

**ASX ANNOUNCEMENT***Monday, 28 July 2014***NAB to sell portfolio of UK commercial real estate loans**

National Australia Bank (NAB) has agreed to the sale of a £625 million parcel of largely non-performing loans from its UK Commercial Real Estate (CRE) portfolio to an affiliate of Cerberus Global Investors (Cerberus).

The transaction is a substantial de-risking of the portfolio, reducing the gross loans balance of the NAB UK CRE portfolio by 20% to £2.38 billion as at 30 June 2014, and reducing gross impaired loans by 48%.

The transaction will result in a small gain above net book value and will release an estimated £127 million of capital for the NAB Group when the transaction is settled.

The loans included in the sale are either in default, passed maturity or near maturity.

Following the transaction, provision<sup>1</sup> coverage on impaired assets for the residual NAB UK CRE portfolio will increase from 51% to 60%. Total collective provisions to gross loans for the residual portfolio will increase from 5.5% to 6.3%.

Incoming NAB Group Chief Executive Officer Andrew Thorburn said a focus on opportunities to accelerate the run-off in the NAB UK CRE portfolio had resulted in this transaction.

“We’ve progressively reduced our exposure to UK commercial property loans through organic run-off. This sale represents a substantial de-risking of the non performing portion of the NAB UK CRE portfolio,” Mr Thorburn said.

“As we signalled at the interim results in May we continue to look at opportunities to optimise return on equity by accelerating the sale of non-core assets.

“While pleased with the acceleration of the run-off in the NAB UK CRE portfolio our broader UK operations still face some challenges, in particular in relation to conduct related costs,” he said.

NAB and Cerberus will work together on a smooth transition for impacted customers.

The transaction is not subject to regulatory or other external approvals, and the assets will immediately be derecognised from the NAB Group’s balance sheet.

For further information:

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<sup>1</sup> Provisions are inclusive of partial write-offs