

Group Strategy and Technology Update

13 March 2013

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National Australia Bank Limited ABN 12 004 044 937

Note: Information in this document is presented on a cash earnings basis, unless otherwise stated.

Cash earnings is a key financial performance measure used by NAB, the investment community and NAB's Australian peers with similar business portfolios. NAB also uses cash earnings for its internal management reporting as it better reflects what NAB considers to be the underlying performance of the Group. 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. "Cash earnings" is calculated by excluding some items which are included within the statutory net profit attributable to owners of the Company. A definition of cash earnings is set out on page 146 of the 2012 Full Year Results Announcement. 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 for the September 2012 full year is included on pages 22 and 137 of the 2012 Full Year Results Announcement. The Group's audited financial statements, prepared in accordance with the *Corporations Act 2001* (Cth) and Australian Accounting Standards, are included in its 2012 Annual Financial Report dated 19 November 2012.

Disclaimer: This document is a presentation of general background information about the Group's activities current at the date of the presentation, 13 March 2013. 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 Full Year Results filed with the Australian Securities Exchange on 31 October 2012. 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.

This document contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "outlook", "upside", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. Further information on important factors that could cause actual results to differ materially from those projected in such statements is contained in the Group's Annual Financial Report.

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Introduction

- Impact of technology on the banking industry is accelerating
- Well advanced on 10 year transformation program
- Upgrade of core infrastructure nearing completion
- NextGen real time banking platform already operating in our environment
- Payments capability driving significant market share gains
- Transformation program has already delivered substantial productivity benefits

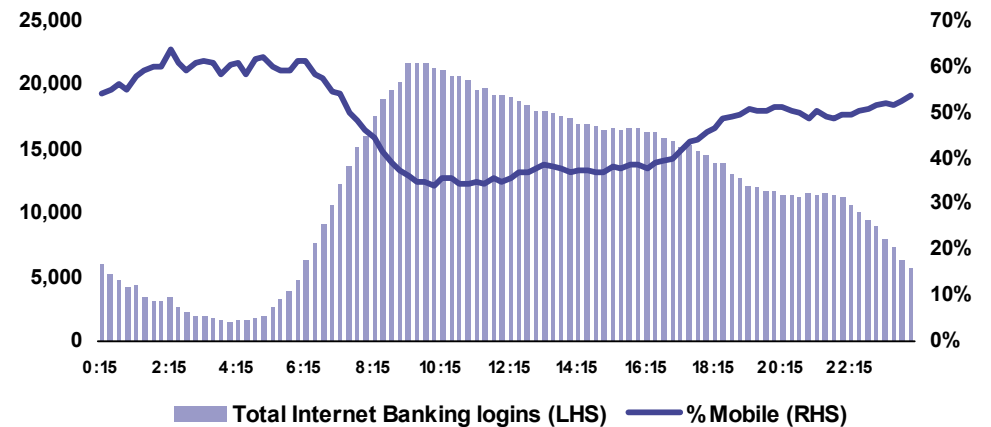
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Accelerating shift in industry dynamics

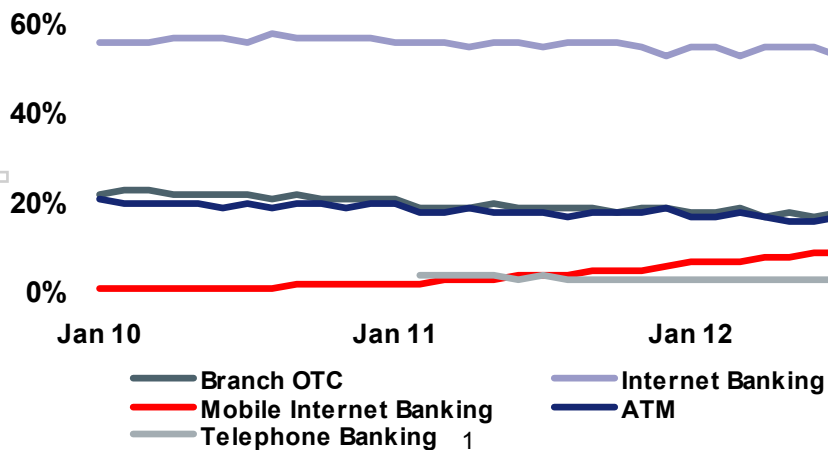
Today's industry dynamics

- Customers expect 24x7 access anywhere
- Exponential growth in digital channels and increasingly mobile
- Significant investment to re-architect old complex legacy, to new agile technologies
- Growing shortage of IT skills
- Information security a constant challenge
- Leveraging big data for better insights
- Real time payments

24x7 access



Increasing transaction volumes via mobile



Growth in digital channels

Channel	% Δ Dec 09–12	% Δ 12 mths
Branch OTC	↓ 16%	↓ 9%
Internet Banking	↑ 21%	↑ 5%
Mobile Internet Banking	↑ 3089%	↑ 111%
ATM	↓ 3%	↓ 7%
Telephone Banking ¹	↓ 19%	↓ 14%

1) From February 2011

Our integrated transformation program has five clear objectives

Empower customers and employees

- Real time 24x7
- Increased self service capabilities
- Multi channel
- Rapid product development
- Innovation

Reduce cost

- Simplify technology and processes
- Increased automation
- Straight through processing
- Reduced error rates
- Increased productivity
- Cloud computing

Provide real time insights

- Leverage 'big data'
- Real time payments
- Single customer view
- Deliver guidance and advice

Leverage partnerships

- Leverage best practice capability and knowledge
- Industry standard solutions
- Access to significant R&D capability
- Reduced risk of outdated technology

Reduce operating risk

- Improved resilience and service availability
- Enhanced information security
- Improved disaster recovery capability
- Increased financial controls

Building a sustainable foundation to meet the evolving needs of our customers

Every level of our organisation is being transformed

Dimensions of Technology & Operations Environment		Programs	
Process Transformation	Application Layer	Channel and Distribution Systems	NextGen customer web portals, nabtrade, nabConnect, mobile apps, ATM upgrades and Merchant acquiring terminal refresh
		Customer Information Management Systems	NextGen Single Customer View, Money Tracker and 'People Like U'
		Product Systems	NextGen – Deposits, transaction banking and lending
		Enterprise Systems	NextGen – Information Analytics Platform, single general ledger, credit risk engine replacement, funds transfer pricing system, securitisation engine
	Infrastructure Layer	Payments	Payments Transformation - Swift Gateway upgrade, Real time payments, Connex Upgrade, Intraday Settlement and Low Value Payments
		Voice Infrastructure	Single voice system – converged nine different hardwired voice systems to one web based virtualised system
		Employee Services	Workplace transformation - Office tools, email, PC and laptop upgrades
		Networks, Security	Network transformation – converged eight bespoke networks into one industry leading network
		Mainframes, Servers, Operating Systems	Infrastructure transformation – modern hardware, hosting and storage via private cloud
		Data Centres	New state of the art Data Centre and Data Centre consolidation

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Upgrades in core infrastructure nearing completion

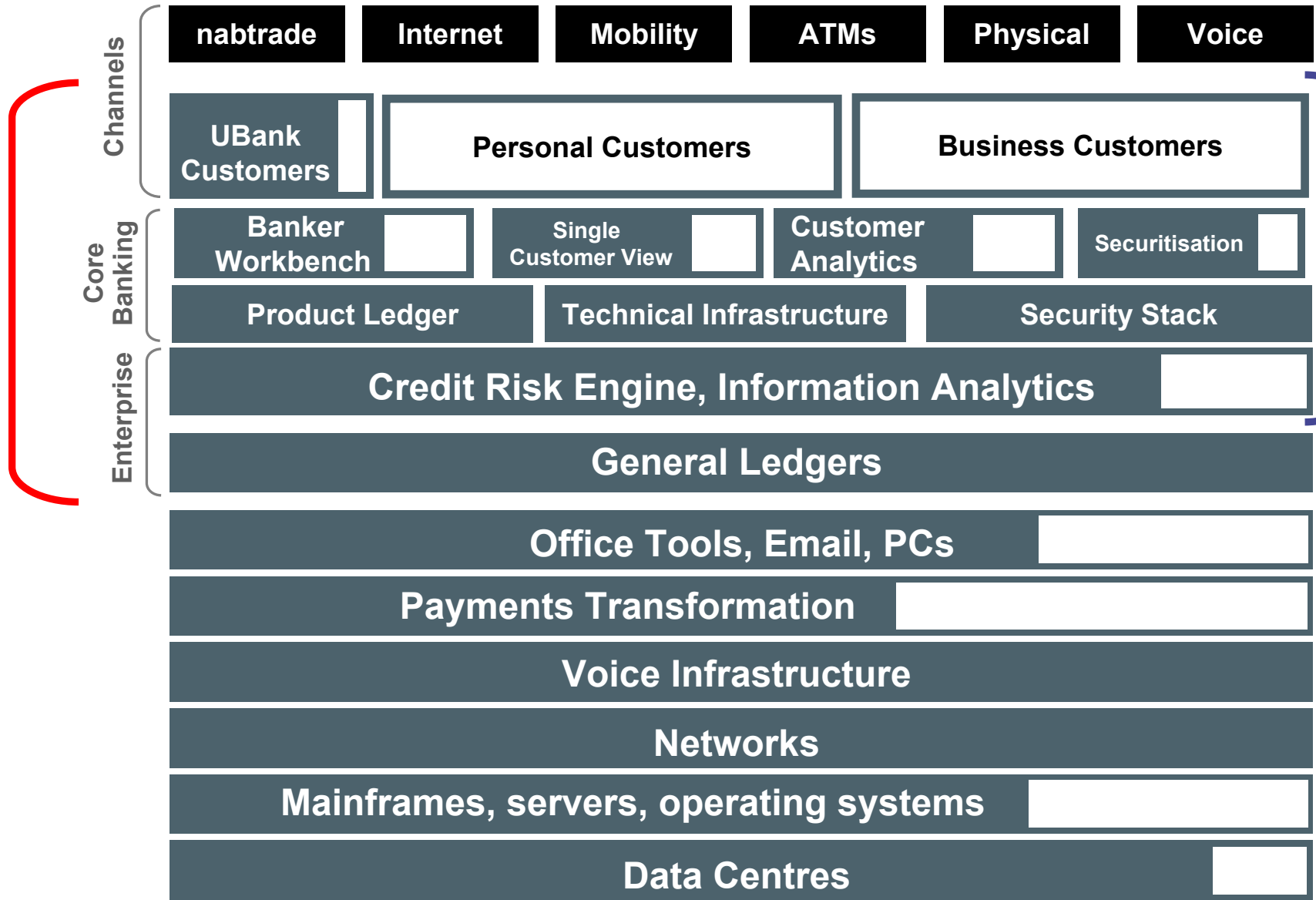
	2009	2013	Status	Benefits	Partners
Voice Infrastructure	9 hardwired, phone based systems	1 web based virtualised system	Completed	30% reduction in technology operating costs to support call centre operations Facilitates flexibility in scale/locations	Dimension Data Telstra
Networks, Security	8 bespoke networks	1 Australia wide Multi-Protocol Layer Service network	Completed	Improved performance and stability Consumption unit based charging	Telstra
Employee Services	80% of desktop fleet <3years old	94% of desktop fleet <3 years old	Workplace uplift program ongoing, eg Managed Print by end 2014	Increased staff productivity	IBM
Mainframes, Servers, Operating Systems	Fragmented operating systems, hosting and storage	7 year agreement with IBM (2010)	Ongoing	Consumption unit based pricing	IBM
		Standard private cloud built	Applications to be migrated to private cloud by end 2015	Ability to respond quickly to change in business volumes	IBM
	Adhoc patching regime for operating systems	Mature patching regime in place (99.7% systems patched)	Ongoing	Improved resilience	IBM
Data centres	Over 20 Data Centres	Build of new world class data centre complete	Migration of applications from secondary data centre to new data centre by end 2014	State of the art data centre Reduced risk Converged to 2 Data centres Cost savings, including reducing power usage by 40%	IBM Telstra Digital Realty

The scope of NextGen

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NextGen

Oracle Banking Platform



Completed
 To be completed

Our partnership with Oracle

Why Oracle?

- Proven technology leader in financial services
- Complete end-to-end integrated banking platform
- Annual R&D budget of ~\$5bn
- Integrates solid, secure technology foundation with adaptability for changing market conditions
- Commitment to industry standards

“Oracle is thrilled with the progress of the project”

“With the product now standardised and available to the broader market, clients, including NAB, can enjoy the incremental innovation that goes into the product over many years, without having to rely on their IT organisation to do that”

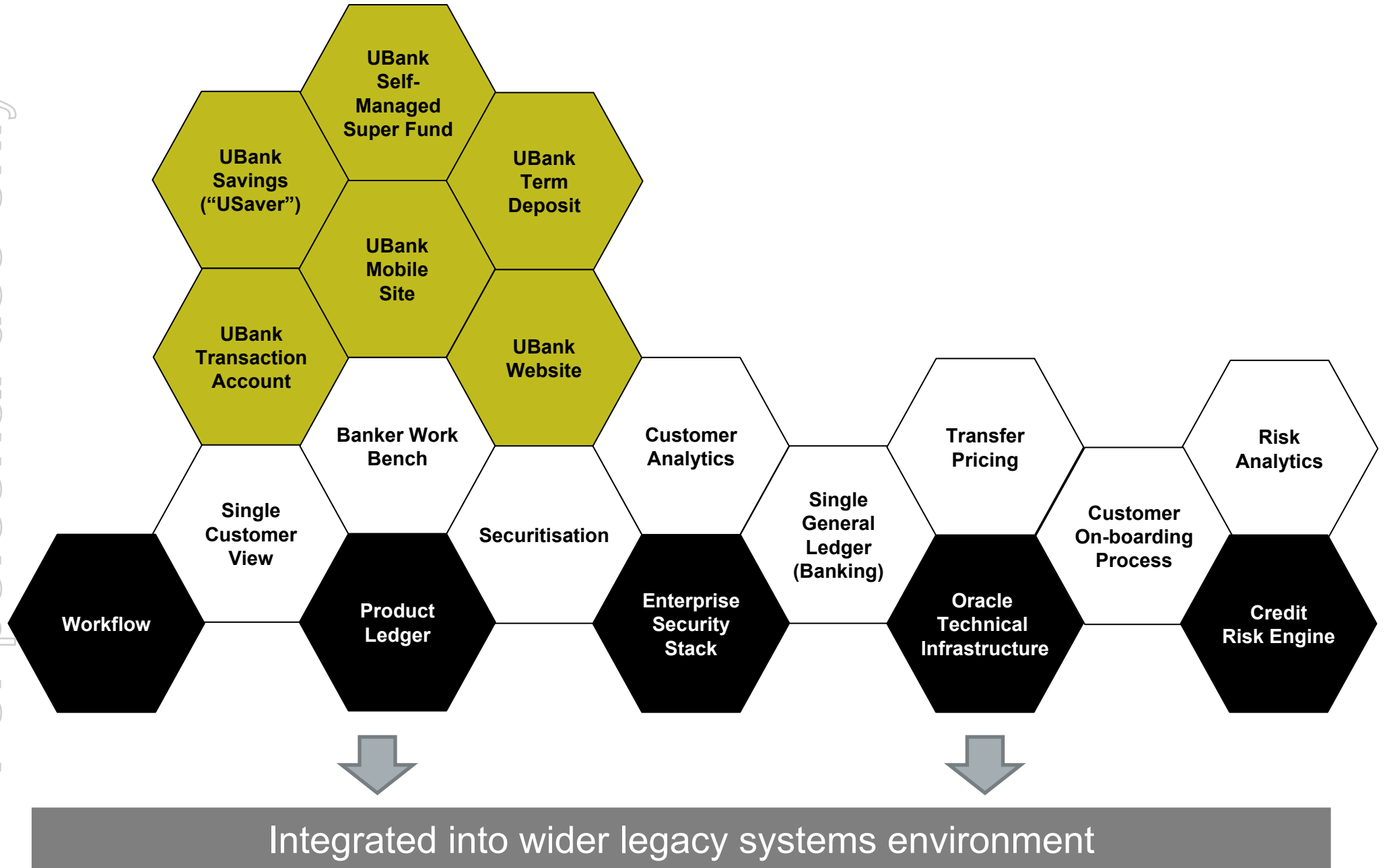
Mark Hurd
President and Board Member
Oracle Corporation
21 January 2013

Oracle and NAB partnership

- 10 year industry standard licensing agreement
- Favourable pricing arrangement
- NAB a foundation customer
- Generally available platform that closely meets our requirements
- Oracle has invested 900 personnel, including 500 developers
- Regular standardised upgrades across end-to-end banking platform
- Oracle launched its Banking Platform Product globally in September 2012
- Targeting >100 Tier 1 banks globally

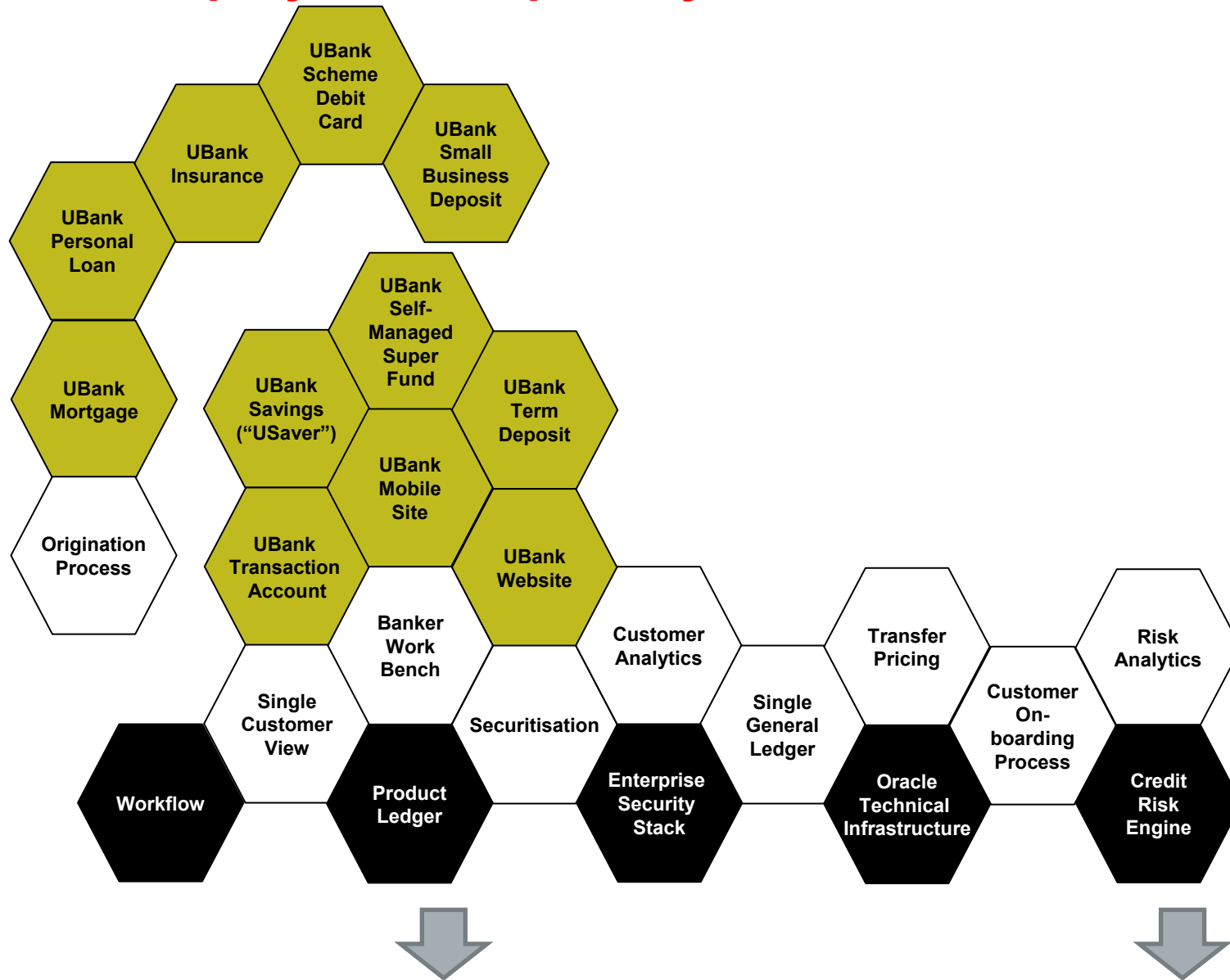
The NextGen platform is already in our environment and operating

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We will deploy extra capability in 2013 to UBank

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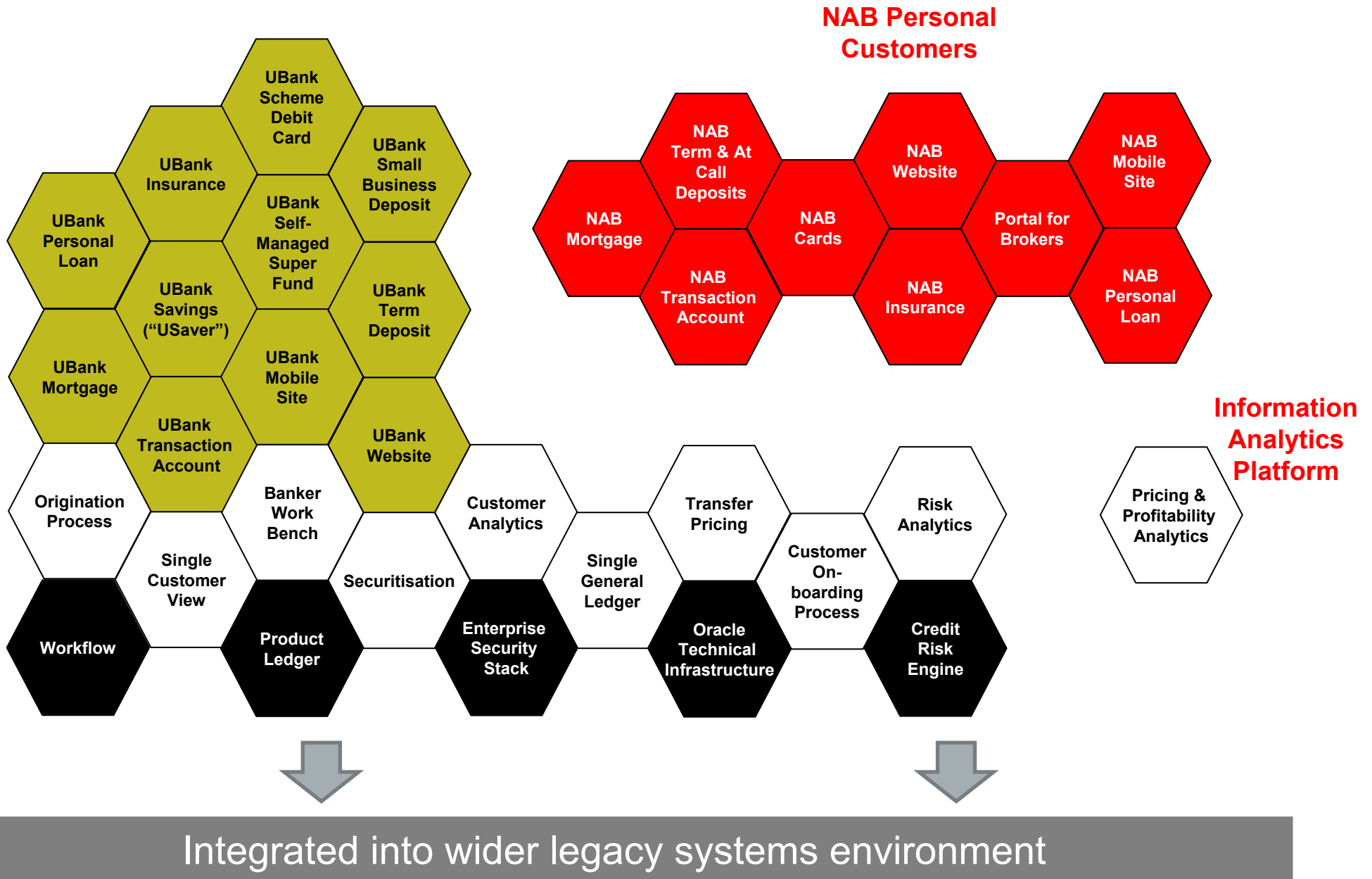


Integrated into wider legacy systems environment

- ⬡ What UBank brand customers see
- What employees see
- Oracle Core infrastructure

Personal customers will begin using the platform by 2014

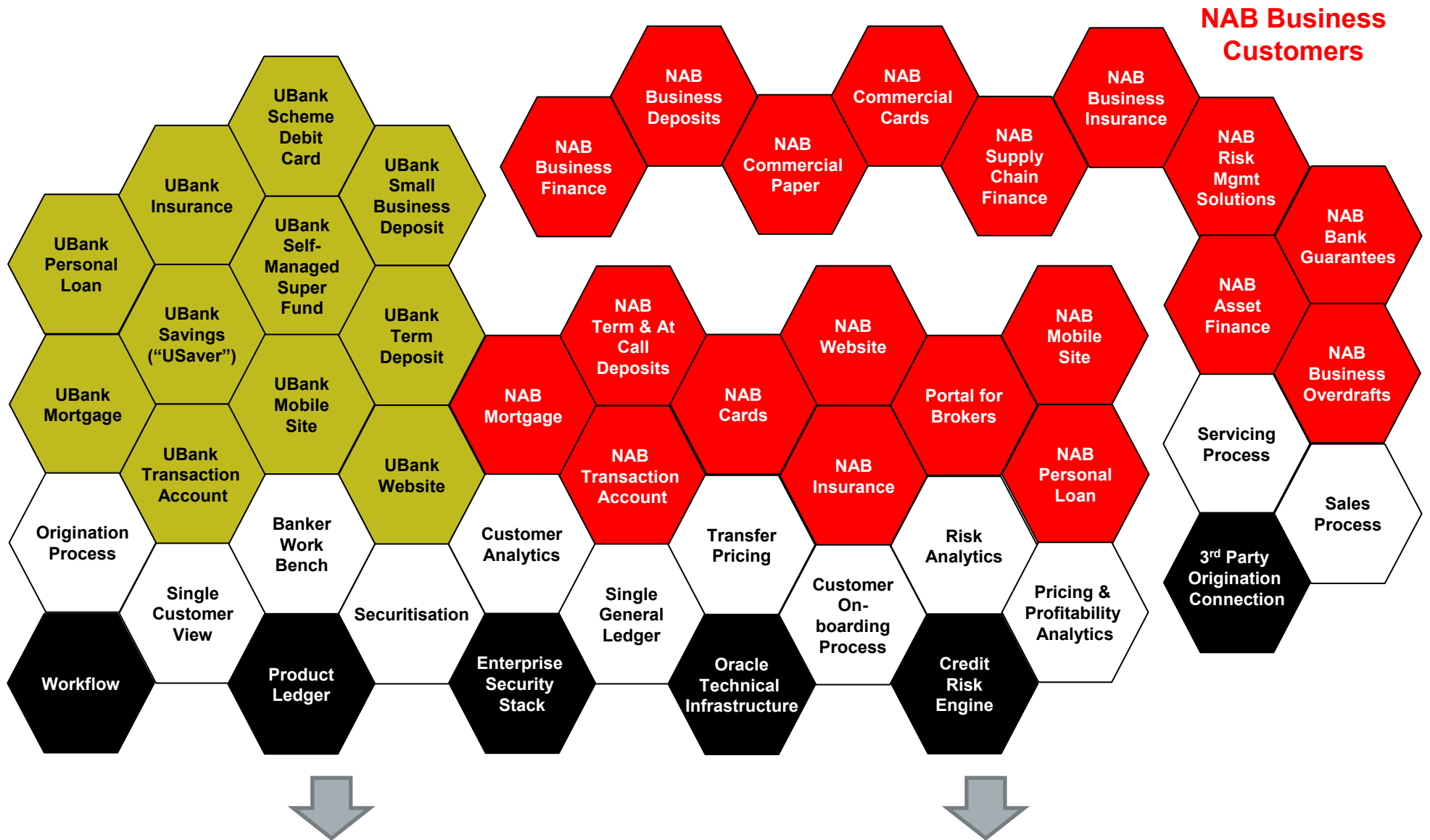
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- ⬠ What NAB brand customers see
- ⬠ What UBank brand customers see
- What employees see
- Oracle Core infrastructure

Business customers will begin using the platform by 2016

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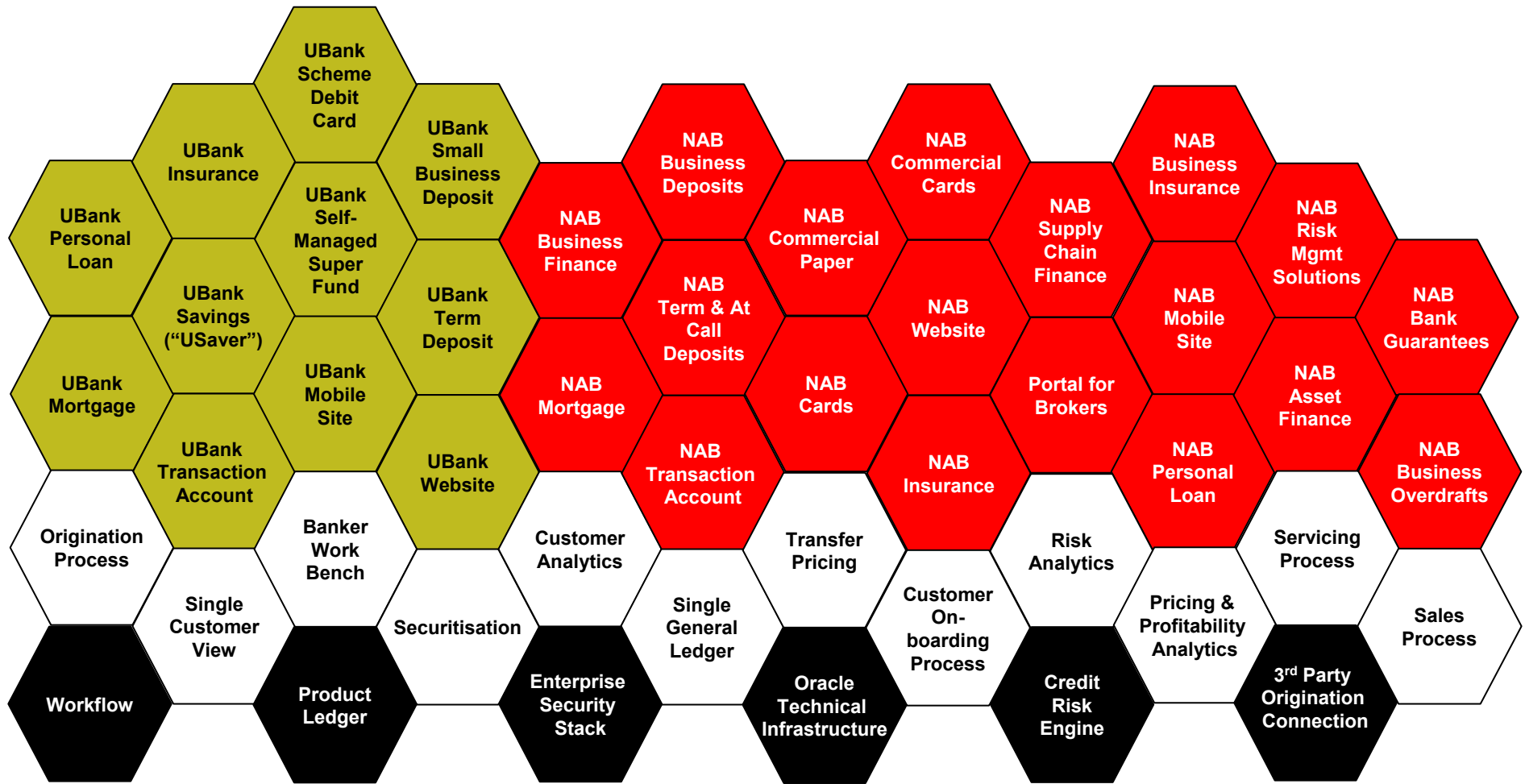


Integrated into wider legacy systems environment

- What NAB brand customers see
- What UBank brand customers see
- What employees see
- Oracle Core infrastructure

Post 2016 we will decommission any remaining legacy systems

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Decommission remaining legacy systems

- What NAB brand customers see
- What UBank brand customers see
- What employees see
- Oracle Core infrastructure

What NextGen will deliver

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	Focus areas	2009	Future state
Customer	Understanding customers	20 partial systems/databases	Single customer view
	Time to 'yes' approval¹	<120 hours	Response within minutes
	Time to documentation for a simple mortgage¹	~20 days	<1 hour
	Self service	<10 capabilities via internet banking	>100 new capabilities
Employee	Processes	Complexity impacting productivity	Simplified, improved productivity
	Core consumer and business banking products²	~500	<100
	Customer reporting & analysis	Multiple manual systems	Single integrated system
	Employee enablement	Impacted by manual processes	Improved via reduced role complexity and better processes
Group	Operational risk	Ageing fragmented systems with high cost and time to make changes	Reduced incidents and technology savings
	Competitiveness	Hindered by time and cost to launch products	Faster speed to market and greater agility
	Service experience	Lower conversion rates, high attrition	Better conversion rates, reduced attrition

1) Subject to customer verification and valuation requirements
 2) Excludes Wealth and Wholesale Banking products

Payments capability driving market share gains

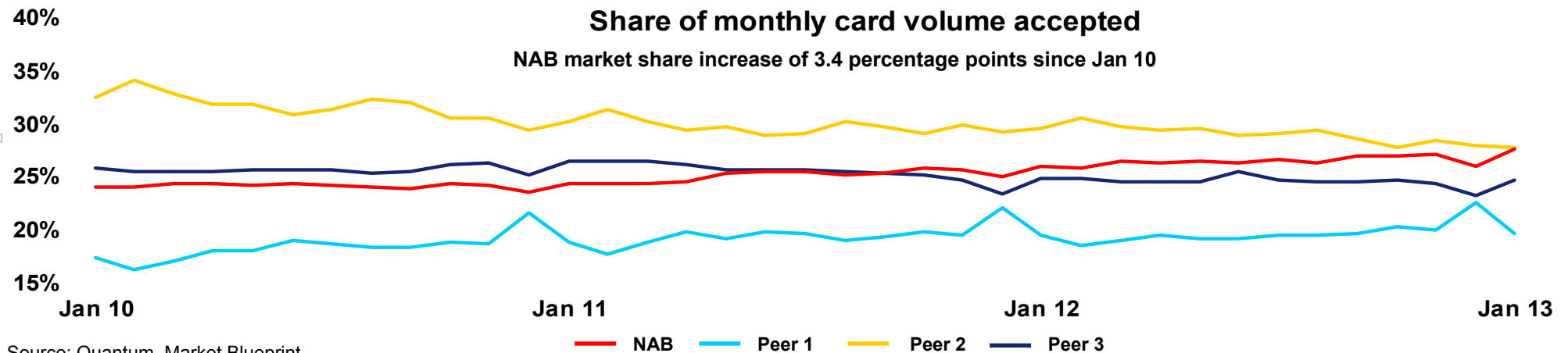
Real time payments well advanced

7 day settlement for merchants	Launched 2012, businesses can access funds on the weekend
NAB-to-NAB customer	Real time available
Any bank to NAB customer	Same day settlement available (previously overnight)
RBA requirement that all direct entry payments should settle on the day instructions exchanged, by end 2013	On track. Real time payments processing engine currently being implemented

Merchant acquiring

Announced strategic partnership with VeriFone	From > 30 terminals to 2 Reduced operating costs Leading global industry solution
Fairer and more transparent billing to all merchants	Greater transparency on cost of processing different cards Merchant customers will achieve >\$30m ¹ of savings in merchant interchange fees ²
Only bank to offer merchants China UnionPay and online multicurrency platform for overseas payments	Opens up new markets overseas for our customers

Strong gains in merchant acquiring share



- 1) Estimated in 12 months from 1 November 2012, calculated using Visa and Mastercard November 2012 interchange rate reset by number of NAB merchants
- 2) On Visa and Mastercard transactions

Providing our customers with leading, innovative solutions

Customers benefiting from mobile solutions

- 1st of the major banks to market with apps for iPad and Android
- 1st in the international market to offer passcode login access for Windows phone devices
- 1st bank to offer business customers¹ the ability to authorise payments via mobile devices
- Internal launch of NabKiss pilot. Real time device-to-device value transfer



Leveraging big data

- Money Tracker launched
 - Fully integrated with Internet Banking
 - In first 3 days of going live there were ~28,000 unique customers actively using it
- People Like U launched
 - > 1bn internal and external data points analysed
 - Awarded Innovation in Customer Analytics & Big Data – FIIA²



Active in social media

- 1st Social Media Command Centre in Australia launched
- Total community size >140,000
- 1,000+ customer interactions per month, including servicing, sales and retention conversations

nabtrade

- Launched September 2012
- More than 140,000 customers migrated
- 6 fold increase in new accounts since launch
- 25% of all trades coming from new customers
- Analysis and recommendations on >1500 ASX listed companies - more than any other Australian online broker



1) Through NABConnect

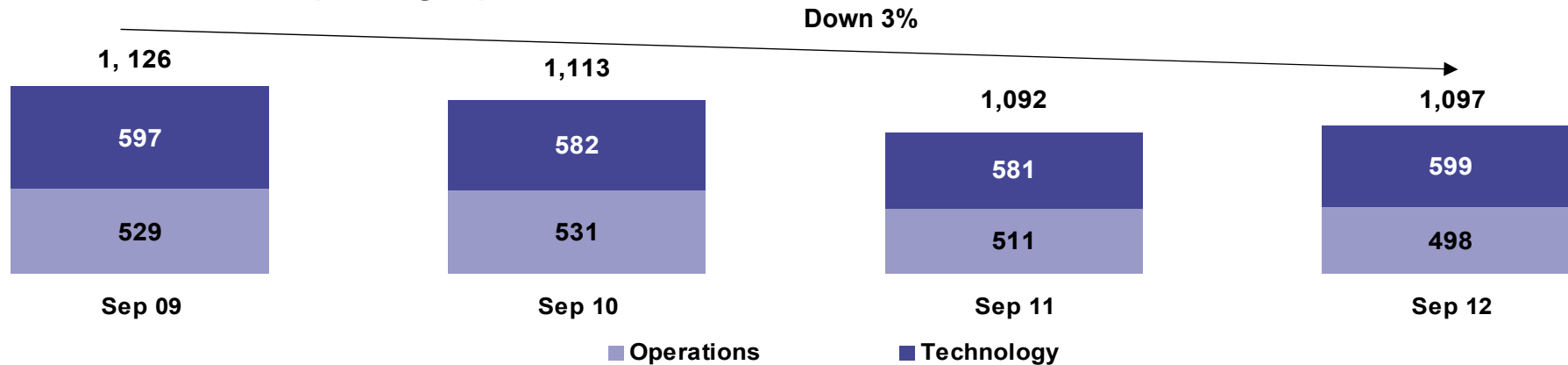
2) IDC Financial Insights, Financial Insights Innovation Awards 2012

Investment and simplification underpins productivity gains

Productivity benefits have driven cost savings

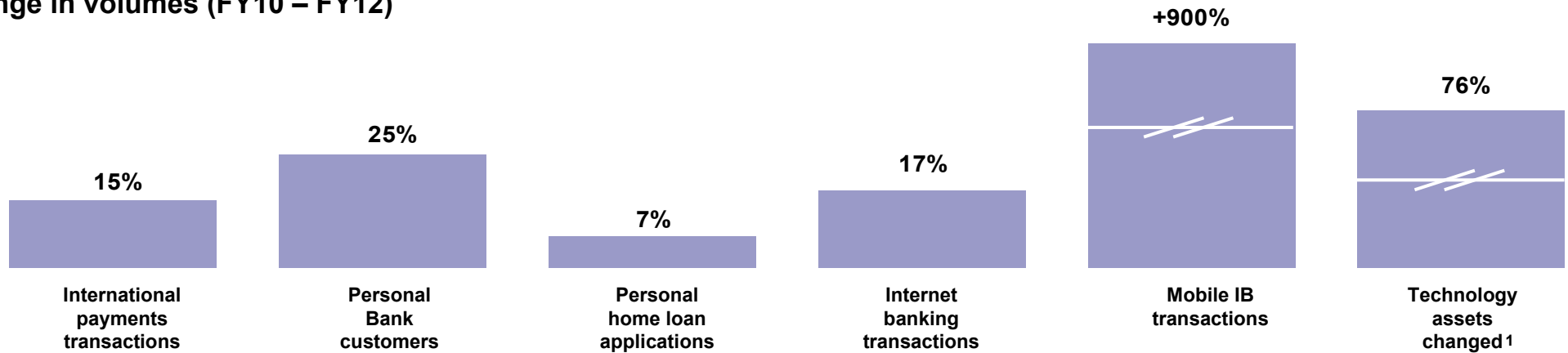
Group Business Services operating expenses

(\$m)



Absorbed significant increase in volume

Change in volumes (FY10 – FY12)



1) Represents growth in the number of systems or applications that have undergone change from FY11 to FY12 only

Summary

- Total environment transformation
- Infrastructure upgrade nearing completion
- NextGen build well advanced – rollout to customers underway
- Continuing to innovate and deliver new capability in all areas
- Productivity gains substantial – more to come
- Building a sustainable operating model for competitive advantage

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QUESTIONS

