National Australia Bank Limited
ABN 12 004 044 937

800 Bourke Street
Docklands Victoria 3008
AUSTRALIA

www.nabgroup.com

ASX Announcement

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES OR TO U.S. PERSONS

Wednesday, 22 July 2009

Capital Raising and June Quarter Trading Update

NAB to raise $2 billion of equity capital

Unaudited cash earnings of approximately $0.9 billion; Performance remains solid

NAB today released its third quarter trading update and announced a capital raising to support growth initiatives.

Trading Update Key Points

- National Australia Bank's June quarter unaudited[1] cash earnings were approximately $0.9 billion - reflecting continued solid performance under difficult economic conditions.
- Group revenue was slightly lower than the first half run rate. Australia Banking and Global Markets Division continued to be areas of particular strength.
- The Group remains on track to deliver cost growth at around inflation for the full year.
- As expected, asset quality has continued to weaken across all businesses reflecting the economic cycle. Group 90+ days past due and gross impaired assets to gross loans and acceptances (GLAs) was 177bps at 30 June 2009 (138bps at 31 March 2009[2]).
- The Group charge for bad and doubtful debts (B&DDs) was $1,064 million for the quarter. The specific provision B&DD charge was $859 million, of which approximately one third related to a small number of individual name exposures. The collective provision B&DD charge was $205 million, mainly reflecting further downgrades in customer credit quality across all businesses. Provisioning coverage ratios remained strong.
- The Group has achieved its FY09 funding target of $19bn and has started pre-funding FY10. Year-to-date, over A$30bn of term funding has been raised, including two offshore benchmark non-guaranteed issues. On 17 July 2009, Standard & Poor's reaffirmed NAB's long term AA credit rating.
- Customer deposit flows continue to be strong. NAB maintains a conservative liquidity position.

[1] The June quarter result is based on management financial information and has not been subjected to external auditor review.
[2] March 2009 adjusted to include impaired loans at Fair Value.

Executive Commentary

"Our businesses continue to deliver solid performance despite the subdued economic environment. Furthermore, we continue to see significant opportunities in the SME and institutional segments," Group Chief Executive Officer, Cameron Clyne said.

"This capital raising not only ensures we maintain a strong balance sheet position, but also provides us with the flexibility to support our existing customers, accelerate initiatives to enhance our SME market position, and pursue additional organic and strategically aligned inorganic opportunities.

"For example, earlier in the year, we announced our intention to hire between 150-200 additional business bankers to take advantage of opportunities to grow our share of high quality SME relationships that offer long term multi-product potential.

"To date, we have hired 122 bankers and the early results of the strategy have been positive as we continue to grow our market share at attractive returns while improving customer satisfaction. This demonstrates the underlying strength and potential of this franchise.

"Adding strong capital to our already strong funding and liquidity positions supports our strategic agenda," he said.

Capital Raising and Capital Position

NAB today announced a fully underwritten institutional placement of shares to raise $2.0 billion to maintain balance sheet strength and flexibility. A non-underwritten share purchase plan (SPP) will also be offered, capped at $750 million.

The institutional placement will increase the 30 June 2009 pro forma Tier 1 ratio position from approximately 8.2% to approximately 8.8%. The desire to increase the Tier 1 ratio is consistent with the Group's intention to maintain a strong capital position through the economic cycle, accommodating volatility in core and non-core capital items and possible tax case provisions. More importantly, it supports organic growth and potential small inorganic opportunities (eg Australian distribution, brand and wealth opportunities, and small deposit and branch network extension opportunities overseas).

The institutional placement has been underwritten at a minimum price of $21.20 per share, with the final price to be determined by a bookbuild.

The institutional placement of $2.0 billion is fully underwritten by Deutsche Bank AG, Sydney Branch, Goldman Sachs JBWere Pty Ltd and Merrill Lynch International (Australia) Limited.

Following the placement, NAB will offer retail shareholders the opportunity to participate in a non-underwritten SPP. The SPP will provide eligible ordinary shareholders on the register at 7.00pm on 27 July 2009 with the opportunity, without incurring brokerage or other transaction costs, to subscribe for up to $15,000 of NAB ordinary shares adjusted for participation in the SPP in December 2008 (subject to obtaining waivers from the ASX). The SPP will be capped at $750 million.

Further details of the SPP will be provided to eligible shareholders in due course.

Trading in NAB shares on the ASX and NZSE will be halted for one day while the institutional placement is undertaken. Trading is expected to recommence on Thursday, 23 July following the announcement of the outcome of the institutional placement.

Business Unit Commentary

Australia Banking

Australia's economy appears to be showing some signs of recovery, reflecting government policy initiatives and improving global sentiment. Nevertheless, unemployment and credit quality trends, which tend to lag, both remain negative.

Australia Banking business lending has continued to grow and has delivered above system performance for the quarter while total business lending system volume has declined.

Activity in the Australian mortgage market has been focussed around the first home buyer segment. Consequently, and with continued underperformance in Australia Banking's mortgage broker operation, NAB's growth has been below system.

Deposit volume growth has been solid.

Revenue growth for the quarter has been strong, reflecting business volume growth and repricing, offset by lower fees and some contraction of deposit margins.

Cost performance continues to be at around inflation.

The ratio of 90+ days past due and gross impaired assets to GLAs increased 19bps to 129bps at 30 June 2009.

Wealth Management

Wealth Management gross income showed a slight increase relative to the first half, with Investments gross income marginally down while Insurance gross income experienced modest growth. Net flows were strong in June, reflecting both investors returning to the market and seasonality associated with the end of the tax year. The combination of positive market returns and positive net flows has increased funds under management to $75 billion at 30 June 2009 from $70 billion at 31 March 2009.

Growth in MLC's gross income was more than offset by an increase in volume related expenses (Insurance claims costs increased, with claims above long-term average, most notably in lump sum).

Operating costs were well controlled, reflecting initiatives undertaken in the first half to reduce headcount and a continued focus on expense management in light of lower activity.

More positive investment market conditions resulted in a recovery in IoRE.

United Kingdom

NAB's UK banking franchises continued to operate in a particularly difficult market.

In the June quarter revenue grew strongly, reflecting improved margins and the lower spread between official base rate and the 3 month LIBOR rate (The spread has reduced to a 90 day rolling average of 120bps for the quarter versus 211bps in the first half. For the month of June, the rolling average continued its decline, to 96bps. The cost of basis risk in the first half was approximately £120m compared to approximately £30m in the June quarter).

Asset quality measures deteriorated, particularly in the business portfolio, reflecting contraction in the UK economy. The ratio of 90+ days past due and gross impaired assets to GLAs increased to 259bps at 30 June 2009 (199bps at 31 March 2009[2]). Within the mortgage portfolio, the ratio of 90+ days past due to total lending increased from 0.75% to 0.93% over the quarter, still less than half of the UK Council of Mortgage Lenders average of 2.39% at the end of March 2009.

Retail deposits grew strongly, rising 4% during the quarter. Gross new lending advances were £1 billion in the quarter. Total GLAs were flat.

New Zealand

The New Zealand economy is experiencing a protracted recession with lower commodity prices, higher unemployment and weak asset prices, but there are signs that conditions are starting to stabilise as lower interest rates and fiscal stimulus support demand.

Growth in lending volumes has continued to slow, while growth in deposit volumes has improved.

The ratio of 90+ days past due and gross impaired assets to GLAs increased to 125bps at 30 June 2009 (113bps at 31 March 2009[2]).

BNZ has maintained its prudent capital and liquidity positions.

nabCapital

Global Markets revenues were strong albeit below the first half run rate. Loan repricing continued and costs were contained. Against this, the ratio of gross impaired assets to GLAs increased to 384bps at 30 June 2009 (up from 232bps at 31 March 2009).

nabCapital continues to actively manage the conduit portfolio. The SCDO portfolio remained largely stable. There were two credit events within the underlying reference entities affecting three of the six SCDOs. NAB's active management of the portfolio preserved subordination and kept internal ratings stable at investment grade.

Balance Sheet Commentary

Capital

At 30 June 2009 the Group's Tier 1 capital ratio was approximately 8.2% (pro-forma for the partially underwritten DRP completed in July 2009 and the Aviva acquisition). The movement in the Tier 1 ratio since the 31 March 2009 level of 8.31% is primarily attributable to:

- the partially underwritten DRP;
- the acquisition of Aviva Australia Holdings Limited[3]; and
- volatility in some capital items namely non-cash earnings and the UK defined benefit pension scheme.

Furthermore, there is potential for the New Zealand and ExCaps tax cases to affect capital in the foreseeable future, should provisions be taken.

In addition to the capital raising, the Group will also continue to explore opportunities to strengthen its capital position by utilising existing Residual Tier 1 hybrid capacity, where market conditions permit. The Group does not currently intend to have the FY09 final dividend underwritten.

Bad and doubtful debts provisions

Collective Provision balances have increased by $115 million since March 2009. Specific Provision balances have increased by $450 million since March 2009, attributable to a broad range of industries across all regions.

Total provision balances (including the credit risk adjustment on assets at fair value) as at 30 June 2009 stand at $5,426 million ($4,861 million as at 31 March 2009).

[3] APRA requires a deduction to be taken as at 30 June 2009 notwithstanding that the acquisition has not been completed and is still subject to regulatory approval.

Funding and liquidity

The Group has maintained a strong funding position. Since 1 October 2008, it has raised over A$30 billion in term wholesale funding. Since 31 March 2009 A$14 billion has been raised, of which 45% was not government guaranteed, including two offshore benchmark transactions. Year-to-date the weighted average term to maturity of funds raised is 4.1 years.

The Group's continuing focus on deposits has seen the Customer Funding Index increase to 58% at 30 June 2009 (57% at 31 March 2009).

The Group continues to maintain a conservative liquidity position. Additional liquidity is also available through internal securitisation of loan portfolios across the Group, which can be used to access central bank funding as required.

For further information:

Media
George Wright
M: +61 (0) 419 556 616

Felicity Glennie-Holmes
M: +61 (0) 412 673 038

Investor Relations
Nehemiah Richardson
M: +61 (0) 427 513 233

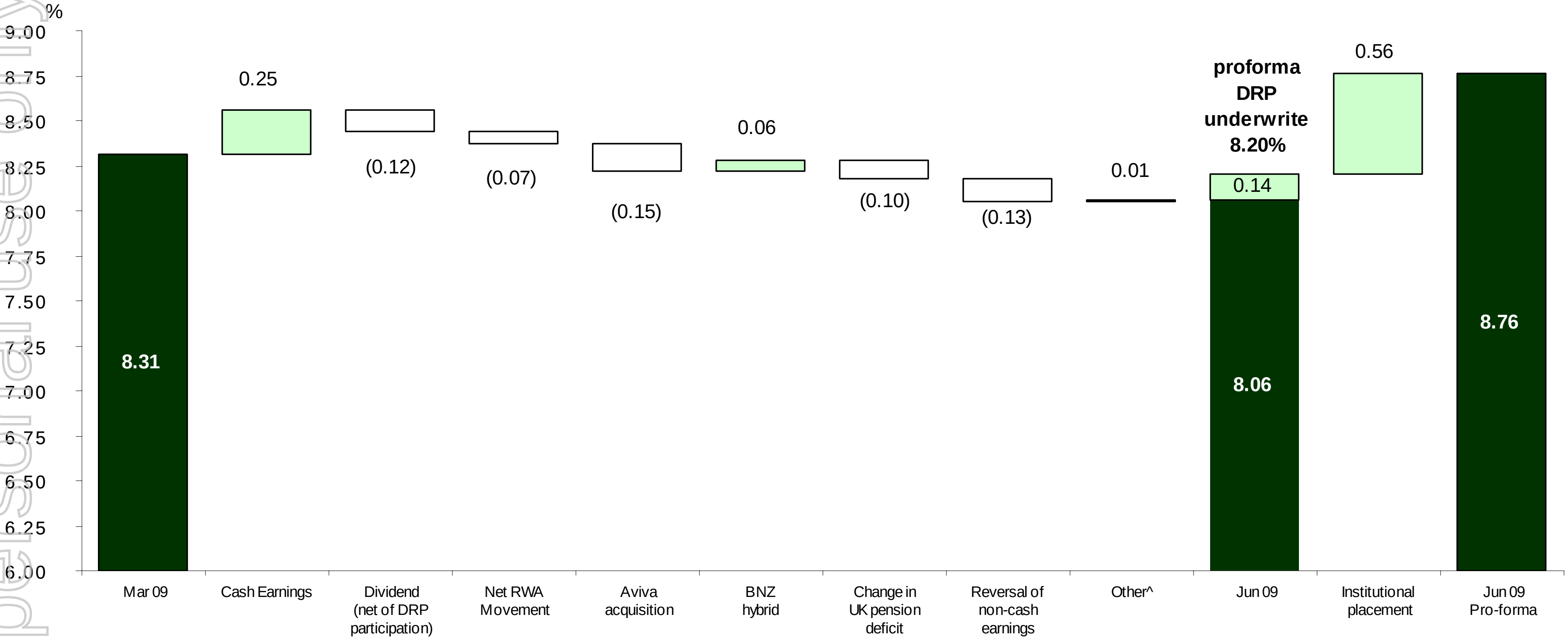
Lyndal Kennedy
M: +61 (0) 400 983 038

Drew Kempen
M: +61 (0) 404 094 741

Craig Horlin
M: +61 (0) 417 372 474

Attachment 1

Tier 1 movement in the June 2009 quarter (estimated)



^ Relates to movements in Foreign Currency Translation Reserve net of FX impact on Goodwill (-7bps), DTA deductions (7bps) and other (1bp).