

**ANNUAL
REVIEW
2010**



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The Chairman, Group CEO and CFO discuss our performance for the year, we profile our Board and Executive Committee, and provide a snapshot of our business and how we've delivered against our strategy in 2010.

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Our approach to governance, diversity and risk management, a report on executive remuneration, financial highlights for the past five years, and key information for shareholders.

ADDITIONAL INFORMATION

The online Annual Review with additional case studies, a series of Corporate Responsibility *Dig Deeper* reports and interactive functions can be found at www.nabgroup.com/annualreports

View further information on our approach to corporate responsibility, our performance and our commitments at www.nabgroup.com/cr

Our full Annual Financial Report is available in hard copy on request and can be viewed at www.nabgroup.com/annualreports

In 2010, we have integrated our Shareholder Review and Corporate Responsibility Review into one document, the Annual Review.

It's written for all our stakeholders because it's clear that the success and sustainability of our business depends on doing the right thing by many.

We continue to focus on our performance – for shareholders, for customers, for employees and for our community.

That's why we've led the way on fees, ensuring that what we charge is fair. Why we continued to lend to our customers when some others pulled back. Why we've invested over \$61 million in our communities and been the first Australian bank to become carbon neutral. And why words such as value, performance, fairness, responsibility, leadership and inclusion tell our story.

ABOUT THIS REPORT

This Annual Review includes financial summaries and information derived from the Company's 2010 Annual Financial Report and 2010 Full Year Results Announcement. This document is not a concise report prepared under section 314(2) of the *Corporations Act* 2001. The Company has not prepared a concise report for the 2010 financial year. All figures quoted are in Australian dollars unless otherwise stated. A reference to '\$' is to an amount in Australian dollars and a reference to '£' is to an amount in British pounds sterling. References to 'nab', 'NAB', the 'National', 'National Australia Bank' or the 'Company' are to National Australia Bank Limited ABN 12 004 044 937. The 'Group' refers to the National Australia Bank Limited and its controlled entities. All references are as at 30 September 2010 except where stated otherwise. Any references to changes (including an increase or decrease) relate to the previous year, unless otherwise stated.

2010 RESULTS

CASH EARNINGS

\$4.58 billion

DIVIDEND

\$1.52 per share

CASH EARNINGS GROWTH

+19.3%

RETURN ON EQUITY

13.2%

TIER 1 CAPITAL RATIO

8.91%

Source: NAB 2010 Full Year Results Announcement

OUR BUSINESSES

UNDERLYING PROFIT (millions)

CASH EARNINGS (millions)

Business Banking	\$3,905	\$2,193
Personal Banking	\$1,405	\$743
Wholesale Banking	\$1,014	\$705
MLC & NAB Wealth	\$727	\$609
NZ Banking	NZ\$943	NZ\$524
UK Banking	£511	£118
Great Western Bank	US\$149	US\$67

Note: Excludes Specialised Group Assets, Corporate Functions, Asia and distributions.

Source: NAB 2010 Full Year Results Announcement

CUSTOMER

Customer complaints across Australian businesses

PEOPLE

Employee engagement (percentage points)

COMMUNITY

Investment in our communities

-23%

+9pp

\$61.9m

More information on page 26

Source: NAB Internal

HIGHLIGHTS

Continued to lend to business customers when the industry contracted its lending

Largest improvement in Personal Banking customer satisfaction, compared to other major banks

Achieved commitment of becoming carbon neutral in September 2010

Contributed 20,718 volunteer days to the community, a 66% increase from 2009

Over 8,500 microfinance loans written, taking the total number of loans to 15,445 since the program began in 2004

More than \$5 million awarded to school-community partnerships through the *Schools First* program

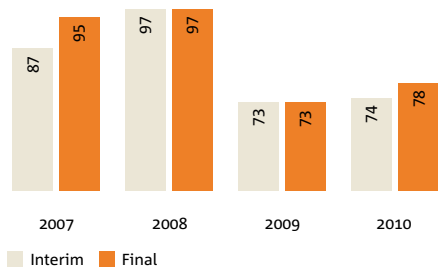
CHAIRMAN'S MESSAGE

“During 2010, cash earnings and asset quality improved while there was substantial investment in our businesses, particularly in Australia. Initiatives that helped to build talent, culture and reputation were progressed and strong balance sheet settings were maintained.”



DIVIDEND

cents



Source: NAB 2010 Full Year Results Announcement

The steady improvement in National Australia Bank's financial performance has continued this year and considerable progress was made against NAB's strategic agenda.

This year the Annual Review integrates the Shareholder Review and the Corporate Responsibility Review, recognising that the success of our business relies on the continued goodwill of all our stakeholders.

The operating environment remained challenging. Global economic conditions included ongoing concerns about a return to recession in the United States and the United Kingdom and sovereign debt concerns in Europe. In Australia, there was subdued business credit growth, reflecting lower confidence levels along with strong competition for lending and deposits. In addition, funding costs remained at elevated levels.

Cash earnings for the year ended 30 September 2010 increased 19.3% to \$4.58 billion (including acquisitions). This was achieved while important initiatives to improve reputation, including a range of fee initiatives and competitive interest rate pricing, contributed to higher customer satisfaction.

Final dividend increased by 4 cents to 78 cents (fully franked), taking the dividend for the year to \$1.52, an increase of 6 cents.

Improved shareholder returns through sustainable business performance, a focus on the strong Australian franchise and working to build NAB's brand and reputation, remains a core strategic focus.

As well as organic investment in the Australian franchise, the integration of three acquisitions – Aviva Australia's wealth management business, Advantedge (formerly the mortgage management business of Challenger) and JBWere – progressed well.

In December 2009, NAB announced a counter bid to AMP's offer to acquire the Australian and New Zealand business of AXA Asia Pacific Holdings. This represented an

attractive opportunity to accelerate NAB's wealth management strategy.

In September 2010, the Australian Competition & Consumer Commission decided not to accept undertakings provided to address competition concerns on this proposed transaction and the agreement for NAB to acquire the AXA businesses was terminated.

While this was a disappointing outcome, the MLC & NAB Wealth business, which has a sound reputation based on trust and transparency, strong brands and a market-leading position in many segments, remains well placed to continue to grow.

The Board is confident that NAB has the right strategic agenda in the current environment and is well positioned to take advantage of any improvement in operating conditions.

NAB also engaged in the ongoing consultation around potential regulatory reform, with the key objective of ensuring that regulation provides the right balance between risk management and providing flexible and efficient banking services.

I would like to take this opportunity to thank all of the Group's employees for their efforts this year. Their commitment is the foundation for the progress we have made.

On the following pages, Group CEO Cameron Clyne covers the progress against NAB's strategic objectives by business unit and Executive Director Finance, Mark Joiner, provides the detailed financial commentary.

I hope this new-style Annual Review is informative and useful in understanding NAB's strategy and performance.

MICHAEL A CHANEY AO
Chairman

“I am very pleased with our progress in 2010 and where we are going as an organisation. Economic risk and market volatility were well managed, and renewed revenue momentum in our core Australian banking franchise reflects the work we have been undertaking to lift NAB’s customer satisfaction, reputation and staff engagement.”

Global economic conditions improved throughout 2010 yet remained challenging. Against this backdrop, it is pleasing that we have achieved stronger results for our shareholders, our customers and our people.

For the first time, our 2010 Annual Review integrates financial results and corporate responsibility outcomes, reflecting our belief that reputation and performance ultimately go hand in hand. Doing the right thing, helping customers and communities, and realising potential are central to NAB’s organisational purpose and long-term success.

Our result reflects progress on many fronts. We continue to execute our strategy, and are achieving progress against each of our four priorities:

- 1. Focusing on the strong Australian franchise while maintaining options internationally.**
- 2. Improving efficiency, quality and service.**
- 3. Maintaining balance sheet strength.**
- 4. Investing in our people, culture and reputation.**

NAB’s balance sheet settings have remained strong and we are well positioned for future regulatory change and balance sheet growth, and to efficiently raise money from wholesale funding markets and attract customer deposits.

We have kept the bank safe during a difficult economic period and carefully managed costs. NAB’s 2010 wholesale funding program was raised without use of government guarantees, and we continued to issue longer dated debt to minimise refinancing risk. The ratio of customer deposits as a percentage of core assets also improved during the year.

Our 19.3% cash earnings growth reflects NAB’s continued strength in Business Banking and Wealth, and renewed momentum in Personal Banking.

BUSINESS BANKING

Business Banking recorded a strong increase in earnings, despite subdued system credit growth, reflecting better underlying profit performance, increased lending, and lower bad and doubtful debt charges.

In 2010, NAB strengthened its leading market position in Business Banking and continued

to support Australian businesses. Over the 17 months to August 2010, NAB increased lending by a net \$1.9 billion at a time when the industry contracted its lending by an aggregated \$40 billion net¹.

During the year, 209 new business bankers and specialists were hired, taking the total to more than 360 since the recruitment program was launched in 2009. Seven new Business Banking Centres opened and business lending and business deposit growth was strong.

We continue to enhance our integrated Financial Solutions (iFS) model through new initiatives designed to deepen customer relationships and achieve stronger cross sell. These include co-location of specialists with bankers, a new dedicated small business call centre and a broader project with Personal Banking to improve service levels to Small and Emerging Businesses.

MLC & NAB WEALTH

MLC & NAB Wealth continued to perform well and consolidated its market leadership in key segments.

For several years, MLC & NAB Wealth has led the industry with initiatives to improve trust and transparency in financial planning, particularly in the area of fees versus payment of product commissions. This approach has been reinforced by recent government reforms and positions us as a sustainable business for the future.

Cost synergies from the integration of Aviva are ahead of business case expectations and the strategic alliance with JBWere has

VIDEO MESSAGES

Michael Chaney and Cameron Clyne discuss our performance in 2010.
annualreports.nabgroup.com



GROUP CEO

expanded MLC & NAB Wealth's capabilities in direct equities.

nabInvest, which utilises MLC & NAB Wealth's capabilities to identify quality asset managers, now has investments in seven asset managers in the areas of global equities, infrastructure and property. Attractive new asset management relationships continue to be considered.

PERSONAL BANKING

For some time now, NAB's Australian Personal Banking franchise has been an area in which we were not as strong as we could be. Addressing this has been part of our strategic focus in 2010. While much remains to be done, early results are encouraging.

NAB's work to rebase the Personal Banking business and improve its market position and reputation included the abolition of a range of banking fees that in many markets overseas are no longer considered part of a sustainable long-term business.

This work means frontline people can spend more time serving customers, which is contributing to an increase in new customers, improved customer retention and satisfaction, and a substantial reduction in customer complaints.

Momentum is returning to NAB's Personal Banking business. In 2010, we experienced strong growth in new mortgages, with NAB recording 1.7 times system growth.

Pleasingly, asset quality measures of new lending were at, or better than, existing loan asset quality.

UBank's USaver product was a key contributor to Personal Banking's strong growth in household deposits.

WHOLESALE BANKING

Our strategy for Wholesale Banking to provide products and services across the Group's franchises included significantly increasing the number of Wholesale Banking product specialists co-located in Business Banking Centres, and a successful campaign to market foreign exchange services to business customers.

The Wholesale business also plays an important role in supporting the growth in Australia's infrastructure, energy and utilities, and natural resources sectors. Our expertise in project finance and global markets aims to capitalise on the funding and cross-sell opportunities presented by the anticipated growth in all three sectors.

Our Asset Servicing business maintained its number one position in the securities custody market in Australia.

INTERNATIONAL BUSINESSES

Among NAB's international businesses, New Zealand Banking delivered a strong result, with continued cost discipline in a slowly recovering economy. Innovation remained a hallmark of this business, with NZ Banking opening refreshed retail stores, new business centres and a dedicated small business hub, and launching patented anti-fraud credit card technology.

In step with a stabilising United Kingdom economy, UK Banking earnings have improved, with higher net interest income as a result of repricing, lower funding costs, and reduced charges to provide for bad and doubtful debts.

Great Western Bank increased earnings and its distribution with the bolt-on acquisitions of F&M Bank in Iowa and the banking franchise of TierOne Bank in Nebraska.

BUSINESS EFFICIENCY AND INVESTMENT

The Group's focus on costs continued, with underlying expense growth (excluding currency and acquisitions) at 3.8%, reflecting ongoing investment in frontline resources, systems and technology. The Efficiency, Quality and Service (EQS) agenda continued to reshape our business, reduce duplication and position the Group to better serve our customers.

PEOPLE, CULTURE & REPUTATION

Throughout 2010, we have made demonstrable headway in the areas of people, culture and reputation. The staff survey conducted during the year shows employee engagement has improved, and NAB's people are focused on delivering against the Group's strategic priorities and growing our business.

For the fourth year in a row, NAB was recognised as an Employer of Choice for Women by the Equal Opportunity Workplace Agency (EOWA) and was the only major Australian bank to make the list in 2010.

NAB Group invested over \$61 million in the communities in which we operate this year, focusing on education, financial inclusion and our Reconciliation Action Plan.

Highlights included NAB's *Schools First* program, a partnership between NAB, the

Australian Council for Educational Research and The Foundation for Young Australians, which has provided more than \$10 million in awards to nearly 200 schools in its first two years.

NAB's microfinance program provides access to safe, fair and affordable financial services and has now become one of the largest of its kind in a developed economy.

In line with our undertakings on sustainability, NAB also became carbon neutral this year.

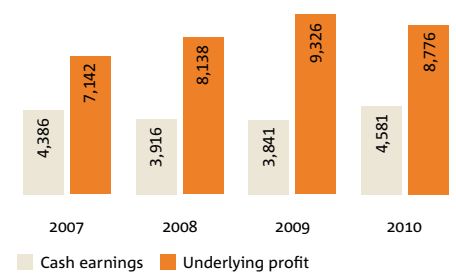
SUMMARY

We began the year as one of the safest banks in the world, having remained strong through the global financial crisis. As conditions begin to improve, we are effectively implementing our strategic agenda, and it is pleasing that our progress is tangible and reflected in a range of improved results. I look forward to achieving further progress in 2011.

CAMERON CLYNE Group CEO

CASH EARNINGS AND UNDERLYING PROFIT

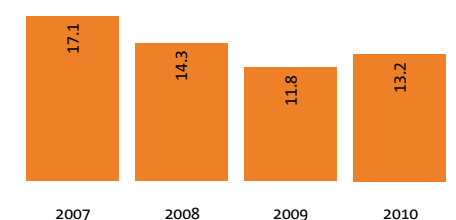
\$ millions



Source: NAB Group 2010 Full Year Results Announcement

RETURN ON EQUITY

%



Source: NAB Group 2010 Full Year Results Announcement

CFO'S REPORT

"In a year when the global economy remained uncertain, our results were very much in line with our expectations and reflect our investments for future growth."



The Australian economy proved to be resilient in a global environment of ongoing economic uncertainty. This contributed to the Group delivering cash earnings growth of 19.3% from 2009 to \$4.58 billion, with Business Banking and MLC & NAB Wealth playing major roles in this. Our bad and doubtful debts charge was lower than the previous year, thanks to improving economic conditions. Excluding the effects of currency and acquisitions, cash earnings rose 16.2%.

Revenue declined by 1.6% to \$16.6 billion, affected by lower revenues from the Global Markets and Treasury division of Wholesale Banking as market earnings returned to more normal levels and the rebasing of the Personal Banking business. These were in turn balanced by improved revenues in Business Banking and UK Banking as these businesses repriced their lending portfolios to more closely align pricing to current market conditions. Excluding the impact of currency and acquisitions, revenues were slightly lower by 1.0% or \$167 million compared with 2009.

COST MANAGEMENT

We continued to keep an unwavering focus on costs, with underlying expense growth (excluding currency and acquisitions) at 3.8%, which is in line with previous communication to the market. Ongoing investment in frontline resources and systems was partially offset by benefits from the accelerated Efficiency, Quality and Service (EQS) agenda.

Our EQS agenda continues to gain momentum in reshaping our business through reducing duplication and equipping the organisation to better serve its customers.

CAPITAL

Balance sheet strength remained a key priority for the Group in 2010 as we focused on keeping our balance sheet well capitalised and funded, with conservative liquidity settings designed to keep the bank safe.

At 30 September 2010, our Tier 1 capital ratio was 8.91%, reflecting various capital initiatives during the year. While economic conditions have improved, we're still cautious about the strength of certain economies and therefore continue to target a strong capital position. The Group will also continue to focus on maintaining the efficiency of our capital base, despite the backdrop of a fluid regulatory landscape.

FUNDING

The global term funding environment remained mostly stable throughout the 2010 year, notwithstanding the European sovereign debt concerns that led to increased market volatility during the second quarter. Credit spreads have moderated from the same period in 2009, but still remain well above pre-crisis levels. During the full year to 30 September 2010, we raised \$28.3 billion in term funding, all of which has been in unguaranteed format. The Group has grown its deposit base strongly over 2010 and remains focused on issuing longer dated debt to minimise refinancing risk.

Overall, our strong balance sheet settings have served the bank well, allowing us to manage through difficult market conditions. They have also left us relatively well positioned to meet future regulatory change and take emerging balance sheet growth opportunities. Regulatory reform is rapidly evolving and we continue to engage broadly to ensure our views are well represented.

ASSET QUALITY

Asset quality trends stabilised during the year, as the bad and doubtful debt charge of \$2.3 billion was well down from its peak in the September 2009 half. This decrease was partly due to lower specific provision charges across most business units, particularly Business Banking, UK Banking, Wholesale Banking and Specialised Group Assets. In addition, the collective provisions declined, reflective of steadying credit quality trends.

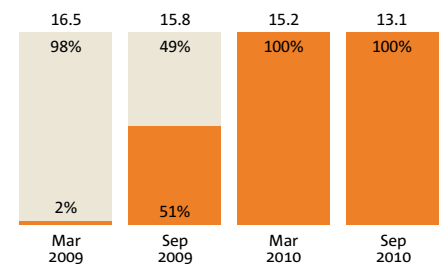
FOCUS FOR THE FUTURE

Looking ahead, we will continue to focus on the development of the Australian franchise, keeping our balance sheet strong, investing in our people, and managing our efficiency and cost agenda in a disciplined way.

MARK JOINER
Executive Director Finance

TERM FUNDING

\$ billions

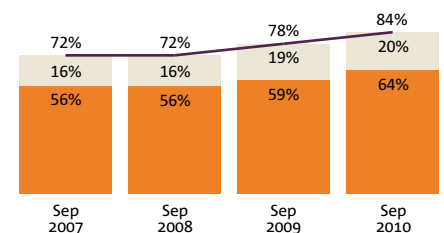


■ Guaranteed Term Funding Raised
■ Unguaranteed Term Funding Raised

Source: NAB Internal

GROUP FUNDING INDICES

%



■ CFI: Customer Funding Index
■ TFI: Term Funding Index
— SFI: Stable Funding Index

Source: NAB Internal

BOARD OF DIRECTORS



Left to right

Top: Michael Chaney – Chairman

Centre: Cameron Clyne, Patricia Cross, Daniel Gilbert, Mark Joiner, Paul Rizzo, Jillian Segal

Bottom: John Thorn, Geoffrey Tomlinson, Michael Ullmer, John Waller, Sir Malcolm Williamson, Anthony Yuen



MICHAEL CHANEY AO

BSc, MBA, Hon. LLD W.Aust, FAICD Chairman since September 2005 and a non-executive Director since December 2004, Michael was Managing Director and Chief Executive Officer of Wesfarmers for more than 14 years. He is Chairman of Woodside Petroleum, Chairman of Gresham Partners Holdings and the Chancellor of the University of Western Australia.

CAMERON CLYNE

BA Appointed Managing Director and Group Chief Executive Officer in January 2009, Cameron joined the Group in 2004. Prior to his current role, he was CEO of Bank of New Zealand, where he delivered a strong operational performance in a challenging market. Cameron spent 12 years with PricewaterhouseCoopers and led the company's financial services industry practice in the Asia Pacific.

PATRICIA CROSS

BSc (Hons), FAICD A non-executive Director since 2005 and Chairman of the Remuneration Committee, Patricia has more than 30 years' experience in international banking and finance. She is a Director of Qantas, JBWere, Methodist Ladies College, Grattan Institute and the Murdoch Childrens Research Institute.

DANIEL GILBERT AM

LLB A non-executive Director since 2004, Daniel co-founded the leading law firm Gilbert + Tobin and has more than 30 years' experience in commercial law. He is Co-Chair of NAB's Indigenous Advisory Group, and Chairman of the National Museum of Australia.

MARK JOINER

ACA, MBA An executive Director and Group Chief Financial Officer, Mark has been with NAB since 2006. Prior to this he held senior roles in finance and strategy with Citigroup and the Boston Consulting Group.

PAUL RIZZO

BCom, MBA A non-executive Director since 2004, Paul is Chairman of the Risk Committee. He has more than 40 years' experience in banking and finance, is Chairman of the Defence Audit and Risk Committee for the Australian Government Department of Defence, and is a former Dean and Director of Melbourne Business School.

JILLIAN SEGAL AM

BA, LLB, LLM (Harvard), FAICD A non-executive Director since 2004, Jillian has more than 20 years' experience as a lawyer and regulator. She is currently a Director of ASX Limited and of the Garvan Institute of Medical Research. She is also Chairman of the General Sir John Monash Foundation, Deputy Chancellor of the University of NSW and a member of the Australian Government's Remuneration Tribunal.

JOHN THORN

FCA, FAICD A non-executive Director since 2003, John is Chairman of the Audit Committee. He was a partner of PricewaterhouseCoopers for more than 20 years during a 37-year career in professional services. He is a Director of Amcor, Caltex Australia and Salmat.

GEOFFREY TOMLINSON

BEC A non-executive Director since 2000, Geoffrey was with the National Mutual Group for 29 years, including six years' leading the organisation. He is the Chairman of Programmed Maintenance Services and also the Chairman of National Wealth Management Holdings, MLC, MLC Investments and MLC Wealth Management (subsidiaries of the Company).

MICHAEL ULLMER

BSc (Maths) (Hons), FCA, SF Fin An executive Director since 2004, Michael is Deputy Group CEO. He has more than 38 years' experience in banking and finance. He is a non-executive Director of Fosters Group Limited. He is also Chairman of JBWere and Great Western Bank, and a Director of BNZ (subsidiaries of the Company).

JOHN WALLER

BCom A non-executive Director since 2009, John has more than 20 years' experience in professional services with PricewaterhouseCoopers in New Zealand. He is a Director of a number of companies, including Fonterra and Sky Network Television, and a member of the New Zealand Takeovers Panel. He is Chairman of Bank of New Zealand (a subsidiary of the Company).

SIR MALCOLM WILLIAMSON

A non-executive Director since 2004, Sir Malcolm has more than 50 years' experience in banking and finance in the United Kingdom and the United States with Barclays PLC, Standard Chartered PLC and Visa International. He is Chairman of Signet Jewelers Ltd. He is also Chairman of National Australia Group Europe Limited and Clydesdale Bank PLC (subsidiaries of the Company).

ANTHONY YUEN

B. Soc.Scs & Law A non-executive Director since March 2010, Anthony has 36 years experience in international banking and finance, including senior executive roles in China and Hong Kong with Bank of America, National Westminster Bank and Royal Bank of Scotland. He is a member of the Supervisory Committee of the ABF Hong Kong Bond Index Fund.

CAMERON CLYNE

Group CEO

Cameron has led the business in implementing a range of initiatives this year that have improved both our performance and reputation. He will continue to deliver against our strategic agenda in 2011 as we pursue our goal of improving returns to shareholders.

LISA GRAY

Group Executive, Personal Banking

In 2010, Lisa led the Personal Banking business in improving market share and customer relationships, trust and loyalty. She will build on this momentum next year and continue to differentiate NAB as a bank that offers fair value to Australians.

JOSEPH HEALY

Group Executive, Business Banking

Over the past year, Joseph has ensured that the business continues to support customers while also leading the debate on access to credit for businesses. His focus in 2011 will be on longer-term growth opportunities such as expanding small business and institutional banking opportunities, and our Customer-led Innovation Strategy.

MICHAELA HEALEY

Group Executive, Governance

Michaela has led the governance and legal teams to further build the integrity and transparency of the Group and provide services and advice that support NAB's customer initiatives. Michaela remains committed to sustainability initiatives and achieving positive outcomes for NAB's shareholders, customers and employees.

MARK JOINER

Executive Director Finance

As leader of the Group Strategy and Finance function, a major focus for Mark has been maintaining a strong, well capitalised and funded balance sheet, to keep the bank safe and well placed to support our customers

through continued global economic uncertainty. This will continue to be a key focus for Mark in 2011, as well as driving and developing our business strategy in partnership with his Executive Committee colleagues.

BRUCE MUNRO

Group Chief Risk Officer

Bruce continues to work with each of NAB's businesses to enable sustainable business performance by building and delivering strong risk capability, management and controls.

LYNNE PEACOCK

Group Executive, UK Banking

While continuing to manage the business through challenging conditions, Lynne is now concentrating on the underlying strength of the UK businesses and positioning our UK banks to take advantage of growth opportunities.

RICK SAWERS

Group Executive, Wholesale Banking

Having established Wholesale Banking as a new line of business in 2009, Rick continued to manage its transition during the year. In 2011, his focus will be on meeting more of our customers' funding, investment and risk management needs.

GAVIN SLATER

Group Executive, Group Business Services

In 2010, Gavin directed activities that better support the day-to-day requirements of our frontline businesses and progressed a range of large-scale transformation programs including NextGen, mortgage transformation and network performance. In the year ahead, his focus will be on sustaining momentum and delivering on transformation priorities.

ANDREW THORBURN

Group Executive, New Zealand, United States and Asia

This year, Andrew has engaged our people in NZ around our blueprint for the future and how we can deliver long-term success. In 2011, he will seek to further improve the customer experience in NZ. In Asia and the US, he will work with the executive teams to further develop clear strategies for growth.

STEVE TUCKER

Group Executive, MLC & NAB Wealth

During 2010, Steve focused on integrating the Aviva Australia and JBWere operations and developing our private wealth offering. In 2011, he will pursue Wealth's organic growth strategy, expand our private wealth offering and asset management capability, and leverage MLC's reputation to attract clients, advisers and talent.

MICHAEL ULLMER

Deputy CEO

As Chairman of JBWere, Michael oversaw the successful integration of the business into the NAB Group during 2010 while also being actively involved in our community programs, chairing our diversity forum and leading The Academy. He will continue to progress the Group's reputational agenda into 2011, with a focus on clients, the community and our people.

New Executive Committee member

ANDREW HAGGER

Group Executive, Corporate Affairs and Marketing

Andrew is responsible for marketing, brand, sponsorships, events, community and corporate responsibility, corporate affairs, and government affairs and public policy. Andrew has been with NAB since 2008 and most recently led the Insurance business of MLC & NAB Wealth. His appointment was effective on 1 October 2010.

Left to right

Top: Cameron Clyne, Lisa Gray, Joseph Healy, Michaela Healey, Mark Joiner, Bruce Munro
Bottom: Lynne Peacock, Rick Sawers, Gavin Slater, Andrew Thorburn, Steve Tucker, Michael Ullmer



OUR BUSINESS

WHO WE ARE

National Australia Bank is a financial services organisation with over 40,000 people, operating more than 1,800 branches and service centres, and responsible to more than 460,000 shareholders. We operate major financial services franchises in Australia, as well as businesses in New Zealand, Asia, the United Kingdom and the United States. Each of our brands is uniquely positioned but built on a common commitment to providing quality products and services, fair fees and charges, and relationships built on the principles of help, guidance and advice.

OUR GOAL

Our goal is to deliver sustainable, satisfactory returns to shareholders. Throughout the global financial crisis, NAB remained strong and secure for our shareholders, as well as our customers, our people and the community. Now as the economy recovers, we are looking forward to enhancing performance, and implementing plans that leverage our leading Australian business banking and wealth management brands. We are continuing to reposition our Australian personal bank, invest in our operations and our reputation, and capitalise on our strong balance sheet. Internationally, we continue to develop our businesses in the United Kingdom, New Zealand, United States and Asia, with a focus on shareholder value.

OUR RESPONSIBILITY

NAB believes that what we do (and how we do it) is just as important as our financial results. Put simply, to us, Corporate Responsibility (CR) is doing the right thing for our customers, employees and communities. The increase in customers, employees and other community members who positively advocate for our business as a result, helps build a sustainable business for our shareholders.

The reputation of banks with regard to their responsibilities is under scrutiny. NAB has determined our approach to CR as a key strategic development for the Company.

Central to our CR approach is a range of stakeholder engagement initiatives designed to ensure that we are identifying and responding to current and emerging issues. Our Customer Council, chaired by the Group CEO, provides a strong 'listening post' for regular customer feedback and diagnosis. Our Community Advisory Council also plays a central role, providing external and independent opinion on strategy and actions.

We have established a long-term program of CR action based on our assessment of material issues. It is updated by annual stakeholder engagement. Our resulting CR actions are focused in three main areas:

1. Getting the fundamentals right for our customers, with a critical focus on fees and charges, customer service, responsible lending, security and ethics.
2. Being a good employer with a focus on leadership and skills development, diversity and volunteering.
3. Addressing our broader responsibility to society, with a focus on education, inclusion and the environment.

Our CR approach and some of the many CR issues that are important to us are shown on the following page.

For more information on our Corporate Responsibility approach and activities, visit www.nabgroup.com/cr

OUR CULTURE

This perspective on our responsibility frames the beliefs and behaviours of our people. At the heart of our Group is a belief in the potential of our customers and communities, and in each other. We look for positive, value-creating and sustainable relationships and solutions. We are motivated:

- To do the right thing.
- To help our customers and communities.
- To realise potential.

This belief also places a high standard for our behaviours and asks all employees to be authentic and respectful, work together and create value through excellence.



At the heart of our Group is a belief in potential. This belief motivates us to make a positive and sustainable impact in the lives of our customers and communities, and underpins a strong and sustainable business for our shareholders.

OUR APPROACH TO CORPORATE RESPONSIBILITY

CUSTOMER

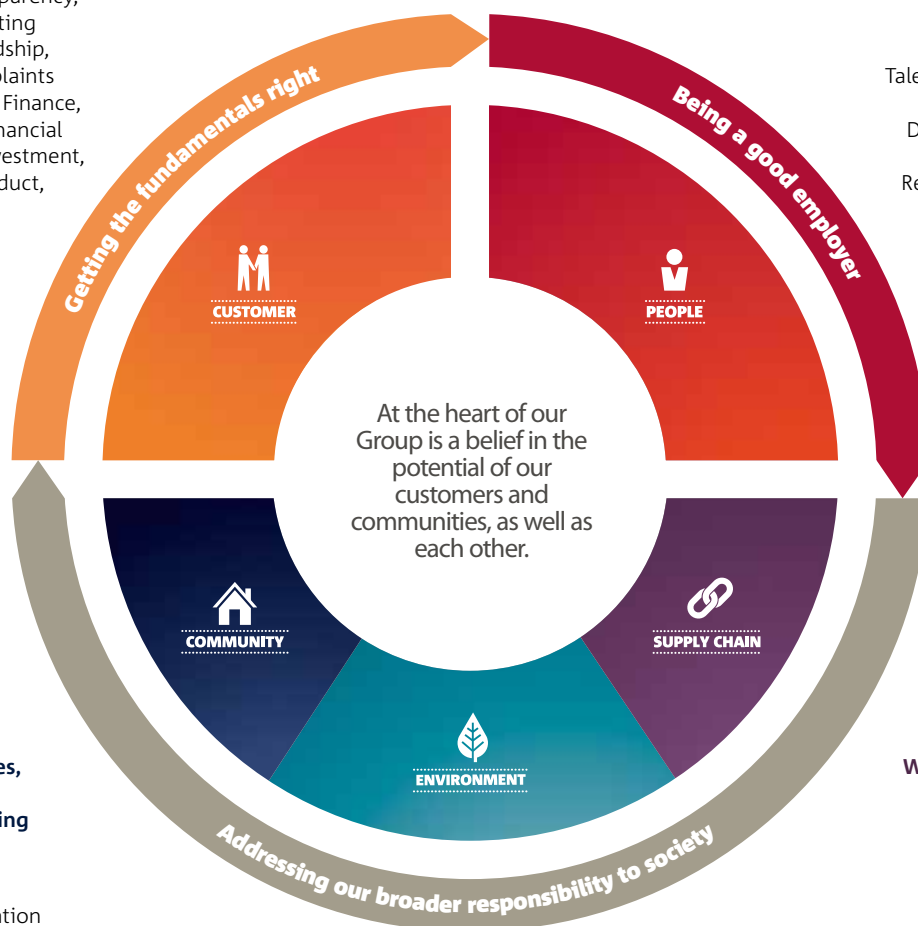
Delivering clear value and quality advice.

Fees and Charges, Transparency, Access to Services, Assisting those Experiencing Hardship, Customer Service, Complaints Resolution, Responsible Finance, Responsible Lending, Financial Literacy, Responsible Investment, Ethics and Business Conduct, Innovation and Product Development, Security, Fraud and Anti-Money Laundering.

PEOPLE

Investing in the skills and capabilities of our employees

Organisational Culture, Diversity and Inclusion, Talent Management, OHS and Wellbeing, Learning and Development, Performance and Reward, Industrial Relations, Flexible Working.



COMMUNITY

Supporting communities, with a particular focus on inclusion and investing in our youth.

Community Investment, Volunteering, Reconciliation Action, Disaster Relief.

SUPPLY CHAIN

Working to have a positive impact through our purchasing decisions.

Managing the Impact of our Purchasing, Selecting Sustainable Suppliers, Responsible Procurement Practices, Offshoring and Outsourcing.

ENVIRONMENT

Working to manage the direct impact of our operations and the indirect impacts we have through our customers.

Environmental Impact of Operations, Managing Exposure to Environmental Risk, Financing Environmental Innovation and Business, Environmental Products and Services.

OUR STRATEGY

NAB's strategy is built around four pillars:

1. Focus on the strong Australian franchise while maintaining options internationally.
2. Improve efficiency, quality and service (EQS).
3. Maintain balance sheet strength.
4. Invest in NAB's people, culture and reputation.

The environment we are operating in continues to evolve. The economic situation has improved – particularly in Australia and Asia – but there remains marked variation across our key markets and subdued business system credit growth. The funding environment is particularly tough and the regulatory environment, relating to bank liquidity, consumers and superannuation, is changing. Banks – our shape and size, the way we treat our customers, and the role we play in society – are under greater scrutiny than ever. In this environment, NAB's strategic priorities continue to progress our business.

STRATEGIC PRIORITIES

Focus on the strong Australian franchise while maintaining options internationally.

- Grow our leading position in business banking.
- Leverage our leading position in wealth management and seize strategic opportunities across the value chain.
- Turn around our personal banking business.

Improve efficiency, quality and service (EQS).

- Take advantage of synergies across our businesses, and share practices, processes, innovation and knowledge.
- Continually improve key areas of customer service.
- Upgrade our technology with a multi-year program that will make us a more agile, efficient and competitive business by simplifying banking, finance and risk systems, processes and tools.

Maintain balance sheet strength.

- Ensure the strength and security of our business by maintaining robust capital and funding positions.

Invest in NAB's people, culture and reputation.

- Get the fundamentals right for our customers – fees and charges, customer service, security, lending responsibly and ethics.
- Be a good employer – leadership and skill development, diversity, volunteering.
- Address our broader responsibility in society – education, inclusion, environment.

“I am pleased with the progress we are delivering against each element of our strategy.” **Cameron Clyne**, Group CEO

2010 HIGHLIGHTS

- Recruited 209 business bankers and specialists, opened seven new Business Banking Centres, and launched an innovative program to help bankers better understand their customers' needs. Continued to support Australian businesses – over the past 17 months to August 2010, NAB increased lending by a net \$1.9 billion at a time when the industry contracted its lending by an aggregated \$40 billion net¹.
- Integration of Aviva and strategic alliance with JBWere progressed well, leadership in improving trust and transparency in financial planning reflected in regulatory reform announcements, and seeded several new businesses through the nabInvest platform.
- Personal Banking achieved a 605% increase in net transaction account openings and above system growth in new mortgage flows.
- UBank launched two new direct banking offerings and made a major contribution to above system growth in household deposits.

- EQS initiatives are reducing duplication and equipping us to better serve customers.
- Our Mortgage Transformation Program (see right) is delivering a faster, more streamlined mortgage application and approval process.
- Completed first phase of our Next Generation technology program with achievements including the successful implementation of a new banking platform for UBank, a new securitisation solution and a new campaign management capability for MLC.

- Maintained strong Tier 1 capital ratio of 8.91%.
- Raised \$28.3 billion in term funding, without reliance on the government guarantee.

- Progressed our fair value philosophy with abolition of a number of personal and business banking fees, continued lending to business customers and ongoing leadership on fee-for-advice model in financial advice sector.
- Only major Australian bank cited as an Employer of Choice for Women by EOWA.
- Employee engagement improved in Group-wide survey.
- First Australian bank to become carbon neutral.
- Awarded the *Money Magazine* 'Socially Responsible Bank of the Year' Award and the most admired wealth management company in PricewaterhouseCooper's 2010 Wealth Management CEO Survey.
- Grew our microfinance lending to over 15,000 loans since the program began.
- Significantly progressed our Reconciliation Action Plan.
- Identified as a sustainability leader in the 2010 Dow Jones Sustainability Index and included as a constituent company in the FTSE4Good Index Series. These indices are global industry benchmarks for sustainability performance.

ENHANCING THE MORTGAGE EXPERIENCE FOR OUR CUSTOMERS

The Mortgage Transformation Program is an enterprise-wide program aimed at improving the mortgage fulfilment experience for NAB customers.

In the past 12 months, the program has focused on policy and process simplification, workflow enhancements and employee training to improve quality and customer responsiveness.

With NAB maintaining an industry leading variable mortgage rate in 2010, volumes have grown strongly, particularly with applications initiated through brokers. The Mortgage Transformation Program has ensured that NAB is able to not only meet this increased demand, but also deliver an improved customer experience.

Key highlights include:

- Streamlined more than 200 policies and procedures to three core policies.
- Broker conversion rates improved by 23.4%.
- Achieved 300% uplift in process capacity for the Homeside business (mortgages initiated via brokers).
- Reduced the mortgage variations process to four days and, in some instances, 24 hours.

The program has been well received by bankers.

“The new rate lock process is straightforward, easy to use and there is no confusion. It is great to see a new process in place that works better for our customers and for our bankers,” says Maria Sertaridis, Personal Banker, NAB Kew.

In the year ahead, the program will focus on further reducing cycle times and error rates, and improving the customer experience.

¹ APRA Monthly Business Statistics, August 2010/NAB adjusted data.

OUR PERFORMANCE

In this section, we report on our performance for the year.

Our leaders explain how they're delivering our strategy in each part of the business. We discuss the key activities that shaped 2010 and talk to people – customers, employees and key stakeholders – who have been part of our story. And we detail what's next, as we continue to build a strong, sustainable business.



BUSINESS BANKING



“We continue to support Australian businesses by putting them at the forefront of how we think, talk and act. This approach has helped us to increase our market share and strengthen our relationships with our customers.” **Joseph Healy**, Group Executive, Business Banking

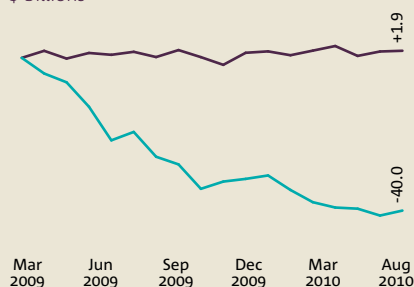
RESULTS

A\$

Cash earnings	\$2,193m, up 37.1%
Underlying profit	\$3,905m, up 9.2%
Operating expenses	Increased by 4.2%
Business lending market share	22.5%
Business deposits market share	20.9%

BUSINESS LENDING GROWTH

\$ billions



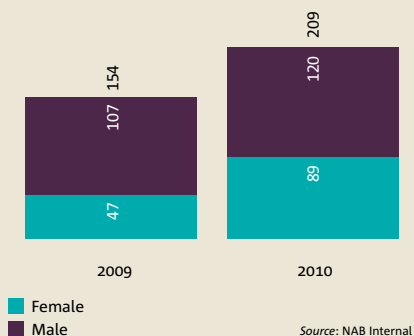
— NAB adjusted data

— Australian Banking Market ex NAB

Source: APRA Monthly banking statistics, March 2009–August 2010
Lending represents loans and advances to non-financial corporations plus bill acceptances of customers

A MORE DIVERSE WORKFORCE

Number of bankers and specialists hired



■ Female
■ Male

Source: NAB Internal

NAB is Australia's leading Business Bank with 22.5%¹ market share. We support our 650,000 customers – who range from small and emerging businesses to larger corporate and institutional businesses – with a full range of commercial banking services. Our business bankers also offer specialist industry expertise in key sectors, including agribusiness, property, healthcare, natural resources, education and government. We have more than 5,000 employees.

Business Banking performed strongly in 2010, delivering cash earnings of \$2,193 million, up 37.1% on the previous year. We continued to invest in growing the number of frontline bankers and freeing them up to spend more time with customers, and this led to expense growth of 4.2%. The charge for bad and doubtful debts decreased by \$525 million, reflecting an improved credit environment.

STRATEGY

A strong commitment to customers and a traditional relationship banking approach, based on more bankers in more locations, is at the heart of Business Banking's strategy.

- **World-class relationship banking.** Having strong relationships with our customers is fundamental to the way we do business. We achieve this by putting the customer at the forefront of how we think, talk and act. Central to this is the Customer-led Innovation Strategy (CIS) which provides our bankers with the tools, training and resources to understand the full range of customer needs.
- **Investing in our people.** We're committed to creating a diverse and inclusive workforce. By fostering a culture which realises and rewards high performance, our people are empowered to help us reach our strategic objectives.
- **Managing our business well.** We achieve this by simplifying processes, transforming our banking platforms and managing risk. There is no trade off as we focus on growth AND manage margins AND manage risk.

PERFORMANCE

In 2010, we continued to support our customers through challenging market conditions. Over the 17 months to August 2010, NAB consistently supported Australian businesses, increasing lending by a net \$1.9 billion at a time when the industry contracted its lending by an aggregated \$40 billion net¹. During this time, our number one share of the business lending market grew from 21% to 22.5%.

We are building our frontline capability. During the year, we hired 209 new bankers and specialists. Since we began this recruitment initiative, we have hired more than 360 people. Around 38% of these new employees are female, reflecting our strategy of building a diverse workforce and, in doing so, being better able to understand and service our customers. By the end of 2011, we aim to have recruited a total of 500 new business bankers and specialists. We also opened seven new Business Banking Centres across Australia and now have more than 215 located across every state and territory, consistent with our strategy of more bankers in more places.

Importantly, we maintained our commitment to sound risk and capital management practices through the frontline management of risk with the co-location of specialists and bankers, and the continued re-pricing for risk to ensure that margins reflect current market conditions. The drive for new business is consistent with our focus on building long-term relationships.

In another strategic growth initiative, we worked with Personal Banking to create a new Small and Emerging Business division that is expanding banker capabilities and customer service to this important segment of the market. Good progress was also made in restoring strength to the institutional business with the creation of a middle office to enable relationship managers to spend more time face to face with our customers.

Building on our successful integrated Financial Solutions (iFS) and Specialisation models, we continued to develop our



Customer-led Innovation Strategy (CIS), which is helping our bankers meet more of our customers' business, wealth management and personal financial needs. CIS is an enterprise-wide program aimed at putting the customer at the centre of everything we do and delivering the full range of products and services from across the NAB Group. The program is providing bankers with better customer information and insight and a more consistent sales process. More than 4,000 bankers will go through an intensive training program in 2010/11 to drive this strategy.

The commitment we have shown to customers continues to strengthen our reputation, grow market share and increase customer satisfaction. As part of our fair value philosophy, we abolished a range of fees during the year. This decision benefited almost 500,000 business account holders.

Business Banking has also been involved in developing some innovative environmental products. NAB's specialist Environmental Finance Solutions (EFS) team developed, for instance, a discounted personal loan for customers to buy solar hot water and power systems under the EzyGreen program.

In 2010, for the second year in a row, NAB won the prestigious *CFO Magazine* 'Business Bank of the Year' Award. At the Australian Banking and Finance (AB+F) Corporate and Business Banking Awards, NAB received eight awards, including Best Relationship Management Bank. Our Working Capital Services International Payments Team also won *AsiaMoney's* 'Best Local Currency Cash Management' award for the fourth year running.

OUTLOOK

The credit environment remains unclear, reflecting economic and political uncertainty, although there are emerging signs of sustained improvement. Business credit demand is expected to remain subdued in the short term and improve in the second half of 2011. As a result, we know that we need to be innovative about where our growth will come from. Our Customer-led Innovation Strategy is key to this.

OPEN FOR BUSINESS



In Adelaide, four Italian kids grew up around the food of their families' kitchens, delicatessens and cafés. As grown-ups, they started a Ferrari-red espresso bar, called Cibo. Ten years later, Cibo has 15 franchised stores in Adelaide and two in Brisbane.

To expand the business, Cibo needed a centralised facility to produce the cakes, pastries, bread and sandwiches each store needs, as well as house administration and training facilities.

In 2009, they started talking at length to banks to see who could partner with them.

"NAB stand by what they say – they're there for business. Their specialised franchise banking team could see how our business model works and they could see what we needed to do to keep growing. That's why we chose to move our banking to NAB," Cibo director Roberto Cardone says.

PERSONAL BANKING



“Our fair value initiatives have been welcomed by customers. We are determined to stand for something different and will continue to make choices that position our business for success, both in the short and long term.” **Lisa Gray**, Group Executive, Personal Banking

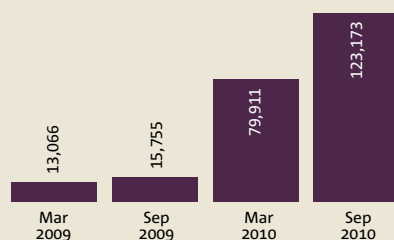
RESULTS

A\$

Cash earnings	\$743m, down 15.1%
Underlying profit	\$1,405m, down 17.4%
Operating expenses	Increased by 8.0%
Home loan market share	1.7 times system growth
Retail deposits	13.1% increase to \$64.7 billion

NET TRANSACTION ACCOUNT GROWTH

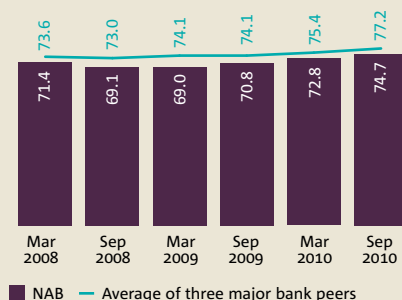
Numbers



Source: NAB Group 2010 Full Year Results Announcement

CUSTOMER SATISFACTION

Very or fairly satisfied (%)



Source: Roy Morgan Research. Australian MFI population aged 14+ Customer Satisfaction with Main Financial Institution Six-month rolling average

Personal Banking provides 4.1 million retail and small and emerging business customers with quality financial products and services. This is done through a range of distribution channels and brands including NAB, Homeside and UBank as well as the broker and ‘mortgage manager’ brands operated by our Advantedge business. Personal Banking has more than 8,900 employees.

2010 was a year of investment for Personal Banking as we continued to strive to differentiate ourselves as a bank that offers fair value to customers. This generated good revenue momentum. However, our investment in fair value initiatives and front-line capability to grow our relationships with customers saw cash earnings fall by 15.1% to \$743 million. This was partially offset by the positive contribution made by Advantedge and lower bad and doubtful debts, which fell by \$135 million.

STRATEGY

Our strategy has three components:

- Restoring our core business** by building the capability of our people, improving our end-to-end customer experience, improving sales performance and reinvigorating NAB’s brand and reputation.
- Investing in portfolio ‘gaps’** to build strength in our broker channel, grow our credit card business, and enhance and expand our small and emerging business proposition with Business Banking.
- Building for longer-term growth** through new consumer-driven models and strengthening the connection with our Wealth and Business Banking offerings.

PERFORMANCE

More Give, Less Take. Fair value is based on the philosophy that by ensuring there is a fair exchange of value for the products and services we provide our customers, we are laying the foundations for a sustainable and successful business. During the year we took

some significant steps on this front. This included abolishing a number of fees on transaction and credit card accounts that aren’t sustainable, offering the most competitive standard variable home loan rate of the big four banks for more than a year, and launching the *More Give, Less Take* advertising campaign to communicate what we are doing and why. We’ve also extended our Customer Contact Centre hours to include weekends in order to provide better access and service, and taken a compassionate stance for those experiencing financial hardship.

We’ve been pleased to see our customers responding but have a lot more to do. In September 2010, NAB’s customer satisfaction six-month rolling average score was 74.7% – a 1.9 percentage point improvement since March 2010. NAB has made a larger improvement in customer satisfaction over the past 12 months compared to the average of other major Australian banks. We also achieved:

- A 174,263 or 605% increase in net transaction accounts.
- Above system mortgage growth in all Personal Banking channels during the second half of 2010, which helped deliver overall NAB mortgage growth of twice system during the second half of the year.
- A shift in brand perception, with 40% of consumers at September 2010 believing NAB customers are at an advantage, up from only 30% at September 2009 according to the Sweeney Research Brand Tracker.

We continued to improve our retail network by extending operating hours at our branches and outlets; rolling out more kiosks, express business deposit, coin and quick change machines to improve access and convenience for customers; investing in online and mobile channels; and introducing iPad and iPhone applications. We also streamlined the way mortgages are approved and processed.



OUR PERFORMANCE

Expanding mortgage distribution channels.

During the year, we made great progress in expanding our reach to customers via mortgage brokers. The integration of Advantedge (the mortgage management business, formerly owned by Challenger) resulted in an increase in Personal Banking home loans of \$6.3 billion. NAB's Homeside brand also showed significant momentum, particularly in the second half of the year. It achieved record results for home loan settlements and significantly reduced the average time to get unconditional approval for brokers. New loan settlement volumes increased by 76% in 2010 and, with better collection practices and improved credit

settings, an improvement in the overall asset quality of this business was achieved.

New customer-driven brands. Customer-driven brands such as UBank are proving very successful. UBank followed up the launch of online savings account, USaver, with two new products – the USaver Reach savings product, which targets the under 30s market, and a Self-Managed Superannuation Fund online deposit product. USaver was the first product launched on the new NextGen banking IT platform. This allows real-time online applications and verification, and enables customers to open accounts in just five minutes. UBank's deposits grew to over

\$5 billion in 2010. Continued growth is targeted through additional innovations, including UHomeLoan, a new UBank online home loan product.

OUTLOOK

We believe that by continuing to address the concerns of customers and improving their experience with us, we will drive revenue growth in the medium to longer term. Personal Banking is well positioned to stand apart from the pack through our belief in fair value and our commitment to delivering on our strategy.

IMPACT OF FAIR VALUE

GOOD FOR EMPLOYEES



“It’s great to be talking about something good, in place of the conflict we used to have around fees. Now we’re having conversations about how we can help our customers and the additional services that we can offer.”

RAY MICHELLE
NAB, Frankston, Victoria

GOOD FOR CUSTOMERS



“Customers are seeing that we’re doing the right thing. They’re shopping around for their mortgage but choosing NAB because, they tell us, we’re giving them clear information that doesn’t raise any questions.”

REBEKAH REID
NAB, Yeppoon, Queensland

GOOD FOR BUSINESS



“Fair value has given our employees a lot of pride in NAB and given us strength in the marketplace. As people have seen we’re really committed to this course, the number refinancing their mortgages with us in Western Australia has risen by more than 80%, compared to the same period last year.”

SEAN FITZGERALD
NAB, Perth, Western Australia

MLC & NAB WEALTH



“The MLC & NAB Wealth businesses are in good shape. Our leading positions in key market segments and a reputation based on trust, transparency and strong brands means we are well positioned to continue to grow.” **Steve Tucker, Group Executive, MLC & NAB Wealth**

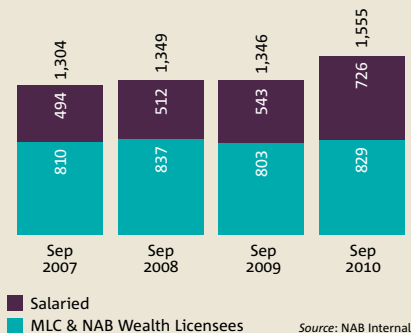
RESULTS

A\$

Cash earnings	\$609m, up 39.4%
Underlying profit	\$727m, up 27.5%
Operating expenses	Increased by 32.3%
Funds under management	Increased by \$31b to \$116.1b
Inforce premiums	45.2% increase to \$1,406.7m

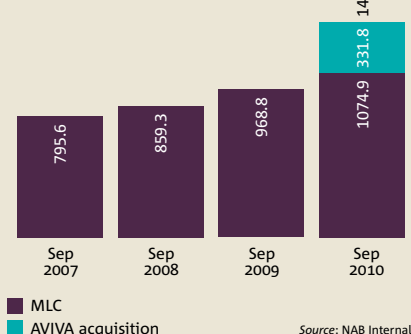
GROWTH IN ADVISER NUMBERS

Numbers



INFORCE PREMIUMS

\$ millions



MLC & NAB Wealth is a market leader in Australia’s wealth management sector. With a multi-brand, multi-channel strategy, we provide financial advice to retail, corporate and institutional clients. We have one of the largest retail financial adviser networks in Australia, and our brands include NAB Financial Planning, NAB Private Wealth, JBWere, Garvan, Apogee and Godfrey Pembroke. MLC & NAB Wealth is also a market leader in superannuation, pension and discretionary investment platforms; insurance; and ‘manager-of-manager’ investment solutions. We employ more than 5,000 people across these businesses.

Cash earnings increased by 39.4% to \$609 million. Major contributors to this result were the inclusion of Aviva, strong net flows within the wholesale business (particularly from JANA, nablInvest and Plum Financial Services), and an improvement in global investment markets resulting in higher funds under management and a lower bad and doubtful debts charge.

STRATEGY

Our strategy has four components:

1. Expanding our core business by growing our market positions in financial advice, insurance and investment platforms.
2. Creating Australia’s leading private wealth capability.
3. Expanding our asset management capability.
4. Enhancing and leveraging our reputation and brand to attract financial advisers, clients and talented employees.

Whilst the proposed acquisition of the Australian and New Zealand businesses of AXA Asia Pacific Holdings would have provided immediate scale, our organic growth strategy continued to gain momentum during the year. We remained focused on building our private wealth capability with JBWere, attracting quality new financial advisers, leveraging our

strength in corporate superannuation to grow our Group insurance business and integrating Aviva to bring new product and service capability to customers.

PERFORMANCE

In 2010, our insurance and superannuation businesses continued to perform well. MLC Insurance delivered strong premium growth to retain its number one position in individual insurance inforce premiums while improving its ranking from fourth to second for Group insurance sales. Our Best Doctors® service – which allows clients to source a second opinion from leading medical specialists around the world – won the inaugural *Product Innovation of the Year* category at the *AFA/Plan For Life 2009 Insurance Company of the Year Awards*. In superannuation, Plum Financial Services had another strong year, growing its corporate superannuation clients to 82 and more than 175,000 members as well as generating important leads for our retail advice businesses and insurance sales.

The integration of Aviva, acquired in 2009, is progressing well and cost synergies are tracking a full year ahead of the acquisition business case. Integration activity is currently focused on combining MLC’s leading insurance offering with Aviva’s superior service model and award-winning online insurance functionality. NAB Private Wealth is Australia’s largest Private Bank and, with approximately 33% market share of high net worth connections, is well placed to deliver a market-leading capability for high net worth clients. In 2010, NAB Private Wealth received the *Euromoney* award for *Best Local Private Bank in Australia*.

Our strategic alliance with JBWere has expanded our capabilities in direct equities broking and research, which are critical services for high net worth individuals. Since joining the NAB Group, JBWere has attracted a further 27 private wealth advisers.

MLC & NAB Wealth continues to be Australia’s largest investment manager of manager-of-managers funds¹. A key priority



Winner of Euromoney's Best
Local Private Bank Australia 2010

**OUR
PERFORMANCE**

is to increase our presence in direct asset management through nabInvest. Since its establishment in 2007, nabInvest has acquired investments in seven asset managers, most recently adding Presima Inc (Global REIT) and Wilshire Capital (Credit).

Over the past five years, we have led our industry in improving trust and transparency in financial advice. On 1 July 2010, Garvan, Apogee and MLC Financial Planning completed the transition to a fee-for-advice model for all new superannuation and investment clients. All our aligned financial planning businesses have now transitioned to this model. Recent government reforms validate the position we have taken, as does the unprecedented level of interest we've seen from financial advisers wanting to join MLC-aligned dealer groups. In the past 12 months, 100 advice businesses have joined us and adviser numbers have grown from 1,346 in September 2009 to 1,555 in September 2010.

During the year, we launched the Advice Business School. An industry-first, the Advice Business School supports financial advisers who are new to business ownership or want to run their own financial planning business.

OUTLOOK

The Australian wealth management industry is going through a period of profound change. Likely government superannuation policy and regulatory reforms include the prospective banning of commissions on superannuation and investment products, and a staged increase in the Superannuation Guarantee contribution from 9% to 12%. MLC & NAB Wealth has anticipated and helped shape these changes. The breadth and diversity of our distribution channels, operational scale, commitment to attracting talented people, and reputation for trust and transparency position us well to capture emerging opportunities. NAB's Customer-led Innovation Strategy (CIS) will also be a key priority in the year ahead, introducing wealth management products and services to more of our business customers.

BETTER BUSINESS



Financial adviser Anna Bottomley knows how to give advice but when she wanted to start her own business, MLC's Advice Business School made a huge difference.

"I can't tell you how many changes I made to my business plan after attending the Advice Business School. The program covered everything from high-level governance to day-to-day operations, based on MLC's knowledge and experience of how to run a successful financial planning business.

"MLC has driven change in our industry, and whilst others are talking about fee-for-advice, MLC is really ahead of the game. They've got the essential tools in place – such as cash flow spreadsheets using a fee-for-advice business model – which can really help self-employed advisers like me."

WHOLESALE BANKING



“We have made real progress in delivering the products and services that enable a deepening of NAB’s customer relationships. This positions us well for future growth.” **Rick Sawers**, Group Executive, Wholesale Banking

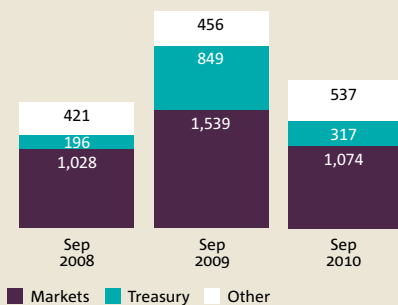
RESULTS

A\$

Cash earnings	\$705m, down 38.6%
Underlying profit	\$1,014m, down 47.9%
Operating expenses	Increased by 1.8%

REVENUE BY BUSINESS

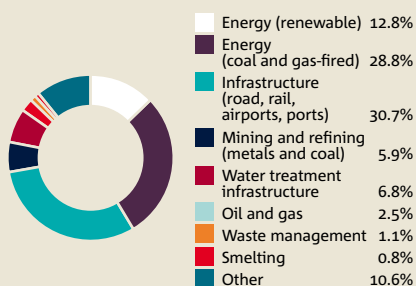
\$ millions



Source: NAB Group 2010 Full Year Results Announcement

PROJECT FINANCE BY SECTOR

as a % of Total Portfolio Value



Source: NAB Internal

Wholesale Banking provides funding, risk management and investment solutions to business and personal customers of NAB. We have over 3,000 employees in Australia, New Zealand, Asia, the UK and the US.

Cash earnings declined by 38.6% during the year, largely due to lower revenues in Global Markets and Treasury, primarily Trading, which had an exceptional result in 2009 due to the significant market volatility caused by the global financial crisis. This was partially offset by a lower bad and doubtful debts charge, which decreased by \$300 million to \$45 million.

STRATEGY

Our strategy is to focus on deepening relationships with the customers of NAB Group through more fully servicing their end-to-end funding, investment and financial risk management needs.

PERFORMANCE

During the year, Wholesale Banking focused on delivering a broader range of solutions to more customers in all locations. In Australia, as part of the Customer-led Innovation Strategy, around 100 Wholesale Banking product specialists are co-located in NAB’s Business Banking Centres, providing customers with solutions that help manage their foreign exchange, interest rate and commodity risks. A recent campaign, promoting our foreign exchange and trade finance expertise, resulted in a significant increase in new foreign exchange relationships with business customers.

During the year, NAB was rated best overall interest rate bank in Australia and first in three Australian dollar categories while BNZ was awarded top rating for US\$/NZ\$ Currency Forwards¹. We closed a number of significant transactions in 2010, including:

- Arranger and joint lead manager for ME Bank’s multi-currency Australian Residential Mortgage Backed Securities, the first multi-currency Australian issue since the onset of the global financial crisis.

- Lead manager of the first 10-year A\$ corporate bond raising since 2006 on behalf of Telstra Corporation for \$150 million.
- Joint arranger of a retail bond for \$152 million for Primary Health Care, the first retail bond in the Australian debt capital market to utilise ASIC prospectus relief rules.
- A full banking relationship for Symbion Healthcare, including an innovative tailored trade receivable securitisation facility.

Our Global Markets business experienced challenging macroeconomic conditions, with subdued business activity in the UK and NZ businesses and sovereign debt concerns in Europe in 2010 following exceptional sales and trading opportunities in 2009.

In a highlight for the year, our Asset Servicing business maintained its number one securities custody business position in Australia. We remain in discussions with Bank of New York Mellon to deepen our existing relationship and enhance the range of products and services available to NAB’s client base.

Our Global Specialised Finance business, which plays an important role in supporting Australia’s infrastructure and natural resources growth, completed a number of deals associated with major infrastructure projects, including the Victorian desalination plant, Peninsula Link and EPIC Pipeline. They were also sole arranger on an asset financing solution for the Royal Australian Navy. More information on our approach to responsible lending is on pages 24 and 25.

OUTLOOK

There is great opportunity in continuing to focus our attention on deepening NAB’s relationships with its business and wealth customers. Wholesale Banking has a key role to play in providing complete solutions to all NAB’s customer groups.



“We have continued to support our customers through challenging times while further strengthening and reshaping our balance sheet, and maintaining a strong capital position.”

Lynne Peacock, Group Executive, UK Banking

UK Banking, operating under the Clydesdale Bank and Yorkshire Bank brands, offers a range of personal and business banking services to more than 2.7 million customers through 339 retail branches and 72 integrated financial services (iFS) centres. We employ more than 8,300 people across the United Kingdom.

UK Banking achieved a substantial degree of recovery in 2010, as the economy entered a period of tentative economic growth. Cash earnings improved by 53.2% to £118 million. This reflects higher net interest income driven by repricing and lower funding and liquidity costs, as well as lower charges for bad and doubtful debts, which declined by 17.6%. These factors were partly offset by lower wealth management and insurance income, and higher expenses driven by increased defined benefit pension costs. However – in common with much of the UK banking industry – credit demand was subdued and this had a flattening effect on the overall balance sheet.

STRATEGY

Our strategy focuses on our continuing drive to strengthen and reshape the balance sheet in preparation for the UK economy’s return to more stable conditions.

PERFORMANCE

During the year, liquidity levels were increased to mitigate the risks posed by the Eurozone sovereign debt crisis.

We continued to demonstrate strong support for customers with new lending of £4.7 billion, concentrated in the SME and housing sectors. The bank continues to attract trading and mid-corporate business as the iFS relationship banking strategy progresses. In a highly competitive market, average retail deposits grew by 11.1% (£2.3 billion), more than twice the industry growth rate¹.

In 2010, we launched *Investing for Growth*, a package of measures that support business customers – existing and new – to take advantage of quality growth opportunities. The package offers greater flexibility over lending and benefits such as interest-only repayments and extended loan and credit terms. These ease cash flow and allow customers to invest their cash back into their business to expand, recruit new staff and invest in new machinery. The iFS network continues to be a point of differentiation.

Our retail business delivered a solid performance. We have focused on delivering a consistently good customer experience through *Our Promise*, a program that addresses key areas of the customer experience such as information on accounts and services, terms and conditions, and the interest rates that may apply. We continued to support customers in financial difficulty through the Customer Support Unit in the retail business and through additional resources in the Business Recovery Unit.

Levels of customer engagement remained strong throughout the period, despite the difficult market conditions. The bank performed strongly on satisfaction, loyalty and advocacy measures.

Reflecting our commitment to the communities in which we operate:

- The number of employees volunteering – supported by the bank – grew by over 35% in 2010.
- Staff-led initiatives have raised over £1.3 million for *Help the Hospices*, since we formed a partnership in 2008.
- Just over 20% of our employees donate to charities of their choice through payroll giving. This is the highest participation of any UK High Street bank.

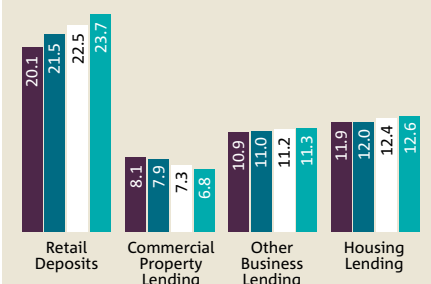
To read how our *Investing for Growth* program helped South Yorkshire’s PMS Diecasting grow, visit: annualreports.nabgroup.com/ukbanking

RESULTS

£	
Cash earnings	£118m, up 53.2%
Underlying profit	£511m, down 3.2%
Operating expenses	Increased by 6.4%
Mortgage lending	Increased by 4.2% to £12.8b
Deposits	Increased by 11.1% (£2.3b)

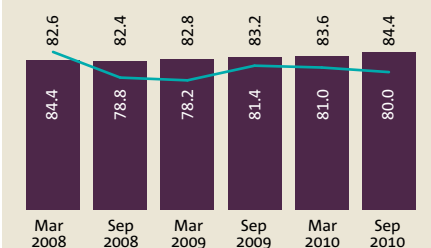
AVERAGE VOLUMES

£ billions



Source: NAB Group 2010 Full Year Results Announcement

CUSTOMER ENGAGEMENT*



*Customer engagement comprises seven key attributes, including satisfaction, advocacy, loyalty, rapport, emotion, value and trust. Data is for personal banking customers who transact via a branch. Source: NAB Internal

NZ BANKING



“Our NZ, US and Asian businesses have all made good progress in a difficult year, further strengthening their fundamentals while staying focused on delivering longer-term success through a clear strategy for growth.” **Andrew Thorburn**, Group Executive, New Zealand, Asia and the United States

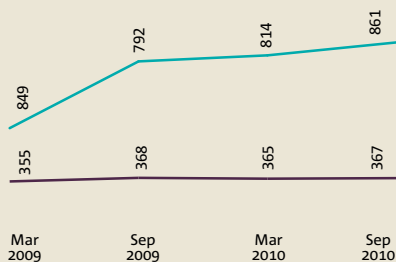
NZ BANKING RESULTS

NZ\$

Cash earnings	\$524m, up 1.4%
Underlying profit	\$943m, up 2.7%
Operating expenses	Increased by 1.2%
Lending	Increased by 2%
Customer deposits	Increased by 9.7%

NZ BANKING INCOME / EXPENSE

NZ\$ millions

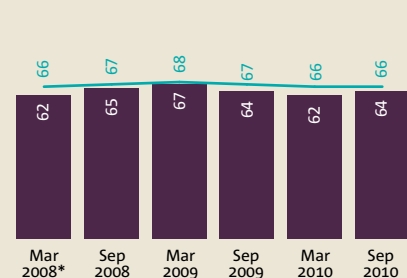


— Net operating income — Operating expense

Source: NAB Group 2010 Full Year Results Announcement

CUSTOMER SATISFACTION

Excellent or very good (%)



■ BNZ — Market Average

Source: Nielsen Consumer Finance Monitor – Main Bank Satisfaction
*Six-month rolling data

NZ Banking's retail, business, agribusiness, corporate and insurance franchises operate under the BNZ brand. BNZ services more than 1.2 million customers and employs around 4,500 people across New Zealand through its 178 retail stores, small business specialists, partner business centres, as well as institutional and private banking teams.

Cash earnings increased by 1.4% to NZ\$524 million when compared to the previous year. Current year performance is characterised by modest housing growth and weak demand for business credit in line with contraction in the New Zealand system. Overall expenses and bad and doubtful debt charges are in line with the prior year.

STRATEGY

In a slowly recovering economy, characterised by subdued growth in business lending and the housing market, we have focused on our balance sheet strength, have been disciplined about costs, and leveraged investments in our distribution network as part of our drive to enhance the customer experience. This strategy is underpinned by a core philosophy that puts the customer at the forefront of everything we do.

PERFORMANCE

During the year, we continued to strengthen our balance sheet through a range of initiatives, including the issue of New Zealand's first domestic covered bond. Our ability to provide innovative solutions has continued to maintain investor confidence. Customer deposits also grew strongly.

Retail customer satisfaction, as measured by the Nielsen Consumer Finance Monitor, is stable at 64%. In the business market (among businesses with under NZ\$150 million turnover and a relationship manager), our customer satisfaction was 68% for the 12 months to September 2010¹.

BNZ is committed to improving customer satisfaction and has embarked on a range of initiatives to achieve this and support its long-term growth. Kaizen, a process

improvement program, is the key to enabling our people to do this.

2010 saw us begin the transformation of our retail store network and BNZ partner business centres. These upgrades are designed to enhance the customer's experience through their innovative features and open and vibrant design. In 2010, we rolled out 26 refreshed stores and opened ten BNZ Partners' centres (for agri and other businesses with turnover of more than \$1 million). We grew our dedicated small business service and launched *My Money for Business*, a new account with reduced fees that helps businesses better manage their cash flow. We also held our first *BNZ Connect* events, which saw 46 stores participate in 35 business networking events in local communities across the country.

The success of BNZ, our customers and our people is closely linked to the communities in which we operate. During 2010, we supported a range of community activities, including the *Closed for Good* initiative, in which 3,500 employees spent a day working on more than 500 community projects across New Zealand. Importantly, we were quick to support our customers and our communities when an earthquake with a magnitude of 7.1 caused extensive damage to the Canterbury area in September 2010. We provided a NZ\$1 million dollar support package to the region and ensured that assistance packages were available to customers affected.

To read how Whale Watch in Kaikoura, supported by BNZ, has transformed its community, visit: annualreports.nabgroup.com/nzbanking

GREAT WESTERN BANK RESULTS

US\$

Cash earnings	\$67m, up 26.4%
Underlying profit	\$149m, up 58.5%

GREAT WESTERN BANK

Great Western Bank (GWB) offers a range of traditional banking and wealth management products to retail, business and agribanking customers in the United States. GWB has 197 branches in seven states in the midwest of the United States, over 1,500 employees and more than 400,000 customers.

STRATEGY

Our strategy is to continue to grow, with an increased focus on small to medium sized corporates and agribusiness.

PERFORMANCE

In difficult economic conditions, GWB posted cash earnings of US\$67 million and underlying profit of US\$149 million. Our SME and agribusiness strategies made strong contributions. Our agribusiness loan portfolio now totals US\$923 million and represents 17% of the loan portfolio. Lending remained fully deposit funded, with a ratio of retail deposits to gross loans and acceptances of 111%.

Customer satisfaction is a key driver of our business success. In each region where GWB operates, our annual customer satisfaction survey saw customers rate us higher at 88.1% than the market average of 81.9% for other financial institutions.

During the year, GWB made two strategic acquisitions. In April, we acquired F&M Bank in Iowa, adding US\$410 million in deposits, US\$109 million in performing loans and ten branches in a prime agricultural area of Iowa. In June, GWB acquired certain assets and liabilities of TierOne Bank in Nebraska. The acquisition adds 62 branches, and approximately US\$1.6 billion in loans and US\$1.9 billion in deposits. As part of the transaction, GWB entered into a loss share agreement with the US Federal Deposit Insurance Corporation (FDIC). The FDIC has agreed to fund 80% of credit losses on covered assets (mainly loans) for defined periods.

The integration of acquisitions made in 2009 – First Community Bank in Colorado and the Canon City branch of Wachovia Bank – has been successful, with improved operating efficiencies and deposit growth of more than 20% achieved in the first year of operation.

ASIA

Our Asian operations consist of three lines of business – wholesale banking, business and institutional banking, and personal banking. NAB Asia employs 350 people in Singapore, Hong Kong and Japan, and services over 20,000 individual and corporate customers.

STRATEGY

Australia is increasingly connected to Asia. Today we are focused on the rapidly growing two-way trade and investment flows between Australia and Asia, and capturing opportunities from migrants' flows in wealth and personal banking. We are also creating options for the future, progressing our China and India banking branch licences and investing in new technology.

PERFORMANCE

NAB has established teams spanning Asia, Australia and New Zealand to ensure customers have the best possible solutions available to them.

Highlights for the past year include:

- The launch of our business banking solutions, including comprehensive trade finance offerings, in Hong Kong, Japan and Singapore.
- The achievement, for the fourth consecutive year, of *Asiamoney's* 'Best Local Currency Cash Management' Award by our International Payments Team, Working Capital Services and Business Banking.
- The nomination of NAB Hong Kong for a Caring Company Award in recognition of the work employees do for charitable causes such as the Evangel Children's Home, St James' Settlement Food Bank and Earthcare.

To find out how NAB Asia developed a vertical financing solution for Parkway, Singapore's largest listed private hospital operator, visit: annualreports.nabgroup.com/asiabanking

CUSTOMER

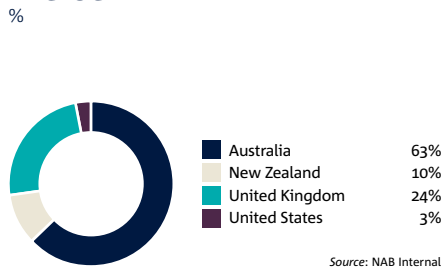
Committed to getting the fundamentals right

We recognise the significant role we play in our customers' lives and accept the responsibility that comes with it. We are committed to getting the fundamentals of banking right.

NUMBER OF CUSTOMERS

11.56m

DISTRIBUTION OF CUSTOMERS BY GEOGRAPHY



ACHIEVEMENTS AND CHALLENGES

More Give, Less Take. Doing the right thing by our customers underpins NAB's *More Give, Less Take* approach in Australia. *More Give, Less Take* began by listening and then taking meaningful action on the issues that most annoyed our customers – fees and charges. We know that fees and charges aren't the only issues important to our customers. Each of our businesses undertakes research and actively seeks feedback to help us better understand how we can meet customers' changing needs. We know that customers want high-quality and easy-to-understand products, helpful and efficient service, support through tough times, clear and transparent financial advice, and secure banking services.

We have responded in a range of ways. We continued to support business customers when the industry contracted its lending and rolled out our Customer-led Innovation Strategy (refer page 14). We have completed the transition of MLC's advice businesses to a fee-for-advice model, and we are investing in our technology to make NAB a more efficient business. We have established a Customer Council in Australia, chaired by Group CEO Cameron Clyne, to discuss customer

complaints in detail and look at how we can work together to address common concerns.

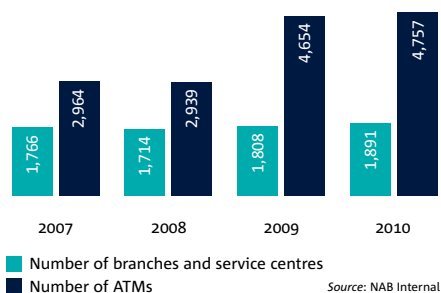
Going forward, we are focused on continuing to improve customer satisfaction and delivering more proof points on our promise of *More Give, Less Take*, and we are committed to keep listening. This year we held our second CEO Consumer Briefing. The feedback received, on issues such as credit limit increase offers, interest rate transparency and assistance for those in hardship, helps us on our *More Give, Less Take* journey and we plan to continue this forum on an annual basis.

Responsible lending. Ensuring access to fair and affordable banking is the focus of our microfinance programs. In partnership with Good Shepherd Youth & Family Service, we provide no- and low-interest loans and a matched savings program. We also offer microenterprise loans for people who have difficulty accessing business credit. We have committed \$130 million in loan capital to support these programs, and this year we've written over 8,500 microfinance loans.

For customers experiencing difficulty, we have dedicated teams to provide assistance. We are committed to managing these customers fairly and compassionately. To help do this in Australia we engaged Good

SERVICES FOR CUSTOMERS

Across the Group



MORE GIVE, LESS TAKE. THE JOURNEY SO FAR TO DELIVER FAIRER BANKING.

September 2009
NAB and Redi ATM join forces in Australia to extend ATM network to over 3,100.

November 2009
Launches NAB Care to better assist customers in short-term financial difficulty.

January 2010
Removes monthly account service fees from popular personal transaction accounts. Extends opening hours of contact centre to include weekends.

March 2010
Introduces free NAB alerts via email or SMS.

October 2009
Abolishes overdrawn fees from everyday personal transaction accounts.

December 2009
Abolishes credit card over limit fee and reduced late payment fee. NAB offers the lowest standard variable home loan rate.

February 2010
Announces the abolition of reference fees on business transaction accounts.



“NAB has been prepared to engage and consult with, and get input and feedback from, the consumer movement. It’s a welcome change to work with a bank who is prepared to listen, and that’s listening to their whole customer base.”

CHRISTOPHER ZINN, Media Officer, Choice

We asked Christopher Zinn how we’re performing for customers. View the interview at: annualreports.nabgroup.com/customer



Shepherd Youth & Family Service to provide training on the issues of hardship to staff in our Collections business in 2010.

Collection agencies are only engaged by NAB for customers with unsecured debts and once internal avenues have been exhausted. We have in place a variety of formal processes aimed at ensuring the activities of these agencies are aligned to our beliefs and behaviours. Any allegations of inappropriate behaviour are taken very seriously, and we commence immediate investigations in response.

Being a responsible lender also means recognising our broader responsibility to society by taking a considered approach to the projects we finance. NAB Group signed the Equator Principles in 2007, which commit us to a voluntary set of standards for determining, assessing and managing social and environmental risk in project financing. Full reporting against the Equator Principles is in our Customer *Dig Deeper* paper. This year, Wholesale Banking established a formal reputation risk review process for discussing reputation and ethical issues.

Environmental and social risk is embedded in our credit risk policies, which prevent lending through normal processes to specific

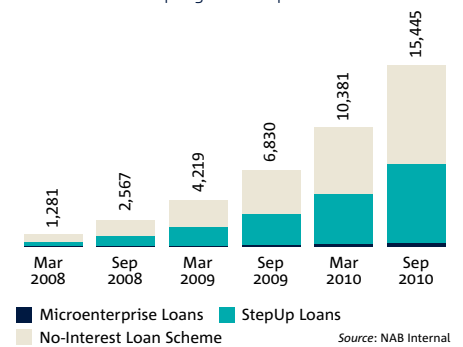
industries (including nuclear, pornography, arms dealers, testing on animals) and other industries with which our Group, for ethical reasons, may not wish to be associated.

Responsible investment is also important to our business. As a ‘manager of managers’, MLC does not select stocks directly; but it researches leading investment managers. An important characteristic of best practice investment managers is the approach they take to assess environmental, social and governance (ESG) issues. MLC believes that sustainable company performance is aligned with strength and leadership in ESG issues. During 2011, we will be meeting with relevant stakeholders to consider the relevance to our businesses of the UN Principles for Responsible Investment.

Safety and security. Customers increasingly bank online, and security needs to stay ahead of emerging threats. This year, we improved the way threats are detected and introduced speech security identification in telephone banking in Australia. BNZ developed a technology called Liquid Encryption Number (LEN), which helps early detection and the automatic prevention of counterfeit credit card transactions.

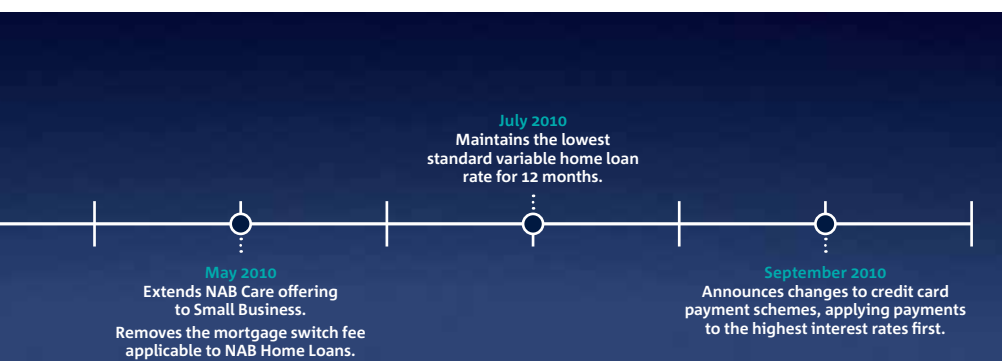
NUMBER OF MICROFINANCE LOANS

Cumulative since program inception



FUTUREFOCUS

- Delivering more proof points on our promise of *More Give, Less Take* to show we stand for fairer and better banking.
- Launching a new customer charter at BNZ and measuring our performance against this.
- Increasing the uptake of our microfinance programs, with a particular focus on improving the uptake by Indigenous Australians.
- Following through on committed actions from our CEO Consumer Briefing, and continuing this forum for listening and engagement.
- Considering the expansion of the reputation risk review process across other areas of the bank.
- Continuing hardship awareness training within the Australian Collections business and implementing refresher training for employees in our UK Collections team.



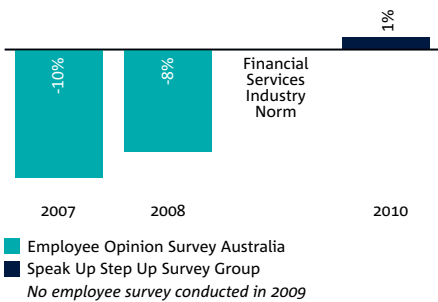
PEOPLE

Committed to being a good employer

As an employer, we play a significant role in the lives of more than 40,000 people. Being a great place to work is fundamental to creating the type of organisation with which our customers want to do business.

EMPLOYEE ENGAGEMENT

85% survey response rate



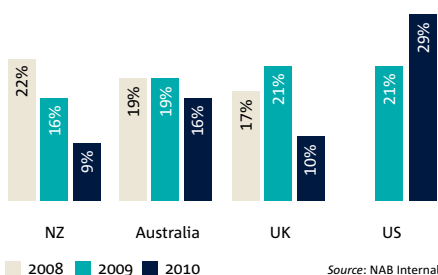
OUR EMPLOYEES

By region (based on FTE)



EMPLOYEE TURNOVER BY REGION

By region



ACHIEVEMENTS AND CHALLENGES

Creating a positive culture. Our beliefs and behaviours are the foundation of our culture. In 2010, we conducted a Group-wide survey that tested our people's perceptions of how we demonstrate them. The survey achieved an 85% response rate and showed that our employees strongly believe we do the right thing and are helpful to our customers and communities. It also showed that we can do more to realise the potential of our people. The survey told us how connected people feel to the organisation (engagement) and what things help them in, or hinder them from, doing their jobs (enablement). Our improvement on engagement and enablement scores indicates we are on the right path. Now on par with the financial services industry norm, we've built a solid basis for future improvements.

Realising potential. This year we looked at how we could integrate our beliefs and behaviours across learning and development programs. In Australia, this led us to include corporate responsibility content in our graduate training and leadership programs, and expand initiatives such as Earthwatch fellowships and skill-based volunteering. The expansion of skill-based volunteering provides employees with the opportunity to develop their leadership and technical skills while delivering greater value to our community partners. We opened a further three Academy sites across Australia to support online learning and development offerings. We have also been working on a Group-wide talent initiative to identify, develop and retain high performers and those with the potential to take on roles of greater responsibility or complexity.

Creating an inclusive workplace. A highlight in 2010 was NAB's citation as an Employer of Choice for Women from EOWA for the fourth year. NAB was the only major Australian bank

LIVING OUR BELIEFS

% OF OUR PEOPLE WHO BELIEVE THE ORGANISATION DOES THE RIGHT THING BY OUR CUSTOMERS, COMMUNITY AND EMPLOYEES

75%

to be cited. Another diversity highlight was the announcement of a new entitlement in Australia of up to 40 weeks of superannuation contributions during unpaid parental leave, on top of the existing 12 weeks of paid leave and superannuation, and comprehensive childcare already provided.

Across all regions we've improved workplace flexibility through options such as job sharing and working from home. In Australia and the UK, we've introduced programs that keep employees in touch while they're on leave and help them successfully return to work. Our focus on flexibility has seen some good results, with the return to work rate of employees on parental leave improving from 65% in Australia in 2006 to over 80% currently. In the UK, we've also introduced a range of networking groups to recognise and support our people – including groups for mature-age workers, lesbian, gay, bisexual and transgender individuals and those with a disability.

In Australia, our Reconciliation Action Plan is helping our people develop a greater understanding of and respect for Indigenous Australians, their culture and aspirations. It's also driving practical action by ensuring we provide access to long-lasting and meaningful employment opportunities.

Challenges remain. Like many organisations, we still face inequities in the number of women in senior leadership positions and in male-to-female remuneration ratios. NAB's recently endorsed Diversity and Inclusion Strategy includes actions to address these issues. It also identifies an increasing number of mature-age workers and how we support them in the workplace as an emerging challenge. We have begun a pilot program to help employees over 50 make informed decisions about their future and support their aspirations at each stage of their career, with a focus on flexibility, balance and changing pace. In New Zealand, a diversity



OUR PERFORMANCE



“NAB has been prepared to maintain collective agreements and an ongoing dialogue where we can bring up issues that matter to our members. They’ve been one of only two banks across the globe to sign a global framework agreement which guarantees access to union representation. The challenges that confront NAB are those that confront the industry – maximising Australian employment and improving systems that determine how people get paid, including removing the link to sales targets.”

LEON CARTER, National Secretary, Finance Sector Union

We asked Leon Carter how we’re performing for our employees. View the interview at: annualreports.nabgroup.com/people



and adaptability framework has been developed. As part of this, senior leader workshops have been designed to raise awareness of demographic and societal change, and the commercial and people management implications.

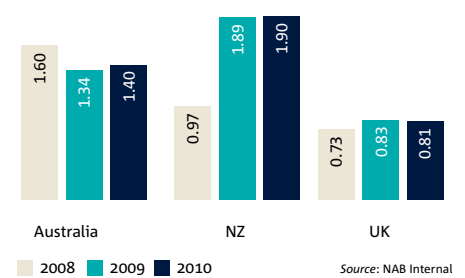
Promoting wellbeing. A key area of focus has been the health and wellbeing of our people. Since 2006, the lost time injury frequency rate (LTIFR) in Australia has more than halved from 4.03 to 1.40. While this is an improvement, we are determined to prevent all injury and harm to our employees. Analysis of our OH&S data shows that the mental health and wellbeing of our employees is an important issue for us. We have introduced a range of initiatives for employees, including confidential external counselling and information sessions on mental health. We have also formed a partnership with Mental Health@Work to build awareness of mental health issues. In New Zealand we have seen an increase in our LTIFR as a result of two injuries involving fractures. These have driven over 50% of the LTIFR increase since 2008. BNZ is managing these claims through its comprehensive claims management system which includes medical and vocational rehabilitation.

Rewarding performance. The relaunch of our beliefs and behaviours in 2009 provided an ideal opportunity to refresh our performance and reward system. We introduced an upgraded enterprise-wide performance management framework. Employees are now assessed on their achievements and contribution to our strategic goals, as well as on their demonstration of our enterprise behaviours. This reflects that, for us, how we go about something is as important as what we achieve. The framework is designed to ensure performance and responsible decision making over the long term. The performance of and rewards for banking senior executives were identified as issues of particular interest to our stakeholders. Executive remuneration is discussed on pages 36 and 37.

Enterprise Agreements. Enterprise Agreements will be renegotiated in Australia and the UK in the next year. We are committed to building on the constructive relationships we have in place with our people and their representatives – the Finance Sector Union in Australia and Unite in the UK – throughout this process.

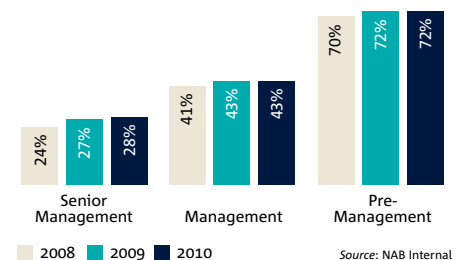
LOST TIME INJURY FREQUENCY RATE

Number of work-related lost-time injuries per million hours worked



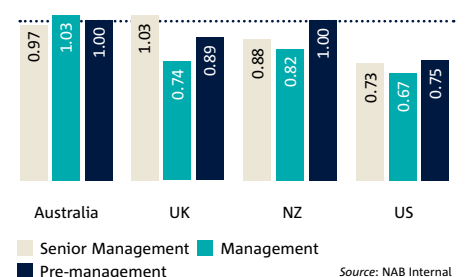
FEMALE REPRESENTATION

% by employment level



FEMALE VS MALE REMUNERATION RATIO

% by employment level



FUTUREFOCUS

- Continuing to create a more diverse workforce with initiatives including the intended early adoption of new ASX Corporate Governance Principles and Recommendations on diversity in 2011. More information is on page 34.
- Identifying, developing and retaining talent, particularly in leadership positions and key workforces, by implementing a new talent framework.
- Undertaking a second Group-wide employee survey that measures change in engagement and enablement, and developing action plans for ongoing improvement.
- Increasing accessibility and the percentage of eligible employees attending leadership capability training at The Academy in Australia.
- Delivering *Women in Business* programs for clients and female employees in New Zealand.

COMMUNITY

Committed to our communities

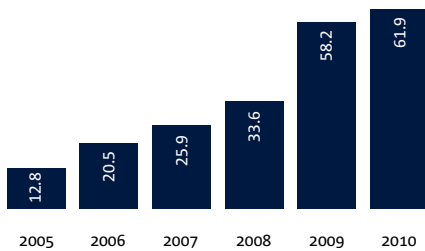
We understand and acknowledge the special role a bank has in the community and as part of the economy. Our success, together with that of our customers and our people, is inextricably linked to the strength of communities we call home. We are focused on realising the potential of young people and fostering social and financial inclusion.

VOLUNTEERING DAYS CONTRIBUTED TO THE COMMUNITY

20,718

GROUP COMMUNITY INVESTMENT

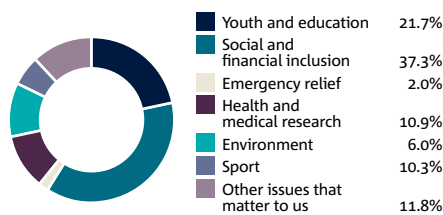
\$ millions



Source: NAB Internal

COMMUNITY INVESTMENT FOCUS AREAS

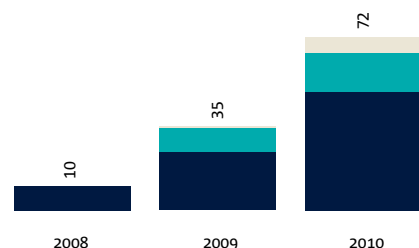
%



Source: NAB Internal

INDIGENOUS RECRUITMENT

Australia



■ School-based trainees ■ Full-time trainees ■ General recruitment

Source: NAB Internal

ACHIEVEMENTS AND CHALLENGES

Investing in our communities. This year, NAB Group invested over \$61.9 million in our communities, representing 0.95% of cash earnings before tax. We see our community involvement as an investment in our business. It creates new and deeper relationships with our customers, boosts employee engagement and builds our reputation in the community. Community investment is most effective when it's targeted, delivered as part of a long-term partnership and built on a foundation of mutual respect. Our community investment focuses on two areas – youth and education, and financial inclusion.

Youth and education. Our focus on young people and education aligns directly with our belief in potential and is a long-term driver of prosperous and vibrant communities. *Schools First* is one of NAB's most significant community investments. A partnership between NAB, the Australian Council for Educational Research and The Foundation for Young Australians, *Schools First* encourages and rewards innovative partnerships between schools and their communities, and ultimately, aims to improve student learning beyond the classroom. NAB has committed \$15 million to *Schools First* and over 860 of our staff have volunteered with the program. In its first two years, more than 20% of Australian schools have applied for funding and there have been 196 award winners.

NAB Auskick is one of the largest junior sporting programs in Australia. On weekends during the AFL football season, approximately 170,000 children head to over 2,800 Auskick centres across the country to learn basic football skills as well as values such as teamwork and commitment from more than 20,000 volunteers.

In 2009, BNZ became the primary sponsor of *Plunket*, New Zealand's largest provider of support services for the development, health and wellbeing of children under five. In addition to providing financial support, we're working with *Plunket* on the development of a financial literacy program for first-time parents.

Financial inclusion. As a financial services organisation, we have an important role to play in promoting access to safe, fair and affordable financial services. As discussed on page 24, our microfinance program is one of the largest of its type in a developed economy. We also support a range of other programs, including the UK's *Count Me In* and *Count and Grow* programs, which are conducted in partnership with local libraries and primary schools and based on the premise that financial literacy is key to financial inclusion.

In Australia, we are helping address the continued disadvantage experienced by Indigenous Australians. In December 2009, NAB launched our second Reconciliation Action Plan, which focuses on three areas: financial inclusion, building access to real jobs and cultural awareness. Highlights for the year include our work to assist the Traditional Credit Union expand its branch network, the establishment of an *Indigenous Money Mentors* program, and the *Indigenous Employment Program*, which recruited more than 72 Indigenous employees across Australia since its beginning in 2008.

Supporting local communities. During the year, we contributed more than 20,700 volunteer days across the NAB Group, an increase of 66% on 2009. A key initiative was BNZ's *Closed for Good* day, when more than 3,500 bank staff volunteered with community partners. The MLC Community Foundation invested \$1.2 million in initiatives that focus on advice, education and investment to



VALUE OF VOLUNTEER DAYS CONTRIBUTED

\$6.38m

protect the future. Great Western Bank donated more than \$600,000 to community activity while, in the UK, we have raised over £1.3 million (including matched funding from the bank) and have contributed more than 3,600 volunteering days to *Help the Hospices* since beginning our partnership.

Help when it's needed. During the year, a number of our communities faced difficult times as a result of natural disasters, including the Christchurch earthquake and floods in Queensland and Victoria. We responded quickly, providing relief measures for customers facing financial difficulties, volunteers to help rebuild and financial contributions to aid agencies.

Our involvement in the communities in which we operate is best brought to life in the stories of the people we work with – we've captured some of these in short videos that you can find at www.nabgroup.com/cr

"NAB has made the transition to taking seriously the simple proposition that the community are also our stakeholders. NAB has started to gain the trust of the community."

TIM COSTELLO, CEO, World Vision and Chair, NAB Community Advisory Council



"What NAB has succeeded in doing, particularly through *Schools First*, is playing a role in bringing together and strengthening local communities around a major challenge – of improving outcomes for young people. An interesting challenge is how NAB continues to build onto this success story."

PROF. GEOFF MASTERS, CEO, Australian Council for Educational Research



"In many ways, NAB has gone out of their way to check on those people who have been historically left out and excluded. Within the context of Indigenous people across Australia, I think they've done pretty well over the last couple of years."

DR CHRIS SARRA, Executive Director, Stronger Smarter Institute, QUT and Co-Chair of NAB's Indigenous Advisory Group



View interviews with Tim Costello, Geoff Masters and Chris Sarra at: annualreports.nabgroup.com/community

FUTUREFOCUS

- Maintaining community investment at approximately 1% of cash earnings before tax.
- Increasing the percentage of employees participating in volunteering, with a particular focus in Australia on increasing the proportion of skilled volunteering.
- Increasing the uptake of the Australian employee-matched giving program.
- Increasing engagement and participation of both schools and community groups across the *Schools First* program while maintaining the quality and quantity of applications.
- Providing financial support through the *Indigenous Money Mentor* network to Indigenous clients around Australia.
- Developing, as a partnership between BNZ and *Plunket*, a first-time parents' financial literacy resource.
- Repeating the BNZ *Closed for Good* initiative in 2011.

INCREASE IN THE NUMBER OF VOLUNTEER DAYS CONTRIBUTED TO THE COMMUNITY

66%

ENVIRONMENT

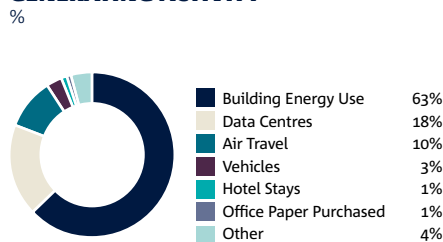
Committed to the environment

We are committed to managing the impact of our business on the environment. Taking a sustainable approach to managing our business is important not only for the environment, but also for the long-term growth and resilience of our business.

CARBON NEUTRAL

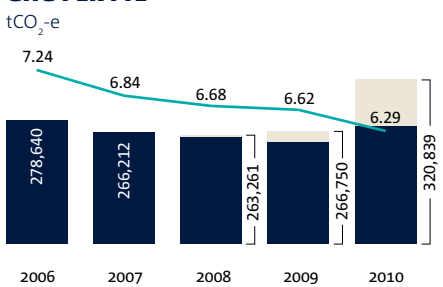


GHG EMISSIONS BY GENERATING ACTIVITY*



Source: NAB Internal

TOTAL GHG EMISSIONS AND GHG PER FTE*



Source: NAB Internal

GROSS GROUP GHG EMISSIONS*

	2008	2009	2010
Australia	220,353	210,749	255,154
New Zealand	10,336	12,434	13,095
United Kingdom	32,572	34,623	37,457
United States	-	8,944	13,409
Asia	-	-	1,724
Total	263,261	266,750	320,839

*Data for year ending June 30 2010. In 2008, 2009 and 2010, we expanded the scope of our inventory to include additional sources of GHG emissions.
Source: NAB Internal

ACHIEVEMENTS AND CHALLENGES

In September 2010, we became the first Australian bank to be carbon neutral, a target we had set in 2007. We did so by reducing our energy use and travel emissions, switching to renewable energy sources and offsetting remaining emissions through the purchase of carbon credits. In another highlight, we achieved the highest score of any Australian company and were among the top 12 companies globally in the 2010 Carbon Disclosure Project Leadership Index, which rates companies on their disclosure of climate change information.

In 2008, we set a Group-wide goal of reducing greenhouse gas (GHG) emissions by 33,000 tCO₂-e from 2008 levels by 2010. We put in place a program of activity that saved over 43,000 tCO₂-e, but this reduction was offset by growth in our business, resulting in a net reduction of around 24,000 tCO₂-e. We are now in the process of setting a new Group emissions reduction target for 2013.

While the reduction of GHG emissions has been an important focus, we have also introduced waste, water and paper reduction programs. This includes the *PaperCuts* program in Australia, which aims to reduce use of office paper and increase the uptake of

electronic communications by customers and shareholders.

In addition to managing our impact on the environment, we need to manage our exposure to the risk associated with climate change and other environmental issues. During the year, we appointed a Head of Environmental Risk to better manage our lending exposure. Scenario work and a series of sector-based reviews are underway to gauge the level and extent of the bank's lending exposure to the effects of climate change. We also appointed a Head of Environmental Treasury Solutions to expand capability in servicing carbon markets.

We are also exploring the business opportunities that environmental change creates. In Australia, the Environmental Finance Solutions team has worked with the business to develop a discounted solar loan product for retail customers and supported the City of Melbourne to develop a new financing mechanism using voluntary statutory property levies for upgrades to commercial buildings that support energy efficiency and other sustainability improvements.

We are committed to supporting the transition to a low carbon economy and



“The commitment to be carbon neutral, and hit it, is a big differentiator. It’s the bank walking the talk. Let’s look for the next steps across the investment portfolio.”

DON HENRY, CEO,
Australian Conservation Foundation

We asked Don Henry how we’re performing for the environment. View the interview at: annualreports.nabgroup.com/environment





being a leading financier of renewables. This year, we helped finance renewable energy projects with a design rated megawatt (MW) generation capacity of 2,361 MW. In the UK, we have responded to customer demand and are developing a funding offering that supports small-scale renewable energy generation projects in the agricultural and community sectors.

Making it our business. We believe that business should have a voice in the environmental debate. During 2010, we took part in consultation on the National Carbon Offset Standard run by the Department of Climate Change and Energy Efficiency and the Australian Carbon Trust. We also sponsored forums held by ClimateWorks and the Green Capital Program, and initiated and hosted forums with some of Australia's largest businesses on how to raise the level of

awareness and understanding of the benefits of transitioning to a low carbon economy.

Cameron Clyne, Group CEO, has accepted an invitation to participate in a climate change roundtable with business leaders and government officials.

FUTUREFOCUS

- Working towards the achievement of our new environmental targets, to be published by December 2010.
- Conducting environmental, social and governance awareness sessions and training for risk and banking personnel.
- Reviewing business continuity and disaster recovery planning to ensure we endeavour to manage the likely physical risks to assets and business continuity as a result of climate change.
- Continuing key advocacy and engagement on climate change, including further activity to leverage the outcomes of the carbon awareness and education forum.

SUPPLY CHAIN

Committed to having a positive impact with our purchasing decisions

As a global business, more than 20,000 businesses supply us with over \$4 billion of goods and services each year. Our purchasing decisions can have a real impact on our suppliers, as well as the environment and communities in which we work.

ACHIEVEMENTS AND CHALLENGES

We want to embed sustainability through the procurement process, from tender development to contract management. In Australia, we introduced the Supplier Sustainability Program in 2008 and have been working to introduce NAB's Supplier Sustainability Principles into new contracts with key suppliers. In Australia, more than 75 suppliers are compliant with these.

Our supply chain initiatives have highlighted the commitment our partners have to sustainability. Through these relationships, we are finding unique and interesting opportunities to work together. Our relationship with Telstra is an example. We are working with them to reduce

electronic waste by donating hardware assets to charitable organisations, and then supporting their installation and use through our volunteering program.

Other highlights for the year include BNZ becoming the largest Fairtrade-accredited workplace in New Zealand (joining NAB in Australia) through the purchase of Fairtrade tea and coffee.

Our work has been recognised by the award for Socially Responsible Procurement from the Chartered Institute of Purchasing and Supply Australia.



"NAB recognises its supply chain impacts and responsibilities. NAB has solid foundations in place through its policy commitments and its structure, and it is now building on that to move from better to best practice."

HUGH WAREHAM, CEO, EcoBuy

We asked Hugh Wareham how we're performing with our supply chain. View the interview at: annualreports.nabgroup.com/supplychain



FUTUREFOCUS

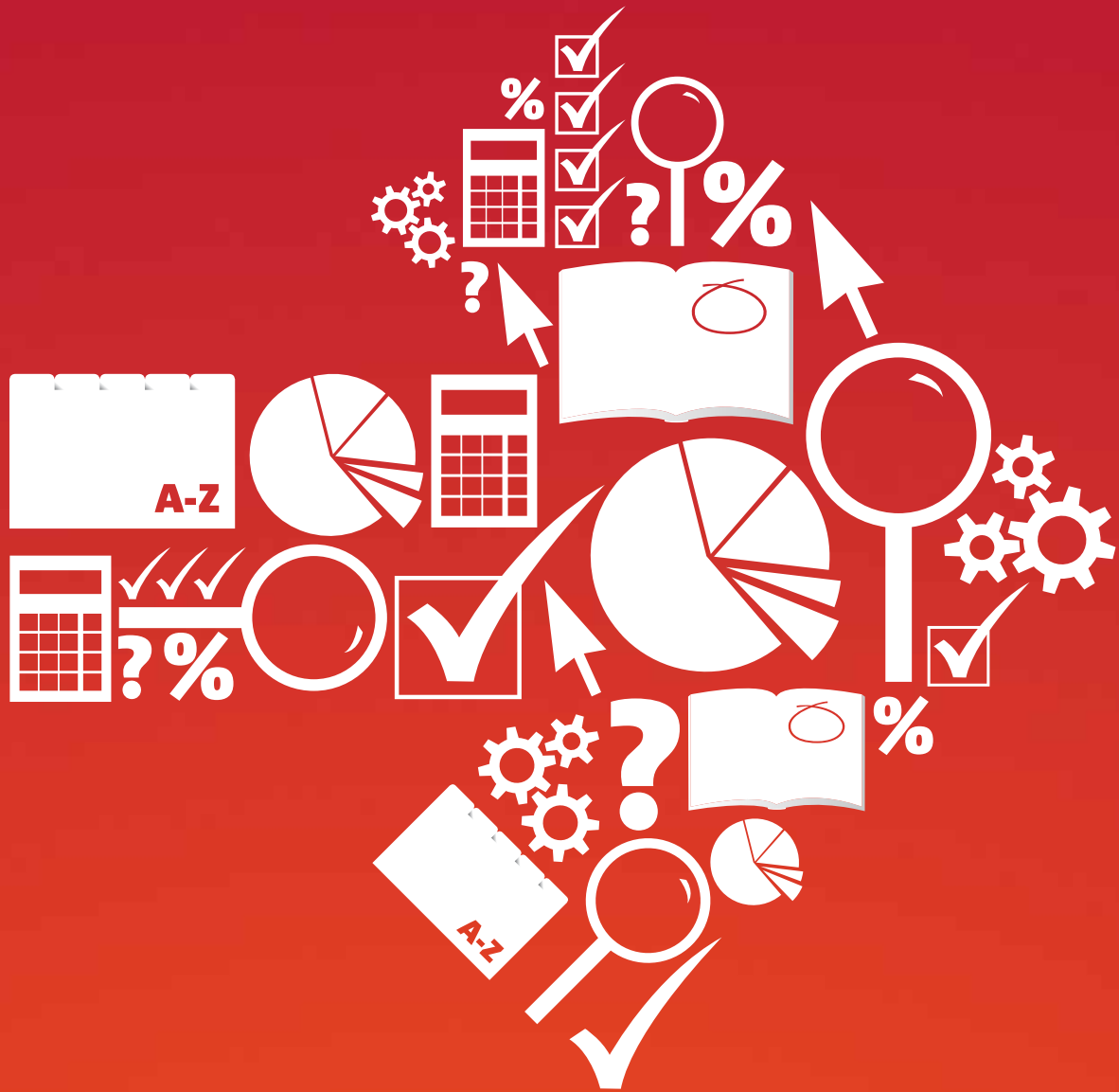
- Increasing the number of suppliers compliant with NAB's Sustainability Principles to 150.
- Rolling out BNZ Sustainability Principles.

FURTHER INFORMATION

- Governance
- Diversity
- Risk Management
- Executive Remuneration
- Financial Summary
- Shareholder Information

Robust frameworks underpin the way we work and the successful delivery of our strategy.

In this chapter, we describe our approach to governance, diversity and risk, and report on areas of focus during 2010. We describe our remuneration framework and show how the remuneration we pay is linked to our performance. We provide a five-year overview of our financial results and include information of interest to shareholders.



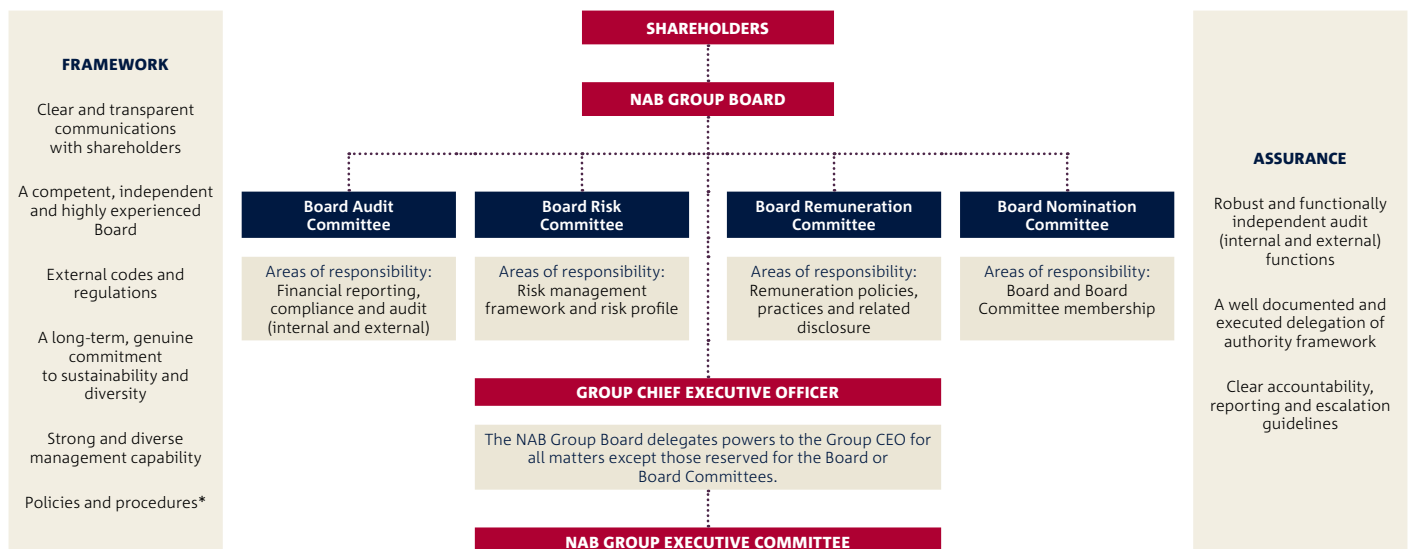
GOVERNANCE

NAB Group's corporate governance framework plays a key role in supporting our business operations while providing clear guidance on how authority is exercised within the Group.

The NAB Group Board, with the assistance of the Audit, Risk and Remuneration committees, determines the most appropriate corporate governance practices for the Group. Our governance framework is underpinned by principles and policies relevant to environmental, occupational health and safety, diversity, social and governance responsibilities.

The Company's full corporate governance report for 2010 is available in the 2010 Annual Financial Report or online at www.nabgroup.com/annualreports. The Group complies with the current ASX Corporate Governance Council Principles and Recommendations (*Principles and Recommendations*).

OUR CORPORATE GOVERNANCE FRAMEWORK



*Covering areas such as conflicts of interest, remuneration, continuous disclosure, ethics and behaviours, code of conduct, whistleblower program and securities dealings.

DIVERSITY

We recognise that a diverse and inclusive workforce is not only good for our employees, it is also good for our business. It helps us attract and retain talented people, create more innovative solutions, and be more flexible and responsive to our customers' and shareholders' needs. Across our Company there is increasing momentum on diversity with a particular focus on gender and age, as well as greater work and career flexibility.

The Company intends to make an early transition to the 2010 revised version of the ASX Corporate Governance Council Principles and Recommendations (which include, amongst other things, diversity requirements) for the 2011 financial year and has made the following progress:

- Established a Diversity Forum to align diversity strategy with business objectives – the forum is chaired by the Deputy CEO with senior business representatives as members.

- Ratified a three-year Diversity Strategy to maximise leverage from our diversity and inclusion initiatives.
- Established a Diversity Policy that has been reviewed and approved by the Board which contains measurable objectives for key diversity categories, and will be published on the Group's website.
- Agreed enterprise gender targets.

NAB has taken an active role in contributing to the debate about how greater gender diversity can be addressed in the Australian private sector. Our commentary formed part of the Federal Government's review of the effectiveness of the Equal Opportunity for Women legislation, the findings of which have yet to be published.

RISK MANAGEMENT

FURTHER INFORMATION

Effective risk management is fundamental to the ongoing success of the NAB Group

At NAB, the risk management function aims to enable sustainable business performance by building and delivering strong risk capability, risk management and risk controls.

It's a challenging task, given an environment characterised by increased consumer and regulatory interest, with a much stronger lens on risk management and risk culture, and heightened sensitivity to and awareness of funding, liquidity and the broad spectrum of risk. The challenge for Risk is to have the capacity and flexibility to support our business, while delivering on our strategic priorities and a ramped-up regulatory change agenda.

OUR PRIORITIES

Our strategic priorities align with and support the Group's strategy. They:

- Make risk easier. By simplifying and streamlining policies, processes, procedures and reporting.
- Enable a culture for success. The calibre and engagement of our people is critical to ensuring effective risk management and a resilient risk culture. To do this, we provide our people with the support, skills and opportunities needed to build great banking careers.
- Build quality engagement with business partners. By clearly defining our operations and engagement models and ensuring sound risk frameworks to support the business.
- Make risk insightful. Through strong knowledge management practices, enhanced scenario analysis capabilities, and further embedding the organisation's risk appetite.

OUR APPROACH TO RISK MANAGEMENT

As well as maintaining oversight of our key risks at an enterprise level, our risk management capability is integrated into the day-to-day activities of our businesses.

Within every business, we have a Chief Risk Officer (CRO) who reports to both the Group CRO and the relevant Group Executive. The CROs sit on their individual leadership teams and provide objective risk management advice. We manage risk through the application of the Group Risk Inventory (GRI), which consists of our most significant risks.

The Risk Leadership Team and Group Risk Management Committee (GRMC) review the GRI annually. The GRMC, chaired by the Group CEO and made up of senior executives, is the principal risk strategy and policy decision-making management body for the business. The Board Risk Committee oversees the risk management framework and risk profile.

HIGHLIGHTS FOR 2010

- Revisited our risk operating model to ensure we support the business while maintaining the independence and authority to review and challenge management decisions.
- Increased analysis of various categories of risk across divisions and regions.
- Improved capability and simplified systems and processes to sharpen our focus on risk analysis, thus providing valuable insights for business management and decision making.
- A clearly articulated risk appetite that is integrated with the strategic planning process and helps to ensure our risk posture is within agreed parameters.
- Enhanced use of scenario planning and stress testing to help plan and prepare for future events that could have an impact on our organisation, particularly in volatile environments.
- Collaboration with the businesses on the streamlining of credit policies and processes, and working with technology to build a platform for sound business information, insight and decision making across the enterprise.

EXECUTIVE REMUNERATION

NAB's remuneration philosophy is underpinned by principles that link employee rewards to value creation for shareholders; create consistency between shareholder returns and performance of the Group; and ensure we provide competitive levels of remuneration within the markets in which we operate.

STI OUTCOMES



REMUNERATION SUMMARY

The Group increased cash earnings by 19.3% to \$4.58 billion as business conditions improved and we made progress against our strategic priorities. This generally resulted in increased performance payments for 2010, compared to 2009. However, lack of a strong NAB share price performance has, appropriately, resulted in a limit on payouts under our executive incentive plans (particularly long-term incentive plans).

OUTCOMES FOR 2010

Performance payments for the Group Chief Executive Officer and senior executives were as follows:

- The average Short Term Incentive (STI) amount paid to senior executives (including the Group CEO) rose to 131%, as a percentage of STI target.
- Current employees derived no value from Long Term Incentive (LTI) during the 2010 year (other than dividends).
- LTI securities held by several senior executives lapsed during the year, unvested and therefore unexercised, as performance hurdles were not met.
- A number of equity retention/recognition grants from prior years have provided value during 2010.

In addition, one-half of total STI for the 2010 financial year for the Group Executive Committee and other senior executives was deferred in shares, 25% restricted for 12 months and 25% restricted for 24 months. The STI Outcomes graph shows the average individual STI payment (as a percentage of each individual's target STI, where 100% is the target) for the Group's Executive Directors and other senior executives, reflecting both business and individual performance.

EXECUTIVE REMUNERATION

The NAB Board welcomes the continued public debate about executive pay. We believe our policies must be consistent with community expectations, while also providing appropriate performance-related incentive to our executives. The Board is concerned about an overseas trend in financial services to increase the proportion of fixed pay. This trend is counter to shareholder interests because it can result in executives receiving inappropriately large amounts of pay in poor years and can lead to a universal increase in pay levels. We are working with our regulators, industrial associations and wider community groups to voice our view.

NON-EXECUTIVE DIRECTOR FEES

The total fees paid by the Group to the Chairman and the non-executive Directors on the Board (including fees paid for their involvement on Board committees and for their services to controlled entities of the Company) are kept within the total approved by shareholders. Fees for the Chairman and non-executive Directors have not changed since 2008.

REMUNERATION TABLE FOR MEMBERS OF THE GROUP EXECUTIVE COMMITTEE ON 30 SEPTEMBER 2010*

Name	Fixed remuneration (1)	Cash STI (2)	Deferred STI vested during year (3)	Equity vested during year (4)	Remuneration received for 2010 (5)	Equity lapsed during the year to 30 Sep 2010 (6)
Executive directors						
C Clyde	2,691,571	1,916,397	485,712	497,033	5,590,713	(492,601)
M Joiner	1,291,954	825,000	863,512	444,325	3,424,791	(446,676)
M Ullmer	1,350,180	1,110,158	–	–	2,460,338	(355,100)
Other senior executives						
L Gray	821,630	467,500	46,192	133,397	1,468,719	(198,852)
M Healey	565,482	371,250	92,959	177,829	1,207,520	(61,426)
J Healy	1,002,088	825,000	738,770	257,779	2,823,637	–
B Munro	813,187	412,500	72,860	86,501	1,385,048	(120,064)
L Peacock ⁽⁷⁾	1,212,547	345,395	279,362	2,569,614	4,406,918	(1,073,885)
R Sawers	907,956	584,375	–	177,829	1,670,160	(69,814)
G Slater	884,804	660,000	323,828	178,479	2,047,111	(350,750)
A Thorburn	1,151,285	550,000	197,905	177,829	2,077,019	(814,863)
S Tucker	883,588	584,375	–	257,779	1,725,742	(655,675)

* The above table summarises the actual remuneration executives received, including cash paid and the value of equity that vested. Additionally, equity that has lapsed without providing any value to the executive is shown. Further information on executive remuneration can be found in the Remuneration Report in the Company's 2010 Annual Financial Report.

(1) Fixed remuneration is the total amount received by the executive during the year including cash salary, non-monetary benefits such as cars and parking, superannuation and annual leave and long-service entitlements.

(2) The cash component (50%) of the STI received in respect of the 2010 year. The remaining 50% of the STI for 2010 is deferred in shares, 25% restricted for 12 months and 25% for 24 months and is not reflected in this table as this equity is subject to forfeiture and further performance conditions and cannot be accessed by the relevant executives. In respect of Mr Ullmer it also includes a cash payment under the 2008 Motivation and Retention cash program of \$250,000.

(3) Deferred STI amounts from the 2008 STI program fully vested in November 2009. The value is calculated using the closing share price of Company shares on the vesting date.

(4) Equity-based programs from prior years (other than the deferred STI shares referred to above) that have vested during the 2010 year. The value is calculated using the closing share price of Company shares on the vesting date (less any applicable exercise price). There has been no vesting of LTI during the 2010 year. Any securities where the exercise price is greater than the share price on the day of vesting is valued at zero.

(5) Total value of remuneration received during the 2010 year. This is the total of the previous columns.

(6) The value of equity lapsed during the year includes LTI securities that have lapsed, unvested and/or unexercised on their Expiry Date. The value is calculated using the closing share price of Company shares on the Expiry Date (with the exercise price subtracted in the case of any lapsed performance options). Any securities where the exercise price is greater than the share price on the Expiry Date is valued at zero.

(7) Ms Peacock's STI outcomes for the 2010 performance year reflect the business result for the UK banks compared with business plan and results for the rest of the Group. She is entitled to a higher STI payment, however has elected to receive an STI payment that reflects the business results for the UK. The UK results reflect improved earnings and asset quality. This is a well-run bank with a strong balance sheet that has supported customers despite very difficult trading conditions.

REMUNERATION TABLE FOR NON-EXECUTIVE DIRECTORS

	Board \$	Audit Committee \$	Risk Committee \$	Remuneration Committee \$	Controlled Entities \$	Other \$	Total \$
Current							
MA Chaney ⁽¹⁾	770,000	–	–	–	–	5,636	775,636
PA Cross ⁽²⁾	220,000	–	30,000	45,000	17,857	–	312,857
DT Gilbert	220,000	–	–	22,500	–	–	242,500
PJ Rizzo	220,000	30,000	60,000	–	–	–	310,000
JS Segal ⁽³⁾	220,000	17,500	30,000	9,375	–	–	276,875
JG Thorn	220,000	60,000	–	–	–	–	280,000
GA Tomlinson ⁽⁴⁾	220,000	–	–	22,500	277,500	–	520,000
JA Waller ⁽⁵⁾	210,952	30,000	30,000	–	138,794	–	409,746
GM Williamson ^(4, 5)	220,000	–	30,000	–	267,211	65,216	582,427
AKT Yuen ⁽⁶⁾	128,333	–	17,500	13,125	14,583	–	173,541
Total	2,649,285	137,500	197,500	112,500	715,945	70,852	3,883,582

(1) Mr Chaney received a non-monetary benefit relating to travel expenses. Sir Malcolm Williamson received a non-monetary benefit in relation to UK National Insurance contributions.

(2) From 10 May 2010, Mrs Cross was appointed as a Director of the JBWere Pty Limited Board.

(3) From 1 March 2010, Ms Segal was no longer a member of the Remuneration Committee and was appointed as a member of the Audit Committee.

(4) Mr Tomlinson receives fees in respect of services performed as Chairman of the Boards of National Wealth Management Holdings Limited and subsidiaries.

(5) The fees that were paid to Sir Malcolm Williamson in respect of services performed as non-executive Director of controlled entity boards and committees were paid in GBP. Mr Waller receives fees in respect of services performed as non-executive Director of BNZ, which are paid in New Zealand dollars.

(6) Mr Yuen became a Director of the Principal Board, a member of the Principal Board Risk Committee, Principal Board Remuneration Committee, Principal Board Nominations Committee and the Asia Management Board on 1 March 2010.

FINANCIAL SUMMARY

GROUP RESULTS FOR THE YEAR ENDED 30 SEPTEMBER

	2010 \$m	2009 \$m	2008 \$m	2007 \$m	2006 \$m
Net interest income	12,288	12,072	11,142	9,765	8,777
Other operating income	2,838	3,766	3,015	3,519	3,554
MLC net operating income	1,512	1,068	1,257	1,286	1,123
Net operating income	16,638	16,906	15,414	14,570	13,454
Operating expenses	(7,862)	(7,580)	(7,276)	(7,428)	(7,360)
Underlying profit	8,776	9,326	8,138	7,142	6,094
Charge to provide for bad and doubtful debts	(2,263)	(3,815)	(2,489)	(790)	(605)
Cash earnings before tax, IORE, distributions and non-controlling interest	6,513	5,511	5,649	6,352	5,489
Income tax expense	(1,777)	(1,451)	(1,408)	(1,722)	(1,563)
Cash earnings before IORE, distributions and non-controlling interest	4,736	4,060	4,241	4,630	3,926
Net profit – non-controlling interest	(1)	-	1	-	-
IORE	61	26	(14)	39	56
Distributions	(215)	(245)	(312)	(283)	(254)
Cash earnings from ongoing operations	4,581	3,841	3,916	4,386	3,728
Disposed operations	-	-	3	8	175
Cash earnings	4,581	3,841	3,919	4,394	3,903
Non-cash earnings items (after tax)	(357)	(1,252)	617	184	489
Net profit attributable to owners of the Company	4,224	2,589	4,536	4,578	4,392

SELECTED PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 SEPTEMBER

	2010 \$m	2009 \$m	2008 \$m	2007 \$m	2006 \$m
Key indicators					
Cash earnings per share (cents) – basic	214.5	198.4	238.4	270.1	233.0
Cash earnings per share (cents) – diluted	212.8	197.5	237.3	268.5	230.6
Cash return on equity (ROE)	13.2%	11.8%	14.3%	17.1%	15.9%
Profitability, performance and efficiency measures					
Dividends per share (cents)	152	146	194	182	167
Dividend payout ratio	70.9%	73.6%	81.4%	67.4%	71.7%
Cash earnings on average assets	0.69%	0.56%	0.64%	0.84%	0.81%
Banking cost to income ratio	45.9%	43.9%	46.9%	50.8%	54.5%
Capital	Basel II	Basel II	Basel II	Basel I	Basel I
Tier 1 ratio	8.91%	8.96%	7.35%	6.67%	7.35%
Total capital ratio	11.36%	11.48%	10.93%	9.99%	10.81%
Risk weighted assets (\$bn)	344.7	342.5	343.5	355.3	318.3
Volumes (\$bn)					
Average interest earning assets	546.6	559.4	506.5	429.1	375.7
Asset quality					
Gross impaired assets to gross loans and acceptances	1.35%	1.26%	0.49%	0.28%	0.26%
Collective provision to credit risk-weighted assets (excluding housing) ⁽¹⁾	1.48%	1.46%	1.07%	n/a	n/a
Specific provision to gross impaired assets	25.2%	28.2%	30.0%	28.1%	20.4%
Other					
Full Time Equivalent Employees (no.)	44,551	38,953	39,729	38,822	38,419

(1) The Group was accredited under Basel II during the September 2008 year. Comparative information is not available for 2006–2007.

BALANCE SHEET SUMMARY AS AT 30 SEPTEMBER

	2010 \$m	2009 \$m	2008 \$m	2007 ⁽¹⁾ \$m	2006 ⁽²⁾ \$m
Assets					
Cash and liquid assets	26,072	25,834	18,209	12,796	12,768
Due from other banks	37,679	33,265	46,996	25,144	24,372
Marketable debt securities	54,182	47,681	39,463	40,682	16,621
Loans and advances at fair value	36,700	29,567	25,732	19,564	16,774
Other assets at fair value	709	1,963	4,868	5,625	5,349
Other financial assets at fair value	37,409	31,530	30,600	25,189	22,123
Loans and advances including acceptances	404,513	399,809	406,456	366,525	325,503
Investments relating to life insurance business	64,560	54,254	52,896	62,630	54,784
Other assets	61,537	61,747	62,179	41,254	28,614
Total assets	685,952	654,120	656,799	574,220	484,785
Liabilities					
Due to other banks	37,612	36,148	52,423	42,566	37,489
Deposits at fair value	10,212	10,365	14,485	14,133	10,622
Other liabilities at fair value	9,675	10,946	9,099	7,717	7,058
Other financial liabilities at fair value	19,887	21,311	23,584	21,850	17,680
Deposits and other borrowings	353,232	336,188	327,466	263,742	222,277
Liability on acceptances	12,549	16,891	16,075	30,443	32,114
Bonds, notes and subordinated debt	93,203	90,792	98,239	80,983	65,006
Life policy liabilities	54,354	47,314	46,150	53,097	46,475
Other liabilities	76,161	67,641	60,016	51,654	35,772
Total liabilities	646,998	616,285	623,953	544,335	456,813
Net assets	38,954	37,835	32,846	29,885	27,972
Equity					
Equity (parent entity interest)	38,940	37,815	32,790	29,571	27,804
Minority interest in controlled entities	14	20	56	314	168
Total equity	38,954	37,835	32,846	29,885	27,972

(1) The consolidation policy in relation to consolidation as it applies to special purpose entities changed during the 2008 year. 2007 comparative information was restated to reflect this.

(2) The 2006 comparative amounts reflect the application of certain accounting, valuation and consolidation methods that were modified to comply with AIFRS.

The financial data presented in our Annual Review is aligned to our management view, rather than the statutory Annual Financial Report. As such, the Review focuses on cash earnings. Cash earnings are one of the main financial targets we use to manage the Group and are a key performance measure used by the investment community. By presenting financial information on an ongoing basis, the results of operations that will not form part of the continuing Group (for example, entities that have been sold) are excluded for the current year and all prior periods shown. Cash earnings do not refer to or in any way purport to represent the cash flows, funding or liquidity position of the NAB Group. A full definition of cash earnings and selected performance indicators along with a reconciliation to our statutory net profit after tax can be found in our 2010 Full Year Results Announcement, available at www.nabgroup.com

SHAREHOLDER INFORMATION

2010 ANNUAL FINANCIAL REPORT

A copy of our Annual Financial Report is available to all shareholders upon request. You can view our report online at www.nabgroup.com/annualreports or request a printed copy from the Share Registry either by email at nabservices@computershare.com.au or by telephone on 1300 367 647 (within Australia) or +61 3 9415 4299 (outside Australia). Current – as well as extensive historical – information is posted and maintained on the website at www.nabgroup.com

ANNUAL GENERAL MEETING 2010

When: Thursday, 16 December 2010
Where: Sydney Convention and Exhibition Centre
Address: Darling Drive
Darling Harbour
SYDNEY NSW 2000
Australia
Time: 9.30am (Australian Eastern Daylight Time)

NATIONAL AUSTRALIA BANK LIMITED

Chairman

Mr Michael A Chaney AO, BSc, MBA,
Hon.LLD *W.Aust*, FAICD

Group Chief Executive Officer

Mr Cameron A Clyne BA

Company Secretary

Ms Michaela J Healey LLB, FCIS

Registered office

Level 4 (UB4440)
800 Bourke Street
DOCKLANDS VIC 3008
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Tel: 1300 367 647

Auditor

Ernst & Young
Chartered Accountants
8 Exhibition Street
MELBOURNE VIC 3000
Australia
Tel: +61 3 9288 8000
Fax: +61 3 8650 7777

CONTACT DETAILS

Principal Share Register

Computershare Investor Services Pty Limited

Yarra Falls
452 Johnston Street
ABBOTSFORD VIC 3067
Australia

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Australia

Local call: 1300 367 647
Fax: +61 3 9473 2500

Telephone and fax (outside Australia):

Tel: +61 3 9415 4299
Fax: +61 3 9473 2500
Email: nabservices@computershare.com.au
Website: www.nabgroup.com

UK Share Register

Computershare Investor Services PLC

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Website: www.nabgroup.com

United States ADR Depository

Transfer Agent and Registrar

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Investor Services
BNY Mellon Shareowner Services
PO Box 358516
PITTSBURGH, PA 15252-8516
United States of America

Toll Free# for Domestic Calls:
1-888-BNY-ADRS
Number for International Calls:
1-201-680-6825
Email: shrrelations@bnymellon.com
Website: www.bnymellon.com/shareowner

Corporate Responsibility:

Email: corporate.responsibility@nab.com.au

Postal address:

Corporate Responsibility
National Australia Bank
800 Bourke Street
DOCKLANDS VIC 3008
Australia

2011 FINANCIAL CALENDAR*

5 MAY 2011

Half year results announcement

8 JUNE 2011

Record date for the interim dividend

6 JULY 2011

Payment date for the interim dividend

27 OCTOBER 2011

Full year results announcement

16 NOVEMBER 2011

Record date for the final dividend

15 DECEMBER 2011

Annual General Meeting

19 DECEMBER 2011

Payment date for the final dividend

*Dates are subject to change.

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ERM INDEPENDENT ASSURANCE REPORT TO NATIONAL AUSTRALIA BANK LIMITED: SUMMARY FOR THE 2010 ANNUAL REVIEW

Environmental Resources Management Australia Pty Limited (ERM) was engaged by National Australia Bank Limited (NAB) to provide independent limited assurance of its 2010 Annual Review to the scope of work outlined in ERM's Independent Full Assurance Report (see link provided below).

annualreports.nabgroup.com/assurance for details of ERM's scope of work, experience and independence.

CONCLUSION

ERM concludes that, based on the scope of work and related limitations, for the specified subject matter, NAB's 2010 Annual Review:

- Provides a balanced representation of the material issues concerning NAB's CR performance.
- Reports accurate CR metrics, based on the limitations outlined above and the representative sampling of a limited dataset.
- Incorporates correctly transcribed climate change data verified by a third party.

for the 12 months to 30 September 2010. In addition, ERM provides a more detailed Management Report to NAB.

KEY FINDINGS

Based on the scope of work and related limitations, without affecting the assurance conclusion, ERM identified these key findings:

MATERIALITY

Has NAB provided a balanced representation of the material issues concerning its CR performance in the 2010 Annual Review?

NAB employed a more comprehensive and formal materiality determination process than in previous years. Material CR performance issues were identified based on stakeholder engagement and business risks highlighted by the Executive. These issues formed the basis of the CR content of the 2010 Annual Review, which provides a balanced representation of material CR performance issues.


GOOD PRACTICE

- Data owners demonstrated commitment to the CR reporting process, providing data in advance of audit interviews and integrating CR data collation and reporting into their daily duties, rather than treating it as a one-off annual task.
- Data transfer, in the majority of cases, is undertaken from databases, such as SAP, with manual data transfer kept to a minimum.
- People data reporting has improved with a formal written procedure in the UK, alongside a customised report built into the relevant database in Australia and NZ, to ensure that consistent metrics are reported each year.
- Corporate Community Investment (CCI) data management has improved, with spreadsheets now "checked out" from a dedicated Intranet site for data changes to be made, then "checked in" again. This ensures version control, a historical area for improvement.

AREAS FOR IMPROVEMENT

- Small number of data definitions require further clarity and documentation to ensure consistency.
- Safety data, in particular Lost Time Injury Frequency Rate (LTIFR), is managed by a third party in the UK and to some extent in NZ. Implementing and documenting a formal internal verification process would represent good practice.
- Evidence to support CCI data was not always readily available. This could be addressed by detailing the methodology and data sources used at the time of data entry.
- Challenges were experienced with data for new businesses, Aviva and JBWere, for the reporting period. These challenges related to the communication of data collation systems. However, integration was achieved during the audit for future reporting periods.

NAB's continued commitment to CR reporting represents good practice.



Environmental Resources Management Australia Pty Limited (ERM), 1 November 2010, Melbourne, Australia

Please follow this link (annualreports.nabgroup.com/assurance) for ERM's Disclaimer Statement that applies to this ERM Independent Assurance Summary Report.

DISCLAIMER

The Annual Review cannot be expected to provide as complete an understanding of the financial performance, financial position, operating, financing and investment activities of the Group as the 2010 Annual Financial Report and the 2010 Full Year Results Announcement.

This publication 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 National Australia Bank 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. National Australia Bank does not undertake any obligation to publicly release the results of any revisions to these forward-looking statements to reflect circumstances or events subsequent to the date of this Review.

www.nabgroup.com

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