

ASX ANNOUNCEMENT*Tuesday, 14 August 2012***NAB 2012 Third Quarter Trading Update****Earnings stable as operating conditions remain difficult**Key Points

The quarterly average of the March 2012 Half Year results is used for comparison purposes unless otherwise stated.

- On a statutory basis, unaudited net profit attributable to the owners of the Company for the June quarter was approximately \$1.2 billion.
- Unaudited cash earnings were stable at approximately \$1.4 billion. The main difference between statutory and cash earnings¹ was charges relating to the restructure of UK Banking announced on 30 April 2012. On a cash earnings basis:
 - Revenue was down around 1% reflecting higher UK funding costs and lower Markets and Specialised Group Assets (SGA) revenue. Income from Personal Banking grew strongly;
 - The charge for bad and doubtful debts (B&DDs) for the quarter was \$524 million, down \$42 million or 7%. Small reductions in the charge across a number of business units were partially offset by an increased charge in Business Banking;
 - Expenses were lower reflecting disciplined expense management. The Group remains focused on balancing investment in core infrastructure projects with sustainable productivity improvements.
- For the financial year to date, the Group has raised approximately \$27 billion of term wholesale funding (including approximately \$9 billion of secured funding). The weighted average term to maturity of the funds raised was 4.9 years. The Stable Funding Index (SFI) was unchanged at 30 June 2012 at 85%.
- The Group Core Tier 1 ratio (on a Basel II basis) was 8.05% compared to 8.03% as at 31 March 2012.

Executive Commentary

“NAB delivered a stable result for the quarter and made further ground against its strategic agenda to strengthen the Australian franchise, which has been the Group’s unwavering focus since 2009”, National Australia Bank Group CEO, Cameron Clyne said today.

“This quarter’s result is set against a backdrop of ongoing challenges in the global economy with continued uncertainty in the Euro-zone and the United States, volatility in global financial markets, and slowing growth in the big emerging economies. Although subdued business and consumer confidence continue to affect the Australian economy, we remain positive about the outlook.

“The Australian franchise remains a strategic priority and again produced some pleasing results in Personal Banking, while maintaining a strong position in Business Banking.

“The Group’s commitment to enhance and strengthen reputation produced good outcomes during the quarter. In June 2012 NAB was ranked number one for customer satisfaction among

¹ Refer to note on cash earnings on page 3 of this document.

the major Australian banks for the third month in a row². Personal Banking customer numbers, revenue and earnings increased during the quarter.

“The Group maintained its focus on balance sheet strength and continues to carefully manage its cost base,” he said.

Business Commentary

Business Banking results were influenced by higher funding costs and an increase in the charge for B&DDs. B&DDs were higher mainly due to increased provisions on existing impairments and release of collective provisions in the prior half as a result of collateral matching. Expenses continue to be well managed and declined in the quarter. Business Banking announced a 20 basis point increase in the liquidity margin that applies to some market-linked lending products from 31 July 2012.

Personal Banking produced a strong result, benefiting from good growth in revenue and seasonally lower charges for B&DDs.

Wholesale Banking earnings were stable. A lower charge for B&DDs was offset by a reduction in revenue, as market conditions were less favourable than in the first half.

Excluding IoRE, NAB Wealth results improved in the quarter despite lower funds under management (FUM). Underlying investment margins remained stable. Premiums in-force increased in the insurance business at a comparable rate to prior periods and net claims were stable in the quarter.

NZ Banking earnings were lower in the quarter primarily due to an increase in the charge for B&DDs on business exposures from the relatively low levels in the first half. NZ customer deposits grew strongly in the quarter.

UK Banking results were weaker due to lower revenue, mainly from increased funding costs. The charge for B&DDs was lower but remains elevated and asset quality measures continued to deteriorate in the commercial real estate portfolio, reflecting ongoing weakness in the UK economy.

Great Western Bank earnings were stable, with good growth in customer deposits and an improvement in asset quality.

SGA revenue was lower during the quarter mainly due to portfolio run-off and the absence of SCDO mark-to-market gains recorded in the first half. Whilst the charge for B&DDs was lower, the SGA portfolio remains closely linked to conditions in the US and UK economies.

Group Asset Quality

The ratio of Group 90+ days past due and gross impaired assets to gross loans and acceptances was 1.72% at 30 June 2012 compared to 1.73% at 31 March 2012. Increased impairments in UK Banking were offset by improvements in Wholesale Banking and SGA. Other business units were stable.

The collective provision coverage ratio was 1.34%, broadly consistent with levels at 31 March 2012. The specific provision coverage ratio was 29.0% at 30 June 2012 compared to 26.8% at 31 March 2012.

Changes to Group Executive Committee

Mr David Thorburn, CEO United Kingdom, has agreed to step down from the Group Executive Committee to allow him to focus on executing the restructure of our UK Banking operations announced in April 2012. Mr Thorburn continues to report to Cameron Clyne as Group CEO and Chairman of the National Australia Group Europe board.

² Roy Morgan Research Customer Satisfaction Report (June 2012). Main Financial Institution customers aged 14+, six month moving average, NAB compared with ANZ, Commonwealth and Westpac.

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Disclaimer

This announcement contains certain forward-looking statements. The words "anticipate", "believe", "expect", "project", "estimate", "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.

Note on Cash Earnings

The Group's results and Review of Divisional Operations and Results are 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 a similar business portfolio. 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 150 of the 2012 Half 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 March 2012 half year is included on pages 22 and 141 of the 2012 Half Year Results Announcement. The Group's financial statements, prepared in accordance with the *Corporations Act* 2001 (Cth) and Australian Accounting Standards, and reviewed by the auditors in accordance with Australian Auditing Standards, are included in section 5 of the 2012 Half Year Results Announcement.