



# UBS FINANCIAL SERVICES CONFERENCE

22 June 2011

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# Our view on new business banking industry dynamics

- ▶ A new reality for bank-based credit system growth
- ▶ Basel III: changes business banking economic model?
- ▶ Return to fundamentals of Risk/Reward
- ▶ Relationship banking will continue to be key

# NAB Business Banking

## Vision

- ▶ Grow Market Leadership through World Class Relationship Banking

## Philosophy

- ▶ Customers at centre of how we **think, talk** and **act**
- ▶ Committed to supporting Australian business
- ▶ Calibre, diversity and engagement of our people is critical

## 2011 Peter Lee highlights:

- ▶ Equal #1 in Relationship Manager Capability<sup>7</sup>
- ▶ #1 Syndicated Loan arranging Capability<sup>7</sup>
- ▶ #1 Best Advice in Use of Interest Rate Risk Management<sup>7</sup>
- ▶ #1 Best Advice in Use of Trade Services<sup>8</sup>

## Position

|                                | Small & Emerging <sup>2</sup> | SME <sup>2</sup> | Agri <sup>2</sup> | Corporate <sup>2</sup> | Institutional <sup>2</sup> |
|--------------------------------|-------------------------------|------------------|-------------------|------------------------|----------------------------|
| Market leadership <sup>1</sup> | ✓                             | ✓                | ✓                 | ✓                      | ✗                          |
| Market share (lending)         | 21.0%                         | 27.0%            | 28.3%             | 21.0%                  | 17.0%                      |

## Customer Satisfaction

Micro<sup>3</sup>

Small<sup>4</sup>

Medium<sup>5</sup>

Large<sup>6</sup>

## Ranking

2<sup>nd</sup> (equal)

2<sup>nd</sup> (equal)

1<sup>st</sup> (equal)

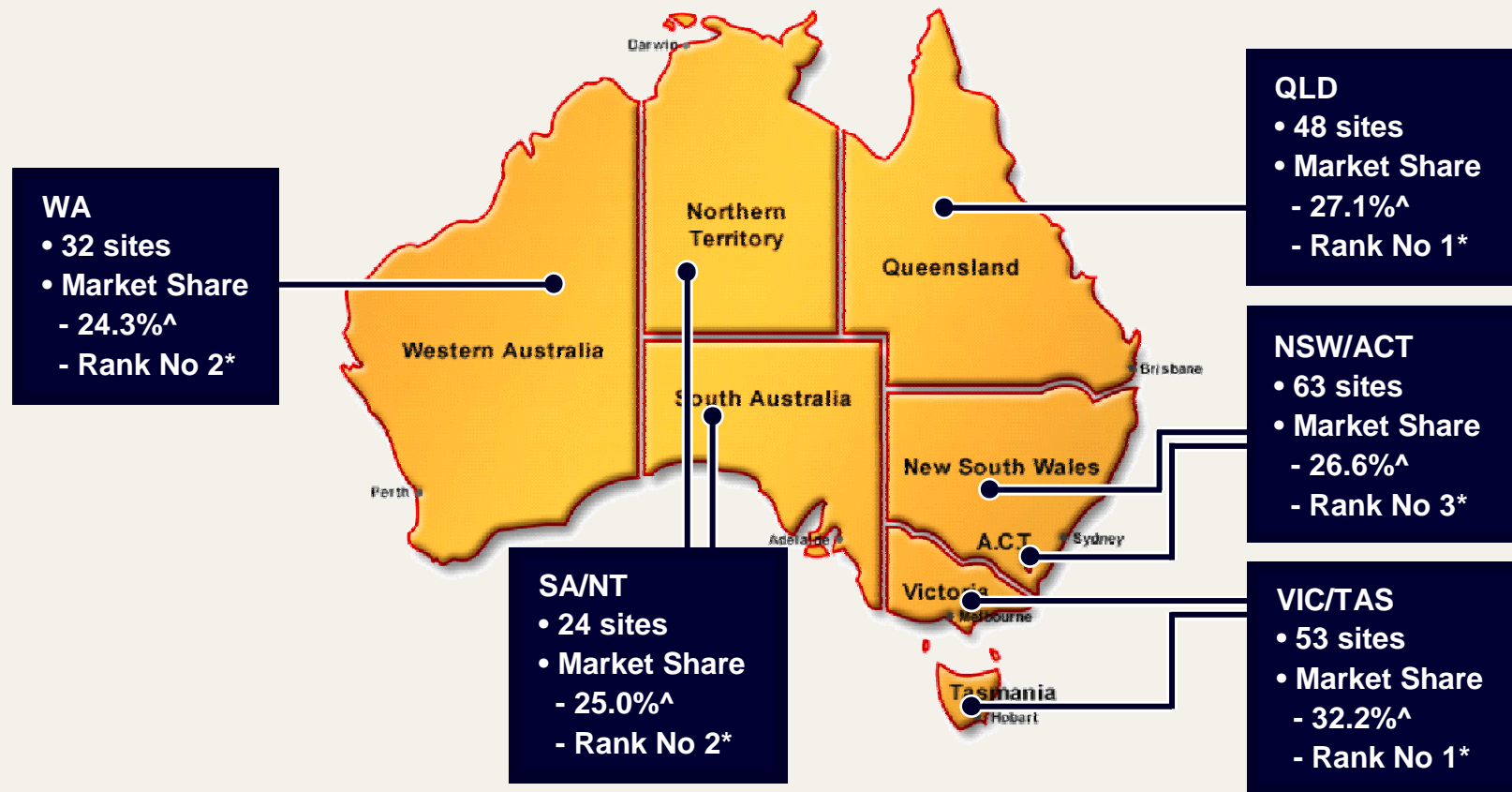
1<sup>st</sup>

(1) #1 or #2 market share

(2) Feb10-Jan11 12 month rolled data for Lending Footings only for Small & Emerging (\$0-\$1m), SME (\$1-\$50m) and Corporate (\$50m+) sourced from DBM Consultants. Weighted to overall business population (inflation weights). Products included align where possible with APRA reported products, at financial institutions reporting to APRA. Finance & Insurance and Government industry categories excluded, consistent with the definition of APRA Non-Financial Corporations. Businesses not providing balance information are excluded. Agri is RBA D7 Bank Lending to Business – Total Credit Outstanding by Size and by Sector March 2011. Institutional is proportion of borrowers citing NAB as their "Lead" Domestic Lender Peter Lee Large Corporate & Institutional Banking Relationship Banking Survey Australia June 2011

(3) Micro (\$0 - \$1m) – Satisfaction with MFI (rolling 6 month average), DBM Consultants Business Financial Services Monitor May 2011  
 (4) Small (\$1m-\$5m) – Satisfaction with MFI (rolling 6 month average), DBM Consultants Business Financial Services Monitor May 2011  
 (5) Medium (\$5m - \$50m) – Satisfaction with MFI (rolling 6 month average), DBM Consultants Business Financial Services Monitor May 2011  
 (6) Large (\$50m+) – Satisfaction with MFI (rolling 6 month average), DBM Consultants Business Financial Services Monitor May 2011  
 (7) Peter Lee Large Corporate and Institutional Banking Relationship Banking Survey Australia June 2011  
 (8) Peter Lee Large Corporate and Institutional Banking Transactional Banking Survey Australia June 2011

# A leading Business Banking presence across Australia



“More Bankers in More Places”

# Financial performance reflects strong commitment to “AND” strategy – grow AND improve business economics

|                              |  | 1H09  | 2H09  | 1H10  | 2H10  | 1H11  |
|------------------------------|--|-------|-------|-------|-------|-------|
| <b>Grow Revenue</b>          | Revenue (\$m)                            | 2,538 | 2,684 | 2,782 | 2,837 | 2,938 |
|                              | Underlying Profit (\$m)                  | 1,729 | 1,848 | 1,939 | 1,966 | 2,059 |
|                              | Cash Earnings (\$m)                      | 823   | 776   | 1,095 | 1,098 | 1,181 |
|                              | Cost to income ratio                     | 31.9% | 31.1% | 30.3% | 30.7% | 29.9% |
|                              | Total Customer Return (TCR) <sup>1</sup> | na    | na    | na    | 3.24% | 3.31% |
| <b>Grow Margin</b>           | Net Interest Margin                      | 2.24% | 2.45% | 2.51% | 2.50% | 2.57% |
| <b>Strong Balance Sheet</b>  | ROA                                      | 0.90% | 0.86% | 1.20% | 1.18% | 1.25% |
| <b>Manage Risk</b>           | B&DD charge/Avg Assets                   | 0.61% | 0.83% | 0.42% | 0.44% | 0.41% |
| <b>Grow Market Share</b>     | Business Lending <sup>2</sup>            | 20.6% | 21.6% | 22.1% | 22.8% | 23.8% |
|                              | Business Deposits <sup>3</sup>           | 20.3% | 21.1% | 22.0% | 21.5% | 21.4% |
| <b>Employees, Efficiency</b> | FTEs (spot)                              | 5,069 | 5,055 | 5,259 | 5,482 | 5,493 |
|                              | Rev per avg FTE (\$'000s)                | 1,018 | 1,055 | 1,087 | 1,049 | 1,072 |

(1) Represents total Business Bank customer enterprise revenue / average customer interest earning assets

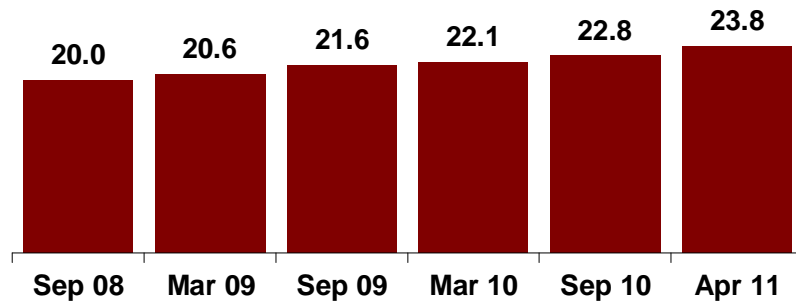
(2) APRA Monthly Banking Statistics. Business Lending represents loans and advances to non-financial corporations + bill acceptances of customers. Represents APRA data adjusted historically to include Business Markets Flexible Rate Loans

(3) APRA Monthly Banking Statistics. Business Deposits represents non-financial corporations + financial corporations + government + community services deposits

# Delivering on our “AND” strategy

## Growing Market Share

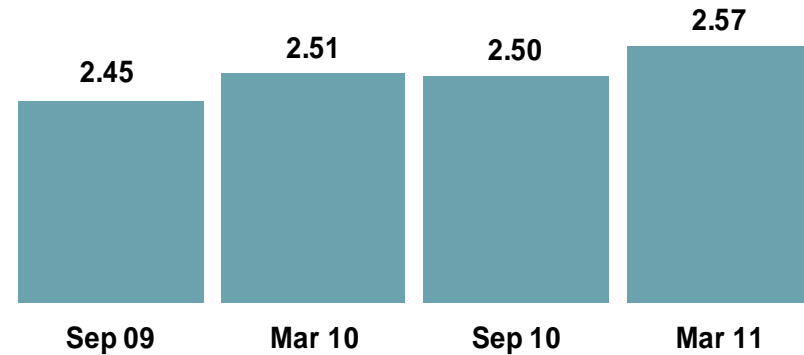
Business Lending Market Share (%)



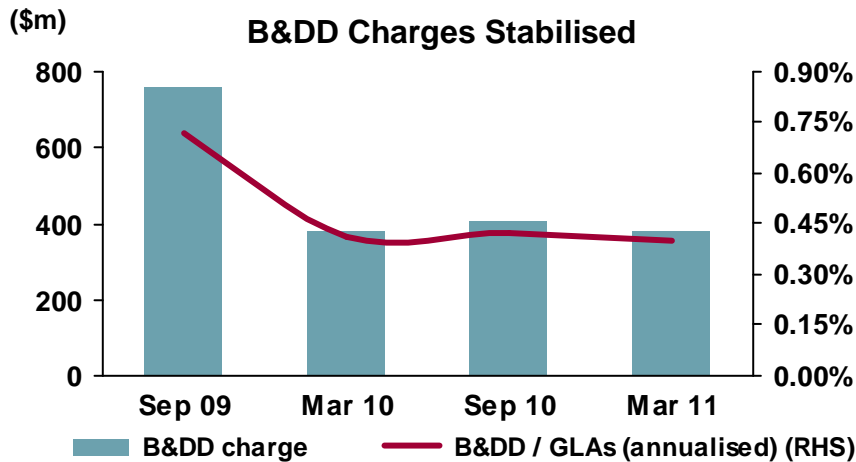
Source: APRA Monthly Banking Statistics Sep 2008 – Apr 2011. Lending represents loans & advances to non-financial corporations plus bill acceptances of customers. Represents APRA data adjusted historically to include Business Markets Flexible Rate Loans

## Managing Margins

Business Banking NIM (%)

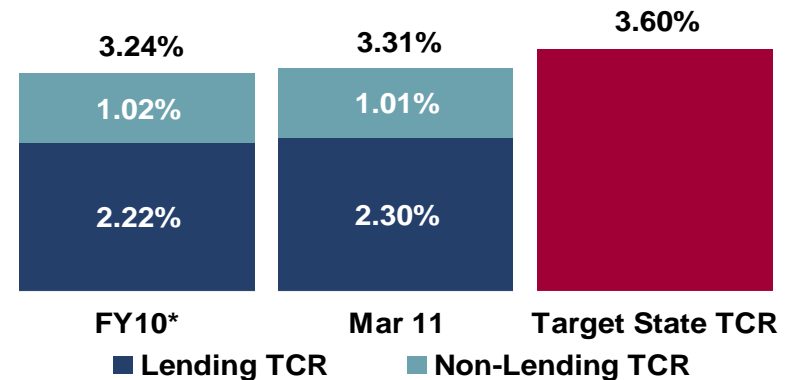


## Managing Risk



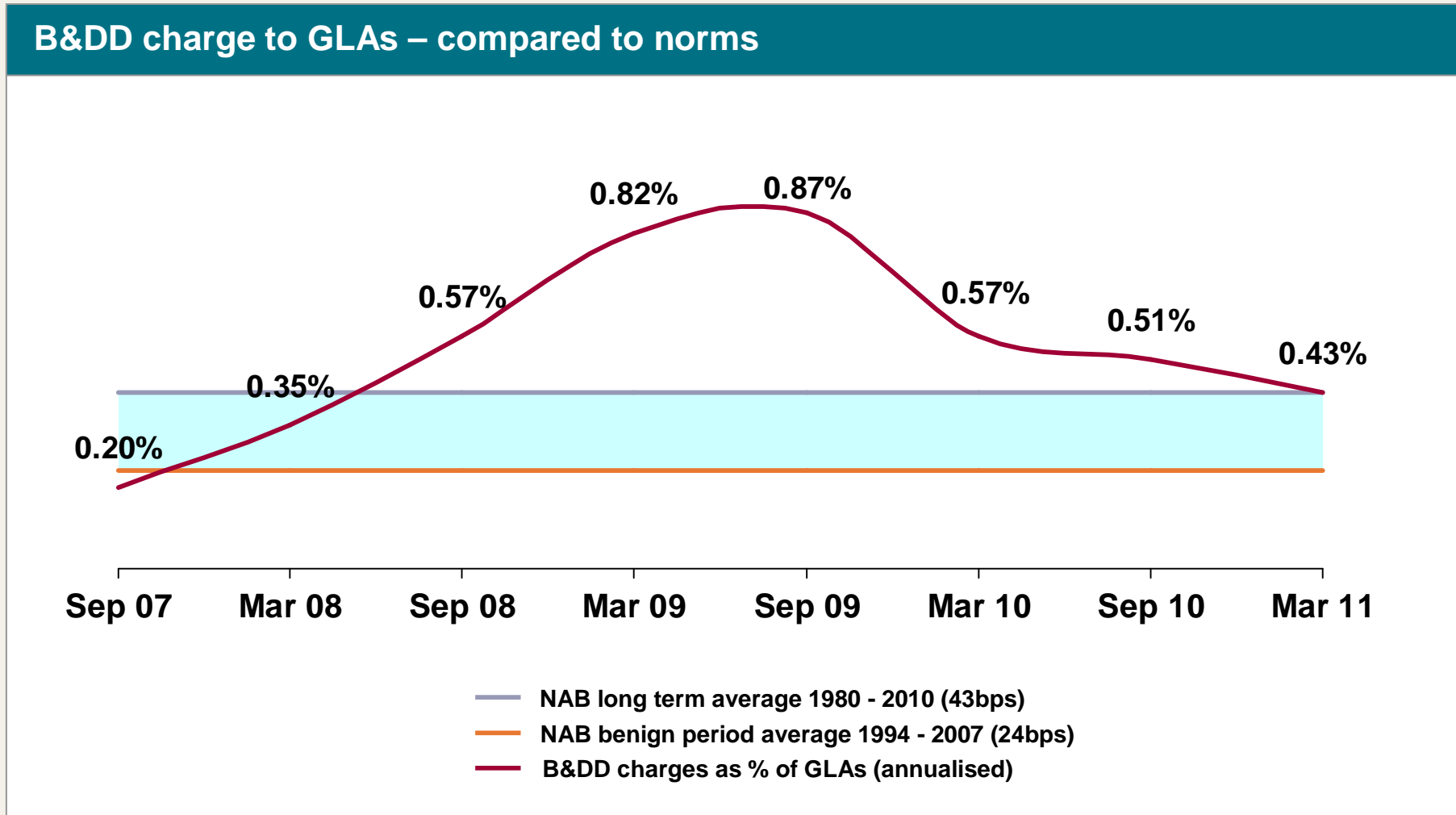
## Growing Cross-sell

Total Customer Return



\* Figures have been adjusted to include additional products cross-sold not previously captured

# B&DDs slowly reverting to trend



# Summary

- ▶ Well positioned for system recovery and changing industry dynamics
- ▶ Significant investment in people – excellent employee engagement
- ▶ Continued focus on business economics: capital & risk
- ▶ Consistent focus on “AND”
- ▶ Customer-led Innovation Strategy (CIS) – good momentum



**Disclaimer:** This document is a presentation of general background information about the Group's activities current at the date of the presentation, 22 June 2011. It is information in a summary form and does not purport to be complete. It is to be read in conjunction with the National Australia Bank Limited Half Year Results filed with the Australian Securities Exchange on 5 May 2011. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

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

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