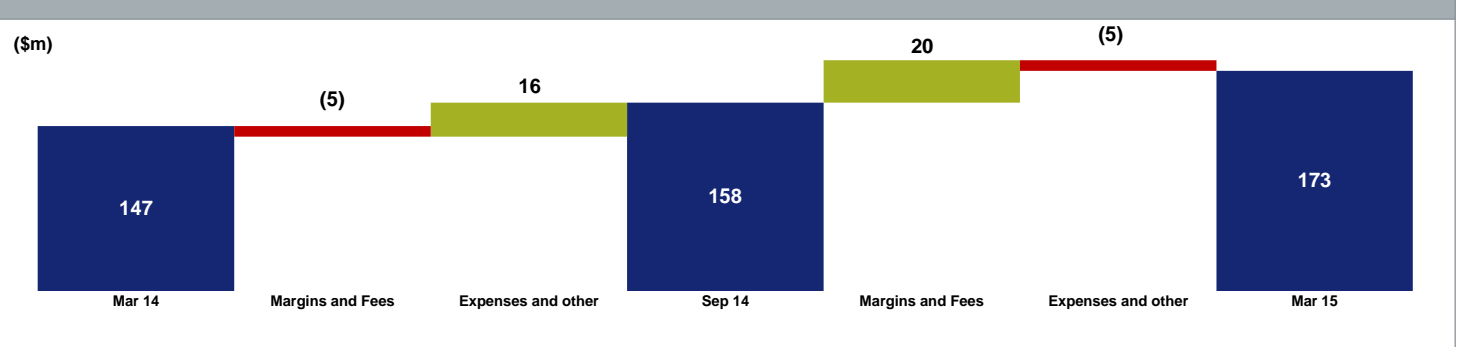
Additional Information

Economic Outlook

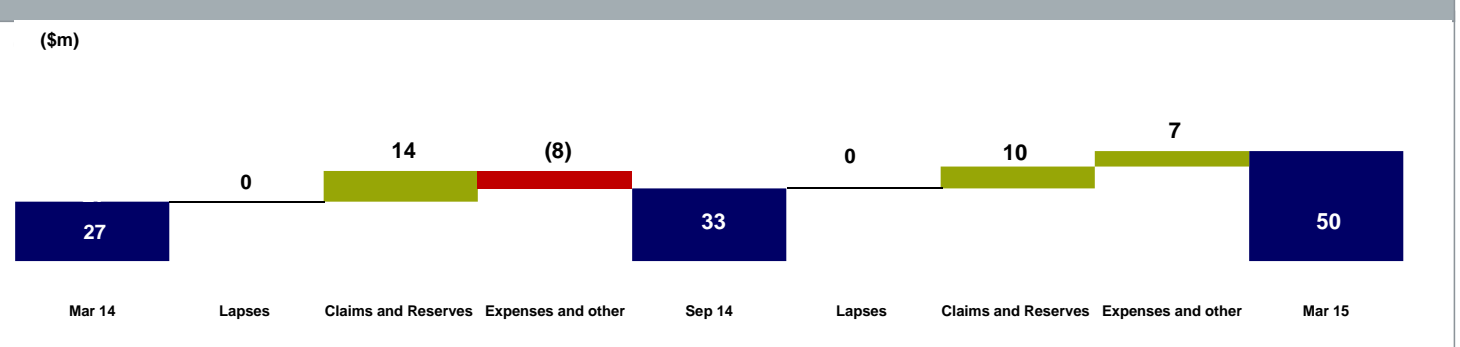


NAB Wealth: Cash earnings

Investments cash earnings

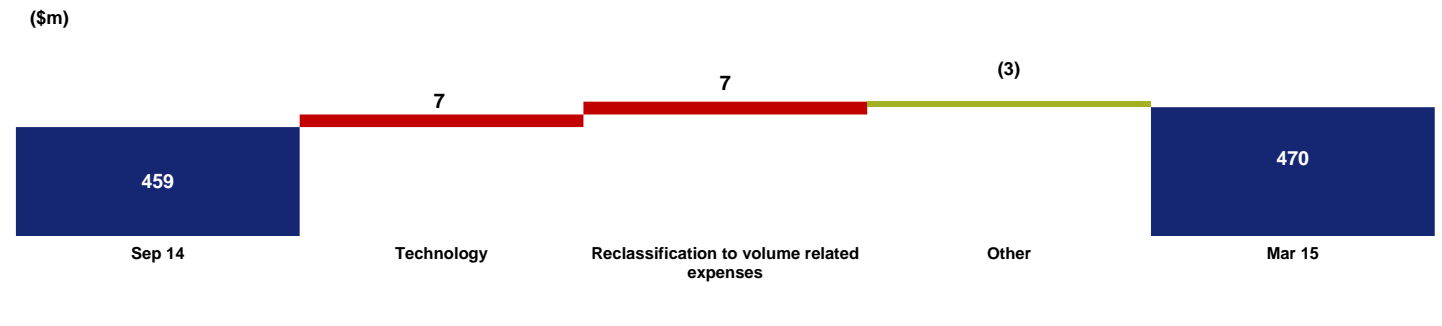


Insurance cash earnings

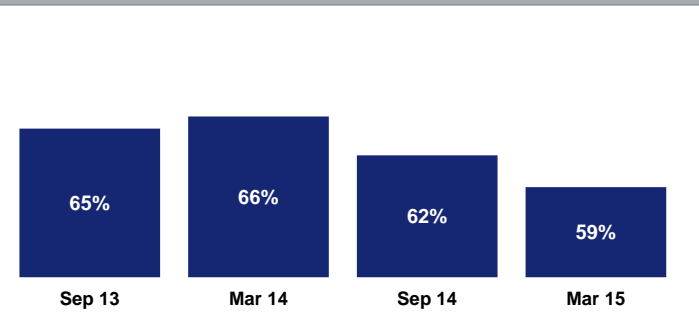


NAB Wealth: Operating Expenses

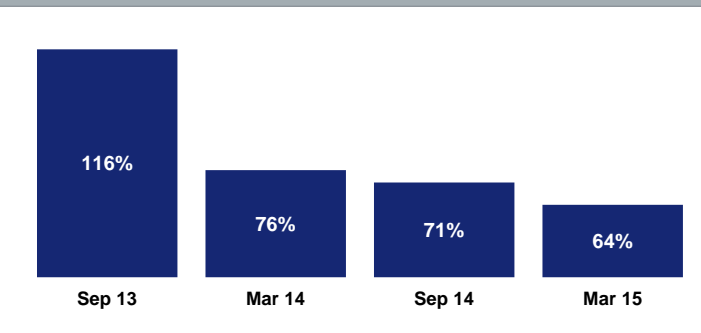
Movements in operating expenses



Investments Cost to Income

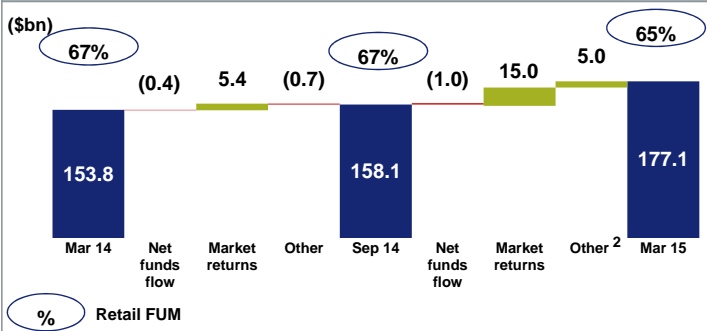


Insurance Cost to Income

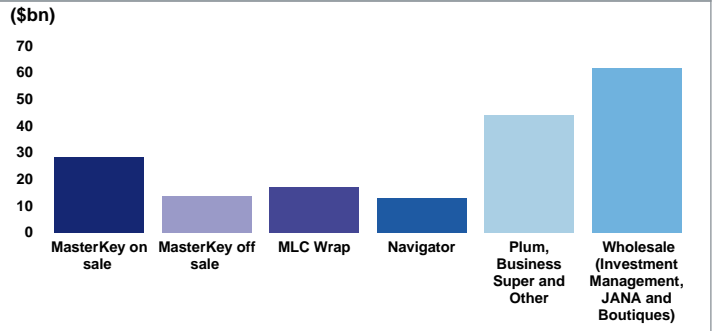


NAB Wealth: Investments

Movement in FUM¹



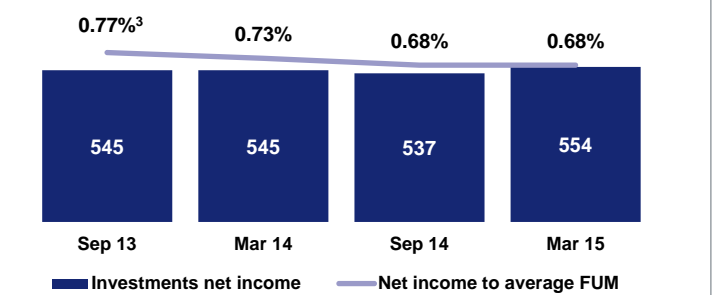
Spot FUM by product group



Net Funds Flow¹ by product group

Product group	1H14 Net Funds Flow (\$m)	2H14 Net Funds Flow (\$m)	1H15 Net Funds Flow (\$m)
MasterKey on sale	590	712	583
MasterKey off sale	(839)	(1,068)	(963)
MLC Wrap	492	607	452
Navigator	(683)	(657)	(455)
Plum, Business Super and Other	1,229	148	(19)
Wholesale (Investment Management, JANA and Boutiques)	1,766	(181)	(640)
Total Net Funds Flow	2,555	(439)	(1,042)

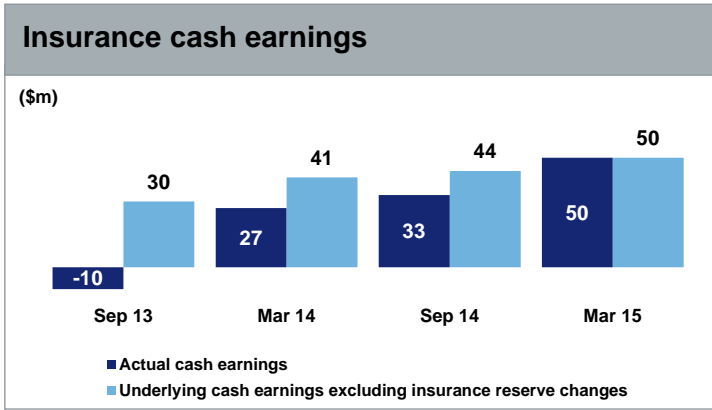
Net income to average FUM¹



(1) FUM on a proportional ownership basis
 (2) Other includes a boutique fund manager purchased during the March 2015 half year
 (3) Includes sale of AREA Property Partners as disclosed in Sep 13

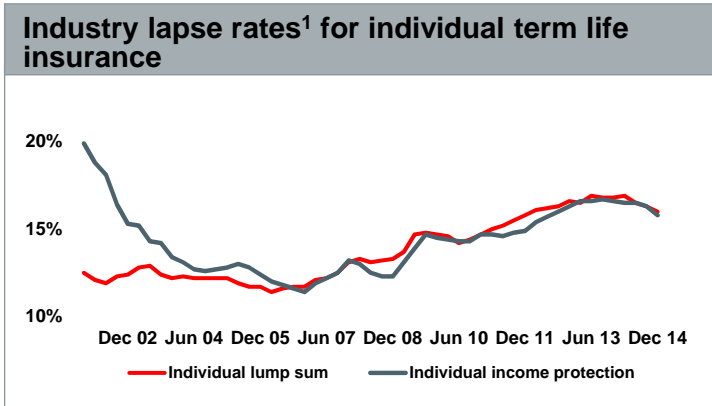


NAB Wealth: Insurance



Performance against key insurance metrics

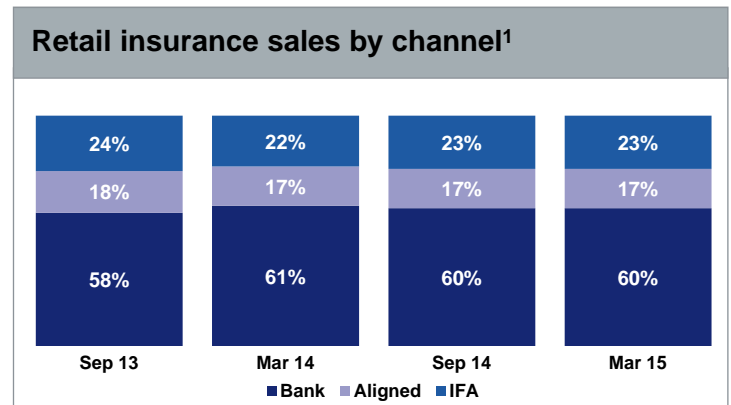
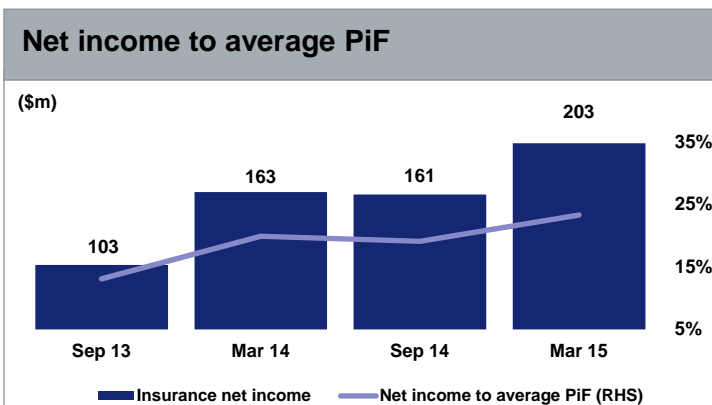
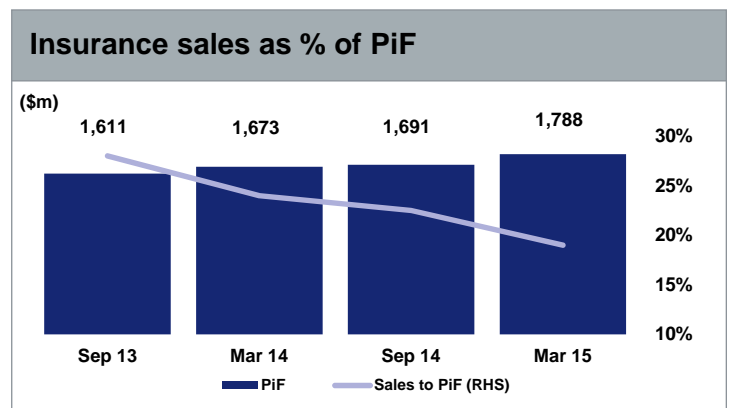
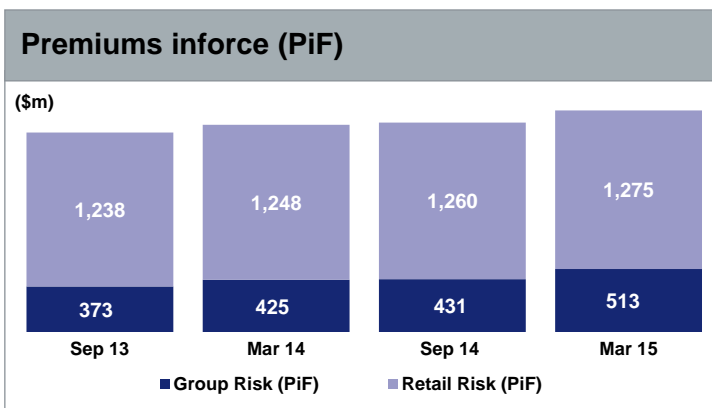
• Group Premiums	↑
• Improved Retail and Group Claims performance driven by strong claims management	↑
• Lapses remain stable through focus of retention initiatives	↔



(1) Source: Plan for Life, Life Insurance Statistics Sept 2014, AP Discontinuance Rates. Discontinuance rates calculated by total discontinuances in latest year divided by corresponding mean in-force annual premiums



NAB Wealth: Insurance



(1) Retail insurance sales now includes general insurance sales



Additional Information

Australian Banking

NZ Banking

NAB Wealth

UK Banking

Group Asset Quality

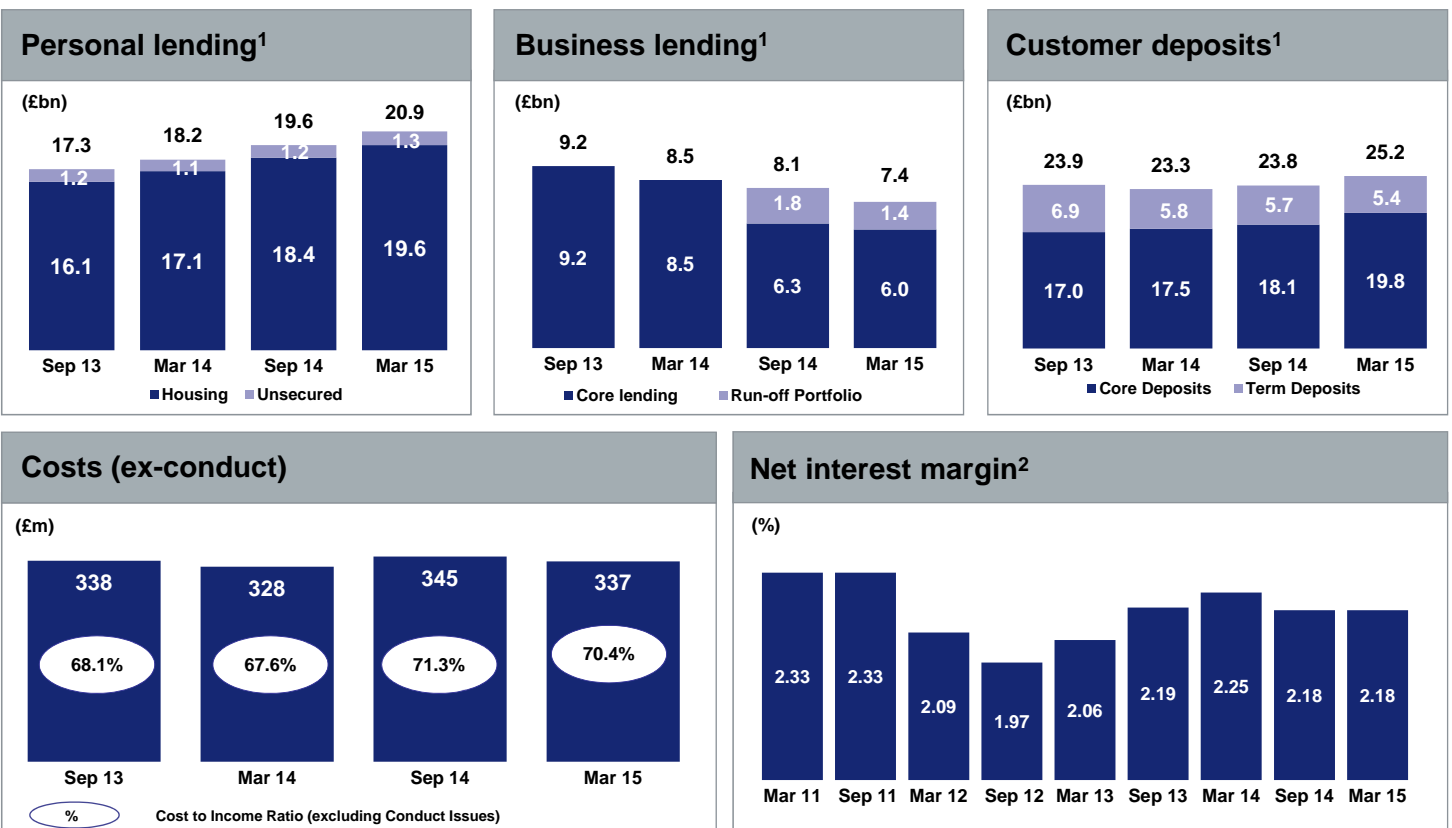
Capital and Funding

Additional Information

Economic Outlook



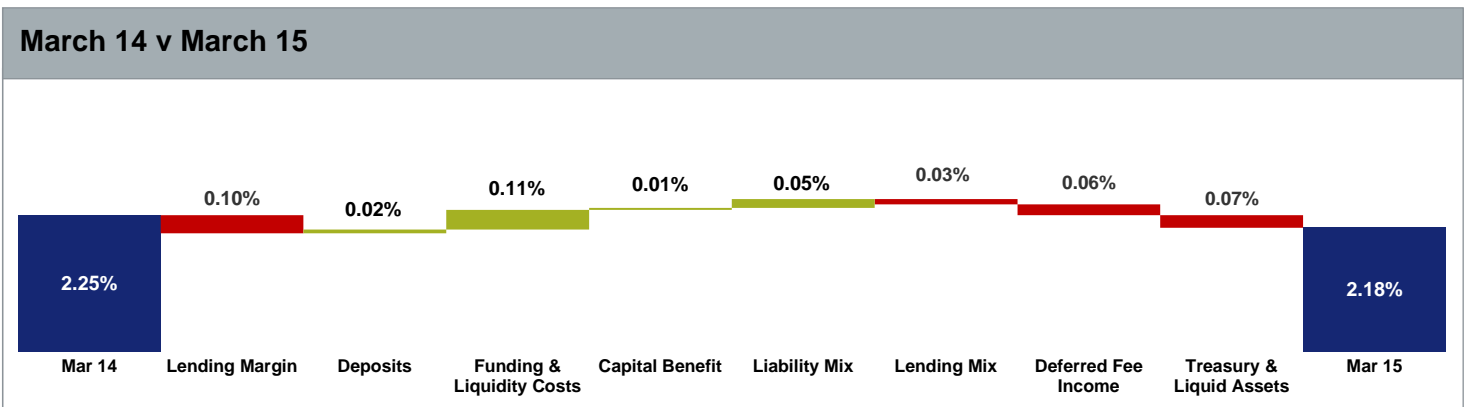
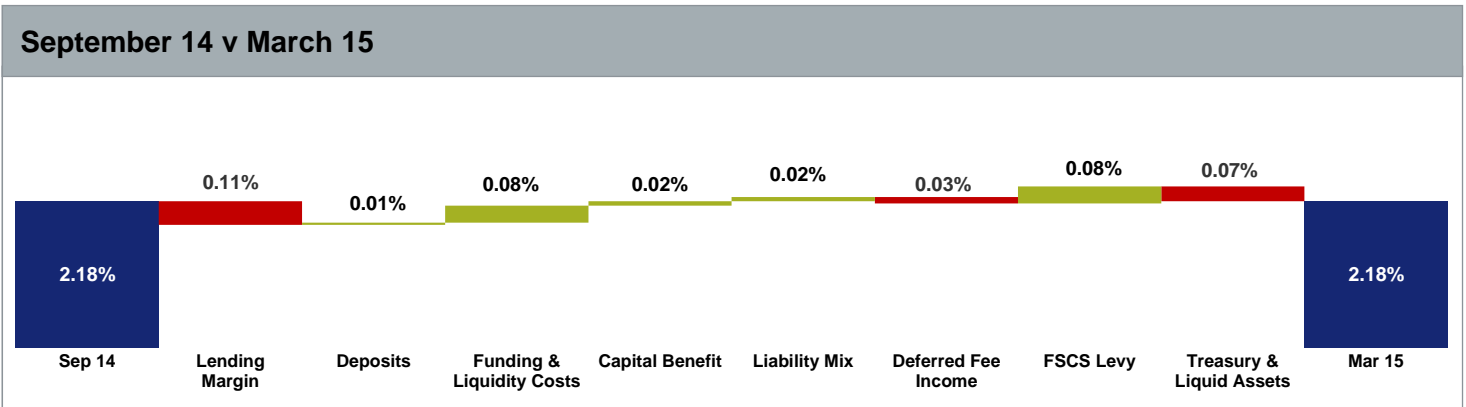
UK Banking



(1) Spot volumes
 (2) Financial Services Compensation Scheme (FSCS) levy was recorded in 2H14 as a result of applying IFRIC 21. Pre FY14 FSCS was recorded in H1



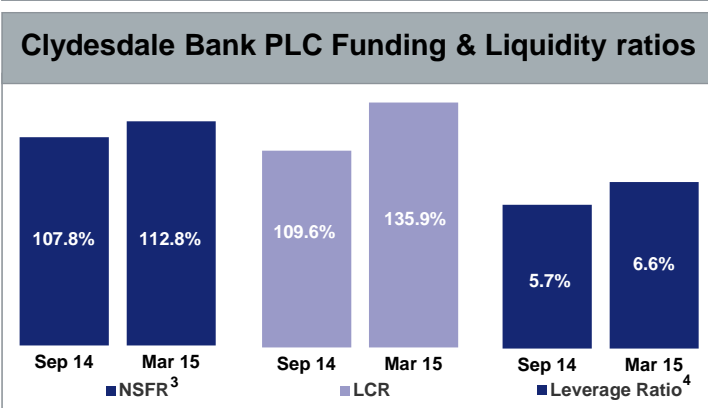
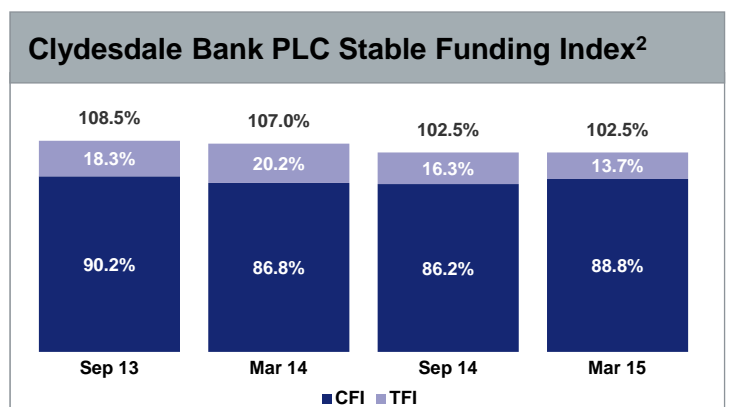
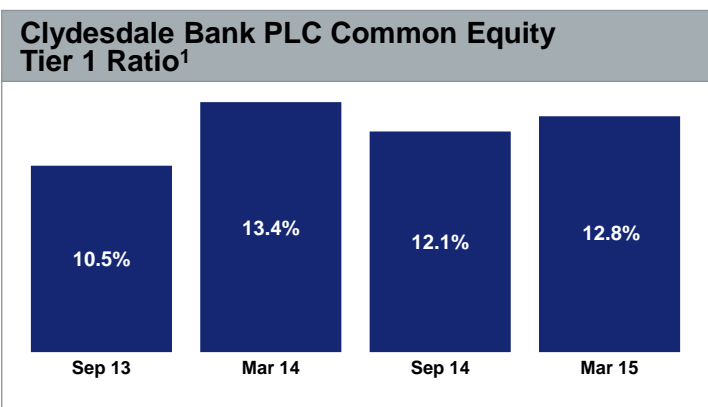
UK Banking: Net interest margin



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UK Banking: Funding and Capital Ratios



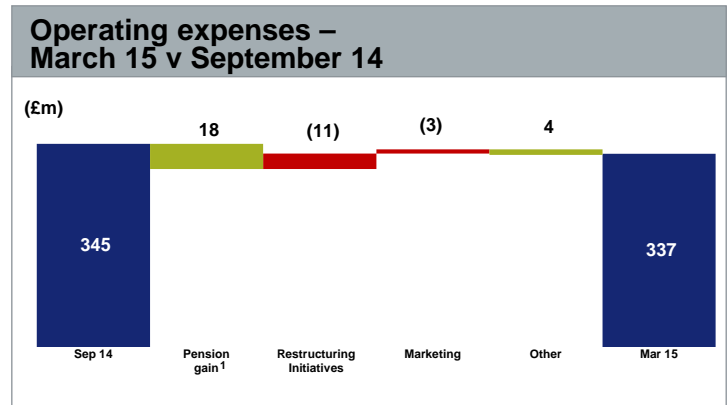
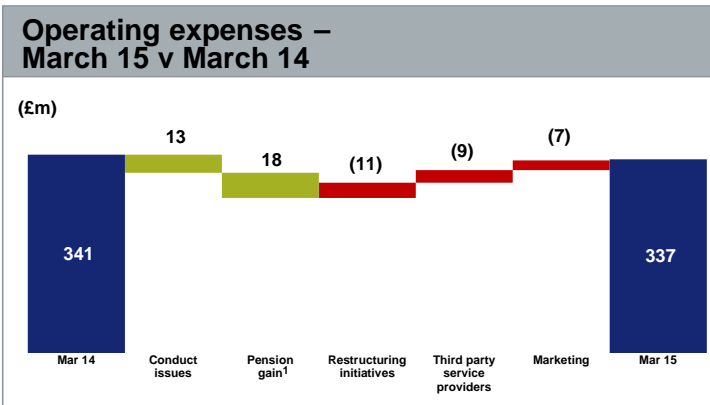
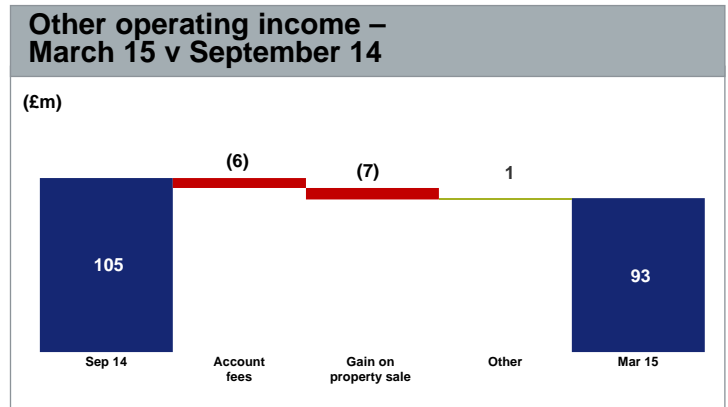
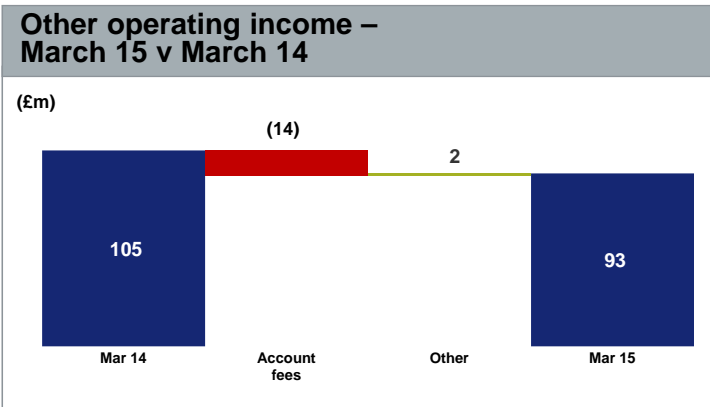
- ### Capital and Funding
- Clydesdale Bank CET1 ratio has improved from 12.1% in September 2014 to 12.8% in March 2015, due to a reduction in RWAs and an increase in CET 1 capital through a mix of organic generation and the impact of the CRD IV capital restructure
 - Clydesdale Bank plc's Customer Funding Index (CFI) has increased to 88.8% at March 2015, from 86.2% in September 2014, with growth in customer deposit balances exceeding growth in lending
 - The Stable Funding Index (SFI) has remained flat at 102.5% in the period, with the reduction in the customer funding gap being offset by the repayment of £601m of term subordinated debt as part of capital restructuring in December 2014

(1) On a UK Prudential Regulation Authority basis
 (2) Stable funding index (SFI) based on spot balances
 (3) Net Stable Funding Ratio
 (4) This is a new regulatory standard ratio proposed by the Basel III reforms and is the Tier 1 capital divided by the total on and off balance sheet exposures expressed as a percentage

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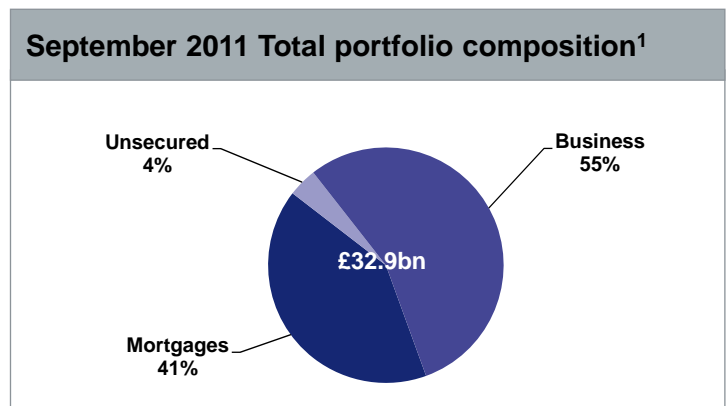
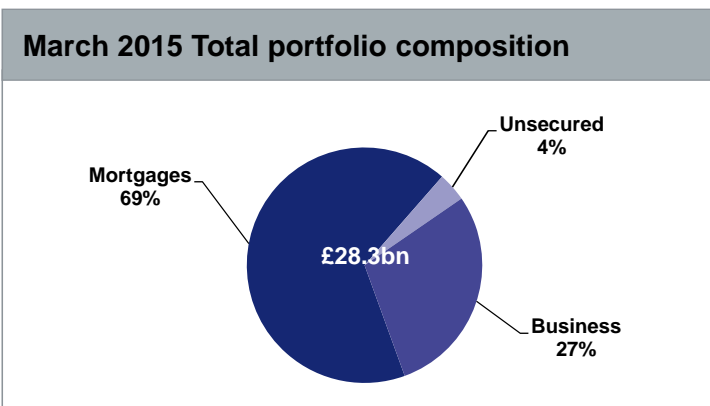
UK Banking: Other operating income and expenses



(1) Pension gain reflects the accounting impact of scheme members now being able to elect (after receiving independent advice) to take a higher day one pension in exchange for waiving future index related rises

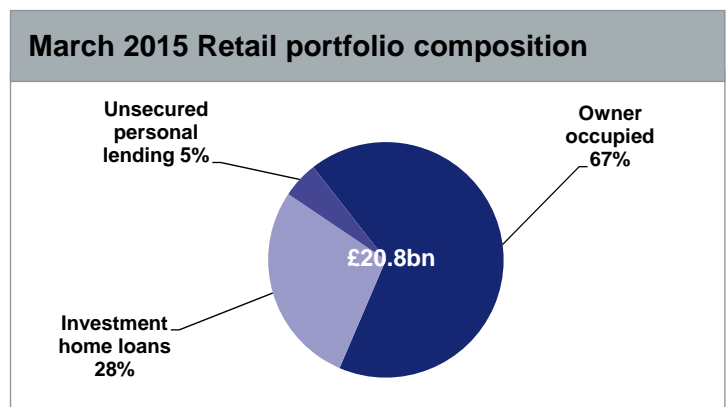


UK Banking: Portfolio composition



March 2015 Business portfolio composition

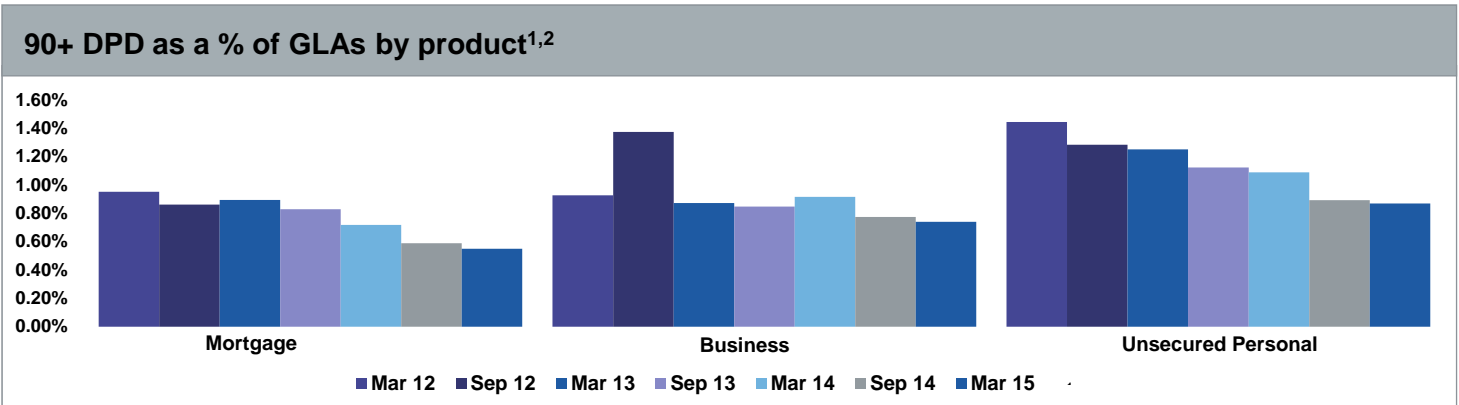
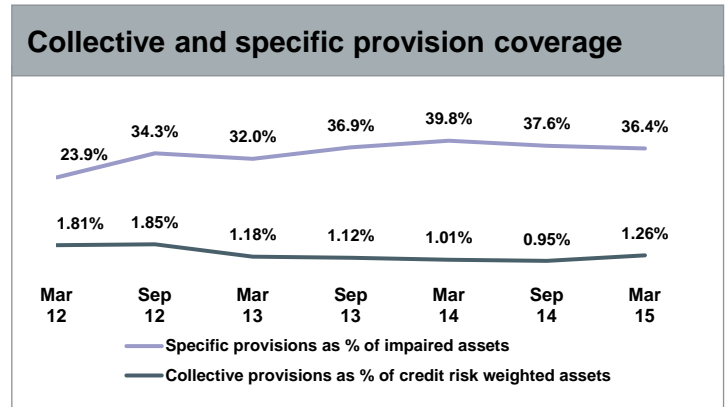
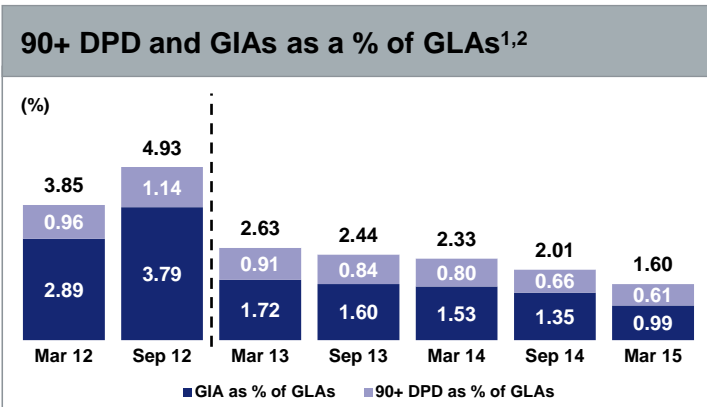
Industry	% Business Portfolio	% Total Portfolio
Agribusiness	23%	6%
Retail and Wholesale Trade	13%	3%
Business Services	11%	3%
Government, Health and Education	11%	3%
Manufacturing	9%	2%
Hospitality	9%	2%
Other	24%	8%
Total	100%	27%



(1) September 2011 portfolio composition includes NAB UK CRE portfolio which was separated from UK Banking on 5 October 2012



UK Banking: Asset quality



(1) On 5 October 2012 UK CRE was separated from UK Banking

(2) From March 2014 balance includes UK mortgage defaulted customers not previously disclosed as past due, where the contractual maturity has passed but customers continue to pay interest due, or where an agreed arrangement is in place, or where the customer is deceased. Prior period comparatives have been restated



UK Banking: Housing lending – Key metrics

UK Banking Housing lending	Sep 13	Mar 14	Sep 14	Mar 15
Owner Occupied	78.3%	75.7%	73.4%	70.6%
Investment	21.7%	24.3%	26.6%	29.4%
Low Document	0.0%	0.0%	0.0%	0.0%
Proprietary	60.0%	56.4%	52.4%	49.4%
Third Party Introducer	40.0%	43.6%	47.6%	50.6%
Variable rate lending drawn balance	56.5%	49.2%	42.6%	37.0%
Fixed rate lending drawn balance	35.3%	43.5%	51.2%	57.5%
Line of credit drawn balance	8.2%	7.3%	6.2%	5.5%
Interest only drawn balance ¹	40.9%	41.2%	41.5%	43.1%
LMI Insured % of Total HL Portfolio	1.1%	0.9%	0.9%	0.8%
Loan to Value (at Origination)	63.3%	63.6%	64.3%	64.8%
Average loan size £ ('000)	104	107	113	118
90+ days past due ratio ²	0.83%	0.72%	0.59%	0.55%
Impaired loans ratio	0.47%	0.42%	0.35%	0.28%
Specific provision coverage ratio	23.8%	24.3%	25.6%	27.4%
Loss rate ³	0.06%	0.06%	0.05%	0.04%

(1) Excludes Line of credit

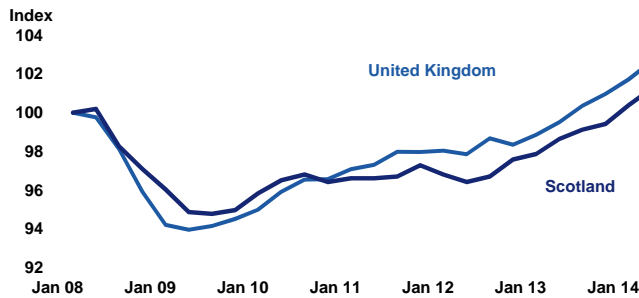
(2) From March 2014 balance includes UK mortgage defaulted customers not previously disclosed as past due, where the contractual maturity has passed but customers continue to pay interest due, or where an agreed arrangement is in place, or where the customer is deceased. Prior period comparatives have been restated

(3) Loss Rate = 12 month rolling Net Write-offs / Spot Drawn Balances

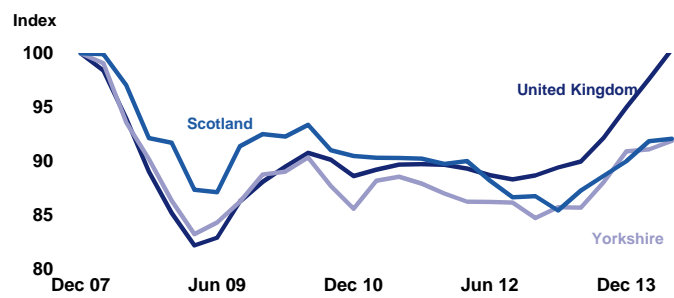


UK economy

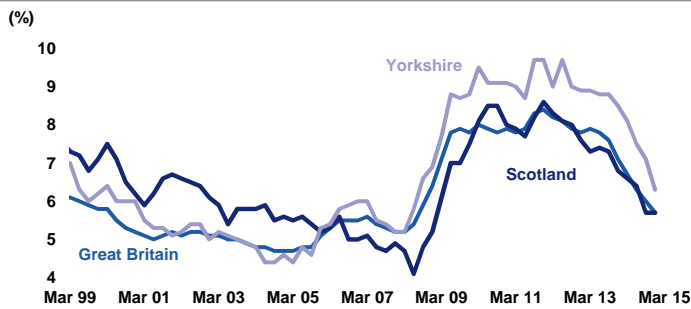
Level of real GDP Economic growth – UK and Scotland¹



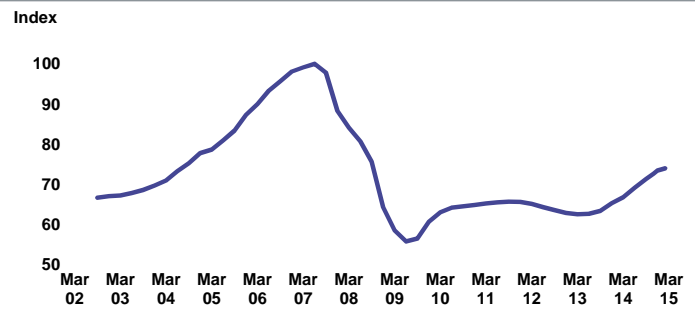
UK House Price Indices²



Unemployment rate by region³



UK Commercial property prices⁴



- (1) Source: ONS, Thomson Reuters Datastream, Scottish Government March 2008 = 100 indices
 (2) Source: Nationwide Index
 (3) Source: ONS, Thomson Reuters Datastream (ILO survey)
 (4) Source: IPD June 2007 = 100 indices

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Not for distribution or release in the United States

Listco summary income statement¹

£m	Year ended			Half year ended
	Sep 12	Sep 13	Sep 14	Mar 15
Income statement				
Net interest income	806	768	785	390
Other operating income	120	190	197	95
Net operating income	926	958	982	485
Operating expenses	(715)	(683)	(686)	(346)
Underlying profit	211	275	296	139
B&DD charges	(173)	(144)	(74)	(28)
Underlying profit before tax	38	131	222	111
Conduct charges ²	(143)	(180)	(433)	(21)
Other one off items ³	(698)	-	(23)	65
Income tax credit/(expense)	156	5	44	(18)
(Loss)/Profit after tax	(647)	(44)	(190)	137

- (1) Presented on a management basis which represents the historical results of Listco which excludes the impact of the proposed inclusion of National Wealth Management Europe Holdings Ltd (UK Wealth) the operations of which are expected to be included in the perimeter of Listco prior to the transaction date. Total income and net profit after tax for the half year ended 31 March 2015 for UK Wealth was £13m (FY14: £23m, FY13: £31m, FY12: £41m) and £6m (FY14: £12m, FY13: £17m, FY12: £22m) respectively
 (2) Conduct charges exclude charges relating to Interest Rate Hedging Product (IRHP)
 (3) Other includes restructuring costs, impact of the disposed UK CRE portfolio, impairment losses on goodwill and other one-off items

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Listco key financial metrics

Key Metrics ^{1,2,3}	Year ended			Half year ended
	Sep 12	Sep 13	Sep 14	Mar 15
NIM	2.19	2.18	2.30	2.21
ROTE	0.7	4.0	7.3	7.8
ROE	0.7	3.7	6.6	7.1
90+ DPD & GIA to GLAs ⁴	2.48	2.44	2.01	1.60
Collective provision to cRWA	1.22	1.16	1.06	1.04
Specific provision to GIA	30.3	37.0	37.9	36.4
CTI	77	71	70	71
Loan to deposit ratio	104	109	115	112
CET1	7.7	9.6	9.4	11.9
Leverage ratio	4.6	5.1	5.2	6.5
FTE ⁵	7,925	6,904	7,033	6,929

(1) All ratios, except FTE, are shown as % and presented on a management basis and therefore exclude conduct charges and other one-off items

(2) Excludes National Wealth Management Europe Holdings Ltd (UK Wealth)

(3) All key metrics are presented on a spot basis, except for ROTE, ROE and NIM. ROTE, ROE and NIM are calculated using annualised half year averages for the period ended 31 March 2015

(4) GLAs defined as gross loans and advances to customers, other financial assets at fair value (excluding accrued interest receivable) and due from customers on acceptances

(5) Excludes conduct related FTE - funded by conduct provisions

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Not for distribution or release in the United States

Listco summary income statement¹ – Statutory basis

£m	Year ended			Half year ended
	Sep 12	Sep 13	Sep 14	Mar 15
Income statement				
Net interest income	877	768	785	390
Non-interest income	255	190	197	156
Total operating income	1,132	958	982	546
Personnel expenses	(329)	(302)	(287)	(120)
Depreciation expense	(75)	(76)	(78)	(40)
Other expenses	(645)	(485)	(777)	(191)
Restructuring	(149)	-	-	(12)
Total operating expenses	(1,198)	(863)	(1,142)	(363)
Impairment losses on credit exposures	(737)	(144)	(74)	(28)
(Loss)/Profit on ordinary activities before tax	(803)	(49)	(234)	155
Income tax credit/(expense)	156	5	44	(18)
(Loss)/Profit for the year	(647)	(44)	(190)	137

(1) Represents the historical results of Listco which excludes the impact of the proposed inclusion of National Wealth Management Europe Holdings Ltd (UK Wealth) the operations of which are expected to be included in the perimeter of Listco prior to the transaction date. Total income and net profit after tax for the half year ended 31 March 2015 for UK Wealth was £13m (FY14: £23m, FY13: £31m, FY12: £41m) and £6m (FY14: £12m, FY13: £17m, FY12: £22m) respectively

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Listco summary balance sheet¹

£m	Year ended			Half year ended
	Sep 12	Sep 13	Sep 14	Mar 15
Balance sheet				
Cash and liquid assets	8,968	7,695	7,154	8,281
Loans and advances	27,575	26,424	27,696	28,292
Derivative assets	637	244	220	385
Assets held for sale	5,225	-	-	-
Due from related parties	1,256	1,390	1,487	883
Other assets ²	721	995	835	1,084
Total Assets	44,382	36,748	37,392	38,925
Customer deposits	26,528	24,266	23,989	25,221
Bonds and notes	3,187	3,085	3,453	4,096
Derivative liabilities	953	651	548	620
Due to related parties	7,716	3,036	2,677	1,792
Other liabilities	3,379	3,261	4,187	4,022
Total liabilities	41,763	34,299	34,854	35,751
Shareholders' equity³	2,619	2,449	2,538	3,174

- (1) Excludes National Wealth Management Europe Holdings Ltd (UK Wealth)
(2) Other assets include capitalised software costs of £237m at Mar 15 (FY14: £213m; FY13: £215m; FY12: £198m)
(3) Shareholders' equity at 31 March 2015 includes £450m of Additional Tier 1



Reconciliation of UK Banking segment to Listco results

Half year ended Mar 15 £m	UK Banking ¹	Non UK Banking ²	Statutory Reclass	Listco
Net interest income	386	4	-	390
Other operating income	93	57	6	156
Net operating income	479	61	6	546
Operating expenses	(337)	(24)	(2)	(363)
Impairment losses on credit exposures	(24)	-	(4)	(28)
Cash earnings (pre-tax)	118	37	-	155
Tax expense	(19)	1	-	(18)
Cash earnings (post-tax)	99	38	-	137

- (1) Represents the UK Banking segment as reported in the NAB Group's results
(2) Represents certain Listco items recognised outside of the UK Banking segment including the gains on capital restructure



Additional Information

Australian Banking

NZ Banking

NAB Wealth

UK Banking

Group Asset Quality

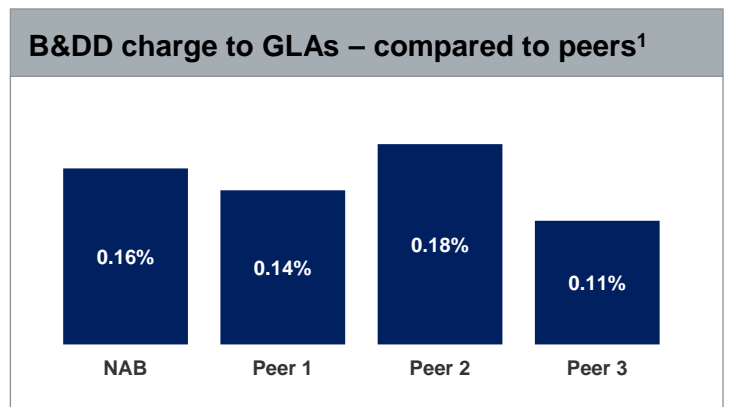
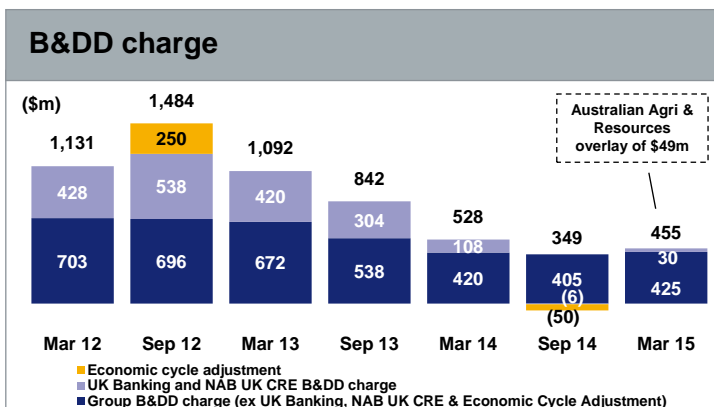
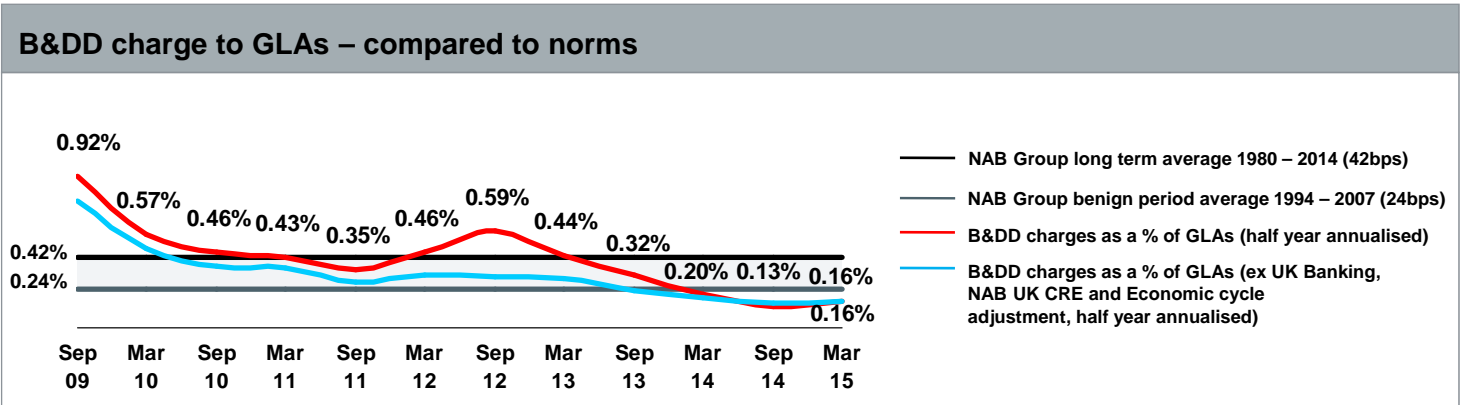
Capital and Funding

Additional Information

Economic Outlook



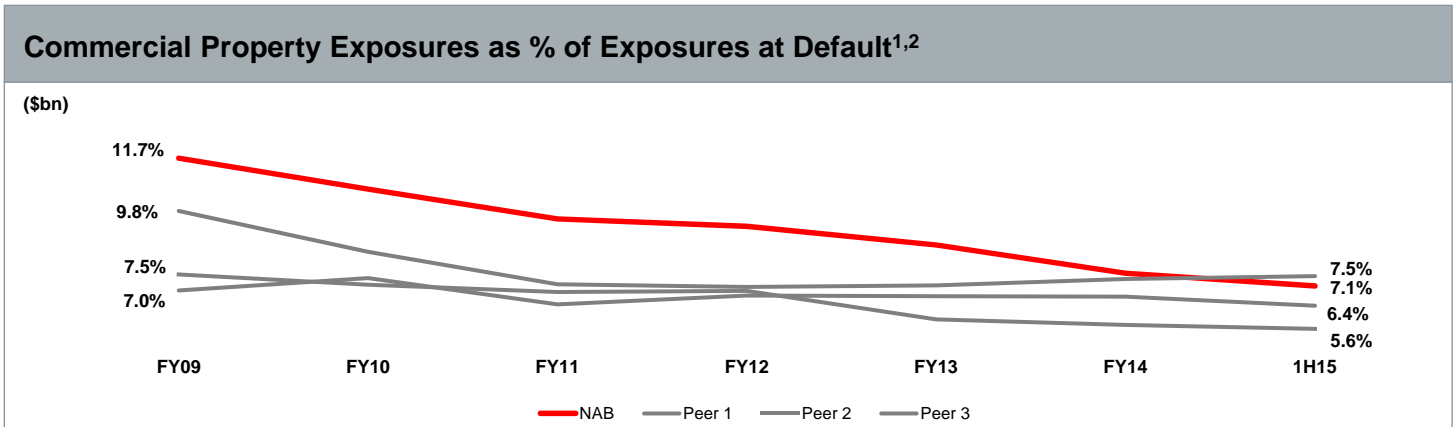
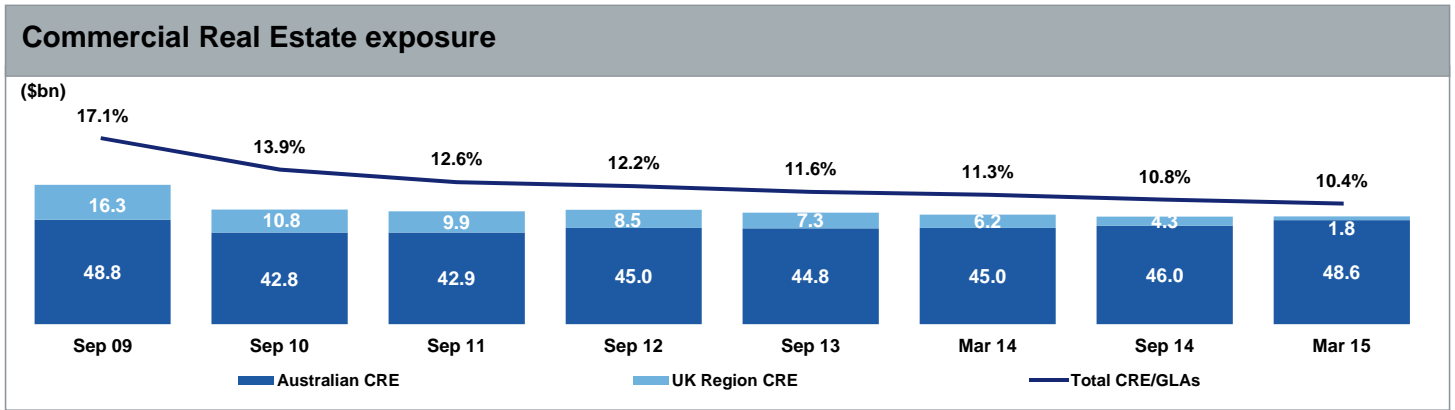
Group B&DD charge



(1) Peer ratios based on 1H15



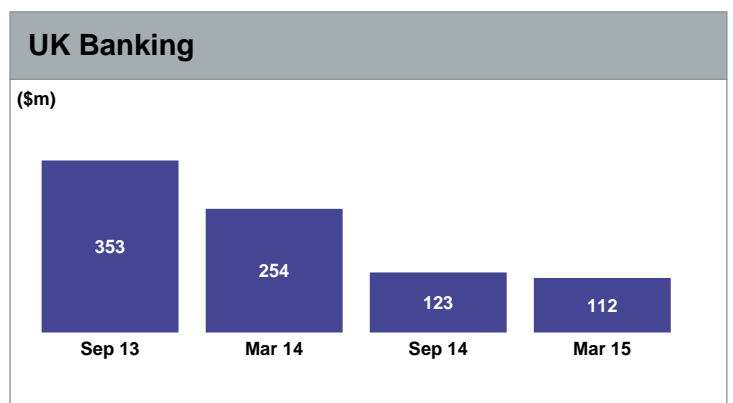
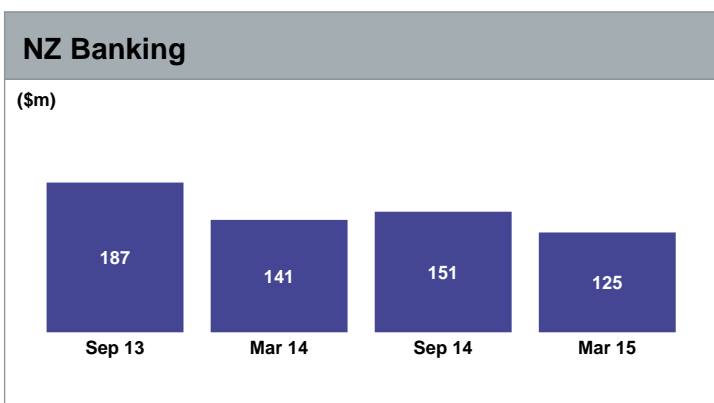
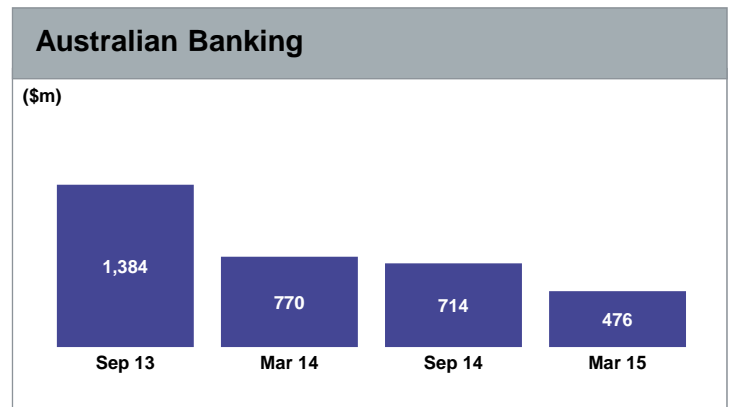
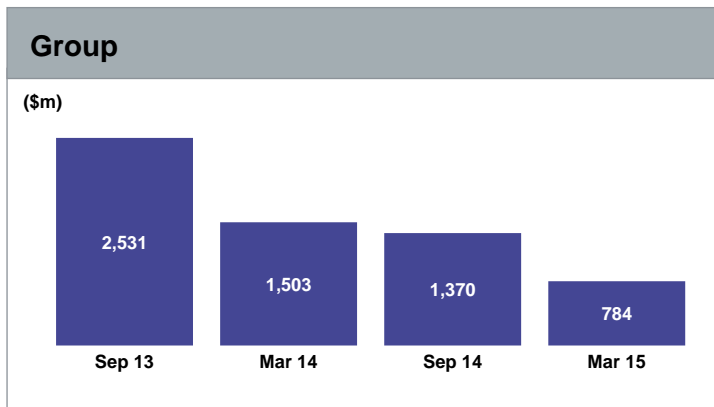
Commercial Real Estate exposure



(1) EAD data from Pillar 3 Industry disclosures, EAD and Industry definitions may vary between banks
 (2) EAD excludes Securitisation & Non lending assets

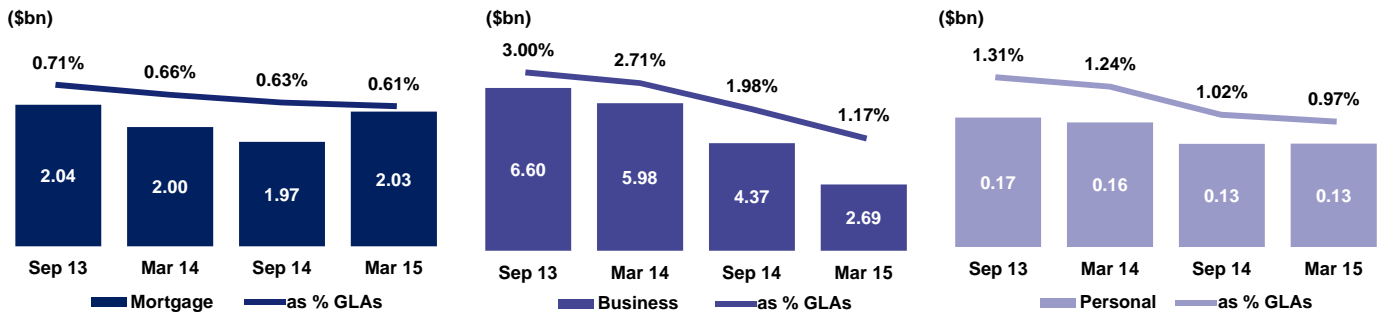


Group asset quality – new impaired assets

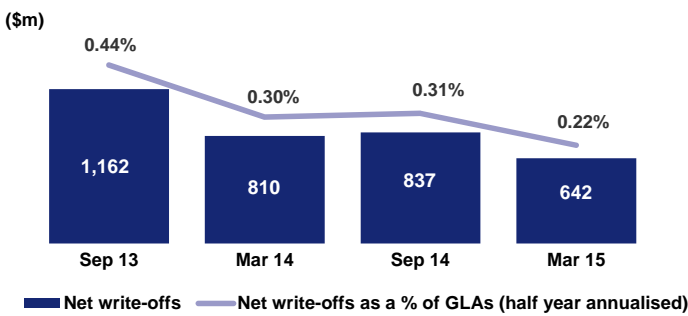


Group asset quality

90+ DPD & gross impaired assets as a % of GLAs by product

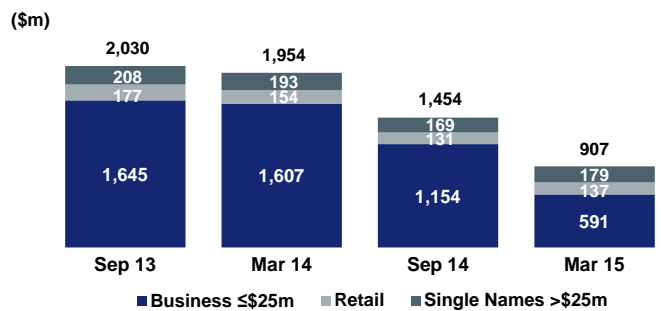


Net write-offs¹



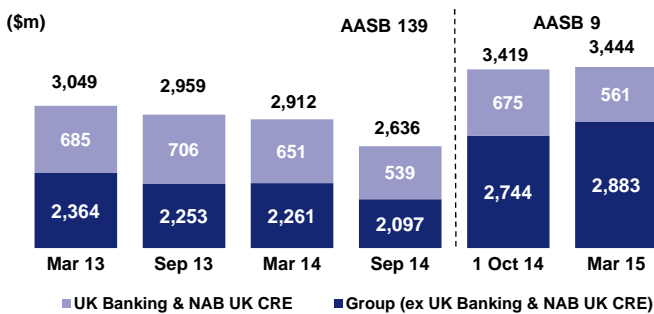
(1) March 2015, September 2014 and March 2014 include write-offs of fair value loans

Specific provision balances

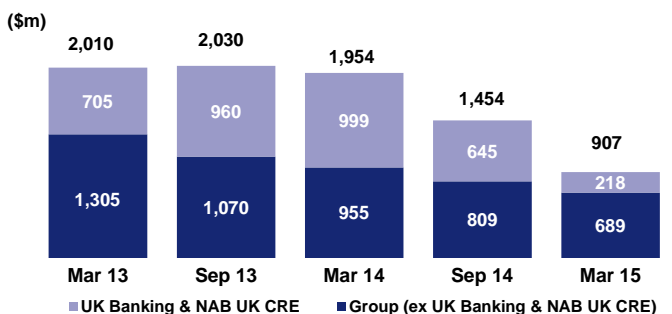


Group provisions

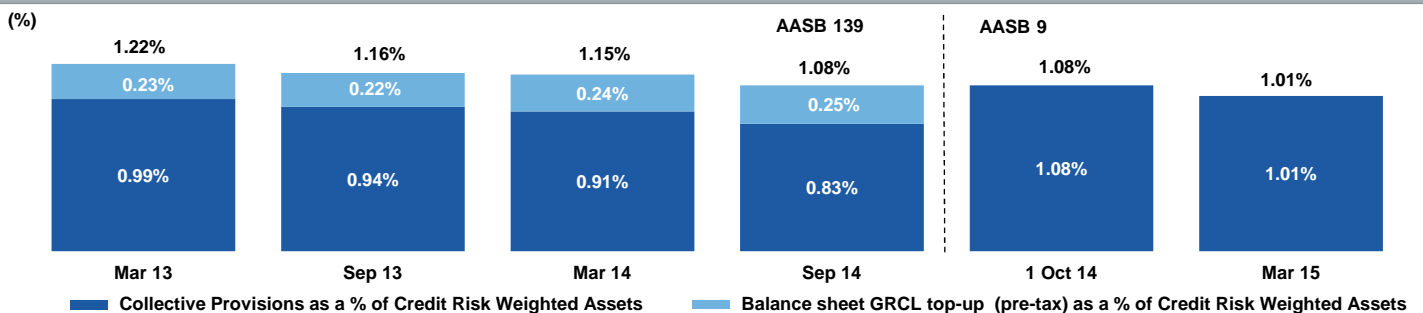
Collective provision



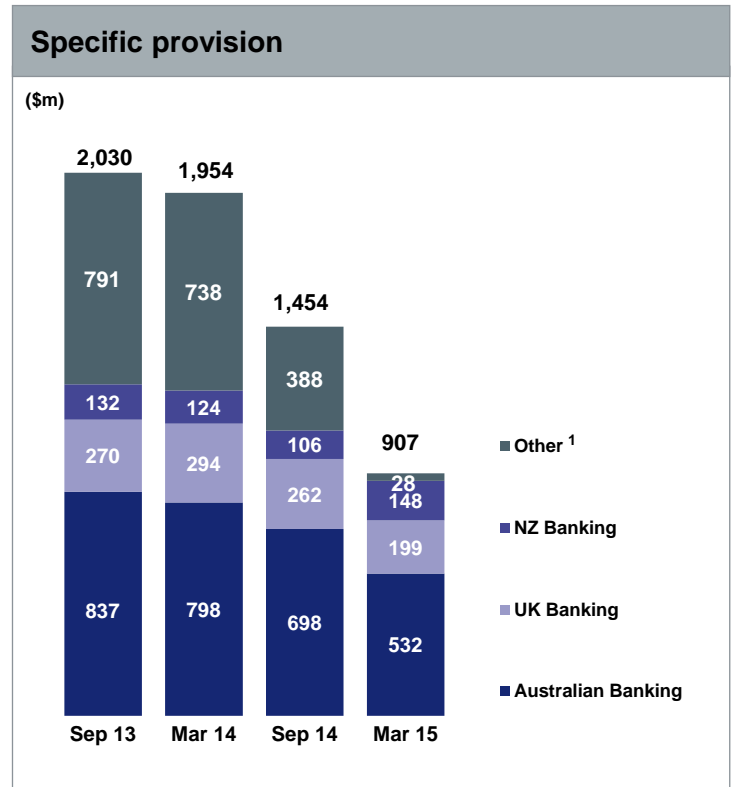
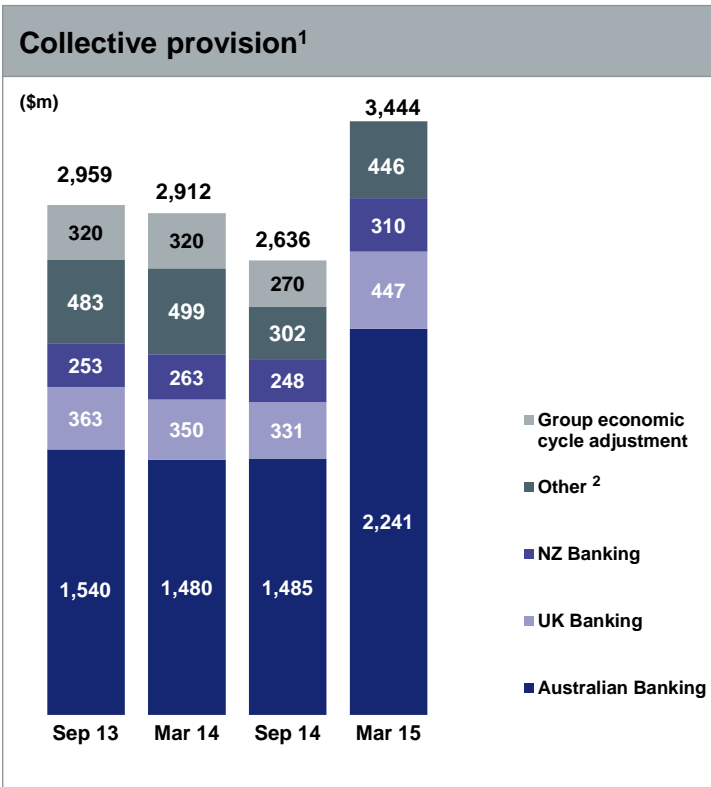
Specific provision



Collective provision coverage



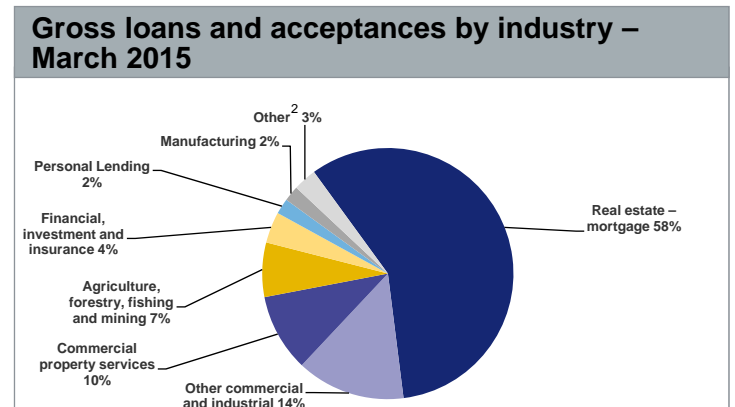
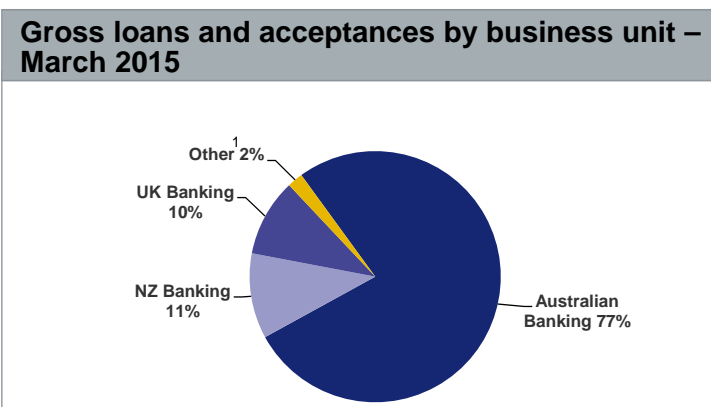
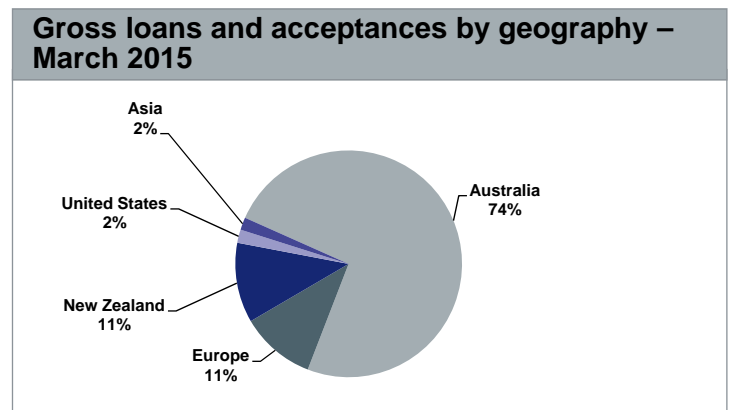
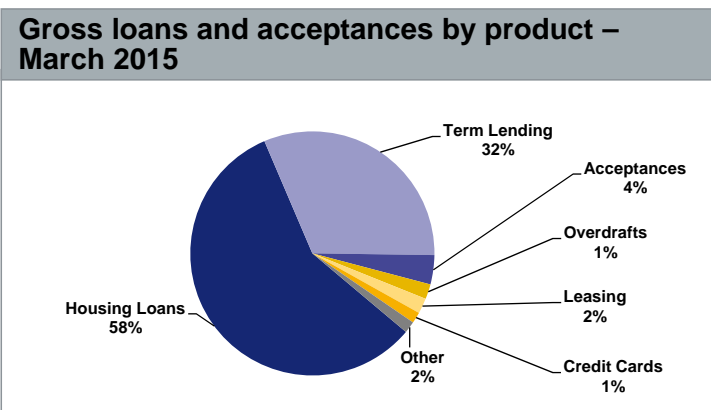
Group provision movements



(1) Collective provision on AASB 9 basis for Mar 15 and AASB 139 basis for prior periods
 (2) Other includes GWB, NAB UK CRE and Corporate Functions



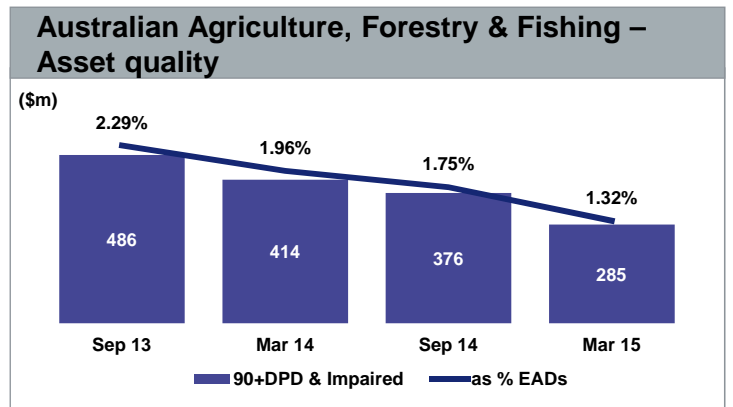
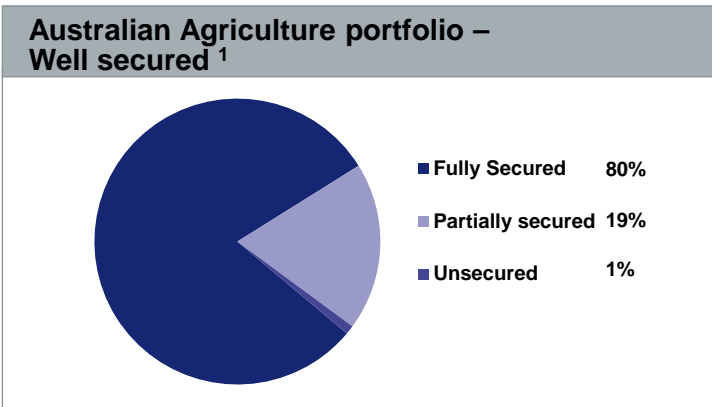
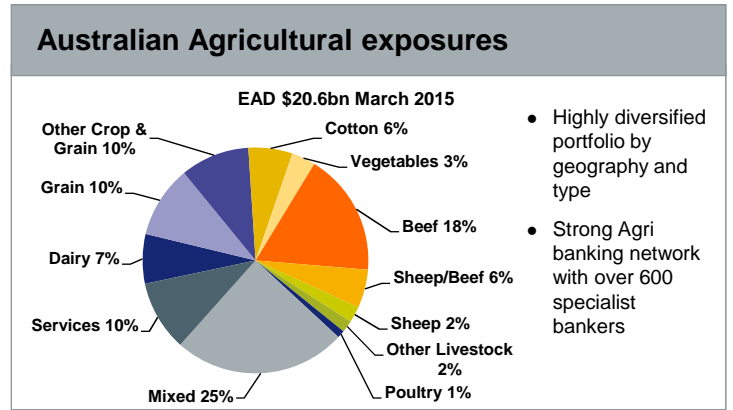
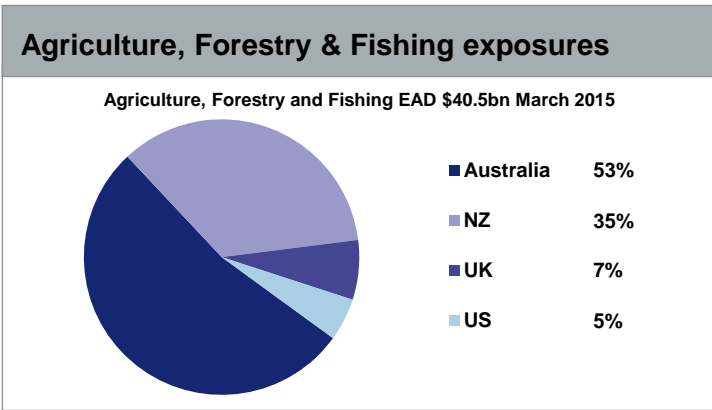
Group portfolio – \$573.5bn



(1) Other includes: NAB Wealth, GWB, UK CRE and Corporate Functions
 (2) Other includes: Real estate - construction, Government and public authorities and Asset and lease financing



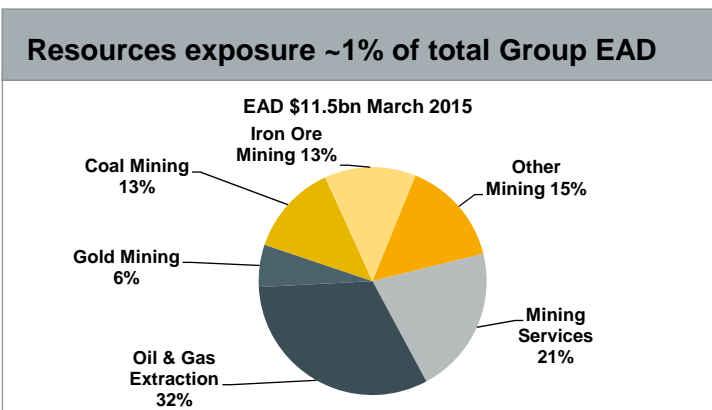
Agricultural exposures



(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



Resources exposures



ESG¹ considerations

Managing ESG risk in lending

- ESG risk considerations integrated into decision making at a lending portfolio and individual client level as part the risk management framework
- Considerations include: industry sector, location/geography, customer's environmental and social practices, risk of liability transfer, community concerns
- Customers are encouraged to establish good ESG management practices and to seek reliable advice in relation to these matters. Bankers discuss ESG risks with customers as part of their business relationship
- NAB is committed to expanding disclosure of carbon risk exposure in NAB Group's Full Year 2015 results reporting²

Investing in clean and renewable energy

- NAB provides products and services to help customers address environmental challenges like transitioning to low carbon business operations and managing and adapting to physical impacts of climate change. These include Environmental Upgrade Agreements (EUA) for commercial office buildings and solar financing products for agribusiness customers and schools
- The power generation sector represents ~1% of our total Group EAD³. Of this 43% is from renewable energy
- NAB is the leading arranger⁴ (by market share) of project finance to the Australian renewable energy sector with over A\$1.87bn worth of loans in the past eight years. Since 2000, NAB has provided project finance for approximately 65% of Australian utility-scale renewable energy projects⁵
- NAB launched Australia's first Climate Bond to finance \$300m renewable energy assets, expected to deliver approx.3.9m tonnes of avoided greenhouse gas emissions

Asset quality considerations

- Portfolio well diversified
- Exploration & Production exposures mainly to stronger rated investment grade customers (65%)
- Oil & Gas extraction exposures (32%) mainly to LNG projects and largely to stronger rated investment grade customers (93%)
- Mining Services exposure: 24% investment grade, 90% partially or well secured
- Resources 90+ DPD & gross impaired to EAD been relatively stable since September 2013 at ~1%

(1) Environmental, Social and Governance (more detail at <http://cr.nab.com.au/how-we-work/managing-esg-risk>)
 (2) More detail at <http://cr.nab.com.au/what-we-do/carbon-risk-disclosure>
 (3) Excluding transmission and distribution assets. Vertically Integrated Retailers have been included. They have been categorised as renewable generation where a large majority of their generation activities are sourced from non-fossil fuels
 (4) Project Finance International 2006-2014 APAC Mandated Lead Arranger League Tables US\$ Project Allocation, NAB analysis ranking against four major Australian banks – cumulative volume as at 30 June 2014
 (5) ESAA (Energy Supply Association of Australia) Electricity Gas Australia 2014, Appendix 1 Power Stations in Australia 2012–13 and represents NAB % (by deal)



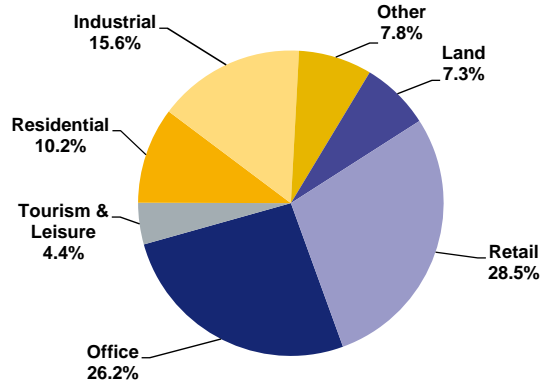
Commercial Real Estate – Group Summary¹

Total \$59.8bn

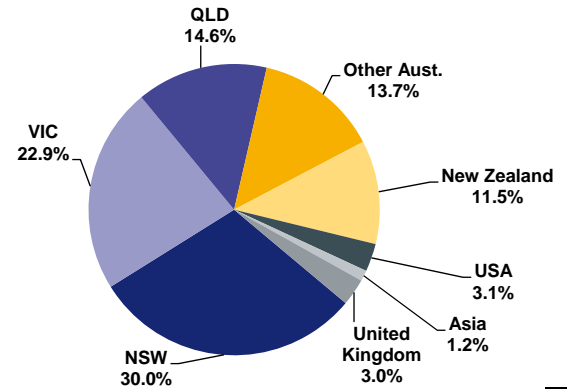
10.4% of Gross Loans & Acceptances

	Aust	UK Region	NZ	USA ²	Other ³	Total	Trend	Sep 13	Mar 14	Sep 14	Mar 15
TOTAL CRE (A\$bn)	48.6	1.8	6.9	1.9	0.6	59.8					
Increase/(decrease) on Sep 14 (A\$bn) ⁴	2.6	(2.5)	0.5	0.4	(0.3)	0.7	Impaired loans ratio	4.43%	4.05%	2.25%	0.58%
% of GLAs	11.4%	2.9%	10.6%	17.2%	5.7%	10.4%	Specific Provision Coverage	31.6%	31.2%	35.2%	22.7%
Change in % on September 2014 ⁴	0.1%	(4.2%)	(0.6%)	0.9%	(3.3%)	(0.4%)					

Group Commercial Property by type



Group Commercial Property by geography



- (1) Measured as balance outstanding at March 2015 per APRA Commercial Property ARF 230 definitions
 (2) Excludes SGA
 (3) Includes SGA & Asia
 (4) Change in \$ and % on September 2014 restated based on updated presentation

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Eligible Provisions and Regulatory Expected Loss

(\$m)	Sep 14		Mar 15		Movement	
	Defaulted	Non-Defaulted	Defaulted	Non-Defaulted	Defaulted	Non-Defaulted
General Reserve for Credit Losses	382	2,855	413	2,829	31	(26)
Specific Provisions	1,454		907		(547)	
less: Provisions on standardised portfolio	(363)	(548)	(281)	(551)	82	(3)
plus: Partial write-offs on IRB portfolio	1,130		853		(277)	
Total Eligible Provisions	2,603	2,307	1,892	2,278	(711)	(29)
Regulatory Expected Loss	2,937	2,310	1,840	2,368	(1,097)	58
Shortfall in EP over EL (100% CET1 Deduction)	334	3		90	(334)	87
Surplus in EP over EL (Tier 2 capital for non-defaulted)			52		52	

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Additional Information

Australian Banking

NZ Banking

NAB Wealth

UK Banking

Group Asset Quality

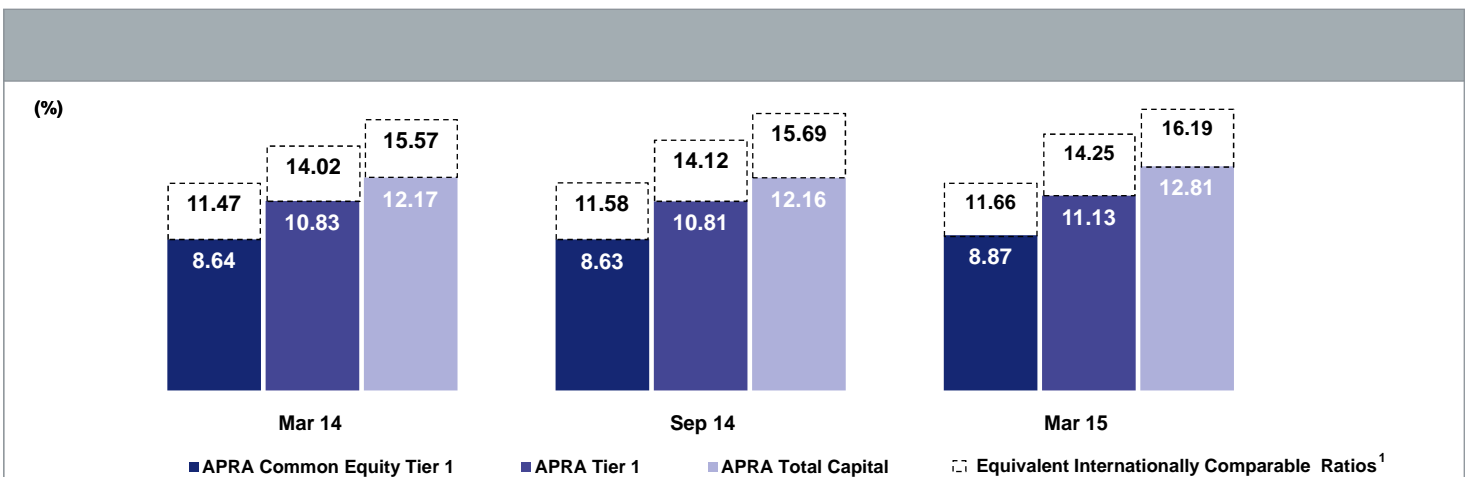
Capital and Funding

Additional Information

Economic Outlook



Group Basel III Capital Ratios

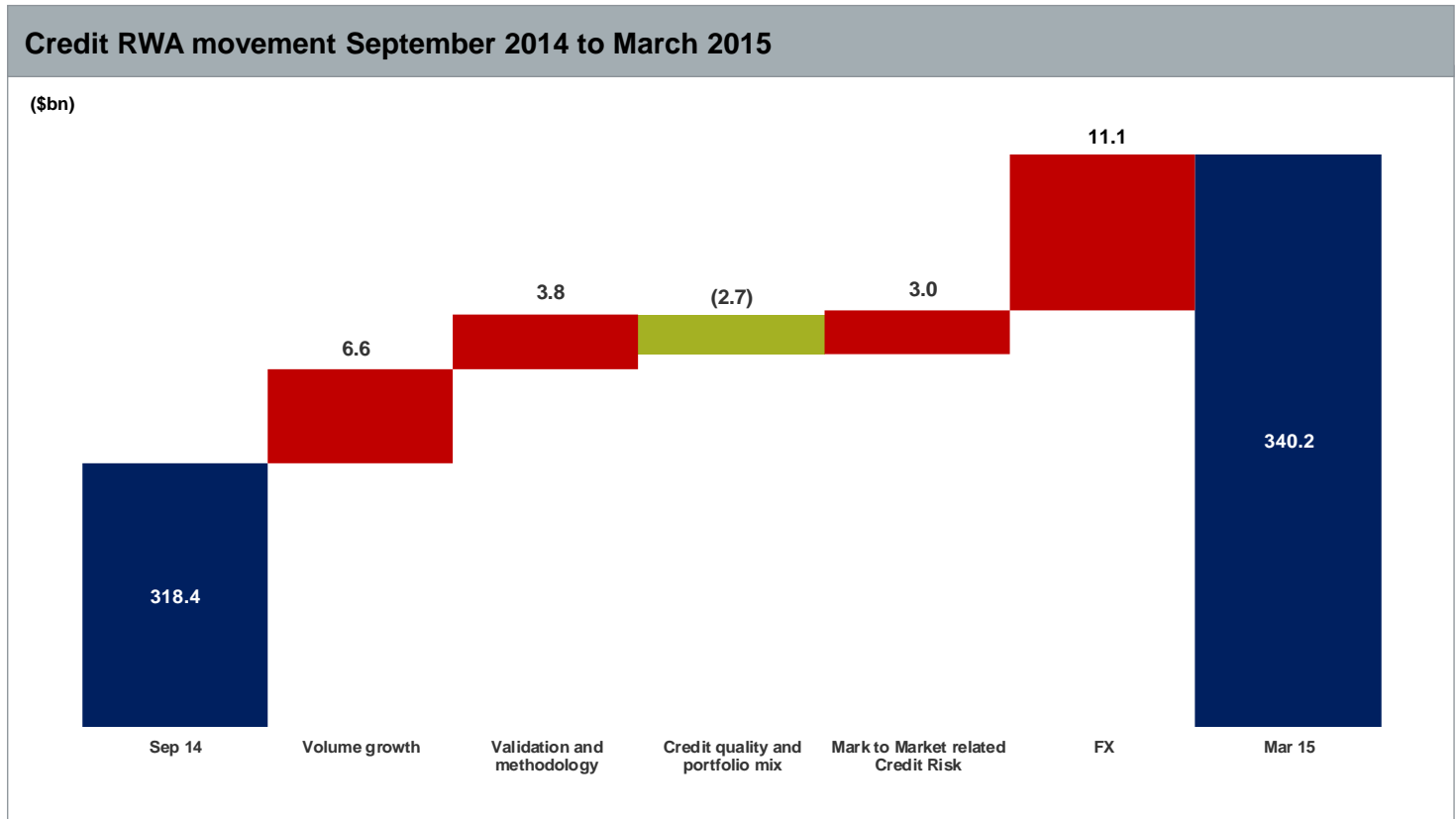


APRA to Internationally Comparable CET1 Ratio Reconciliation	CET1
NAB CET1 ratio under APRA	8.87%
APRA Basel capital adequacy standards require a 100% deduction from common equity for deferred tax assets, investments in non consolidated subsidiaries and equity investments. Under Basel Committee on Banking Supervision (BCBS) such items are concessionally risk weighted if they fall below prescribed thresholds	+95bps
Mortgage loss given default (LGD) – reduction in LGD floor from 20% to 15%	+30bps
Interest rate risk in the banking book (IRRBB) – removal of IRRBB risk weighted assets from Pillar 1 capital requirements	+18bps
Other adjustments including corporate lending adjustments and treatment of specialised lending	+136bps
NAB Internationally Comparable CET1	11.66%

(1) The Group's March 2015 Internationally Comparable Ratio is consistent with the methodology applied by PwC and the Australian Bankers' Association as part of their response to the Financial System Inquiry in August 2014



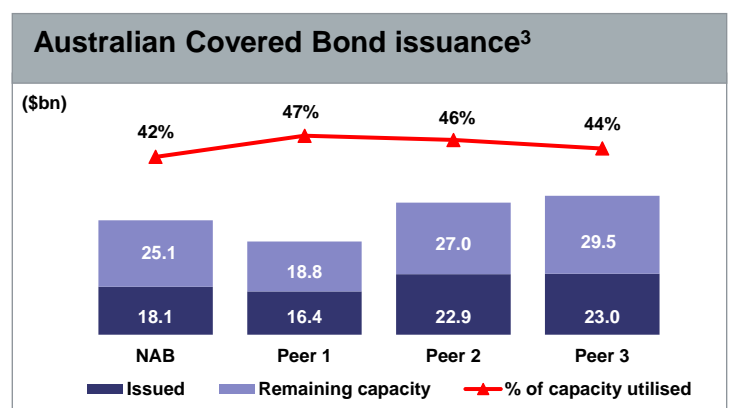
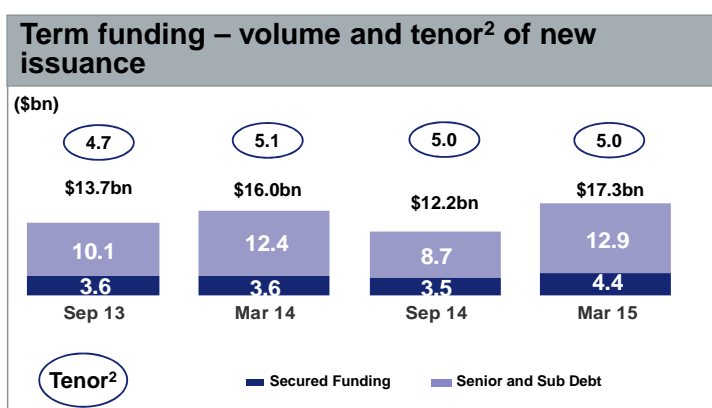
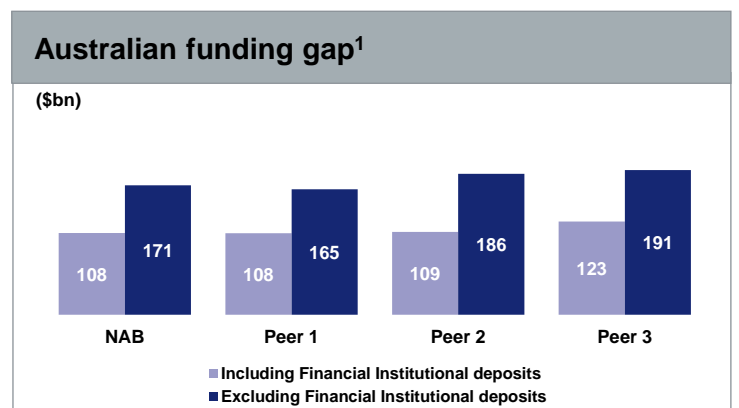
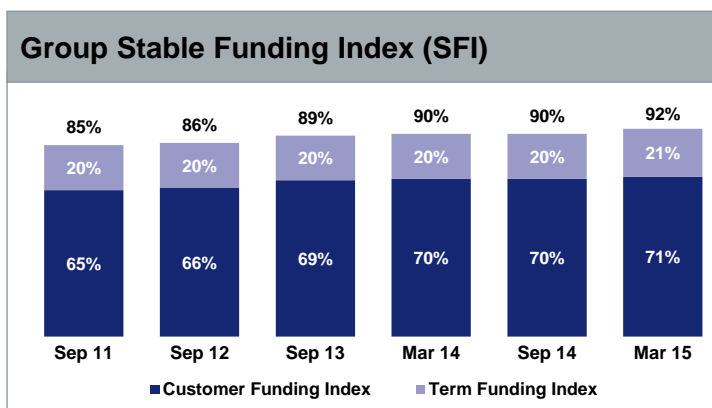
Credit RWA movement



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Key funding metrics

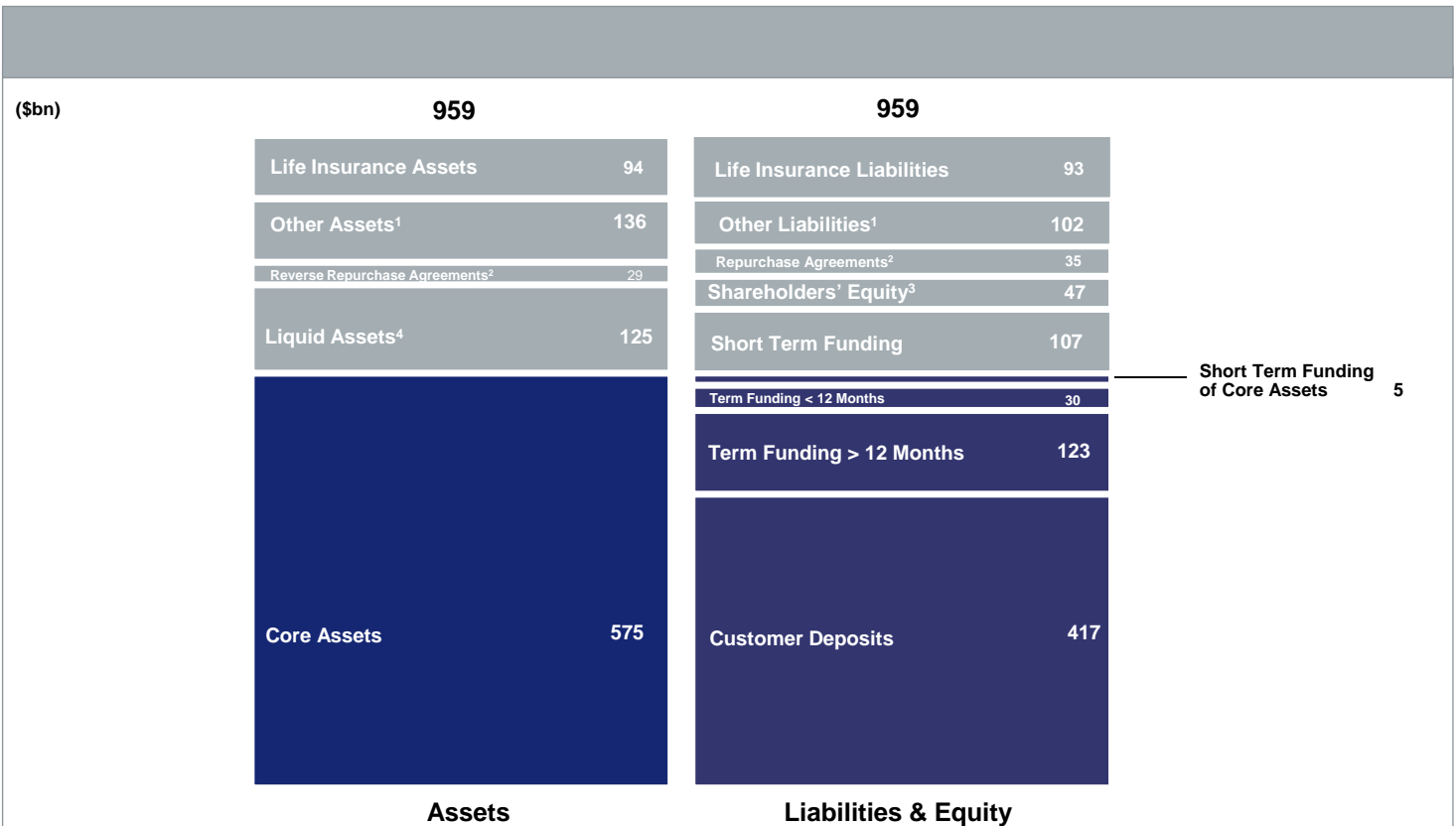


(1) Australian funding gap = Gross loans and advances + Acceptances less Total deposits (excluding certificates of deposits) Source: APRA Monthly Banking Statistics (31 March 2015)
 (2) Weighted average maturity (years) of term funding issuance (> 12 months)
 (3) Latest Bank covered bond investor reports as at mid March & APRA Monthly Banking Statistics as at 28 February 2015. Remaining capacity based on current rating agency over collateralisation (OC) and legislative limit

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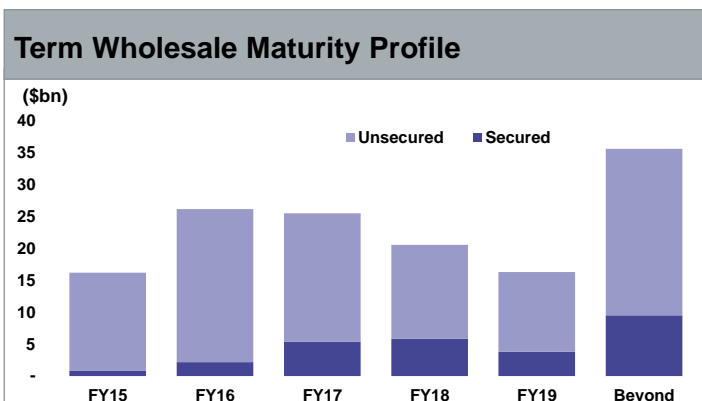
Asset funding – March 2015



(1) Other assets and liabilities include trading derivatives
 (2) Repurchase agreements entered into are materially offset by reverse repurchase agreements with similar maturity profiles as part of normal trading activities, noting the increased cash holdings in our Exchange Settlement Account with the RBA have increased the difference between balances
 (3) Shareholders' equity excludes preference shares and other contributed equity
 (4) Liquid assets are at funded value and include non-regulatory qualifying securities

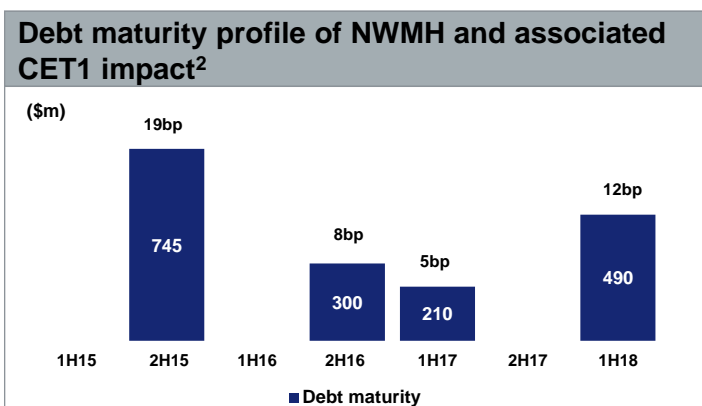


Funding profile maturity



Robust Funding Profile

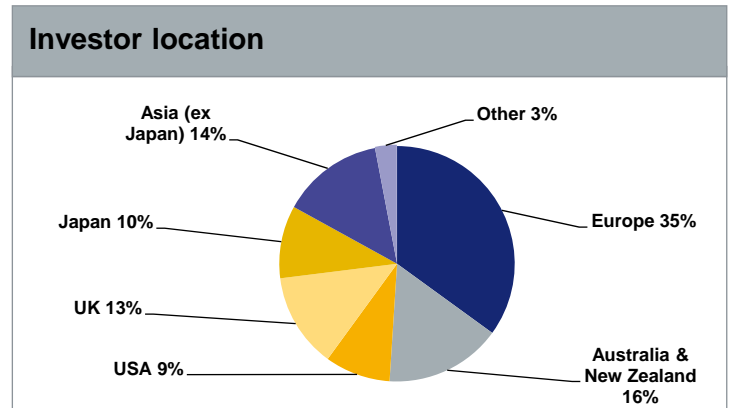
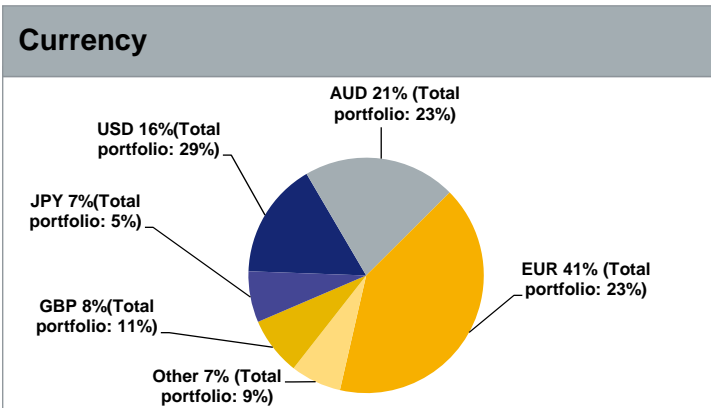
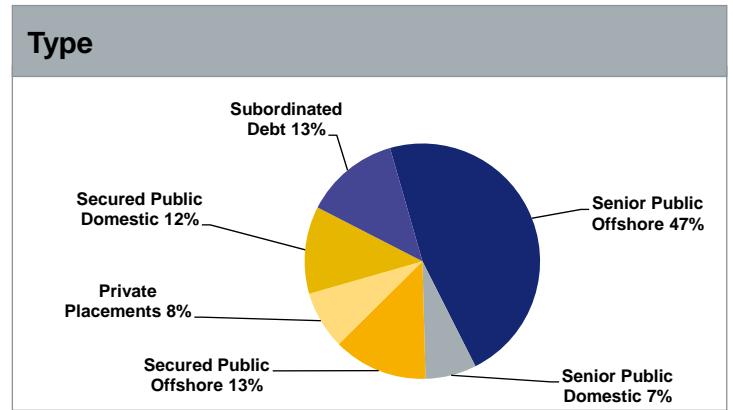
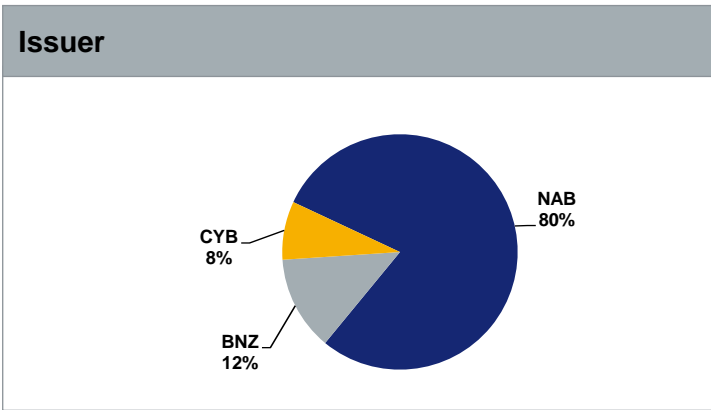
- The weighted average remaining maturity of the Group's TFI qualifying term funding is 4.1 years¹ (4.0 years as at September 2014)
- The weighted average remaining maturity of the Group's total term funding portfolio (including <12 months) is 3.4 years (3.3 years as at September 2014)
- Over the half, the Group raised \$1.5bn in covered bonds with a weighted average maturity of approximately 12 years



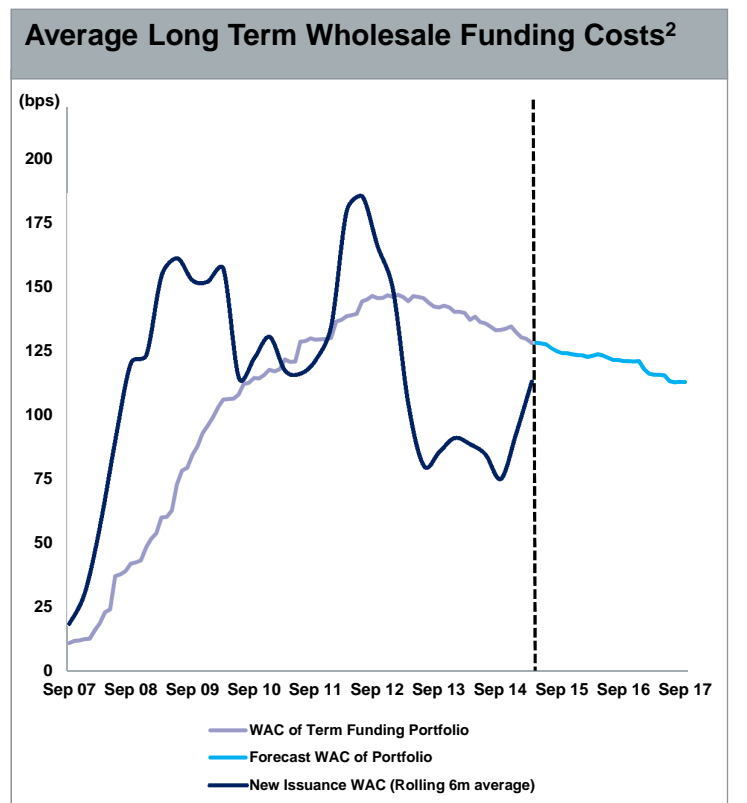
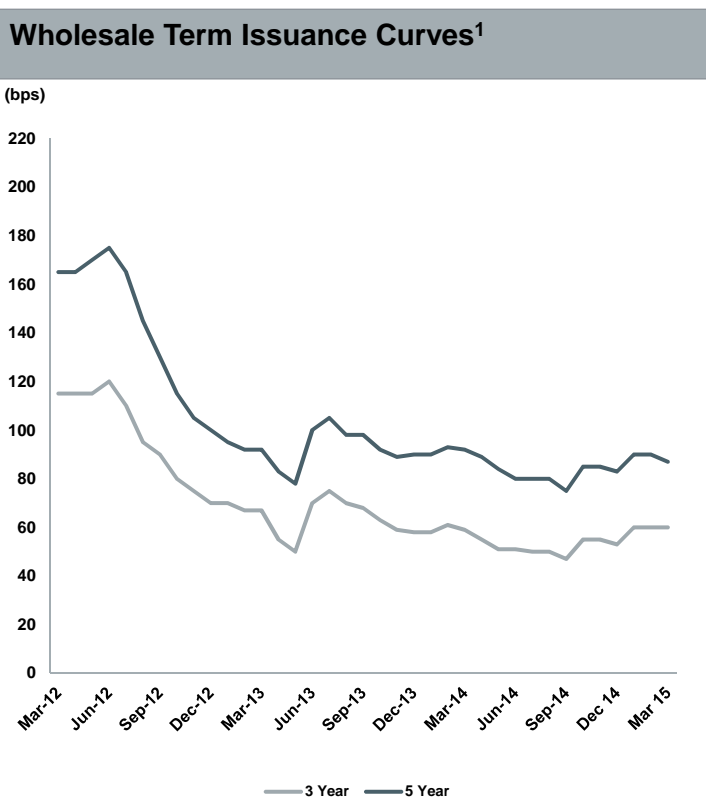
(1) This includes senior, secured and subordinated debt and debt with > 12 months remaining term to maturity
 (2) Estimated Level 2 CET1 impact, based on 31 March 2015 RWA



Diversified and flexible funding issuance (\$17.3bn since 1 Oct 2014)



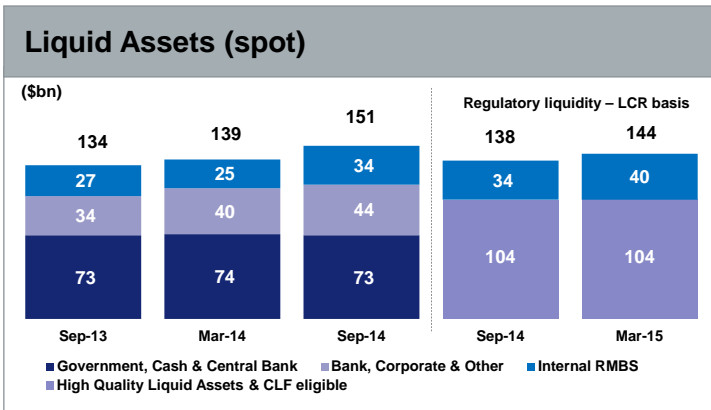
Wholesale funding costs



(1) Source: NAB Capital Financing (Products and Markets). Curves based on AUD Major Bank Wholesale Unsecured Funding rates (3 years and 5 years)
 (2) NAB Ltd Term Wholesale Funding Costs >12 Months at issuance (spread to 3 month BBSW). Average cost of new issuance is on a 6 month rolling basis. Forecast assumption based on current issuance cost



Group liquidity position

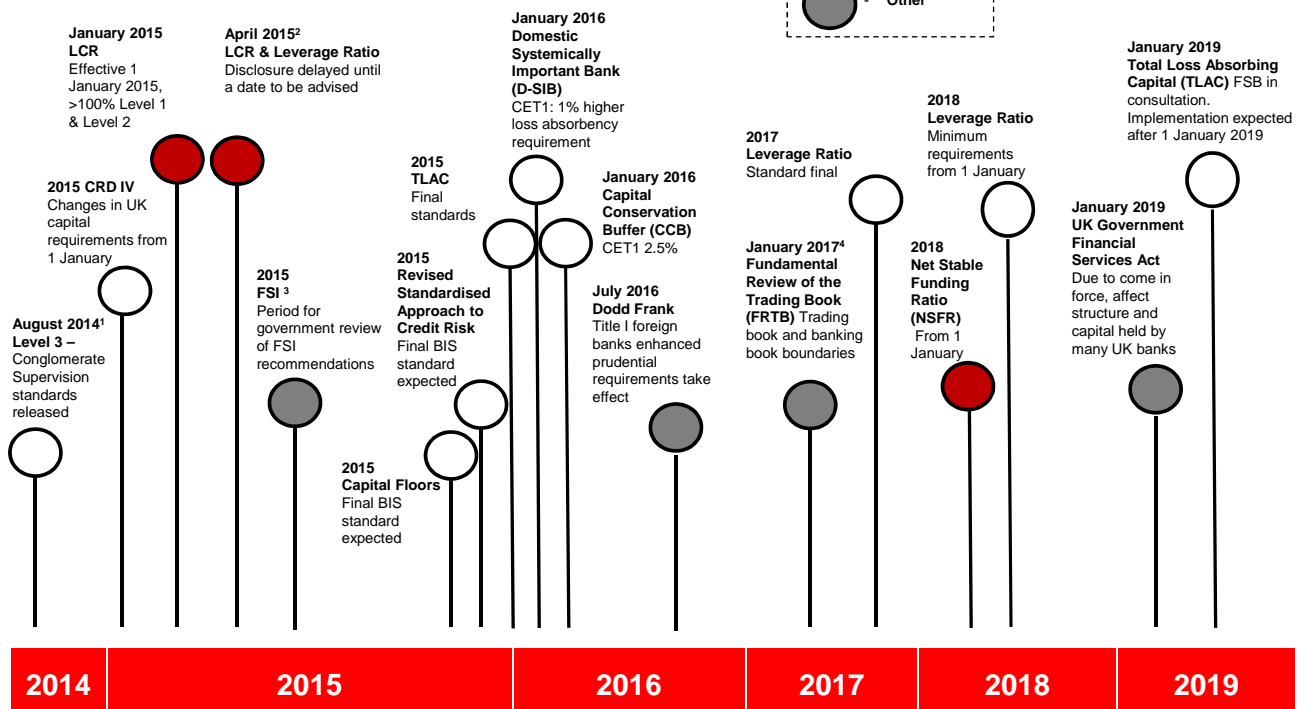


Regulatory changes – Liquidity

- NAB Group Liquidity Coverage Ratio (LCR) was 118% on a quarterly average basis for the period ending 31 March 2015
- A Committed Liquidity Facility (CLF) of up to \$59bn was approved by APRA and provided by RBA to NAB Ltd for calendar year 2015
- Further disclosure of LCR components including cash inflow and outflow breakdowns have been postponed by APRA
- Net Stable Funding Ratio (NSFR) rules are expected to be released by APRA during 2015
- Implementation of NSFR expected to be 2018



Regulatory changes and updates



(1) Implementation date deferred pending outcome of Financial System Inquiry (FSI) and government response
 (2) Minimum Australian requirements on Leverage Ratio to be determined
 (3) Any legislative changes implemented in next term of government
 (4) Final requirements expected mid 2015



Regulatory change impacting capital and funding

Revised standardised approach to credit risk	An extensive refresh of standardised credit risk regulatory capital standards: Reduced reliance on external credit ratings; enhanced granularity and risk sensitivity; updated risk calibrations; more comparability with IRB categorisation. In BCBS consultative phase
Capital Floors	A capital floor based on standardised approaches for credit, market and operational risk. This will limit the influence of internal ratings-based models. In BCBS consultative phase
TLAC & Resolution	Enhanced loss-absorbing and recapitalisation capacity of banks in resolution. Initially intended for G-SIBs, but may also apply to D-SIBs. In FSB consultative phase
Operational Risk	Proposed revisions to standardised approach for operational risk. This may impact advanced banks through the proposed capital floor. In BCBS consultative phase
Stress Testing	The BCBS work programme for 2015 and 2016 involves assessing the role of stress testing in the regulatory framework and in particular to Pillar 1 requirements
Legacy Basel III: FRTB Leverage Ratio NSFR	The Fundamental Review of the Trading Book relates to capital requirements for trading book exposures. This is in BCBS consultative phase. The Leverage Ratio and Net Stable Funding Ratio are finalised BCBS standards, as part of the BIII suite

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Additional Information

Australian Banking

NZ Banking

NAB Wealth

UK Banking

Group Asset Quality

Capital and Funding

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2015 March half year non-financial performance indicators¹

	2012	2013	2014	1H15
Cumulative number of low income Australians assisted with microfinance products/services (Mission 1 million)	204,939	265,172	335,794	363,782
% women in executive management	30	30	30	Annual
Voluntary turnover rate (%) (Australia)	10	11	10	5
Retention of high performing employees (%) (Australia)	N/A	95	95	97
Community investment (\$m)	55.7	66.5	67.6	Annual
Cumulative number of volunteer hours contributed (Australia) (Mission 1 million)	622,603	764,816	922,001	980,033
Gross GHG emissions (tCO ₂ -e)	305,558	311,010	297,680	Annual
% of material suppliers that are signatories to NAB Group Supplier Sustainability Principles	N/A	N/A	32	44

(1) Further information on NAB's performance, including definitions and calculation methodologies of each of the non-financial performance indicators, can be found on page 36 of the 2014 Annual Review and pages 53-61 of the 2014 Dig Deeper paper, available at: <http://cr.nab.com.au/download-centre>



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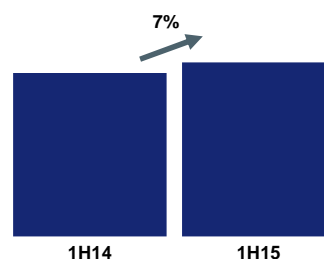
Australian Banking operations productivity

Productivity driven by simplification

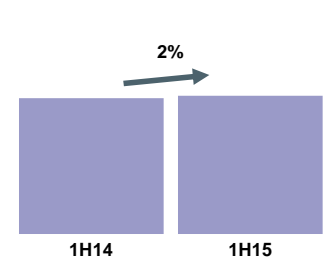
- Efficiency and productivity improvements delivered through simplification, centralisation and automation of internal processes
- Simplification of business application and ongoing improvement of fulfilment process
- Personal Banking Origination Platform to improve and automate consumer product origination and fulfilment
- Convergence and standardisation operations, including Wealth

Proprietary housing lending

Volume per FTE

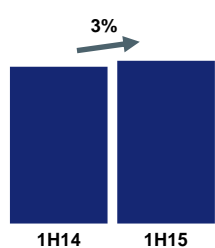


Unit cost

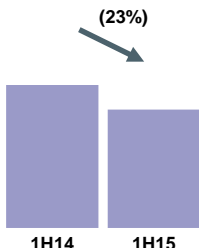


Broker housing lending

Volume per FTE

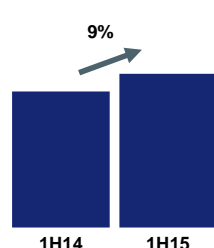


Unit cost

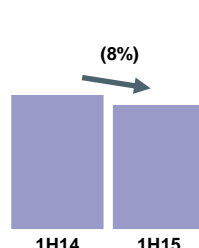


Small business lending

Volume per FTE

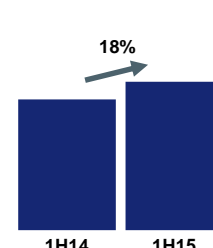


Unit cost

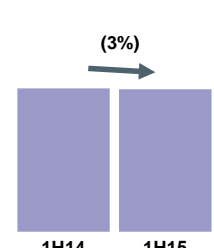


Unsecured lending

Volume per FTE



Unit cost



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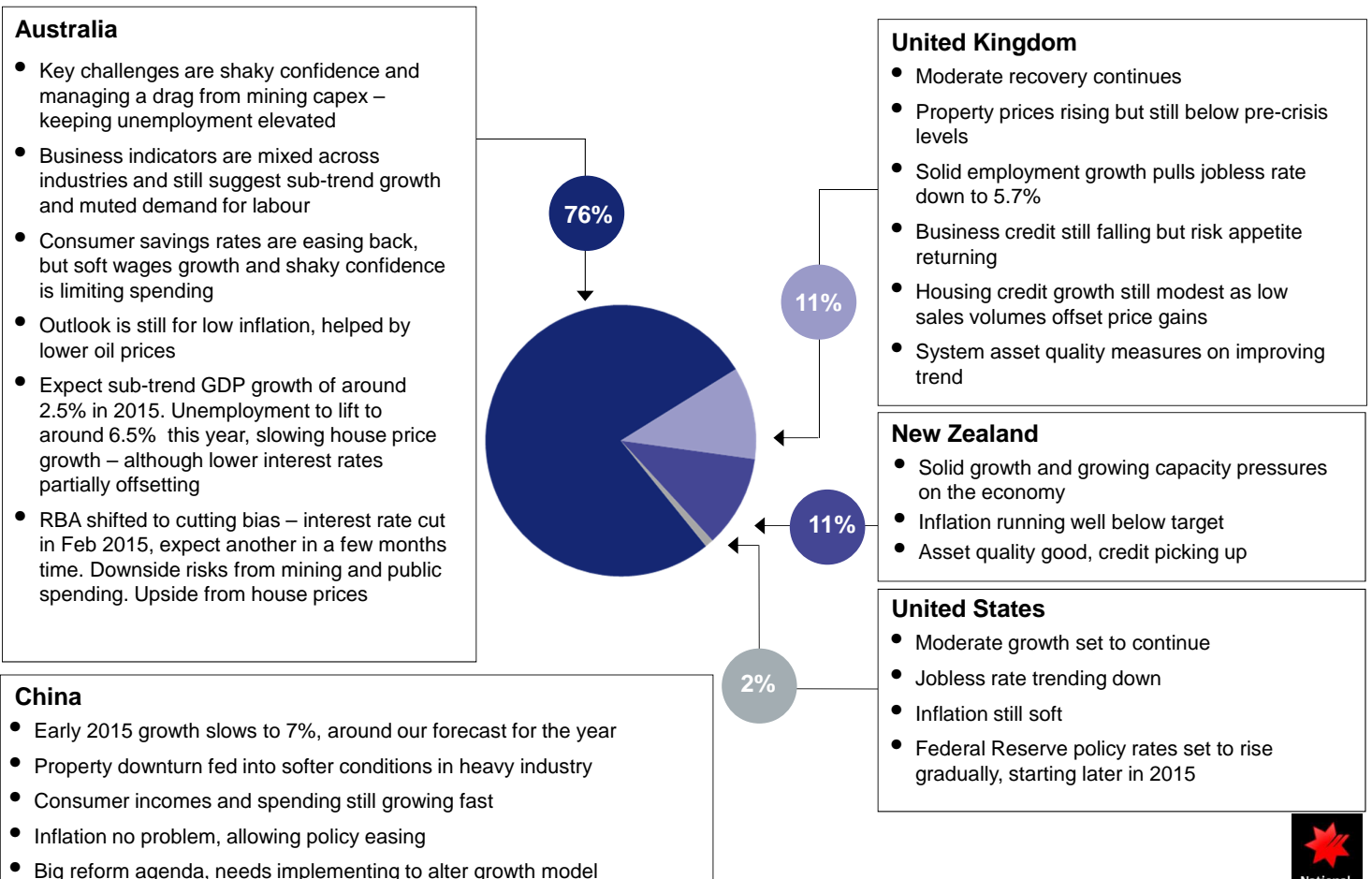


Additional Information

Australian Banking
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Economic Outlook



Economic outlook



Australia regional outlook

Economic Indicators (%)	CY12	CY13	CY14	CY15(f)	CY16(f)
GDP growth ¹	3.6	2.1	2.7	2.4	3.2
Unemployment rate ²	5.4	5.9	6.1	6.4	6.1
Core inflation ³	2.3	2.6	2.3	2.5	2.7
System Growth (%) ⁴	FY12	FY13	FY14	FY15(f)	FY16(f)
Housing	4.7	4.8	6.8	7.4	6.9
Other personal (incl cards)	(0.7)	0.9	1.0	2.0	3.7
Business	3.7	1.0	3.9	6.2	6.2
Total system credit	4.0	3.3	5.5	6.7	6.5
Total A\$ ADI deposits ⁵	7.3	5.3	8.1	6.8	7.4

(1) Per cent change, average for year ended December quarter on average of previous year

(2) Per cent, as at December

(3) Per cent change, December quarter on December quarter of previous year

(4) Per cent change September (bank fiscal year end) on September of previous year

(5) Total ADI deposits also include wholesale deposits (such as CDs), community and non-profit deposits but exclude deposits by government & ADIs

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- The Australian economy grew by 0.5% in Q4 or by 2.5% compared with a year earlier. This is a sub trend rate of growth, although final domestic demand (excludes net exports) has increased at an even slower pace – contributing to a rise in unemployment
- While there has been a degree of volatility in the business environment, business conditions improved over the past year or more due to low interest rates and subdued cost pressures, but remain subdued. The monthly NAB Survey suggests the momentum may be turning, but confidence remains quite soft
- After a period of strength, consumer activity has been somewhat mixed lately – soft labour market and wages growth are still a concern. Generally consumer sentiment remains relatively weak as does retail confidence. Consumers' level of anxiety lifted again into Q1 2015 with consumers increasingly concerned with the cost of living and government policies. As a result, consumers are still very much focussing on non-discretionary purchases (such as utility costs, transport, medical expenses and paying off debt) – but foregoing discretionary spending
- There are very few signs that non-mining investment has begun to rise – certainly not enough to compensate for the anticipated decline in mining investment. On a positive note, the AUD has depreciated notably, which will assist in the transition for some industries
- GDP is forecast to remain well below trend in 2015, and with mining exports contributing considerably, domestic demand will be much softer. Consequently, unemployment is expected to reach 6.5% by end 2015 and remain at elevated levels for some time. Consistent with this soft outlook, we predict core CPI remaining well within the RBA's target band
- While strength in the property sector kept the RBA on the sidelines over 2014, recent sharp declines in commodity prices and concerns over the labour market and shaky confidence, prompted them to cut by 25bp at the February 2015 meeting. Given our outlook for the economy, we expect that the RBA will need to cut rates further (most likely by 25bp) in coming months
- Credit growth is modest, but historically low borrowing rates are gaining traction – led by investor housing credit. Business credit has improved, but spare capacity is precluding a sharper upturn



NZ regional outlook

Economic Indicators (%)	CY12	CY13	CY14	CY15(f)	CY16(f)
GDP growth ¹	2.4	2.3	3.3	2.8	2.0
Unemployment ²	6.8	6.1	5.8	5.6	6.0
Inflation ³	0.9	1.6	0.8	0.5	2.3
Cash rate ²	2.5	2.5	3.5	3.5	4.0
System Growth (%) ⁴	FY12	FY13	FY14	FY15(f)	FY16(f)
Housing	1.6	4.6	5.4	4.6	4.3
Personal	0.2	1.9	4.7	6.1	5.2
Business	2.6	3.3	3.4	4.4	4.7
Total lending	1.9	4.0	4.6	4.6	4.5
Household retail deposits	9.0	9.8	9.4	9.7	7.5

(1) Per cent change, average for year ended December quarter on average of previous year

(2) Per cent, as at December

(3) Per cent change, December quarter on December quarter of previous year

(4) Per cent change, average for year-ended September (bank fiscal year end) on average of previous year

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- Economic growth in New Zealand was running at an annualised rate of around 3.25% in the final quarter of 2014, and the latest business surveys indicate the economy will maintain this pace into 2015. Business sentiment remains buoyant regarding the activity outlook with firms reporting higher profits and that they intend to keep boosting hiring and investment
- While the aggregate picture looks good, there are important differences between sectors and regions. Dairy prices have been weakening and that sector accounts for almost 30% of goods exports, over half of the value of farm output and around NZ\$35 billion of the total \$NZ50 billion of bank lending to farms. The RBNZ estimates that lower dairy prices will cut 2014/15 incomes by NZ\$6 billion, disproportionately affecting activity in important dairy regions like Taranaki and Waikato
- Activity in the Auckland region (over one-third of the economy) is being supported by the strong upturn in the housing market and more than its fair share of the record high net immigration the country is experiencing. House prices were up by 13% yoy in March 2015 with higher sales volumes also pointing to market strength. This is underpinning a solid upturn in building construction in the city. This, alongside rapid growth in retail sales, is leading to strong growth in employment (4.8% yoy in December) and a decline in the regional jobless rate to under 6% in late 2014
- The strength of domestic demand has led to growth of around 3.5% yoy in national employment, a downward trend in the jobless rate to 5.7% and more firms reporting capacity constraints. The RBNZ estimates that the output is now running slightly above the economy's long-run supply capacity. Yet there is remarkably little inflation with the CPI up only 0.1% yoy in the March quarter of 2015, well below the 2% mid-point of its target band. Some of this reflects slumping global energy prices. However, the strength of the \$NZ and rapid additions to supply capacity by way of immigration and investment would also be helping to keep headline inflation pressures at bay
- Emerging supply constraints are forecast to gradually lift inflation back toward its target level, while we forecast New Zealand's annual rate of GDP expansion to slow from around 3.5% in early 2015 to under 2.5% by the end of it, and 2.0% for calendar 2016 as a whole



UK regional outlook

Economic Indicators (%)	CY12	CY13	CY14	CY15(f)	CY16(f)
GDP growth ¹	0.7	1.7	2.8	2.6	2.3
Unemployment ²	7.8	7.2	5.7	5.2	5.0
Inflation ³	2.7	2.1	0.9	1.0	1.8
Cash rate ²	0.5	0.5	0.5	0.5	1.5
System Growth (%) ⁴	FY12	FY13	FY14	FY15(f)	FY16(f)
Housing	0.9	0.8	1.4	1.9	2.5
Consumer	(0.5)	2.5	5.5	6.4	5.7
Business	(3.1)	(2.7)	(1.4)	(1.9)	0.3
Total lending	(0.7)	(0.3)	0.8	1.0	2.0
Retail deposits	3.7	5.7	5.5	4.8	4.9

- (1) Per cent change, average for year ended December quarter on average of previous year
 (2) Per cent, as at December
 (3) Per cent change, December quarter on December quarter of previous year
 (4) Per cent change, average for year-ended September (bank fiscal year end) on average of previous year

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- The trend upturn in the UK has continued with quarterly GDP growing by 0.6% in the latter half of 2014, slightly slower than in the first half. Annual growth in the full year 2014, at 2.8%, was slightly above most estimates of increase in the UK's supply potential, eroding the margin of spare capacity left over from the deep recession of 2008/9 and the subsequent long period of slow growth
- With CPI inflation reaching zero in early 2015 and the Bank of England warning of a temporary period of falling prices, only partly due to lower food and energy prices, a continued tightening of the labour market will be helpful in boosting wage inflation and getting inflation back up to the central bank's 2% target. The Bank of England is basing their monetary policy on precisely such an outcome through the next couple of years but inflation will clearly continue to undershoot the target for some time yet
- Surveys show improved attitudes to risk taking among business CFOs along with perceptions that leverage is no longer such a problem. There is a greater willingness to invest and funding is plentiful and cheap by historical standards. The amount of idle capacity in the industrial sector has fallen to below its long-run average, further encouraging investment. Business investment has picked up in response but the upturn faded through the latter half of 2014 and the stock of business credit has continued to fall, mainly due to further reductions in debt in the commercial property sector where the GFC left a big debt overhang
- Property markets have picked up but commercial property values remain well below their 2007 peaks, particularly outside London and the London housing market has also been the strongest. Mortgage credit growth remains very subdued as the price upturn has been accompanied by only a modest rise in sales volumes and many households are still taking a cautious approach to debt and repaying their mortgages at a high rate. Consumer credit has risen sharply
- While GDP is only 4% above its early 2008 level, easily the worst performance in the post-war period, job growth has been surprisingly strong. This has led to a fall in the unemployment rate from 8% in early 2010 to 5.7% in early 2015, which the central bank thinks is still high enough to keep wage growth low. We expect the jobless rate to keep falling which should boost wages and inflation
- Banking system asset quality has been improving with the ratio of doubtful loans to total loans and advances falling from 6.1% in 2009 to 3.4% in 2014 but that remains well above the pre-recession ratio of 1.6% and, while different definitions prevent precise comparisons, much higher than the impaired loan ratios seen in Australia or New Zealand

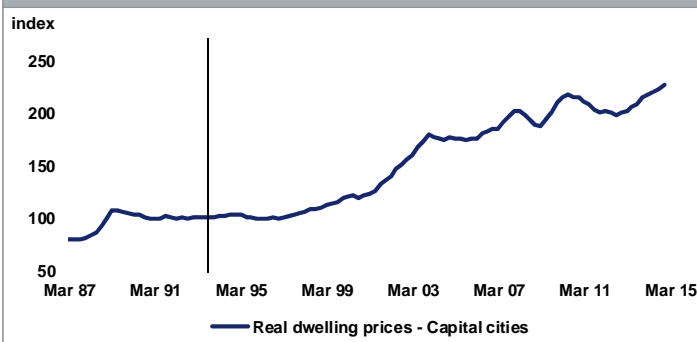


Australian mortgage market

Characteristics of the Australian mortgage market

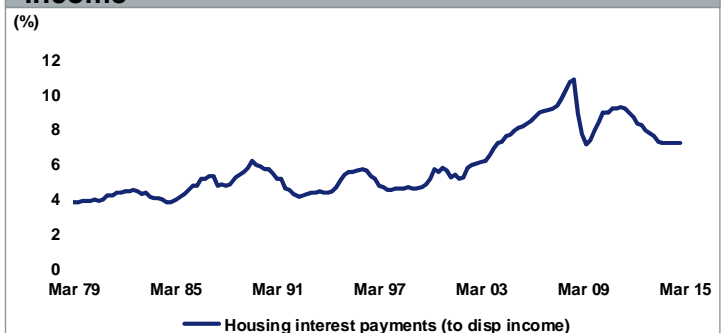
- After rising strongly over 2013/14, residential property prices growth started to moderate in late 2014/early 2015. Nevertheless, annual growth remains particularly strong in Sydney, and to a lesser extent Melbourne. Price growth is generally much more modest in other capital cities and is clearly slowing outside of Sydney
- While there is much discussion about "bubbles", we are reasonably comfortable with the market fundamentals given sustainable rates of mortgage growth, a lower debt servicing burden (largely due to low interest rates) and no sign of a deterioration in banks mortgage assets
- However, investor demand is particularly strong (especially Sydney), supported by low interest rates, and is starting to cause some concern for policy makers. Worsening affordability and elevated unemployment rates should help cap future price gains
- APRA announced a 'macroprudential light' approach, outlining prudential expectations regarding lending behaviour. These are not hard limits (eg. investor credit growth below 10%), but could trigger more intense supervisory action

Real dwelling prices¹



- (1) ABS, deflated by private household consumption deflator. 1993 – 100 indices
 (2) RBA

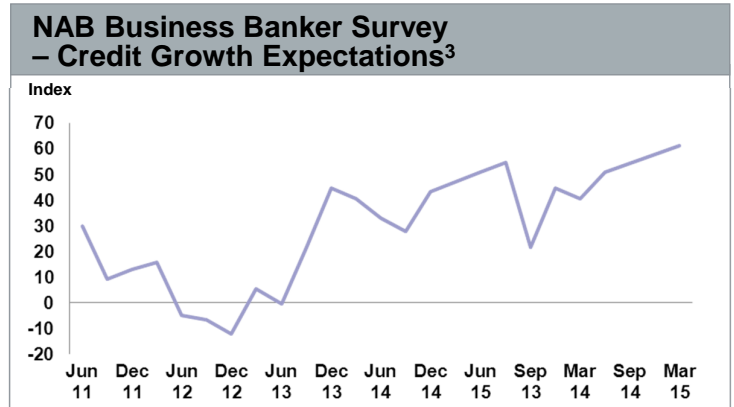
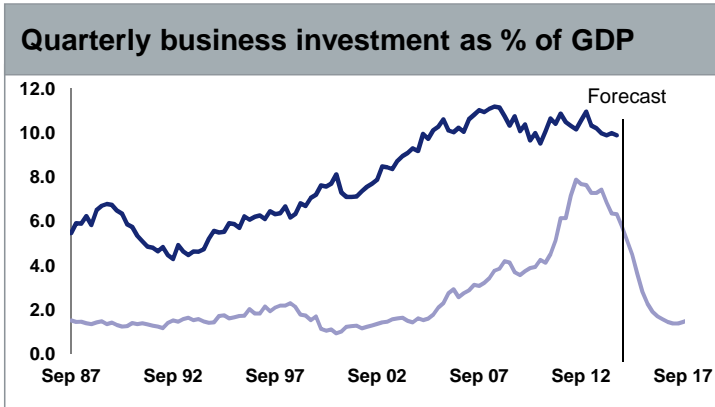
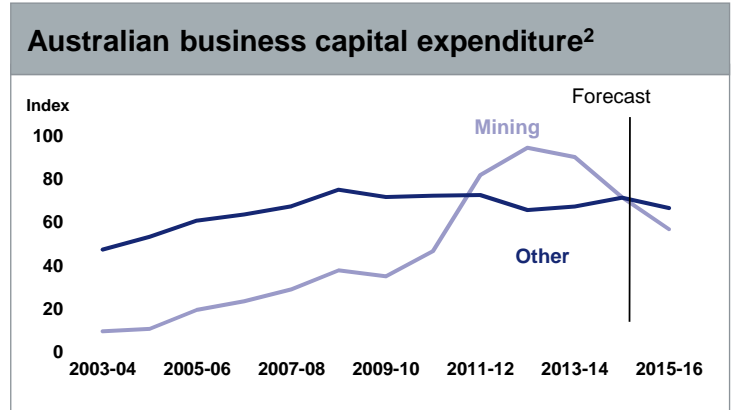
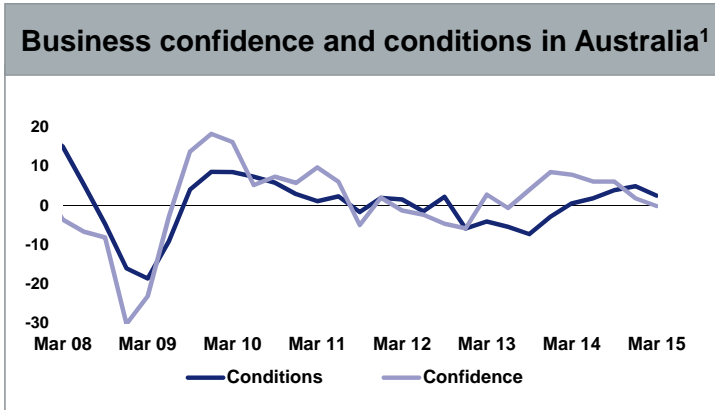
Housing interest payments to disposable income²



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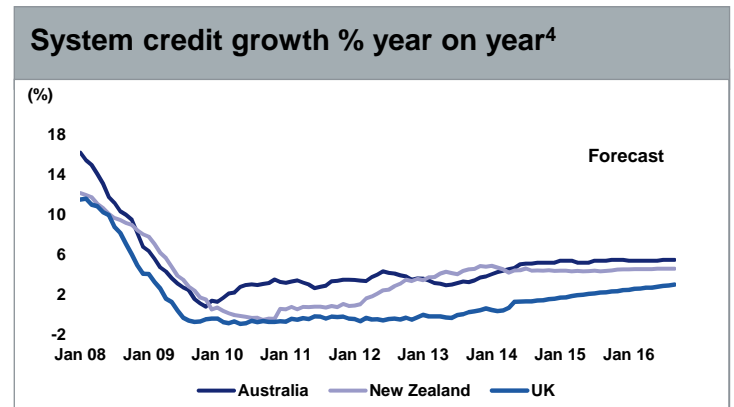
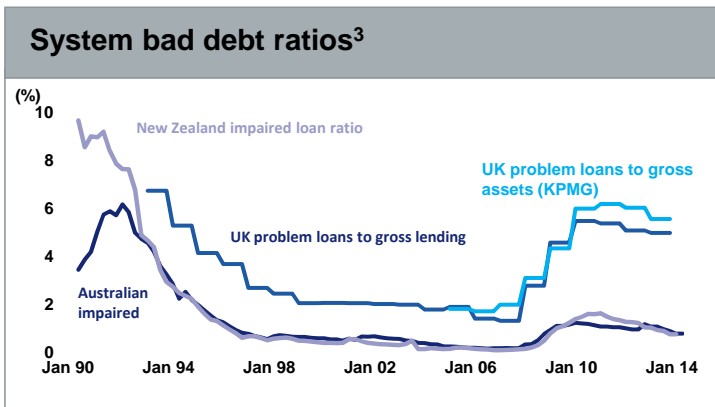
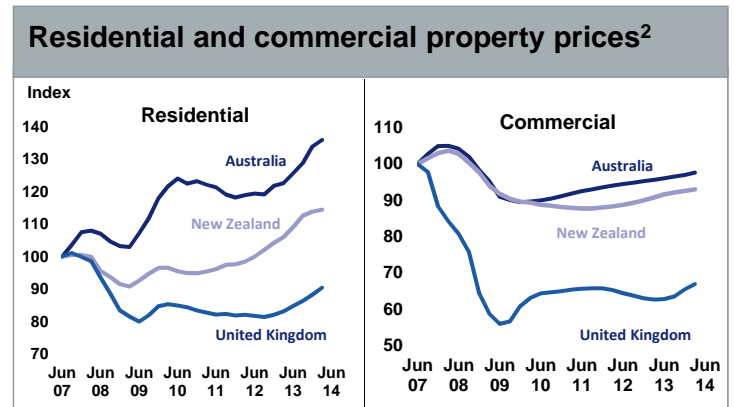
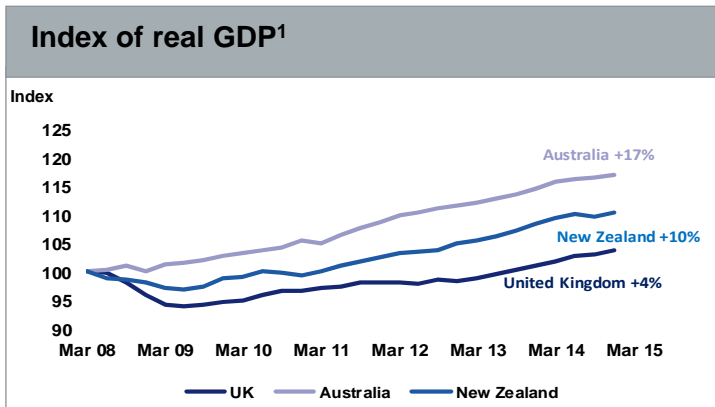
Australian economy and environment



(1) Source: NAB
 (2) Source: ABS, NAB Economics
 (3) Source: RBA
 (4) Demand for business credit = net of bankers indicating increasing demand for credit less those indicating decreasing demand for credit



Economic conditions in Australia, New Zealand and UK



(1) Thomson Reuters Datastream (March 2008=100) data
 (2) REINZ, Halifax, ABS, IPD (June 2007=100 Indices)
 (3) RBA, APRA, RBNZ, KPMG, Moody's
 (4) RBNZ, BoE, RBA Thomson Reuters Datastream, NAB forecasts



Annexure A - Selling restrictions

This document does not constitute an offer of or invitation to acquire entitlements ("Entitlements") or new ordinary shares ("New Shares") of NAB in any jurisdiction in which it would be unlawful. In particular, this document or invitation to acquire may not be distributed to any person, and the Entitlements and New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

In these international offer restrictions, "Company" means NAB.

Canada (British Columbia, Ontario and Quebec provinces)

This document constitutes an offering of Entitlements and New Shares only in the Provinces of British Columbia, Ontario and Quebec (the "Provinces") and to those persons to whom they may be lawfully distributed in the Provinces, and only by persons permitted to sell such securities. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons that are "accredited investors" within the meaning of NI 45-106 – *Prospectus and Registration Exemptions*, of the Canadian Securities Administrators.

No securities commission or similar authority in the Provinces has reviewed or in any way passed upon this document, the merits of the Entitlements or the New Shares or the offering of such securities and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of Entitlements or New Shares or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and received by the securities regulator in the applicable Province. Furthermore, any resale of the Entitlements or the New Shares in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements.

The Company, and the directors and officers of the Company, may be located outside Canada, and as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the Company or its directors or officers. All or a substantial portion of the assets of the Company and such persons may be located outside Canada, and as a result, it may not be possible to satisfy a judgment against the Company or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

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Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defenses contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.

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Canada (British Columbia, Ontario and Quebec provinces) (cont)

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the Entitlements or the New Shares purchased pursuant to this document (other than (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against the Company if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Company. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the *Securities Act* (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the Entitlements and the New Shares during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against the Company, provided that (a) the Company will not be liable if it proves that the purchaser purchased such securities with knowledge of the misrepresentation; (b) in an action for damages, the Company is not liable for all or any portion of the damages that the Company proves does not represent the depreciation in value of such securities as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable exceed the price at which such securities were offered.

Section 138 of the *Securities Act* (Ontario) provides that no action shall be commenced to enforce these rights more than (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action. These rights are in addition to and not in derogation from any other right the purchaser may have.

Certain Canadian income tax considerations. Prospective purchasers of the Entitlements and the New Shares should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding or disposition of such securities as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

Language of documents in Canada. Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the New Shares (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

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European Economic Area – Austria, Belgium, Denmark, Germany and Netherlands

The information in this document has been prepared on the basis that all offers of Entitlements and New Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as amended and implemented in Member States of the European Economic Area (each, a "Relevant Member State"), from the requirement to produce a prospectus for offers of securities.

An offer to the public of Entitlements and New Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €4,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID"); or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID.

France

This document is not being distributed in the context of a public offering of financial securities (*offre au public de titres financiers*) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (*Code monétaire et financier*) and Articles 211-1 et seq. of the General Regulation of the French *Autorité des marchés financiers* ("AMF"). The Entitlements and the New Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This document and any other offering material relating to the Entitlements and the New Shares have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed (directly or indirectly) to the public in France. Such offers, sales and distributions have been and shall only be made in France to qualified investors (*investisseurs qualifiés*) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2, D.411-1, L.533-16, L.533-20, D.533-11, D.533-13, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation.

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the Entitlements and the New Shares cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

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Not for distribution or release in the United States

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Entitlements and the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the Entitlements and the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Entitlements and the New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Entitlements or New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Ireland

The information in this document does not constitute a prospectus under any Irish laws or regulations and this document has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the "Prospectus Regulations"). The Entitlements and the New Shares have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to "qualified investors" as defined in Regulation 2(l) of the Prospectus Regulations.

Isle of Man

No offer or invitation to subscribe for shares may be made to the public in the Isle of Man.

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Italy

The offering of the Entitlements and the New Shares in the Republic of Italy has not been authorized by the Italian Securities and Exchange Commission (Commissione Nazionale per le Società e la Borsa, "CONSOB") pursuant to the Italian securities legislation and, accordingly, no offering material relating to the New Shares may be distributed in Italy and these securities may not be offered or sold in Italy in a public offer within the meaning of Article 1.1(t) of Legislative Decree No. 58 of 24 February 1998, as amended ("Decree No. 58"), other than:

- to qualified investors ("Qualified Investors"), as defined in Article 100 of Decree No. 58 by reference to Article 34-ter of CONSOB Regulation no. 11971 of 14 May 1999, as amended ("Regulation No. 11971"); and
- in other circumstances that are exempt from the rules on public offer pursuant to Article 100 of Decree No. 58 and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Entitlements or the New Shares or distribution of any offer document relating to these securities in Italy (excluding placements where a Qualified Investor solicits an offer from the issuer) under the paragraphs above must be:

- made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993 (as amended), Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007 (as amended) and any other applicable laws; and
- in compliance with all relevant Italian securities, tax and exchange controls and any other applicable laws.

Any subsequent distribution of the Entitlements and the New Shares in Italy must be made in compliance with the public offer and prospectus requirement rules provided under Decree No. 58 and the Regulation No. 11971, unless an exception from those rules applies. Failure to comply with such rules may result in the sale of such securities being declared null and void and in the liability of the entity transferring the securities for any damages suffered by the investors.

Japan

The Entitlements and the New Shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "FIEL") pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the Entitlements and the New Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires Entitlements or New Shares may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of Entitlements or New Shares is conditional upon the execution of an agreement to that effect.

Jersey

No offer or invitation to subscribe for shares may be made to the public in Jersey.

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Not for distribution or release in the United States

Korea

The Company is not making any representation with respect to the eligibility of any recipients of this document to acquire the Entitlements or the New Shares under the laws of Korea, including, without limitation, the Foreign Exchange Transaction Act and regulations thereunder. These securities have not been, and will not be, registered under the Financial Investment Services and Capital Markets Act of Korea ("FSCMA") and therefore may not be offered or sold (directly or indirectly) in Korea or to any resident of Korea or to any persons for re-offering or resale in Korea or to any resident of Korea (as defined under the Foreign Exchange Transaction Act of Korea and its enforcement decree), except as permitted under the applicable laws and regulations of Korea.

Accordingly, the Entitlements and the New Shares may not be offered or sold in Korea other than to "qualified professional investors" (as defined in the FSCMA).

Malaysia

This document may not be distributed or made available in Malaysia. No approval from, or recognition by, the Securities Commission of Malaysia has been or will be obtained in relation to any offer of Entitlements or New Shares. The Entitlements and the New Shares may not be offered or sold in Malaysia except pursuant to, and to persons prescribed under, Part I of Schedule 6 of the Malaysian Capital Markets and Services Act.

Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The Entitlements and the New Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

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New Zealand

In relation to the offer to institutional investors referred to, or contained in this document, NAB has not (directly or indirectly) offered for subscription, purchase or transfer, the New Shares to any person in New Zealand, except:

- to "wholesale investors" as that term is defined in clause 3(2) of Schedule 1 to the Financial Markets Conduct Act 2013 ("FMCA"), being a person who
 - is an "investment business";
 - meets the "investment activity criteria" specified in clause 38 of Schedule 1 of the FMCA;
 - is "large"; or
 - is a "government agency",
 in each case as defined in Schedule 1 to the FMCA; or
- in other circumstances where there is no contravention of the FMCA, provided that the New Shares may not be offered or transferred to any "eligible investors" (as defined in the FMCA).

By participating in this offer, you confirm and warrant that you are a "wholesale investor" for the purposes of clause 3(2) of Schedule 1 of the FMCA and undertake to provide NAB a certificate completed in accordance with clause 44 of Schedule 1 of the FMCA, a form of which will be attached to your offer documents.

Papua New Guinea

This document may be distributed in Papua New Guinea only to shareholders of the Company. This document has not been registered as a prospectus in PNG and no notice of the proposed offer will be submitted to the Registrar of Companies. No other documents are being lodged with the Registrar of Companies or the PNG Securities Commission in respect of the proposed offer. Any offer of New Shares is not, and should not be construed as, an offer of securities to the public in PNG.

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Not for distribution or release in the United States

Singapore

This document and any other materials relating to the Entitlements and the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Entitlements and New Shares, may not be issued, circulated or distributed, nor may the Entitlements and New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been made available to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Entitlements or the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Entitlements or New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

South Africa

This document does not, nor is it intended to, constitute a prospectus prepared and registered under the South African Companies Act and may not be distributed to the public in South Africa.

An entity or institution resident in South Africa may not implement participation in the Offer unless (i) permitted under the South African Exchange Control Regulations or (ii) a specific approval has been obtained from an authorised foreign exchange dealer in South Africa or the Financial Surveillance Department of the South African Reserve Bank.

Sweden

This document has not been, and will not be, registered with or approved by Finansinspektionen (the Swedish Financial Supervisory Authority). Accordingly, this document may not be made available, nor may the Entitlements or the New Shares be offered for sale in Sweden, other than under circumstances that are deemed not to require a prospectus under the Swedish Financial Instruments Trading Act (1991:980) (*Sw. lag (1991:980) om handel med finansiella instrument*). Any offering of Entitlements or New Shares in Sweden is limited to persons who are "qualified investors" (as defined in the Financial Instruments Trading Act). Only such investors may receive this document and they may not distribute it or the information contained in it to any other person.

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Switzerland

The Entitlements and the New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Entitlements and the New Shares may be publicly distributed or otherwise made publicly available in Switzerland. These securities will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations.

Neither this document nor any other offering or marketing material relating to the Entitlements and the New Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Entitlements and New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

This document is personal to the recipient only and not for general circulation in Switzerland.

Thailand

This document is not intended to be an offer, sale or invitation for subscription or purchase of securities in Thailand. This document has not been registered as a prospectus with the Office of the Securities and Exchange Commission of Thailand. Accordingly, this document and any other document relating to the offer, sale or invitation for subscription or purchase, of the New Shares may not be circulated or distributed, nor may the Entitlements or the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public in Thailand.

United Arab Emirates

Neither this document nor the Entitlements and the New Shares have been approved, disapproved or passed on in any way by the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates, nor has the Company received authorization or licensing from the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates to market or sell the Entitlements or the New Shares within the United Arab Emirates. No marketing of any financial products or services may be made from within the United Arab Emirates and no subscription to any financial products or services may be consummated within the United Arab Emirates. This document does not constitute and may not be used for the purpose of an offer or invitation. No services relating to the Entitlements or the New Shares, including the receipt of applications and/or the allotment or redemption of such securities, may be rendered within the United Arab Emirates by the Company.

No offer or invitation to subscribe for Entitlements or New Shares is valid in, or permitted from any person in, the Dubai International Financial Centre.

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Not for distribution or release in the United States

United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the Entitlements or the New Shares. This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and these securities may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Entitlements or the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

United States

This presentation does not constitute an offer to sell, or the solicitation of an offer to buy any NAB ordinary shares or entitlements thereto or Demerger Securities in the United States. The securities referenced herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state or other jurisdiction of the United States. Accordingly, the securities referenced herein may not be offered or sold to persons in the United States or to persons who are acting for the account or benefit of persons in the United States, unless they have been registered under the Securities Act, or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.

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Annexure B - Risks associated with the participation in the Entitlement Offer

Underwriting risk

NAB has entered into an underwriting agreement under which three underwriters have agreed to fully underwrite the Entitlement Offer, subject to the terms and conditions of the underwriting agreement between the parties. If certain conditions are not satisfied or certain events occur, the underwriters may terminate the underwriting agreement. Termination of the underwriting agreement would have an adverse impact on the proceeds raised under the Entitlement Offer.

The events which may trigger termination of the underwriting agreement include where:

- NAB ceases to be admitted to the official list of ASX or its shares are delisted or suspended from quotation;
- NAB indicates that it does not wish to proceed with all or any part of the Entitlement Offer;
- NAB becomes insolvent;
- NAB fails to perform any of its obligations under the underwriting agreement;
- any of the documents published in connection with the Entitlement Offer omit any information required by the Corporations Act or any other applicable law, contain a statement which is or becomes misleading or deceptive or is likely to mislead or deceive or otherwise fails to comply with the Corporations Act or any other applicable law, or any statement about a future matter is taken to be misleading;
- the S&P/ASX 200 index falls by 12.5% or more below the level of the S&P/ASX200 Index on the business day preceding the date of this presentation:
 - at the close of trading on 2 consecutive business days up to the date on which settlement of the retail entitlement offer takes place; or
 - at the close of trading on the business day immediately prior to the date on which settlement of the institutional entitlement offer takes place or the date on which settlement of the retail entitlement offer takes place;
- there is a material adverse change in, or an event occurs which gives rise to, or is likely to give rise to, a material adverse change in the condition (financial or otherwise), assets, earnings, business, affairs, results of operations, management or prospects of NAB;
- NAB contravenes its constituent documents, the Corporations Act, the ASX Listing Rules or other applicable law; or
- NAB's directors engage in fraud or commit certain offences.

The ability of the underwriters to terminate the underwriting agreement in respect of some events will depend on whether the event has or is likely to have a material adverse effect on the success of, ability of the underwriters to market or sub-underwrite, or settlement of, the Entitlement Offer or the value of the shares.



Renouncement risk

Not for distribution or release in the United States

If you are a shareholder, and renounce your Entitlement under the Entitlement Offer, there is no guarantee that any value will be received for your renounced Entitlement through the bookbuild process.

The ability to sell New Securities under the bookbuild and the ability to obtain any premium will be dependent upon various factors, including market conditions. Further, the bookbuild price may not be the highest price available, but will be determined having regard to a number of factors, including having binding and bona fide offers which, in the reasonable opinion of the underwriters, will, if accepted, result in otherwise acceptable allocations to clear the entire book.

To the maximum extent permitted by law, NAB, the underwriters or the respective related bodies corporate, affiliates or the directors, officers, employees or advisors of any of them, will not be liable, including for negligence, for any failure to procure applications under the bookbuild at a price in excess of the Offer Price. If there is a retail premium, it may be less than, more than, or equal to any price or prices that entitlements may be sold on ASX, transferred or any premium achieved on the institutional bookbuild. Accordingly, it is possible that retail holders who do not take up their entitlements will receive less value than their institutional counterparts, or no value at all.

You should also note that if you do not take up all of your Entitlement, then your percentage security holding in NAB will be diluted by not participating to the full extent in the Retail Entitlement Offer.

Prices obtainable for retail entitlements may rise and fall over the entitlement trading period. If you sell your entitlements at one stage in the retail entitlement trading period, you may receive a higher or lower price than a shareholder who sells their entitlements at a different stage in the retail entitlement trading period or through the retail shortfall bookbuild.

There is no guarantee that there will be a viable market during, or on any particular day in, the retail entitlement trading period, on which to sell retail entitlements on ASX.

The tax consequences from selling entitlements or from doing nothing may be different. Before selling entitlements or choosing to do nothing in respect of entitlements, you should seek independent tax advice and may wish to refer to the tax disclosure contained in the retail offer booklet which will provide further information on potential taxation implications for Australian shareholders.

Risks associated with the market generally

The price of NAB shares on the ASX will be affected by the financial performance of NAB and may rise or fall due to numerous factors, including:

- Australian and international general economic conditions, including inflation rates, the level of economic activity, interest rates and currency exchange rates;
- tensions and acts of terrorism in Australia and around the world;
- investor perceptions in the local and global markets for listed stocks; and
- changes in the supply and demand of securities issued by financial service firms.
- NAB securities may trade below the Offer Price and no assurances can be given that NAB's market performance will not be materially adversely affected by any such market fluctuations or factors. No member of NAB, nor any of their directors nor any other person guarantees NAB's market performance.



Risks specific to the Group, including those related to general banking, economic and financial conditions

Set out below are the principal risks and uncertainties associated with NAB and its controlled entities (the Group). These risks and uncertainties are not listed in order of significance and in the event that one or more of these risks occur, the Group's business, operations, financial condition and future performance may be adversely impacted.

There may be other risks faced by the Group that are currently unknown or are deemed immaterial, but which may subsequently become known or become material. These may individually or in aggregate adversely impact the Group's future financial performance and position. Accordingly, no assurances or guarantees of future performance, profitability, distributions or returns of capital are given by the Group.

Risks specific to the Demerger and IPO proposal

As announced on 7 May 2015, NAB is exploring the exit of its UK business via the public markets by way of a demerger and initial public offering (the Demerger and IPO). The Demerger and IPO proposal is subject to a significant number of uncertainties, including but not limited to a final decision from NAB to proceed with the proposal, approval of certain elements of the proposal by the board of the business to be demerged (Listco), approval from shareholders, approvals from regulators and the final terms of those approvals and general market conditions, particularly equity market conditions in the UK. As such the Demerger and IPO may not proceed at all, or proceed on a basis that is materially different to that outlined, including potentially as a demerger only with no coincident IPO. In the event that a Demerger proceeds, shareholders will receive interests in Listco, the value of which is unknown and may be subject to material volatility. An interest in Listco will involve the risks that are applicable to Listco's business and may include additional risks not included in the description of NAB's risks. Details of these risks will be included in materials provided to shareholders in connection with the Demerger proposal. Further, in any event, as Listco is a considerably smaller entity than NAB, individual risks may have a more material effect on the value of any investment in Listco. Other risks associated with the execution of a transaction such as the Demerger and IPO are described below under the heading "(s) *Certain strategic decisions, including acquisitions or divestments, may adversely impact the Group's financial performance and position*", such as the reputational and economic risks to NAB associated with the provision of continued services and infrastructure to Listco.

To achieve the Demerger and IPO, NAB will provide capital support to Listco in relation to potential future legacy conduct costs not covered by existing provisions. NAB intends to demerge Listco in calendar year 2015. The capital support is capped at £1.7 billion, as determined by the Prudential Regulation Authority (PRA), provided that the demerger occurs within the intended timeframe. Any additional conduct provisions prior to that time would be deducted from the cap. The capped amount of this capital support is expected to be deducted from NAB's Common Equity Tier 1 levels at the time of separation, but may result in a capital release for NAB over time to the extent that conduct losses are less than the capped amount. To extent that conduct losses are greater than the capped amount, that additional amount will be borne by Listco, which may adversely impact its financial position and performance. In the event that the Demerger and IPO proposal does not proceed, NAB will continue to wholly own Listco and the NAB Group will continue to be exposed, through Listco, to the risks of its business, including to all losses related to conduct matters. This would result in uncertainty in the level of regulatory capital that NAB is required to hold in respect of its UK Banking business, and this level may materially increase from current levels.

In the event that the Demerger and IPO proposal proceeds on a basis that is materially different to that outlined, it could give rise to significant changes in the impact of the proposal on NAB's regulatory capital, including causing a reduction in its regulatory capital levels.

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**Risks specific to the banking and financial services industry**

The nature and impact of these external risks are generally not predictable and are often beyond the Group's direct control.

(a) The Group may be adversely impacted by macroeconomic risks and financial market conditions.

The Group conducts business across a range of jurisdictions including Australia, New Zealand, the United Kingdom, Europe, the United States and Asia. The business activities of the Group are dependent on the level of banking and financial services and products required by its customers globally. In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, market interest rates and macroeconomic and financial market conditions and forecasts.

Domestic and international economic conditions and forecasts are influenced by a number of factors such as economic growth rates, cost and availability of capital, central bank intervention, inflation and deflation rates and market volatility and uncertainty. Economic conditions may also be impacted by major shock events such as natural disasters, war and terrorism, political and social unrest, and sovereign debt restructuring and defaults.

Volatility or uncertainty in credit, currency, commodity and equity markets, and adverse economic conditions have led to, and in the future may lead to:

- Increased cost of funding or lack of available funding;
- Deterioration in the value and liquidity of assets (including collateral);
- Inability to price certain assets;
- Increased likelihood of counterparty default and credit losses (including the purchase and sale of protection as part of hedging strategies);
- Higher provisions for bad and doubtful debts;
- Mark to market losses in equity and trading positions;
- Lack of available or suitable derivative instruments for hedging purposes;
- Lower growth, business revenues and earnings. In particular, the Group's NAB Wealth business earnings are highly dependent on asset values, particularly the value of listed equities, and therefore a fall in the value of its assets under management may reduce its earnings contribution to the Group; and
- Increased cost of insurance or lack of available or suitable insurance.



Risks specific to the banking and financial services industry (cont)

The following are examples of certain macroeconomic and financial market conditions that are currently relevant to the Group and may adversely impact its financial performance and position:

- There is widespread market expectation that certain central banks may tighten their monetary policy to lift interest rates back to levels that appear more 'neutral' and nearer to historical norms and reduce quantitative easing, whilst other central banks are expected to keep interest rates low and undertake quantitative easing for a considerable time. A prolonged period of low interest rates carries the risk that market participants have taken on more risk than they expected in a 'search for yield', leaving them exposed to an earlier and more rapid than expected tightening in monetary policy. In the past, periods of tightening monetary policy in the United States have been associated with greater volatility in the volume and pricing of capital flows into emerging market economies. Several capital importing emerging market economies, such as Indonesia, remain particularly vulnerable to a sudden or marked change in United States interest rates and expectations on the interest rate outlook.
- Economic growth in Australia has remained moderate with falling commodity prices and a decline in mining investment weighing on demand. At the same time, subdued confidence across large parts of the economy has delayed the anticipated upturn in non-mining investment and labour demand. Lower interest rates and the depreciation in the Australian dollar will support growth but there remains uncertainty over the timing and extent of the upturn in non-mining sectors of the economy that is embedded in the forecasts of government authorities.
- Both Australia and New Zealand are increasingly integrated with Asian economies, resulting in a sizeable exposure in both of these economies to changes in the pace of economic growth in the Asian region, in particular China. The outlook for the Chinese economy is uncertain as the government is trying to re-balance the composition of growth toward a greater contribution from domestic consumption, with less reliance on export-driven foreign consumption and internal investment.
- As the United Kingdom economy has close trade links with other Western European nations, developments in the Eurozone influence the level of demand for United Kingdom goods and services. Some governments in the Eurozone are heavily indebted and politically unstable and uncertainty remains over the financial strength of the banking sector. Unemployment also remains exceptionally high in several Eurozone nations. Furthermore, continued difficulty in resolving structural problems may result in one or more Eurozone member states exiting the monetary union, resulting in uncertainty as to which countries constitute the currency union and the Eurozone more broadly in the long term.
- Outside the Eurozone, increases in the level of sovereign debt in a number of countries have generally been reflected in a downgrading in the rating of their external liabilities by the various rating agencies. Both the gross level of Japanese sovereign debt and its ratio to gross domestic product have received particular attention, and the importance of low interest rates for the sustainable funding of that debt has been widely recognised. Chinese growth has been reliant on rapid credit growth and the resulting build-up of corporate and local government debt owed to the shadow banking sector has raised particular concern.

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Risks specific to the banking and financial services industry (cont)**(b) The Group is subject to extensive regulation. Regulatory changes may adversely impact the Group's operations, financial performance and position.**

The Group is highly regulated in Australia and in the other jurisdictions in which it operates, trades or raises funds. The Group is subject to supervision by a number of regulatory authorities and industry codes of practice, which may have broad implications across the Group's businesses.

Regulations vary across jurisdictions, and are designed to protect the interests of depositors, policy holders, security holders, and the banking and financial services system as a whole. Changes to laws and regulations or changes to regulatory policy or interpretation can be unpredictable, are beyond the Group's control, and may not be harmonised across the jurisdictions in which the Group operates. Regulatory change may result in significant capital and compliance costs, changes to corporate structure and increasing demands on management, employees and information technology systems.

Examples of current and potential regulatory changes impacting the Group are set out below.

The Basel Committee on Banking Supervision's (BCBS) Basel III reforms are expected to be fully implemented by 2019 and are intended to strengthen the resilience of the banking sector. Implementation of these reforms will increase the quality and ratio of capital to risk weighted assets that the Group is required to maintain, will increase the quality and proportion of assets that the Group is required to hold as liquid assets, and is expected to increase compliance costs. In Australia, the Australian Prudential Regulation Authority's (APRA) revised capital requirements became effective from 1 January 2013, with additional requirements to take effect in future years as capital buffers and the leverage ratio are implemented. Revised liquidity requirements in Australia are taking effect progressively, with qualitative requirements having commenced on 1 January 2014, and liquidity coverage ratio requirements on 1 January 2015. New net stable funding ratio requirements are due to take effect from 1 January 2018. In New Zealand, the Reserve Bank of New Zealand (RBNZ) has implemented the Basel III capital adequacy framework as modified to reflect New Zealand conditions. The core Basel III capital adequacy ratios took effect as of 1 January 2013. Since 1 January 2014, the RBNZ has required most New Zealand incorporated banks, including Bank of New Zealand, to maintain a conservation buffer and the RBNZ also has the discretion to apply a countercyclical buffer of common equity. These reforms will require the Group to hold more liquid assets and reshape the balance sheet, both in terms of how the Group is funded and how it utilises those funds. Other regulators have also implemented or are in the process of implementing Basel III and equivalent reforms.

In December 2014, the BCBS released final revisions to the securitisation framework to take effect in January 2018, and a further consultation of the review of the trading book capital requirements. This may impact the amount of regulatory capital held industry wide for securitisation exposures and the trading book capital requirements for complex products respectively. These developments are expected to be followed by further regulatory changes as the BCBS focuses on improved consistency and comparability in banks' regulatory capital ratios. Revised Pillar 3 disclosure requirements were released by the BCBS in January 2015. The standardised approaches to credit, market and operational risks are under review, along with the capital floor framework. The full impact of the changes will not be known until the BCBS requirements are finalised and / or implemented by APRA or by other regulators across the Group. This may intersect with the Australian Financial System Inquiry (FSI), discussed below.

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Risks specific to the banking and financial services industry (cont)

The Group has been identified as a Domestic Systemically Important Bank (D-SIB) under APRA's framework for D-SIBs and is therefore subject to a one per cent higher loss absorbency requirement, effective from January 2016. In addition, in May 2014, APRA clarified the definition of entities to be included in the composition of a Level 2 Authorised Deposit-taking Institution (ADI), which is expected to remove over time the capital benefit the Group gains from debt on the National Wealth Management Holdings Limited balance sheet. APRA has also now released final prudential standards associated with its framework for the supervision of conglomerate groups, including the Group. However, the implementation of the prudential standards relating to conglomerates has been deferred until the Australian Government's response to the FSI is known.

The United States Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) instituted major changes to the United States banking and financial institutions regulatory regimes. This includes additional supervisory requirements and prudential standards for non-United States banking organisations, and their affiliates, with a United States banking presence and total global consolidated assets of at least US\$50 billion (which includes NAB). The legislation and its implementing regulations include, among other things, additional capital, liquidity and risk management requirements. The Dodd-Frank Act also contains the Volcker Rule, which prohibits proprietary trading and the sponsorship of, and investment in, hedge, private equity or other similar funds by certain foreign banking organisations like NAB. Certain requirements under the Dodd-Frank Act have yet to become effective, and their specific impact on the Group's businesses and in the markets in which it operates continues to be assessed as part of implementation of the requirements.

Over The Counter (OTC) derivative market reforms are being implemented in the United States through the Dodd-Frank Act, and in other countries including Australia and in Europe. During 2013, the Australian Securities and Investments Commission released rules and relevant regulatory guides for derivative transaction reporting and the licensing of derivative trade repositories. Derivative transaction reporting requirements for NAB in Australia commenced in October 2013. The reporting obligations are being phased in for various classes of entity. Following a consultation in 2014, the Australian Government announced that it will mandate central clearing in Australia; consultation on the Ministerial determination and regulations for central clearing will occur during 2015. The Australian government has also committed to reforms to provide for centralised execution of standardised OTC derivatives on exchanges or electronic platforms, but has not yet recommended mandatory platform trading. The Council of Financial Regulators is expected to address this issue in a forthcoming market assessment in 2015. In Europe, the European Market Infrastructure Regulation (EMIR) has introduced new requirements to improve transparency and reduce the risks associated with the derivatives market, which are being progressively implemented. Where there is variation in the scope and implementation timeframes for OTC reforms across jurisdictions, there may be added costs and complexity in achieving regulatory compliance for the Group.

**Risks specific to the banking and financial services industry (cont)**

The Foreign Account Tax Compliance Act (FATCA) requires certain foreign financial institutions to provide information regarding United States account holders to the United States tax authorities. Non-compliance with FATCA may subject a foreign financial institution to a 30% withholding tax applied on certain amounts derived from United States sources and certain payments attributable to such amounts. On 28 April 2014, the Australian Government entered into an intergovernmental agreement with the government of the United States in respect of FATCA, and has since enacted implementing legislation to give effect to the agreement. On 12 June 2014, the New Zealand government entered into an intergovernmental agreement with the government of the United States in respect of FATCA, and has since enacted implementing legislation to give effect to the agreement. The governments of some other countries in which the Group operates have entered into or have agreed to enter into intergovernmental agreements with the government of the United States, and have enacted or are considering enacting law in respect of FATCA. Under such agreements, foreign financial institutions in such jurisdictions will generally be exempt from withholding under FATCA if they comply with requirements imposed by the relevant jurisdictions.

The United Kingdom Financial Services Banking Reform Act 2013 (the Banking Reform Act) has wide ranging implications, substantially enacting the recommendations of the Independent Commission on Banking. A key inclusion in the Banking Reform Act gives effect to structural reforms aimed at 'ring-fencing' retail banks of a certain size from investment and wholesale banking operations, and capitalising each separately. Retail ring-fencing must be implemented by 1 January 2019. Other key requirements include imposing higher standards of conduct on the banking industry, depositor preference in the event a bank enters insolvency, and introducing more onerous primary loss absorbing capacity requirements. These requirements may impact the structure and operation of the Group's United Kingdom business.

The Australian Government's FSI released its final report in December 2014 and submissions for subsequent consultation were due by 31 March 2015. The FSI was charged with examining how Australia's financial system could be positioned to best meet the country's evolving needs and support its economic growth. The final report made 44 recommendations for the Australian financial system. These include amending capital requirements to increase the capital levels of Australian ADIs, raising average internal ratings based mortgage risk weights for credit risk, and implementing a framework for minimum loss absorbing and recapitalisation capacity in line with emerging international practice. The FSI has also proposed other measures to improve the resilience, efficiency and fairness of the banking system, with respect to matters including superannuation and retirement, regulatory processes, innovation, payments and data, and measures to improve outcomes for consumers. The implementation of any of these recommendations is a matter for Australian Government regulators to consider within the scope of their mandates. Given the results of the FSI inquiry are unknown, there is a risk that the Group's capital position may not be adequate to meet any increased capital requirements resulting from the Australian Government's response to the FSI, or any other regulatory changes that may arise in respect of Basel proposals outlined elsewhere in this section. In such circumstances, the Group may be required to raise further capital.



Risks specific to the banking and financial services industry (cont)

Future of Financial Advice (FOFA) reforms set certain standards and obligations in relation to the provision of financial advice to retail investors. The FOFA reforms became mandatory on 1 July 2013. On 19 March 2014, the Australian Government introduced the Corporations Amendment (Streamlining Future of Financial Advice) Bill 2014 (the Bill), which proposed a package of changes to FOFA to reduce the compliance costs and regulatory burden on the financial services sector, including removing the requirement to opt-in to ongoing adviser services every two years and to provide a general advice exemption from the ban on conflicted remuneration. The Bill is yet to be passed. Regulations which became effective on 1 July 2014 incorporated many of the changes proposed by the Bill, however, these streamlining regulations were disallowed by the Senate in November 2014. Some have subsequently been reinstated by the Corporations Amendment (Revising Future of Financial Advice) Regulation 2014, which commenced on 16 December 2014. There remains some uncertainty as to whether the Bill will pass.

The Australian Government is also undertaking a review of competition policy to ensure there is an effective competition framework that promotes a strong and innovative business sector and better outcomes for consumers across the Australian economy. The implementation of any recommendations from this review will also ultimately be a decision for the Australian Government and its agencies and the impact on the Group of this review remains unclear.

In addition to the aforementioned changes, other areas of ongoing regulatory change and review include additional prudential and conduct reforms, changes to accounting and reporting requirements, tax legislation, bank specific tax levies, anti-money laundering / counter-terrorism financing regulations, payments, privacy laws and increased supervisory expectations around data quality and controls.

The full effect of these current and potential regulatory reforms on the Group's operations, capital requirements, business and prospects, or how any of the proposals discussed above will be implemented (if at all in some cases) is not known. Depending on the specific nature of any requirements and how they are enforced, they may have an adverse impact on the Group's operations, structure, compliance costs or capital requirements and ultimately its financial performance and position.

(c) The Group faces intense competition, which may adversely impact its financial performance and position.

There is substantial competition across the markets in which the Group operates. The Group faces competition from established financial services providers as well as new market entrants, including foreign banks and non-bank competitors with lower cost operating models. Increasing competition for customers can lead to compression in profit margins, increased advertising and other related expenses, decreased customer loyalty or loss of market share. As technology evolves and customer needs and preferences change, there is an increased risk of disruptive innovation or a failure by the Group to introduce new products or services to keep pace with industry developments and meet customer expectations. The Group's financial performance and position may be adversely affected by competitive market conditions and industry trends.

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**Risks specific to the Group**

There are a number of risks which arise directly from the operations of the Group as a major participant in the banking and financial services industry and from the specific structure of the Group. The Group's financial performance and position have been, and in the future may continue to be, impacted by these risks.

Relative to its Australian-based banking peers, the Group's business model and portfolio mix is notable for the high proportion of business and commercial real estate lending and the location of banking subsidiaries in the United Kingdom and the United States.

The risks specific to the Group are set out below.

(a) The Group is exposed to credit risk, which may adversely impact its financial performance and position.

Credit risk is the potential that a counterparty or customer will fail to meet its obligations to the Group in accordance with agreed terms. Lending activities account for most of the Group's credit risk, however other sources of credit risk also exist including the banking book, the trading book, and other financial instruments and loans, as well as the extension of commitments and guarantees and the settlement of transactions.

Major sub-segments within the Group's lending portfolio include:

- Residential housing loans, which at 31 March 2015 represented approximately 57.6% of gross loans and acceptances.
- Commercial real estate loans, which at 31 March 2015 represented approximately 10.4% of gross loans and acceptances, with the majority of these domiciled in Australia. The Group's United Kingdom commercial real estate loan run-off portfolio continues to be managed separately from the rest of the Group's banking activities in the United Kingdom.
- The Group's United Kingdom banking business (excluding the United Kingdom's commercial real estate loan run-off portfolio), represented approximately 9.5% of gross loans and acceptances at 31 March 2015.

Adverse business or economic conditions, including a deterioration in property valuations, employment markets or the political environment, may result in failure by counterparties and customers to meet their obligations in accordance with agreed terms. The Group's portfolio of interest-only loans may be particularly susceptible to losses in the event of a decline in residential property prices. These conditions may be prompted by events outside the Group's core markets, such as the current instability in the continental European political and financial environment. This may adversely impact the financial performance and position of the Group.

The Group may also be exposed to the increased risk of counterparty or customer default should interest rates rise above the record lows, or near record lows, of recent years.

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Risks specific to the Group (cont)

The Group's large business lending market share in Australia and New Zealand exposes it to potential losses should adverse conditions be experienced across this sector. Similarly, the Group has a large market share in the Australian and New Zealand agricultural sector (particularly, in New Zealand, the dairy sector). As a consequence, volatility in commodity prices, foreign exchange rate movements, climatic events (including drought), disease, export restrictions, quarantine restrictions, introduction of pathogens and pests, and other risks that may impact this sector, may have an adverse impact on the Group's financial results. In addition with a slowdown in mining investment and a fall in commodity prices in Australia, a number of sectors servicing the mining industry, as well as the mining industry itself, have come under pressure.

The Group provides for losses incurred in relation to loans, advances and other assets. Estimating losses incurred in the loan portfolio is, by its very nature, uncertain. The accuracy of these estimates depends on many factors, including general economic conditions, forecasts and assumptions, and involves complex modelling and judgements. If the information or the assumptions upon which assessments are made proves to be inaccurate, the provisions for credit impairment may need to be revised. This may adversely impact the Group's financial performance and position.

(b) The Group may suffer losses due to its exposure to operational risks.

Operational risk is the risk of loss resulting from inadequate internal processes and controls, people and systems or from external events. Operational risk includes legal risk but excludes strategic or reputational risk.

Operational risks are a core component of doing business as they arise from the day-to-day operational activities of the Group as well as strategic projects and business change initiatives. Given that operational risks cannot be fully mitigated, the Group determines an appropriate balance between accepting potential losses and incurring costs of mitigation.

An operational risk event may give rise to substantial losses, including financial loss, fines, penalties, personal injuries, reputational damage, loss of market share, theft of property, customer redress and litigation. Losses from operational risk events may adversely impact the Group's financial performance and position.

**Risks specific to the Group (cont)**

Examples of operational risk events include:

- Fraudulent or unauthorised acts by employees, contractors and external parties seeking to misappropriate funds or gain unauthorised access to customer or sensitive data;
- Systems, technology and infrastructure failures, or cyber incidents, including denial of service and malicious software attacks;
- Process errors or failures arising from human error or inadequate design of processes or controls;
- Operational failures by third parties (including off-shored and outsourced service providers);
- Weaknesses in employment practices, including those with respect to diversity, discrimination and workplace health and safety;
- Deficiencies in product design or maintenance; and
- Business disruption and property damage arising from external events such as natural disasters, biological hazards or acts of terrorism.

In addition, the Group is dependent on its ability to retain and attract key management and operating personnel. The unexpected loss of any key resources, or the inability to attract personnel with suitable experience, may adversely impact the Group's ability to operate effectively and efficiently, or to meet strategic objectives.

Models are used extensively in the conduct of the Group's business; for example, in calculating capital requirements and measuring and stressing exposures. If the models used prove to be inadequate or are based on incorrect or invalid assumptions, judgements or inputs, this may adversely affect the Group's financial performance and position.

(c) The Group may be exposed to risk from non-compliance with laws or standards which may adversely impact its reputation, financial performance and position.

The Group is exposed to compliance risk arising from failure or inability to comply with laws, regulations, licence conditions, standards and codes applicable to the Group, and related internal policies. If the Group's compliance controls were to fail significantly, be set inappropriately, or not meet legal or regulatory expectations, the Group may be exposed to fines, public censure, litigation, settlements, restitution to customers, regulators or other stakeholders, or enforced suspension of operations or loss of licence to operate all or part of the Group's businesses. This may adversely impact the Group's reputation, corporate structure, financial performance and position.

The Group has ongoing discussions with key regulators on industry-wide issues and matters specific to the Group. The global banking and financial services industry is increasingly subject to information requests, scrutiny and investigations by its conduct based regulators, which have led to a number of international firms facing high profile enforcement actions, including substantial fines, for breaches of laws or regulations. Regulators globally are continuing their investigation into manipulation of financial benchmarks. In Australia this includes examining potential wrongdoing in the bank bill swap reference rate and foreign exchange markets.



Risks specific to the Group (cont)

Risk may arise through inappropriate conduct by employees in breach of Group policy and evolving regulatory standards, such as selling or coercing customers into inappropriate products and services, conducting inappropriate market practices, non-adherence to fiduciary requirements or provision of inappropriate financial advice. Since September 2014, the Senate Economics References Committee has been conducting an inquiry into aspects of the financial advice industry, including potential unethical or misleading financial advice and compensation processes for consumers impacted by that advice. The Committee is due to report by 1 February 2016. NAB is aware that two plaintiff law firms have advertised that they are investigating claims on behalf of NAB customers who have suffered losses as a result of financial advice received from NAB advisers. No formal action has yet been taken against the Group in this regard.

In common with the wider United Kingdom retail banking sector, Clydesdale Bank PLC (Clydesdale) continues to deal with complaints and redress issues arising out of: historic sales of payment protection insurance, the sale of certain historic interest rate hedging products to small and medium-sized businesses, and other conduct-related matters. Since 1 April 2013, Clydesdale has been regulated by the Financial Conduct Authority (FCA) and the PRA. Proactive regulation of conduct related matters by the FCA may impact the manner in which the Group's United Kingdom operations deal with, and the ultimate extent of, conduct related customer redress and associated costs. For further details in relation to ongoing United Kingdom conduct matters that are material to the Group, refer to 'Notes to the Consolidated Financial Statements', Note 14 - Contingent Liabilities in the Half Year Results 2015.

Provisions held in respect of conduct and litigation matters are based on a number of assumptions derived from a combination of past experience, estimated future experience, industry comparison and the exercise of subjective judgement based on, where appropriate, external professional advice. Risks and uncertainties remain in relation to these assumptions and the ultimate costs of redress to the Group. These factors mean that the eventual costs of conduct and compliance related matters may differ materially from those estimated and further provisions may be required, adversely impacting the financial performance and position of the Group.

(d) Disruption of technology systems or breaches of data security may adversely impact the Group's operations, reputation and financial position.

Most of the day-to-day operations of the Group are computer-based, and therefore the reliability and security of the Group's information technology systems and infrastructure are essential to its business. Technology risk may arise from events including a failure of these systems to operate effectively, an inability to restore or recover such systems in acceptable timeframes, a breach of data security, or other form of cyber-attack. These events may be wholly or partially beyond the control of the Group. Such events may result in disruption to operations, reputation damage and litigation, loss or theft of customer data, or regulatory investigations and penalties. This may adversely impact the Group's financial performance and position.

The rapid evolution of technology in the financial services industry and the increased expectation of customers for internet and mobile services on demand expose the Group to new challenges in these areas.

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**Risks specific to the Group (cont)**

The Group processes, stores and transmits large amounts of personal and confidential information through its computer systems and networks. The Group invests significant resources in protecting the confidentiality and integrity of this information. However, threats to information security are constantly evolving and techniques used to perpetrate cyber-attacks are increasingly sophisticated. The Group may not be able to anticipate a security threat, or be able to implement effective measures to prevent or minimise the resulting damage. An information security breach may result in operational disruption, regulatory enforcement actions, financial losses, theft of customer data, or breach of applicable privacy laws, all of which may adversely impact the Group's reputation, financial performance and position.

As with other business activities, the Group uses select external providers (both in Australia and overseas) to continue to develop and provide its technology solutions. There is increasing regulatory and public scrutiny of outsourced and off-shored activities and their associated risks, including, for example, the appropriate management and control of confidential data. The failure of any external providers to perform their obligations to the Group or the failure of the Group to appropriately manage those providers may adversely impact the Group's reputation, financial performance and position.

(e) Transformation and change programs across the Group may not deliver some or all of their anticipated benefits.

The Group is continuing to progress its enterprise-wide technology and infrastructure transformation including the upgrade of its core banking platform. It is also pursuing other operating model and process improvements. These initiatives aim to reduce operational complexity and operational risk however, due to the scale and complexity of these projects, the Group's risk profile has increased for the near future. Changes of this magnitude require the Group to invest significant management attention and resources, which may divert attention away from normal business activities and other ongoing projects. Additionally, as changes are being undertaken in an environment of economic uncertainty and increased regulatory activity and scrutiny, operational and compliance risks are magnified, which may impact the reputation and financial condition of the Group. There is also a risk that implementation may not be completed within expected timeframes or budget, or that such changes do not deliver some or all of their anticipated benefits.

(f) The Group may be exposed to losses if critical accounting judgements and estimates are subsequently found to be incorrect.

The preparation of the Group's financial statements requires management to make estimates and assumptions and to exercise judgement in applying relevant accounting policies, each of which may directly impact the reported amounts of assets, liabilities, income and expenses. Some areas involving a higher degree of judgement, or where assumptions are significant to the financial statements, include the valuation of provisions, including conduct-related matters, the valuation of goodwill and intangible assets, and the fair value of financial instruments.

Effective 1 October 2014, the Group adopted the requirements of Australian Accounting Standards Board (AASB) 9 'Financial Instruments'. Refer to 'Notes to the Consolidated Financial Statements', Note 1 – Principal Accounting Policies in the 2015 Half Year Results for transitional impacts of the application of AASB 9.

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Risks specific to the Group (cont)

If the judgements, estimates and assumptions used by the Group in preparing its consolidated financial statements are subsequently found to be incorrect there could be a significant loss to the Group beyond that anticipated or provided for, which could have an adverse effect on the Group's reputation, results of operations, financial condition or prospects.

(g) Litigation and contingent liabilities arising from the Group's business conduct may adversely impact its reputation, financial performance and position.

Entities within the Group may be involved from time to time in legal proceedings arising from the conduct of their business. The aggregate potential liability in respect thereof cannot be accurately assessed. Any material legal proceedings may adversely impact the Group's reputation, financial performance and position.

Refer to 'Notes to the Consolidated Financial Statements', Note 14 - *Contingent Liabilities* in the Half Year Results 2015 for details in relation to the Group's material legal proceedings and contingent liabilities.

(h) Insufficient capital may adversely impact the Group's operations, financial performance and position.

Capital risk is the risk that the Group does not have sufficient capital and reserves to meet prudential standard requirements, achieve its strategic plans and objectives, cover the risks to which it is exposed, or protect against unexpected losses. The Group is required in all jurisdictions in which it undertakes regulated activities to maintain minimum levels of capital and reserves relative to the balance sheet size and risk profile of its operations. Any changes, including regulatory changes arising from the Basel capital adequacy reforms or in response to the recommendations of the FSI, may limit the Group's ability to manage capital across the entities within the Group or may require it to raise or use more, or higher quality, capital. Although the exact timing and quantum is uncertain, APRA has indicated that it may be willing to act "sooner rather than later" to implement higher capital requirements in response to the FSI recommendations, with a focus on mortgage risk weights. Such changes may adversely impact the Group's operations, financial performance and position.

(i) The Group's funding and liquidity position may be adversely impacted by dislocation in global capital markets.

Funding risk is the risk that the Group is unable to raise short and long-term funding to support its ongoing operations, strategic plans and objectives. The Australian banking sector accesses domestic and global capital markets to help fund its businesses. Any dislocation in these funding markets, or a reduction in investor appetite for holding the Group's securities, may adversely affect the Group's ability to access funds or require the Group to access funds at a higher cost or on unfavourable terms.

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**Risks specific to the Group (cont)**

Liquidity risk is the risk that the Group is unable to meet its financial obligations as they fall due. These obligations include the repayment of deposits on demand or at their contractual maturity, the repayment of borrowings and loan capital as they mature, the payment of interest on borrowings and the payment of operating expenses and taxes. Any significant deterioration in the Group's liquidity position may lead to an increase in the cost of the Group's borrowings, constrain the volume of new lending, or result in the Group drawing upon its Committed Liquidity Facility with the Reserve Bank of Australia. This may adversely impact the Group's profitability, financial performance and position.

(j) A significant downgrade in the Group's credit ratings may adversely impact its borrowing costs, market access and competitive position.

Credit ratings are an important reference for market participants in evaluating the Group and its products, services and securities.

Credit rating agencies conduct ongoing review activity which can result in changes to credit rating settings and outlooks for the Group or for sovereign governments in countries in which the Group conducts business. Review activity is based on a number of factors including the Group's financial strength and outlook, the assumed level of government support for the Group in a crisis and the strength of that government, and the condition of the financial services industry and of the markets generally. Credit ratings may also be affected by changes in the rating methodologies used by the agencies. For example, in October 2014 Standard and Poor's Ratings Services revised its credit rating assessment criteria for hybrid instruments issued by banks across the Asia-Pacific region (excluding Japan), which led to a one notch downgrade of NAB's Tier 1 hybrid instruments.

A downgrade in the credit ratings within the Group or of the Group's securities, or a downgrade in the sovereign rating of one or more of the countries in which the Group operates, may increase the Group's borrowing costs or limit its access to the capital markets. A downgrade may also trigger additional collateral requirements in derivative contracts and other secured funding arrangements. A downgrade to the Group's credit ratings relative to peers could also adversely impact the Group's competitive position.

(k) Changes in interest rates may impact the Group's financial performance and position.

Interest rate risk is the risk to the Group's financial performance and position caused by changes in interest rates. As interest rates and yield curves change over time, the Group may be exposed to a loss in earnings and economic value due to the interest rate profile of its balance sheet. In the banking industry, such exposure commonly arises from the mismatch between the maturity profile of a bank's lending portfolio compared to its deposit portfolio (and other funding sources). Interest rate risk also includes the risk arising out of customers' demands for interest rate-related products with various repricing profiles. It is also possible that both short and long-term interest rates may change in a way that the Group has not correctly anticipated, and this may have an adverse impact on the Group's financial performance and position.

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Risks specific to the Group (cont)**(l) The Group's exposure to defined benefit pension fund risk may adversely impact its financial performance and position.**

Defined benefit pension fund risk is the risk that, at any point in time, a pension scheme is in deficit, meaning that the assets available to the scheme are at a value below its current and future pension obligations. Changes in the level of pension deficit also result in volatility for the Group's regulatory capital position, as a deficit amount results in a direct reduction in the Group's Common Equity Tier 1 Capital.

The Group's principal exposure to defined benefit pension fund risk is in the United Kingdom, where its defined benefit scheme was closed to new members from 1 January 2004. Refer to the 2015 Half Year Results for the latest published position in relation to this scheme at 31 March 2015.

Asset values and liabilities are affected by a number of factors, including the discount rate used to calculate the liability net present value, the long-term inflation assumption, actuarial assumptions (including mortality and morbidity rates) and the value of the investment portfolio.

A deficit may increase the amount that members of the Group are obliged to contribute to the scheme and adversely impact the Group's performance and position.

(m) The Group is exposed to foreign exchange and translation risk, which may adversely impact its financial performance and position.

Foreign exchange and translation risk arises from the impact of currency movements on the value of the Group's cash flows, profit and loss, and assets and liabilities as a result of participation in global financial markets and international operations.

The Group's ownership structure includes investment in overseas subsidiaries and associates and exposures from known foreign currency transactions (such as repatriation of capital and dividends from off-shore subsidiaries). The Group also conducts business outside of Australia and transacts with customers, banks and other counterparties in different currencies, most frequently Australian, New Zealand and United States Dollars, British Pounds and Euros. The Group's businesses may therefore be affected by a change in currency exchange rates, a full or partial break-up of the Eurozone, or a change in the reserve status of any of these currencies. Any unfavourable movement in foreign exchange rates may adversely impact the Group's financial performance and position.

The Group's financial statements are prepared and presented in Australian Dollars, and any fluctuations in the Australian Dollar against other currencies in which the Group invests or transacts and generates profits (or incurs losses) may adversely impact its financial performance and position.

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**Risks specific to the Group (cont)****n) A material reduction in the fair value of an equity investment held by the Group may adversely impact its financial performance and position.**

The Group carries equity investments in its banking book at fair value. Fair value represents mark to market valuations derived from market prices, independent valuations and methodologies or other valuation techniques. The fair value of an equity investment may be impacted by factors such as economic, operational, currency and market risk. A material reduction in the fair value of an equity investment in the Group's banking book may adversely impact the financial performance and position of the Group.

(o) The Group may suffer significant losses from its trading activities.

Traded market risk is the risk of losses arising from trading activities, including proprietary trading, undertaken by the Group. Losses can arise from a change in the value of positions in financial instruments or their hedges due to adverse movements in market prices. Any significant losses from such trading activities may adversely impact the Group's financial performance and position.

(p) The Group is exposed to life insurance risk, which may adversely impact its financial performance and position.

Life insurance risk is the potential for losses when life insurance claims and other outgoings exceed those anticipated in the premiums collected and underlying investment income earned. Life insurance risk may arise due to inadequate or inappropriate underwriting, inadequate reserving, poor business claims management, product design or pricing processes or investment profit, all of which may adversely impact the financial performance and position of the Group. It also includes lapse risk, where a policy lapses before the upfront costs have been recouped from profit margins.

Provisions for mortality and morbidity claims are an estimate of the expected ultimate cost of such claims based on actuarial and statistical projections, rather than an exact calculation of liability. Provisions are affected by a range of factors, including unforeseen diseases or epidemics. Changes in any of these factors would necessitate a change in estimates of projected ultimate cost. Losses may occur when the experience of mortality and morbidity claims compares adversely to that assumed when pricing life insurance policies.

The Australian life insurance industry, in which the Group is a participant, is currently experiencing poor lapse and claims experience and lower underlying investment income. This may continue to adversely impact the Group's financial performance and position.

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Risks specific to the Group (cont)**(q) Damage to the Group's reputation may adversely impact its financial performance and position.**

The Group's reputation may be damaged by the actions, behaviour or performance of the Group, its employees, affiliates, suppliers, intermediaries, counterparties or customers, or the financial services industry generally. Should the Demerger and IPO proceed, any adverse performance of Listco may adversely impact NAB's reputation. A risk event, such as a compliance breach or an operational or technology failure, may adversely affect the perceptions of the Group held by the public, shareholders, investors, customers, regulators or ratings agencies. The risk event itself may expose the Group to direct losses as a result of litigation, fines and penalties, remediation costs or loss of key personnel as well as potential impacts to NAB's share price. Reputational damage may adversely impact the Group's ability to attract and retain customers or employees in the short and long-term and the ability to pursue new business opportunities. It may result in a higher risk premium being applied to the Group, and also impact the cost of funding, its operations, or its financial condition.

(r) Failure to sell down underwriting risk may result in losses to the Group.

As financial intermediaries, members of the Group underwrite or guarantee many different types of transactions, risks and outcomes, including the placement of listed and unlisted debt, equity-linked and equity securities. The underwriting obligation or guarantee may be over the pricing and placement of these securities and the Group may therefore suffer losses if it fails to sell down some or all of this risk to other market participants.

(s) Certain strategic decisions, including acquisitions or divestments, may adversely impact the Group's financial performance and position.

There is a risk that the assumptions on which the Group's strategic decisions are based are, or may prove to be, incorrect or that the conditions underpinning those strategic decisions may change. In addition, any one or more of the Group's strategic initiatives may prove to be too difficult or costly to execute effectively.

The Group regularly examines a range of corporate opportunities (including acquisitions, divestments and joint ventures) and evaluates these opportunities against strategic priorities and risk appetite and considers their ability to enhance the Group's financial performance, position or prospects.

Any corporate opportunity that is pursued may change the Group's risk profile and capital structure. Changes to the Group's risk profile or capital structure may contribute to negative sentiment or a negative impact on the Group's credit ratings.

Risks associated with the execution of a transaction may result from an over-valuation of an acquisition or joint venture, or an under-valuation of a divestment or joint venture. There may be reputational and economic risks associated with ongoing exposure to a divested business, for example through the provision of continued services and infrastructure, or the retention of liabilities.

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**Risks specific to the Group (cont)**

Other risks may also arise through the Group's integration or separation of a business including failure to realise expected synergies, loss of customers, disruption to operations, application of additional regulation, diversion of management resources or higher than expected costs. Once commenced or executed, corporate actions or other strategic initiatives may be unable to be reversed. These factors may adversely impact the Group's financial performance and position.

(t) A failure of the Group's risk management framework may adversely impact its financial performance and position.

The Group operates within a risk management framework comprising systems, structures, policies, processes and people that identify, measure, evaluate, monitor, report and mitigate risks.

As with any risk management strategy, there is no guarantee that this framework is sufficient to mitigate known risks or to address or rapidly adapt to unanticipated existing, changing or emerging risks. As such, perceived or actual ineffectiveness or inadequacies in the risk management framework and its implementation may adversely impact the Group's reputation, financial performance and position.

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