

ASX Announcement

Thursday, 12 March 2009

Australian focus underpins NAB strategy

National Australia Bank Group Chief Executive Officer Cameron Clyne today provided details of the strategic agenda for NAB's Australian and international businesses.

Key points

- Improving Total Shareholder Returns (TSR) is the primary focus of NAB's strategy.
- Key priorities are:
 - maintaining a sound position on capital and funding;
 - continued careful management of costs and convergence of operations around best practice;
 - investment in our people, culture and reputation; and
 - focusing on our strong Australian customer franchise whilst maintaining the value and options for longer term growth internationally, and restructuring nabCapital.
- As part of maintaining conservative settings, and reflecting the increasingly challenging external environment, dividend will be reduced by approximately 25% for the 2009 half year.
- A new Group structure brings together an executive team with diverse and extensive experience, and increases the focus on the customer and relationship banking.
- Progressively accelerating cost initiatives. Associated costs and benefits will be incremental to underlying business performance and will be separately reported.
- The main business priorities are to develop NAB's Australian franchise by:
 - growing the business bank;
 - leveraging recent investments in the retail bank; and
 - continuing to pursue opportunities across the wealth management value chain.
- The international businesses are proving to be resilient under difficult market conditions. We remain committed to the United Kingdom business.
- nabCapital will be restructured:
 - markets, treasury services and specialised finance businesses to be maintained as a separate global business, renamed Wholesale Banking;
 - corporate lending franchises merged with relevant regional business banks, and;
 - non-franchise related assets (eg some conduit assets) to be exited in an orderly manner.

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Economic Environment

“The environment we are in is changing fast. The world is moving into a recessionary cycle at a speed that was not anticipated six months ago. There is great uncertainty around the timing and speed of an eventual recovery,” NAB Group Chief Executive Officer Cameron Clyne said.

“There are unprecedented levels of government intervention around the globe and whether this is tactical or amounts to a more permanent increase in regulation or government participation is not yet clear.

“Some industry trust has been lost. How consumers will respond, as their confidence returns, is not yet clear. We are potentially in for a long period of de-leveraging by households and companies.

“There is a wide range of possible outcomes for all of our markets. Our strategy must be flexible enough to accommodate such a degree of uncertainty.

“Australia has the benefit of timely government and regulatory responses, and is relatively better positioned than many other markets.

Strategic Priorities

“We face a challenging world, where flexibility is vital. In this context our strategy has four main imperatives:

- Maintaining the strength of our balance sheet;
- Accelerating our productivity and quality agenda, taking advantage of synergies across businesses and new technology-led efficiencies. This means sharing practices, processes, innovation and knowledge for the benefit of the Group. We are setting up a Service Company in order to facilitate this convergence more effectively;
- Differentiating through culture and reputation for the benefit of our people, customers and communities; and
- Focusing on our strong Australian customer franchise whilst maintaining the value and options for longer term growth internationally, and restructuring nabCapital.

Business Commentary

“Our primary focus will be the Australian franchise – to build on the strength of these businesses and to realise the significant future upside that exists through the economic cycle.

Australian Business Banking

“The changing landscape is providing opportunities to acquire new customers and lift market share on a profitable basis. With a disciplined approach, we have been growing our business lending at 1.3 times the industry rate.

“Particular areas of focus are specialisation of bankers and certain geographies where there is significant opportunity to build market share. We are also addressing our underweight position in the segment of customers with turnover less than \$3 million per annum.

“Risk is being more appropriately priced and this will benefit our business, particularly given our strong relationship banking model.

Australian Personal Banking

“Our personal banking is a high return business and we are well positioned to ride out deteriorating market conditions, with low relative exposure to personal unsecured lending.

“We have made significant investments in capabilities in the last three years – improving sales effectiveness and network infrastructure.

“However, we have not yet fully leveraged these investments. There remains significant opportunity to build this business into a true retailer; improving customer satisfaction and workforce sales productivity.

“Key areas of focus are mass affluent and micro-business, where our brand and capabilities are well suited.

“I am comfortable that we can extract significant value from this business going forward.

Australian Wealth

“MLC is leading the industry in transparency and quality advice. We are using this position and the advice capabilities to significantly grow and develop our private wealth franchise inside nab where there is still much upside within our premium customer base. The position we have taken on transparency and advice is also attracting high quality independent advisers.

“We will continue to see upside potential for cross-sell of insurance products through our banking franchise, and this will remain a focus.

“There also remains significant upside in our investments and superannuation business. While our market share has declined in recent periods, I am less concerned by this as we have chosen to focus more on protecting margin.

“Asset management is also an area we intend to develop further.

International Portfolio

“We will continue the conservative management of our international banks.

United Kingdom Banking

“Our UK management team has done an exemplary job of turning around the franchise they inherited. This is proven by its strong relative performance under very tough market conditions.

“The reality is that our position is proving to be resilient and our UK assets are performing better than peers on many measures. Over the last few years a good business has been created, but it is now operating in a very difficult market which will take some time to work through.

“In response, we are accelerating our UK Efficiency, Quality and Service agenda and have strengthened our funding mix, with good growth in customer deposits. This reflects our reputation as a well capitalised and well managed financial institution.

“It is absolutely not in the interest of shareholders to exit our UK position. We are committed to supporting this business and preserving our future options through the UK recovery. The UK business is a scarce and valuable mid-sized player.

“John Hooper, formerly CEO nabCapital, will become Executive Director UK to support UK CEO Lynne Peacock with the challenges of the current UK market.

New Zealand, Asia and the United States

“Our businesses in New Zealand, Asia and the US are proving to be resilient under difficult market conditions. These are smaller and well run businesses, with strong management and governance processes in place. We are managing performance carefully to ensure they are well positioned throughout the cycle.

Restructure of nabCapital

“nabCapital will be restructured. The corporate lending businesses in nabCapital, which comprise mainly our Australian, New Zealand and UK franchises will be merged into the business bank in each of our regional banking operations.

“The remaining markets, treasury services and specialised finance business will deliver value-added solutions to business and corporate clients. Its competitive advantage comes from the strength of our franchise relationships. These businesses will be managed as a separate unit, now called Wholesale Banking.

“The remaining non-franchise related activities will be progressively exited. These non-franchise areas of activity sit outside of NAB’s relationship model and include the purchased conduit assets.

Other Opportunities

“Market disruptions are producing unique opportunities. In Australia, we will consider acquisitions where they enhance our organic strategy, for example, in the areas of distribution and brands.

“Internationally, we would consider small acquisitions if they de-risk or create greater value in our existing positions, for example, deposit books or distribution infrastructure.

“We will undertake such investment if it preserves our funding and balance sheet strength, is highly value creating and aligned to the organic strategies of our businesses.

Group Executive Committee

“The new Group structure brings together an executive team that has great diversity and depth of banking experience and is passionate about the customer and relationship banking.

“NAB will run under this structure from today and report on this basis for the 2010 financial year.

The Group Executive Committee is:

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| Cameron Clyne | Group CEO |
| Lisa Gray | Group Executive Personal Banking |
| Michaela Healey | Group Executive Group Governance |
| Joseph Healy | Group Executive Business Banking |
| Mark Joiner | Finance Director |
| Bruce Munro | Group Chief Risk Officer |
| Lynne Peacock | CEO United Kingdom |
| Rick Sawers | Group Executive Wholesale Banking |
| Gavin Slater | Group Executive Group Business Services |
| Peter Thodey | Group Executive Office of the CEO |
| Andrew Thorburn | Group Executive New Zealand, Asia and the United States |
| Steve Tucker | Group Executive Wealth |
| Michael Ullmer | Deputy CEO |

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