

Customer Dig Deeper



Committed to getting the fundamentals right

Key to our ongoing success is the deep relationships we build with our customers – that’s why we want to embed our fair value philosophy in everything that we do. We believe that it differentiates us from our competitors, and allows us to add real value – by providing better, fairer products and specialised help, guidance and advice.

This is our third year producing an integrated Annual Review on our business – combining our previously separate Shareholder Review and Corporate Responsibility Review.

To inform the content of our report we undertake an annual Corporate Responsibility (CR) materiality process to assess the most significant issues in each of our CR segments: Customer, Community, People, Environment and Supply Chain. This year we sought feedback from investors, employees, community partners, non-government organisations and analysts on the most material issues to NAB.

We then focus on including metrics in the report related to these issues.

We understand, however that we have a diverse range of stakeholders, with a wide range of interests in our business. Our *Dig Deeper* papers aim to provide more performance commentary and data around our CR segments, so that our Annual Review serves to provide a succinct overview of performance against NAB’s material issues.

The content of these papers is informed by our annual materiality process and ongoing stakeholder engagement. Alongside this we also conduct an annual peer and media review to

ensure our reporting is in line with best practice. Additionally, the Global Reporting Initiative Sustainability Guidelines (G3) framework guides the disclosures in our Annual Review and *Dig Deeper* papers.

Further information on how we manage key issues, along with program details, case studies and news stories can be found at www.nabgroup.com/cr.

If you have any feedback or want more information please let us know by emailing corporate.responsibility@nab.com.au.

Customer issues

This year, the customer issues identified as relevant to NAB through our materiality process were:

[Access to fair and affordable banking](#)

[Affordability of banking](#)

[Complaints resolution and prevention](#)

[Customer hardship](#)

[Customer service](#)

[Ethics & business conduct](#)

[Financial literacy](#)

[Responsible credit procedures](#)

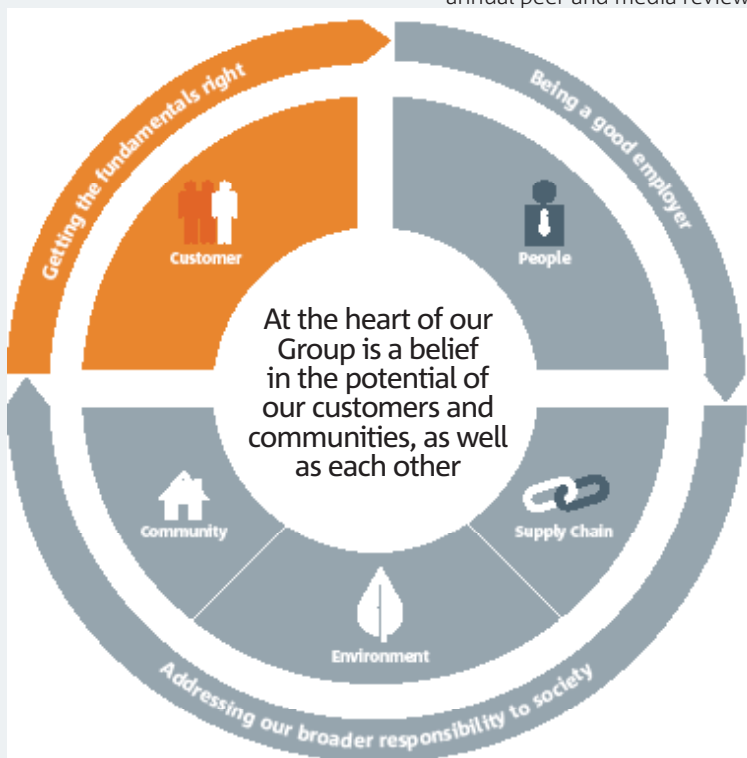
[Responsible finance](#)

[Responsible investment](#)

[Responsiveness to changing market needs](#)

[Security, fraud and anti-money laundering](#)

[Transparency](#)



References to 'we', 'our', 'us', '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 2012, except where otherwise stated. Any references to changes (including an increase or decrease) relate to the previous year, unless otherwise stated. Forward-looking statements, including targets, are not guarantees of future performance.

Customer dig deeper

Our Corporate Responsibility commitments

In our 2011 Annual Review we set out a series of commitments for the coming year. The 'Customer' CR commitments for 2012 and performance against these targets is summarised below:

Commitment	Performance
Continue to implement our Customer-led Innovation Strategy (CIS) to better identify customer needs, develop deep and significant customer relationships and continue to deliver improved Total Customer Returns.	We've achieved this commitment and we remain focused on deepening the relationships that we have with our customers. See pages 12 – 15 of our 2012 Annual Review for our performance over the past 12 months in each part of our business.
Develop tools and services that help our customers make better financial decisions and better manage their financial situation. In particular for Australia, provide knowledge support tools, improved self-service tools and online educational information.	We've achieved this commitment and we continue work to improve financial capability of our customers in all geographies. See the 'Building financial capability' section for more information.
Continue to grow our world leading microfinance program to help more than 20,000 people in 2012, including providing advice to 4,000 indigenous clients, and publish an annual index on the extent of financial exclusion in Australia.	We've achieved this commitment and we continue to invest in initiatives addressing financial exclusion in Australia. Please note: since the introduction of our Indigenous Money Mentor program in 2010, we have assisted more than 5,000 Indigenous clients. The target of 4,000 is meant to refer to a cumulative total, not the target number for FY 2012. See the 'Financial Inclusion' section for more information.
Improve our Customer Hardship offering in Australia, particularly through enhanced training for relevant staff and improve external awareness of assistance available.	We've achieved this and we continue to improve our customer hardship offering to ensure we provide assistance to our customers when they need it most. See the 'Responsible lending' section for more information.

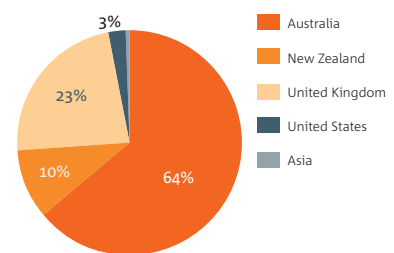
About our customers

National Australia Bank is a financial services organisation with 12.9 million customers, operating more than 1,800 stores and business banking centres worldwide.

While our core banking business is Australian-based, we also have operations in New Zealand, Asia, the United Kingdom and the United States. Each of our brands is unique but built with a common aim – to have high quality products and services, fair fees and charges, and world-class relationships founded on the principles of help, guidance and advice.

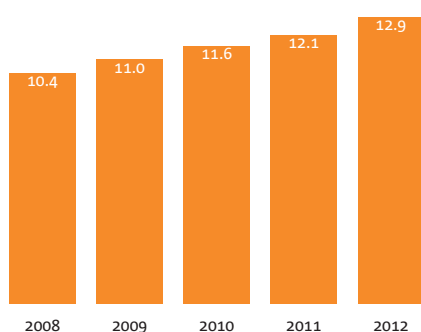
A full description of each of our businesses is available on page 3 of our 2012 Annual Review.

Distribution of customers by geography



Note: Customer within Asia represent less than 1% of total customers

Customer numbers Group (millions)

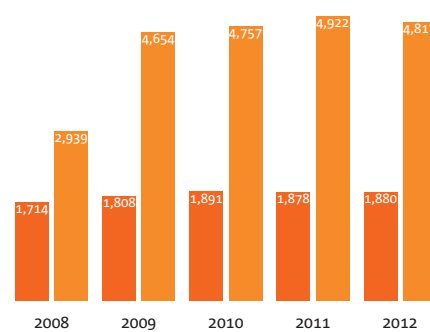


Customers for each business are compiled separately. As such, a customer may be included in these figures more than once if they are a customer of more than one NAB Group business.

Great Western Bank customers included from 2009 onwards.

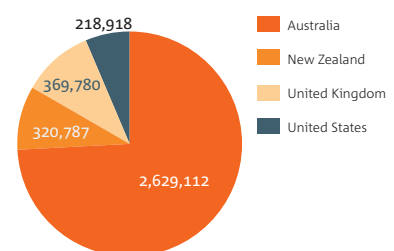
Ex-Aviva customer numbers included from 2010 onwards.

Services for customers Group



Number of stores and business banking centres
Number of ATMs

Internet banking customers active users by geography



Active users refers only to internet banking customers who have logged in and performed transactions within the 90 day period to 30 September 2012.

Customer dig deeper

Business footings

Industry segment	% of business customers	% of business footings
Accommodation, Cafes, Pubs and Restaurants	2.8%	2.9%
Agriculture, Hunting, Forestry and Fishing	7.4%	8.4%
Construction	6.3%	3.3%
Education	1.0%	1.7%
Electricity and Gas And Water Supply	0.4%	1.3%
Finance and Insurance	8.4%	21.8%
Government Administration and Defence	0.3%	3.4%
Health and Community Services, Social Work	7.6%	3.4%
Manufacturing	4.6%	5.0%
Mining	0.6%	3.0%
Property, Renting and Business Services	35.5%	32.0%
Transport, Storage & Communications	3.4%	3.5%
Wholesale & Retail Trade, Repairs	10.8%	7.3%
Recreational, Personal and Community Service Activity	10.9%	3.0%
	100%	100%

*Excludes USA and Asia

*Business footings refer to the combined total of deposit and lending volumes. Customers are classified by their respective Australian and New Zealand Standard Industrial Classification (ANZSIC) codes.

GRI reference F56 – Percentage of the portfolio for business lines by specific region, size and sector.

Maintaining our customer focus

Over the last year we've seen ongoing scrutiny of the financial services sector across all the regions in which we operate – as well as increasing regulatory pressures and reduced demand from borrowers. So our focus has been on improving public trust and setting ourselves apart from our competitors. We're doing this not just by listening to our customers' feedback and tailoring our products and services to changing market needs – but by responding with integrity to the core causes of customer complaints, supporting customers facing hardship and promoting greater financial inclusion and capability.

We listen to our customers and respond to their needs

Everything we do is underpinned by a desire to understand our customers' needs while delivering value. Over the past year we've further strengthened our customer-centric Australian franchise which has resulted in the highest ever personal banking customer satisfaction rating of any major bank since the Roy Morgan Research customer survey began in 1996.

We've developed a set of compelling products and services that deliver fairer value for our customers. We've invested in a set of capabilities that allow us to continue providing value in the future. And we've built upon our strong and lasting customer relationships.

Our performance against our strategic agenda is described on pages 11 – 19 of our 2012 Annual Review.

Over the coming year we will continue to focus on maintaining our strong customer satisfaction position – building world-class relationships through customer-led initiatives across the bank, responding to and mitigating the root causes of customer complaints and continuing to provide NAB Care hardship assistance to NAB borrowers when they need it most. We will also continue to take a leadership role in addressing financial inclusion and improving financial literacy in our communities.

Customer dig deeper

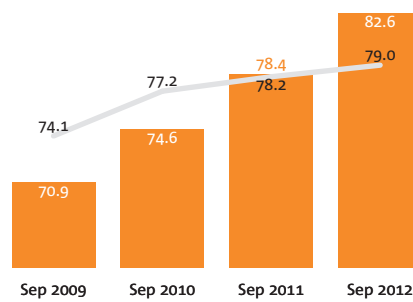
Customer satisfaction and complaints – Australia

Personal Banking

We've implemented a large number of initiatives to deliver fair fees and charges since 2009 – including abolishing fees across a wide range of products and services. These initiatives show our customers and our people how committed we are to providing a fair exchange of value both now and in the future.

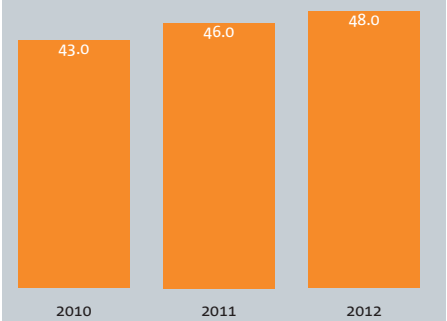
We are pleased to report that we now have the highest ever personal banking customer satisfaction rating for a major bank since the Roy Morgan Research customer survey began in 1996.

Personal Banking Customer Satisfaction
Very or fairly satisfied (%)
Average Ratings



Source: Source: Roy Morgan Research, September 2012.
Australian Main Financial Institution customers, population aged 14+, six-month moving average.
Customer satisfaction is based on customers who answered very/fairly satisfied, NAB compared with the three major banks (ANZ, CBA, WBC)

Institutional Relationship Banking Survey
(500m+ turnover)



Source: Peter Lee Associates 2012 Large Corporate and Institutional Relationship Banking Survey, Australia. Based on average point score of overall satisfaction with bank service, ranked against top 4 competitors.

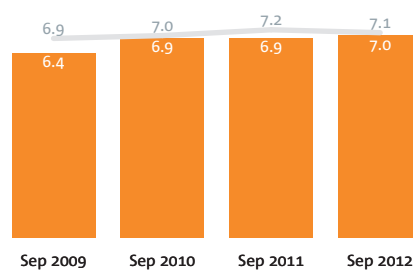
Business banking

In Business Banking, the DBM Business Financial Services Monitor report for September 2012 shows NAB ranked equal first for whole of market business customer satisfaction and highlighted an improvement on last year's scores in two of the four segments.

- In September 2012, NAB's microbusiness customer satisfaction was 7.0, based on a six-month rolling average, a 0.1 point increase on last year.
- Customer satisfaction for businesses with \$1-5 million turnover was 7.2, based on a six-month rolling average, a 0.3 point increase on last year.
- Customer satisfaction for businesses with \$5-50 million turnover was 7.3, based on a six-month rolling average. This is consistent with last year.
- For large businesses with \$50 million+ turnover, customer satisfaction was 7.4. This remains the same as last year.

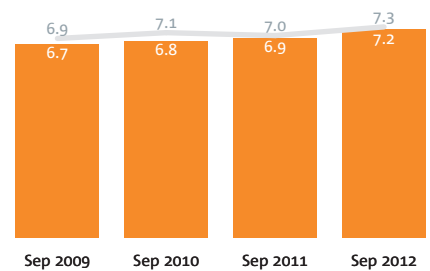
Each of the following four graphs are based on overall satisfaction with main financial institution based on a scale from 0-10 (extremely dissatisfied to extremely satisfied). Based on a six-month rolling average. Three majors are ANZ, Commonwealth and Westpac. Rankings based on statistically significant differences.

Customer Satisfaction
Microbusiness (\$0-\$1m turnover)
Average ratings



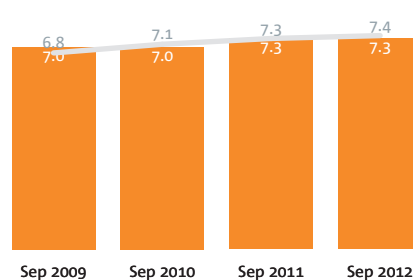
Source (scores from September 2009 only): DBM Business Financial Services Monitor April 2009 to September 2012, six-month rolling averages - Microbusiness (turnover \$0m - \$1m)

Customer Satisfaction
Small business (\$1-\$5m turnover)
Average ratings



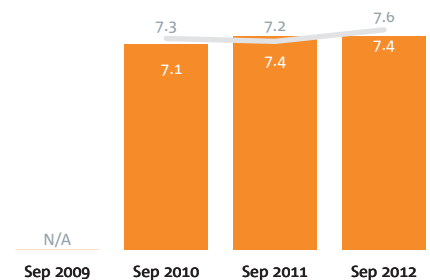
Source (scores from September 2009 only): DBM Business Financial Services Monitor April 2009 to September 2012, six-month rolling averages - Small Business (turnover \$1m - \$5m)

Customer Satisfaction
Medium business (\$5-\$50m turnover)
Average ratings



Source (scores from September 2009 only): DBM Business Financial Services Monitor April 2009 to September 2012, six-month rolling averages - Medium business (turnover \$5 - \$50m)

Customer Satisfaction
Large business (\$50m+ turnover)
Average ratings



Source (scores from September 2009 only): DBM Business Financial Services Monitor April 2009 to September 2012, six-month rolling averages - Large Business (turnover \$50m+)

Institutional banking

We believe that strong relationships deliver outstanding results for our clients. That's why we invest so much in building a deep understanding of corporate and financial institutions. Pleasingly, we have seen steady improvement in our overall customer satisfaction scores for our clients with turnover greater than \$500 million per annum and this year we were identified by Peter Lee Associates as market leaders across a number of categories.¹

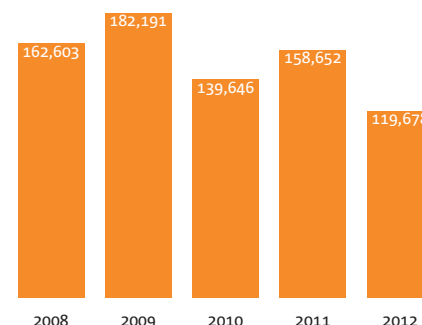
1. Identified as number one for: Best Advice on Use of Interest Rate Risk Management, Overall Provider of Interest Rate Derivatives, Best Advice on Use of Complex/Structured Finance Products and equal number one as: Overall Provider for Debt Securities Issuance, Bank of Choice for Property Development Finance, Acquisition Buy Out Finance and Bank of Choice for Non/Limited Recourse Project Financing. Peter Lee Associates 2012 Large Corporate and Institutional Relationship Banking Survey, Australia. Ranked against top 4 competitors.

Customer dig deeper

Complaints

This year we're reporting on all NAB Australia complaints, including those from NAB Wealth that we have previously reported separately. We continue to welcome customer feedback and provide a number of channels for use by our customers – including by phone, email, online or through our Facebook and Twitter social media sites. Regardless of the channel used, our focus remains on addressing customer feedback quickly and efficiently.

Total number of complaints
Australia



Represents total volume of complaints for NAB (all banking service related complaints) and NAB Wealth (incorporates MLC, Plum, nabinvest, JANA and advice complaints against aligned advice licensees).

Complaint Category Breakdown (Australia)

Complaint Description	2012	2011	2012 vs 2011 (%)
Interest, Fees & Charges	74,448	98,370	-24%
Mortgages	6,396	11,450	-44%
Credit Cards	6,245	7,287	-14%
Consumer Deposits	6,220	8,950	-31%
Branch/Outlet	3,796	6,639	-43%
All Other Banking Complaints	19,845	23,047	-14%
All Wealth Complaints	2,728	2,909	-6%
Total	119,678	158,652	-25%

Overall we have seen a significant 25% decrease in the total volume of complaints reported, with a reduction in the total number of complaints reported across all key complaint categories. Customers were again concerned mainly with issues relating to fees and charges, with this issue representing 62% of overall complaints in 2012, the same proportion as 2011. However, the total volume of complaints relating to fees, interest and charges actually fell 24% (23,922 complaints) from 2011.

The reduction in complaints was driven by our listening to customer feedback, and addressing the root causes. We've taken significant steps to improve our processes and service and to address the issues that concern our customer the most. The results of this work is evident above, we have seen significant decreases across each of our most common complaint categories. In November 2010, we experienced payment processing issues which resulted in a 40% spike in complaints the following month (December 2010).

Customer dig deeper

Customer engagement and complaints - United Kingdom

Customer engagement

In the United Kingdom, the Group has just begun to use the Net Promoter Score (NPS) to monitor personal customer engagement in terms of promoters and detractors in the current account base. We use GfK NOP's Financial Research Survey to calculate the scores for Clydesdale and Yorkshire Bank (CYB), contenders and main banks.

This measurement allows us to track how the Clydesdale and Yorkshire banks are trending on a month by month basis and in future to assess the impact of particular events/campaigns.

Customers have been engaged all year through research projects, including a full program of qualitative research using focus groups to shape new products and services such as mortgage propositions and the fee-paying current account 'Signature'.

In the UK we also use a Customer Experience Assessment (CEA) survey for gathering feedback from customers. The survey asks customers about the quality of service they receive when they visit the counter in a branch or have a customer needs interview with a banking adviser. Feedback is gathered every month via the survey, which can be completed either in a branch or online, and the information is shared with Retail employees.

Approximately 8,000 customers were surveyed during the year and highlights were:

- 95% of customers said the bank's service at counter was very good or good.
- 98% of interviewed customers said the service they received from their adviser was very good or good.
- 90% of customers said they were very likely or likely to choose the bank for their next product or service.
- 90% of customers said they would be likely to recommend the bank to friends or family.

In addition, ad-hoc research with customers has included a comprehensive program of research to relaunch CYB's brand and additional product and service related qualitative work.

In the coming year the UK are launching an online customer panel called CommYOUity to further engage customers with the bank. Customers who join the panel will be sent regular surveys and have the opportunity to take part in quick polls and topical discussions.

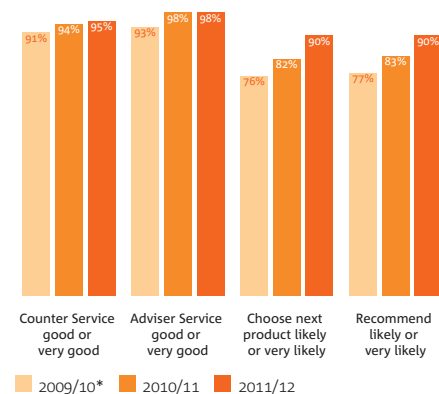
Complaints

This year complaints have increased from 28,512 in 2011 to 63,754. The principal driver for this has been the increase in complaints regarding the mis-selling of Payment Protection Insurance (PPI), which has risen from 16,075 in 2011 to 47,904 this year and is an issue shared across the UK financial services industry.

Excluding the number of PPI complaints from our numbers, we've seen an increase in complaints (up from 12,438 last year to 15,850 this year – a 27% increase), which can be attributed to complaints relating to Charges & Interest.

We continue to adopt a specific strategy to address the cause of complaints through our dedicated themed complaints department.

CYB key questions results - CEA survey



* 2009/10 - Online methodology used however customers were invited to participate via letter rather than by personal invitation during branch visit.

Customer dig deeper

Customer satisfaction and complaints - New Zealand

Customer satisfaction

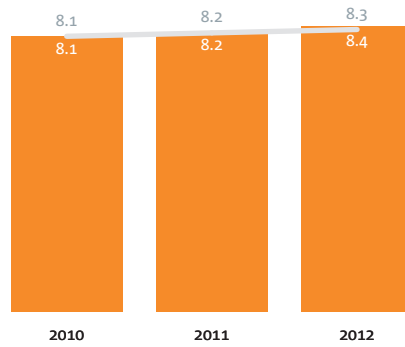
Customer satisfaction results for Bank of New Zealand (BNZ) are based on the Voice of Customer (VoC) survey, which replaced previous satisfaction measures.

In 2010 the initial VoC survey was undertaken to understand the value chain of customer satisfaction and the key drivers of retention and advocacy amongst NZ business and retail customers. From 2012, BNZ adopted VoC measure as a primary customer satisfaction measure.

VoC is an online survey of BNZ and other bank customers, conducted by TNS, on behalf of BNZ. From 2012, VoC results are compiled from about 12,000 interviews a year for Retail, about 3,000 interviews a year for Small Business and about 1,000 interviews a year for Partners. All responses have been post-weighted to ensure that the results are market representative.

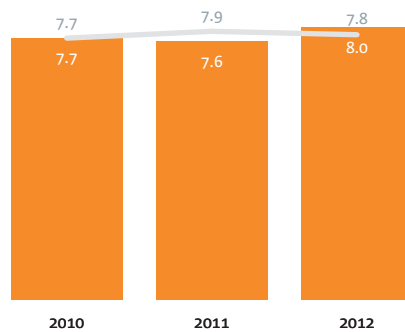
According to the 2012 VoC results, BNZ main bank customer satisfaction has shown improved performance since 2010 across all three markets (Retail, Small Business and Partners).

BNZ Retail customer satisfaction



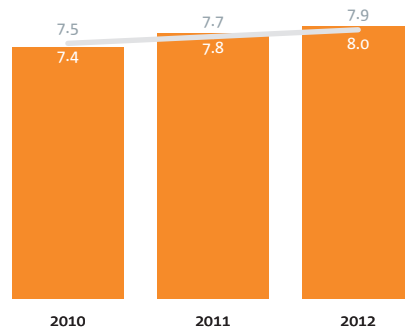
Source: Refer to information below BNZ Small Business chart.

BNZ Small business customer satisfaction (Turnover less than NZ\$1 million)



Source: 1) TNS NZ Brand and Voice of Customer Tracker 2012 (Results based on April - June 2012 period)
2) 2010 and 2011 Voice of Customer surveys were conducted by Gandar Associates.
Overall satisfaction with main bank based on a scale from 1-10, where 1 is extremely dissatisfied and 10 is extremely satisfied. For Retail and Small Business: Market average is based on six major banks: ANZ, ASB, BNZ, Kiwibank, Westpac and National Bank.

BNZ Partners customer satisfaction (Turnover equal or greater than NZ\$1 million)

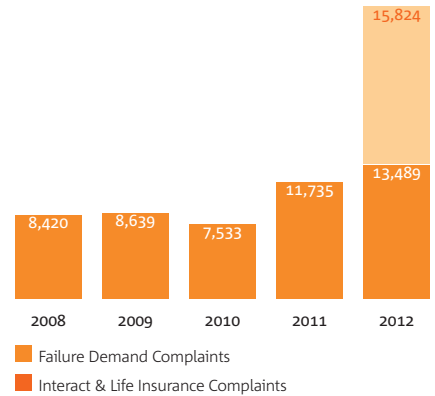


Source: TNS NZ Brand and Voice of Customer Tracker (note: the survey was conducted by Gandar Associates before 2012). Overall satisfaction with main bank based on a scale from 1-10, where 1 is extremely dissatisfied and 10 is extremely satisfied. Market average is based on five major banks: ANZ, ASB, BNZ, Westpac and National Bank.

Complaints

A new data stream for complaints was added in the last year to the existing reporting, and BNZ has now incorporated feedback from customer calls received by BNZ Contact Centre, known as "Failure Demand calls" (Failure Demand). Failure Demand is defined as the occurrence of a customer calling BNZ out of necessity, rather than by choice - meaning in most cases something has gone wrong, they need information, or they are dissatisfied). Of these calls approximately 7.8% were identified as complaints. This additional data capture has more than doubled the number of annual complaints being captured. The existing capture - Interact (used by Stores and Partners to record complaints) - had a complaint total of 13,245, Life Insurance 244, and Failure Demand 15,824, making a total of 29,313.

BNZ complaints reported
Total volume



Customer dig deeper

Building financial capability

Across the Group, we are committed to providing tools and resources that enable our customers to make better financial decisions and better manage their financial situation. In Australia, the United Kingdom and New Zealand we've launched dedicated hubs on our websites to help and support customers by providing financial education and information online. The topics featured on these sites are based on customer insight, feedback and current business priorities and aim to make banking interactions easier for our customers.

In New Zealand, we're integrating our financial education from the website into our core product information and in the United Kingdom we've integrated our online tools (Quick Budget Tool, Dealing with Debt Moneyguide) into the processes supporting our customers through hardship.

This year, NAB was a key supporter of the inaugural MoneySmart week – a week focused on getting Australians to take some time to check their finances. Externally we promoted our support of MoneySmart week through various customer facing channels and encouraged our customers to tell us about how we could help them take stock of their finances. Internally we undertook various activities highlighting the importance for all employees to get their finances in order – including giving over 700 employees the opportunity to attend the financial seminars that NAB Financial Planners ran throughout Australia.

In September, we also took part in MoneyWeek in New Zealand, with a focus on improving the financial literacy of our employees. During the week we showed informative financial literacy videos on the intranet based on the www.sorted.org.nz theme of Think, Shrink, Grow. We also ran an internal survey for employees to gauge their spending habits – with 756 BNZ employees taking part. This information will help form a comprehensive financial literacy e-learning module in the next financial year.

Responsible lending

We continue to support our customers when they need it most. Our industry-leading NAB Care team has been helping personal banking customers get back on track following hardship since 2009 – including those hit by natural disasters, injuries and unemployment. The NAB Care team assists customers by varying their credit contract to provide short-term assistance. In 2012, the most common reasons customers required hardship assistance were unemployment or underemployment.

Additionally, as Australia's largest business bank, we continue to support our business customers facing hardship. The NAB Care Small Business team was introduced in May 2010, tasked specifically with supporting our business customers during this difficult economic period. This year, we have assisted more than 700 small business customers facing hardship – of which 33% have told us that business downturn was the cause of hardship.

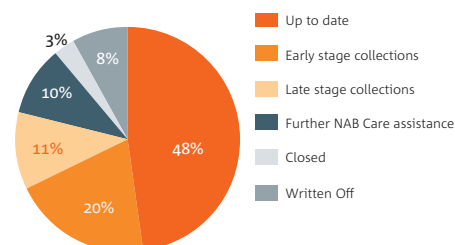
However, it is not just about the volume of customers we assist. The work undertaken by the NAB Care team has not only prevented customers needing to turn to more expensive finance options or enter into collections, it has also minimised any impact on NAB by reducing the number of accounts that turn into loss. Of the customers who sought NAB Care's assistance during FY11/12, 48% of Personal Banking customers are now back on track.

In September 2012, the Financial and Consumer Rights Council released their 'Rank the Banks' report which measured the hardship policies of each of the major four Australian banks. NAB was ranked first among our Australian peers.

Providing a consistent offering for all of our customers

In August this year more than 64,000 Concession account holders were migrated across to our Classic Banking account. Since the abolishment of fees and associated costs on the Classic Banking account, the Concession card account has become obsolete. For our existing concession card account holders this move will result in enhanced features and benefits such as the ability to earn interest and the option of a Visa Debit card, not previously available to them.

Customer account status
Six months post hardship assistance



Refers to the total number of customer accounts who received NAB Care assistance. Account status is checked six months after customer exits hardship.

Customer dig deeper

Financial inclusion

We believe that as a major contributor to the Australian economy we have a significant role to play in ensuring that all sections of the community and economy are financially supported. Financial inclusion has an obvious and invaluable social impact, but there is also a very strong economic case – such as greater workforce participation, reduced welfare and health costs.

We continue to deliver a range of safe and affordable personal and business credit programs in partnership with community and government. This year, 23,364 microfinance loans¹ were written (a 48% increase on last year), bringing the total to more than 50,000 since program inception.

We also continue to contribute to public discussion and debate on the issue of financial exclusion. This year, in collaboration with the Centre for Social Impact we published 'Measuring Financial Exclusion in Australia', the second detailed measurement of the extent of financial exclusion in Australia. The report aims to define and deepen the understanding of financial exclusion in Australia and its relationship with social and economic disadvantage.

The report found that just fewer than three million, or 17.2% of Australians, are now either fully or severely financially excluded from affordable and appropriate financial services. This means they have a lack of access to appropriate and affordable financial services and products – most particularly a transaction account, general insurance and a moderate amount of credit.

This study is the largest and most detailed examination of financial exclusion undertaken in Australia, and one of the largest studies of this type in the world, and we will continue to conduct and report this research each year. In September 2012, we held Australia's first Financial Exclusion Summit to bring together key stakeholders from the government, community and private sectors to have a deeper conversation about the structural barriers leading to financial exclusion. The event was well received by all participants.

About our microfinance program

Together with our partner Good Shepherd Microfinance, NAB provides no-interest and low-interest loans, as well as savings incentives to individuals who are otherwise financially excluded. NAB also provides microenterprise loans to individuals unable to access a business loan. We've set aside more than \$130 million of capital towards the following programs:

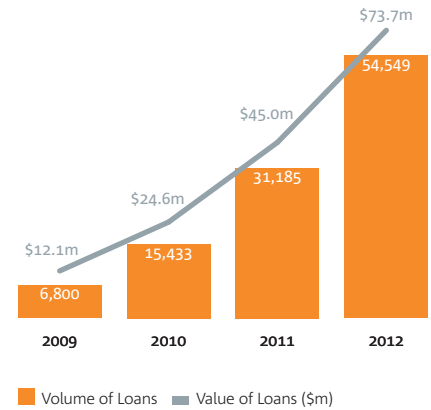
No Interest Loan Scheme (NILS) – The No Interest Loan Scheme, developed more than 30 years ago by Good Shepherd Youth & Family Service, is a circular credit program whereby low-income Australians are able to access loans of up to \$1,000 from their local community agencies for purchase of essential household goods.

'StepUp' low interest loans – Also delivered in partnership with Good Shepherd Microfinance, these safe, affordable low interest loans of between \$800 and \$3,000 are for individuals or families to buy personal items.

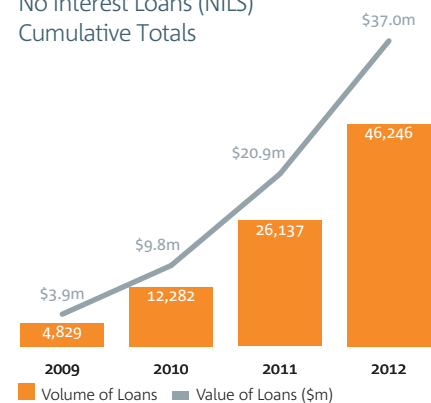
'AddsUp' matched savings – This matched savings plan focuses on helping people living on low incomes develop financial independence through savings. AddsUp is open to people who have successfully repaid their NILS or StepUp loan and once \$500 is saved, NAB will match their \$500 savings dollar for dollar.

Microenterprise Loans – The Microenterprise Loan program supports individuals who wish to start up or grow a business but who have limited access to capital. These unsecured loans of between \$500 and \$20,000 are provided on a not-for-profit basis and loan recipients get access to business skills training and advice during the first year of their business. As part of the program, NAB ensures people get access to business skills training and 12 months of mentoring and advice.

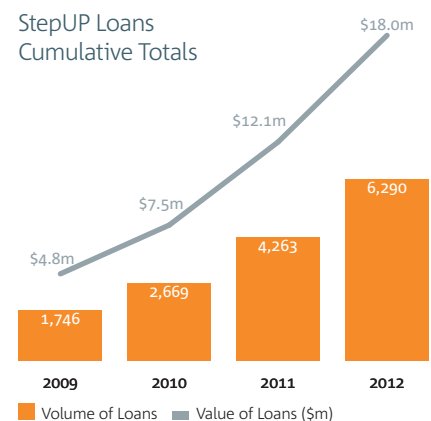
Total number of microfinance loans written



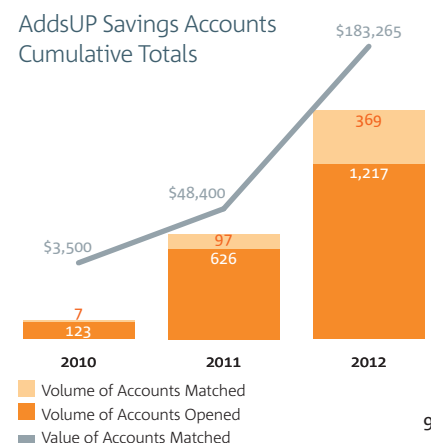
No Interest Loans (NILS) Cumulative Totals



StepUP Loans Cumulative Totals



AddsUP Savings Accounts Cumulative Totals



¹ Microfinance loans refers to all loans written through the NILS, StepUP, Microenterprise or Community Development Financial Institution programs, detailed in this *Dig Deeper* paper

Customer dig deeper

New developments and advocacy

Given public awareness of financial exclusion in Australia is low, we believe that research is important to define and raise awareness of the problem and its relationship with social and economic disadvantage.

We also recognise that advocacy and thought-leadership remain important avenues to continue to progress discussions on financial exclusion. Over the year, we have led the industry in the publication of a number of research reports, conducted awareness campaigns and we also opened Australia's first community finance store.

More on our activities:

In March 2012, in partnership with the Centre for Social Impact, NAB launched 'Small is the New Big', a report which specifically examined the social and economic impacts of the NAB microenterprise loans program. The research clearly indicated that the program created employment, stimulated economic activity, and reduced government spending on benefits. For example the program has contributed to an increased contribution of taxes (\$7.5 million) and reduced reliance on government support (\$7.3 million) for the participants. It also indicated that for every dollar invested by NAB and our partners; \$1.22 of economic benefit was created.

Over the year we have been actively working with community agencies and consumer groups to help bring light to the issues faced with payday lending, including providing a response to the government's discussion paper on short-term lending. This was particularly topical given that short term loans were included in the Consumer Credit Legislation Amendment (Enhancements) Bill that was recently passed by government.

To support these activities, in September 2012 we released new research exploring the experiences of people who use payday loans, finding that most are using repeat loans to cover basic living expenses like food, rent and bills.

The 'Caught Short' final report details the perspectives of borrowers, lenders, regulators, consumer advocates and financial counsellors through in-depth interviews. The research highlights the frequent and ongoing use of payday loans by participants, with more than half the respondents having taken out more than 10 loans in the past two years. Among these high frequency borrowers, three-quarters had taken out more than 20 loans.

The research was funded by the Australian Research Council and conducted by RMIT University, Queensland University of Technology and the University of Queensland and supported by National Australia Bank and Good Shepherd Youth & Family Service.

NAB is currently reviewing its mainstream banking arrangements with fringe and payday lenders.

In addition to continuing programs, we're also examining alternative distribution models to service the needs of financially excluded Australians. In April 2012, together with our partners Good Shepherd Microfinance and the Victorian Government, we opened our first 'Good Money' store in Geelong which offers microfinance solutions in a retail environment. It's expected to provide more than 1,000 financially excluded locals with access to microfinance products, financial counselling and other community services in a comfortable and secure retail environment.

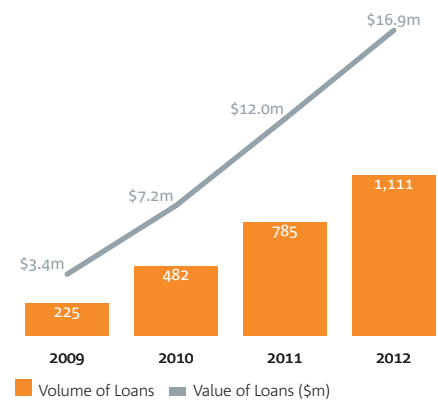
Good Money will empower customers to make responsible and sustainable financial decisions by assisting with savings, budget and debt management. The store will also provide access to small amounts of credit for basic household items through the No Interest Loans Scheme and Step UP low-interest loans. We estimate that over \$1million in-kind services were provided to launch the first store.

In the first week over 60 people visited the store. The vast majority were eligible and from a different segment than those traditionally accessing microfinance services. In particular there was evidence of more men and more 'working poor' visiting the store.

We have provided \$2 million in loan capital at no charge in support of the Federal Government's Community Development Financial Institution (CDFI) pilot. The aim of the pilot is to test whether fair and appropriate financial services can be provided to those excluded in a financially sustainable manner. NAB has supported Foresters Community Finance's Fair Finance pilot which serves the Brisbane region as well as Fair Loans that offer online personal credit. Although the pilot finished in June this year, we and our partners are hopeful that it will be extended in 2013 as initial results suggest it may result in the provision of scalable financial options for those excluded.

For more information on the partners visit, <http://www.fairloans.org.au/> and <http://www.fairfinance.com.au/>

Microenterprise loans
Cumulative totals



"The store concept has been designed to be a more a visible and socially responsible alternative to fringe lenders. It will also act as a platform for local support agencies to reach sections of the community who may otherwise not feel comfortable accessing the services they provide."

Adam Mooney, Chief Executive Officer, Good Shepherd Microfinance.

NAB's microenterprise loan has helped change the lives of many young, ambitious entrepreneurs— such as Indigenous actress and designer, Gabrielle Scollay (fashion label Jotoga)

"The NAB microfinance loan has enabled me to do something really exciting and build Jotoga from an idea into a successful business. Through the funds I received I have been able to buy all the materials and equipment I needed to design and create our fashion collection and then we were able to build our company website to display and sell our designs."

Customer dig deeper

Supporting Indigenous communities

The 'Measuring financial exclusion in Australia' research indicates Indigenous Australians are more than twice as likely to be financial excluded. That's why, as part of NAB's Reconciliation Action Plan (RAP) we're working with Indigenous Australians to provide greater access to financial products and services. This includes providing greater access to microfinance products for these customers using NAB's Indigenous Money Mentor Network. A network of Indigenous Money Mentors has provided assistance to more than 5,000 clients since 2009, with many of these clients accessing a microfinance product.

Indigenous Money Mentors offer face-to-face support by:

- Providing ongoing financial literacy education for Indigenous communities using culturally appropriate materials and education techniques.
- Engaging in casework with clients to improve the clients' financial wellbeing (including assistance when in financial crisis and supporting the client to adopt preventative strategies).
- Providing a supported referral service to help clients obtain assistance from other service providers to address broader issues which may be impacting on a clients' financial wellbeing (e.g. consumer protection agencies, health, housing, employment and education services).
- Providing access to NAB's microfinance products (No Interest Loans Scheme (NILS®), StepUP Loans and AddsUP Savings Program) in circumstances where the client identifies that such products will improve their financial well-being.

See our *Community Dig Deeper* paper for more information about our Reconciliation Action Plan, or view the RAP in full on our website: www.nab.com.au/indigenous. Our *People Dig Deeper* paper contains information on our Indigenous employment program.

Financial literacy

We're aware of the challenges that many individuals face in effectively managing their money. In New Zealand this is a particularly significant issue and as such our BNZ team have this year developed a number of programs to combat it. This includes the Pacific Financial Literacy Pilot, which has seen over 30 Tongan and Samoan families take part in one of 14 weekly workshops supported by a BNZ coach. In these workshops participants learned a number of important skills including budgeting, keeping a spending diary, needs and wants, and having access to an emergency fund. The program was very successful, with some wonderful stories of how families have turned their lives around after learning how to manage their money better.

Additionally, as part of the Plunket's Parent Education Programme we have launched the nationwide 'Baby Budget' initiative that provides BNZ employee-facilitated Financial Literacy workshops to new parents.

Number of customers assisted by NAB's Indigenous Money Mentor Program (Australia)

	2012	2011	2010
Yearly total	1,907	2,911	616
Cumulative total	5,434	3,527	616

Note: The drop in the number of new clients assisted through our Indigenous Money Mentor program has been driven by resourcing constraints, specifically a reduction in the number of mentors participating in the program. We will be addressing this issue over the coming year, including building new relationships that we hope will see the number of mentors increase.

Customer dig deeper

Project financing

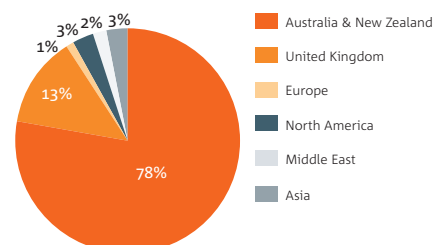
NAB has been a signatory to the Equator Principles since October 2007. In 2011/12, NAB Group's global project finance portfolio, which helps large customers to invest in infrastructure projects, represented 1.6 % of Group gross loans and advances, including acceptances. As at 30 September 2012, our project finance portfolio included lending to both OECD¹ and non-OECD countries as follows; 93.5% OECD, 6.5% non-OECD. This year, we closed 12 new project finance transactions, refinanced nine existing deals and 14 deals were removed from our loan book.

Although deals can be declined at any stage in negotiation or due diligence, none were declined in 2012 specifically on the basis of social or environmental risks or issues.

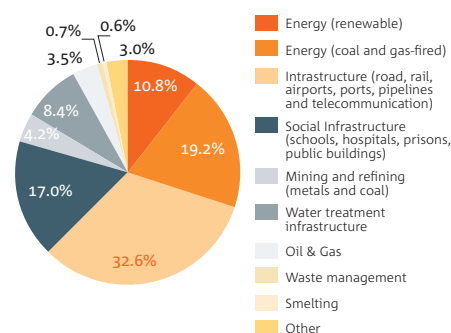
This year, NAB financed an additional 62 MW of renewable energy generation projects, effectively maintaining our position in relation to financing renewable energy projects. After accounting for projects removed from our project finance portfolio in 2012, this resulted in a marginal net decrease of 38 MW to 2,359 MW. We continue to be the leading financier (by market share) of renewable energy in Australia, having arranged \$1.3b worth of loans over the past 6 years, and since 2000 we have financed over 70% of Australian wind energy projects.

Information on the Equator Principles can be found at www.equator-principles.com. Further information about our general environmental credit risk policies is provided in the environmental information at www.nabgroup.com

Project finance by region as a % of total portfolio value (as at 30 September 2012)



Project finance by sector as a % of total portfolio value (as at 30 September 2012)



Percentage of total committed and uncommitted project finance lending amounts, classified into project sector categories.

¹ Organisation for Economic Cooperation and Development (OECD)

Project finance deals by equator principles category by number and by % of total portfolio value (as at 30 September 2012)

Project by EP category	No. of projects	Total as a percentage
A	7	7
B	42	43
C	26	22
Pre-EP adoption (pre-September 2007)	31	28
	106	100

Wind project financing by NAB

Two of the wind projects financed by NAB in 2012 are the Woolnorth wind project and the Hallett 5 wind project (Bluff Wind Farm).

Woolnorth Bluff Point and Woolnorth Studland Bay wind farms have a combined capacity of around 140 megawatts and are located in the north-west pocket of Tasmania. Hallett 5 consists of around 52.5 megawatts of installed capacity located on the Hallett Hill Range in South Australia, approximately 160 kilometres north of Adelaide. The three wind farms combined are expected to generate enough renewable electricity to power the equivalent of around 104,000 homes.

The projects are making a significant contribution to reducing the greenhouse impact of Australia's electricity supply.

Customer dig deeper

Responsible investment

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.

MLC also offers a diverse range of external investment options through a number of different product structures and platforms. Socially responsible investments (SRI) funds are those that have a diversified portfolio of assets that support the Australian Ethical Charter or where the fund manager uses a strategy for screening ethical and socially responsible investments. The table below indicates the value of customer investments in external industry-recognised SRI funds.

Socially Responsible Investment	
Socially Responsible Investment Funds	\$ millions (2012)
AMP Capital Investors Sustainable Future Australian Share Fund - Class A	1.29
AMP Capital Investors Responsible Investment Leaders International Share Fund - Class A	1.62
AMP Henderson Sustainable Future Int'l Sh	0.58
Australian Ethical Smaller Companies Trust Class B	3.41
BT Ethical Share Fund	8.91
Hunter Hall Australian Value Trust - Class B Units	8.97
Hunter Hall Global Ethical Trust - Class B Units	21.29
Hunter Hall Value Growth Trust	67.16
Hunter Hall Global Deep Green Trust	0.08
Hunter Hall Global Value Limited	2.51
Perpetual's Wholesale Ethical SRI Fund	141.31
Australian Ethical Larger Companies Trust	0.84
Generation Wholesale Global Share Fund	0.46
Alphinity Wholesale Socially Responsible Share Fund*	2.61
Australian Ethical Small Companies Trust	3.22
Australian Ethical Larger Companies Trust - Class B	0.89
Australian Ethical Balanced Trust	1.38
Alphinity Wholesale Socially Responsible Share Fund*	1.09
Perpetual WealthFocus Investment Advantage - Perpetual Ethical SRI	0.01
Perpetual WealthFocus Investment Funds - Perpetual Ethical SRI	0.01
Total SRI Funds (\$m)	\$268
Total Funds Under Management (FUM) (\$m)	\$104,667
SRI funds as a percentage of total FUM	0.26%

* previously known as Challenger Socially Responsive fund

GRI reference FS11 – Percentage of assets subject to positive or negative environmental or social screening.

Customer dig deeper

Providing a secure banking experience

We are committed to the safety and security of our customers. We have processes and initiatives in place to safeguard our customer's information and protect them, and the bank, from fraudulent activity.

All of our customers are subject to 'Know-Your-Customer' identification when first signing up as a customer. This is to ensure the accuracy of our customer records and provides certainty that we know who we are dealing with.

As customers increase their use of self-service banking channels, including ATMs and online services, we are working to better protect customer accounts by monitoring emerging threats and enhancing our fraud prevention and detection systems.

All customer transactions are monitored 24/7 to ensure that any suspicious activity is detected and flagged. In Australia, SMS-based authentication for online transactions provides an extra layer of security. Customer support is available around the clock.

We have established a Financial Crime Centre of Excellence, a centralised team of fraud and anti-money laundering experts and investigators, who operate our fraud management services and also create and deliver innovative prevention and detection solutions to protect our customers.

Improving access to NAB

Throughout the year, in consultation with internal and external stakeholders, we have been revising and updating our Disability Action Plan, which has now been renamed to be our Accessibility Action Plan. This new-look plan has been developed by a cross-functional working group and is focused on driving change across five core areas:

- Premises and financial services
- Products and marketing
- Information, education and communication
- Employment and support
- Community engagement

Our new Accessibility Action Plan will be launched later in 2012 and we will be reporting in detail on the implementation of the Plan in our 2013 *Dig Deeper* papers.

Currently, all NAB ATMs within Australia are audio-enabled, comply with industry standard by featuring a 'pip' on the 5 key to enable keyboard navigation and meet the Australian Banker's Association Accessibility standards.

Rural coverage in Australia

At 30 September 2012, 331 branches or 42%, of our total branches were in rural or regional locations, compared to 324 at 30 September 2011.

As part of our fair value agenda launched in 2009, our personal banking business has reduced or abolished a number of fees and charges. For instance in 2010, over-the-counter fees were abolished across the board (and so we no longer calculate the value of transaction forfeited in rural areas).

Our commitment to providing access for regional customers remains unchanged. As part of an industry-wide initiative, we're also removing fees from ATMs located within remote Indigenous communities throughout Australia.

GRI Reference: FS13 - Access points in low-populated or economically disadvantaged areas by type.