

Australian banks cost of funds

NAB overview

As at 7 April 2009

The facts

Why do banks' interest rates change?

- Interest rates change for a combination of reasons, including:
 - movements in the Reserve Bank of Australia's official cash rate;
 - the cost of funding a loan from the wholesale money market in Australia and overseas;
 - the cost of attracting customer deposits; and
 - the overall competitive market.

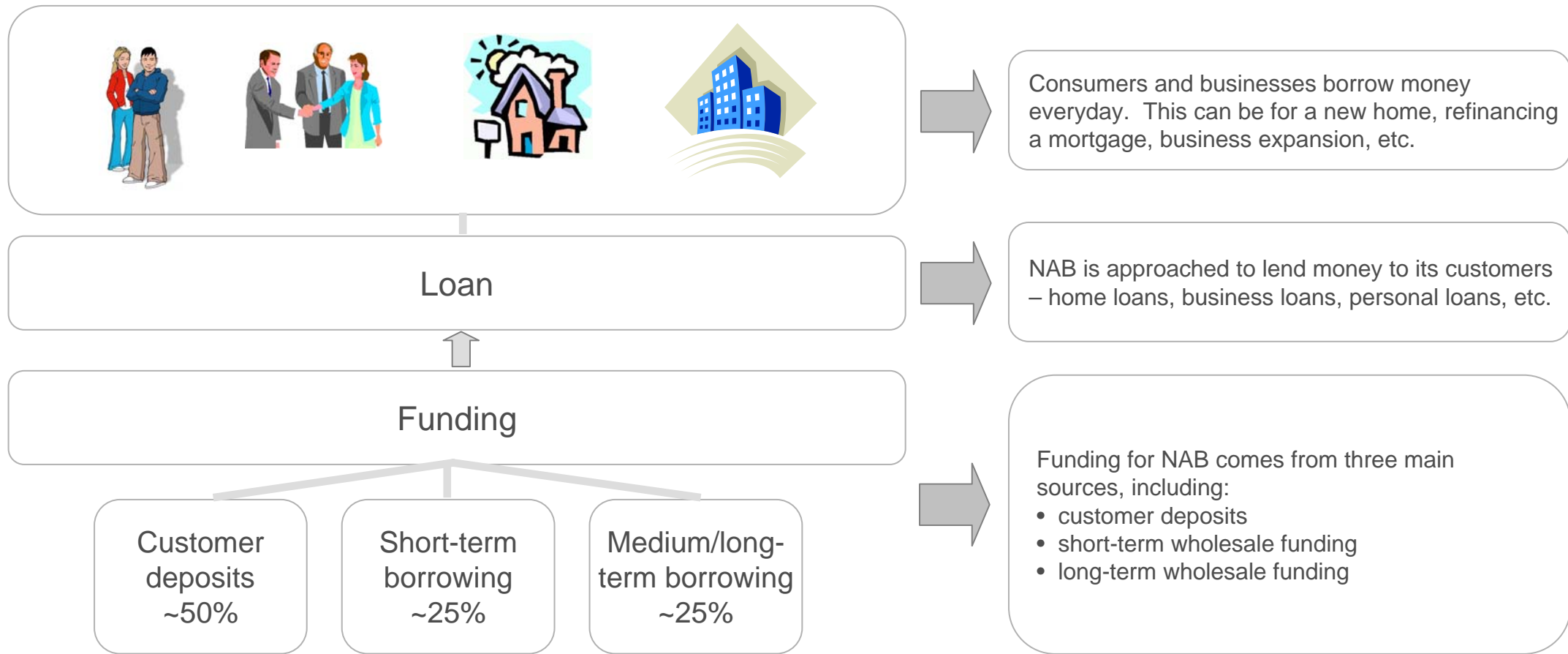
What are each of these contributing factors?

- **Official cash rate:** the interest rate paid by banks in Australia, adjusted and set by the Reserve Bank of Australia, to reflect the availability and supply of money.
- **Wholesale funding costs:** the price banks pay to access money from the wholesale money market which is then on-lent to consumers and businesses for personal and business loans.
- **Customer deposits:** the money consumers and businesses deposit into banks which can then be used to on-lend to other consumers or businesses for personal and business loans.
- **Competitive market:** the competition between financial institutions in Australia to attract customers.

What is NAB's current competitive position?

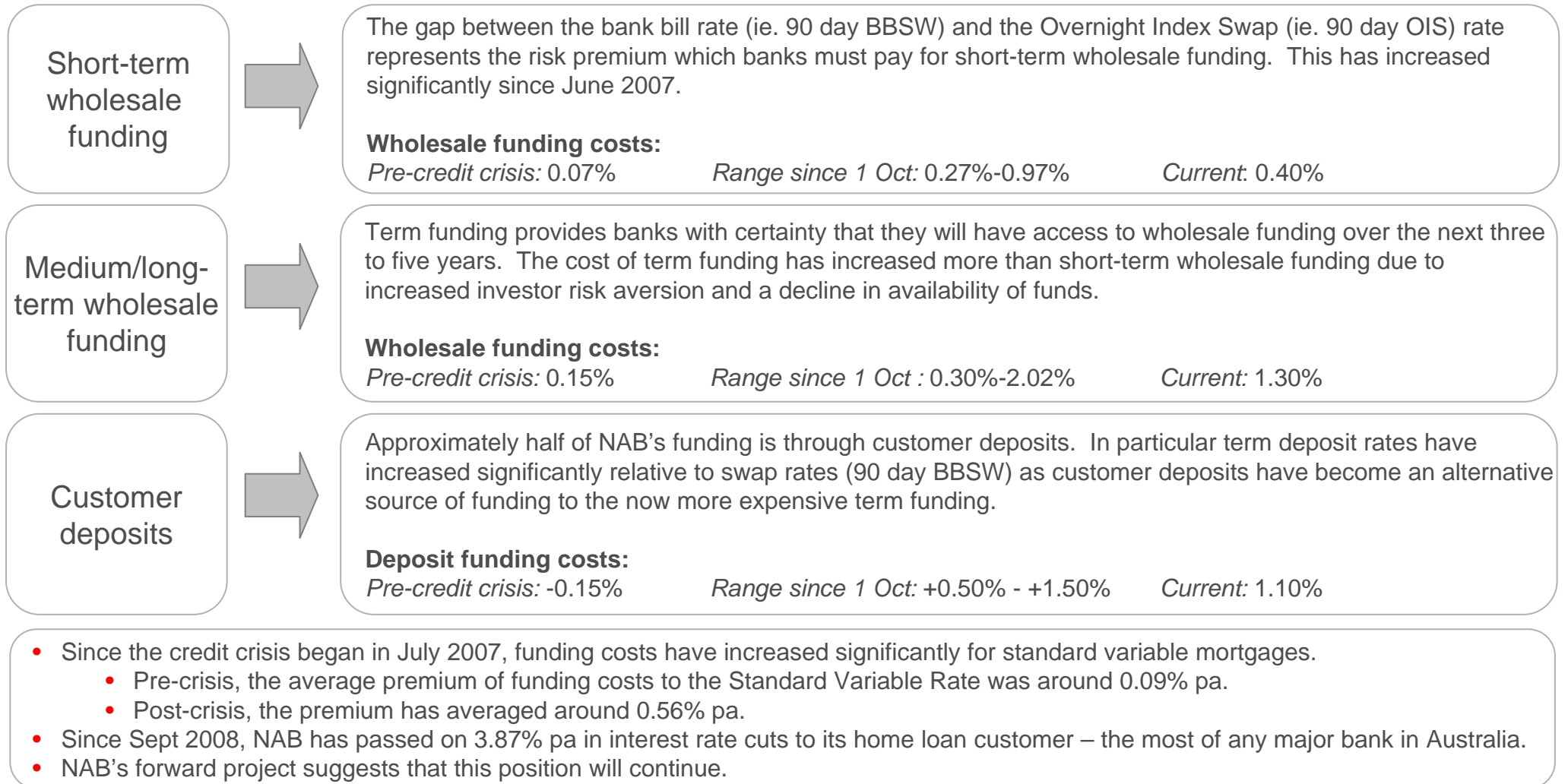
- Since September 2008, NAB has passed on 3.87% in interest rate cuts to its standard variable home loan customer.
- NAB's standard variable home loan interest rates is 5.74% per annum – one of the most competitive in Australia.
- NAB offers a range of highly competitive fixed interest home loan rates including 1 and 2 Year Choice Package rates at 4.99% pa and 3 Year Choice Package at 5.19% pa.

NAB funding composition



The three main components of NAB's funding

The cost of providing a mortgage has increased significantly since the credit crisis hit in mid-2007. In order to maintain a sustainable position in the future, the interest rates NAB charges its customers needs to responsibly reflect these increased funding costs.



Customers

- NAB's standard variable interest rate is 5.74% pa – this is the lowest it has been since 1968.
- If certainty is important to customers, they have the option of fixing all or part of their home loan - NAB offers a range of highly competitive fixed interest home loan rates including 1 and 2 Year Choice Package rates at 4.99% pa and 3 Year Choice Package at 5.19% pa.
- Customers who choose to maintain their existing repayments could save them thousands of dollars and years over the life of their loan.
- If customers are looking to reduce their payments, they should call NAB Direct on 13 22 65 or visit any of NAB's 750 branches and talk through their options with a NAB banker.
- NAB has options for customers experiencing hardship – with a number of assistance options available to help manage repayments. Customers seeking assistance or financial advice should visit any NAB branch or call NAB Direct on 13 22 65.

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