

ASX Announcement

Tuesday, 18 August 2009

NAB to acquire Challenger's mortgage management business

National Australia Bank today announced it had reached agreement to purchase the mortgage management business of Challenger for \$385 million.

The purchase includes the PLAN, Choice and FAST mortgage aggregator businesses and Challenger's multi-brand 'white label' product capability. In addition, a select portfolio of approximately \$4 billion of residential mortgages will be acquired at a discount to face value for loan loss provisions. The purchase also includes an interest of approximately 17.5% in Homeloans Ltd, with the potential to increase to approximately 41% subject to Homeloans Ltd shareholder approval.*

The acquisition is expected to be earnings and return on equity accretive in the first year. The impact on Tier 1 capital is a reduction of approximately 15 basis points.

National Australia Bank Group Chief Executive Officer, Cameron Clyne said: "As I have said previously we will take advantage of compelling opportunities to enhance our organic growth capabilities.

"This acquisition provides additional distribution and capability in Australian mortgages," he said.

NAB Personal Banking Group Executive, Lisa Gray said: "The acquisition of the Challenger mortgage management business increases NAB's presence in the important broker distribution segment.

"Challenger has built an impressive business with a national network of around 5,700 brokers. As part of NAB the Challenger mortgage management business will have the capacity to grow and support its broker networks.

"The existing management team will be retained and continue to run the business as a separate entity reporting to NAB Broker within NAB Personal Banking," she said.

The transaction is subject to regulatory approvals (including confirmation from the Australian Competition and Consumer Commission), and is expected to be completed by the end of 2009.

*The total purchase price of \$385 million includes the amount payable if approximately 41% of Homeloans Ltd is acquired.

For further information:

Media

George Wright

M: +61 (0) 419 556 616

Luisa Ford

M: +61 (0) 411 024 104

Investor Relations

Nehemiah Richardson

M: +61 (0) 427 513 233

Craig Horlin

M: +61 (0) 417 372 474

Drew Kempen

M: +61 (0) 404 094 741

For shareholder queries in relation to the Share Purchase Plan please call 1800 133 562.

To check or change details relating to your shareholding please call 1300 367 647.

Further shareholder information is also available in the shareholder centre at www.nabgroup.com