2010 HALF YEAR RESULTS

Incorporating the requirements of Appendix 4D

This half year results announcement incorporates the half year report given to the Australian Securities Exchange (ASX) under Listing Rule 4.2A.

This half year consolidated report is to be read in conjunction with the annual financial report 2009.

National Australia Bank Limited ABN 12 004 044 937 (the 'Company')

National Australia Bank

Results for announcement to the market

Report for the half year ended 31 March 2010

					31 March 2010 $m
Revenue from ordinary activities [1]	down	5.4%	*	to	9,085
Profit after tax from ordinary activities attributable to owners of the Company	down	21.4%	*	to	2,095
Net profit attributable to owners of the Company [2]	down	21.4%	*	to	2,095

* *On previous corresponding period (six months ended 31 March 2009).*

[1] *Reported as the sum of the following items from the Group's consolidated income statement: Net interest income, Premium and life related revenue, Fee income and Total other income. On a cash earnings basis revenue decreased by 3.3%.*

[2] *Net profit attributable to owners of the Company was down 21.4 % to $2,095 million, largely due to higher levels of positive fair value mark to market volatility in the prior corresponding period.*

Dividends	Amount per share cents	Franked amount per share %
Interim dividend	74	100
Record date for determining entitlements to the interim dividend		10 June 2010

Highlights [3]

Group cash earnings	up	8.2%	Cash earnings of $2,193 million for the March 2010 half increased by $166 million or 8.2% on the March 2009 half. Underlying profit decreased by $368 million or 7.8%. This was due to more normalised trading conditions experienced by the Global Markets and Treasury division of Wholesale Banking and the impact of the Fair Value philosophy (primarily in Personal Banking). This was offset by additional revenue from the alignment of pricing to current risk settings in Business Banking and UK Banking, the performance of MLC & NAB Wealth, the decreased base rate LIBOR spread in UK Banking, and an increase in variable rate housing volumes.
Cash return on equity (ROE)	up to	12.9%	Cash ROE increased by 20 basis points.
Diluted cash earnings per share	down to	102.5	Diluted cash earnings per share decreased by 4.6%.
Banking cost to income ratio	up	210 bps	The Group's banking cost to income ratio was 210 basis points higher for the half year at 45.5%, and represents a decline in trading revenue as trading conditions return to more normalised levels in Wholesale Banking's Global Markets and Treasury division.
Tier 1 capital ratio	up	78 bps	The Tier 1 capital ratio has increased to 9.09%. It remains above the Group's target.
Full time equivalent employees	up	2,278	Full time equivalent employees increased to 41,428 reflecting the effects of recent acquisitions of Advantedge, Aviva, JBWere and continuous support of growth activities.

[3] *All growth rates are calculated on a cash earnings basis on the previous corresponding period.*

A Glossary of Terms is included in Section 7.

A reference in this Appendix 4D to the 'Group' is a reference to the Company and its controlled entities. All currency amounts are expressed in Australian dollars unless otherwise stated. References in this document to the March 2010 half year are references to the six months ended 31 March 2010. Other six month periods are referred to in a corresponding manner. National Australia Bank Limited's half year consolidated financial report and directors report, prepared in accordance with the *Corporations Act* 2001 (Cth), is located in Section 5.

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Half Year Results
2010

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National Australia Bank

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National Australia Bank Limited
ABN 12 004 044 937

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ASX Announcement

Thursday, 6 May 2010

NAB 2010 Interim Result

Sound result reflecting investment for the future

Key Points[1]

- Cash earnings for the 2010 half year were $2.2 billion, a 20.9% increase on the September 2009 half year and an 8.2% increase on the March 2009 half year. Robust performances from Business Banking and MLC & NAB Wealth and an improvement in the bad and doubtful debts charge were key contributors to this earnings growth. The strong Australian dollar reduced the contribution of offshore earnings to the result.
- Against the March 2009 half year, revenue fell by 3.3% to $8.2 billion largely due to more normal income in Global Markets and Treasury after an exceptionally strong contribution in 2009, and customer fee initiatives in Personal Banking to better position this business for sustainable, long-term growth.
- The bad and doubtful debts charge fell by 32.1% to $1.2 billion as economic conditions improved, with the majority of the improvement within Wholesale Banking and Business Banking.
- Expenses were $3.9 billion, up 2.4%.
- Consistent with NAB's strategy announced in March 2009 strong capital, funding and liquidity positions were maintained. The Tier 1 capital ratio was 9.09% up from 8.96% at 30 September 2009. The Group's 2010 funding program is now more than 50% completed.
- Interim dividend is 74 cents per share fully franked, an increase of 1 cent per share.
- Statutory net profit was 21.6% lower at $2.1 billion largely due to accounting volatility from significantly lower movements on financial instruments. This is not included in cash earnings.
- NAB continued to support the communities it operates in through programs focusing on inclusion and education. During the half year, this included approving more than 3,500 microfinance loans and awarding $5 million to 88 schools across Australia through the Schools First program.

[1] March 2010 half year results are compared with March 2009 half year results unless otherwise stated and include the contribution from the acquisitions of Aviva Australia, Advantedge (the former mortgage management business of Challenger) and the strategic alliance with JBWere. Comparative prior period data for the new business structure was provided in an announcement on 16 March 2010.

Overview

"Strong earnings growth in Business Banking and MLC & NAB Wealth, combined with a lower bad and doubtful debts charge, were the key elements of NAB's 2010 half year result," NAB Group Chief Executive Officer Cameron Clyne said today.

"We continued to invest in line with our strategic priorities and I am pleased with the progress we are making.

"We have taken some important steps that we believe are necessary to ensure our businesses are successful in the post global financial crisis environment given the regulatory reforms and broader stakeholder expectations that are likely to drive industry change.

"A key factor during the March half year was the strength in the Australian mortgage market, which was supported by Government stimulus, while business credit demand declined.

"Despite the subdued conditions, Business Banking had strong first half earnings, increased market share and retained the leading customer satisfaction position for companies with a turnover between $5 million and $500 million[2]. The decisions to hire 150 new business bankers and specialists last year, and 200 this year, and remove a number of fees for approximately 500,000 business account holders have provided momentum to the business and will continue to do so, especially when business lending improves.

"MLC & NAB Wealth also reported strong earnings growth, reflecting improved investment markets, increased funds under management and insurance sales and the contribution from Aviva's wealth management business in Australia. The integration of Aviva is on track to deliver synergies above our initial estimates. The JBWere strategic alliance is fully operational and focused on building relationships between JBWere clients and NAB Private Wealth.

"NAB continues to pursue its options to obtain approvals for its proposed acquisition of the Australian and New Zealand businesses of AXA Asia Pacific Holdings. The proposal is consistent with the Group's strategic agenda to grow our wealth management business and to improve shareholder returns.

"Though questioned at the time, steps taken several years ago to position NAB's wealth business for expected regulatory change have proven valuable. We believe recent initiatives around customer fees in NAB's Personal Bank will also be prove to be valuable. They represent an investment to create a sustainable business and improve customer relationships and satisfaction and the broader reputation of the NAB.

"These initiatives are already reaping benefits for Personal Banking. Customer satisfaction has risen and there has been a 32% increase in new transaction account openings. We have also seen 20% growth in new mortgage flows and a 42% reduction in customer complaints and won the Banking Leadership Award in the Canstar Cannex Innovation Excellence Awards.

"In Wholesale Banking, earnings returned to more normal levels in Global Markets and Treasury following an unprecedented 2009 which more than offset the improvement in the charge for bad and doubtful debts. Wholesale Banking's custody business is well positioned to benefit from future growth in funds under management, as is the Specialised Finance business from expected infrastructure investment.

"The UK financial services market is undergoing a period of change, with consolidation and the potential arrival of new entrants into the market. NAB's well managed business in the UK is in a good position to grow organically and well placed to consider other ways to improve shareholder value.

"The market opportunities available to NAB in the UK range from direct participation via acquisition to entering into joint arrangements with other parties. NAB is under no pressure to participate in the consolidation and will only do so if it creates shareholder value," he said.

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[2] East & Partners: Business Banking Customer Satisfaction Monitor March 2010

Balance Sheet Commentary

Capital

The Group Tier 1 capital ratio was 9.09%, up 13bps on September 2009. The improved capital position was primarily due to capital generation from increased earnings and subdued growth in credit risk weighted assets. The Tier 1 capital position leaves the Group well placed in advance of proposed regulatory change and prior to resolution of the AXA proposal.

Funding and Liquidity

The Group raised more than $15 billion in term funding, all of which was in unguaranteed format. This represents over half of the Group's 2010 funding target of $20 to $25 billion. NAB will consider opportunities to bring forward the funding of some of the expected 2011 requirement.

The weighted average maturity of term wholesale funding raised during the half year was 5.5 years compared to 4.2 years in the last financial year. The cost of wholesale funding has stabilised but remains well above pre-crisis levels. Retail deposits grew strongly during the half year although intense competition has driven up the cost.

Total liquid assets were $68 billion in line with the September 2009 level of $71 billion. Liquidity holdings will be reassessed when the impact of proposed regulatory changes becomes clear.

Asset Quality

The Group's leading asset quality indicators have begun to stabilise during the March 2010 half year.

In Australia, the growth in impaired assets in Business Banking has slowed. While the business and credit environment remains challenging, NAB's business confidence and conditions surveys were consistently positive during the March half year.

Personal Banking's key asset quality measures improved due to the resilient mortgage portfolio and enhancements to risk management and collections functions. Unemployment remained above 5% during the 2010 March half year, which combined with the seasonal post Christmas influence to put some additional pressure on the asset quality of the unsecured portfolio.

Whilst asset quality measures in UK Banking continue to reflect the impact of the operating environment, key asset quality measures have shown signs of stabilising. The trading business portfolio remains well-diversified, commercial property lending on the UK Banking balance sheet has fallen and mortgage arrears remain significantly lower than the market average[3].

In New Zealand Banking there are signs that asset quality is stabilising as the economy emerges from recession.

Asset quality indicators for Great Western Bank weakened due to the continuing poor economic conditions in the US, but are still superior to peer group averages[4].

The effects of the adverse credit environment have not yet fully flowed through the Specialised Group Assets portfolio. The bad and doubtful debts charge was broadly consistent with the March 2009 half year charge but 42.1% lower than in the September 2009 half year.

Since September 2009 total Group provisions increased to $5.2 billion and the coverage of collective provisions to credit risk weighted assets (ex housing) increased from 1.46% to 1.55%.

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[3] UK Council of Mortgage Lenders December 2009

[4] The Great Western Bank peer group comparison is based on Federal Deposit Insurance Corporation data for the year to December 2009 and includes 130 banks with assets between US$3 billion and US$10 billion and a small number of other banks that are considered direct competition in certain markets.

Business Unit Commentary

Business Banking

Cash earnings increased by 33% to $1.1 billion, reflecting a robust underlying profit increase of 12.1% and an improved bad and doubtful debts charge as the Australian economy emerges from the global financial crisis.

Business Banking focused on delivering growth through supporting customers. Market share increased by 0.8% to 20.4% over the 12 months to March 2010 at a time when aggregate business lending by financial institutions fell by 6.9%[5]. In addition to increasing banker numbers, Business Banking's investment plans include five new Business Banking Centres to be opened later this year.

The business environment remains challenging with credit growth hitting a 17 year low and an increase in competition, as a number of banks have restarted lending to the business sector. Deleveraging by large corporate businesses has been the predominant driver of the decline in system business lending. The SME segment continues to grow, although at a slower rate than the long-term average.

Personal Banking

Cash earnings decreased by 22.3% to $317 million, mainly due to fee initiatives, mortgage rate decisions and higher deposit and funding costs, partially offset by the acquisition of Advantedge (the former Challenger mortgage management business) and lower bad and doubtful debt charges.

During the March half year significant investments were made to differentiate NAB's brand and reputation, build our customer base and enable long-term sustainable growth. As a result, there was better momentum in the business with higher mortgage settlements, increased new transaction accounts and significantly reduced customer complaints.

Personal Banking also expanded in key segments, with a focus on third party broker distribution, which helped deliver better than industry system mortgage growth in the March half year. The new Ubank business continued to innovate and grow. The USaver account, the first product on the new banking technology platform, was launched offering online account opening in five minutes and was key to Personal Banking's above system growth in household deposits.

Australian consumer sentiment has proved resilient during the global economic downturn, largely as a result of government stimulus and relatively low interest rates.

MLC & NAB Wealth

Cash earnings before IoRE[6] increased by 31.3% to $264 million, influenced by the acquisition of Aviva and an improvement in global investment markets. Underlying cash earnings growth, excluding the contribution from the Aviva and JBWere businesses, was robust at 12.0%.

MLC funds under management increased by $44 billion to $114 billion at 30 March 2010 largely due to the Aviva acquisition and strong investment markets. Underlying growth in funds under management (spot), excluding the Aviva acquisition, was still strong at more than 30%.

Average annual inforce premiums increased by 30.1% including Aviva. Underlying average inforce premium growth was 12%. NAB Financial Planning advisers received a record level of referrals from Personal Banking, Business Banking and NAB Private Wealth, resulting in strong sales in this area.

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5 RBA market share data March 2010

6 Investment earnings on shareholders' retained profits and capital in the life business.

Wholesale Banking
Cash earnings decreased by $210 million to $403 million mainly due to lower revenues generated in Global Markets and Treasury, which are down from the exceptional levels achieved in the March 2009 half year as market volatility returned to more normal levels. This was partially offset by a lower bad and doubtful debts charge.

Wholesale Banking's strategy is designed to focus on customer needs across NAB businesses through the delivery of specialist risk management, investment, funding and custody products and services.

Through strong relationships with Business Banking and MLC & NAB Wealth several new products were launched during the March 2010 half year, including a flexible market rate loan to support the risk management needs of Business Bank customers and a cash deposit option for the MLC adviser network.

UK Banking
Cash earnings increased by 24.5% to £61 million as a result of higher net interest income from re-pricing and lower funding and liquidity costs. This was partially offset by a higher bad and doubtful debts charge and lower income from payment protection insurance premiums.

Underlying business momentum continued, with an 11.9% increase in retail deposits and £2.2 billion in new lending, despite a highly competitive retail deposit market and subdued market demand for credit. The UK economy has shown some consistent signs of recovery but we are maintaining a cautious outlook until these are confirmed by longer term trends.

NZ Banking
Cash earnings decreased by 8.6% to NZ$255 million on the March 2009 half year due to weak business credit demand, intense competition for customer deposits and continued high funding costs. When compared to the September 2009 half year, cash earnings increased by 7.1%. Retail deposit market share has risen from 16.1% to 17.5% since the March 2009 half year. Net interest margin increased to 2.08%, up from 1.96% at 30 September 2009. The charge for bad and doubtful debts decreased.

Investment in the distribution network gathered momentum with a further nine retail stores upgraded during the March 2010 half year and 25 planned for refurbishment in the second half of the year. An additional five new Partners business centres were opened during the current half year, as well as a dedicated small business hub.

The New Zealand economy is slowly recovering from a protracted recession, with higher economic growth expectations and improved business and consumer confidence.

Great Western Bank
Cash earnings grew by 11.1% to US$30 million. This reflected asset growth achieved organically and through acquisition and an improved net interest margin. These factors were partially offset by a higher charge for bad and doubtful debts.

Great Western Bank is continuing its program of acquiring branches and deposit funded loan books in strategically aligned agricultural areas.

The economic environment in the US remains poor and the overall lending market is depressed, reflecting restrained consumer behaviour and a corporate focus on reducing debt.

Specialised Group Assets
Cash earnings improved by $41 million to a loss of $217 million largely due to the $160 million management overlay taken in the 2009 March half year and not repeated in the 2010 March half year for conduit related assets and derivative transactions. The hedge positions in the Synthetic Collateralised Debt Obligation portfolio are working as intended.

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Section 2

Highlights

Group Performance

Cameron Clyne

Strategic Highlights & Business Developments

The Group's main objective is to deliver superior Total Shareholder Return (TSR). The Group is now managed via the divisional structure announced on 12 March 2009. Reporting under the revised structure commenced from 1 October 2009 and is the basis of this report.

The businesses delivered a sound result in the March half, despite subdued credit growth, heightened competitive pressures and a continued upward trend in average funding costs.

The Group's key priorities are:

- Maintaining balance sheet strength with a sound position on capital and funding.
- Continuing careful management of costs while accelerating the efficiency, quality and service agenda.
- Investing in the Group's people, culture and reputation.
- Focusing on the strong Australian franchise, whilst maintaining value and options.

Maintaining balance sheet strength

The conservative approach to capital and liquidity management remains appropriate in the early stages of the global economic recovery when regulatory environments are uncertain.

At 31 March 2010 the Group's Tier 1 capital ratio was 9.09%. The increase in the Tier 1 ratio over the half year was primarily due to organic capital generation through strong earnings and subdued risk weighted asset growth.

The Group held $68 billion of liquid assets at 31 March 2010, which significantly exceeds the amount determined by regulatory requirements, to maintain flexibility and balance sheet strength.

$15.2 billion of term wholesale funding was raised in the March 2010 half year, with a 2010 full year target of $20 to $25 billion. This was achieved without the use of any government guarantees and reflects the strength of the Group. The weighted average term to maturity of the funds raised year-to-date is 5.5 years. The Group's Stable Funding Index was 83% at 31 March 2010 (78% at September 2009). In the current half funding and liquidity costs have been passed out in full to our business.

Management of costs

The Group continues to actively manage its costs. Costs are higher than the prior comparative period due to increased investment in businesses and remain flat on the September half.

The Efficiency, Quality and Service (EQS) agenda has maintained its focus on reshaping the business to increase efficiency, reduce duplication and position the Group to better serve its customers. Costs associated with the acceleration of this agenda are incremental to the underlying cost performance of the businesses and are excluded from cash earnings. For the March 2010 half year, $96 million of costs have been accelerated. These combined with the $254 million 2009 accelerated costs are expected to deliver $404 million of cumulative incremental benefits in the 2010 year. The acceleration of EQS initiatives will continue throughout the 2010 financial year and these will be reported with the generated benefits.

Investing in the Group's people, culture and reputation

The Group has reinvested in the core retail business by transforming the customer experience and differentiating the NAB brand and reputation, led by NAB's Fair Value philosophy. The abolition of a range of customer fees, while reducing revenue, has helped acquire more customers, improved customer retention and reduced the number of customer complaints. This is evident in Personal Banking with a 32% increase in new transaction account openings, a 22% decrease in transaction account closures and a 42% reduction in customer complaints. Recently, NAB has had the most competitive standard variable mortgage rate of the major Australian banks. Customers have embraced the Group's "More Give, Less Take" message and appreciate the increased competition and choice.

The Group's community initiatives and programs are very extensive. These range from improving access to financial services, microfinance programs, indigenous reconciliation, education and environmental initiatives. The main focus of our community partnership activity is on supporting staff volunteering, workplace giving and community grants programs. The Schools First awards program continued to provide funding to schools and community groups in Australia. UK Banking has sponsored the "Count Me In" and "Count and Grow" initiatives to improve numeracy and maths skills in the UK. BNZ became the principal sponsor of "Plunket" which supports the health and development of children under five in New Zealand.

The Group has defined a single set of enterprise beliefs and behaviours, to form the foundation for its culture and brand. The behaviours require all in the Group to be authentic and respectful, work together and create value through excellence. These behaviours are integrated with the performance and reward framework, and with the methods of attracting and selecting people to join the organisation. During the last six months "The Academy" expanded its learning and development offerings to employees. It continued to provide innovative ways to learn, share knowledge, network and work.

Focus on the strong Australian franchise, whilst maintaining options internationally

The Group continued to invest in business banking and wealth management in Australia through a combination of organic and inorganic initiatives.

On 30 March 2010 the Group announced that it had agreed to acquire the Australian and New Zealand business of AXA Asia Pacific Holdings Limited. The Australian Competition and Consumer Commission (ACCC) announced on 19 April 2010 its opposition to this proposed acquisition. The Group continues to pursue its options to obtain approvals for the proposed acquisition.

The integration of Aviva has progressed well so far and exceeded expectations. The acquisition of 80.1% of Goldman Sachs JBWere's private wealth management business in Australia and New Zealand was completed during the period. The acquisition of Challenger Financial Services Group's mortgage management business has been integrated into Personal Banking under the brand of Advantedge.

On 1 February 2010 Great Western Bank (GWB) announced the acquisition of F&M Bank in Iowa. The acquisition became effective on 23 April 2010 and brings ten additional GWB branches to Iowa.

Financial Highlights

The Group has generated cash earnings of $2,193 million for the half year to March 2010, an increase of 8.2% against the March 2009 half year (6.9% excluding acquisitions and foreign exchange rate variances). This reflects the solid Business Banking performance and the contribution from MLC & NAB Wealth as investment markets have improved.

Revenue decreased by 3.3% when compared to the March 2009 half year (decrease of 0.2% excluding acquisitions and exchange rate variances). Group revenue has experienced growth largely as a result of the alignment of pricing to current risk settings in Business Banking and UK Banking, and the lower basis risk costs incurred in UK Banking as the spreads between the base rate and LIBOR rate narrowed. The growth in revenue was limited by the abolition of numerous fees and charges as part of the Fair Value philosophy, and Global Markets and Treasury experiencing more normalised market conditions. Higher term funding costs, as term funding progressively matured and was replaced at higher spreads over benchmark rates, and competitive pressure on deposit margins have also adversely affected Group revenue.

Excluding the impact of foreign exchange, average lending volumes have increased by 3.3% on the March 2009 half year. This growth was driven by an increase in housing lending and the acquisition of Advantedge. Business lending volumes have remained relatively steady, reflecting growth in the Small and Medium Enterprise (SME) segments, partly offset by a decline in institutional lending as customers focus on reducing debt levels. Strength in the Australian dollar has reduced average lending volumes by 2.4% in AUD terms.

Operating expenses have increased by 2.4% (up 5.0% excluding acquisitions and foreign exchange). All divisions have again demonstrated their capability in sustainable underlying cost management, with continuous improvement disciplines embedded in business culture. This has been offset by continuing investment in the businesses, including the Next Generation Banking IT Platform (NGP) program and increases in pension costs in the UK.

Encouraging trends have been evident in the March 2010 half year with a reduced bad and doubtful debts charge and stabilising asset quality indicators. The rate of deterioration is slowing in most key metrics:

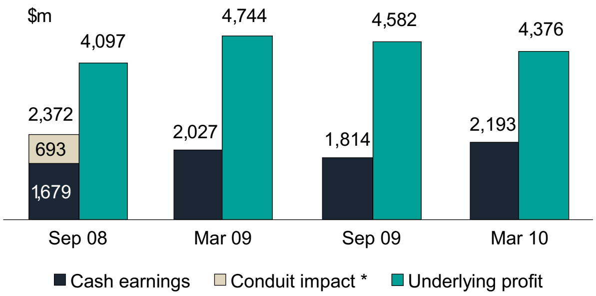
- The Group charge to provide for bad and doubtful debts for the half to March 2010 was $1,230 million, a 32.1% decrease on the half to March 2009 and a decrease of 38.6% on September 2009.
- The ratio of gross impaired assets to gross loans and acceptances has weakened by 46 basis points to 1.35% from 0.89% at March 2009 and has weakened by 9 basis points from 1.26% at September 2009.
- The rate of increase in impaired assets slowed during the March 2010 half, increasing by 6.3% from September 2009 compared to an increase of 40.1% from March 2009 to September 2009.
- The Group's collective provisions to credit risk weighted assets (excluding housing) ratio has increased from 1.38% at March 2009 to 1.55% at March 2010.

Shareholder Returns

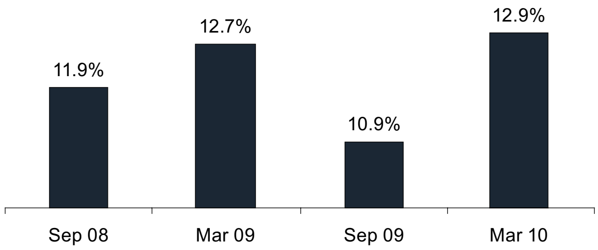
The Group's return on equity has improved by 20 basis points to 12.9% when compared to the March 2009 half year, reflecting higher earnings offset by higher levels of capital. The interim dividend for the year is 74 cents per share. This represents a dividend payout ratio of 71.8% for the half year on a cash earnings basis. The dividend payment is 100% franked and will be paid on 8 July 2010. Shares will be quoted ex-dividend on 4 June 2010.

Key Performance Measures (1)

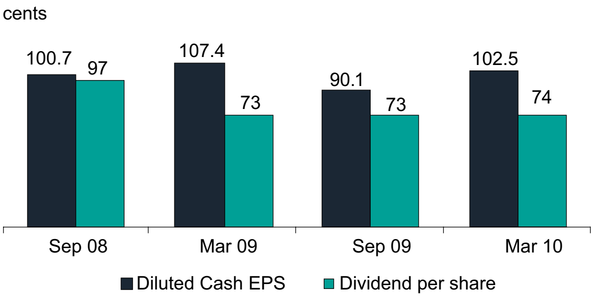
Cash Earnings and Underlying profit - half year



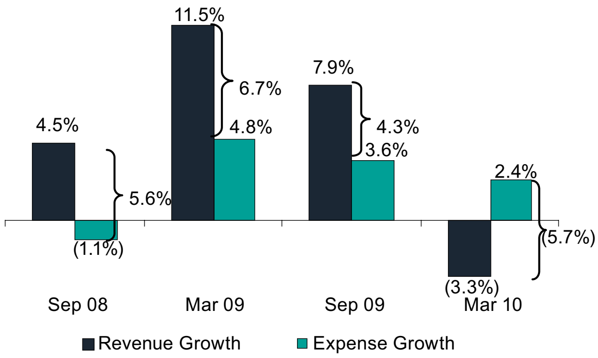
Cash Return on Equity (ROE) - half year



Diluted Cash EPS and Dividend per Share - half year



Half Yearly Revenue - Expense Differential (2) - half year



Group Performance Indicators (1)

	Half Year to		
	Mar 10	**Sep 09**	**Mar 09**
Key Indicators			
Cash earnings per share (cents)			
- basic	**103.0**	90.6	108.3
- diluted	**102.5**	90.1	107.4
Cash return on equity (ROE)	**12.9%**	10.9%	12.7%
Profitability, performance and efficiency measures			
Dividend per share (cents)	**74**	73	73
Dividend payout ratio	**71.8%**	80.6%	67.4%
Cash earnings on average assets	**0.67%**	0.55%	0.57%
Cash earnings per average FTE ($'000)	**110**	93	103
Banking cost to income ratio	**45.5%**	44.5%	43.4%
Net interest margin:			
- Business Banking	**2.51%**	2.45%	2.24%
- Personal Banking	**2.34%**	2.64%	2.49%
- UK Banking	**2.40%**	2.36%	2.14%
- NZ Banking	**2.08%**	1.96%	2.16%
- Great Western Bank	**4.06%**	3.86%	3.78%
- Specialised Group Assets	**1.30%**	0.97%	1.09%
Capital			
Tier 1 ratio	**9.09%**	8.96%	8.31%
Total capital ratio	**12.07%**	11.48%	12.19%
Risk weighted assets (4) ($bn)	**332.8**	342.5	352.4
Volumes ($bn)			
Gross loans and acceptances (3) (4)	**434.5**	436.6	443.7
Average interest earning assets	**543.4**	548.7	570.0
Total average assets	**659.9**	660.5	716.9
Asset quality			
Gross impaired assets to gross loans and acceptances	**1.35%**	1.26%	0.89%
Collective provision to credit risk-weighted assets (ex. housing)	**1.55%**	1.46%	1.38%
Specific provision to gross impaired assets	**27.2%**	28.2%	33.5%
Other			
Funds under management and administration (5) ($bn)	**114.2**	85.1	74.2
Annual inforce premiums ($m)	**1,332.9**	968.8	910.2
Full Time Equivalent Employees (no.)	**41,428**	38,953	39,150

(1) *All key performance measures and Group performance indicators are calculated on a cash earnings basis unless otherwise stated. A Glossary of Terms is included in Section 7.*
(2) *Revenue and expense growth is calculated over the prior comparative half.*
(3) *Spot balance at reporting date.*
(4) *Including acceptances and loans at fair value.*
(5) *Excludes Trustee and Cash Management within MLC & NAB Wealth.*
* *ABS CDO provisions and costs associated with risk mitigation strategy.*

Group Results

	Half Year to				
	Mar 10 $m	**Sep 09 $m**	**Mar 09 $m**	**Mar 10 v Sep 09 %**	**Mar 10 v Mar 09 %**
Net interest income	**6,114**	6,188	5,884	(1.2)	3.9
Other operating income	**1,375**	1,675	2,091	(17.9)	(34.2)
MLC net operating income	**748**	529	539	41.4	38.8
Net operating income	**8,237**	8,392	8,514	(1.8)	(3.3)
Operating expenses	**(3,861)**	(3,810)	(3,770)	(1.3)	(2.4)
Underlying profit	**4,376**	4,582	4,744	(4.5)	(7.8)
Charge to provide for bad and doubtful debts	**(1,230)**	(2,004)	(1,811)	38.6	32.1
Cash earnings before tax, IoRE, distributions and non-controlling interest	**3,146**	2,578	2,933	22.0	7.3
Income tax expense	**(884)**	(726)	(725)	(21.8)	(21.9)
Cash earnings before IoRE, distributions and non-controlling interest	**2,262**	1,852	2,208	22.1	2.4
Net profit - non-controlling interest	**(1)**	11	(11)	large	90.9
IoRE	**35**	52	(26)	(32.7)	large
Distributions	**(103)**	(101)	(144)	(2.0)	28.5
Cash earnings [(1)]	**2,193**	1,814	2,027	20.9	8.2
Non-cash earnings items	**(98)**	(1,889)	637	94.8	large
Net profit attributable to owners of the company	**2,095**	(75)	2,664	large	(21.4)

(1) *Cash earnings is a key financial performance measure used by the Group, the investment community and Australian peers. For a full reconciliation between the Group's cash earnings and statutory accounting profit refer to Note 11 in Section 6. A Glossary of Terms is in Section 7.*

Group Balance Sheet Key Items

	As at				
	31 Mar 10 $m	**30 Sep 09 $m**	**31 Mar 09 $m**	**Mar 10 v Sep 09 %**	**Mar 10 v Mar 09 %**
Assets					
Cash and liquid assets	**23,819**	25,834	18,287	(7.8)	30.3
Due from other banks	**38,631**	33,265	30,663	16.1	26.0
Marketable debt securities	**45,357**	47,681	53,188	(4.9)	(14.7)
Loans and advances at fair value	**30,909**	29,567	28,961	4.5	6.7
Other assets at fair value	**854**	1,963	2,890	(56.5)	(70.4)
Other financial assets at fair value	**31,763**	31,530	31,851	0.7	(0.3)
Loans and advances including acceptances	**396,579**	399,809	407,785	(0.8)	(2.7)
Investments relating to life insurance business	**61,990**	54,254	44,057	14.3	40.7
Other assets	**52,221**	61,747	90,170	(15.4)	(42.1)
Total assets	**650,360**	654,120	676,001	(0.6)	(3.8)
Liabilities					
Due to other banks	**43,735**	36,148	45,879	21.0	(4.7)
Deposits at fair value	**9,523**	10,365	12,895	(8.1)	(26.1)
Other liabilities at fair value	**10,043**	10,946	10,069	(8.2)	(0.3)
Other financial liabilities at fair value	**19,566**	21,311	22,964	(8.2)	(14.8)
Deposits and other borrowings	**332,497**	336,188	327,759	(1.1)	1.4
Liability on acceptances	**15,771**	16,891	17,959	(6.6)	(12.2)
Bonds, notes and subordinated debt	**86,079**	90,792	108,020	(5.2)	(20.3)
Life policy liabilities	**53,058**	47,314	38,351	12.1	38.3
Other liabilities	**61,455**	67,641	78,668	(9.1)	(21.9)
Total liabilities	**612,161**	616,285	639,600	(0.7)	(4.3)

Divisional Performance

Divisional Results

	Half Year to Mar 10 $m	Sep 09 $m	Mar 09 $m	Mar 10 v Sep 09 %	Mar 10 v Mar 09 %
Business Banking	**1,095**	776	823	41.1	33.0
Personal Banking	**317**	467	408	(32.1)	(22.3)
Wholesale Banking	**403**	535	613	(24.7)	(34.3)
UK Banking	**107**	52	110	large	(2.7)
NZ Banking	**202**	189	233	6.9	(13.3)
MLC & NAB Wealth	**263**	207	204	27.1	28.9
Great Western Bank	**33**	33	40	-	(17.5)
Specialised Group Assets	**(217)**	(319)	(258)	32.0	15.9
Corporate Functions and Other	**58**	(77)	24	large	large
IoRE	**35**	52	(26)	(32.7)	large
Distributions	**(103)**	(101)	(144)	(2.0)	28.5
Cash earnings	**2,193**	1,814	2,027	20.9	8.2
Non-cash earnings items	**(98)**	(1,889)	637	94.8	large
Net profit attributable to owners of the company	**2,095**	(75)	2,664	large	(21.4)

Divisional Performance Indicators

	Half Year to Mar 10	Sep 09	Mar 09	Mar 10 v Sep 09	Mar 10 v Mar 09
Business Banking					
Cash earnings ($m)	**1,095**	776	823	41.1%	33.0%
Cash earnings on average assets	**1.20%**	0.86%	0.90%	34 bps	30 bps
Net interest margin	**2.51%**	2.45%	2.24%	6 bps	27 bps
Net operating income ($m)	**2,782**	2,684	2,538	3.7%	9.6%
Cost to income ratio	**30.3%**	31.1%	31.9%	80 bps	160 bps
Personal Banking					
Cash earnings ($m)	**317**	467	408	(32.1%)	(22.3%)
Cash earnings on average assets	**0.61%**	0.96%	0.86%	(35 bps)	(25 bps)
Net interest margin	**2.34%**	2.64%	2.49%	(30 bps)	(15 bps)
Net operating income ($m)	**1,516**	1,667	1,608	(9.1%)	(5.7%)
Cost to income ratio	**55.0%**	47.5%	48.7%	(750 bps)	(630 bps)
Wholesale Banking					
Cash earnings ($m)	**403**	535	613	(24.7%)	(34.3%)
Net operating income ($m)	**1,033**	1,308	1,536	(21.0%)	(32.7%)
Return on risk weighted assets	**2.49**	2.86	3.15	(37 bps)	(66 bps)
Cost to income ratio	**43.3%**	34.8%	28.8%	(850 bps)	(1,450 bps)
UK Banking (£)					
Cash earnings (£m)	**61**	28	49	large	24.5%
Cash earnings on average assets	**0.28%**	0.13%	0.23%	15 bps	5 bps
Net interest margin	**2.40%**	2.36%	2.14%	4 bps	26 bps
Net operating income (£m)	**617**	635	562	(2.8%)	9.8%
Cost to income ratio	**57.2%**	54.2%	57.8%	(300 bps)	60 bps
NZ Banking (NZD)					
Cash earnings ($NZm)	**255**	238	279	7.1%	(8.6%)
Cash earnings on average assets	**0.88%**	0.82%	1.00%	6 bps	(12 bps)
Net interest margin	**2.08%**	1.96%	2.16%	12 bps	(8 bps)
Net operating income ($NZm)	**814**	792	849	2.8%	(4.1%)
Cost to income ratio	**44.8%**	46.5%	41.8%	170 bps	(300 bps)
MLC & NAB Wealth					
Cash earnings before IoRE and non-controlling interest ($m)	**264**	212	201	24.5%	31.3%
Investment operating expenses to average FUM	**69 bps**	65 bps	67 bps	(4 bps)	(2 bps)
Insurance cost to average inforce premium	**21%**	20%	22%	(100 bps)	100 bps
Great Western Bank (USD)					
Cash earnings ($m)	**30**	26	27	15.4%	11.1%
Cash earnings on average assets	**1.28%**	1.24%	1.46%	4 bps	(18 bps)
Net interest margin	**4.06%**	3.86%	3.78%	20 bps	28 bps
Net operating income ($m)	**118**	98	86	20.4%	37.2%
Cost to income ratio	**45.8%**	50.0%	47.7%	420 bps	190 bps
Specialised Group Assets					
Cash earnings ($m)	**(217)**	(319)	(258)	32.0%	15.9%
Net interest margin	**1.30%**	0.97%	1.09%	33 bps	21 bps
Net operating income ($m)	**(108)**	(84)	(165)	(28.6%)	34.5%

Section 3

Review of Operating Environment, Group Operations and Results

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Review of Group Operating Environment

One of the main features of the Group's operating environment over the last six months has been a marked variation in the strength of economic conditions across its key markets. The synchronised downturn seen across all areas of the global economy throughout 2008 and in early 2009 has been followed by a very diverse performance in the pace of recovery between economic regions.

East Asia has experienced a strong "V-shaped" economic period, centred on a rebound in Chinese domestic demand which has flowed into rapidly recovering intra-regional trade. Recovery in Western Europe has been much weaker and sluggish growth and high unemployment should persist. Economic conditions in the United States lie between those of the other two regions. Recovery has clearly started in the US but the jobless rate still stands at nearly 10.00%. The operating environment of the Group businesses therefore varies considerably, depending on where they are located.

Australia has benefited from its complementarities with the Chinese economy. Rapidly growing Chinese demand has underpinned high prices for commodity exports and Australia's terms of trade have remained at levels seldom seen in the past century. This has supported national income and spending, as have the low official interest rates and the Government's fiscal stimulus. As a result, Australia was one of the few OECD economies to avert a recession and it is expected to experience solid growth of 3.50% in 2010 and close to 4.25% next year.

New Zealand, like Australia, entered the global downturn with a budget surplus and low public debt. This allowed it to implement a sizeable fiscal stimulus which, alongside low official interest rates, supported demand. Previously tight monetary policy had, however, curbed demand and the economy was in recession throughout 2008 and during early 2009. The business surveys show improved confidence in late 2009 and early 2010, supported by stimulatory policy and a rebound in commodity export prices. Economic growth of around 3.00% should be achieved in 2010, followed by about 3.50% in 2011.

The UK experienced a much deeper recession than either Australia or New Zealand and its recovery has been muted so far. Output fell by 6.25% during the downturn and only started to increase at the end of 2009. The UK economy will require re-balancing with a shift away from consumer and public spending toward business investment and exports, thereby laying the basis for more sustainable economic growth in the future. The combination of competitiveness gains stemming from Sterling depreciation plus the likely retrenchment in public spending that lies ahead should promote the required economic re-balancing. Addressing the UK's budget deficit, combined with the sluggish recovery expected in key Euro-zone export markets, will slow the pace of the recovery. Consequently, economic growth should be less than 1.00% in 2010 and around 2.00% in 2011.

The difference between the rapidly recovering emerging market economies and the weaker upturns evident in most developed economies should favour commodity exporters like Australia and New Zealand. These two economies trade heavily with East and South Asia, whereas most OECD nations export industrial goods and services to other developed economies. However, as the developed economies still account for the bulk of the world economy, their moderately paced upturn will hold back the rate at which the world recovers from the recession of 2008/09.

The moderate upturn predicted for the global economy still faces a number of "head-winds" that should slow the rate at which demand recovers in the big, developed economies. Realistically, economic policy cannot become more stimulatory, as policy interest rates are already exceptionally low and budget deficits are at post-war highs. The outlook is for higher interest rates as monetary policy is gradually "normalised", combined with fiscal retrenchment, as budget deficits are cut back to put government accounts on a more sustainable basis and avoid sovereign credit downgrades.

It will be hard to end these economic stimulus policies until private demand starts growing more strongly and private sector spending faces its own set of "head-winds". High unemployment and plentiful idle capacity tend to cut consumer spending and fixed investment. Credit growth has also slowed sharply across the developed economies as the highly indebted household sector de-leverages.

In view of these economic "head-winds", global growth is expected to average 4.00% through the next few years, a performance that is near to trend but that falls short of the recoveries seen after some of the previous severe global recessions of the post-war period.

Finally, there is an inconsistency in the economic growth models adopted in different parts of the world - the pieces of the global economic jigsaw currently do not fit together very easily. Several countries seem determined to continue hitherto successful growth strategies based on high savings and exports. However, this model requires the existence of trading partners able and willing to spend and import. The continued applicability of export led growth models when former key importers face subdued demand growth, weak currencies and a need to rebuild savings is open to question. The best response is for the export-oriented economies to boost their domestic spending, as China has been doing.

For the Group, this environment translates into very subdued system credit growth, a tougher environment for credit quality than that prior to 2008 and a need to ensure the availability of stable funding. Despite the diversity in economic outcomes across the big developed economies, system credit growth has collapsed virtually everywhere as "de-leveraging" takes hold across the OECD. By early 2010, system credit growth had slipped to just over 1.00% year-on-year in Australia, 0.50% in New Zealand, and it was slightly negative in the UK. While system credit growth should recover with higher demand, it is forecast to remain well below the rates seen prior to the onset of the financial crisis.

Not surprisingly, asset quality has deteriorated through the last 18 months as unemployment has increased and business conditions have softened. However, bad debt ratios have been much lower than those experienced in the recessions of the early 1990s. Australian system impaired asset ratios rose to over 1.00% by the latter half of 2009 but they were over 6.00% in the early 1990s. New Zealand system impaired asset ratios were also around 1.00% in mid-2009 but this was well below the 9.25% peak recorded in 1991. While they also rose through the 2008/09 downturn, UK mortgage arrear ratios and corporate insolvency ratios remain below their 1990s peaks. With unemployment likely to peak below previous forecasts and property collateral prices starting to recover in key markets, the performance of system bad debts should be better than previously expected.

Review of Group Operations and Results

Mark Joiner

Group Results

The Group's cash earnings increased by 8.2% from March 2009 (6.9% excluding the impact of acquisitions and foreign exchange). This has largely been driven by the strong performance of Business Banking and MLC & NAB Wealth.

Net operating income decreased by 3.3% from March 2009 (0.2% excluding acquisitions and foreign exchange). This was due to more normalised trading conditions experienced by the Global Markets and Treasury division of Wholesale Banking and the impact of the Fair Value initiatives (primarily in Personal Banking). This was offset by additional revenue from the alignment of pricing to current risk settings in Business Banking and UK Banking, the decreased base rate LIBOR spread in UK Banking and an increase in variable rate housing volumes.

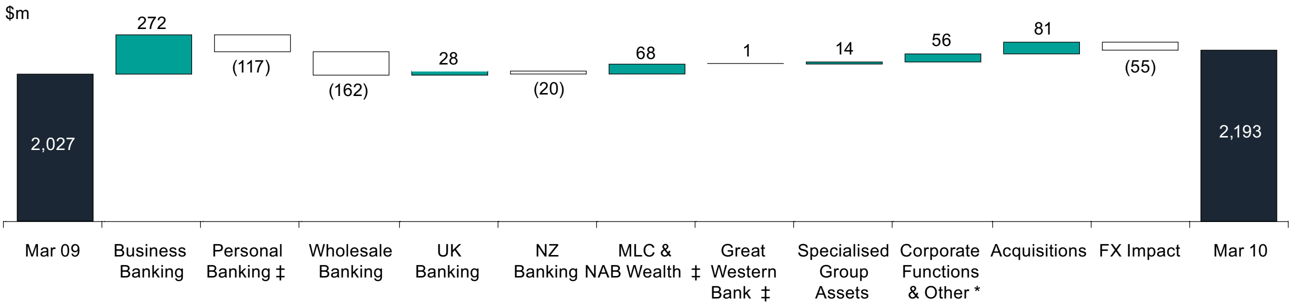
Operating expenses increased by 2.4% from March 2009 (5.0% excluding acquisitions and foreign exchange) as the Group continues to invest in its franchises. The banking cost to income ratio of 45.5% for the half year to March 2010 was 210 basis points higher than the March 2009 half.

The charge to provide for bad and doubtful debts decreased from the March 2009 half as a result of lower specific charges across most businesses and improved customer credit ratings across the portfolio.

The Group result excluding acquisitions is included on page 158 for reference.

	Half Year to				
	Mar 10 $m	**Sep 09 $m**	**Mar 09 $m**	**Mar 10 v Sep 09 %**	**Mar 10 v Mar 09 %**
Net interest income	**6,114**	6,188	5,884	(1.2)	3.9
Other operating income	**1,375**	1,675	2,091	(17.9)	(34.2)
MLC net operating income	**748**	529	539	41.4	38.8
Net operating income	**8,237**	8,392	8,514	(1.8)	(3.3)
Operating expenses	**(3,861)**	(3,810)	(3,770)	(1.3)	(2.4)
Underlying profit	**4,376**	4,582	4,744	(4.5)	(7.8)
Charge to provide for bad and doubtful debts	**(1,230)**	(2,004)	(1,811)	38.6	32.1
Cash earnings before tax, IoRE, distributions and non-controlling interest	**3,146**	2,578	2,933	22.0	7.3
Income tax expense	**(884)**	(726)	(725)	(21.8)	(21.9)
Cash earnings before IoRE, distributions and non-controlling interest	**2,262**	1,852	2,208	22.1	2.4
Net profit - non-controlling interest	**(1)**	11	(11)	large	90.9
IoRE	**35**	52	(26)	(32.7)	large
Distributions	**(103)**	(101)	(144)	(2.0)	28.5
Cash earnings	**2,193**	1,814	2,027	20.9	8.2
Non-cash earnings items (after tax):					
Distributions	**103**	101	144	2.0	(28.5)
Treasury shares	**67**	(344)	88	large	(23.9)
Fair value and hedge ineffectiveness	**(221)**	(555)	476	60.2	large
IoRE discount rate variation	**(9)**	(28)	24	67.9	large
Efficiency, quality and service initiatives	**(67)**	(137)	(42)	51.1	(59.5)
Provision for litigation	**-**	(64)	(46)	large	large
Provision for tax NZ structured finance transactions	**128**	(542)	-	large	large
MLC reinsurance dispute	**(35)**	-	-	large	large
Amortisation of acquired intangible assets	**(30)**	(3)	(3)	large	large
ExCaps taxation assessment	**-**	(309)	-	large	-
Integration costs	**(34)**	(8)	(4)	large	large
Net profit/(loss) attributable to owners of the company	**2,095**	(75)	2,664	large	(21.4)

Cash Earnings [(1)]



(1) *At constant exchange rates.*

‡ *Excluding acquisitions.*

* *Corporate Functions includes Group Funding, Group Business Services, other supporting units and Asia Banking.*

Group Results

Financial Analysis

March 2010 v March 2009

Net interest income increased by $230 million or 3.9%. Excluding acquisitions and foreign exchange, net interest income increased by $558 million or 9.5%. This reflects the repricing of the lending portfolios to align pricing with current risk settings, particularly in UK and Business Banking, and lower basis risk in the UK as spreads narrowed. This was offset by higher funding costs as the term funding portfolio progressively matured and was replaced at higher spreads over benchmark rates. In addition, there were greater competitive pressures on deposit margins.

Other operating income decreased by $716 million or 34.2%. Excluding acquisitions and foreign exchange other operating income decreased by $605 million or 28.9%. Wholesale Banking's Global Markets and Treasury division experienced more normalised trading conditions when compared to the extreme volatility in foreign exchange and interest rates in the prior corresponding period. Abolition of certain fees within Personal Banking as a part of the Fair Value philosophy and an industry-wide reduction in payment protection insurance revenue in UK Banking have also contributed to the decrease.

The decrease was reduced by credit valuation adjustments in Global Markets and Treasury, as credit conditions improved. A management overlay of $160 million was taken in the March 2009 half, in respect of conduit related assets and derivative transactions within the SGA portfolio.

MLC net operating income increased by $209 million or 38.8%. Excluding acquisitions, MLC net operating income increased by $28 million or 5.2%, driven primarily by the improved market conditions.

Operating expenses increased by $91 million or 2.4%. Excluding acquisitions and foreign exchange, operating expenses increased $189 million or 5.0%. All businesses have maintained a cost focus within normal business activities, whilst continuing to focus on efficiency, quality and service initiatives, and supporting sustainable business growth. Outside of cash earnings, $96 million of expenses have been recognised in relation to accelerated EQS activities. This combined with 2009 expenditure of $254 million is expected to deliver incremental benefits of $404 million in 2010.

The Group's **banking cost to income ratio** increased by 210 basis points to 45.5%, primarily reflecting the decline in trading revenue as trading conditions return to more normalised level in Wholesale Banking's Global Markets and Treasury division.

The **charge to provide for bad and doubtful debts** decreased by $581 million or 32.1%. Excluding acquisitions and foreign exchange, the charge to provide for bad and doubtful debts decreased by $422 million or 23.3%. This was driven by a decrease in specific and collective charges as the economic outlook improved, leading to better customer credit ratings.

March 2010 v September 2009

Net interest income decreased by $74 million or 1.2%. Excluding acquisitions and foreign exchange, net interest income increased $50 million or 0.8%. The increase was due to the repricing of the lending portfolio and easing of short-term funding costs. This was partially offset by higher term funding costs and the effect of increased competition on deposit margins.

Other operating income decreased by $300 million or 17.9%. Excluding acquisitions and foreign exchange, other operating income decreased by $269 million or 16.1%. The decrease is due to Wholesale Banking's Global Markets and Treasury division experiencing more normalised trading conditions, the abolishment of certain fees as part of the Fair Value philosophy in Personal Banking and an industry-wide reduction in payment protection insurance revenue in UK Banking.

MLC net operating income increased by $219 million or 41.4%. Excluding acquisitions, MLC net operating income increased by $38 million or 7.2% primarily as a result of the improved market conditions.

Operating expenses increased by $51 million or 1.3%. Excluding acquisitions and foreign exchange, operating expenses increased by $5 million or 0.1%. All divisions have continued to deliver a strong cost outcome in their normal business activities, whilst continuing to focus on efficiency, quality and service initiatives, and supporting sustainable business growth.

The Group's **banking cost to income ratio** increased by 100 basis points to 45.5%.

The **charge to provide for bad and doubtful debts** decreased by $774 million or 38.6%. Excluding acquisitions and foreign exchange, the charge to provide for bad and doubtful debts decreased by $695 million or 34.7%. This decrease was as a result of the improved economic outlook.

Impact of Foreign Exchange Rates Movements

Cash earnings increased by $221 million or 10.9% on the March 2009 half year and increased by $398 million or 21.9% on the September 2009 half year. The effect of foreign exchange has been significant during the March 2010 half year, effecting cash earnings by $(55) million and $(19) million on the respective periods.

See page 158 to 160 for the March 2010 divisional performance summaries excluding acquisitions and foreign exchange rate movements.

Favourable/ (unfavourable) March 10	Half year since Sep 09 $m	Mar 10 v Sep 09 Ex FX %	Half year since Mar 09 $m	Mar 10 v Mar 09 Ex FX %
Net interest income	(175)	1.6	(382)	10.4
Other operating income	(64)	(14.1)	(144)	(27.4)
MLC net operating income	-	41.4	-	38.8
Net operating income	(239)	1.0	(526)	2.9
Operating expenses	119	(4.5)	265	(9.4)
Charge to provide for bad and doubtful debts	83	34.5	163	23.1
Income tax expense	11	(23.3)	26	(25.5)
Other	7	large	17	52.5
Cash earnings	(19)	21.9	(55)	10.9

Net Interest Income

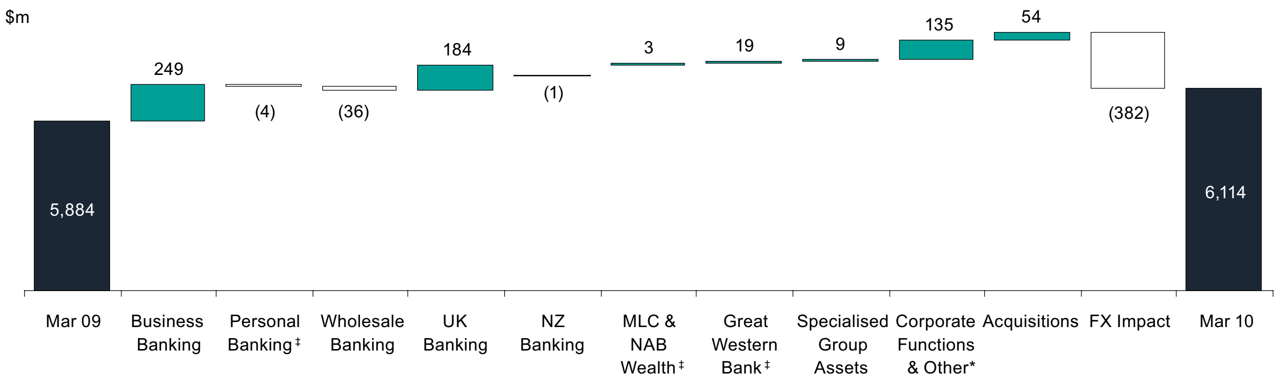
	Half Year to				
	Mar 10 $m	**Sep 09 $m**	**Mar 09 $m**	**Mar 10 v Sep 09**	**Mar 10 v Mar 09**
Net interest income ($m)	**6,114**	6,188	5,884	(1.2%)	3.9%
Average interest earning assets ($bn)	**543.4**	548.7	570.0	(1.0%)	(4.7%)
Net interest margin (%)	**2.26**	2.25	2.07	1 bps	19 bps

Composition of Net Interest Income					
Banking [(1)]	**5,393**	5,337	5,048	1.0%	6.8%
Wholesale Banking	**616**	757	710	(18.6%)	(13.2%)
Specialised Group Assets	**105**	94	126	11.7%	(16.7%)
Net interest income	**6,114**	6,188	5,884	(1.2%)	3.9%

[(1)] *Excluding Wholesale Banking and Specialised Group Assets.*

Net interest income and margin management are key areas of focus for the business units. Group net interest margins represent an amalgam of the individual business outcomes and the analysis below is based on divisional drivers.

Net Interest Income - Contribution to Net Increase [(1)]



[(1)] *At constant exchange rates.*

‡ Excluding acquisitions.

** Corporate Functions includes Group Funding, Group Business Services, other supporting units and Asia Banking.*

March 2010 v March 2009

Net interest income increased by $230 million or 3.9% ($558 million or 9.5% excluding acquisitions and foreign exchange).

Banking net interest income increased by $345 million or 6.8% ($585 million or 11.6% excluding acquisitions and foreign exchange), this was attributable to:

- Repricing of the lending portfolios to align with current risk settings particularly in the UK and Business Banking.
- Lower funding costs in UK Banking due to reduced basis risk as the spreads between the base rate and LIBOR rate narrowed and more of the portfolio is priced off LIBOR.
- A decrease in short-term funding costs across the business units as spreads eased.
- Lower liquidity costs due to decreased levels of liquid assets held when compared to the levels maintained during the latter part of the 2009 calendar year.

The increase was partially offset by:

- Term funding costs of $514 million, an increase of $252 million across all divisions. Although credit spreads have contracted, the effect of higher funding costs will continue as the term funding portfolio matures and is replaced with instruments issued at higher than historic spreads over benchmark interest rates.
- A decrease in deposit margins due to heightened competitive pressures in all business units.
- Earnings on equity have been affected by both increased volumes, and lower rates due to the global financial crisis. Equity and earnings on that equity are allocated to our business units. Surplus equity and earnings on that surplus are reflected in Group Funding.

Wholesale Banking's contribution to net interest income decreased by $94 million or 13.2% ($36 million or 5.1% excluding foreign exchange). This decrease reflects a contraction in credit spreads and a reduction in sub-benchmark funding opportunities, partially offset by favourable positioning in the interest rate risk management book and accounting volatility created by the short-term funding portfolio (offset in other operating income).

Specialised Group Assets' net interest income decreased by $21 million to $105 million or 16.7% (an increase of $9 million or 7.1% excluding foreign exchange). This was attributable to an increase in lending margins through repricing as deals matured.

March 2010 v September 2009

Net interest income decreased by $74 million or 1.2% (an increase of $50 million or 0.8% excluding acquisitions and foreign exchange).

Banking net interest income increased by $56 million or 1.0%. Excluding acquisitions and foreign exchange, net interest income increased $140 million or 2.6%, driven by the effect of customer repricing, easing of short-term funding costs and volume growth in lending, offset by increased competition for deposits and increased term funding costs.

Wholesale Banking's net interest income decreased by $141 million or 18.6% ($115 million or 15.2% excluding foreign exchange). The decrease was due to reduced sub-benchmark funding opportunities.

Specialised Group Assets' net interest income increased by $11 million or 11.7% ($25 million or 26.6% excluding foreign exchange). This increase was attributable to an increase in lending margins through repricing as deals matured.

Average Interest Earning Assets

	Half Year to				
	Mar 10 $m	Sep 09 $m	Mar 09 $m	Mar 10 v Sep 09 %	Mar 10 v Mar 09 %
Loans and advances - housing	**207,408**	200,508	200,556	3.4	3.4
Loans and advances - non-housing	**171,672**	181,671	188,707	(5.5)	(9.0)
Acceptances	**54,249**	55,843	54,771	(2.9)	(1.0)
Due from other banks	**43,995**	38,061	47,577	15.6	(7.5)
Marketable debt securities	**45,774**	51,654	61,582	(11.4)	(25.7)
Other interest earning assets	**20,262**	20,998	16,786	(3.5)	20.7
Total average interest earning assets	**543,360**	548,735	569,979	(1.0)	(4.7)

March 2010 v March 2009

Average interest earning assets declined by $26.6 billion or 4.7% on the March 2009 half year. Excluding the impact of foreign exchange and Advantedge, average interest earning assets increased by $9.2 billion or 1.7%, mainly due to the following factors:

- An increase in lending, which was largely attributable to growth in housing lending across the divisions of the Group. Non-housing lending remained steady, reflecting growth in the SME segments, partly offset by a decline in institutional lending.
- Liquid asset holdings declined marginally on the March 2009 half year. Liquid assets comprise the majority of the balance reported in ‘Due from other banks’, ‘Marketable debt securities’, and ‘Other interest earning assets’.

Housing lending increased by $10.1 billion or 5.2% excluding the impact of foreign exchange and $3.8 billion attributed to Advantedge. This increase was mainly due to:

- An increase of $5.0 billion or 5.8% in Personal Banking and an increase of $2.5 billion or 5.0% in Business Banking. Growth was above system in the half, with improved momentum across all sales channels.
- An increase of $1.0 billion or 4.7% in UK Banking due to growth in both retail and business channels.
- An increase of $0.9 billion or 4.7% in NZ Banking. System growth in housing lending remains subdued, and the business has maintained market share.

Non-housing lending increased by $0.4 billion or 0.2% excluding the impact of foreign exchange, mainly due to:

- An increase of $0.9 billion or 1.2% in Business Banking, which reflected growth in the SME segments, partly offset by a decline in institutional lending as customers repaid debt to de-leverage their balance sheets. Growth was achieved in an environment of overall system decline.
- A decline of $1.4 billion or 3.8% in UK Banking, reflecting subdued customer demand.
- An increase of $0.8 billion or 3.4% in NZ Banking, which reflected growth in agriculture lending, partly offset by lower demand for new business lending, as corporate and business customers focus on reducing debt levels. The growth in non-housing lending has progressively slowed over the year in line with lower system growth and increased competitor activity.
- An increase of $0.8 billion or 7.0% in Wholesale Banking mainly due to increased market demand for funds.
- An increase of $0.8 billion or 29.9% in Great Western Bank mainly due to growth in the agricultural and SME segments, and also the acquisition of Colorado branches in June 2009. Excluding Colorado, non-housing lending increased by $0.4 billion or 14.4%.
- A decline of $1.0 billion in Corporate Functions, which reflected the maturity of foreign currency loans in Group Treasury.

Due from other banks, **Marketable debt securities** and **Other interest earning assets** declined in total by $0.7 billion excluding the impact of foreign exchange, mainly due to the movement in liquid asset holdings.

March 2010 v September 2009

Average interest earning assets declined by $5.4 billion or 1.0% on the September 2009 half year. Excluding the impact of foreign exchange and Advantedge, volumes increased by $9.4 billion or 1.8%, mainly due to:

- An increase of $6.3 billion or 3.2% in **housing lending** which was largely due to solid home lending growth in all sales channels as the business strategy gained momentum in Personal and Business Banking. In addition, growth was achieved in the iFS and retail network businesses of UK Banking.
- A decline of $2.3 billion or 1.3% in **non-housing lending** mainly due to lower lending in the UK, partly offset by growth in Business Banking. The decline in the UK reflected subdued market conditions and a reduction in lending to sectors with a less attractive risk profile. Growth in Business Banking reflected an increase in lending to the SME segments, partly offset by a decline in institutional lending as customers focused on reducing debt levels.
- An increase of $7.0 billion, in total, in **Due from other banks, Marketable debt securities** and **Other interest earning assets**. This increase was primarily attributable to the holding of additional levels of liquid assets, excluding the impact of foreign exchange.

Average Interest Bearing Liabilities

	Half Year to				
	Mar 10 $m	Sep 09 $m	Mar 09 $m	Mar 10 v Sep 09 %	Mar 10 v Mar 09 %
Retail deposits (1)	**200,753**	196,002	188,476	2.4	6.5
Non-retail deposits and other borrowings	**145,453**	147,054	160,368	(1.1)	(9.3)
Due to other banks	**37,041**	38,918	63,530	(4.8)	(41.7)
Liability on acceptances	**16,326**	17,968	16,138	(9.1)	1.2
Bonds, notes and subordinated debt	**93,452**	101,898	117,030	(8.3)	(20.1)
Other interest-bearing liabilities	**2,773**	1,709	1,923	62.3	44.2
Total average interest bearing liabilities	**495,798**	503,549	547,465	(1.5)	(9.4)

(1) *Retail deposits exclude deposits not bearing interest.*

March 2010 v March 2009

Average interest bearing liabilities declined by $51.7 billion or 9.4% on the March 2009 half year. Excluding the impact of foreign exchange, average interest bearing liabilities declined by $14.0 billion or 2.7%.

This was driven by a decline in bonds, notes and subordinated debt ($20.8 billion or 18.2%), reflecting the movement in the foreign currency translation of foreign-denominated debt, partly offset by debt issuances to strengthen the balance sheet structure and lengthen the term of the Group's funding.

An increase in retail deposits was partly offset by a decline in short-term wholesale funding (included in due to other banks and non-retail deposits and other borrowings). The increase in retail deposits reflected a continued focus on improving deposit raising capability and reducing the reliance on wholesale funding to fund business needs.

Retail deposits increased by $23.5 billion or 13.2% excluding the impact of foreign exchange:

- An increase of $7.5 billion or 11.6% in Business Banking driven by a strategic focus on deposits and reducing the reliance on wholesale funding.
- An increase of $9.1 billion or 20.5% in Personal Banking, largely due to UBank's outstanding growth.
- An increase of $4.0 billion or 11.7% in UK Banking, which is double the industry average growth rate of 5.6%.
- An increase of $1.8 billion or 9.3% in NZ Banking as the business made strong market share gains in a highly competitive market. Growth was driven by competitive interest rates offered on term deposit products. Growth was also achieved in on-demand and short-term deposits.
- An increase of $1.9 billion or 65.6% in Asia Banking mainly due to growth in term deposit products.

Non-retail deposits and other borrowings declined by $0.5 billion or 0.4% excluding the impact of foreign exchange. This decline was largely attributable to:

- A decline in short-term wholesale borrowings.
- A decline in wholesale corporate deposits mainly due to customers investing in alternative investments such as equities, during the second half of 2009, as the outlook for global equity markets has improved from the March 2009 half year.
- An increase in certificates of deposit which reflected growth in customer demand.

Due to other banks declined by $17.5 billion or 32.1% excluding the impact of foreign exchange. This decline was mainly in wholesale deposits due to other banks and reflects the Group's strategic focus to pursue retail deposits.

Other interest bearing liabilities increased by $1.3 billion or 94.3%, excluding the impact of foreign exchange, attributable to the issuances of Capital Notes and stapled securities in September 2009. The issuances reflected the Group's focus on maintaining a strong capital position.

March 2010 v September 2009

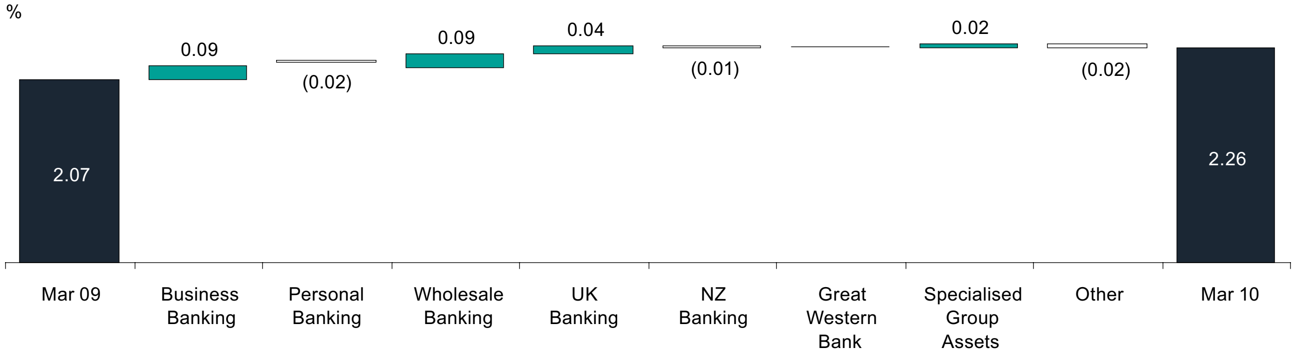
Average interest bearing liabilities declined by $7.8 billion or 1.5%. Excluding the impact of foreign exchange, average interest bearing liabilities increased by $9.6 billion or 2.0% and this reflected:

- An increase of $10.3 billion or 5.4% in **retail deposits** mainly due to a continued focus to raise deposits as a source of funding for business needs. The increase in retail deposits reflected strong growth in UBank, a continued momentum in iFS and a robust performance by the Retail network in UK Banking. It was also due to an increase in term deposits in Business Banking and an increase in term deposit products in NZ Banking.
- An increase of $7.5 billion or 5.5% in **non-retail deposits and other borrowings**, which reflected an increase in certificates of deposit to meet customer demand.
- A decline of $7.4 billion or 7.3% in **bonds, notes and subordinated debt**. This decline primarily reflected movements in the foreign currency translation of foreign-denominated debt, partly offset by debt issuances to strengthen the balance sheet structure and lengthen the term of the Group's funding.
- An increase of $1.3 billion or 91.2% in **other interest bearing liabilities**, which reflected the issuance of Tier 1 capital in the September 2009 half to strengthen the capital position of the Group.

Net Interest Margin

	Half Year to				
	Mar 10 %	**Sep 09 %**	**Mar 09 %**	**Mar 10 v Sep 09**	**Mar 10 v Mar 09**
Business Banking	**2.51**	2.45	2.24	6 bps	27 bps
Personal Banking	**2.34**	2.64	2.49	(30 bps)	(15 bps)
UK Banking	**2.40**	2.36	2.14	4 bps	26 bps
NZ Banking	**2.08**	1.96	2.16	12 bps	(8 bps)
Great Western Bank	**4.06**	3.86	3.78	20 bps	28 bps
Group net interest margin	**2.26**	2.25	2.07	1 bps	19 bps

Net interest margin



March 2010 v March 2009

The Group's *net interest margin* increased by 19 basis points. The net interest margin was affected by repricing of the lending portfolio for current risk settings, particularly in UK and Business Banking and lower short-term funding costs as credit spreads have contracted. This was partially offset by higher term funding costs as cheaper funding matured and was replaced with more expensive funding. In addition, there was greater competitive pressure on deposit margins.

Key approximate contributions to the Group net interest margin movements were:

- A 9 basis point increase from Business Banking, predominantly through repricing of the business lending portfolio as a result of the alignment of price to the current risk settings. This was partially offset by lower deposit margins as a result of increased competition and higher term funding costs.
- A 2 basis point decrease from Personal Banking, primarily due to the competitive pricing strategy, lower deposit margins as a result of increased competition and higher term funding costs.
- A 4 basis point increase from UK Banking driven by lower basis risk and repricing of the lending portfolio. Lending continues to be transferred from base rate to LIBOR pricing to further reduce basis risk. Currently 69.0% of the business term lending is linked to LIBOR, up from 52.5% at March 2009. The increase is partially offset by a decrease in deposit margins.
- A 1 basis point decrease from NZ Banking driven by higher funding costs.
- A 9 basis point increase from Wholesale Banking as a result of favourable interest rate risk positioning and a decrease in average interest earning assets as a result of lower funding requirements to other business units.
- A 2 basis point increase from Specialised Group Assets driven primarily by increased lending margins through repricing.

March 2010 v September 2009

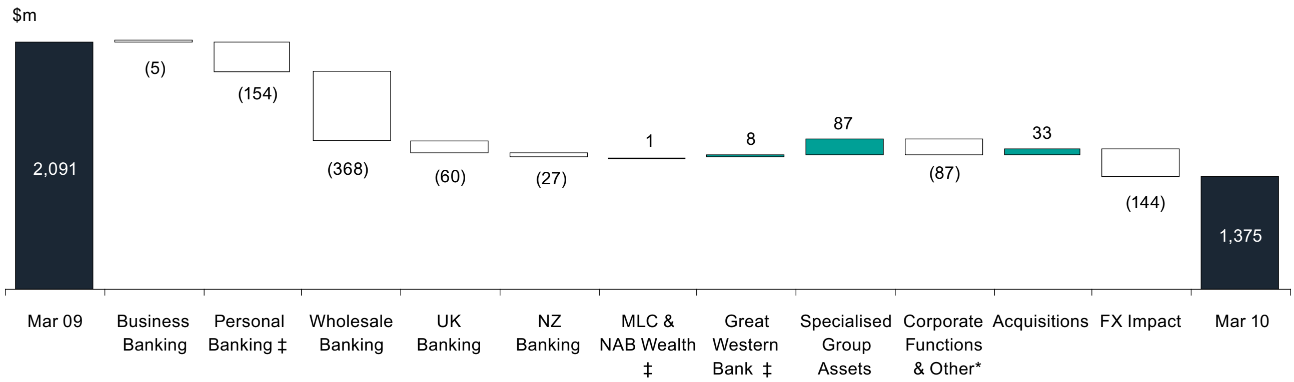
The Group's net interest margin has increased by 1 basis point. Key contributions to the Group net interest margin movements were:

- A 2 basis point increase from Business Banking as a result of repricing for risk. This was offset by increased competition for deposits and higher term funding costs.
- A 5 basis point decrease from Personal Banking, primarily as a result of the competitive pricing strategy, increased competition for deposits and higher term funding costs.
- A 1 basis point increase from UK Banking as a result of repricing initiatives and the easing of wholesale funding costs since the last half.
- A 1 basis point increase in NZ Banking reflecting repricing for risk on the asset book and a favourable mix impact within the housing portfolio.
- A 2 basis point decrease from Wholesale Banking primarily as a result of reduced sub-benchmark funding opportunities.
- A 2 basis point increase from Specialised Group Assets driven by increased lending margins through repricing as deals rolled.

Other Operating Income

	Half Year to				
	Mar 10 $m	**Sep 09 $m**	**Mar 09 $m**	**Mar 10 v Sep 09 %**	**Mar 10 v Mar 09 %**
Fees and commissions	**1,303**	1,462	1,426	(10.9)	(8.6)
Trading income	**-**	146	682	large	large
Other	**72**	67	(17)	7.5	large
Other operating income	**1,375**	1,675	2,091	(17.9)	(34.2)
Composition of Trading Income					
Wholesale Banking	**251**	501	824	(49.9)	(69.5)
Specialised Group Assets	**(230)**	(193)	(342)	(19.2)	32.7
Group Treasury	**(57)**	(97)	110	41.2	large
Other	**36**	(65)	90	large	(60.0)
Trading income	**-**	146	682	large	large

Other Operating Income - Contribution to Net Decrease [1]



(1) *At constant exchange rates.*
‡ *Excluding acquisitions.*
* *Corporate Functions includes Group Funding, Group Business Services, other supporting units and Asia Banking.*

March 2010 v March 2009

Other operating income decreased by $716 million or 34.2% ($605 million or 28.9% excluding acquisitions and foreign exchange).

Fees and commissions decreased by $123 million or 8.6% ($62 million or 4.3% excluding acquisitions and foreign exchange). This can be attributed to:

- Abolition of numerous fees and charges as part of the Fair Value philosophy which contributed $103 million of the decline.
- Lower payment protection insurance revenue due to changes in FSA requirements in UK Banking, contributing $29 million to the decline.

The decrease is partially offset by an increase in swap costs, driven by an increase in deals issued at a discount.

Trading income decreased by $682 million ($631 million or 92.5% excluding foreign exchange). The decrease was attributable to:

Wholesale Banking's contribution to trading income decreased by $573 million or 69.5% ($541 million or 65.7% excluding foreign exchange). Global Markets and Treasury decreased by $590 million to $251 million or 70.2% ($558 million to $283 million or 66.3% excluding foreign exchange). This decrease was driven by:

- More normalised trading conditions when compared to the extreme volatility in foreign exchange and interest rates in the prior corresponding period. This limited positioning opportunities.
- Spread movements on derivatives used to hedge foreign currency denominated short term funding of $200 million (offset in net interest income).

These decreases are offset by a decrease in credit valuation adjustments to $26 million during the March 2010 half compared to $252 million recognised for the March 2009 half, reflecting the improving credit environment and lower levels of balances outstanding with counterparties.

Specialised Group Assets' contribution to trading income improved by $112 million or 32.7% ($117 million or 34.2% excluding foreign exchange). The increase was attributable to a management overlay of $160 million taken in March 2009 in respect of conduit related assets and derivative transactions to reflect the uncertainty created by the economic conditions and any consequent default, which did not reoccur in the March 2010 half. Lower credit valuation adjustments during the March 2010 half also contributed to the increase. This was offset by:

- Adverse fair value movements on capital management hedging strategies of $6 million, a decrease of $90 million from the favourable fair value movements of $84 million during the March 2009 half.
- Adverse fair value movements (inclusive of amortisation of upfront premiums) attributable to SCDO risk mitigation trades of $162 million, a decrease of $23 million from the adverse fair value movements of $139 million during the March 2009 half.

Group Treasury's contribution to trading income decreased by $167 million ($154 million excluding foreign exchange). The decrease was driven by lower earning an offsetting losses associated with foreign currency hedging activities.

Other contribution to trading income decreased by $54 million or 60.0% ($53 million or 58.9% excluding foreign exchange). The decrease was primarily driven by a reduction in demand for risk management products within Business Banking as the economic environment stabilised.

Other income increased by $89 million ($88 million excluding acquisitions and foreign exchange) primarily as a result of a small number of impairments relating to the property finance investment portfolio in the prior corresponding period in Wholesale Banking.

March 2010 v September 2009

Other operating income decreased by $300 million or 17.9% ($269 million or 16.1% excluding acquisitions and foreign exchange).

Fees and commissions decreased by $159 million or 10.9% ($145 million or 9.9% excluding acquisitions and foreign exchange). This was attributable to:

- $91 million decrease due to abolition of numerous fees and charges as part of the Fair Value philosophy.
- A decrease of $38 million in fees and commissions in UK Banking as a result of the sale of the investments business to AXA in the September 2009 half.

Trading income decreased by $146 million ($125 million or 85.6% excluding foreign exchange), driven by:

Wholesale Banking's [1] contribution to trading income decreased by $145 million or 36.6% ($129 million or 32.6% excluding foreign exchange). Global Markets and Treasury's contribution decreased by $149 million or 37.3% ($132 million or 33.0% excluding foreign exchange). This decrease was attributable to:

- Global Markets and Treasury income declined reflecting comparatively lower volatility in yield curves, credit spreads, interest rate and currency movements accompanied by partially reduced transaction flows.
- An adverse credit valuation adjustment of $26 million for the March 2010 half compared to a favourable credit valuation adjustment of $6 million for the September 2009 half.

Specialised Group Assets' contribution decreased by $37 million or 19.2% ($38 million or 19.7% excluding foreign exchange). The decrease was due to the adverse fair value movements (inclusive of amortisation of upfront premiums) attributable to the SCDO risk mitigation trades of $162 million, a decrease of $132 million from the adverse fair value movements of $30 million during the September 2009 half. This was offset by unfavourable fair value movements on capital management hedging strategies of $6 million, a favourable variance of $95 million from unfavourable fair value movements of $101 million during the September 2009 half.

Group Treasury's contribution to trading income increased by $40 million or 41.2% ($45 million or 46.4% excluding foreign exchange), due to lower earning an offsetting losses associated with foreign currency hedging activities.

Other [1] contribution to trading income decreased by $4 million ($3 million excluding foreign exchange). The decrease was a result of a number of smaller items.

Other income increased by $5 million or 7.5% ($1 million or 1.5% excluding acquisitions and foreign exchange).

(1) *Excluding internal funding transactions*

MLC Net Operating Income

	Half Year to				
	Mar 10 $m	Sep 09 $m	Mar 09 $m	Mar 10 v Sep 09 %	Mar 10 v Mar 09 %
Investments net operating income	494	344	335	43.6	47.5
Insurance net operating income	254	185	204	37.3	24.5
MLC net operating income	748	529	539	41.4	38.8

March 2010 v March 2009

Investments net operating income increased by $159 million or 47.5% against March 2009. Excluding acquisitions, investment net operating income increased by $22 million or 6.6%. The primary driver of this increase is the growth in funds under management.

Funds under management increased by $44.1 billion or 62.8% over the year to March 2010, driven by the Aviva acquisition ($18.4 billion), strong investment earnings ($18.1 billion) following an improvement in investment markets, and positive net inflows of $7.6 billion as a result of new wholesale mandates for JANA, Plum and nabInvest.

Insurance net operating income increased by $50 million or 24.5%. Excluding acquisitions, insurance net operating income increased by $6 million or 2.9%, driven by an increase in average inforce premiums and favourable claims experience for lump sum disability products. Earnings on assets backing the Insurance portfolio improved, reflecting the impact of interest rate movements on government and semi government bond yields. These increases were partially offset by adverse claims experience for group and individual disability products.

March 2010 v September 2009

Investments net operating income increased by $150 million or 43.6% against September 2009. Excluding acquisitions, investment net operating income increased by $13 million or 3.8% due to strong market returns.

Funds under management increased by $29.1 billion or 34.3% over the March 2010 half, driven by the Aviva acquisition ($18.4 billion), strong investment earnings ($4.1 billion) following an improvement in investment markets and net inflows of $4.6 billion as a result of new wholesale mandates for JANA, Plum and nabInvest.

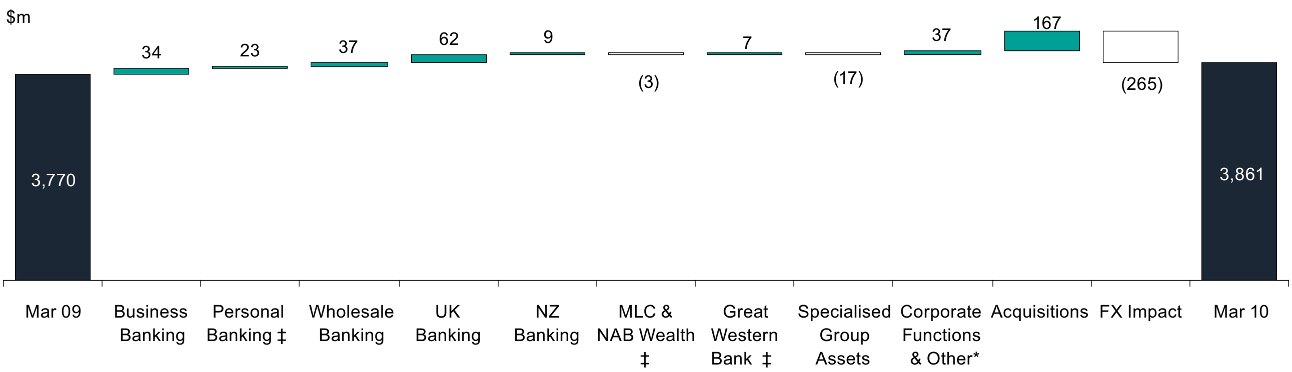
Insurance net operating income increased by $69 million or 37.3%. Excluding acquisitions, insurance net operating income increased by $25 million or 13.5% driven primarily by an increase in the underlying average inforce premiums.

Operating Expenses

	Half Year to				
	Mar 10 $m	Sep 09 $m	Mar 09 $m	Mar 10 v Sep 09 %	Mar 10 v Mar 09 %
Personnel expenses	1,955	1,963	1,974	0.4	1.0
Occupancy related expenses	367	342	320	(7.3)	(14.7)
General expenses	1,055	1,160	1,133	9.1	6.9
MLC operating expenses (1)	484	345	343	(40.3)	(41.1)
Total operating expenses	3,861	3,810	3,770	(1.3)	(2.4)

(1) *Excludes Private Bank and nabInvest.*

Operating Expenses - Contribution to Net Increase (1)



(1) *At constant exchange rates.*
‡ *Excluding acquisitions.*
* *Corporate Functions includes Group Funding, Group Business Services, other supporting units and Asia Banking.*

March 2010 v March 2009

Operating expenses increased by $91 million or 2.4% against March 2009 (increased by $189 million or 5.0% excluding foreign exchange and acquisitions). The Group continues to tightly manage expenses through its efficiency, quality and service (EQS) initiatives, whilst supporting sustainable business growth.

The Group's *banking cost to income ratio* increased by 210 basis points to 45.5%.

Personnel expenses decreased by $19 million or 1.0% (increased $88 million or 4.5% excluding foreign exchange and acquisitions) primarily due to defined benefit pension scheme increases, due to an increase in the prior period deficit and changes to investment return assumptions in UK Banking of $31 million, and increased activity relating to the Next Generation Banking IT Platform (NGP) of $24 million. Salaries and wages in Business and Personal Banking increased by $21 million due to salary rate increases and additional resources to support revenue growth initiatives.

Occupancy related expenses increased by $47 million or 14.7% ($85 million or 26.6% excluding foreign exchange and acquisitions) mainly from an uplift in property occupancy costs in UK Banking and Personal Banking.

General expenses decreased by $78 million or 6.9%. Excluding foreign exchange and acquisitions, general expenses increased by $1 million or 0.1% due to increased activity relating to NGP ($16 million). Partially offset by communications, postage and stationery of $10 million as a result of the technology efficiency program and active management of vendors.

MLC operating expenses increased by $141 million or 41.1%. Excluding acquisitions, MLC operating expenses increased by $15 million or 4.4% driven by an increase in salaries and wages mainly due to a change in skill mix and CPI increases.

March 2010 v September 2009

Operating expenses increased by $51 million or 1.3% against September 2009 (increased by $5 million or 0.1% excluding foreign exchange and acquisitions).

The Group's *banking cost to income ratio* increased by 100 basis points to 45.5%.

Personnel expenses decreased by $8 million or 0.4% (increased $29 million or 1.5% excluding foreign exchange and acquisitions) primarily due to increased superannuation expenses in UK Banking due to defined benefit pension scheme increases of $28 million. The increased activity relating to NGP increased personnel expenses ($15 million).

Occupancy related expenses increased by $25 million or 7.3% ($40 million or 11.7% excluding foreign exchange and acquisitions) due to increases in UK Banking and Personal Banking.

General expenses decreased by $105 million or 9.1% ($77 million or 6.6% excluding foreign exchange and acquisitions) as a result of a continued focus on strong expense control across the Group. This was partially offset by increased activity relating to NGP.

MLC operating expenses increased by $139 million or 40.3%. Excluding acquisitions, MLC operating expenses increased by $13 million or 3.8% mainly driven by a change in skill mix and CPI increases.

Taxation

	Half Year to				
	Mar 10	Sep 09	Mar 09	Mar 10 v Sep 09	Mar 10 v Mar 09
Income tax expense ($m)	**884**	726	725	(21.8%)	(21.9%)
Effective tax rate (%)	**28.1**	28.2	24.7	10 bps	(340 bps)

March 2010 v March 2009

Income tax expense was $159 million or 21.9% higher than the March 2009 half, due to both an increase in cash earnings before tax for the March 2010 half, and the recognition of larger tax benefits in the March 2009 half. The main tax benefits recorded in the March 2009 half were the release of provisions from the prior year ($32 million compared to $6 million for the March 2010 half), and $42 million relating to non-assessable foreign income ($22 million for the March 2010 half). As a result, the effective income tax rate has increased from 24.7% to 28.1%.

Excluding acquisitions and the effects of foreign exchange, the income tax expense was $156 million or 21.5% higher than the March 2009 half, and the effective income tax rate is 28.0%.

For details of the Group's contingent tax liabilities, refer to Note 15 of the Financial Report.

March 2010 v September 2009

Income tax expense was $158 million or 21.8% higher than the September 2009 half, due mainly to an increase in cash earnings before tax. Excluding acquisitions and the effects of foreign exchange, the income tax expense was $141 million or 19.4% higher than the September 2009 half.

The effective income tax rate for the March 2010 half of 28.1% is largely unchanged from the September 2009 half effective income tax rate of 28.2%. Excluding acquisitions and the effects of foreign exchange, the effective income tax rate for the March 2010 half is 28.1%.

Non-cash Earnings Items

Efficiency, Quality & Service Initiatives

The Group announced as part of its 12 March 2009 strategy update that specified efficiency, quality and service initiatives would be accelerated in response to the economic downturn to bring forward efficiency gains that would otherwise have been realised in subsequent periods.

The cost of these initiatives has been recorded centrally, outside of cash earnings. The expenditure recorded is actual expense incurred through the course of the year. During the March 2010 half, the following expenditure was recorded centrally, and the following incremental benefits are expected to arise:

		Net Expected Benefits [1]	
	Mar 10 Expense $m	Year to Sep 10 $m	Year to Sep 11 $m
Business Banking	18	15	23
Personal Banking	30	22	26
Wholesale Banking	8	5	8
UK Banking	11	10	18
NZ Banking	6	14	16
MLC & NAB Wealth	9	-	7
Specialised Group Assets	-	-	-
Corporate Functions	14	17	18
Total	**96**	**83**	116

[1] *Net incremental benefits expected based on expenditure for the March 2010 half, measured against the September 2009 full year.*

The following expenditure has been recorded centrally for the efficiency, quality and services initiatives from 1 October 2008, and the following incremental benefits (measured against the September 2008 full year) are expected to arise:

		Net Expected Benefits [2]		
Period	Total Expense $m	Year to Sep 09 $m	Year to Sep 10 $m	Year to Sep 11 $m
30 September 2009	254	104	321	343
31 March 2010	96	n/a	83	116
Total	**350**	104	**404**	459

[2] *Net incremental benefits expected based on total expenditure to March 2010, measured against the September 2008 full year.*

Key initiatives through the period have been:

- Business Banking: Investment of $18 million in deepening the relationship banking model and improving the focus on customers and sales effectiveness. Other initiatives included centralising, standardising and improving the efficiency of the back office and support functions.
- Personal Banking: The EQS investment has continued to be focused on restoring the core of the business, investing $30 million in streamlining roles and removing administration from the network enabling frontline employees to spend more time with customers and focus on sales. Investment has also been made to optimise the physical network, including expanding Kiosks and ATMs.
- Wholesale Banking: Initiative spend of $8 million for the half largely on improving the efficiency of support and technology functions to enable collaboration and align systems and processes in line with the Franchise Focus agenda.
- UK Banking: The business has continued to invest in its efficiency program across a range of front and back office activities, focusing on aligning the service model with customer needs. Other strategic initiatives included an analysis of network sites to understand which sites are best positioned to meet customer needs.
- NZ Banking: The transformation of BNZ's Retail franchise has gathered momentum in 2010. The Retail bank distribution model is being reshaped to optimise delivery channels and create new revenue opportunities through store re-design and relocation. In addition, support functions are being centralised, improving the standardisation of processes and enabling resources to be directed towards revenue generating activities.
- MLC and NAB Wealth: Investment is focused on a new private wealth investment platform designed to support trading services, portfolio services, margin lending and cash management. The platform is multi-brand, configurable, and designed to deliver a differentiated client experience for different channels and segments and it will support the JBWere business.
- Specialised Group Assets: Initiatives concluded in the prior period, and the reshaped business now operates in line with revised levels to manage down the non-franchise corporate lending and securitisation businesses in the UK and US.
- Corporate Functions: $14 million has been invested in EQS program initiatives, simplifying the technology operating model, and consolidating operating sites as part of the Group's convergence activities.

Fair Value and Hedge Ineffectiveness

Fair value and hedge ineffectiveness of ($321) million (($221) million after tax) has decreased by $998 million ($697 million after tax) from the March 2009 year.

The overall result was largely attributable to changes in interest rates as a result of a recovery in economic conditions. The following significant movements have occurred:

- *Trading derivatives for risk management purposes* increased by $768 million driven by fair value movements on swaps used to hedge interest rate risk. Changes in interest rates during the period affected the underlying swap rates, resulting in the fair value movements.
- *Assets, liabilities and derivatives designated in hedge* relationships decreased by $742 million driven by movements in hedge ineffectiveness due to mark-to-market movements on economic hedges. This was primarily due to the movement in the yield curve from downward to upward trending as a result of interest rate movements.
- *Assets and liabilities designated at fair value* decreased by $1,024 million. This decrease was largely driven by movements in swap rates, particularly within UK and NZ Banking.

The definition of items excluded from cash earnings attributable to fair value movements and hedge ineffectiveness is consistent with the prior year. Volatility from the transactions excluded from cash earnings will be income neutral over the full term of the transaction. However, volatility over the life of the transaction is expected.

Treasury Shares

For statutory reporting purposes, the Group is required to eliminate the impact upon net profit of the Group's life insurance businesses holding investments in National Australia Bank Limited shares within its Investments relating to life insurance businesses. In the March 2010 half year there was an adjustment of $83 million ($67 million after tax) attributable to the movement in unrealised losses on treasury share investments held within life insurance businesses. This movement is consistent with the change in the share price of National Australia Bank Ltd throughout the period.

NZ Structured Finance Transactions

At 30 September 2009, BNZ had provided for tax on its structured finance tax case of $542 million. This provision was created after the New Zealand Inland Revenue Department ("IRD") successfully challenged six structured finance transactions undertaken by BNZ. The provisions raised covered the full potential primary tax liability, plus interest. The IRD was also in dispute with other New Zealand banks in relation to similar transactions.

On 23 December 2009, all the New Zealand banks settled with the IRD for 80% of the primary tax in dispute. Normal interest charges were applied, but no penalties were imposed. The parties have agreed that all matters relating to the transactions are now concluded.

As a result of this settlement, BNZ has released the unused portion of the provision previously made (an amount of $132 million), which has been recognised under income tax expense in the Group's results as at 31 March 2010.

MLC Reinsurance Dispute

The Australian Tax Office ("ATO") issued amended assessments for $77 million tax as part of its review of a reinsurance arrangement entered into by MLC Lifetime Company Limited ("MLC Lifetime") in the 1998 tax year. Objections lodged against the amended assessments were determined unfavourably by the ATO.

MLC Lifetime has now reached a settlement with the ATO in relation to the reinsurance dispute and the proceedings commenced in the Federal Court have been discontinued.

Under a Deed of Settlement MLC Lifetime will, on a without admission of liability basis, pay $38.5 million to the ATO to resolve the dispute in full. This amount has been recognised under income tax expense in the Group's results as at 31 March 2010.

Integration Costs

Integration costs represent expenses associated with integrating acquisitions within the NAB operating model and reporting platforms.

The Aviva acquisition was completed on 1 October 2009. Integration of Aviva's insurance operations, its discretionary investment platform Navigator and Business Super is on track to deliver cost and revenue synergies above the acquisition business case. The total integration costs recognised for the March 2010 half amounted to $18 million.

The strategic alliance with Goldman Sachs JBWere (GSJBW) was completed on 1 November 2009 after MLC & NAB Wealth acquired 80.1% of GSJBW's private wealth management business in Australia and New Zealand, which was branded JBWere. The total integration costs recognised for the March 2010 half were $19 million.

The Challenger Mortgage Management acquisition, now branded Advantedge, was completed on 30 October 2009. The total integration costs recognised for the March 2010 half were $7 million.

The GWB integration costs of $4 million for the March 2010 half represents the remaining expenses incurred in aligning GWB with NAB.

	Half year to		
	Mar 10 $m	**Sep 09 $m**	**Mar 09 $m**
Aviva	**18**	-	-
JBWere	**19**	-	-
Advantedge	**7**	-	-
Great Western Bank	**4**	12	6
Total	**48**	12	6

Summary Balance Sheet

	As at				
	31 Mar 10 $m	30 Sep 09 $m	31 Mar 09 $m	Mar 10 v Sep 09	Mar 10 v Mar 09
Assets					
Cash and liquid assets	**23,819**	25,834	18,287	(7.8)	30.3
Due from other banks	**38,631**	33,265	30,663	16.1	26.0
Trading securities	**24,219**	22,219	25,919	9.0	(6.6)
Investments - available for sale	**7,529**	7,933	8,807	(5.1)	(14.5)
Investments - held to maturity	**13,609**	17,529	18,462	(22.4)	(26.3)
Investments relating to life insurance business	**61,990**	54,254	44,057	14.3	40.7
Loans and advances at fair value	**30,909**	29,567	28,961	4.5	6.7
Other assets at fair value	**854**	1,963	2,890	(56.5)	(70.4)
Other financial assets at fair value	**31,763**	31,530	31,851	0.7	(0.3)
Loans and advances including acceptances	**396,579**	399,809	407,785	(0.8)	(2.7)
Goodwill and other intangible assets	**6,939**	6,243	6,478	11.1	7.1
Other assets	**45,282**	55,504	83,692	(18.4)	(45.9)
Total assets	**650,360**	654,120	676,001	(0.6)	(3.8)
Liabilities					
Due to other banks	**43,735**	36,148	45,879	21.0	(4.7)
Deposits at fair value	**9,523**	10,365	12,895	(8.1)	(26.1)
Other liabilities at fair value	**10,043**	10,946	10,069	(8.2)	(0.3)
Other financial liabilities at fair value	**19,566**	21,311	22,964	(8.2)	(14.8)
Deposits and other borrowings	**332,497**	336,188	327,759	(1.1)	1.4
Liability on acceptances	**15,771**	16,891	17,959	(6.6)	(12.2)
Life policy liabilities	**53,058**	47,314	38,351	12.1	38.3
Bonds, notes and subordinated debt	**86,079**	90,792	108,020	(5.2)	(20.3)
Other liabilities	**61,455**	67,641	78,668	(9.1)	(21.9)
Total liabilities	**612,161**	616,285	639,600	(0.7)	(4.3)
Net assets	**38,199**	37,835	36,401	1.0	4.9
Equity					
Equity (parent entity interest)	**38,177**	37,815	36,403	1.0	4.9
Non-controlling interest in controlled entities	**22**	20	(2)	10.0	large
Total equity	**38,199**	37,835	36,401	1.0	4.9

Total assets declined by 3.8% from March 2009 and by 0.6% from September 2009. Excluding the impact of foreign exchange, total assets increased by 2.7% from March 2009 and by 2.2% from September 2009, and this movement was due to the following factors:

- An increase in liquid asset holdings in excess of regulatory requirements. Liquid assets comprise the majority of the balance reported in *cash and liquid assets*, *balances due from other banks* and *marketable debt securities*.
- An increase in *loans and advances*, which was attributable to growth in housing lending across the divisions of the Group, partly offset by a decline in non-housing lending. Loans and advances are discussed further in the *Lending* commentary.
- An increase in *investments relating to life insurance business* which was attributable to improved global equity and property markets, and the acquisition of Aviva. There are corresponding movements in *life policy liabilities* and *external unitholders' liability (*included in *other liabilities)*. The movement in these balances is discussed in the *Investments Relating to Life Insurance Business and Life Policy Liabilities* commentary.
- A decline in *other assets* which was largely attributable to a reduction in derivatives due to reduced levels of market volatility in relation to currency and interest rates. This has generated a corresponding movement in derivative liabilities.

Total liabilities declined by 4.3% from March 2009, and by 0.7% from September 2009. Excluding the impact of foreign exchange, total liabilities increased by 2.3% from March 2009 and by 2.2% from September 2009, and this increase was mainly due to:

- An increase in *deposits and other borrowings*, primarily driven by growth in retail deposits. This movement is discussed in the *Deposits and other borrowings* commentary.
- An increase in both *life policy liabilities* and *external unitholders' liability* (included in *other liabilities*). This increase is consistent with the movement in *investments relating to life insurance business*.
- A decline in *other liabilities* which was largely attributable to a reduction in derivatives due to reduced levels of market volatility in relation to currency and interest rates. This has generated a corresponding movement in derivative assets.
- A decline in *bonds, notes and subordinated debt*, which was mainly due to a favourable movement in the foreign currency translation of foreign denominated debt. This is discussed further in the *Bonds, notes and subordinated debt* commentary.

Total equity increased by 4.9% from March 2009 and by 1.0% from September 2009. The growth in equity from March 2009 was mainly through the issue of shares, including an institutional placement of $2.0 billion and the share purchase plan of $0.8 billion, partly offset by a decline in the foreign currency translation reserve.

Lending

	As at				
	31 Mar 10 $m	30 Sep 09 $m	31 Mar 09 $m	Mar 10 v Sep 09 %	Mar 10 v Mar 09 %
Housing					
Business Banking	**54,587**	52,819	51,429	3.3	6.1
Personal Banking	**99,242**	90,454	87,485	9.7	13.4
Wholesale Banking	**783**	478	611	63.8	28.2
UK Banking	**20,581**	22,483	24,750	(8.5)	(16.8)
NZ Banking	**20,108**	20,989	20,740	(4.2)	(3.0)
MLC & NAB Wealth	**14,448**	14,065	14,035	2.7	2.9
Great Western Bank	**259**	292	318	(11.3)	(18.6)
Corporate Functions and Other	**1,006**	958	1,009	5.0	(0.3)
Total housing	**211,014**	202,538	200,377	4.2	5.3
Non-housing					
Business Banking	**131,405**	131,983	131,997	(0.4)	(0.4)
Personal Banking	**8,783**	8,583	8,470	2.3	3.7
Wholesale Banking	**12,412**	13,932	12,969	(10.9)	(4.3)
UK Banking	**33,409**	38,191	44,720	(12.5)	(25.3)
NZ Banking	**22,457**	24,414	24,098	(8.0)	(6.8)
MLC & NAB Wealth	**2,594**	2,453	2,492	5.7	4.1
Great Western Bank	**3,661**	3,598	3,711	1.8	(1.3)
Specialised Group Assets	**7,559**	9,267	12,345	(18.4)	(38.8)
Corporate Functions and Other	**1,182**	1,611	2,537	(26.6)	(53.4)
Total non-housing	**223,462**	234,032	243,339	(4.5)	(8.2)
Gross loans and advances including acceptances [(1)]	**434,476**	436,570	443,716	(0.5)	(2.1)
Represented by:					
Loans at fair value	**30,909**	29,567	28,961	4.5	6.7
Loans at amortised cost	**350,868**	351,968	359,399	(0.3)	(2.4)
Acceptances	**52,699**	55,035	55,356	(4.2)	(4.8)
Gross loans and advances including acceptances	**434,476**	436,570	443,716	(0.5)	(2.1)

(1) *Including loans at fair value.*

March 2010 v March 2009

Lending (gross loans and advances including acceptances) declined by $9.2 billion or 2.1% from March 2009. Excluding the impact of exchange rate movements and $4.9 billion attributable to Advantedge, lending increased by $9.1 billion or 2.2%. The increase in lending was due to growth in housing lending, which reflected improved momentum in the business, partly offset by a decline in non-housing lending, which reflected reduced customer demand and de-leveraging of large corporate balance sheets.

Housing lending increased by $12.5 billion or 6.5% excluding the impact of exchange rate movements and Advantedge. This increase was due to the following factors:

- Lending in Personal Banking increased by $6.8 billion or 7.8% and Business Banking lending increased by $3.2 billion or 6.1%. Growth was above system in the half. There was improved sales momentum across all sales channels.
- UK Banking increased by $1.0 billion or 5.1% and this reflected mortgage growth in the retail and business network.
- NZ Banking increased by $0.7 billion or 3.5%, and continuing to maintain its market share. System growth remains subdued in New Zealand.

Non-housing lending declined by $3.4 billion or 1.5% excluding the impact of exchange rate movements, mainly due to:

- UK Banking volume declines of $2.0 billion or 5.6% mainly driven by subdued market conditions and lower lending to sectors with a less attractive risk profile.
- Business Banking volumes relatively unchanged in a period of system decline. Growth was achieved in the SME segments and this was offset by lower lending in the institutional segment as customers repaid debt following equity raisings to de-leverage their balance sheets.
- Specialised Group Assets declined by $1.8 billion or 19.3% due to the maturity of securitisation lending.

March 2010 v September 2009

Excluding the impact of exchange rate movements and Advantedge, lending increased by $2.9 billion or 0.7% from September 2009. This was due to:

- **Housing lending** increased by $6.9 billion or 3.5%. Growth was achieved in all sales channels of Personal and Business Banking. Housing lending in the UK and NZ was steady due to subdued customer demand as a result of the economic climate.
- **Non-housing lending** decreased by $4.0 billion or 1.7%. The decline in non-housing lending was mainly in UK Banking, NZ Banking and Wholesale Banking. The decline in UK Banking was as a result of subdued market conditions and lower lending to sectors with a less attractive risk profile. The decline in NZ Banking reflected a weaker business credit environment and customers reducing debt. The decline in Wholesale Banking reflected lower customer demand. Business Banking volumes continued to remain steady notwithstanding a decline in system growth. Growth was achieved in the SME segments, offset by a decline in the institutional segment.

Fair value of assets and liabilities

The Group recognises a number of classes of assets and liabilities at fair value. Where the classification of a financial asset or liability requires it to be stated at fair value, wherever possible, the fair value is determined by reference to the quoted bid price (for a financial asset) or offer price (for a financial liability), in the most advantageous active market to which the Group has immediate access. An adjustment for credit risk is also incorporated into the fair value, as appropriate.

Where no active market exists for the particular asset or liability, the Group uses a valuation technique that makes maximum use of observable market inputs and places minimal reliance upon entity-specific inputs. The majority of the Group's fair value inputs are observable from the market, with less than 0.1% being internally derived from Group-specific inputs as at 31 March 2010.

Marketable Debt Securities

Marketable debt securities comprise *trading securities*, *available for sale investments* and *held to maturity investments*. Marketable debt securities decreased by $7.8 billion or 14.7% from March 2009, and declined by $2.3 billion or 4.9% from September 2009. The movement in marketable debt securities was the result of a change in the composition of liquid asset holdings between these securities and other liquid assets (cash and liquid assets and due from other banks).

As at 31 March 2010, the Group consolidated $9.8 billion of conduit assets comprising $8.8 billion of Investments - held to maturity and $1.0 billion of Loans and advances.

Further detail on the nature of securitisation conduit assets consolidated by the Group is contained in Section 6, Note 1: Disclosures on Special Purpose Entities.

Investments Relating to Life Insurance Business and Life Policy Liabilities

The increases in *investments relating to life insurance business*, *life policy liabilities* and *external unitholders' liability* (included in other liabilities) were attributable to the improvement in global equity and property markets and the favourable impact this has had on returns made on policyholder contributions and movement in net funds under management during the period. Excluding the acquisition of Aviva, there has been an increase of $13.4 billion in investments relating to the life insurance business and an aggregate increase of $13.7 billion in life policy liabilities and external unitholders' liability from March 2009.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets increased by $461 million or 7.1% from March 2009 and by $696 million or 11.1% from September 2009.

Goodwill increased by $188 million from March 2009 and by $372 million from September 2009. The increase in goodwill from March 2009 reflected $399 million from the acquisitions of Advantedge, Aviva and JBWere, (all businesses were acquired during the current half year), partly offset by a decline of $238 million due to the effect of foreign exchange.

Intangible assets comprise capitalised software and other intangible assets. Other intangible assets increased by $320 million from March 2009 and by $334 million from September 2009. The increase was mainly due to $373 million identifiable intangible assets recognised on the acquisitions of Advantedge, Aviva and JBWere relating to brands and contracts in force.

The Group continues to invest in software to support its strategic objectives. Major investments currently undertaken by the Group are:

- In Australia, investment of $24 million during the current half year in software related to the Next Generation Banking IT Platform (NGP). NGP is an enterprise-led, business-enabled initiative that will support transformation of the Australian businesses, replacing many of the Bank's legacy applications and processes, providing a significantly enhanced customer experience and strengthening organisational capabilities.
- The addition of Navigator and RiskFirst software which were acquired as part of the acquisition of the wealth management business of Aviva.
- UK Banking continued development of the automated end-to-end Business Lending process to enhance its functionality and provide information to management to assist with decision-making. Key efficiency projects include the launch of the Unified Communications platform (aimed at implementing a sharepoint networking tool and a corporate intranet tool) and the Document Distribution and Digitisation project (aimed at reviewing and improving the efficiency of the UK's distribution networks and data capture). In addition, UK Banking continues to invest in software to support regulatory and compliance initiatives.
- Wholesale Banking continued focus on efficiency and revenue generating projects, including the continued development of software platforms for Global Markets and Treasury, investment in systems to improve credit risk management information, and investment in Asset Servicing platforms. In addition, investments were made in compliance and operational risk initiatives.

The movement in capitalised software is as follows:

	Half year ended		
	Mar 10 $m	**Sep 09 $m**	**Mar 09 $m**
Balance at beginning of period	**934**	967	963
Additions	**166**	206	155
Disposals and write-offs	**(9)**	(68)	-
Amortisation	**(133)**	(138)	(124)
Foreign currency translation adjustments	**(36)**	(33)	(27)
Capitalised application software	**922**	934	967

Deposits and Other Borrowings

	As at				
	31 Mar 10 $m	30 Sep 09 $m	31 Mar 09 $m	Mar 10 v Sep 09 %	Mar 10 v Mar 09 %
Retail deposits					
Business Banking	**78,786**	75,071	70,276	4.9	12.1
Personal Banking	**59,925**	57,197	52,553	4.8	14.0
UK Banking	**37,693**	40,313	43,801	(6.5)	(13.9)
NZ Banking	**21,798**	22,185	20,990	(1.7)	3.8
MLC & NAB Wealth	**9,399**	9,284	9,355	1.2	0.5
Great Western Bank	**4,538**	4,550	4,848	(0.3)	(6.4)
Corporate Functions and Other	**4,386**	4,501	4,132	(2.6)	6.1
Total retail deposits	**216,525**	213,101	205,955	1.6	5.1
Non-retail deposits and other borrowings					
Business Banking	**5,666**	4,725	7,586	19.9	(25.3)
Wholesale Banking	**104,135**	112,928	108,749	(7.8)	(4.2)
UK Banking	**8,947**	8,392	8,082	6.6	10.7
NZ Banking	**4,430**	5,015	6,139	(11.7)	(27.8)
Specialised Group Assets	**1,570**	1,721	3,255	(8.8)	(51.8)
Corporate Functions and Other	**747**	671	888	11.3	(15.9)
Total non-retail deposits and other borrowings	**125,495**	133,452	134,699	(6.0)	(6.8)
Deposits and other borrowings [1]	**342,020**	346,553	340,654	(1.3)	0.4
Represented by:					
Deposits and other borrowings at fair value	**9,523**	10,365	12,895	(8.1)	(26.1)
Deposits and other borrowings at cost	**332,497**	336,188	327,759	(1.1)	1.4
Deposits and other borrowings	**342,020**	346,553	340,654	(1.3)	0.4

[1] *Including deposits and other borrowings at fair value.*

March 2010 v March 2009

Total deposits and other borrowings have increased by $1.4 billion or 0.4% since March 2009. Excluding the impact of foreign exchange, the increase was $28.4 billion or 9.1%.

Retail deposits:

Excluding the impact of foreign exchange, retail deposits increased by $23.3 billion or 12.1% from March 2009. Growth was the result of a continued focus to increase retail deposits as a source of funding to meet business needs:

- Business Banking grew deposits by $8.5 billion or 12.1%. Growth was achieved in an intensely competitive market for deposits as Business Banking focused on increasing deposit balances across all segments and become the primary transaction banker for its customers.
- Personal Banking grew deposits by $7.4 billion or 14.0%, largely due to UBank's outstanding growth.
- UK Banking increased deposits by $3.0 billion or 8.8% primarily as a result of the continued momentum in iFS and a robust performance in the Retail network.
- NZ Banking increased deposits by $2.1 billion or 10.9%. Growth was achieved in a highly competitive deposit market, driven primarily by an increase in term deposits as customers benefited from attractive rates.

Non-retail deposits and other borrowings:

Excluding the impact of foreign exchange, non-retail deposits and other borrowings increased by $5.1 billion or 4.2%. Growth was mainly in Wholesale Banking, which increased by $6.7 billion or 6.9%, driven by growth in term deposits as customers chose to invest in cash products towards the end of the March 2010 half.

March 2010 v September 2009

Total deposits and other borrowings have decreased by $4.5 billion or 1.3% since September 2009. Excluding the impact of foreign exchange, deposits and other borrowings increased by $6.7 billion or 2.0%. Growth reflected:

- Retail deposits increasing by $8.9 billion or 4.3%. Growth was achieved across the Group's divisions as a result of a continued focus to increase retail deposits as a source of funding for business needs.
- Non-retail deposits and other borrowings decreasing by $2.2 billion or 1.7% mainly due to a decline in Wholesale Banking, partly offset by an increase in UK Banking. The decline in Wholesale Banking was due to a reduction in funding requirements. The increase in UK banking was mainly due to growth in certificates of deposit to meet business funding needs.

Bonds, Notes and Subordinated Debt

Bonds, notes and subordinated debt declined by $21.9 billion or 20.3% from March 2009 and by $4.7 billion or 5.2% from September 2009. This decline was mainly due to a favourable movement in the foreign currency translation of foreign denominated debt. This has generated a corresponding reduction in the fair value of the cross currency transactions hedging the foreign denominated debt (included in *Other assets* and *Other liabilities*).

Further detail and discussion on the Group's funding mix and management of its funding base, are included in Section 3, Capital Management and Funding.

Asset Quality

Encouraging trends have been evident during the March 2010 half year with a reduced charge for bad and doubtful debts and stabilising asset quality indicators.

Lending activity has remained subdued across all geographies, particularly in business lending, due to customers' lower appetite for credit and the continuing de-leveraging of corporate balance sheets.

For **Business Banking**, the rate of deterioration in key asset quality ratios has eased and bad and doubtful debt charges have declined relative to the March 2009 half year and the September 2009 half year.

Whilst the business and credit environment remains challenging, the NAB monthly surveys of business confidence and conditions have been consistently positive during the March 2010 half year.

The **Personal Banking** portfolio has remained resilient, with key asset quality indicators improving further during the March 2010 half year. In particular, the ratio of 90+ days past due loans and impaired assets to gross loans and acceptances are now lower than they were as at March 2009 and September 2009.

Wholesale Banking has experienced a decline in bad and doubtful debt charges compared to the prior comparative period and the September 2009 half year. The portfolio is high quality and predominately investment grade equivalent.

The UK is no longer in economic recession, but the environment remains challenging. That said, **UK Banking** has experienced only marginal further weakening of asset quality indicators. The bad and doubtful debt charge for the March 2010 half year has reduced when compared to the September 2009 half year, but it remains above the March 2009 half year. Of this, the commercial property portfolio comprised approximately 50% of the business specific provision bad and doubtful debt charge. The residential mortgages portfolio remains resilient, with 90+ days past due arrears continuing to be below the market average as measured by the Council of Mortgage Lenders (Quarter to December 2009).

For **NZ Banking**, there are signs that asset quality is stabilising as the economy emerges from recession, although economic conditions continue to be challenging. NZ Banking's historically conservative approach to lending has ensured that it is well placed in the current environment and relative to peers.

Notwithstanding the tough economic environment in the United States and an increase in bad and doubtful debt charges, asset quality for **GWB** has continued to outperform that of local peers.

The **SGA** portfolio has been adversely affected by the global financial crisis. Principal areas of concern remain with the leverage finance and commercial property sectors, where the business is seeking to actively reduce exposure. There has also been a reduction in securitisation exposures in the Structured Asset Management (SAM) portfolio during the March 2010 half year.

Bad and Doubtful Debt Charge

	Half Year to		
	Mar 10 $m	**Sep 09 $m**	**Mar 09 $m**
Specific charge to provide for bad and doubtful debts	**1,083**	1,770	1,205
Collective charge to provide for bad and doubtful debts	**135**	182	606
Total charge to provide for bad and doubtful debts - loans and advances	**1,218**	1,952	1,811
Total charge on investments - held to maturity	**501**	52	-
Total charge to provide for bad and doubtful debts - statutory basis	**1,719**	2,004	1,811
Recovery of SCDO risk mitigation trades	**(489)**	-	-
Total charge to provide for bad and doubtful debts - cash earnings	**1,230**	2,004	1,811

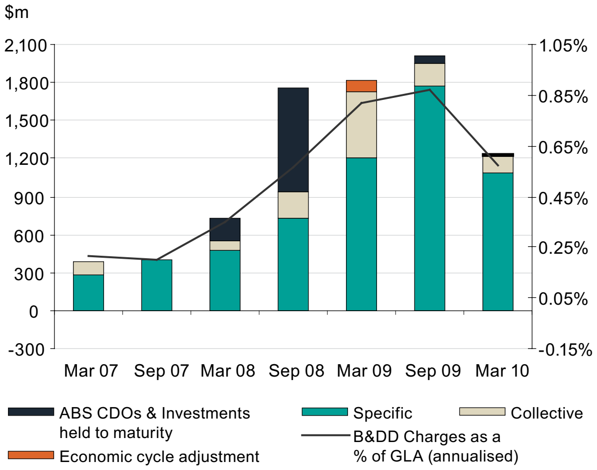
	Half Year to		
	Mar 10	**Sep 09**	**Mar 09**
Bad and doubtful debts charge to gross loans and acceptances (annualised)	**0.57%**	0.87%	0.82%
Net write-offs to gross loans and acceptances (annualised)	**0.47%**	0.48%	0.25%

The cash earnings total charge for bad and doubtful debts for the March 2010 half year was $1,230 million, which is a decrease of $774 million when compared to the September 2009 half year.

This decrease was predominately the result of lower specific provision charges across most business units, particularly Business Banking, UK Banking and SGA.

Three assets that form part of the SCDO exposures were impaired by $489 million as a result of credit events within their respective portfolio. The SCDO hedges have worked as intended, with the Group recovering realised loss amounts from the hedge counterparty. In addition, a loss of $12 million was recognised on a single credit wrapped ABS exposure.

Total Bad and Doubtful Debt Charge - Cash Earnings



The annualised ratio of the total charge for bad and doubtful debts to gross loans and acceptances for the March 2010 half year showed a decline of 30 basis points to 0.57% when compared to the September 2009 full year, reflective of the improved credit environment.

Provisioning Coverage

	As at		
Provisions for doubtful debts	**Mar 10 $m**	**Sep 09 $m**	**Mar 09 $m**
Collective provision on loans at amortised cost	**3,012**	2,948	2,870
Collective provision on loans at fair value	**222**	247	249
Collective provision on derivatives at fair value	**376**	358	426
Collective provision for doubtful debts	**3,610**	3,553	3,545
Specific provision for doubtful debts	**1,590**	1,551	1,316
Total provision for doubtful debts (1)	**5,200**	5,104	4,861

(1) *Not included in total provisions for doubtful debts are provisions on investments - held to maturity of $114 million (September 2009 $120 million, March 2009 $153 million).*

	As at		
	Mar 10	**Sep 09**	**Mar 09**
Total provision to gross loans and acceptances	**1.20%**	1.17%	1.10%
Specific provision to gross impaired assets	**27.2%**	28.2%	33.5%
Collective provision to credit risk-weighted assets (ex housing)	**1.55%**	1.46%	1.38%

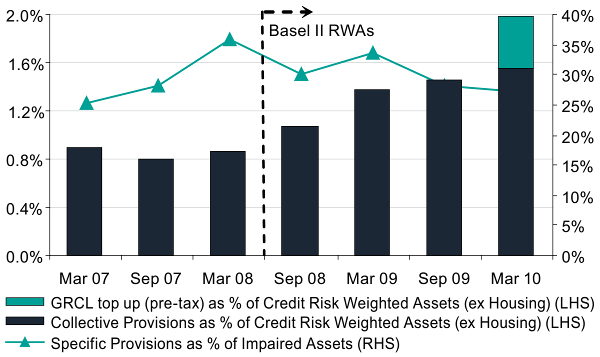
In the half year to March 2010, the Group's total provisions increased to $5.2 billion, a $339 million increase when compared to March 2009, and a $96 million increase against September 2009.

The Group's collective provisions to credit risk weighted assets (excl. housing) ratio has increased to 1.55% at March 2010, from 1.38% at March 2009 and 1.46% at September 2009.

In addition, the Group has created a reserve of $738 million (or $1.0 billion on a pre-tax basis) relating to a general reserve for credit losses (GRCL). This amount has been set aside from retained earnings to cover future loan losses in terms of regulatory capital requirements, resulting in a reduction in Tier 1 capital by 13 basis points. When this reserve is added to the Group's ratio of collective provisions to credit risk weighted assets (ex housing) the ratio increases from 1.55% to 1.99%.

The ratio of specific provisions to impaired assets has declined slightly to 27.2% as a result of write-off activity during the March 2010 quarter.

Provision Coverage



Specific Provisions

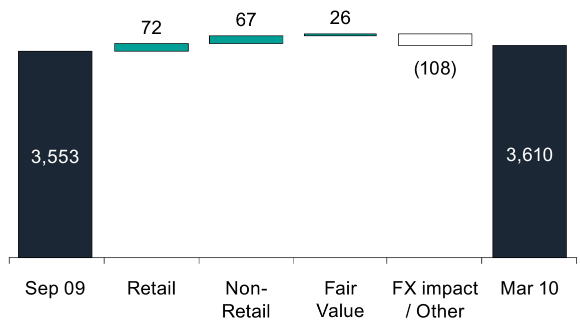
During the March 2010 half year, the specific provision balance (including specific provisions on impaired assets at fair value) increased slightly to $1,590 million, when compared to $1,551 million at September 2009. This was primarily due to the lower level of specific provisions raised during the March 2010 half year that were largely offset by net write-offs.

Collective Provisions

Including the credit risk adjustment on assets at fair value, total collective provision balances increased by $57 million during the March 2010 half year. This movement has been summarised as follows:

Collective Provision Attribution Analysis

$m



Retail

The retail collective provision has increased during the March 2010 half as a result of rising credit card and personal lending provisions particularly in **Personal Banking** and, to a lesser extent due to higher mortgage provisions in **UK Banking**. In addition, the acquisition of the Advantedge mortgage portfolio in **Personal Banking** increased the level of retail collective provision.

Non-Retail

The non-retail collective provision has increased during the March 2010 half as a result of downgrading of customer credit ratings particularly in the **SGA** portfolio and, to a lesser extent, in the **Business Banking** and **NZ Banking** portfolios. There was a write-back in collective provisions for **Wholesale Banking** due to the impairment of one large corporate exposure.

Loans at fair value and derivatives

The increase in collective provisions on loans at fair value and derivatives of $26 million was due in part to the credit risk adjustment on trading derivatives.

Economic Cycle Adjustment

There has been no change to the economic cycle adjustment since September 2009 which stands at $300 million as at March 2010.

Foreign Exchange Impact / Other

The movement in foreign currency translation is due to the weakening of the Pound Sterling relative to the Australian Dollar since September 2009.

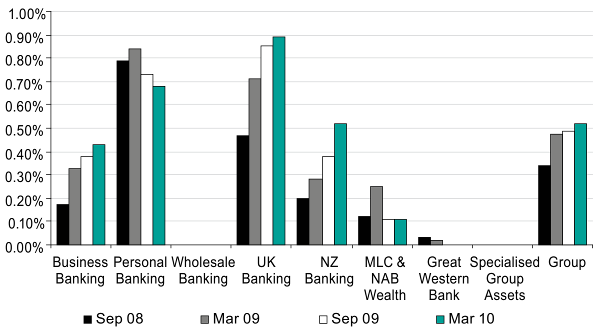
Asset Quality

	As at		
	Mar 10	Sep 09	Mar 09
90+ days past due loans ($m)	2,246	2,134	2,093
Gross impaired assets ($m)	5,849	5,500	3,927
90+ days past due and gross impaired assets ($m)	8,095	7,634	6,020

	As at		
	Mar 10	Sep 09	Mar 09
90 day past due loans to gross loans and acceptances	0.52%	0.49%	0.47%
Gross impaired assets to gross loans and acceptances	1.35%	1.26%	0.89%
90+ days past due and gross impaired assets to gross loans and acceptances	1.86%	1.75%	1.36%

Non-Impaired Assets 90+ Days Past Due

90+ DPD as % of Gross Loans and Acceptances



The Group ratio of non-impaired 90+ days past due (90+ DPD) loans to gross loans and acceptances increased by 3 basis points from September 2009 to 0.52% at March 2010, driven mainly by increased business lending arrears.

In **Business Banking**, 90+ DPD loans within the SME sector continued to increase, resulting in a 5 basis point increase to 0.43% from September 2009 primarily reflecting the nabbusiness portfolios in Queensland and Victoria.

For **Personal Banking** there has been an overall improvement in the ratio of 90+ DPD loans to gross loans and acceptances mainly due to a reduction in mortgage lending defaults. Excluding the Advantedge portfolio, 90+ DPD loans fell from September 2009 by 5 basis points to 0.69%.

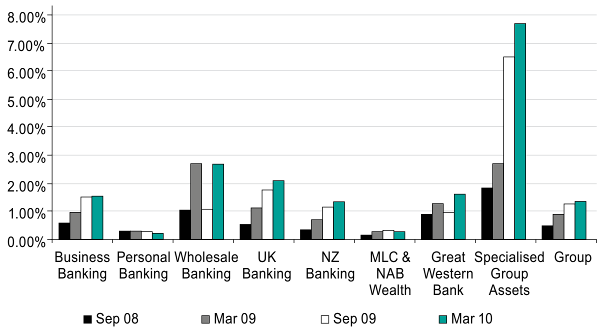
For **UK Banking**, the challenging credit environment, predominately in the commercial property portfolio, resulted in a 4 basis point increase in the ratio of 90+DPD to gross loans and acceptances from September 2009 to 0.89% at March 2010. The level of 90+ DPD mortgages as a proportion of housing loans was steady at 0.8% for March 2010, which remains substantially below the UK Council of Mortgage Lenders industry average of 2.38% [(1)] (December 2009).

NZ Banking experienced an increase in lending arrears in the business portfolio, and to a lesser extent in mortgages, as the difficult economic conditions prevailed. The 90+ DPD rate increased by 14 basis points from September 2009 to 0.52%.

(1) *Arrears on mortgages, by number of months in arrears based on number of mortgages.*

Impaired Assets

Gross Impaired Assets as % of Gross Loans and Acceptances - ex Investments held to maturity



The ratio of gross impaired assets to gross loans and acceptances increased by 9 basis points from September 2009 and by 46 basis points from March 2009 to 1.35% at March 2010. The rate of increase in impaired assets has slowed significantly during the half year to March 2010, increasing by $349 million compared to an increase of $1,573 million during the September 2009 half year.

For **Business Banking**, the ratio increased by 3 basis points to 1.54% from September 2009, with the rate of growth in impaired assets slowing during the March 2010 half year. The increase was as a result of the impairment of one large nabProperty customer that contributed 10 basis points.

The resilience of the **Personal Banking** lending portfolio has been demonstrated by the improvement in the impaired rate for mortgages, which improved by 6 basis points from September 2009 to 0.21% of total gross loans and acceptances at March 2010.

The ratio of impaired assets to gross loans and acceptances for **Wholesale Banking** increased by 164 basis points during the March 2010 half year to 2.71%.

This was due to the impairment of one large customer that contributed 214 basis points.

The ratio of impaired assets to gross loans and acceptances for **UK Banking** has increased during the March 2010 half year by 33 basis points to 2.09%, reflecting ongoing economic and market conditions, primarily in commercial property. However, the rate of increase has slowed when compared to the September 2009 half year.

The impaired mortgage rate for UK Banking remains low at 0.24% of housing loans, which is relatively stable when compared to September 2009.

For **NZ Banking** the ratio of impaired assets to gross loans and acceptances increased by 19 basis points from September 2009 to 1.34%. This stemmed mostly from business loans as a result of the subdued economic conditions.

The **SGA** portfolio has continued to deteriorate during the March 2010 half year, with the impaired assets ratio at 7.70%. The vast majority of these impairments are concentrated in the property and leverage finance sectors in the UK.

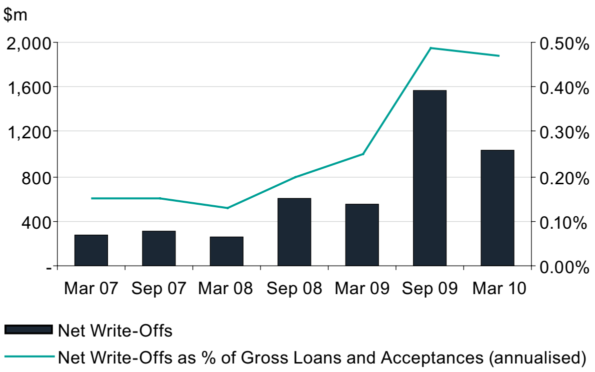
Net Write-Offs

Net write-offs decreased from $1,570 million for the September 2009 half year to $1,026 million for the March 2010 half year. The Group continues to manage bad debt write-offs to maintain a clean balance sheet and net write-offs have reduced from a recent peak in the September 2009 half year.

The Group's retail lending portfolio remains stable. The gross 12 months rolling write-off rate for the Group's total retail portfolio has remained steady from September 2009 at 0.32%, while mortgage write-offs remain low.

The total provisions to net write-offs ratio is 253% as at March 2010, which is steady when compared to September 2009.

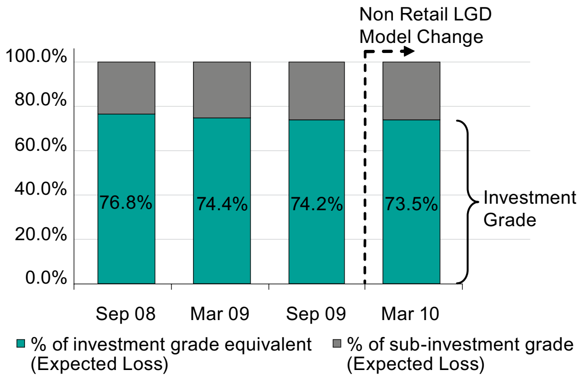
Group Half Yearly Net Write-Offs - Loans and advances



Trends in the Ratings of Non-retail Exposures

On the basis of Expected Loss (EL) methodology [(1)], the volume of non-retail investment grade equivalent (AAA to BBB-) exposures for the Group declined from 74.2% at September 2009 to 73.5% at March 2010. This reduction mainly represents changes to the Loss Given Default model for Business Banking to reflect loss experience over the last few years.

Non-Retail Lending Customer Risk Distribution (Group)

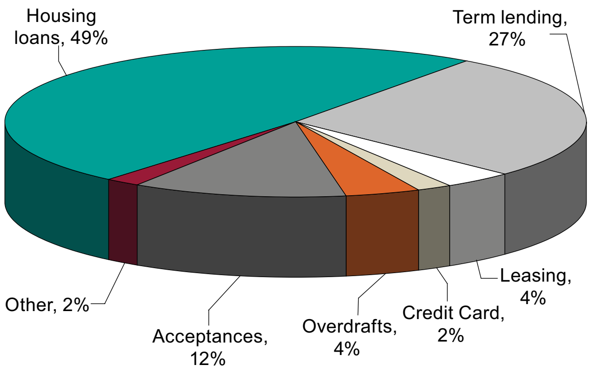


(1) *Expected Loss is the product of Probability of Default x Exposure at Default x Loss Given Default. The calculation excludes defaulted assets.*

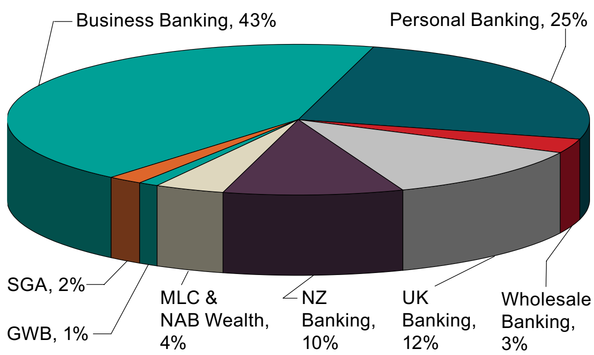
Portfolio Composition

The Group's lending portfolio remains well diversified by both product and geography.

Group Gross Loans and Acceptances by Product



Group Gross Loans and Acceptances by Division

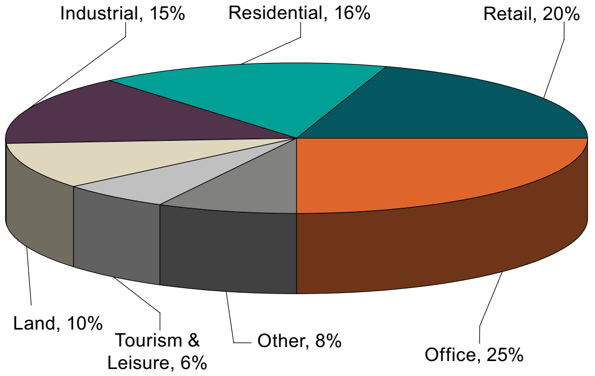


Commercial Property Portfolio

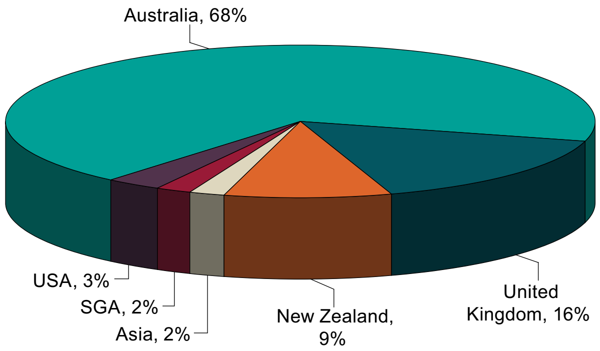
The Group's commercial property portfolio totals $70.6 billion [1], which has contracted by $3.9 billion during the past six months. This portfolio represents 16.2% of the Group's total gross loans and acceptances, mainly reflecting the Group's strength in Australian Business Banking and a targeted iFS growth strategy in UK Banking.

[1] Measured as balances outstanding at March 2010 per APRA Commercial Property ARF230 definitions.

Group Commercial Property by Type



Group Commercial Property by Geography



The **Business Banking** commercial property portfolio has contracted by $0.2 billion to $48.6 billion since September 2009. Commercial property now represents 15.2% of Australia geography gross loans and acceptances, compared with 15.8% at September 2009.

The **UK Banking** commercial property portfolio totals £7.0 billion as at March 2010, comprising 21% of the business unit's gross loans and acceptances. This represents a £0.7 billion reduction in exposure since September 2009.

Although 90+DPD loan arrears and impaired assets as a proportion of gross loans and acceptances continue to rise, there is some evidence that the UK is emerging from recessionary conditions.

UK commercial property prices are now starting to show signs of increase, having fallen by 44% from their peak. House prices are also maintaining modest, but consistent, rises. Overall, the UK property market remains fragile and outcomes are dependent on location, security of income and property strengths.

In **NZ Banking**, commercial property lending is 14.5% of the division's gross loans & acceptances at NZ$8.0 billion, a reduction of NZ$0.3 billion over the past 6 months. The Auckland region comprises 45% of the commercial property portfolio, which broadly follows the country's demographics. 90+DPD loans and impaired assets as a proportion of gross loans and acceptances have reduced to 3.05% at March 2010, from 3.46% at September 2009.

The **SGA** property portfolio of $1.1 billion primarily represents the legacy nabCapital UK property book. Balances have reduced by approximately $0.2 billion since September 2009. Specific Provisions of $98 million are held against these assets.

Cash Earnings per Share

	Half Year to				
	Mar 10 cents	Sep 09 cents	Mar 09 cents	Mar 10 v Sep 09 %	Mar 10 v Mar 09 %
Cash Earnings per Share					
Basic	**103.0**	90.6	108.3	13.7	(4.9)
Diluted	**102.5**	90.1	107.4	13.8	(4.6)

March 2010 v March 2009

Basic cash **earnings per share** decreased by 5.3 cents or 4.9% and diluted cash earnings per share decreased by 4.9 cents or 4.6% on the March 2009 half. This reflects the increase in cash earnings, more than offset by an increase in the weighted number of ordinary shares.

March 2010 v September 2009

Basic cash **earnings per share** increased by 12.4 cents or 13.7% and diluted cash earnings per share increased by 12.4 cents or 13.8% on the September 2009 half. This reflects the increase in cash earnings, partially offset by an increase in the weighted number of ordinary shares.

Capital Management and Funding

Balance Sheet Management Overview

During the half year, market conditions continued to improve from the lows of late 2008 and early 2009. Strong monetary and fiscal policy setting by Governments worldwide successfully stabilised markets and provided a more confident outlook. The Group continues to ensure that the balance sheet remains strong, is well capitalised and funded, and conservative liquidity settings are maintained to keep the bank safe.

The Group's strong balance sheet settings have served the bank well, allowing it to manage through difficult market conditions. These settings have also allowed the Group to be relatively well positioned for future regulatory change and balance sheet growth. New regulatory standards for liquidity and capital are targeted to be finalised during 2010, with phased implementation likely to begin at some point in 2012.

Regulatory Reform

In December 2009 the Basel Committee released its proposals for wide ranging regulatory reform of the capital and liquidity framework and has since received comprehensive industry and market feedback. Whilst the reforms are yet to be finalised, they propose a number of changes including:

- Higher levels of better quality capital and liquid assets to be held across the industry.
- Increased deductions from Fundamental Tier 1.
- The use of a leverage ratio as a secondary measure.
- Measures to reduce capital pro-cyclicality including counter cyclical buffers.
- Narrower definition of qualifying liquid assets with preference for sovereign debt.
- A Liquidity Coverage Ratio requiring a substantial increase in liquid assets.
- A Net Stable Funding Ratio, which would substantially increase the stable funding (deposits and funding with a term > 12 months) required to support bank assets.

Prudential standards are targeted to be released by the end of 2010 with implementation by 2012. The standards are conservatively positioned, and the timeline very tight, with some potential for changes following the global quantitative impact study (QIS).

APRA has also released its revisions to the existing prudential framework for market risk and securitisation, with implementation due in January 2011, as well as its proposals for supervision on conglomerate groups (Level 3 framework) with implementation expected in 2012.

In the current environment, regulatory reform is expected to continue to evolve in these and in other areas as global regulators seek to address risks highlighted through the global financial crisis.

Capital Management

The Group's capital management strategy is focused on adequacy, efficiency and flexibility. The capital adequacy objective focuses on holding capital in excess of the internal risk-based assessment of required capital, meeting regulatory requirements, maintaining capital consistent with the Group's target credit rating and ensuring investors' expectations are met.

While economic conditions have improved, concerns remain about the strength of certain economies. Given this environment, the Group continues to target a strong capital position as a buffer against future headwinds, including capital volatility and emerging regulatory change.

The Board approved Tier 1 target is above 7% as outlined below. In the current environment the Group's operational target is a Tier 1 ratio above 8%.

The actual Tier 1 ratio at March of 9.09% may be affected in the second half by the outcome of the proposed AXA acquisition and in future periods by regulatory change.

The Group will continue to seek to maintain the efficiency of the capital base as existing hybrid securities are scheduled for redemption or conversion to equity and the balance sheet grows. However, whilst the regulatory landscape remains fluid, new issuance will present a challenge.

Clydesdale Bank and BNZ, our major banking subsidiaries, remain strongly capitalised.

Capital ratios

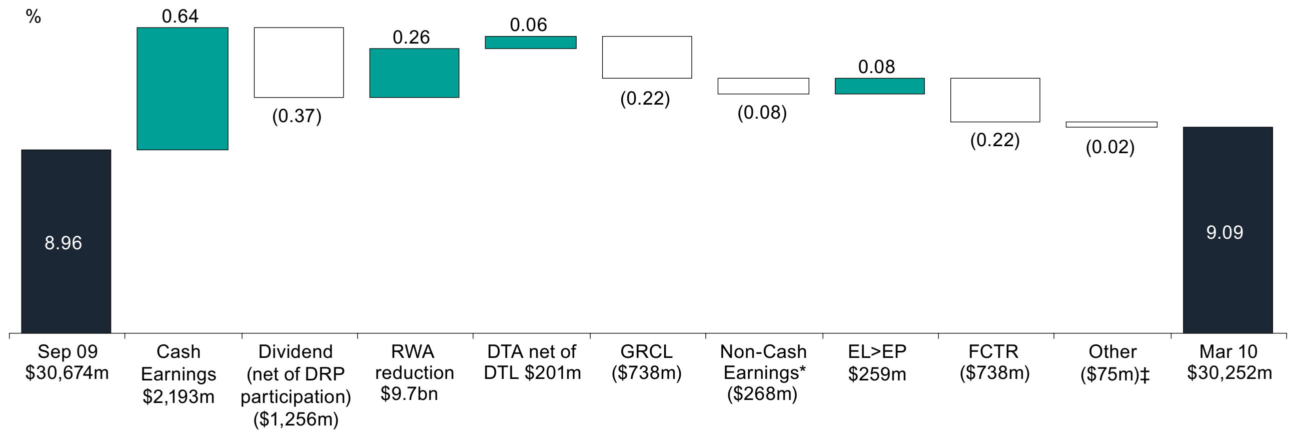
Capital ratios and risk-weighted assets are set out below:

	Target Ratio %	As at 31 Mar 10 %	As at 30 Sep 09 %	As at 31 Mar 09 %	Mar 10 v Sep 09	Mar 10 v Mar 09
Core Tier 1 ratio [1]		**6.91**	6.81	6.59	10 bps	32 bps
Tier 1 ratio	above 7.00%	**9.09**	8.96	8.31	13 bps	78 bps
Total capital ratio		**12.07**	11.48	12.19	59 bps	(12 bps)

(1) *Core Tier 1 ratio equals Total Tier 1 Capital less Tier 1 Hybrids*

	As at 31 Mar 10 $m	As at 30 Sep 09 $m	As at 31 Mar 09 $m	Mar 10 v Sep 09%	Mar 10 v Mar 09%
Risk-weighted assets - credit risk	**301,473**	311,975	321,616	(3.4)	(6.3)
Risk-weighted assets - market risk	**3,305**	3,415	5,121	(3.2)	(35.5)
Risk-weighted assets - operational risk	**22,402**	22,972	24,336	(2.5)	(7.9)
Risk-weighted assets - interest rate risk in the banking book	**5,653**	4,160	1,300	35.9	large
Total risk-weighted assets	**332,833**	342,522	352,373	(2.8)	(5.5)

Movement in Tier 1 Ratio



** Non-cash earnings affect on Tier 1 after adjusting for Distributions and Treasury Shares.*

‡ Other relates primarily to changes in Wealth Management related deduction (2bps) plus other immaterial movements.

Capital Movements during the Period

The Group's Tier 1 ratio of 9.09% at 31 March 2010 is consistent with the Group's objective of maintaining a strong capital position.

The key movements in capital in the March half were:

- Earnings less dividend net of DRP participation.
- Implementation of a general reserve for credit losses.
- Unfavourable non cash earnings mainly due to hedge ineffectiveness.
- Improvement in the Group's net deferred tax asset position.
- A decrease in the foreign currency translation reserve driven by strengthening of the Australian dollar. This represents an offset to RWA movements.

Total RWAs decreased by $10 billion over the half or $1 billion excluding the impact of FX translation. Volume growth in RWAs was slightly negative and there was modest deterioration in asset quality largely offset by optimisation initiatives.

Tier 1 Capital Initiatives

On 4 March 2010, National Australia Bank Ltd extended the duration of the 2009 Stapled Securities. The terms of the securities remain the same except for the extension terms. Subject to APRA approval, redemption is at the Group's option on 30 March 2011 or on every monthly distribution payment date thereafter. In the event that the securities are not redeemed, they will convert into a variable number of National Australia Bank Limited ordinary shares on 30 March 2011, subject to the satisfaction of conversion conditions.

Tier 2 Capital Initiatives

On 3 February 2010, the Group issued EUR1 billion subordinated notes. These notes pay interest annually at 4.625% and mature 10 February 2020.

Dividend and Dividend Reinvestment Plan (DRP)

The interim dividend has been increased by 1 cent to 74 cents and the DRP settings have been revised from 1.5% to nil discount with no participation limit. These revised settings reflect our current strong capital position. The final dividend accrual has been reduced by an amount equal to 20% of the final dividend to reflect assumed DRP participation.

UK Defined Pension Schemes

The Group's UK division operates a defined benefit pension scheme. APRA's prudential standards require the Group to deduct the value of any net surplus in the pension scheme from Tier 1 Capital. During the March half, the scheme's deficit increased to £354 million from £311 million at September 2009. The impact on Tier 1 Capital was negligible due to favourable exchange rate movements. The pension position is affected by three key factors:

- A decrease in the discount rate used to calculate the liability net present value.
- An increase in the long-term inflation assumption.
- An increase in the value of the investment portfolio, partially offsetting the other two factors.

Pillar 3 Disclosures

Further disclosures with respect to capital adequacy and risk management will be made in the Risk and Capital Report, as required by APS 330.

Funding

Global term wholesale funding markets remained relatively stable over the first half of 2010. Credit spreads have moderated from the same period in 2009, but still remain well above pre-crisis levels. Since July 2009, the Group has exclusively focused on unguaranteed issuance.

During the half year to 31 March 2010, the Group raised $15.2 billion in term funding ($13.1 billion by National Australia Bank Ltd), all of which has been in unguaranteed format. This represents well over half of the Group's 2010 funding target of $20 - $25 billion.

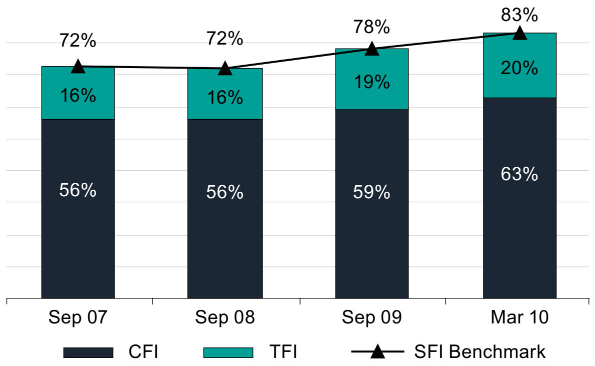
Funding Indices

The Group employs a range of internal measures to set its risk appetite and to gauge the strength of its balance sheet funding. A key measure used is the Stable Funding Index (SFI). This metric is made up of Term Funding Index (TFI) plus a Customer Funding Index (CFI). TFI is defined as Term Wholesale Funding with a remaining maturity greater than 12 months, divided by Core Assets. It represents the portion of our core lending assets that are funded by term wholesale funding with a remaining maturity greater than 1 year. CFI is a measure of customer deposits divided by Core Assets, and represents the proportion of core lending assets that are funded by customer deposits. The external securitisation of balance sheet assets affects these funding indices by reducing Core Assets.

The Group's emphasis on deposit funding, coupled with term funding and a stable core asset position, has resulted in the Group's SFI improving from 78% to 83% during the half year to 31 March 2010.

The strong growth in SFI is being driven by growing customer deposit funding supporting a broadly stable core asset base. This positions the Group's balance sheet well for future asset growth. Currently the Group is targeting a SFI of around 80% and the regulatory environment continues to be monitored closely.

Group Funding Indices (CFI, TFI and SFI)



Customer Funding

The Group has continued to grow its deposit base strongly over the first half of 2010. Customer funding growth has occurred against a backdrop of intense deposit competition and higher deposit pricing.

Term Wholesale Funding

In total, the Group raised $15.2 billion of term wholesale funding during the half year to 31 March 2010, of which 100% was in unguaranteed format. National Australia Bank Ltd has raised $13.1 billion (including $1.6 billion of subordinated debt), BNZ has raised $1.8 billion and National Wealth Management Holdings has raised $0.3 billion.

The Australian Government Wholesale Funding Guarantee was withdrawn to new issuance on 31 March 2010 and the NZ Government Wholesale Funding Guarantee Facility concluded its new issuance coverage on 30 April 2010. In total the Group issued $22 billion of government guaranteed term funding (NAB Ltd $18.5 billion), of which 4% matures in 2011, 44% in 2012 and the remainder by 2014.

The Group continues to focus on issuing longer dated debt to minimise re-financing risk. The weighted average maturity of term wholesale funds raised over the first half of 2010 was approximately 5.5 years to first call, compared to 4.2 years in the prior financial year. The average cost of senior debt issued by National Australia Bank Ltd (and swapped back to Australian dollars) during the half year to March 2010 was approximately 138 basis points over the Bank Bill Swap Rate (BBSW), compared to an average cost of 153 basis points over BBSW (including the government guarantee fee) in the 2009 financial year. The cost of subordinated term funds raised by National Australia Bank Ltd (and swapped back to Australian dollars) during the half year to 31 March 2010 was approximately 225 basis points over the Bank Bill Swap Rate (BBSW).

Public securitisation markets are beginning to show some improvement and although not utilised in the first half of 2010, the Group remains committed to exploring opportunities to enhance diversity in its funding sources.

Short-term Wholesale Funding

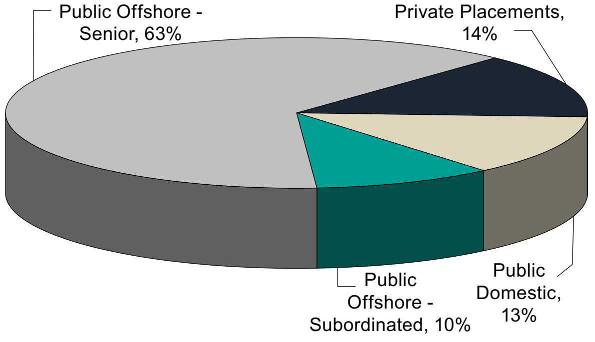
The Group remained well positioned to access international and domestic wholesale markets over the half. The Group's focus has been on maintaining the longer average duration of the short-term book in an effort to support its liquidity position.

Liquid Asset Portfolio

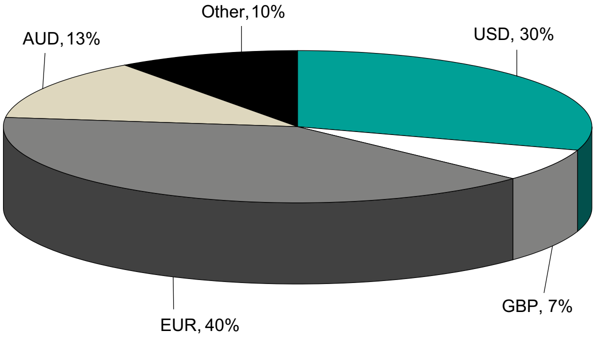
The Group maintains liquid asset portfolios in the various countries in which it operates. In addition to those required by local regulators, the Group is holding securities to support its liquidity position. Total liquid assets held at 31 March 2010 were $68 billion compared to $71 billion at 30 September 2009, and well above pre-crisis levels. Liquidity holdings will be reassessed as the effects of proposed regulatory changes become clearer.

The Group is holding internal securitisation pools of residential backed securities as a source of contingent liquidity to further support the Group's liquid asset holdings.

Half year 2010 Wholesale Funding by Deal Type ($15 billion)



Half year 2010 Wholesale Funding Currency ($15 billion)



Ratings

The Group's current long-term debt ratings are: National Australia Bank Ltd AA/Aa1/AA (S&P/Moody's/Fitch); BNZ AA/Aa2/AA; Clydesdale Bank PLC A+/A1/AA-; and National Wealth Management Holdings Ltd AA- (S&P).

Rating agencies periodically review the various banking sectors in which the Group operates. The Group monitors rating agency developments closely and communicates with them as appropriate.

Full Time Equivalent Employees

	As at				
	31 Mar 10	30 Sep 09	31 Mar 09	Mar 10 v Sep 09%	Mar 10 v Mar 09%
Business Banking	**5,259**	5,055	5,069	(4.0)	(3.7)
Personal Banking	**8,434**	7,663	7,525	(10.1)	(12.1)
Wholesale Banking	**3,049**	3,043	3,064	(0.2)	0.5
UK Banking	**8,239**	8,295	8,510	0.7	3.2
NZ Banking	**4,243**	4,257	4,322	0.3	1.8
MLC & NAB Wealth	**5,292**	3,991	4,116	(32.6)	(28.6)
Great Western Bank	**960**	987	816	2.7	(17.6)
Specialised Group Assets	**48**	88	100	45.5	52.0
Corporate Functions and Other					
Group Business Services	**4,145**	3,968	4,089	(4.5)	(1.4)
Other [1]	**1,759**	1,606	1,539	(9.5)	(14.3)
Total full time equivalent employees (FTEs)	**41,428**	38,953	39,150	(6.4)	(5.8)
Total FTEs ex acquisitions	**39,702**	38,953	39,150	(1.9)	(1.4)
Average half year FTEs	**39,953**	38,958	39,578	(2.6)	(0.9)

(1) *Other includes Group Funding, other supporting units and Asia Banking.*

March 2010 v March 2009

Total FTEs have increased by 2,278 on the March 2009 half year. The movement by each business is as follows:

- Business Banking increased FTEs by 190 mainly due to investment in business bankers to support lending growth.
- Personal Banking grew FTEs by 909 driven by 460 attributable to the Advantedge acquisition, investment in sales staff across various channels, and an increase in customer call centre staff due to extended operational hours. This was partially offset by a decrease in FTEs due to simplification of branch staff roles.
- UK Banking reduced FTEs by 271 mainly as a result of efficiency, quality, services initiatives and the sale of the investment business to AXA. This was partly offset by creation of new positions to support growth and risk management strategies.
- MLC & NAB Wealth increased FTEs by 1,176 mainly due to the acquisition of Aviva and the strategic alliance with Goldman Sachs JBWere.
- Great Western Bank increased FTEs by 144 mainly as a result of the acquisition of the First Community Bank's Colorado branches.
- Other supporting units increased FTEs by 189. This was mainly in the Risk area to strengthen its operational risk, compliance and assurance activities; and Finance and Governance supporting project and growth activities.

March 2010 v September 2009

Total FTEs have increased by 2,475 on the September 2009 half year:

- Business Banking increased FTEs by 204 mainly due to investment in business bankers to support lending growth.
- Personal Banking grew FTEs by 771 as a result of the Advantedge acquisition, investment in sales staff across various channels, and an increase in customer call centre staff due to extended operational hours. This was partially offset by a decrease in FTEs due to simplification of branch staff roles.
- MLC & NAB Wealth increased FTEs by 1,301 mainly as a result of the acquisition of Aviva and strategic alliance with Goldman Sachs JBWere.
- Group Business Services increased FTEs by 177 predominantly because of an increased activity in the Next Generation Banking IT Platform (NGP). This was partially offset by EQS initiatives.
- Other supporting units increased FTEs by 118. This was mainly due to Risk strengthening its operational risk, compliance and assurance activities; and Finance and Governance supporting project and growth activities.

Investment Spend

	Half Year to				
	Mar 10 $m	Sep 09 $m	Mar 09 $m	Mar 10 v Sep 09 %	Mar 10 v Mar 09 %
Infrastructure	**178**	160	89	11.3	100.0
Compliance / Operational Risk	**43**	57	56	(24.6)	(23.2)
Efficiency and Sustainable Revenue	**158**	246	156	(35.8)	1.3
Other	**20**	20	30	-	(33.3)
Total	**399**	483	331	(17.4)	20.5

Investment spend decreased by $84 million or 17.4% on the September 2009 half and increased by $68 million or 20.5% on the March 2009 half. The Group remains committed to investing in initiatives that support its strategic objectives.

Investment in infrastructure projects increased by $89 million or 100% from the March 2009 half, reflecting the continued focus on improving the quality, consistency and capabilities of the organisation to significantly enhance the customer experience. This was mainly driven by the Group's NGP investment. This is an enterprise-led, business enabled initiative that will support the transformation of the Australian businesses, replacing many of the Bank's legacy applications and processes. Other investment activities include development of a new private Wealth platform in MLC & nabWealth, and refurbishing and relocating stores and partner sites in NZ.

Spend on compliance and operational risk has decreased by $13 million or 23.2% from the March 2009 half. The Group continually monitors the regulatory and risk environment to ensure that all necessary requirements are met. Initiatives include activities to support the Basel II accord, Payment Services Directive and Consumer Credit Directives.

Investment in efficiency and sustainable revenue has increased by $2 million or 1.3% since the March 2009 half. The Group continues to identify opportunities to better serve its customers. Initiatives include further development of the business Internet banking program and the Debit Card Transformation roll out in UK Banking. Business Banking activities include improvements in transaction products and the development of licensing arrangements. Personal Banking activities include improvements to mortgage and collection processes. Activities in Wholesale Banking include continued development of software platforms for Global Markets and Treasury, and ongoing system improvements in credit risk management information.

Other Matters

Corporate Responsibility

The Group's approach to Corporate Responsibility (CR) ensures that Group-wide beliefs and behaviours are embedded in everyday decision-making and longer-term planning for the future. The Group CR approach is centred on three core commitments:

- Getting the fundamentals right with customers - by delivering fair value, help, guidance and quality advice.
- Being a good employer - through investing in the skills and capabilities of employees.
- Addressing the Group's broader responsibility to society - by supporting communities, managing environmental impact and making a positive impact through the supply chain.

Customer

As a part of offering **fair value** to customers, Personal Banking and Business Banking have abolished a range of fees and taken a leading role in limiting interest rate rises. NAB was awarded the Best Low-Fee Bank Account for NAB Classic Banking by CHOICE. NAB was the only bank to be recognised by CHOICE and the award validates NAB's commitment to customers and its resolve to be the industry leader in providing fair value.

Employee

The Group has defined a single set of **enterprise beliefs and behaviours** to form the foundation of our culture and brand.

NAB was recognised as an employer of choice by the Equal Opportunity for Women in the Workplace Agency (EOWA), the only major Australian bank to receive this citation in 2010. As a result of **diversity and inclusion** initiatives, the return to work rate of employees on parental leave at NAB has improved from 65% to over 85%.

'The Academy' has continued to grow, offering new programs, courses, tools and technologies designed for the development of staff.

Society

The Group has awarded close to $5 million to school-community partnerships under the **Schools First program**.

The Group continues to show its support for African-Australian communities in Australia through the **Workplace Development Program,** where skilled migrants are given the opportunity to broaden their workplace experience.

Employee volunteering and payroll giving are key focus areas with both programs showing growth.

NAB's second **Reconciliation Action Plan** was launched in December 2009 and continues to focus on financial inclusion, employment opportunities and cultural awareness.

NAB is on track to become carbon neutral for a defined set of emissions from its operations by 30 September 2010. The Group made its first carbon offset purchase in 2009 for UK and Australian business travel. One of the Group's major emission reduction initiatives, the development of a tri-generation facility for one of the its largest data centres, went live in February 2010, with predicted energy savings of $2 million per annum and reductions in carbon emissions of 20,000 tCO_2-e per annum. This is equivalent to emissions from 1,400 households and equates to reduction of approximately 8% of the total Group's carbon footprint in 2009. The Group will publish further details about its carbon inventory and how it will achieve its carbon neutral commitment before the 30 September 2010.

Section 4

Review of Divisional Operations and Results

Divisional Performance Summary

Half year ended 31 March 2010	Business Banking $m	Personal Banking $m	Wholesale Banking $m	UK Banking $m	NZ Banking $m	MLC & NAB Wealth $m	GWB $m	Specialised Group Assets $m	Corporate Functions & Other [1] $m	Eliminations $m	Group Cash Earnings $m
Net interest income	2,312	1,215	616	864	472	142	100	105	288	-	6,114
Fees and commissions	412	294	122	222	151	18	20	12	52	-	1,303
Trading income	33	-	251	1	(1)	-	-	(230)	(54)	-	-
Other	25	7	44	-	23	-	9	5	20	(61)	72
Other operating income	470	301	417	223	173	18	29	(213)	18	(61)	1,375
MLC net operating income	-	-	-	-	-	748	-	-	-	-	748
Net operating income	2,782	1,516	1,033	1,087	645	908	129	(108)	306	(61)	8,237
Operating expenses	(843)	(834)	(447)	(622)	(289)	(541)	(59)	(27)	(260)	61	(3,861)
Underlying profit	1,939	682	586	465	356	367	70	(135)	46	-	4,376
Specific charge to provide for doubtful debts	(372)	(168)	(73)	(291)	(43)	(3)	(19)	(114)	-	-	(1,083)
Collective charge to provide for doubtful debts	(9)	(63)	44	(31)	(27)	(2)	(1)	(47)	1	-	(135)
Charge on investments held to maturity	-	-	-	-	-	-	-	(12)	-	-	(12)
Charge to provide for doubtful debts	(381)	(231)	(29)	(322)	(70)	(5)	(20)	(173)	1	-	(1,230)
Cash earnings before tax, IoRE, distributions and non-controlling interest	1,558	451	557	143	286	362	50	(308)	47	-	3,146
Income tax expense	(463)	(134)	(154)	(36)	(84)	(98)	(17)	91	11	-	(884)
Cash earnings before IoRE, distributions and non-controlling interest	1,095	317	403	107	202	264	33	(217)	58	-	2,262
Net profit - non-controlling interest	-	-	-	-	-	(1)	-	-	-	-	(1)
IoRE	-	-	-	-	-	35	-	-	-	-	35
Distributions	-	-	-	-	-	-	-	-	-	(103)	(103)
Cash earnings	1,095	317	403	107	202	298	33	(217)	58	(103)	2,193

[1] *Corporate Functions & Other includes Group Funding, Group Business Services, other supporting units and Asia Banking.*

Note: The Divisional Performance Summary excluding acquisitions is on pages 158 to 160.

Divisional Performance Summary

Half year ended 30 September 2009	**Business Banking $m**	**Personal Banking $m**	**Wholesale Banking $m**	**UK Banking $m**	**NZ Banking $m**	**MLC & NAB Wealth $m**	**GWB $m**	**Specialised Group Assets $m**	**Corporate Functions & Other [1] $m**	**Eliminations $m**	**Group Cash Earnings $m**
Net interest income	2,242	1,285	757	949	452	147	97	94	165	-	6,188
Fees and commissions	393	378	146	300	155	29	22	18	21	-	1,462
Trading income	30	-	501	(2)	(90)	-	-	(193)	(100)	-	146
Other	19	4	(96)	26	117	12	4	(3)	36	(52)	67
Other operating income	442	382	551	324	182	41	26	(178)	(43)	(52)	1,675
MLC net operating income	-	-	-	-	-	529	-	-	-	-	529
Net operating income	2,684	1,667	1,308	1,273	634	717	123	(84)	122	(52)	8,392
Operating expenses	(836)	(791)	(455)	(686)	(295)	(424)	(60)	(43)	(272)	52	(3,810)
Underlying profit	1,848	876	853	587	339	293	63	(127)	(150)	-	4,582
Specific charge to provide for doubtful debts	(652)	(222)	(75)	(481)	(71)	(10)	(17)	(240)	(2)	-	(1,770)
Collective charge to provide for doubtful debts	(105)	2	(36)	(34)	(1)	(2)	5	(7)	(4)	-	(182)
Charge on investments held to maturity	-	-	-	-	-	-	-	(52)	-	-	(52)
Charge to provide for doubtful debts	(757)	(220)	(111)	(515)	(72)	(12)	(12)	(299)	(6)	-	(2,004)
Cash earnings before tax, IoRE, distributions and non-controlling interest	1,091	656	742	72	267	281	51	(426)	(156)	-	2,578
Income tax expense	(315)	(189)	(223)	(20)	(78)	(69)	(18)	107	79	-	(726)
Cash earnings before IoRE, distributions and non-controlling interest	776	467	519	52	189	212	33	(319)	(77)	-	1,852
Net profit - non-controlling interest	-	-	16	-	-	(5)	-	-	-	-	11
IoRE	-	-	-	-	-	52	-	-	-	-	52
Distributions	-	-	-	-	-	-	-	-	-	(101)	(101)
Cash earnings	776	467	535	52	189	259	33	(319)	(77)	(101)	1,814

[1] *Corporate Functions & Other includes Group Funding, Group Business Services, other supporting units and Asia Banking.*

Note: The Divisional Performance Summary excluding acquisitions is on pages 158 to 160.

Divisional Performance Summary

Half year ended 31 March 2009	Business Banking $m	Personal Banking $m	Wholesale Banking $m	UK Banking $m	NZ Banking $m	MLC & NAB Wealth $m	GWB $m	Specialised Group Assets $m	Corporate Functions & Other [(1)] $m	Eliminations $m	Group Cash Earnings $m
Net interest income	2,063	1,183	710	917	495	139	99	126	152	-	5,884
Fees and commissions	379	383	103	315	178	17	26	28	(3)	-	1,426
Trading income	80	2	824	(4)	14	-	-	(342)	108	-	682
Other	16	40	(101)	34	17	-	4	23	(5)	(45)	(17)
Other operating income	475	425	826	345	209	17	30	(291)	100	(45)	2,091
MLC net operating income	-	-	-	-	-	539	-	-	-	-	539
Net operating income	2,538	1,608	1,536	1,262	704	695	129	(165)	252	(45)	8,514
Operating expenses	(809)	(783)	(443)	(731)	(294)	(418)	(62)	(52)	(223)	45	(3,770)
Underlying profit	1,729	825	1,093	531	410	277	67	(217)	29	-	4,744
Specific charge to provide for doubtful debts	(397)	(139)	(187)	(303)	(70)	(7)	(7)	(97)	2	-	(1,205)
Collective charge to provide for doubtful debts	(162)	(123)	(47)	(74)	(12)	1	-	(92)	(97)	-	(606)
Charge to provide for doubtful debts	(559)	(262)	(234)	(377)	(82)	(6)	(7)	(189)	(95)	-	(1,811)
Cash earnings before tax, IoRE, distributions and non-controlling interest	1,170	563	859	154	328	271	60	(406)	(66)	-	2,933
Income tax expense	(347)	(155)	(232)	(44)	(95)	(70)	(20)	148	90	-	(725)
Cash earnings before IoRE, distributions and non-controlling interest	823	408	627	110	233	201	40	(258)	24	-	2,208
Net profit - non-controlling interest	-	-	(14)	-	-	3	-	-	-	-	(11)
IoRE	-	-	-	-	-	(26)	-	-	-	-	(26)
Distributions	-	-	-	-	-	-	-	-	-	(144)	(144)
Cash earnings	823	408	613	110	233	178	40	(258)	24	(144)	2,027

(1) *Corporate Functions & Other includes Group Funding, Group Business Services, other supporting units and Asia Banking.*

Note: The Divisional Performance Summary excluding acquisitions is on pages 158 to 160.

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Business Banking

Joseph Healy

As Australia's leading business bank based on market share, Business Banking provides commercial banking services to business customers covering the full range from SME to larger corporate and institutional businesses. Business Banking also provides specialist industry expertise in the Agribusiness, Property, Healthcare, Education and Government sectors.

Strategic Highlights and Business Developments

Business Banking has performed well this half, delivering cash earnings of $1.1 billion, up 33.0% on March 2009 half, and underlying profit up 12.1% on the March 2009 half result. This performance reflects sound margin management, lower bad and doubtful debts and consistent delivery of Business Banking's strategy.

A strong commitment to customers and a traditional relationship banking approach continues to be at the heart of the Business Banking strategy. Business Banking ranks number one amongst the major banks in customer satisfaction for companies with turnover between $5 million and $500 million (Source: East & Partners March 2010 data) and was recognised as 'Business Bank of the Year' by CFO Magazine. In the $1 million - $5 million turnover segment, NAB continues to retain its primary position on customer penetration, share of wallet and market share (Source: DBM March 2010 data).

Business Banking's performance during the half reflects:

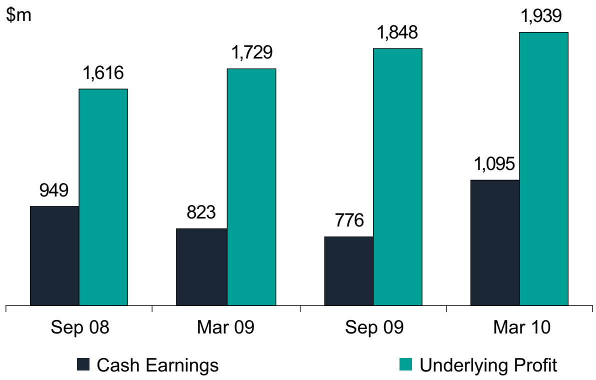
Disciplined execution of a customer-centric strategy with a focus on 'AND' - growing market share AND managing risk/reward AND relationship cross sell.

Good progress on the recently launched **"Customer-led Innovation Strategy"** builds on the relationship banking approach for which the business is renowned to enhance the understanding of customer needs, deepen customer relationships and optimise cross-sell opportunities.

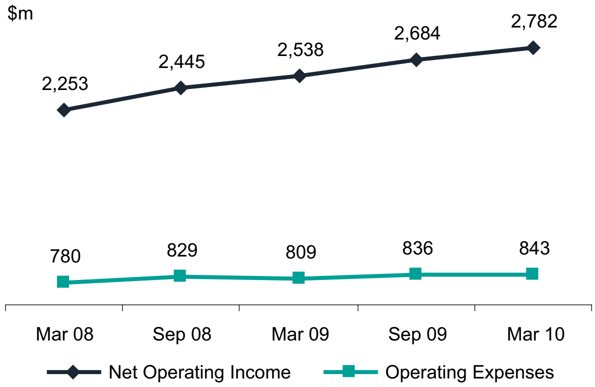
Continued investment in front-line resources by putting more bankers in more places, embedding specialists with bankers in Business Banking Centres (BBCs), and streamlining administrative processes to increase the time bankers spend with their customers. Open letters inviting bankers to join NAB attracted close to 3,000 applications, reflecting NAB's strong reputation in Business Banking. 120 new bankers and specialists have been hired this year so far and 5 new BBCs are scheduled to open later in the year. By 2011, NAB is aiming to have recruited over 500 new business bankers and specialists within Australia since 2009.

Focus on delivering growth through supporting customers. Business lending market share (Source: RBA March 2010 data) has increased by 80 basis points to 20.4% over the 12 months to March 2010, during a period where system has declined by 6.9%. Importantly, the core SME business has continued to grow successfully with 4.7% growth over this period. Business Banking ranks number one amongst major banks as the primary lender and transaction banker to SMEs with 31% and 25% market share respectively (Source: East & Partners March 2010 data). The Institutional business has seen volumes decline by 26.9% over the 12 months as customers take the opportunity to de-leverage. Growth in all of these businesses remains key to Business Banking's strategy.

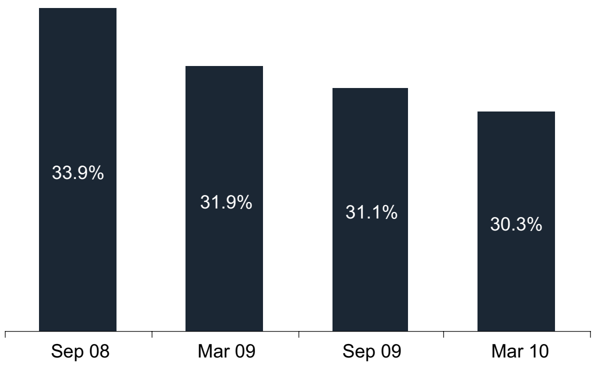
Business Banking Cash Earnings and Underlying Profit



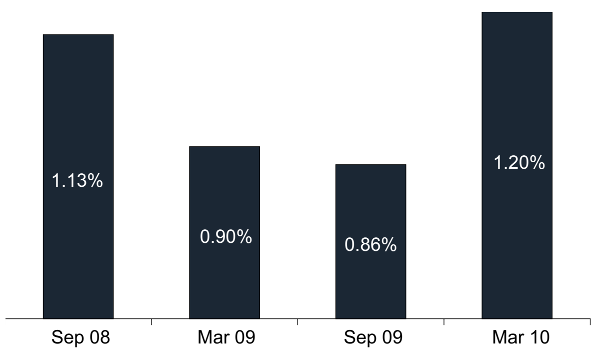
Business Banking Revenue and Expense Trends



Business Banking Cost to Income Ratio



Business Banking Cash Earnings on Average Assets



Investment in longer term growth opportunities including joint investment with Personal Banking in improving small and emerging business banker capabilities and service. A new dedicated small business call centre was launched in December 2009 to focus service on this segment. In addition, Business Banking is focused on restoring strength to the underweight institutional business and continuing to invest in the successful iFS and Specialisation models including Financial Planning, Franchise Banking and Professional Services.

Commitment to the importance of Fair Value and Reputation with the abolition of certain fees on business products announced in January. These changes, which benefit almost 500,000 business account holders, have addressed those fees that make a real difference to customers. They are designed to be particularly helpful to small businesses, and enhance the reputation of Business Banking. This was supported in the April survey by East & Partners "Business Banking Sentiment", where 65% of customers surveyed highlighted NAB as having the best reputation for business banking.

Maintenance of a strong position in business deposits market share over the period despite increasing competition. Business Banking's CFI has improved during the half to 46.8%, up from 45.1% at September 2009 reflecting a goal of lifting transactional and deposit balances across all segments to become the primary transaction banker for customers.

A philosophy that sees risk and capital management as fundamental to sound banking. This includes having credit managers co-located with bankers to enable better and timely decision making and informed risk management. Asset quality is managed closely to ensure risk settings reflect current market conditions and to actively address bad and doubtful debts. Pricing for risk continues to be a focus, with investment in banker education and support to ensure that margins are effectively managed.

Tight expense control with a focus on investments that generate strategic growth. Efficiency initiatives continue to be implemented with a focus on banker training and development, together with consolidation and migration of administrative activities to back office functions, both in Australia and offshore, to provide capacity for bankers to improve customer contact time.

Operating Environment

The March 2010 half saw a continued declining business credit environment, with system growth hitting a 17 year low as conditions remained subdued. Business confidence is beginning to improve and lending activity is expected to recover in the second half of 2010 and early part of 2011. During the half, competition intensified as a number of banks who ceased lending during the global financial crisis, began to focus on the business sector to increase market share through aggressive pricing. This created an environment of low system growth, combined with increasingly intense competition and pricing pressures.

The large corporate end of business lending was the predominant driver of system decline. This segment has taken the opportunity to pay down debt levels and de-leverage their balance sheets as economic conditions have improved. The SME segment has been resilient but growing more slowly this half than in previous years.

Pursuit for deposits was also intense, with global and second-tier banks re-emerging in the deposit market, together with aggressive pricing from some of the domestic majors. Total business deposit market share (Source: APRA March 2010), improved by 90 basis points to 22.0% from September 2009 with deposit volume growth 2.2 times system. Strength in the deposit base remains a priority, with a focus on those deposits that strengthen and support customer relationships.

The credit environment remains uncertain but there are emerging signs of sustained improvement. Business Banking continues to be cautiously optimistic with respect to any turnaround and believes the peak in the bad debt cycle to be over. The effect of rising interest rates and the strengthening Australian Dollar on Business Banking customers are yet to be fully seen.

Business Banking

	Half Year to Mar 10 $m	Sep 09 $m	Mar 09 $m	Mar 10 v Sep 09 %	Mar 10 v Mar 09 %
Net interest income	**2,312**	2,242	2,063	3.1	12.1
Other operating income	**470**	442	475	6.3	(1.1)
Net operating income	**2,782**	2,684	2,538	3.7	9.6
Operating expenses	**(843)**	(836)	(809)	(0.8)	(4.2)
Underlying profit	**1,939**	1,848	1,729	4.9	12.1
Charge to provide for bad and doubtful debts	**(381)**	(757)	(559)	49.7	31.8
Cash earnings before tax	**1,558**	1,091	1,170	42.8	33.2
Income tax expense	**(463)**	(315)	(347)	(47.0)	(33.4)
Cash earnings	**1,095**	776	823	41.1	33.0
Average Volumes ($bn)					
Gross loans and acceptances	**184.8**	184.0	182.6	0.4	1.2
Interest earning assets	**184.5**	182.7	184.4	1.0	0.1
Total assets	**182.4**	181.0	183.2	0.8	(0.4)
Retail deposits	**77.0**	73.0	68.5	5.5	12.4
Capital ($bn)					
Risk-weighted assets - credit risk (spot)	**136.0**	133.8	134.7	1.6	1.0
Total risk-weighted assets (spot)	**138.5**	136.4	137.3	1.5	0.9
Performance Measures					
Cash earnings on average assets	**1.20%**	0.86%	0.90%	34 bps	30 bps
Net interest margin	**2.51%**	2.45%	2.24%	6 bps	27 bps
Cost to income ratio	**30.3%**	31.1%	31.9%	80 bps	160 bps
Cash earnings per average FTE ($'000s)	**428**	305	330		
FTEs (spot)	**5,259**	5,055	5,069		

Market Share	As at Mar 10	Sep 09	Mar 09
Business lending [(1)]	**20.4%**	20.5%	19.6%
Business lending SME [(2)] [(3)]	**31.3%**	30.7%	30.4%
Transaction SME [(2)]	**25.3%**	24.6%	24.2%
Business deposits [(4)]	**22.0%**	21.1%	20.4%

(1) *Source: RBA Financial System*

(2) *Source: East & Partners. March 2010 as at April 2010. September 09 as at October 2009. March 2009 as at April 2009.*

(3) *SME: A$1-20m annual turnover*

(4) *Source: APRA Monthly Banking Statistics*

Business Banking
Financial Analysis

March 2010 v March 2009

Cash earnings increased by $272 million or 33.0% compared to the March 2009 half, reflecting a robust underlying profit performance (12.1% growth) and improved bad and doubtful debt charges due to fewer customer rating downgrades as the economy emerges from the global financial crisis.

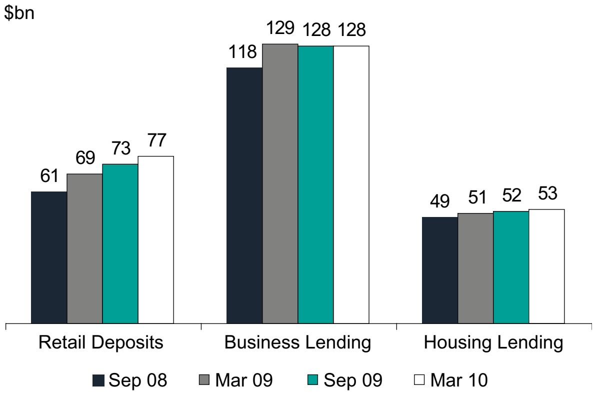
Cash earnings on average assets improved by 30 basis points, reflecting the improved bad and doubtful debt position and the delivery of the Business Banking "AND" strategy with a focus on growing market share AND managing risk/reward.

Net interest income increased by $249 million or 12.1% compared to March 2009. This was primarily driven by strong margin management through repricing for risk in the September 2009 half and volume growth in both deposits and lending. This growth was partially offset by higher funding costs and lower earnings on attributed capital.

Average interest earning assets grew by $0.1 billion or 0.1%, a result of business and housing lending growth in the SME segments, offset by lower lending volumes in the Institutional segment, as customers repaid debt and de-leveraged their balance sheets.

Average retail deposits increased by $8.5 billion or 12.4%, following Business Banking's efforts to reduce its reliance on wholesale funding.

Business Banking Average Volumes



Net interest margin increased by 27 basis points over the March 2009 half, due to improved lending margins achieved through repricing for risk predominantly in the September 2009 half, offset by lower earnings on allocated capital.

Other operating income decreased by $5 million or 1.1% driven by lower demand for risk management products caused by lower volatility in the FX and interest rate markets as the economic uncertainty reduced. This was offset by higher lending related fees from repricing for risk.

Operating expenses increased by $34 million or 4.2% reflecting increased costs from the investment in additional front-line bankers to support customers, and additional salary related costs. This was partially offset by underlying expenses remaining tightly managed through the delivery of efficiency and continuous improvement initiatives.

The **charge to provide for bad and doubtful debts** decreased by $178 million following a reduction in the incidence of provisions on single name exposures, a large reduction in the need for collective provisioning based on customer re-ratings, and an improving credit environment.

March 2010 v September 2009

Cash earnings increased by $319 million or 41.1% on the September 2009 half. This increase reflected a decrease in bad and doubtful debt charges, improved margins and slowing lending growth in a contracting business credit system.

Cash earnings on average assets increased by 34 basis points, driven primarily by lower bad and doubtful debt charges, improved net interest margins and low asset growth.

Net interest income increased by 3.1% compared to September 2009. This was due to strong margin management and the full period impact of repricing for risk in the September 2009 half. This growth was partially offset by higher funding costs and lower earnings on attributed capital.

Average interest earning assets grew by $1.8 billion or 1.0%, due to both business and housing lending growth, partially offset by lower volumes in the Institutional segment.

Average retail deposits grew by $4 billion or 5.5%, reflecting the ongoing drive to grow deposits.

Net interest margin increased by 6 basis points on the September 2009 half, due to strong margin management primarily through active repricing for risk, offsetting higher funding costs and lower earnings on attributed capital.

Other operating income increased by $28 million or 6.3% due to growth in lending related fees from repricing for risk, offset by lower demand for risk management products as volatility in the market diminished.

Operating expenses increased by $7 million or 0.8%, reflecting investment in additional front-line bankers to enable growth, offset by savings generated through efficiency initiatives.

The **charge to provide for bad and doubtful debts** decreased by $376 million or 49.7% following a reduction in single name specific provisions as the credit environment showed signs of improvement.

Other Items

Asset Quality

	As at		
	Mar 10	Sep 09	Mar 09
Specific provision for doubtful debts ($m)	**892**	915	699
Collective provision for doubtful debts ($m)	**1,176**	1,157	1,009
Collective provision on loans at fair value	**29**	24	15
90+ DPD assets ($m)	**792**	699	611
Gross impaired assets ($m)	**2,873**	2,798	1,764
90+ DPD plus gross impaired assets to gross loans and acceptances	**1.97%**	1.89%	1.29%
Specific provision to gross impaired assets	**31.0%**	32.7%	39.6%
Net write-offs to gross loans and acceptances (annualised)	**0.43%**	0.27%	0.07%
Total provision as a percentage of net write-offs	**264%**	421%	1,327%
Total provision to gross loans and acceptances	**1.13%**	1.14%	0.94%
Bad and doubtful debt charge to credit risk weighted assets	**0.56%**	0.98%	0.83%

Asset quality across the Business Banking portfolio stabilised over the March 2010 half year, with bad and doubtful debt charges significantly lower and the rate of increase in impaired assets slowing considerably relative to prior periods.

Although encouraging economic trends continued to emerge, a challenging operating environment was evident through the continued contraction of system business credit in Australia, largely from the de-leveraging of corporate balance sheets. In this environment Business Banking through sound lending practices achieved good growth across the SME and Corporate loan portfolios.

Bad and doubtful debt charges fell relative to the September 2009 half and prior comparative period. The decrease was attributable to fewer downgrades to impairment grades and a lower incidence of single name specific provisions. The bad and doubtful debt charge to Credit Risk Weighted Assets fell by 42 basis points compared to the September 2009 half.

The ratio of 90+ DPD plus gross impaired assets to gross loans and acceptances rose by 8 basis points to 1.97%, with impaired assets up by 3%, primarily from the impairment of a single large exposure. 90+ DPD volumes rose by 13% from a moderate and, in part, seasonal rise in 90+ DPD volumes in the Queensland and Victoria SME portfolios.

The ratio of net write-offs to gross loans and acceptances increased by 16 basis points from the September 2009 half. However, these write-offs related to a number of large customer accounts that were specifically provided for in previous periods. Loan loss provision cover remains relatively stable compared to the September 2009 half.

The portfolio is well diversified across product and industry segments. The result of a comprehensive review of higher risk portfolios was in line with expectations. The Commercial Property portfolio in Business Banking remains closely monitored and volumes remain relatively stable compared to prior periods.

Over the half, investment in credit systems continued with the progress of business credit initiatives through NGP and the introduction of enhanced and more conservative non-retail LGD (loss given default) models. The investment grade equivalent proportion of the non-retail portfolio fell (by 348 basis points to 68.54%) primarily due to changes to the non-retail LGD (Loss Given Default) model in November 2009 with underlying asset quality remaining sound.

Investment Spend

Business Banking more than doubled investment cash spend in 2010 over the March 2009 half to $35m. The investment allocation was aligned to its strategic plan which is focused on three goals:

- *World-class relationship banking.* The recently launched Customer-Led Innovation Program will further strengthen the relationship banking model to deepen customer relationships and optimise cross-sell.
- *Business Banking's expansion* to be enabled through two programs: The successful "Attacker" strategy that will add 360 new bankers by the end of 2010; and NAB's new service and value proposition to the small and emerging business segment through the new small business call centre and the refinement of iFS and Specialisation models for this segment.
- *Running the business well*. Business Banking's well established Efficiency program has been boosted via funding from the Accelerated Efficiency Initiative. The program continues to deliver improved sales support and back office processes to improve the customer experience and free up front-line banker time. In addition, initiatives have been undertaken to improve processes that will release capital and enhance Business Banking's capital efficiency.

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Personal Banking

Lisa Gray

Personal Banking helps 3.6 million retail customers and 300,000 small and emerging business customers to realise their potential. This is achieved with quality products and services by providing financial help, guidance and advice, and by focusing on what customers want.

Strategic Highlights and Business Developments

NAB has begun reinvesting in the Personal Banking business to provide customers with a better set of financial solutions and **differentiate it as a bank that offers both customers and employees fair value. This will position the business for long-term and sustainable growth.**

This is being achieved by improving reputation and competitiveness through:

- **Restoring the core business** by transforming the customer experience and differentiating the NAB brand and reputation, led by NAB's **Fair Value philosophy**.
- **Expanding in key segments** by connecting customers through a range of channels and brands.
- **Investing for long term growth** through new customer driven models, such as UBank.

Restoring the Core Business

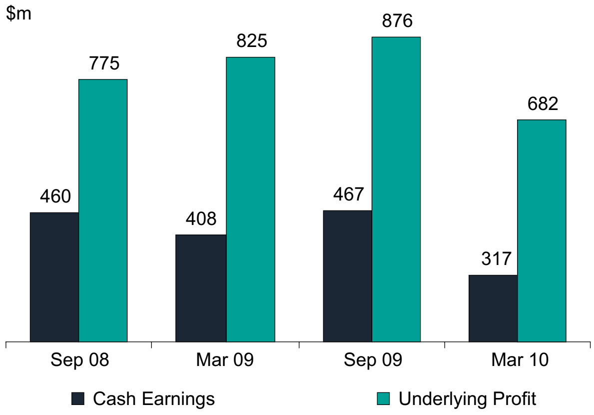
In the March 2010 half year NAB has prioritised investment within Personal Banking's core retail business, NAB Retail, as one of two key priorities, the other being the Next Generation IT Platform. NAB Retail, consisting of key distribution channels including retail outlets and the Customer Contact Centre, is focused on 'restoring the core' of the Bank, including: differentiating NAB's brand and reputation; improving sales capability and capacity; simplifying key processes; and enhancing customers' experience.

In the first half of 2010 NAB has made a significant investment to differentiate the business via NAB's Fair Value philosophy. This leading position delivers customers a fairer banking relationship and a real alternative to peers to create a sustainable business model for the retail franchise in the long term. This initiative has positioned Personal Banking well to provide the basis for a constructive relationship with more customers.

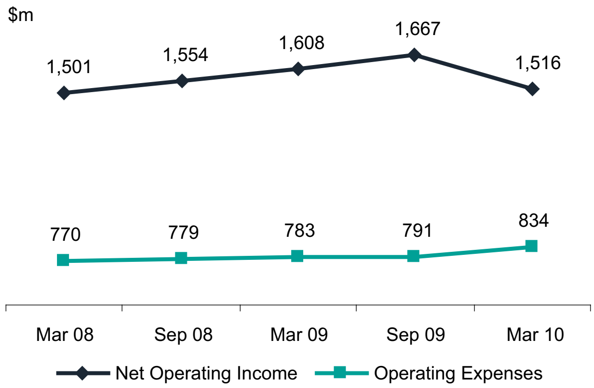
During the first half of 2010, actions taken to restore Personal Banking's core business have included:

- Launching new advertising, "More Give, Less Take".
- Abolishing monthly account fees on popular everyday transaction accounts. The transaction account is the "corner stone" product of a customer's relationship with its main bank. It provides the foundation which drives future sales opportunities and therefore creates significant value to the organisation.
- Changing mortgage pricing strategy, to offer customers fair pricing and a real alternative to peers.

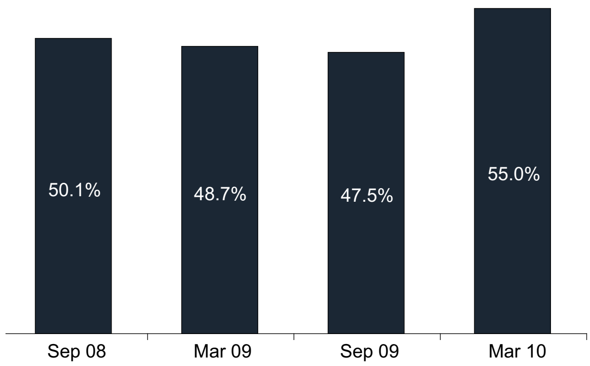
Personal Banking Cash Earnings and Underlying Profit



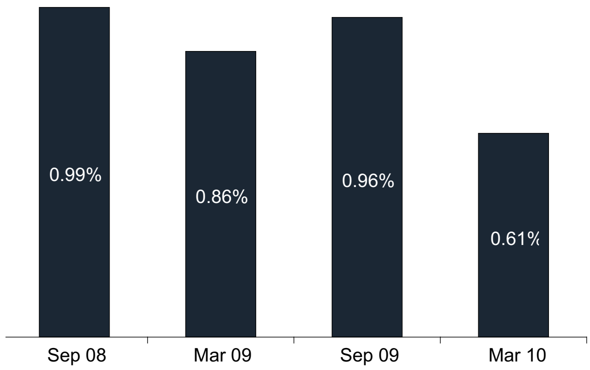
Personal Banking Revenue and Expense Trends



Personal Banking Cost to Income Ratio



Personal Banking Cash Earnings on Average Assets



- Completing activity to centralise administration tasks away from the branch network to provide employees more time with customers.
- Investing in capacity and extending operating hours in the Customer Contact Centre.
- Continuing roll out of NAB Kiosks to increase sales and acquisition capacity and broaden the existing branch network.
- Increasing the number of small business bankers to 117, all of whom have authority to approve loans, and implementing a small business services team operating out of the Contact Centre.
- Initiating a program to transform and streamline the Bank's mortgage fulfilment processes.
- Simplifying transaction account product offerings from nine to four.
- Launching NAB Care, a dedicated team handling cases of financial hardship.

These actions have helped drive momentum in the business, with key highlights from the March 2010 half including:

- A 21% increase in new mortgage loans settlement volumes for NAB Retail versus the first half of 2009.
- A 22% decrease in transaction account closures and a 32% increase in new transaction account openings compared to the March 2009 half. This increase in new transaction accounts was well above expectations.
- A 42% reduction in customer complaints since March 2009.
- Significant improvement in customer satisfaction, reducing the gap between NAB and the weighted average of peers from 5.1% in March 2009 to 2.6% in March 2010 (Source: Roy Morgan Research March 2010 data).
- Being awarded the CHOICE award for 'Best Low-Fee Bank Account'.

These highlights demonstrate that the strategic decisions made are addressing the concerns of our customers, are improving their experience and will drive revenue growth over the longer term.

Expanding in Key Segments

In this half year, the focus has been in the third party broker distribution mortgage segment with significant traction made from expansion into alternative brands.

NAB Partnerships, consisting of NAB Broker and Advantedge, was established to support the commitment Personal Banking made to the third party broker distribution network. The Challenger mortgage management business acquisition, now branded Advantedge, was completed and integrated with no loss of key employees or brokers.

NAB Broker's Homeside brand continued to evolve, with the introduction of risk-based pricing in October 2009. Consumers with lower mortgage borrowings, compared to the value of property securing their loan, are offered a reduced interest charge. This new pricing model contributed to new loan settlements volumes in NAB Broker increasing by 84% versus the first half of 2009, moving the below 80% loan to value ratio on applications from 65% to 81% of new loans and improved the overall asset quality in that brand.

These initiatives across NAB Partnerships and NAB Retail, have resulted in Personal Banking achieving 1.2x system growth in mortgages for the March 2010 half year (excluding the impact of the Advantedge back book purchase) (Source: RBA March 2010 data).

Investing for Long Term Growth

UBank has experienced significant growth from the launch of its online savings account, USaver, in August 2009 - the first product launched on the new Next Generation Banking IT Platform. The new platform has proved successful, with over 79,000 new accounts opened using real-time online application and verification, enabling customers to open an account online in 5 minutes. This product has been a key contributor to Personal Banking's growth in household deposits, which has experienced 2.1x system growth for the March 2010 half year (Source: APRA March 2010 data).

Operating Environment

The Australian economy has proved resilient in the global downturn, largely as a result of government stimulus and relatively low interest rates.

As the economy has strengthened government support has gradually withdrawn, including the First Home Owner Boost which ceased at the end of 2009. Despite this, the mortgage market has remained solid as increased consumer confidence, combined with relatively low interest rates have continued to drive growth in mortgage lending.

Due to the relative strength of the economy, the Reserve Bank of Australia has steadily lifted rates since October 2009. Notwithstanding this, unemployment levels have remained higher than in recent years, placing some stress on consumers which in turn has had an impact on unsecured portfolios.

The resilience of the mortgage sector, combined with an increased desire by banks to improve the level of funding from customer deposits, has fuelled increased competition in this market, which has contributed to higher funding costs and lower deposit margins.

Personal Banking

	Half Year to Mar 10 $m	Half Year to Sep 09 $m	Half Year to Mar 09 $m	Mar 10 v Sep 09 %	Mar 10 v Mar 09 %
Net interest income	**1,215**	1,285	1,183	(5.4)	2.7
Other operating income	**301**	382	425	(21.2)	(29.2)
Net operating income	**1,516**	1,667	1,608	(9.1)	(5.7)
Operating expenses	**(834)**	(791)	(783)	(5.4)	(6.5)
Underlying profit	**682**	876	825	(22.1)	(17.3)
Charge to provide for bad and doubtful debts	**(231)**	(220)	(262)	(5.0)	11.8
Cash earnings before tax	**451**	656	563	(31.3)	(19.9)
Income tax expense	**(134)**	(189)	(155)	29.1	13.5
Cash earnings	**317**	467	408	(32.1)	(22.3)
Average Volumes ($bn)					
Gross loans and acceptances	**104.3**	97.1	95.2	7.4	9.6
Interest earning assets	**104.3**	97.0	95.1	7.5	9.7
Total assets	**104.7**	97.0	95.2	7.9	10.0
Retail deposits	**58.7**	54.3	48.7	8.1	20.5
Spot Volumes ($bn)					
Housing lending [1]	**99.2**	90.5	87.5	9.6	13.4
Other personal lending	**7.7**	7.4	7.3	4.1	5.5
Retail deposits	**59.9**	57.2	52.6	4.7	13.9

[1] *March 2010 includes $4.9 billion attributable to Advantedge.*

	Mar 10	Sep 09	Mar 09	Mar 10 v Sep 09	Mar 10 v Mar 09
Capital ($bn)					
Risk-weighted assets - credit risk (spot)	**32.9**	29.9	29.7	10.0	10.8
Total risk-weighted assets (spot)	**36.4**	33.6	33.3	8.3	9.3
Performance Measures					
Cash earnings on average assets	**0.61%**	0.96%	0.86%	(35 bps)	(25 bps)
Net interest margin	**2.34%**	2.64%	2.49%	(30 bps)	(15 bps)
Cost to income ratio	**55.0%**	47.5%	48.7%	(750 bps)	(630 bps)
Cash earnings per average FTE ($'000s)	**80**	123	109		
FTEs (spot)	**8,434**	7,663	7,525		

Distribution	As at Mar 10	As at Sep 09	As at Mar 09
Number of retail outlets [1]	**748**	752	772
Number of ATMs	**3,172**	3,164	1,641
Number of internet banking customers (no. million)	**1.523**	1.375	1.297

[1] *Retail outlets include both branches and kiosks.*

Market Share	As at Mar 10	As at Sep 09	As at Mar 09
Housing lending [1]	**13.2%**	12.8%	13.0%
Household deposits [2]	**13.4%**	13.1%	13.0%

[1] *RBA Financial System / NAB including Wholesale Banking data as at March 2010.*
[2] *APRA Banking System / NAB including Wholesale Banking data as at March 2010.*

Personal Banking
Financial Analysis

March 2010 v March 2009

Cash earnings decreased by $91 million or 22.3% compared to the March 2009 half, mainly due to lower income given the impact of the Fair Value fee initiatives and higher deposit costs. This was partially offset by Advantedge ($26 million) and lower bad and doubtful debt charges.

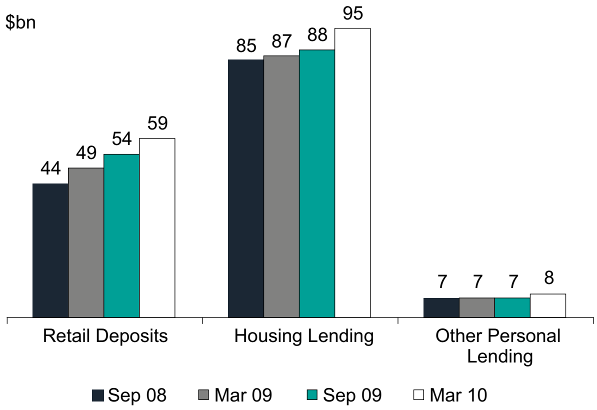
Cash earnings on average assets declined by 25 basis points, driven by lower income.

Net interest income increased by $32 million or 2.7% in comparison to March 2009, largely due to Advantedge ($36 million). The competitive pricing strategy resulted in improved revenues from increased volumes which were offset by the impact of lower margins due to this pricing initiative, and the heightened competition for consumer deposits.

Average interest earning assets grew by $9.2 billion or 9.7%, driven by Advantedge ($3.8 billion) and improved momentum across all sales channels. On a spot basis, housing lending grew by $11.8 billion or 13.4% on March 2009 (excluding Advantedge, housing lending grew by $6.9 billion or 7.8%) as the Personal Banking strategy yielded improved results.

Average retail deposits increased by $10 billion or 20.5%, largely due to UBank's outstanding growth and momentum achieved in the September 2009 half year in NAB Retail.

Personal Banking Average Volumes



The decrease in the **net interest margin** of 15bps for the half year, is a reflection of the competitive strategy being maintained across the Personal Banking home loan portfolio, as well as higher deposit costs.

Other operating income decreased by $124 million or 29.2%. This was largely the result of Personal Banking's Fair Value fee initiatives, where numerous fees and charges were abolished or reduced, combined with the full half year impact of ATM direct charging, which commenced on 3 March 2009. This decline was partially offset by income from Advantedge ($30 million).

Operating expenses increased by $51 million or 6.5% due to Advantedge ($28 million), combined with re-investment to restore the core business and drive the Personal Banking strategy. This was partially offset by savings from the efficiency and quality program.

The **charge to provide for bad and doubtful debts** decreased by $31 million largely as a result of the single collective provision charge for loans covered by Lenders Mortgage Insurance in 2009 not being repeated. This was partially offset by increases in bad and doubtful debts in the unsecured portfolio as a result of some deterioration in this portfolio, which has been affected by higher average unemployment levels than those seen in recent years.

March 2010 v September 2009

Cash earnings decreased by $150 million or 32.1% on the September half mainly due to lower income.

Cash earnings on average assets declined by 35 basis points mainly due to increased funding and deposit costs and the impact of the Fair Value fee initiatives in the half.

Net interest income decreased by $70 million or 5.4%. Volume growth and the positive impact of Advantedge was more than offset by decreased net interest margins.

Average interest earning assets grew by $7.3 billion or 7.5% due to Advantedge ($3.8 billion) and solid home lending growth in all channels as the Personal Banking strategy gained momentum.

Average retail deposits grew by $4.4 billion or 8.1%, underpinned by strong growth in UBank. This has contributed to 2.1x household deposits system growth for Personal Banking for the March 2010 half year (Source: APRA March 2010 data).

The 30bps decrease in the **net interest margin** for the half year reflects the competitive pricing strategy despite the marked increase in deposit costs stemming from intense competition.

Other operating income decreased by $81 million or 21.2%. This was largely the result of Personal Banking's Fair Value fee initiatives, which commenced implementation in September 2009. This was partially offset by the Advantedge acquisition.

Operating expenses increased by $43 million or 5.4%, mainly due to re-investment to restore the core business to support the Personnel Banking strategy together with the impact of Advantedge. These were partially offset by savings achieved through efficiency and quality initiatives.

The **charge to provide for bad and doubtful debts** increased by $11 million on the September 2009 half year, reflecting rises in unsecured bad and doubtful debts mainly from sustained levels of unemployment and the impact of seasonality, partially offset by improvements in the asset quality of the secured portfolio.

Other Items

Asset Quality

	As at		
	Mar 10	**Sep 09**	**Mar 09**
Specific provision for doubtful debts ($m)	**64**	65	60
Collective provision for doubtful debts ($m)	**460**	397	397
90+ DPD assets ($m)	**736**	729	815
Gross impaired assets ($m)	**231**	269	278
90+ DPD plus gross impaired assets to gross loans and acceptances	**0.90%**	1.01%	1.14%
Specific provision to gross impaired assets	**27.7%**	24.2%	21.6%
Net write-offs to gross loans and acceptances (annualised)	**0.31%**	0.36%	0.29%
Total provision as a percentage of net write-offs	**155%**	128%	164%
Total provision to gross loans and acceptances	**0.49%**	0.46%	0.47%
Bad and doubtful debt charge to credit risk weighted assets	**1.41%**	1.61%	1.77%

Notwithstanding the resilience in the economy as a whole, challenging economic conditions have continued to affect certain sectors of Personal Banking's customer base. Unemployment levels remained above 5% across the March 2010 half year, which combined with seasonal influences post the Christmas sales to put additional pressure on asset quality across the unsecured portfolio. Despite this, prudent origination procedures, increased investment in risk management and collections functions, and a resilient mortgage sector, resulted in an overall improvement in asset quality. This improvement is reflected in the reduction of the ratio of 90+ DPD plus gross impaired assets to gross loans and acceptances. This ratio improved by 11 basis points on September 2009 and by 24 basis points on March 2009.

Specific provisions to gross impaired assets has increased to 27.7%, reflecting the mix of clients and associated security for loans that are currently impaired.

Total provisions as a percentage of net write-offs has increased to 155% from 128% at September 2009 largely due to the seasonal nature of the portfolio. Compared to March 2009 this ratio has improved in line with improvements in asset quality. Total provisions to gross loans and acceptances have increased to 0.49%, reflecting increased provision in the unsecured portfolio, which has seen some deterioration in asset quality.

Delinquency of the first home buyer segment remained stable over the March 2010 half year. The proportion of first home buyers two payments ahead on their loan remained stable and consistent with other borrower types.

The number of customers and volume of loans currently experiencing hardship assistance from our NAB Care team has fallen over the half year.

While the Australian economy remains robust, management remain vigilant in monitoring changes to the credit environment and continue to adjust the business and risk strategies where appropriate to maintain the credit quality of the portfolio.

Investment Spend

Investment spending has been largely focused on 'restoring the core' of Personal Banking. Apart from the investment in brand and reputation from the Fair Value initiatives and the new advertising campaign "More Give, Less Take", money has been spent both on key projects and increased staffing capability to improve service and sales effectiveness.

Key areas of investment during the half year included:

- The Mortgage Transformation Program, an enterprise-wide program aimed at improving the mortgage fulfilment experience for NAB customers by simplifying the process and reducing the cycle time in delivering a mortgage loan.
- The improvement of processes and capability within the Collections operation. This has involved a full end-to-end redesign of collections processes, infrastructure and capabilities.
- Opening innovative new store formats such as NAB Kiosks, relocating branches to more convenient locations for customers and refurbishing existing branches to make it easier for customers to do business with NAB.
- Greater staffing levels in the Customer Contact Centre to support extend operating hours and improve service standards.
- Increased sales capability across the branch network including the small and emerging business channels, and mobile banking.

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Wholesale Banking

Rick Sawers

Wholesale Banking comprises:

- Global Markets - foreign exchange, interest rate and commodity trading and sales, debt capital markets (origination, syndication and sales) and markets research.
- Specialised Finance - structured asset finance and project finance for infrastructure, energy/utilities and natural resources.
- Financial Institutions - provision of financial solutions to banks, diversified financial institutions, fund managers and insurance companies.
- Treasury - short-term funding and liquidity for National Australia Bank Limited; and
- Asset Servicing - core custody and value added services to domestic and international financial institutions.

Wholesale Banking has over 3,000 employees operating in five regions - Australia, New Zealand, Asia, the United Kingdom and the United States.

Strategic Highlights and Business Developments

The latter half of 2008 and the first half of 2009 was characterised by high levels of volatility and disruption in global financial markets. These **conditions stabilised** in Australia in the March 2010 half year.

Wholesale Banking's performance and asset portfolio correlates directly to the favourable pricing for risk conditions and trading opportunities that existed during the global financial crisis. This is reflected in a decline in cash earnings compared to the prior corresponding period.

The Specialised Finance and Financial Institutions businesses increased revenue on the March 2009 half year, reflecting **renewed investment in infrastructure projects** (principally in Australia) and the value clients are placing on the Bank's status as a **strong, solid global counterparty.**

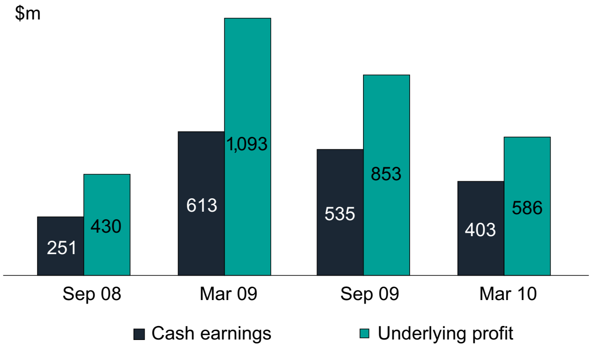
The Asset Servicing business continues to be Australia's number one securities custody business (Source: Australian Custodial Services Association December 2009).

Asset quality has improved since September 2009, with a lower charge for bad and doubtful debts. The **portfolio is well positioned** as the economic environment stabilises and financial institutions continue to de-leverage their balance sheets.

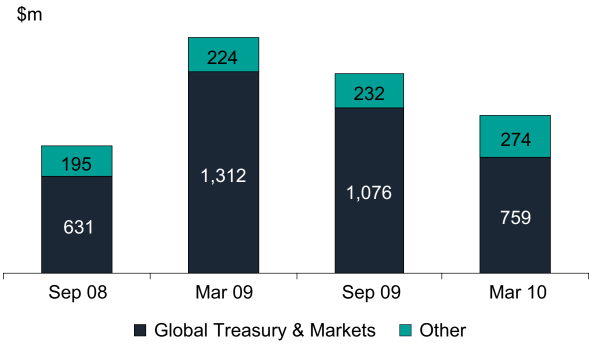
Return on risk weighted assets continued to remain strong, well above the September 2008 half year.

Wholesale Banking's strategy is designed to focus on the needs of the Group's franchise customers through the delivery of specialist risk management, investment, funding and custody products and services. Key initiatives included co-locating Wholesale Banking specialists in Business Banking Centres, as well as targeted campaigns in partnership with the Australian Business Bank. As an example, a recent FX campaign held in February 2010, resulted in Wholesale Banking attracting an additional 859 FX customers. These types of campaigns will be an ongoing feature of the build out of the franchise focus strategy.

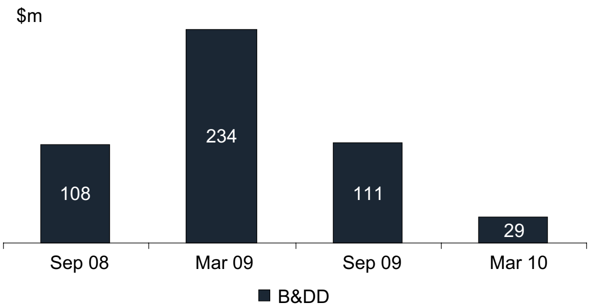
Wholesale Banking Cash Earnings and Underlying Profit



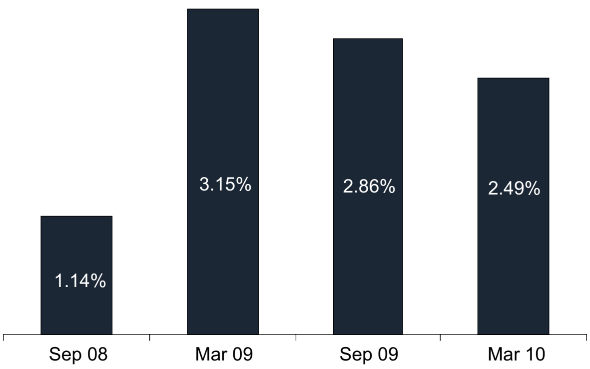
Wholesale Banking Net Operating Income



Wholesale Banking Charge to Provide for Bad and Doubtful Debts



Wholesale Banking Return on Risk Weighted Assets



Operating Environment

The external operating environment is improving at a faster rate than originally anticipated, with recessionary conditions abating.

There has been improvement in marketplace liquidity, and credit spreads have narrowed considerably, largely due to various actions taken by overseas governments to restore confidence in capital markets.

The narrowing of credit spreads has enabled many businesses to issue debt and raise new capital in improving capital markets. Key asset quality metrics have stabilised and the Wholesale Banking loan book is well positioned.

However, with financial markets continuing to show signs of stabilising in Australia, market liquidity has improved and spreads have narrowed on risk management products.

Challenging economic conditions and subdued business activity in the United Kingdom, United States and New Zealand, combined with steep yield curves in all core franchise markets, have all contributed to the March 2010 half year performance.

Regional variances across Wholesale Banking's key markets are expected to continue:

- Australia: The domestic economy is exhibiting good forward momentum, with both business and consumer confidence now at high levels. The combination of four rate rises in the March 2010 half year, the wind down in Government fiscal support and a strong Australian dollar may dampen activity in retail/wholesale and personal and recreational services. The resource sector, and those closely related to it, is expected to remain robust.
- US: Much of the US economy remains dependent on fiscal and monetary stimulus which will not be as supportive in the months ahead.
- UK: A sluggish environment, with high unemployment remaining a key concern.

Customer, Employee and Community

Wholesale Banking introduced several new products and services in the March 2010 half year, demonstrating its franchise focused commitment to servicing NAB clients across the Group:

- Launch of the flexible market rate loan to the Business Bank, the first of its kind in Australia, aimed at supporting the risk management needs of business clients.
- Launch of a new deposit and sales distribution channel to the MLC advisor network, designed to support retail investors' cash deposit needs.
- Structuring of a new, shorter dated Residential Mortgage Backed Securities asset class, aimed at bringing fund management clients back to the market.

During the half year, Wholesale Banking successfully joint led the $2 billion syndication of Victoria's desalination plant, the largest syndication of 2009. The financing of this deal received seven awards from industry publications, including Project Finance International, IFR Asia and FinanceAsia.

The division was named Best Domestic Bond House from The Asset and Best Debt Finance House in Australia (FinanceAsia). In all, Wholesale Banking received twenty two awards, acknowledging the performance of core business areas in 2009 - Loan Syndications, Capital Markets, Project Finance and Securitisation. The Securitisation team also finished first in the 2009 league tables for Australia, the Capital Markets team in New Zealand topped their domestic bond tables. The global project finance team finished in the top ten arrangers for Public Private Partnerships globally.

Wholesale Banking participated again in the EarthWatch program and ten employees were selected to take part in the research during 2010. Wholesale Banking also continued its sponsorship of the commercialisation of student research projects from the Monash Asia Pacific Centre for Science, as well as its support of the Australian Research Alliance for Children and Youth (ARACY) Child Readiness to Learn project.

The community partnership that Wholesale Banking UK has with St Joseph's Hospice continues to thrive. During the half year, employees spent 82 days volunteering on five challenge days at the hospice. In total, Wholesale Banking staff volunteered 270 days in the March 2010 half year.

New Australian community partnerships with 'The Torch', a performing arts project dealing with substance abuse, and the Climate Works and Cranlana Program, a rural sustainability forum, were also established.

Wholesale Banking

Results presented at actual exchange rates

	Half Year to Mar 10 $m	Half Year to Sep 09 $m	Half Year to Mar 09 $m	Mar 10 v Sep 09 %	Mar 10 v Mar 09 %
Net interest income	616	757	710	(18.6)	(13.2)
Other operating income	417	551	826	(24.3)	(49.5)
Net operating income	1,033	1,308	1,536	(21.0)	(32.7)
Operating expenses	(447)	(455)	(443)	1.8	(0.9)
Underlying profit	586	853	1,093	(31.3)	(46.4)
Charge to provide for bad and doubtful debts	(29)	(111)	(234)	73.9	87.6
Cash earnings before tax	557	742	859	(24.9)	(35.2)
Income tax expense	(154)	(223)	(232)	30.9	33.6
Cash earnings before non-controlling interest	403	519	627	(22.4)	(35.7)
Net profit - non-controlling interest	-	16	(14)	large	large
Cash earnings	403	535	613	(24.7)	(34.3)
Average Volumes ($bn)					
Gross loans and acceptances	13.7	15.8	13.5	(13.3)	1.5
Interest earning assets	146.5	154.2	183.5	(5.0)	(20.2)
Total assets	187.4	198.0	248.3	(5.4)	(24.5)
Capital ($bn)					
Risk-weighted assets - credit risk (spot)	19.7	25.5	28.2	(22.7)	(30.1)
Total risk-weighted assets (spot)	32.4	37.3	39.0	(13.1)	(16.9)
Performance Measures					
Cost to income ratio	43.3%	34.8%	28.8%	(850 bps)	(1,450 bps)
FTEs (spot)	3,049	3,043	3,064		

Impact of foreign exchange rate movements

Favourable/ (unfavourable) March 10	Half year since Sep 09 $m	Mar 10 v Sep 09 Ex FX %	Half year since Mar 09 $m	Mar 10 v Mar 09 Ex FX %
Net interest income	(26)	(15.2)	(58)	(5.1)
Other operating income	(20)	(20.7)	(41)	(44.6)
Operating expenses	15	(1.5)	33	(8.4)
Charge to provide for bad and doubtful debts	(1)	74.8	(2)	88.5
Income tax expense	9	26.9	20	25.0
Cash earnings before non-controlling interest	(23)	(17.9)	(48)	(28.1)

Wholesale Banking
Financial Analysis

March 2010 v March 2009

Cash earnings decreased by $210 million on the March 2009 half year to $403 million. This was mainly due to lower revenues generated in Global Markets and Treasury, down from the exceptional levels achieved in the prior corresponding period, partially offset by a lower bad and doubtful debts charge.

Net operating income decreased by $503 million or 32.7% on the March 2009 half year to $1,033 million.

Global Markets and Treasury income fell by $553 million to $759 million as the external environment exhibited more normalised levels of market volatility.

Sales income remained solid despite spread compression to pre global financial crisis levels, driven by a number of derivative deals in the United Kingdom, and strong debt capital markets and syndication fees. Underlying sales demand fell due to subdued business activity in overseas markets, steep yield curves and a difficult interest rate environment for risk management sales.

Trading income normalised over the period as the extreme volatility in foreign exchange and interest rates seen in the prior corresponding period did not recur. This effect was partly offset by higher Debt Markets income and lower credit valuation adjustments, consistent with improving global credit conditions.

The Specialised Finance and Financial Institutions businesses increased revenue on the March 2009 half year, reflecting renewed investment in infrastructure projects and the success of deposit raisings.

Operating expenses increased by $4 million or 0.9% on the March 2009 half year to $447 million. Excluding the impact of foreign exchange rate movements, the increase was $37 million (8.4%). This primarily related to an increase in deferred incentive accruals.

The **charge to provide for bad and doubtful debts** decreased by $205 million in the March 2010 half year to $29 million as the rate of portfolio deterioration stabilised.

Average interest earning assets decreased by $37.0 billion (20.2%) to $146.5 billion. Excluding the foreign exchange impact, the decrease was $17.6 billion (10.7%) mainly due to a reduction in internal interest earning assets, reflecting the lower levels of short-term funding requirements of other NAB businesses as a result of successful deposit raisings across the Group.

Risk Weighted Assets decreased by $6.6 billion (16.9%) to $32.4 billion, primarily due to a number of optimisation activities, an improvement in counterparty credit quality and the change in mix of the Bank's liquidity portfolio.

March 2010 v September 2009

Cash earnings decreased by $132 million on the September 2009 half year, mainly due to lower Global Markets and Treasury trading income, partially offset by a lower bad and doubtful debts charge.

Net operating income decreased by 21.0% or $275 million. Trading income fell as a result of lower interest rate and credit spread volatility reducing trading opportunities.

Operating expenses decreased by $8 million or 1.8%. Excluding the impact of foreign exchange rate movements, the increase was $7 million (1.5%).

The **charge to provide for bad and doubtful debts** decreased by $82 million. The decrease was mainly due to a continued improvement in the quality of the portfolio from the prior half year and improved external credit environment.

Average interest earning assets decreased by $7.7 billion (5.0%). Excluding the foreign exchange impact, the decrease was $0.7 billion (0.5%).

Risk Weighted Assets decreased by $4.9 billion (13.1%) due in part to the continuation of the optimisation processes that occurred during the September 2009 year and the change in mix of the Bank's liquidity portfolio.

Other Items

	As at		
	Mar 10	Sep 09	Mar 09
Specific provision for doubtful debts ($m)	**98**	62	186
Collective provision for doubtful debts ($m)	**91**	129	149
Collective provision on loans at fair value	**1**	1	-
Collective provision on derivatives at fair value	**141**	103	164
Gross impaired assets ($m)	**358**	154	367
Gross impaired assets to gross loans and acceptances	**2.71%**	1.07%	2.70%
Specific provision to gross impaired assets	**27.4%**	40.3%	50.7%
Net write-offs to gross loans and acceptances	**0.53%**	1.43%	0.10%

Asset Quality

The Wholesale Banking portfolio is high quality and well positioned. Exposures are predominately to large global banks and other multi-national Financial Institutions. These entities are mainly investment-grade counterparties which have raised significant levels of equity over the last year and are well placed to weather the current environment.

The bad and doubtful debts charge of $29 million for the half year ended March 2010 is down 74% on the September 2009 half year and down 88% on the March 2009 half year.

A fragmented credit environment prevails across various geographic regions, with the United Kingdom and United States continuing to exhibit deeper and more severe signs of economic stress. Consistent with this, sovereign risk predominately across Southern and Eastern Europe and parts of the Middle East has emerged as more problematic in recent times. Wholesale Banking's direct exposures in these jurisdictions are manageable. In addition to standard credit processes, a sovereign risk working group provides close monitoring and oversight on the issue, as required.

Impaired Assets - Loans and Advances

The level of gross impaired assets has increased by $204 million from the September 2009 position to $358 million. This increase is due to a single large corporate impairment and has also contributed to an increase in the ratio of gross impaired assets to gross loans and acceptances.

Investment Spend

Wholesale Banking's investment spend for the March 2010 half year was allocated to key priorities including the Wholesale Banking Target State Architecture and NGP and to support the franchise focus strategy.

Efficiency and revenue generating projects focused on continued development of software platforms for Global Markets and Treasury, including improving the connectivity with customers across the NAB franchise. There is also ongoing investment in systems to improve Credit Risk management information.

A number of initiatives were undertaken to maintain and upgrade Wholesale Banking's core infrastructure. Reference data platforms are being enhanced to provide improved transactional data for Global Markets and Treasury businesses in order to support client servicing in the front office. Asset Servicing platforms are also being upgraded.

The remaining spend was on compliance and operational risk initiatives. These included modifying Wholesale Banking's systems to comply with the Australian Taxation Office requirements of taxation of financial arrangements, improving the unit pricing system for Asset Servicing and enhance capabilities of the data warehouse for regulatory reporting.

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UK Banking

Lynne Peacock

UK Banking operates under the Clydesdale Bank (CB) and Yorkshire Bank (YB) brands. Combining global strength with the local service of an established regional bank, it offers a range of banking services for both personal and business customers. During the recent turmoil in the banking industry, CB and YB have reinforced their reputations as traditional banking brands with sound management.

Strategic Highlights and Business Developments

There are now consistent signs that the UK economy is recovering, but the view on the outlook remains cautious until longer term trends are evidenced. The underlying business momentum has continued through the half and overall **the business continues to perform well. Strong capital ratios and levels of liquidity have been maintained.** Underlying profit was up 11.4% on the prior corresponding period, while cash earnings for the half were £61 million, up 24.5% on the prior corresponding period.

Continuing to attract and retain a strong retail deposit base has remained a key strategic priority. Growth of 11.9% on the prior corresponding period has been achieved in a highly competitive market. This growth has contributed to an increased Stable Funding Index (SFI) of 105.5% and a higher Customer Funding Index (CFI) of 83.7%.

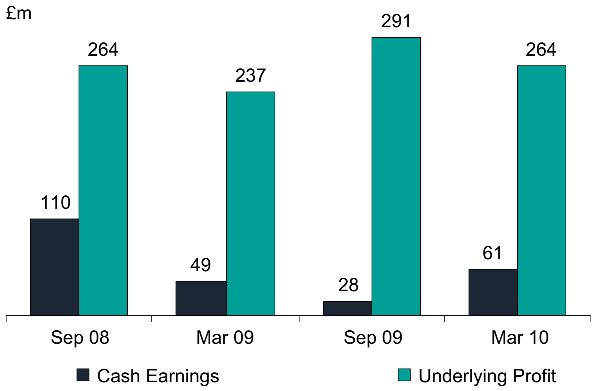
The business demonstrated strong support for its customers, with **new lending of £2.2 billion** in the half. In common with much of the UK Banking industry, however, subdued market demand for credit and a conscious effort to reduce commercial property lending left the overall balance sheet flat.

In a market where the leading players have experienced adverse customer sentiment, the Clydesdale and Yorkshire brands continued to enhance their reputation. Capitalising on this brand strength, the Retail Bank has introduced ‘Our Promise’, a program which addresses seven key areas of the customer experience. This has been supported by a staff commitment program that includes process improvements and greater co-ordination between the front and back offices.

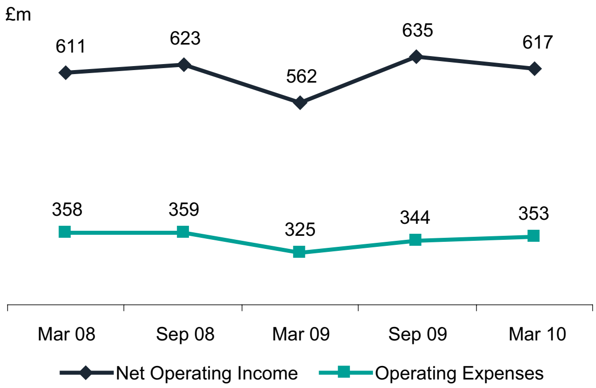
The business continued to maintain its ongoing program of business efficiency improvements.

As a whole, the UK business’s **portfolio remains well-secured and diversified** both geographically and by lending type, and is performing well given **the economic environment.** The rate of growth in impaired assets is slowing with a shift in mix away from being predominately commercial property. The market for disposing of these assets, however, is still below normal levels, resulting in assets remaining in the impaired category longer than has been experienced historically.

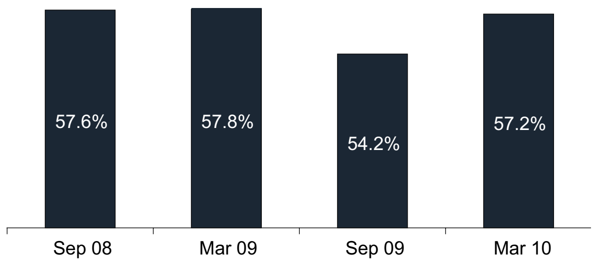
UK Banking Cash Earnings and Underlying Profit



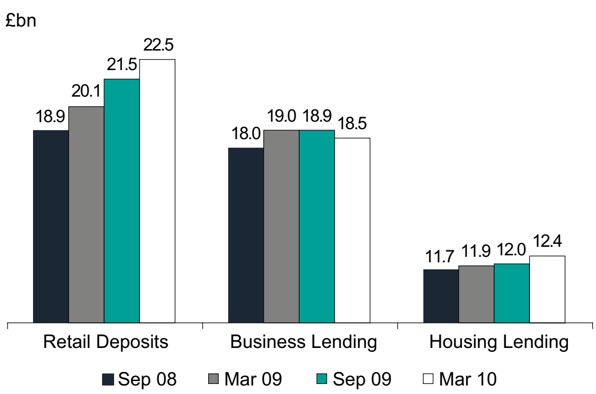
UK Banking Income and Expense Trends



UK Banking Cost to Income Ratio



UK Banking Average Volumes



Operating Environment

There are now consistent signs that the UK economy is recovering, but the outlook will remain cautious until longer term trends are evidenced. Uncertainty will remain until the outcome of the General Election is known and the UK Government's strategy for tackling public debt levels is made clear.

UK GDP increased by 0.4% in the fourth quarter of 2009 compared with a decrease of 0.2% in the third quarter. Growing confidence in recovery comes from purchasing managers, property surveyors, high street retailers, and from better than expected unemployment data.

Purchasing managers' indices are generally held to be more forward looking than GDP releases. The manufacturing index rose over the quarter to 31 March 2010, while the service sector index remained at a similar level.

House prices are also maintaining modest, but consistent, rises. The Nationwide House Price Index reported continued house price growth for the first quarter of 2010 at 1.6%. The Halifax House Price Index reported a 1.1% increase in March, the eighth increase in the last nine months. Commercial property prices are now starting to show signs of increase having fallen by 44% from their peak.

Unemployment figures for December were more benign than would normally be expected at this stage in the economic cycle. Normally a lagging indicator, employment data released in December showed the smallest quarterly increase in unemployment since Spring 2008. The average unemployment rate for the three months to January 2010 was 7.8%.

The consumer price index rose to a 14 month high of 3.5% in January 2010 as expected, driven by the restoration of the standard VAT rate and higher petrol costs. The Bank of England predicts that inflation will fall back below the 2.0% target later in the year as the economy continues to recover.

The Confederation of British Industry (CBI) believes that 2010 will be challenging, with growth in the first six months being weak. It forecasts annual growth for the year of 1.2%, rising to 2.5% in 2011. By the end of 2011, the CBI believes that the economy will still not be at pre-recession levels of growth, which highlights the depth of the recession and the sluggish nature of the recovery.

The sizeable economic stimuli in the economy, including low interest rates, quantitative easing and government spending, have had some impact on levelling off the decline in UK output. There remain, however, significant headwinds. These include the continuing fall-out from the still-damaged banking sector and the need for the household sector to pay down some of the debt it has accumulated over the last 5 to 10 years. Moreover, following the General Election there are likely to be cut backs in public sector spending which may have an impact on both demand and employment.

The UK financial markets saw the average daily spread between Base Rate and three month LIBOR return to more normal levels at 11 basis points for the six months to March 2010, compared to its peak at 115 basis points for the 6 months to March 2009. (The 90 day rolling average spread dropped to 13 basis points for the six months to March 2010 from its peak of 211 basis points in the six months to March 2009).

The 'normalisation' of funding costs, coupled with actions taken in the prior year to reduce the exposure, has resulted in a significant decrease in the cost of basis risk in the half.

In November 2009 the UK Supreme Court, in a unanimous ruling, decided in favour of the banks regarding certain charges. It concluded that unarranged overdraft charges are an important part of current account services which the banks provide to their customers and that the level of those charges is not assessable for fairness. In December 2009, the Office of Fair Trading announced that it would not be taking forward its investigations into the fairness of the banks' unarranged overdraft charges. This effectively closes issues relating to past complaints and attention will now focus on future charging structures.

Market-wide issues relating to payment protection insurance claims handling and levies under the Financial Services Compensation Scheme are all ongoing. Further details are provided on page 126.

Customer, Employee and Community

The business is committed to high standards of customer service, adding value and doing the right thing for customers, employees and the environment.

During the period, the proportion of customers acquired into key retail segments continued to improve. Underlying customer retention levels are broadly stable.

The business recognises the importance of supporting the communities in which it operates. Sponsorship programs include the Clydesdale Bank Scottish Premier Football League and the 2010 Scottish Commonwealth Games Team.

As part of an ongoing commitment to heritage Yorkshire Bank has joined with The National Trust to help protect and preserve Britain's beautiful gardens.

The business recently signed a three year deal with the England and Wales Cricket Board as title sponsor for the new domestic '40-over' competition, demonstrating its continuing support of domestic cricket. The competition has been enhanced this year and it is exciting for Clydesdale and Yorkshire Bank to be part of cricket's further development in the UK.

Staff support for local charities continued, with nearly 20% of employees giving as they earn (GAYE), one of the highest participation levels across the financial services industry. During the past 28 months, staff-led initiatives have raised nearly £1 million for Help the Hospices. In addition, over 4000 community days have been donated by staff, in conjunction with the business, to support local communities and projects.

Reflecting its support of the communities in which it operates, the UK business achieved Gold Award status in the 2009 Business in the Community Corporate Responsibility Index. A score of over 90% was achieved for good management practice across community, environment, marketplace and workplace.

UK Banking

Results presented in local currency. See page 66 for results in $AUDm

	Half Year to				
	Mar 10 £m	**Sep 09 £m**	**Mar 09 £m**	**Mar 10 v Sep 09 %**	**Mar 10 v Mar 09 %**
Net interest income	**490**	473	408	3.6	20.1
Other operating income	**127**	162	154	(21.6)	(17.5)
Net operating income	**617**	635	562	(2.8)	9.8
Operating expenses	**(353)**	(344)	(325)	(2.6)	(8.6)
Underlying profit	**264**	291	237	(9.3)	11.4
Charge to provide for bad and doubtful debts	**(183)**	(253)	(168)	27.7	(8.9)
Cash earnings before tax	**81**	38	69	large	17.4
Income tax expense	**(20)**	(10)	(20)	large	-
Cash earnings	**61**	28	49	large	24.5
Average Volumes (£bn)					
Gross loans and acceptances	**33.0**	33.2	33.3	(0.6)	(0.9)
Interest earning assets	**40.9**	40.0	38.2	2.3	7.1
Total assets	**44.4**	43.0	42.0	3.3	5.7
Retail deposits	**22.5**	21.5	20.1	4.7	11.9
Capital (£bn)					
Risk-weighted assets - credit risk (spot)	**29.4**	29.4	29.3	-	0.3
Total risk-weighted assets (spot)	**32.1**	32.0	31.6	0.3	1.6
Performance Measures					
Cash earnings on average assets	**0.28%**	0.13%	0.23%	15 bps	5 bps
Net interest margin	**2.40%**	2.36%	2.14%	4 bps	26 bps
Cost to income ratio	**57.2%**	54.2%	57.8%	(300 bps)	60 bps
Cash earnings per average FTE (£'000s)	**15**	7	11		
FTEs (spot)	**8,239**	8,295	8,510		

UK Banking

Financial Analysis (in local currency)

March 2010 v March 2009

Cash earnings at £61 million increased by £12 million (24.5%) over the March 2009 half, reflecting higher net interest income driven by re-pricing and lower funding and liquidity costs. These were partly offset by higher charges to provide for bad and doubtful debts and lower income from payment protection insurance (PPI). Over the same period, underlying profits totalled £264 million, an increase of 11.4%.

Average gross loans and acceptances remained broadly flat, reflecting subdued demand. Within this, business lending fell by 2.6%, mortgage growth was 4.2% and exposure to credit card and personal lending fell by 12.5%.

During the half, UK Banking continued to support customers by advancing £2.2 billion of new loans, of which £1.3 billion comprised business lending and £0.8 billion were mortgage advances.

Average retail deposits in a highly competitive market grew by 11.9% (£2.4 billion), which is double the industry average growth rate of 5.6% (British Bankers Association - February 2010). iFS average deposit growth was 14.0% and Retail network growth was 9.6%.

Net interest income increased by £82 million (20.1%). Repricing activity in 2009 resulted in further widening of product margins. The move to more normal market spreads, coupled with lower exposure, resulted in lower funding and liquidity costs, which were partially offset by lower earnings on attributed capital, treasury and other interest income.

The **net interest margin** increased by 26 basis points driven by increases in lending margins but partially offset by deposit margins. The impact of lower funding and liquidity costs were partially offset by lower earnings on attributed capital and lower treasury income.

Other operating income decreased by £27 million (17.5%), as a result of several factors. Firstly, there has been an industry wide reduction in sales of PPI. The business ceased selling the single premium product in March 2009 and has since developed a replacement regular premium product which was launched in September. This income stream will take some time to build momentum and has resulted in an £8 million adverse movement. Secondly, as a result of new guidance from the regulator on the handling of PPI claims, the business, in common with the industry, has seen increased claims activity, principally from the claims management companies. This has driven a £5 million adverse variance. Thirdly, there has been a reduction in investment management fees of £6 million following the sale of the investment business to AXA in July 2009. Lastly, reflecting the current market demand, £5 million of lower commission income has been received for business introduced by iFS to Wholesale Banking.

Operating expenses increased by £28 million (8.6%) on the March 2009 half. This has been driven by higher pension costs of £14 million, higher depreciation and an increase in occupancy related costs. These costs have been partly offset by savings from the business efficiency program.

The **cost to income** ratio at 57.2% showed a 60 basis point improvement over the prior corresponding period as a result of increased net interest income.

The **charge to provide for bad and doubtful debts** increased by £15 million (8.9%) over the March 2009 half. The significant deterioration in the UK environment in 2009, particularly in the business sector, has driven this increase. The rate of increase, however, is now slowing.

March 2010 v September 2009

Cash earnings increased by £33 million on the September 2009 half. This increase reflects the decrease in the charge to provide for bad and doubtful debts, reduced funding and liquidity costs and widening product margins, which were partially offset by the decline in other operating income.

Average gross loans and acceptances remained broadly flat as a result of subdued market conditions. Gross new advances of £2.2 billion in the period were offset by lower lending to sectors with a less attractive risk profile.

Average retail deposits grew by 4.7% (£1 billion). This was primarily due to continued momentum in iFS and a robust performance by the Retail network.

Net interest income increased by £17 million (3.6%) due to the effects of repricing activity in the prior year and the further reduction of funding and liquidity costs, partially offset by lower treasury interest income.

The **net interest margin** improved by 4 basis points. This was as a result of more judicious pricing in the prior period and a reduction in funding and liquidity costs, partially offset by a reduction in earnings on attributed capital and treasury income.

Other operating income decreased by £35 million (21.6%) primarily as a result of 'one-off' benefits in the prior half, including £16 million from the transfer of the investment business to AXA and £11 million from the sale of properties. The remaining decrease was driven by lower lending and irregular fee incomes and increased provisions across the industry resulting from the actions of claims management companies regarding PPI.

Operating expenses increased by £9 million (2.6%) on the prior half driven by higher pension costs.

The **cost to income ratio** at 57.2% increased by 300 basis points, reflecting lower other operating income and higher expenses.

The **charge to provide for bad and doubtful debts** decreased by £70 million (27.7%) when compared to the September 2009 half. There was a change in the mix of provisions to a more balanced position between property and trading businesses.

Other Items

Asset Quality

	As at		
	Mar 10	**Sep 09**	**Mar 09**
Specific provision for doubtful debts (£m)	**68**	55	62
Collective provision for doubtful debts (£m)	**290**	291	272
Specific provision on loans at fair value	**19**	26	15
Collective provision on loans at fair value	**81**	84	79
90+ DPD assets (£m)	**292**	284	239
Gross impaired assets (£m) [1]	**684**	585	374
90+ DPD plus gross impaired assets to gross loans and acceptances	**2.98%**	2.61%	1.84%
Specific provision to gross impaired assets	**12.7%**	13.8%	20.6%
Net write-offs to gross loans and acceptances (annualised)	**0.93%**	1.07%	0.68%
Total provision as a percentage of net write-offs	**150%**	128%	189%
Total provision to gross loans and acceptances	**1.40%**	1.37%	1.28%
Bad and doubtful debt charge to credit risk weighted assets	**1.25%**	1.43%	1.15%

(1) *Gross impaired assets for March 2010 includes £65 million gross impaired fair value assets. (September 2009, £115 million) Whilst not included above, for March 2009 the value of gross impaired fair value assets was £54 million.*

Asset quality measures continue to reflect the impact of the current UK operating environment. However, key measures have shown signs of stabilising. During the reporting period bad and doubtful debts were lower than those in the September 2009 half and the flow of new files into the business recovery area has decreased in terms of both value and volume. The market, although no longer in economic recession, remains challenging and this has resulted in a further weakening of some key asset quality measures. The relationship-based model and considerable proactive initiatives undertaken by management continue to help mitigate the impact.

The business book continues to generate the greatest proportion of provisions and losses and, while the level of commercial property losses has slowed, trading business losses have increased, as the SME sector is affected by the prolonged slowdown. Overall, business losses in this half were lower than in the half year ended September 2009. Retail product provisions have been more stable, with the low interest rate environment assisting affordability, particularly for mortgages where losses remain low.

As a whole, the portfolio remains well secured and diversified, both geographically and by lending type. The credit rating of new lending is materially better than that of the existing portfolio.

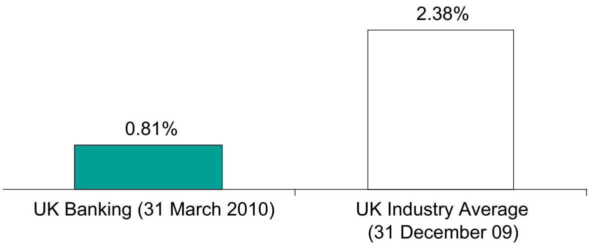
Lending on commercial property has now fallen 10% from £7.7 billion to £7.0 billion as at the end of March. This represents 21% of gross loans and acceptances (38% of the business book). Of this, approximately 78% is investment lending and 22% development lending. The largest commercial property loan represents circa 1.2% of the commercial property portfolio or 0.5% of the total portfolio. The portfolio is broadly spread around the UK and not concentrated in any one geographical region.

The trading business portfolio remains well diversified by sector, geography and customer. The sector has experienced more defaults through the first half of the year as the prolonged challenge of the economic environment affects customers. However, through our robust underwriting, early engagement and proactive responses, UK Banking has confidence in the quality of its trading business portfolio.

The residential mortgages portfolio has proved resilient, with 90+ days past due arrears remaining at 0.8% of mortgage balances. This level of mortgage arrears continues to be significantly below the market average which currently stands at 2.38% [2] measured by the Council of Mortgage Lenders. The mortgage book does not include any low doc (self certified) or sub prime lending. The average Loan to Value ratio (LTV) of the mortgage book has fallen slightly from 54% in September 2009 to 52% on an indexed basis. 74% of mortgages written in the half had a loan to value ratio below 80%. Under 8% of mortgages have a loan to value ratio of between 90% and 95% which reflects the bank's' desire to support first time buyers, following robust assessment of affordability.

Repossessions continue to be minimised in line with the strategy of supporting customers through this difficult period. The number of residential properties repossessed in the half was 41, compared to 10,200 industry-wide (Council of Mortgage Lenders for the quarter to December 2009). At the end of the period, a stock of 62 properties was held and valued at £8 million.

Proportion of Mortgages in arrears by 90+ DPD [2]



(2) *Arrears on mortgages, by number of months in arrears based on the number of mortgages.*

As a result of the strategy to reshape the balance sheet towards secured lending over the last four years, the unsecured element of the portfolio has been reduced. At March 2010 the unsecured element of the portfolio was 6%,in line with September 2009. Delinquency rates on this portfolio have remained stable.

The rate of increase in business 90 days past due balances has slowed in the first half of 2010, with trading businesses now dominating over commercial property. The increase in gross impaired asset balances continues to reflect the impact of the ongoing economic and market conditions, although the rate of growth has slowed compared to last year. Commercial property continues to dominate gross impaired assets and whilst there has been some stabilisation in property prices, the market for disposing of these assets is still operating below normal levels. This has resulted in assets remaining in the impaired asset category longer than has been previously experienced, with some 58% of the current impaired balances being in this category prior to the start of the current financial year.

The management initiatives that were undertaken in response to the operating environment included increasing resources both in the business recovery area and the retail collections team, mobilising a Portfolio

Assurance Team within iFS to work closely with customers on mitigation strategies, and to identify higher risk accounts and sectors for closer review and monitoring. All of these initiatives contributed to mitigating the impact on asset quality measures during the half. However, asset quality measures remain under close management scrutiny to ensure that the actions in place remain appropriate.

Capital and Funding Position

Clydesdale Bank PLC diversity of funding	As at Mar 10	Sep 09	Mar 09
Retail deposits	61%	59%	59%
External short term	16%	15%	14%
Subordinated debt	3%	3%	3%
Structured finance	3%	3%	3%
Securitisation	5%	6%	7%
Parent company	6%	6%	6%
Medium term notes	6%	8%	8%
CB PLC Funding	100%	100%	100%

The UK Banking's position as a member of the NAB Group continued to be an asset as Fitch re-affirmed CB's long standing AA- credit rating, and Moody's and Standard and Poor's remained at A1 and A+ respectively, amid downgrades to the entire UK market.

CB continued to improve capital ratios over the year and, as at 31 March 2010, the Tier 1 ratio improved to 8.8% from 8.2% as at September 2009. In December 2009, an additional £160 million of ordinary share capital was injected into Clydesdale Bank PLC by National Australia Bank. Capital requirements are kept under regular review and are subject to regulatory scrutiny.

CB held a portfolio of liquid assets totalling £10.0 billion as at 31 March 2010, increasing from £8.7 billion as at September 2009. This portfolio includes UK Government gilts, Bank of England Reserve Account, treasury bills, note cover required to cover CB's notes in circulation and lending to other banks. CB's diverse funding mix of short and long-term wholesale funding, parent company funding and securitisation and Covered Bonds has created this strong liquidity position.

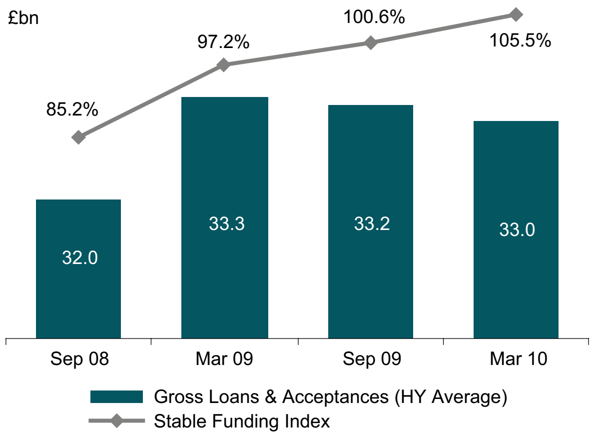
In December 2008 CB issued £1.25 billion of three year Government-backed bonds under the Scheme, enhancing an already strong medium-term funding position.

CB restructured its EUR9 billion Covered Bond program in November 2009 to a pass-through structure which enabled the two issuances under the program to retain AAA rating from all three rating agencies.

As existing wholesale term funding matures and is replaced with more expensive new issuance short-term and medium-term note funding, the overall margin paid on wholesale funding is increasing. In line with the market, this has been partially offset by the fall in liquidity costs as the spread between UK base rate and LIBOR decreases.

UK Banking's strong performance in attracting retail deposits has continued and positions the business well to grow without increasing the refinancing risks typically associated with wholesale funding.

UK Stable Funding Index



Investment Spend

The UK investment cash spend for the half was £44 million (£11 million operating expense) across the regulatory and compliance, efficiency and simplification and revenue generation categories. This compares to a total cash spend of £39 million (£11 million operating expenses) in the prior corresponding period.

Projects undertaken that will generate revenue include the Debit Card Transformation roll out of the new 16 digit Maestro debit card in October 2010, which provides customers with greater world-wide card acceptance, further development of the Business Internet Banking programs, and the roll-out of the Business Lending proposition. The first release went live in September 2009 when a platform for completing the business loan application process was launched. Later releases will concentrate on increasing process capability.

Projects focusing on efficiency and simplification include the launch of the Unified Communications Platform, which will implement a Sharepoint networking tool and a corporate intranet tool. In addition, the Document Distribution and Digitisation Project will review and improve the efficiency of the distribution networks and data capture systems. Projects in the regulatory and compliance category also continued in the half and included activities in support of the Payment Services Directive and Consumer Credit Directives.

Distribution

As at 31 March 2010, UK Banking's distribution network comprised 72 Financial Solutions Centres and 339 retail branches.

In business banking, iFS continued to demonstrate sound portfolio management, completing a number of detailed sector reviews and implementing a range of initiatives to support our customers through difficult trading conditions. Increasing business confidence has promoted new business activity and 150 additional business bankers (specialising in trading businesses) are being recruited to capitalise on these opportunities.

The Retail business continues to deliver a robust performance in good quality mortgages, with margins remaining attractive in the current environment. The first anniversary of the successful AXA wealth management agreement was marked by the recent launch of the innovative “Advantage Combination Plan”. As in previous years, the focus on delivering operational efficiencies supports the business in its aim to optimise income and reduce costs. Finally, earlier this year the new role of Director, Small Business Banking, was created and this important appointment demonstrates an ongoing commitment to the business communities of Clydesdale and Yorkshire Bank. It also highlights the growth opportunities in this segment.

UK Banking

Results presented in Australian dollars. See page 62 for results in local currency

	Half Year to				
	Mar 10 $m	**Sep 09 $m**	**Mar 09 $m**	**Mar 10 v Sep 09 %**	**Mar 10 v Mar 09 %**
Net interest income	**864**	949	917	(9.0)	(5.8)
Other operating income	**223**	324	345	(31.2)	(35.4)
Net operating income	**1,087**	1,273	1,262	(14.6)	(13.9)
Operating expenses	**(622)**	(686)	(731)	9.3	14.9
Underlying profit	**465**	587	531	(20.8)	(12.4)
Charge to provide for bad and doubtful debts	**(322)**	(515)	(377)	37.5	14.6
Cash earnings before tax	**143**	72	154	98.6	(7.1)
Income tax expense	**(36)**	(20)	(44)	(80.0)	18.2
Cash earnings	**107**	52	110	large	(2.7)

Impact of foreign exchange rate movements

Favourable/ (unfavourable) March 10	**Half year since Sep 09 $m**	**Mar 10 v Sep 09 Ex FX %**	**Half year since Mar 09 $m**	**Mar 10 v Mar 09 Ex FX %**
Net interest income	**(118)**	3.6	**(237)**	20.1
Other operating income	**(31)**	(21.6)	**(62)**	(17.5)
Operating expenses	**82**	(2.6)	**171**	(8.6)
Charge to provide for bad and doubtful debts	**50**	27.7	**89**	(8.9)
Income tax expense	**4**	large	**8**	-
Cash earnings	**(13)**	large	**(31)**	24.5

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NZ Banking

Andrew Thorburn

NZ Banking comprises the Retail, Business, Agribusiness, Corporate and Insurance franchises in New Zealand, operating under the 'BNZ' and 'BNZ Partners' brands. It excludes BNZ's Wholesale Banking operations.

Strategic Highlights and Business Developments

New Zealand is slowly emerging from a challenging period which was driven by a domestic recession coupled with the disrupted global credit environment. Economic indicators suggest that the worst is behind New Zealand and the country is on track for a steady recovery.

Management continues to work on the **long-term strategic agenda of maintaining a strong balance sheet, continuing to focus on cost disciplines, leveraging responsible investment and enhancing engagement with our customers and people.** This strategic focus is underpinned by a core philosophy that puts the customer at the forefront of everything the Bank does.

During the height of the global financial crisis, BNZ stood by its clients when they really needed support, helping keep New Zealanders in jobs and businesses viable. Building on this foundation, BNZ will continue to focus on helping clients realise their potential and achieve success for themselves and for New Zealand.

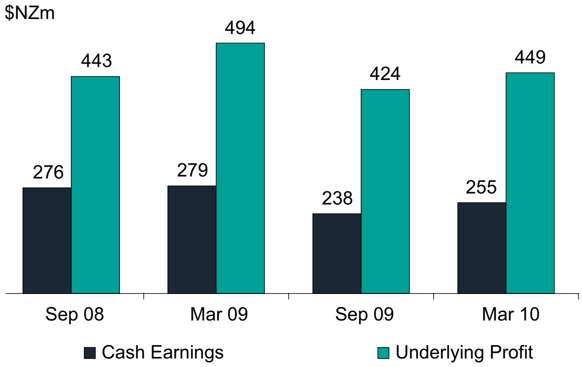
The NAB Group iFS model, operating under the **BNZ Partners** brand, has been further enhanced during the current period with the integration of Corporate Banking. This has successfully delivered growth in business opportunities despite an environment where overall system credit for business has declined, as New Zealand businesses reduce debt.

BNZ continues its **long-term trend of flat costs**, achieved using the well engrained culture of continuous improvement (Kaizen). This cultural focus has enabled the Bank to reinvest resources in initiatives that support its long-term strategic agenda.

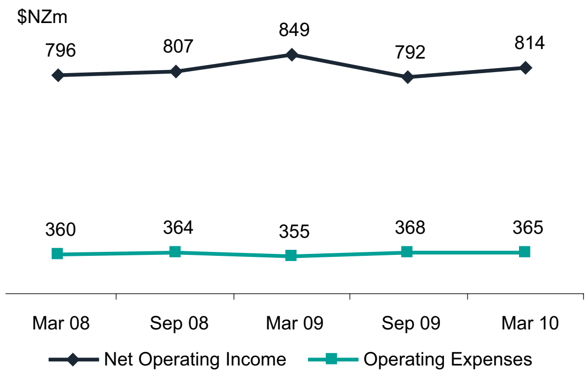
The **transformation of the retail franchise** is building momentum with the gradual roll-out of a refreshed distribution network providing customer service more akin to a retail shopping experience than a traditional banking one. During the 2010 half year, the Bank also opened 5 new Partners business centres and launched a dedicated small business hub, providing specialised services and expertise to this critical segment of the New Zealand economy.

Balance sheet strength continued to be a priority during the March 2010 half year as the global environment remained uncertain and new regulatory requirements evolved. BNZ continues to focus on growing customer deposits and lengthening the term profile for all funding sources.

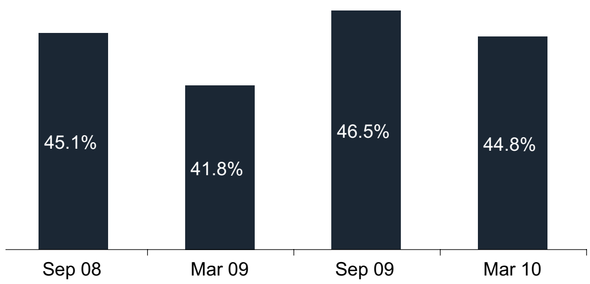
NZ Banking Cash Earnings and Underlying Profit



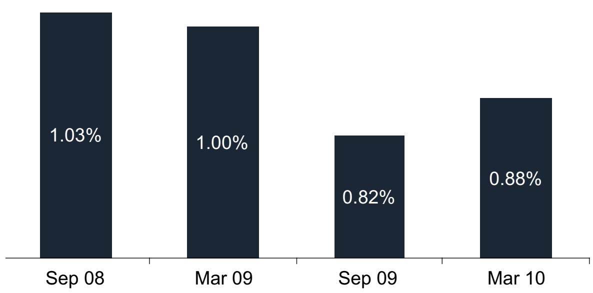
NZ Banking Revenue and Expense Trends



NZ Banking Cost to Income Ratio



NZ Banking Cash Earnings on Average Assets



Operating Environment

The New Zealand economy is slowly recovering from a protracted recession, which resulted in GDP contracting by 3.4%. Growth expectations, business and consumer confidence are now improving. Despite these expectations, there is little evidence of a strong GDP rebound to date. While the unemployment rate is probably close to peaking, at 7.3%, it's unlikely to fall markedly over the short term.

Overall, the general view is that the Reserve Bank of New Zealand (RBNZ) is close to starting to reverse some of the significant policy easing it instituted during the depths of the recession, which saw the official cash rate (OCR) drop 500 basis points to 2.50%.

The other factor reinforcing a "tightening cycle" is the fact that wholesale funding costs for banks remain substantially higher than long-term averages. While credit spreads for short-term international money have partially normalised, new RBNZ requirements for local banks to source a greater proportion of their funding at term and from domestic deposits, is maintaining upward pressure on the overall premium for funding.

All wholesale funding raised by BNZ in the six months to March 2010 has been completed without the use of the Government Guarantee. This reflects strong investor confidence in the BNZ brand, its risk management disciplines and overall balance sheet strength.

While economic recovery is emerging, businesses remain cautious on expenditure, and conscious of debt loads. This is part of the reason demand for new business lending has been heavily subdued, with some firms actively de-leveraging.

Demand for lending on housing is also subdued, with relatively low sales volumes. Indicators for home construction, however, are positive. Growth in agriculture lending volumes has slowed down, after the strong pace maintained through the recession, as pressures on the farming sector begin to take effect (for example lower dairy payouts). Competition in the banking sector for customer deposits remains intense as all banks focus on strengthening their customer funding ratios.

Leading asset quality indicators show signs of stabilisation, with moderate increases in past-due assets and impaired assets compared with September 2009. The levels are still high relative to long-term trends, reflecting the impact of the subdued economy, high unemployment and weak investment. However, these asset quality indicators need to be interpreted in context, particularly in terms of the low base experienced before the global financial crisis, and performance relative to peers. BNZ's historically prudent approach to lending and focus on balance sheet strength has ensured that it is well positioned to minimise bad debt charges stemming from the current economic environment.

Customer, Employee and Community

BNZ has continued its focus on the three non-financial pillars of customer, employee and community.

BNZ Partners' integrated model provides a platform to better service the wide-ranging needs of customers, continuing to enhance successful business relationships for long-term sustainable growth. BNZ Partners is organised around local businesses, making decisions and acting locally, supported by national centres of excellence.

By taking innovative products and services to market and listening to customers, BNZ Retail is continuing to focus on providing customers with a retail-like experience. New BNZ concept stores offer customers an open, vibrant and involving banking experience. Upgrading the 179 retail store network gathered momentum during the half year with an additional 9 stores upgraded. Over 25 stores are planned for upgrading during the second half of the financial year, demonstrating BNZ's continued commitment to investing in New Zealand.

BNZ continues to empower employees at all levels, promoting a constructive culture throughout the organisation. The success of this long-term focus on people is reflected in internal employee engagement scores that are significantly above the average benchmark for financial services organisations globally.

BNZ has continued to build on its heritage of strong community involvement. The Bank ran a 'Closed for Good' day on 4th November 2009, during which the majority of staff stepped away from their day jobs to assist in a variety of community projects across the country. Over 3,000 staff were involved across 500 community projects throughout New Zealand in this activity.

During the half year, the Bank announced two new significant sponsorships. BNZ is now the major sponsor of New Zealand teams in the Rebel Sport Super 14 rugby competition. Rugby is New Zealand's number one sport and an industry in its own right supporting the New Zealand economy. BNZ is also the new principal sponsor of Plunket, New Zealand's largest provider of support services for the development, health and wellbeing of children under the age of five.

BNZ's annual consumption of goods and services for its operations from more than 3,500 suppliers helped create jobs right around New Zealand. Other community activities include BNZ's work with OMEGA, a not-for-profit organisation that provides a mentoring framework matching skilled migrants with employers. BNZ also continues to sponsor the Katherine Mansfield literary awards, continuing a longstanding relationship that began over 50 years ago.

In relation to the environment, BNZ is dedicated to ensuring the survival of New Zealand's national icon and namesake - the Kiwi - through its involvement in the BNZ Save the Kiwi Trust (STK Trust). This is a commitment between BNZ and the Department of Conservation, which has built on support provided by the Bank since 1991. BNZ has also invested in three new, modern, sustainable buildings which have a 5 Star Green Star rating and it has begun its journey to become a paperless office over the next 3 years.

NZ Banking

Results presented in local currency. See page 73 for results in $AUDm

	Half Year to				
	Mar 10 NZ$m	**Sep 09 NZ$m**	**Mar 09 NZ$m**	**Mar 10 v Sep 09 %**	**Mar 10 v Mar 09 %**
Net interest income	**595**	565	597	5.3	(0.3)
Other operating income	**219**	227	252	(3.5)	(13.1)
Net operating income	**814**	792	849	2.8	(4.1)
Operating expenses	**(365)**	(368)	(355)	0.8	(2.8)
Underlying profit	**449**	424	494	5.9	(9.1)
Charge to provide for bad and doubtful debts	**(88)**	(89)	(99)	1.1	11.1
Cash earnings before tax	**361**	335	395	7.8	(8.6)
Income tax expense	**(106)**	(97)	(116)	(9.3)	8.6
Cash earnings	**255**	238	279	7.1	(8.6)
Average Volumes (NZ$bn)					
Gross loans and acceptances	**55.0**	54.8	52.9	0.4	4.0
Interest earning assets	**57.2**	57.4	55.4	(0.3)	3.2
Total assets	**57.8**	58.1	56.1	(0.5)	3.0
Retail deposits	**27.7**	26.3	25.4	5.3	9.1
Capital (NZ$bn)					
Risk-weighted assets - credit risk (spot)	**33.2**	35.1	30.7	(5.4)	8.1
Total risk-weighted assets (spot)	**37.6**	39.1	36.1	(3.8)	4.2
Performance Measures					
Cash earnings on average assets	**0.88%**	0.82%	1.00%	6 bps	(12 bps)
Net interest margin	**2.08%**	1.96%	2.16%	12 bps	(8 bps)
Cost to income ratio	**44.8%**	46.5%	41.8%	170 bps	(300 bps)
Cash earnings per average FTE (NZ$'000s)	**121**	111	129		
FTEs (spot)	**4,243**	4,257	4,322		

NZ Banking

Financial Analysis (in local currency)

March 2010 v March 2009

Cash earnings for the half year declined by 8.6% to $255 million compared to the previous half year to March 2009. Core revenue remained under pressure, particularly in BNZ Partners, due to weaker business credit demand. Overall funding costs remained high and competition continued to be intense, particularly for customer deposits.

Net interest income remained flat. In addition to increasing competition on lending, wholesale funding costs were substantially higher this half as less expensive pre-global financial crisis term-funding matured and was replaced at current market rates. A continued focus on strengthening the balance sheet by increasing the term profile of funding and improving liquidity has also come at a substantial cost. Customer deposit margins continue to be under competitive pressure, as all banks look to improve their retail funding ratios in response to the evolving regulatory environment. The timing of early repayment costs (ERC) has also had an adverse impact versus the prior half. This downward pressure was partially offset by repricing for both risk and increased funding costs.

Net interest margin declined by 8 basis points to 2.08%, reflecting the higher cost of funding and the timing of ERC. This was partially offset by repricing initiatives on the asset portfolio. A continued emphasis on strengthening the balance sheet also added to margin pressure compared to the prior period.

Other operating income decreased by 13.1%. Revenue from account maintenance fees was $13 million lower, driven by the abolition of a range of dishonour, honour and referral fees from 1 September 2009. Client risk management revenue also decreased by $20 million due to reduced customer demand for hedging products relative to the prior period when extremely volatile market conditions drove unprecedented customer demand.

Operating expenses increased by 2.8%. This was mainly driven by the commencement of operating leases for new buildings in Auckland and Wellington. BNZ also continued to broaden its sponsorship activities with two new key agreements entered into during the period with the NZ Rugby Union and Plunket.

Average gross loans and acceptances increased by 4.0%, while **retail deposits** grew very strongly by 9.1%. The growth in business lending progressively slowed over the year in line with lower system growth and renewed competitor activity. System growth in house lending remained subdued, however BNZ maintained its market share. Strong market share gains were also made in the highly competitive deposits market.

The **cost to income ratio** increased from 41.8% to 44.8% compared to the March 09 half, primarily as a result of lower revenue and the timing of expenses.

The **charge to provide for bad and doubtful debts** decreased by $11 million from March 2009. Impairment of assets showed signs of stabilisation as market conditions slowly improved. However, in the current environment risk remains in the business sector.

March 2010 v September 2009

Cash earnings increased by 7.1% to $255 million when compared with the September 2009 half, reflecting the slowly improving market conditions from the lows of 2009.

Net interest income increased by 5.3% to $595 million. This was primarily due to repricing both for risk and higher funding costs as well as a favourable product mix as customers had a strong preference for variable rate mortgage products with the relatively low Official Cash Rate. This was partially offset by the cost associated with improving balance sheet strength, competitive pressure on deposit margins and the timing of ERC.

Net interest margin increased by 12 basis points to 2.08%, reflecting repricing for risk and higher funding costs on the asset book and favourable mix impact within the housing portfolio.

Other operating income decreased by 3.5%, largely due to the abolition of a range of dishonour, honour and referral fees from 1 September 2009. Underlying fee revenue remained relatively flat.

Operating expenses decreased slightly by 0.8% compared to the September 2009 half due to the continued focus on cost management, leveraging Kaizen throughout the organisation.

Average gross loans and acceptances grew slightly by 0.4%, reflecting slowing business lending in line with system and subdued housing growth. **Retail deposits** grew strongly by 5.3% over the half, increasing BNZ's market share and strengthening the balance sheet in a highly competitive New Zealand market.

The **charge to provide for bad and doubtful debts** remained flat compared to the September 2009 half.

Other Items

	As at		
	Mar 10	**Sep 09**	**Mar 09**
Specific provision for doubtful debts (NZ$m)	**147**	158	110
Collective provision for doubtful debts (NZ$m)	**187**	147	148
Specific provision on loans at fair value	**102**	63	9
Collective provision on loans at fair value	**76**	84	84
Collective provision on derivatives at fair value	**-**	5	9
90+ DPD assets (NZ$m) (1)	**284**	210	152
Gross impaired assets (NZ$m) (2)	**734**	639	379
90+ DPD plus gross impaired assets to gross loans and acceptances	**1.85%**	1.53%	0.98%
Specific provision to gross impaired assets	**33.9%**	34.6%	31.4%
Net write-offs to gross loans and acceptances (annualised)	**0.24%**	0.13%	0.12%
Total provision as a percentage of net write-offs	**393%**	626%	563%
Total provision to gross loans and acceptances	**0.93%**	0.83%	0.67%
Bad and doubtful debt charge to credit risk weighted assets	**0.53%**	0.53%	0.65%

(1) *The March 2010 balance includes NZ$4 million of fair value non impaired loans 90 days past due.*

(2) *Gross impaired assets for March 2010 includes NZ$305 million gross impaired fair value assets. (September 2009, NZ$191 million) Whilst not included above, for March 2009 the value of gross impaired fair value assets was NZ$36 million.*

Asset Quality

In line with the slowly improving economic environment, leading asset quality indicators are showing signs of stabilisation. BNZ's historically conservative approach to lending has ensured that it is well placed in the current environment and relative to peers.

Compared to the September 2009 full year, the level of impaired assets and 90+ DPD assets to gross loans and acceptances has increased by 32 basis points to 1.85%. The increase in impaired and 90+ DPD asset ratio is primarily due to business exposures. Key industry risk areas continue to be in the commercial property and dairy farming sectors which make up 14.5% and 9.3% respectively of BNZ's total lending portfolio of $55 billion.

BNZ's disciplines around property development financing (minimum levels of pre-sales, project feasibility analysis and undue concentration risk) have contributed to minimising losses in this sector. Dairy payout rates have declined by approximately 23% from the high 2008 levels, which has put stress on a number of operators. BNZ has historically assessed future returns on dairy commodities on a conservative long-run basis, to avoid reliance on cyclical price spikes.

Housing, which accounts for approximately half of the lending portfolio, has also experienced some minor deterioration in asset quality. Additional retail credit focused resources continue to proactively manage emerging distressed customers, while new housing lending with higher LVRs are referred centrally to specialised credit managers. Credit quality in unsecured consumer lending has been moderately affected by the economic downturn, but at 3%, it accounts for a minor proportion of the Bank's lending portfolio.

The division continues to place significant focus on close monitoring and proactive management of asset quality. Risk settings, a comprehensive program of oversight and intervention activities, and actively working with the businesses are key strategies employed to maintain acceptable asset quality. In addition, there has been further strengthening of the specialised recovery team.

BNZ will continue to closely monitor the lending portfolio to ensure that risk settings and frameworks remain appropriate and agile in the evolving environment.

Balance Sheet Management

During the year, management continued to focus on maintaining and further improving balance sheet strength, with liquidity and funding being the key priorities.

BNZ has been proactive in maintaining a strong profile with existing and potential investors via a number of international road shows.

The focus on funding has seen the diversification (both domestic and international) and lengthening of the term funding profile. While retail deposit rates have increased significantly and are now well above the wholesale cost of funds, retail funding is a key component of balance sheet strength and is key to maintaining BNZ's AA credit rating.

Physical capital is held at levels well above the Reserve Bank of New Zealand's prescribed minimum levels. Tier 1 capital ratio was 9.03% (minimum 4%) and Total Capital ratio was 12.03% (minimum 8%) as at 31 March 2010.

The New Zealand Stable Funding Index (SFI) remained above its 70% target at 79.2%. The Customer Funding Index (CFI) also remained above the 50% target at 54.4%.

Market Share

	As at		
Market Share	**Mar 10**	**Sep 09**	**Mar 09**
Housing (1)	**15.8%**	15.8%	15.5%
Cards (1)	**27.5%**	27.6%	27.1%
Agribusiness (1)	**19.0%**	18.9%	18.2%
Retail deposits (1) (2)	**17.5%**	17.0%	16.1%

(1) *Source RBNZ - March 2010.*

(2) *Retail deposits excludes some deposits by business banking customers captured in money market deposits in the BNZ General Disclosure Statement.*

Distribution

The Bank continues to maintain a strong branch network across New Zealand.

	As at		
Distribution	**Mar 10**	**Sep 09**	**Mar 09**
Number of retail branches	**179**	180	180
Number of ATMs	**437**	428	431
Number of internet banking customers (no. '000s)	**472**	450	432

NZ Banking

Results presented in Australian dollars. *See page 70 for results in local currency*

	Half Year to				
	Mar 10 $m	Sep 09 $m	Mar 09 $m	Mar 10 v Sep 09 %	Mar 10 v Mar 09 %
Net interest income	472	452	495	4.4	(4.6)
Other operating income	173	182	209	(4.9)	(17.2)
Net operating income	645	634	704	1.7	(8.4)
Operating expenses	(289)	(295)	(294)	2.0	1.7
Underlying profit	356	339	410	5.0	(13.2)
Charge to provide for bad and doubtful debts	(70)	(72)	(82)	2.8	14.6
Cash earnings before tax	286	267	328	7.1	(12.8)
Income tax expense	(84)	(78)	(95)	(7.7)	11.6
Cash earnings	202	189	233	6.9	(13.3)

Impact of foreign exchange rate movements

Favourable/ (unfavourable) March 10	Half year since Sep 09 $m	Mar 10 v Sep 09 Ex FX %	Half year since Mar 09 $m	Mar 10 v Mar 09 Ex FX %
Net interest income	(4)	5.3	(22)	(0.3)
Other operating income	(3)	(3.5)	(9)	(13.1)
Operating expenses	4	0.8	14	(2.8)
Charge to provide for bad and doubtful debts	1	1.1	3	11.1
Income tax expense	1	(9.3)	3	8.6
Cash earnings	(1)	7.1	(11)	(8.6)

MLC & NAB Wealth

Steve Tucker

MLC & NAB Wealth comprises a range of businesses and brands that provide investments, insurance, financial advice and private wealth solutions to customers. Together, these businesses have significant strengths in fee-for-service advice, product design, asset management and client servicing across the wealth management industry.

MLC & NAB Wealth has a diversified, advice based business model including aligned advice businesses (Garvan Financial Planning, MLC Financial Planning, Apogee Financial Planning and Godfrey Pembroke) and the bank advice business, NAB Financial Planning. MLC & NAB Wealth has increased its presence in the independent financial adviser market through the acquisition of Aviva and is committed to growing and fostering these relationships.

MLC & NAB Wealth's Investments business includes retail investment platforms MasterKey, MasterKey Custom and Navigator; employee superannuation through Plum Financial Services, MasterKey Business Super and Aviva Business Super; and a market leading multi-manager [(1)] offer and direct investment management through nabInvest. The Wealth Investments business also provides asset and implemented consulting services via JANA.

MLC & NAB Wealth's insurance business includes Personal and Group insurance offers, debt protection and business insurance; and general insurance products via a distribution agreement.

MLC & NAB Wealth's private wealth business includes NAB Private Wealth and JBWere.

(1) *Plan for life (Based on funds under management) December 2009.*

Strategic Highlights and Business Development

The acquisition of Aviva's wealth management business in Australia was completed on 1 October 2009. Integration of Aviva's insurance operations, its discretionary investment platform Navigator, and Business Super is on track to deliver cost and revenue synergies above the acquisition business case.

The strategic alliance with Goldman Sachs JBWere (GSJBW) was completed on 1 November 2009 after MLC & NAB Wealth acquired 80.1% of GSJBW's private wealth management business in Australia and New Zealand, which was branded JBWere.

JBWere is fully operational and focused on building deeper relationships between JBWere clients and NAB Private Wealth. MLC & NAB Wealth is currently developing a new platform to migrate clients from the existing GSJBW infrastructure which will further enhance JBWere's Private Wealth offering.

The strengths of Aviva and JBWere align with MLC & NAB Wealth's core strategy of broadening its presence across all sectors of the Wealth value chain and providing further depth across advice channels and high growth customer segments.

During the half-year, MLC & NAB Wealth continued to focus on:

Taking the lead on the important issue of building trust in the financial advice industry. MLC continued to engage with Government and regulators on the potential outcomes of the various reviews and inquiries underway. The Parliamentary Joint Committee (PJC) Inquiry into Financial Services and Products delivered a sensible range of recommendations for the Government to consider, that were in line with MLC & NAB Wealth's submission. These recommendations will have a positive impact on the future of the wealth management industry, particularly in relation to the removal of conflicts of interest and greater focus on quality of advice.

In December 2009, the Cooper review produced its preliminary report into Clearer Super Choices: Matching Governance Solutions (Phase 1). A central concept in the preliminary report is the notion of a "choice architecture model" for Australia's superannuation system. The model classifies members into three main types: universal, choice and self-managed. The universal category would involve the least degree of member choice and member responsibility, compared to the self-managed category which would offer the widest range of options. MLC is well placed in terms of its product offering and expertise to operate under this model. The final report is expected to be delivered in June 2010.

By 1 July 2010, Apogee Financial Planning and Garvan/MLC Financial Planning will have completed their transition to a fee for service model for all new investments and superannuation clients. This move completes the transfer of all of MLC & NAB Wealth's advice businesses to a fee based model. This focus on transparency and trust places MLC & NAB Wealth in a strong position to attract advisers over the coming years.

Apogee Financial Planning was announced the overall winner of CoreData's Major Financial Advice Group award for 2009. For the third year in a row, an MLC advice network has been rated by customers as Australia's leading financial advice group.

Leveraging the full capabilities of the NAB group to better service its customers. NAB Financial Planning continues to be well positioned in the Personal, Business and NAB Private Wealth businesses, with strong sales and record referrals to advisers, despite challenging market conditions.

The Private Wealth business was recently named Best Private Bank in Australia in the annual Euromoney Private Banking and Wealth Management Survey.

Above-average investment returns with lower risk. MLC's short and long-term peer relative performance has been strong, with its manager of managers (MoM) investment approach delivering steady returns in volatile market conditions. Significant enhancements have been made to MoM during the first half, including a refined approach to asset allocation and a restructured debt and credit strategy.

nabInvest is attracting strong flows into the direct investment management businesses it is partnering with, and has received a number of positive ratings amongst asset consultants and retail research houses for some of the newer funds. The portfolio of investments now include Northward Capital, Fairview Equity Partners, Lodestar Capital Partners, Antares Capital, Cambridge Industrial Trust, and Pengana Capital. nabInvest continues to seek further value creating opportunities to expand its direct asset management capabilities.

Maintaining a leading position in superannuation. More than 75% of MLC's customer funds are invested in superannuation, with MLC being the largest provider of retail superannuation in Australia.[1]

In 2010, MasterKey and MasterKey Custom retained top ratings from Chant West and Herron Partners (Independent specialist superannuation research and consultancy firms). Ratings are predominantly based on performance in Investments with a focus on quality of the investment manager, insurance features, member benefits and administration.

In 2010, Navigator was named the top-rated platform by Investment Trends for overall functionality.

Maintaining leading market share in the personal insurance market. MLC & NAB Wealth continues to focus on writing high quality and sustainable new business, supported by market leading innovations in its product offerings. MLC holds the number one market share position in individual risk for Premiums in Force and Sales, and has improved its ranking from sixth to third for Group risk sales as at December 2009.[2]

Best Doctors medical advice service was launched to all new and existing Critical Illness insurance clients and their families in November 2009. Best Doctors provides customers with access to a second opinion regarding diagnosis and treatment from a global network of more than 50,000 leading specialists. Best Doctors was recognised as one of the best initiatives of 2009 by Riskinfo and won the product innovation of the year award at the 2009 Plan for Life/AFA Life Company of the year awards.

MLC received the coveted 2009 Life Insurance Company of the Year award from the Australian and New Zealand Institute of Insurance and Finance - the fourth time MLC & NAB Wealth has won the award in the last six year years.

MLC continues to focus on level premium products that provide customers with affordable long-term insurance offerings. Level premium sales comprise over 50% of new personal protection sales, providing better value to customers over the longer term, a lower lapse experience and a more efficient capital utilisation.

Efficiently managing the businesses, resulting in operating expense savings. MLC & NAB Wealth has continued to drive operational efficiencies throughout the business including the migration of products off its legacy registry systems, and a 55% reduction in service complaints since 2007. The acquisition of the Aviva business provides further opportunities to improve efficiency.

MLC's retail investment products are now receiving 49% of all applications online. The Insurance business (excluding Aviva) is receiving 14% of applications online (off a zero base in 2009), with the Aviva insurance business achieving 63% of applications online.

Investing in the MLC brand and enhancing the customer experience. In September 2009, a TV campaign was launched to encourage Australians to consider their personal insurance needs such as life and income protection insurance.

The JBWere brand was successfully relaunched via a major sponsorship with the JBWere Masters Golf Tournament in November 2009.

Operating Environment

The wealth management industry is going through a period of significant change and consolidation. Investor sentiment has been negatively affected by the increased volatility in global capital markets, higher capital costs, slowing global demand, and ongoing regulatory uncertainty.

This changing and largely unpredictable environment presents significant opportunities for companies with trusted brands, financial strength and strong governance.

Over the next 10 years, the superannuation market is projected to grow by 9% p.a, and the risk insurance market is projected to grow by 14% p.a.[3]

On 2 May 2010, the Federal Government released a report into Australia's Future Tax System - the Henry review; and outlined its response to the report's findings. As part of its response, the Government recommended a number of reforms for the superannuation industry. These recommendations included a staged increase in the Superannuation Guarantee Contribution (SGC) from 9% to 12%, commencing from 1 July 2013 and the removal of the limits on contributions to superannuation for people aged over 50 with balances below $500,000. These recommendations will significantly improve Australia's superannuation system and the future retirement income prospects of millions of Australians.

Customer, Employee and Community

MLC & NAB Wealth strive to create an environment where people can achieve great outcomes. This includes an ongoing commitment to developing leaders and recognising and rewarding the right behaviours and performance.

MLC & NAB Wealth's Community Foundation is committed to identifying and delivering value and support to various not-for-profit organisations. Support may be through funding, promotion, volunteering and other means that operate within the program objectives and goals. The MLC Community Foundation is a vehicle in which employees can actively support causes they care about.

(1) *Plan for life Australian Retail and Unitised Wholesale Investments market share and dynamics report, December 2009.*
(2) *Source: DEXX&R Life Analysis December 2009.*
(3) *Source: DEXX&R Market Projection Report June 2009.*

MLC & NAB Wealth

	Half Year to Mar 10 $m	Sep 09 $m	Mar 09 $m	Mar 10 v Sep 09 %	Mar 10 v Mar 09 %
Net interest income	**142**	147	139	(3.4)	2.2
Other operating income	**18**	41	17	(56.1)	5.9
MLC net operating income	**748**	529	539	41.4	38.8
Net operating income	**908**	717	695	26.6	30.6
Operating expenses	**(541)**	(424)	(418)	(27.6)	(29.4)
Underlying profit	**367**	293	277	25.3	32.5
Charge to provide for bad and doubtful debts	**(5)**	(12)	(6)	58.3	16.7
Cash earnings before tax, IoRE and non-controlling interest	**362**	281	271	28.8	33.6
Income tax expense	**(98)**	(69)	(70)	(42.0)	(40.0)
Cash earnings before IoRE and non-controlling interest	**264**	**212**	**201**	24.5	31.3
Net profit - non-controlling interest	**(1)**	(5)	3	80.0	large
IoRE [1]	**35**	52	(26)	(32.7)	large
Cash earnings	**298**	259	178	15.1	67.4

[1] *The impact of changes in the discount rate on policyholder liabilities has been excluded from cash earnings, as noted in Section 7 - Glossary of Terms.*

	Mar 10 $m	Sep 09 $m	Mar 09 $m	Mar 10 v Sep 09 %	Mar 10 v Mar 09 %
Represented by:					
Investments & Private Bank cash earnings before IoRE and non-controlling interest	**167**	128	115	30.5	45.2
Insurance cash earnings before IoRE and non-controlling interest	**97**	84	86	15.5	12.8
Cash earnings before IoRE and non-controlling interest	**264**	212	201	24.5	31.3
Capital ($bn)					
Risk-weighted assets - credit risk (spot)	**5.9**	6.7	6.9	(11.9)	(14.5)
Total risk-weighted assets (spot)	**6.2**	7.0	7.2	(11.4)	(13.9)

Performance Measures	Mar 10	Sep 09	Mar 09
Cost to income ratio (%)	**59.6%**	59.1%	60.1%
Cash earnings before IoRE and non-controlling interest per average FTE ($'000s)	**115**	105	95
FTEs (spot)	**5,292**	3,991	4,116
Financial advisers - salaried channels	**679**	543	573
Financial advisers - aligned channels	**807**	803	810

	Half year to Mar 10			Sep 09			Mar 09		
IoRE by Asset Class	**Actual Earnings $m**	**Weighted Asset Balance $m**	**Earning Rate %**	**Actual Earnings $m**	**Weighted Asset Balance $m**	**Earning Rate %**	**Actual Earnings $m**	**Weighted Asset Balance $m**	**Earning Rate %**
Equity	**7**	**151**	**4.5%**	34	122	27.9%	(40)	134	(29.7%)
Fixed interest	**2**	**82**	**2.0%**	2	72	2.8%	1	104	1.3%
Cash and others [1]	**61**	**1,387**	**4.4%**	41	1,353	3.0%	40	1,319	3.0%
Debt	**(23)**	**753**	**(3.1%)**	(13)	685	(1.9%)	(19)	666	(2.9%)
Income tax	**(12)**			(12)			(8)		
IoRE	35			52			(26)		

[1] *Cash and others includes Aviva IoRE.*

MLC & NAB Wealth
Financial Highlights

March 2010 v March 2009

MLC & NAB Wealth's cash earnings before IoRE and non controlling interest of $264 million increased by $63 million or 31% compared to March 2009.

This result was largely influenced by the acquisition of Aviva, an improvement in global investment markets, and strong expense control.

Underlying cash earnings growth, excluding the Aviva and JBWere businesses was 12% on the March 2009 half.

MLC's spot FUM of $114 billion increased by $44 billion or 63% over the year as a result of the Aviva acquisition and strong market returns across the well diversified investment portfolio. The underlying average FUM growth was 20%.

Net flows to March 2010 of $4.6 billion were higher than March 2009 mainly due to new wholesale mandates for JANA, nabInvest and Plum.

MLC experienced strong sales growth for group insurance products. Claims experience increased for the group and individual disability products which was partially offset by favourable claims experience for lump sum disability products.

Operating expenses increased by $123 million or 29%, driven by the Aviva acquisition. Underlying operating expenses excluding the Aviva business and JBWere were down by 1% compared to March 2009 as a result of a continued focus on expense control whilst maintaining strategic investments in future growth initiatives.

March 2010 v September 2009

MLC & NAB Wealth's cash earnings before IoRE and non controlling interest have increased by $52 million to $264 million or 25% since September 2009.

This result was largely due to the acquisition of Aviva, an improvement in global investment markets, strong expense control and lower bad and doubtful debts.

Underlying cash earnings growth was 6% on the prior half.

MLC's spot FUM of $114 billion has increased by $29 billion or 34% since September 2009 as a result of the Aviva acquisition and strong market returns across the well diversified investment portfolio. The underlying average FUM growth was 15%.

Operating expenses increased by $117 million or 28%, driven by the Aviva business, whilst underlying operating expenses were down by 2% on the prior half.

MLC & NAB Wealth - Investments inclusive of Private Wealth

	Half Year to Mar 10 $m	Half Year to Sep 09 $m	Half Year to Mar 09 $m	Mar 10 v Sep 09 %	Mar 10 v Mar 09 %
Net interest income	**142**	147	139	(3.4)	2.2
Other operating income	**18**	41	17	(56.1)	5.9
Gross income	**750**	509	497	47.3	50.9
Volume related expenses	**(256)**	(165)	(162)	(55.2)	(58.0)
Net operating income	**654**	532	491	22.9	33.2
Operating expenses	**(423)**	(329)	(321)	(28.6)	(31.8)
Underlying profit	**231**	203	170	13.8	35.9
Charge to provide for bad and doubtful debts	**(5)**	(12)	(6)	58.3	16.7
Cash earnings before tax, IoRE and non-controlling interest	**226**	191	164	18.3	37.8
Income tax expense	**(59)**	(63)	(49)	6.3	(20.4)
Cash earnings before IoRE and non-controlling interest	**167**	128	115	30.5	45.2

Average Volumes - Private Bank ($bn)					
Gross loans and acceptances	**16.7**	16.6	16.8	0.6	(0.6)
Interest earning assets	**16.7**	16.6	16.7	0.6	-

Performance Measures [1]					
Funds under management (spot) ($m)	**114,206**	85,067	70,134	34.3	62.8
Funds under management (average) ($m)	**106,638**	76,573	73,389	39.3	45.3
Net funds flow ($m)	**4,599**	3,008	(635)	52.9	large
Net interest margin - Private Bank	**1.71%**	1.78%	1.68%	(7 bps)	3 bps
Cost to income ratio	**64.7%**	61.8%	65.4%	(290 bps)	70 bps
Investment operating expenses to average FUM (bps)	**69**	65	67		
Investment income to average FUM (bps)	**93**	90	92		

(1) *MLC FUM excludes Trustee and Cash Management.*

	Funds Under Management					
	Dec 09		Jun 09 [3]		Dec 08 [3]	
	Rank	Market Share %	Rank	Market Share %	Rank	Market Share %
Retail (excl. Cash)	**1**	**16.0%**	1	15.3%	1	15.1%
Total Retail Superannuation	**1**	**20.7%**	1	19.3%	1	19.1%
Total Wholesale	**1**	**8.8%**	1	8.4%	1	7.7%

	Share of New Business [2]					
	Dec 09		Jun 09 [3]		Dec 08 [3]	
	Rank	Market Share %	Rank	Market Share %	Rank	Market Share %
Retail (excl. Cash)	**3**	**12.3%**	1	13.4%	2	13.8%
Total Retail Superannuation	**1**	**16.3%**	2	16.1%	3	15.4%
Total Wholesale	**4**	**5.6%**	8	4.2%	12	2.9%

Source: Plan for life Australian Retail & Unitised Wholesale Investments Market share & Dynamics Report - December 2009.

(2) *Share of new business is based on annual gross inflows.*

(3) *Market share data includes Aviva.*

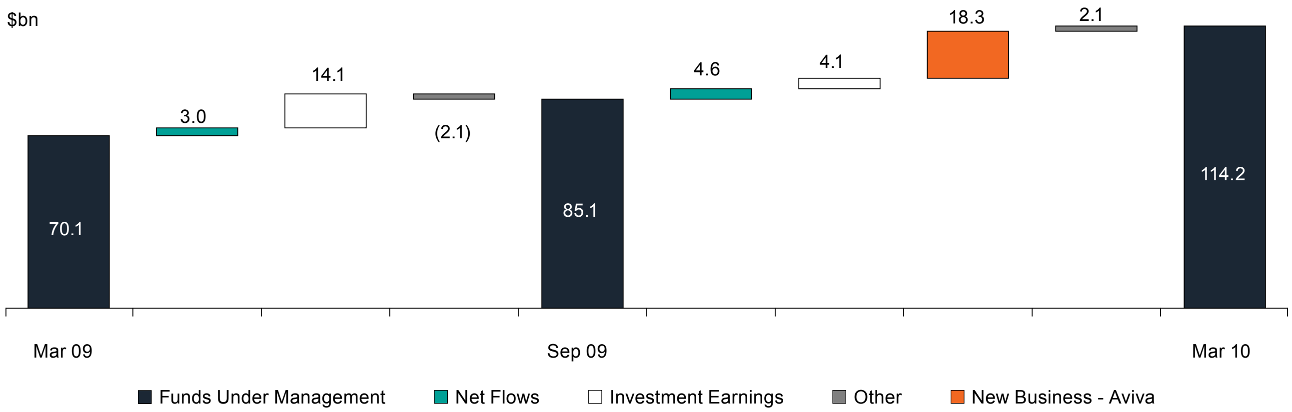
Funds Under Management

Movement in Funds under Management and administration ($m)	As at Mar 09	Inflows	Outflows	Investment earnings	Acquisition Aviva	Other (1)	As at Mar 10
Master Funds (Platforms)	**47,397**	13,391	(8,743)	13,410	15,865	(1,321)	**79,999**
Other Retail	**4,145**	22	(168)	182	2,490	(1,783)	**4,888**
Total Retails Funds (Excl. Cash)	**51,542**	13,413	(8,911)	13,592	18,355	(3,104)	**84,887**
Wholesale	**18,592**	4,811	(1,706)	4,545	-	3,077	**29,319**
Total MLC ex Trustee and Cash Management	**70,134**	**18,224**	**(10,617)**	**18,137**	**18,355**	**(27)**	**114,206**
Cash Management	463	154	(616)	6	-	(7)	-
Trustee	6,266	2,053	(876)	-	-	-	7,443

Movement in Funds under Management and Administration ($m)	As at Sep 09	Inflows	Outflows	Investment earnings	Acquisition Aviva	Other (1)	As at Mar 10
Master Funds (Platforms)	**58,512**	8,222	(4,855)	2,654	15,865	(399)	**79,999**
Other Retail	**3,012**	3	(33)	(1)	2,490	(583)	**4,888**
Total Retails Funds (Excl. Cash)	**61,524**	8,225	(4,888)	2,653	18,355	(982)	**84,887**
Wholesale	**23,543**	2,432	(1,170)	1,437	-	3,077	**29,319**
Total MLC ex Trustee and Cash Management	**85,067**	**10,657**	**(6,058)**	**4,090**	**18,355**	**2,095**	**114,206**
Cash Management	-	-	-	-	-	-	-
Trustee	7,375	496	(428)	-	-	-	7,443

(1) *Other includes nabInvest and trust distributions.*

Funds Under Management



FUM by Asset Class	As at Mar 10	Sep 09	Mar 09
Australian equities	**33%**	33%	29%
International equities	**31%**	31%	32%
Australian fixed interest	**15%**	14%	16%
International fixed interest	**8%**	9%	8%
Australian cash	**6%**	7%	8%
International direct property	**3%**	2%	3%
International listed property	**2%**	2%	2%
Australian listed property	**2%**	2%	2%

MLC & NAB Wealth - Investments inclusive of Private Wealth

Financial Analysis

March 2010 v March 2009

Cash earnings before IoRE and non controlling interest increased by $52 million or 45% compared to March 2009, driven by the acquisition of Aviva, an improvement in global investment markets which are up by around 18%[(1)] and strong expense control.

Underlying cash earnings, excluding the Aviva and JBWere businesses was up by 25%, mainly as a result of a growth in net income of 5%, and a decline in underlying expenses of 1%.

Net flows of $4.6 billion were substantially higher than March 2009, mostly due to new business for JANA, nabInvest, and Plum.

Net Interest Income grew by $3 million or 2% due to the change in product mix from fixed to variable rates as a result of economic conditions, partially offset by delays in the timing of passing on interest rate rises in the current half.

Other operating income was relatively flat compared to the prior half.

Gross income increased by $253 million or 51% driven by Aviva and JBWere. The underlying gross income increased by $33 million or 7%.

MLC's spot FUM of $114 billion increased by $44 billion or 63% over the year as a result of the Aviva acquisition and strong market returns across the well diversified investment portfolio. The underlying average FUM growth was 20%.

Volume related expenses include commission payments and investment costs. These costs increased by $94 million or 58%, mainly as a result of the Aviva acquisition.

Underlying volume related expenses increased by $12 million or 7%, in line with the increase in gross income, due to higher average FUM as a result of the improvement in global investment markets.

Operating expenses increased by $102 million or 32%, due to the inclusion of the Aviva and JBWere businesses. Underlying expenses were down by 1% compared to March 2009.

The integration of Aviva's operations is expected to deliver cost and revenue synergies above the acquisition business case. JBWere is fully operational and will deliver an attractive wealth management offering to high and ultra high net worth customers. The costs associated with the integration of these businesses are represented outside of cash earnings.

(1) MSCI All country index ($A). Represents the annual return from March 2009 to March 2010.

March 2010 v September 2009

Cash earnings before IoRE and non controlling interest have increased by $39 million or 31% since September 2009 driven in part by the acquisition of Aviva, an improvement in global investment markets, strong expense control and lower bad and doubtful debts.

Underlying cash earnings grew by 13%, mainly as a result of the decline in underlying expenses of 4% and lower bad and doubtful debts.

Net flows of $4.6 billion were higher than the prior half due to new business for nabInvest, Plum and JANA.

Net Interest Income decreased by $5 million or 3% mainly due to higher funding costs, and delays in the timing of passing on interest rate rises in the current half.

Other operating income decreased by $23 million mainly due to favourable one-off equity movements for nabInvest of $21 million in the prior period.

Gross income increased by $241 million or 47% principally due to the inclusion of Aviva and JBWere. The underlying gross income increased by $21 million or 4%.

MLC's spot FUM of $114 billion has increased by $29 billion or 34% since September 2009 as a result of the Aviva acquisition and strong market returns across the well diversified investment portfolio. The underlying average FUM growth was 15%.

Volume related expenses increased by $91 million or 55% due to the inclusion of Aviva. The underlying volume expense growth was 5%, in line with the increase in gross income.

Operating expenses increased by $94 million or 29%, principally due to the inclusion of Aviva and JBWere, with underlying expenses falling by 4% on the prior half.

Other Items

Asset Quality

	As at		
	Mar 10	Sep 09	Mar 09
Specific provision for doubtful debts ($m)	**11**	13	8
Collective provision for doubtful debts ($m)	**14**	12	10
90+ DPD assets ($m)	**16**	17	39
Gross impaired assets ($m)	**46**	50	41
90+ DPD plus gross impaired assets to gross loans and acceptances	**0.36%**	0.41%	0.48%
Specific provision to gross impaired assets	**23.9%**	26.0%	19.5%
Net write-offs to gross loans and acceptances (annualised)	**0.07%**	0.04%	0.05%
Total provision as a percentage of net write-offs	**208%**	357%	224%
Total provision to gross loans and acceptances	**0.15%**	0.15%	0.11%
Bad and doubtful debt charge to credit risk weighted assets	**0.17%**	0.27%	0.17%

Asset Quality

Asset Quality measures across the Private Wealth business have stabilised over the first half, and show an overall improvement from March 2009. The growth of 90+ Days Past Due and Gross Impaired Assets has also slowed since the high levels recorded as at March 09. Gross Impaired Assets remain high, and these exposures are being effectively managed off the Private Wealth's loan book by way of an orderly security sell down.

The housing market, a key sector to which the Private Wealth business is principally exposed, has shown a good degree of recovery and this trend is continuing. There has been a similar improvement in the value of equities, which has translated into a lessening of pressure on clients who had pursued an aggressive gearing strategy for equity investment. This has led to a fall in the incidence of both 90+ Days Past Due and new Gross Impaired Assets.

The Private Wealth's loan book remains well covered with a strong level of provisioning to Gross Impaired Assets. This mitigates the potential for further write-offs flowing from a shortfall in the security sell down process.

MLC & NAB Wealth - Insurance

	Half Year to				
	Mar 10 $m	Sep 09 $m	Mar 09 $m	Mar 10 v Sep 09 %	Mar 10 v Mar 09 %
Gross income	**725**	516	490	40.5	48.0
Volume related expenses	**(471)**	(331)	(286)	(42.3)	(64.7)
Net operating income	**254**	185	204	37.3	24.5
Operating expenses	**(118)**	(95)	(97)	(24.2)	(21.6)
Cash earnings before tax, IoRE and non-controlling interest	**136**	90	107	51.1	27.1
Income tax expense	**(39)**	(6)	(21)	large	(85.7)
Cash earnings before IoRE and non-controlling interest	**97**	84	86	15.5	12.8
Planned and Experience Analysis					
Planned Margins	**80**	83	76	(3.6)	5.3
Experience Profit / (loss)	**17**	1	10	large	70.0
Cash earnings before IoRE and non-controlling interest	**97**	84	86	15.5	12.8
Performance Measures					
Annual inforce premiums (spot) ($m)	**1,332.9**	968.8	910.2	37.6	46.4
Annual inforce premiums (average) ($m)	**1,150.9**	939.5	884.8	22.5	30.1
New business premiums ($m)	**180.6**	144.2	120.3	25.2	50.1
Insurance cost to average inforce premium (%)	**21%**	20%	22%		

Annual Inforce Premiums ($m)	As at Mar 09	Sales	Lapses	Aviva Acquisition	As at Mar 10	Mar 09 v Mar 10 %
Retail	716.9	230.7	(145.8)	271.3	**1,073.1**	49.7
Group Risk	193.3	94.1	(50.3)	22.7	**259.8**	34.4
Total	910.2	324.8	(196.1)	294.0	**1,332.9**	46.4

Annual Inforce Premiums ($m)	As at Sep 09	Sales	Lapses	Aviva Acquisition	As at Mar 10	Sep 09 v Mar 10 %
Retail	748.1	129.5	(75.8)	271.3	**1,073.1**	43.4
Group Risk	220.7	51.1	(34.7)	22.7	**259.8**	17.7
Total	968.8	180.6	(110.5)	294.0	**1,332.9**	37.6

	Premiums in Force					
	Dec 09		Jun 09 [1]		Dec 08 [1]	
	Rank	Market Share %	Rank	Market Share %	Rank	Market Share %
Retail risk premiums	**1**	**19.1%**	1	19.1%	1	19.4%
Group risk	**5**	**9.8%**	6	8.9%	6	8.8%

	Share of New Business					
	Dec 09		Jun 09 [1]		Dec 08 [1]	
	Rank	Market Share %	Rank	Market Share %	Rank	Market Share %
Retail risk premiums	**1**	**21.2%**	1	20.6%	1	20.6%
Group risk	**3**	**12.8%**	4	9.9%	6	8.5%

Source: DEXX&R Life Analysis - December 2009.

(1) *Market share data includes Aviva.*

MLC & NAB Wealth - Insurance

Financial Analysis

March 2010 v March 2009

Cash earnings before IoRE and non controlling interest have increased by $11 million or 13% compared to March 2009 as a result of the Aviva acquisition.

Underlying cash earnings, excluding the Aviva business were in line with the March 2009 half, after adjusting for the release of a taxation provision in that half.

Cash earnings before tax increased by $29 million or 27% to $136 million. Excluding the Aviva business, the underlying growth was 5%.

Gross income increased by $235 million or 48%, and average annual inforce premiums grew by 30%, mainly due to the Aviva acquisition.

MLC experienced strong sales growth of 46% for group insurance products excluding the Aviva business.

Underlying gross income increased by $81 million or 17% and underlying average inforce premiums grew by 12% compared to March 2009.

Earnings on the assets backing the Insurance portfolio recovered from the prior comparative period, reflecting the impact of interest rate movements on government and semi-government bond yields.

Volume related expenses include commission payments and claims. These costs increased by $185 million or 65%, reflecting the Aviva acquisition.

Underlying volume related expenses excluding the Aviva business, increased by $74 million or 26%, reflecting the increase in average premiums inforce, favourable claims experience for lump sum products, and higher claims experience for the group and individual disability products.

Operating expenses increased by $21 million or 22%, driven by the Aviva acquisition. Underlying operating expenses were in line with the March 2009 half.

Planned Margins and Experience Profit

Planned margins for the half year to March 2010 increased relative to March 2009 but were down compared to September 2009. Planned margins increased due to volume growth and the inclusion of planned margins for Aviva. This increase was partly offset by an increase in expected claims on the MLC disability income insurance business.

Experience profits have been positive, reflecting favourable claims experience on the lump sum business, partially offset by unfavourable claims experience on the disability income insurance business.

March 2010 v September 2009

Cash earnings before IoRE and non controlling interest have increased by $13 million or 16% since September 2009.

Underlying cash earnings, excluding the Aviva business, were up by 14%, after adjusting for the release of a taxation provision in the September 2009 half.

Cash earnings before tax increased by $46 million or 51% to $136 million. Excluding the Aviva business, the underlying growth was 24%.

Gross income increased by $209 million or 41% and average inforce premiums grew by 23%, driven by the Aviva acquisition.

Underlying gross income increased by $55 million or 11% and underlying average in force premiums grew by 6% on September 2009 levels.

Volume related expenses increased by $140 million or 42%, reflecting the Aviva acquisition.

Underlying volume related expenses increased by $29 million or 9%, largely reflecting the increase in average premiums in force.

Operating expenses increased by $23 million or 24% mainly driven by the Aviva acquisition. Underlying operating expenses increased by $3 million due to increased investment within the business

Great Western Bank

Great Western Bank (GWB) offers a range of traditional banking and wealth management products through its footprint of 126 (at 31 March 2010) locations across seven states, predominantly in the Midwest agricultural based economies of the United States.

Strategic Highlights and Business Developments

Over the March 2010 half, GWB continued the momentum of organic growth it achieved throughout 2009 in a depressed economic environment.

The agribusiness platform has continued to expand since NAB's acquisition of GWB and now totals US$665 million with US$389 million in net lending growth as part of the strategy since acquisition. With seven key centres and 25 dedicated employees supporting the Agribusiness line, the business line is now an integral component of the GWB operating model.

On 1 February 2010, GWB announced the acquisition of F&M Bank in Iowa for a premium of US$5 million with gross assets of approximately US$450 million. This transaction received regulatory approval and closed on 23 April 2010. The acquisition has expanded the GWB footprint in the key Iowa market, adding 10 branch locations, US$410 million in deposits and US$125 million in performing loans, together with over 32,000 deposit accounts.

The F&M footprint is located across some of the most productive agricultural land in the United States. The acquisition complements the Agri strategy and increases market share in Iowa.

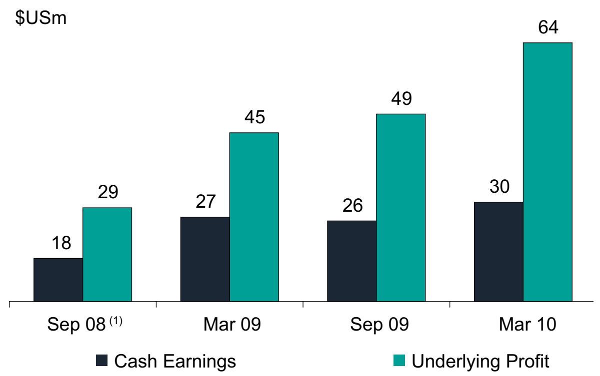
Despite continued pressure on asset quality, which reflects the depressed US economy with its high levels of unemployment, poor consumer confidence and falling property prices, GWB continues to outperform its US peers on both earnings and asset quality metrics.

GWB maintained performance ahead of peers and produced a pre-tax return on assets of 1.48% in the December 2009 quarter against the average pre-tax return on assets of 0.10% for all commercial banks regulated by the Federal Deposit Insurance Corporation (FDIC) (Source FDIC).

Underlying profit has increased significantly for GWB, reflecting its growing balance sheet, cost control due to efficiencies driven out of the acquisitions and additional revenue sources in the core business. While cash earnings have increased on the prior two halves, they have not kept pace with underlying profit growth, reflecting an increase in the charge to provide for bad and doubtful debts across the six months. Return on assets is negatively affected by both the provision for bad and doubtful debts, and underlying profit consistent with balance sheet growth. As the economic cycle changes, GWB is well positioned for further growth in cash earnings.

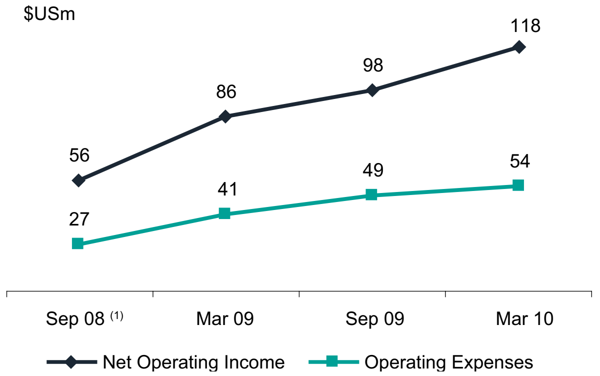
GWB has continued to fund organic asset growth through customer deposits. The ratio of retail deposits to gross loans and acceptances at 31 March 2010 is 111%. Excess deposits remain invested primarily in high quality US government backed or agency securities.

Great Western Bank Cash Earnings and Underlying Profit



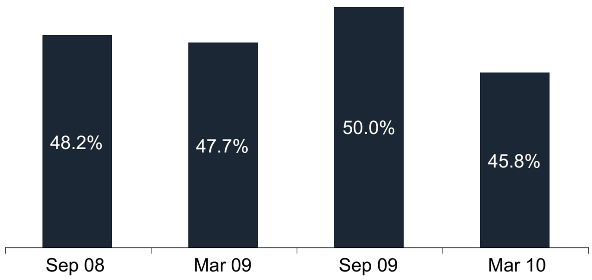
(1) *September 2008 includes 4 month trading.*

Great Western Bank Revenue and Expense Trends

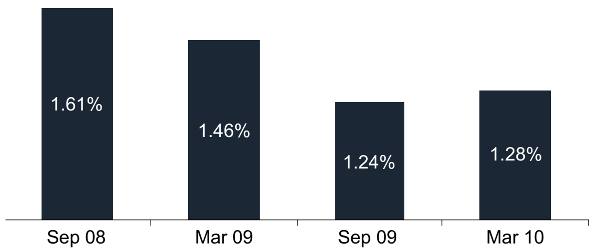


(1) *Acquired in June 2008.*

Great Western Bank Cost to Income Ratio



Great Western Bank Cash Earnings on Average Assets



Operating Environment

The economic environment in the US remains poor, with the recession still deeply affecting communities throughout the country and into the GWB footprint. The US recession has clearly moved from “Wall St” to “Main St” and the economic impact is now clearly being felt across small to medium-sized enterprises.

Bank failures continue at an unprecedented rate, with 41 banks closed by the FDIC (Federal Deposit Insurance Corporation) in the 3 months to 31 March 2010 and over 700 banks on the FDIC watch list as of 31 December 2009.

The overall lending market remains depressed, with US household debt falling in 2009. Consumer behaviour in the US continues to be restrained and the focus is on de-leveraging balance sheets.

With current unemployment of 9.7% and a significant level of under-employment, the US economic environment is expected to remain bleak at least through to the end of 2010. Loan demand across the US is subdued, with the FDIC reporting a fall of 5.3% in overall banking sector assets for the 12 months to 31 December 2010.

Customer, Employee and Community

As a community bank, GWB is actively involved in each of the communities in which it operates, with employees and the bank supporting local causes and initiatives. The three main areas of focus are supporting organisations or programs that benefit low to moderate income families, low income housing initiatives and financial literacy. Over the last six months, GWB employees helped build homes for families in need through the Habitat for Humanity program; participated in smart money management education programs for children within community schools; collected food and warm clothing for those in need through canned food and coat drives; and made donations to the homeless shelters. The involvement of GWB in its communities continues to reinforce the GWB brand proposition of “Making Life Great”.

GWB has maintained employee benefits, including company sponsored pension contributions and health insurance programs, consistent with previous years, in an environment where many organisations and competitors have either suspended or significantly cut back on employer sponsored contributions.

Great Western Bank

Results presented in local currency. See page 87 for results in $AUDm.

	Half Year to				
	Mar 10 US$m	**Sep 09 US$m**	**Mar 09 US$m**	**Mar 10 v Sep 09 %**	**Mar 10 v Mar 09 %**
Net interest income	**91**	77	66	18.2	37.9
Other operating income	**27**	21	20	28.6	35.0
Net operating income	**118**	98	86	20.4	37.2
Operating expenses	**(54)**	(49)	(41)	(10.2)	(31.7)
Underlying profit	**64**	49	45	30.6	42.2
Charge to provide for bad and doubtful debts	**(18)**	(9)	(5)	large	large
Cash earnings before tax	**46**	40	40	15.0	15.0
Income tax expense	**(16)**	(14)	(13)	(14.3)	(23.1)
Cash earnings	**30**	26	27	15.4	11.1
Average Volumes (US$bn)					
Gross loans and acceptances	**3.5**	3.1	2.7	12.9	29.6
Interest earning assets	**4.5**	4.0	3.5	12.5	28.6
Total assets	**4.7**	4.2	3.7	11.9	27.0
Retail deposits	**3.9**	3.6	3.3	8.3	18.2
Capital (US$bn)					
Risk-weighted assets - credit risk (spot)	**4.0**	4.0	3.4	-	17.6
Total risk-weighted assets (spot)	**4.0**	4.0	3.4	-	17.6
Performance Measures					
Cash earnings on average assets	**1.28%**	1.24%	1.46%	4 bps	(18 bps)
Net interest margin	**4.06%**	3.86%	3.78%	20 bps	28 bps
Cost to income ratio	**45.8%**	50.0%	47.7%	420 bps	190 bps
Cash earnings per average FTE (US$'000s)	**61**	58	66		
FTEs (spot)	**960**	987	816		

Great Western Bank

Financial Analysis (in local currency)

March 2010 v March 2009

Cash earnings grew by 11.1% to US$30 million for the six months to 31 March 2010. Underlying profit grew by 42.2% to US$64 million reflecting growth in assets, both organically and through acquisition, together with the maintenance of strong net interest margin. Operating efficiencies also continued to help offset US$1.6 million in additional FDIC insurance premiums. Cash earnings were negatively affected by the additional US$13 million charge to provide for doubtful debts when compared with the six months to 31 March 2009.

The increase in the charge to provide for bad and doubtful debts reflects the extension of the US recession into the core markets of GWB. Falling property valuations, in particular, commercial real estate, have required additional provisioning to accommodate collateral shortfalls.

Net operating income increased by 37.2% to US$118 million, supported by strong margin (4.06%) and asset growth, reflecting the expanded footprint that includes a full six months income from the Colorado franchise acquired in June 2009. In addition, investment income grew in line with growth in customer deposits which were invested into government backed securities.

Operating expenses increased by 31.7% when compared with the six months to 31 March 2009, largely reflecting both the costs of the expanded franchise and the additional costs of FDIC insurance, with premiums increasing significantly across the industry through 2009.

The **charge to provide for bad and doubtful debts** increased by US$13 million to US$18 million when compared to US$5 million for the six months to 31 March 2009. A steady deterioration in asset quality has occurred over the past twelve months as the recession has moved through the US and into the Midwest footprint of GWB.

March 2010 v September 2009

Cash earnings for the six months to 31 March 2010 were US$30 million or 15.4% higher than the six months to 30 September 2009. The acquisition of the Colorado franchise has not had a significant impact on net cash earnings for the six months. However ongoing operational efficiencies gained during the half will accrete to earnings through the remainder of 2010.

Net operating income increased by US$20 million to $US118 million as a result of high margin and additional ancillary and investment income, together with the inclusion of Colorado for the full six months.

After excluding Colorado, actual overall **operating expenses** remained flat in the half. The cost to income ratio of 45.8% for the six months reflects effective cost management and recent efficiency gains from the integration of the Colorado franchise.

The continued deterioration in asset quality continued in the six months, resulting in a US$18 million **charge to provide for bad and doubtful debts**, compared with the US$9 million in the six months to 30 September 2009. The charge reflects continued pressure on the operating environment of GWB’s customers and significant falls in commercial real estate values throughout the US. These have had an impact on collateral valuations on impaired assets, resulting in additional write-downs to these accounts.

Other Items

Asset Quality

	As at		
	Mar 10	**Sep 09**	**Mar 09**
Specific provision for doubtful debts (US$m)	**12**	11	7
Collective provision for doubtful debts (US$m)	**23**	23	24
Gross impaired assets (US$m)	**58**	33	35
90+ DPD plus gross impaired assets to gross loans and acceptances	**1.62%**	0.96%	1.27%
Specific provision to gross impaired assets	**20.7%**	33.3%	20.0%
Net write-offs to gross loans and acceptances (annualised)	**0.89%**	0.41%	0.29%
Total provision to gross loans and acceptances	**0.98%**	0.99%	1.12%

The full impact of the recession flowing through to the communities and the GWB Midwest footprint has resulted in an expected deterioration in asset quality. Gross impaired assets grew by US$25 million to US$58 million in the 6 months to 31 March 2010, with the charge for loan loss growing by US$13 million to US$18 million over the period.

With deteriorating collateral values, particularly with regard to commercial real estate, the level of net write-offs has grown from 0.41% to 0.89% of gross loans and acceptances.

The trend in asset quality is industry wide. However, GWB has continued to outperform the peer group average, with total provision to gross loans and acceptances of 0.98% against the average of 3.27% across all commercial banks regulated by the FDIC in December 2009. This reflects the geography of GWB, together with a focused change in asset mix and a relatively conservative credit risk appetite.

GWB has continued to diversify exposure from commercial real estate and construction and land development to agricultural and other lending. Agri lending has grown from 12% of the portfolio as of 31 December 2007 to 19% of the portfolio as of 31 March 2010. GWB has also maintained its policy of no sub-prime lending.

As credit quality is expected to continue to be under pressure through the remainder of 2010, a dedicated team of credit experts and asset workout specialists is focused on protecting the overall quality of the existing portfolio and identifying early warning signs on potential problem assets.

Results presented in Australian dollars. See page 85 for results in local currency.

	Half Year to				
	Mar 10 $m	**Sep 09 $m**	**Mar 09 $m**	**Mar 10 v Sep 09 %**	**Mar 10 v Mar 09 %**
Net interest income	**100**	97	99	3.1	1.0
Other operating income	**29**	26	30	11.5	(3.3)
Net operating income	**129**	123	129	4.9	-
Operating expenses	**(59)**	(60)	(62)	1.7	4.8
Underlying profit	**70**	63	67	11.1	4.5
Charge to provide for bad and doubtful debts	**(20)**	(12)	(7)	(66.7)	large
Cash earnings before tax	**50**	51	60	(2.0)	(16.7)
Income tax expense	**(17)**	(18)	(20)	5.6	15.0
Cash earnings	**33**	33	40	-	(17.5)

Impact of foreign exchange rate movements

Favourable/ (unfavourable) March 10	**Half year since Sep 09 $m**	**Mar 10 v Sep 09 Ex FX %**	**Half year since Mar 09 $m**	**Mar 10 v Mar 09 Ex FX %**
Net interest income	**(15)**	18.2	**(36)**	37.9
Other Operating Income	**(4)**	28.6	**(12)**	35.0
Operating expenses	**7**	(10.2)	**23**	(31.7)
Charge to provide for bad and doubtful debts	**4**	large	**6**	large
Income tax expense	**3**	(14.3)	**8**	(23.1)
Cash earnings	**(5)**	15.4	**(11)**	11.1

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Specialised Group Assets

Peter Thodey

The Specialised Group Assets (SGA) line of business comprises non-franchise assets with $24.3 billion of Credit Risk Weighted Assets.

The portfolio of assets are primarily domiciled in the United Kingdom and the United States and consists of nine portfolios:

- Structured Asset Management (SAM);
- Private Equity & Real Estate Investment Funds USA;
- Infrastructure Finance USA;
- Corporate Lending USA;
- Corporate & Non Bank Financial Institution (NBFI) Lending UK;
- Commercial Property UK;
- Leverage Finance UK;
- Structured Asset Finance UK; and
- Credit Wrapped Bonds.

Strategic Highlights and Business Developments

During the March 2010 half year the SGA management team was established with the recruitment of key personnel. The portfolio of assets was reviewed in detail with appropriate strategies and management objectives being established. SGA remains subject to all risk oversight and compliance processes consistent with the other lines of business within the Group.

SGA's role is to actively manage credit risk and cash earnings volatility alongside selectively pursuing options to reduce risk weighted assets and improve capital release. The contractual maturity profiles of some of the balance sheet assets are long dated, with refinance risk (particularly in commercial property), extension of committed facilities and early repayments, influencing the maturity profile over the next few years.

The business's ongoing performance is highly dependent on the United Kingdom and United States economies and therefore the financial results remain sensitive to market conditions.

Cash earnings improved on the September 2009 half year primarily as a result of a reduced bad and doubtful debt charge.

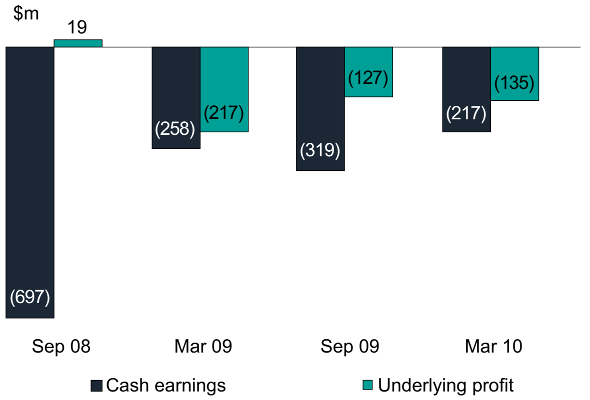
Operating income includes the mark to market on the SCDO risk mitigation trades.

The total negative mark to market at March 2010 is consistent with the September 2009 half year with a change in the mix: the March 2010 half year operating income was affected by movements in the risk mitigation trades, whereas CDS mark to market movements relating to capital management hedging strategies were a significant component of the September 2009 half year operating income.

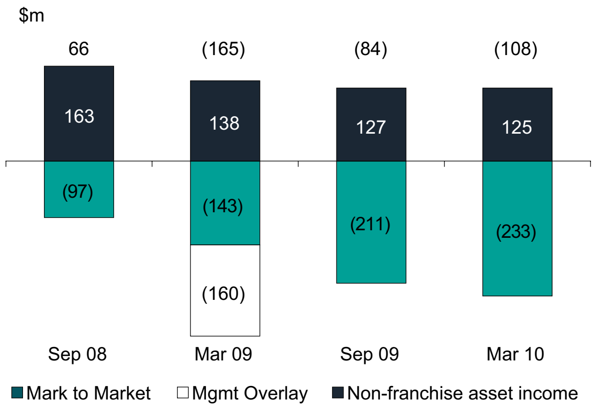
The SDCO hedges have worked as intended in relation to losses incurred on three SCDO assets. The accounting effect of the losses and hedge recovery is reflected in the group results.

SGA non-franchise asset income remained consistent with prior periods due to limited run-off, as clients' refinancing opportunities were constrained in the current economic climate. Some repricing was also achieved.

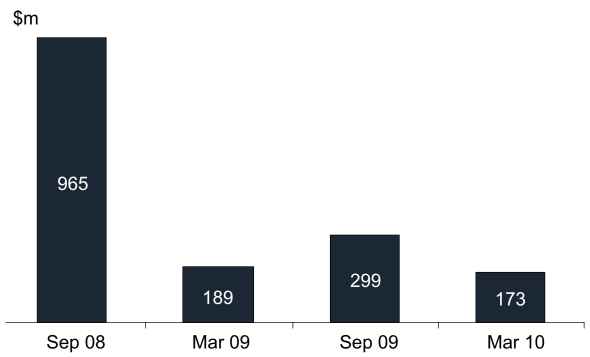
Specialised Group Assets Cash Earnings and Underlying Profit



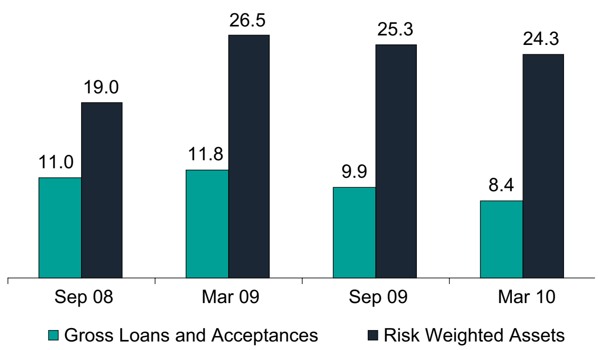
Specialised Group Assets Net Operating Income



Specialised Group Assets Charge to Provide for Bad and Doubtful Debts



Specialised Group Assets Risk Weighted Assets



Operating Environment

The global financial crisis and weak performance of the United Kingdom and United States economies continued to have an adverse impact on SGA, with Leveraged Finance and Commercial Property in the United Kingdom most affected. This was evidenced by a deterioration of internal risk ratings for those portfolios (with a commensurate increase in risk weighted assets) and in Commercial Property an increase in the number of defaults. In the past three months, there have been some positive signs of a slowdown in the rate of credit deterioration, but performance remains highly dependent upon the continued recovery of the economies to which the portfolios are exposed.

Low interest rates in the United Kingdom and United States, coupled with the effect of quantitative easing and other Government stimulus programs, have helped cushion the impact of the economic downturn to some extent.

Refinance risk has remained a key challenge for SGA, and in many cases borrowers have sought to extend facilities for a further period as they are unable to access alternative funding sources. Achievement of the existing contractual run-off profile will continue to be challenging.

Specialised Group Assets

Results presented at actual exchange rates

	Half Year to				
	Mar 10 $m	**Sep 09 $m**	**Mar 09 $m**	**Mar 10 v Sep 09 %**	**Mar 10 v Mar 09 %**
Net interest income	**105**	94	126	11.7	(16.7)
Other operating income	**(213)**	(178)	(291)	(19.7)	26.8
Net operating income	**(108)**	(84)	(165)	(28.6)	34.5
Operating expenses	**(27)**	(43)	(52)	37.2	48.1
Underlying profit	**(135)**	(127)	(217)	(6.3)	37.8
Charge to provide for bad and doubtful debts	**(173)**	(299)	(189)	42.1	8.5
Cash earnings before tax	**(308)**	(426)	(406)	27.7	24.1
Income tax expense	**91**	107	148	15.0	38.5
Cash earnings	**(217)**	(319)	(258)	32.0	15.9
Average Volumes ($bn)					
Gross loans and acceptances	**8.4**	9.9	11.8	(15.2)	(28.8)
Interest earning assets	**16.2**	19.3	23.2	(16.1)	(30.2)
Capital ($bn)					
Risk-weighted assets - credit risk (spot)	**24.3**	25.3	26.5	(4.0)	(8.3)
Total risk-weighted assets (spot)	**24.3**	25.3	26.5	(4.0)	(8.3)
Performance Measures					
Net interest margin	**1.30%**	0.97%	1.09%	33 bps	21 bps
FTEs (spot)	**48**	88	100		

The accounting effect of the losses to the original SCDO Note, which form part of the SCDO exposures, and related recovery from the hedge counterparty are reflected net in the above financial extract.

Impact of foreign exchange rate movements

Favourable/ (unfavourable) March 10	**Half year since Sep 09 $m**	**Mar 10 v Sep 09 Ex FX %**	**Half year since Mar 09 $m**	**Mar 10 v Mar 09 Ex FX %**
Net interest income	**(14)**	26.6	**(30)**	7.1
Other operating income	**(1)**	(19.1)	**(9)**	29.9
Operating expenses	**4**	27.9	**8**	32.7
Charge to provide for bad and doubtful debts	**29**	32.4	**67**	(27.0)
Income tax expense	**(4)**	(11.2)	**(9)**	(32.4)
Cash earnings before non-controlling interest	**14**	27.6	**27**	5.4

Specialised Group Assets

Financial Analysis

March 2010 v March 2009

Cash earnings improved by $41 million on the March 2009 half year to a ($217) million loss. This was mainly due to improved income and lower expenses following the restructure of the business.

Net operating income improved by $57 million or 34.5% on the March 2009 half year to ($108) million. This was due to the unfavourable effect of the $160 million management overlay relating to conduit assets and derivative transactions, partly offset by the favourable mark to market on CDS positions following the widening of spreads during the March 2009 half year.

Non-franchise asset income has remained consistent with prior periods.

Operating expenses decreased by $25 million or 48.1% on the March 2009 half year to $27 million. This decrease was due to the restructure of the business, with FTE numbers reducing from 100 to 48.

The **charge to provide for bad and doubtful debts** decreased by $16 million in the March 2010 half year to $173 million. This current half year charge primarily reflects specific provisions in the Leveraged Finance and Commercial Property portfolios.

The **effective tax rate** credit decreased from 36.5% in the March 2009 half year to 29.5% in the March 2010 half year, primarily as a result of fewer deductible losses generated in the United States in the March 2010 half year which are taxed at a higher rate than in other regions.

Average interest earning assets decreased by $7.0 billion (30.2%) to $16.2 billion. Excluding the foreign exchange impact of $4.9 billion, the asset decrease was $2.1 billion (11.4%) and was mainly due to the maturity of a number of structured transactions and securitisation deals.

Risk Weighted Assets decreased by $2.2 billion (8.3%) to $24.3 billion. Excluding the foreign exchange impact of $6.2 billion, there was an underlying increase of $4.0 billion. This is mainly due to the deterioration in credit conditions particularly during the September 2009 half.

March 2010 v September 2009

Cash earnings improved by $102 million on the September 2009 half year primarily due to a reduction in the bad and doubtful debts charge.

Net operating income decreased by 28.6% or by $24 million due primarily to increased mark-to-market losses on the SCDO risk mitigation trades during the March 2010 half year. This was partially offset by the reversal of some CDS mark to market gains relating to capital management hedging strategies during the September 2009 half year.

Operating expenses decreased by $16 million or 37.2%, reflecting the restructure of the business.

The **charge to provide for bad and doubtful debts** decreased by $126 million or 42.1%. In the September 2009 half year there were a number of specific provisions across the portfolio including a small number of large Leveraged Finance and Corporate & NBFI Lending exposures in the UK.

The **effective tax rate** credit increased from 25.1% in the September 2009 half year to 29.5% in the March 2010 half year, primarily resulting from the change in mix of earnings across the regions.

Average interest earning assets decreased by $3.1 billion (16.1%). Excluding the foreign exchange impact of $1.9 billion, the decrease was $1.2 billion (7.0%). This was due to the business being managed down, a process somewhat limited by the ability of clients to refinance elsewhere in the market, with some needing to extend their existing facilities.

Risk Weighted Assets decreased by $1.0 billion (4.0%). Excluding the foreign exchange impact of $1.6 billion, there was an underlying increase $0.6 billion. This is mainly due to increased risk weightings on a specific exposure.

Other Items

	As at		
	Mar 10	**Sep 09**	**Mar 09**
Specific provision for doubtful debts ($m) [1]	**173**	154	93
Collective provision for doubtful debts ($m)	**305**	259	265
Collective provision on derivatives at fair value	**232**	251	253
Gross impaired assets ($m)	**582**	602	333
Gross impaired assets to gross loans and acceptances	**7.70%**	6.50%	2.70%
Specific provision to gross impaired assets	**29.7%**	25.6%	27.9%
Net write-offs to gross loans and acceptances	**2.23%**	2.33%	0.80%

[1] *Not included in specific provisions for doubtful debts are provisions on investments - held to maturity of $114 million (September 2009 $120 million, March 2009 $153 million).*

Asset Quality

Exposures across the portfolio are predominantly in the UK & Europe (54%) and North America (28%), with a further 9% spread across both regions, and minor concentrations in Australia & New Zealand (7%) and Asia (2%).

The portfolio has already been affected by the adverse global credit environment, which has led to continued deterioration of the assigned internal credit gradings, and a rise of 75% in impaired assets since March 2009.

The bad and doubtful debts charge decreased by $126 million or 42.1% on the September 2009 half year, but is broadly consistent with the March 2009 half year charge. During the current half year, specific provisions across the portfolio stem principally from the Leveraged Finance and Commercial Property portfolios.

The effects of the adverse credit environment have not yet fully flowed through the portfolio, such that, principal areas of concern remain with Leveraged Finance and Commercial Property assets:

- Leveraged Finance - assets mainly originated between 2005 and 2007 primarily as loans financing Leveraged Buy-Outs (LBOs). Typically these funding arrangements consisted of a high proportion of syndicated debt facilities; with the transactions introduced largely by private equity houses.
- Commercial Property - a combination of syndicate and bilateral loans. All assets are located within the UK.

A number of assets in these portfolios are under 'close watch' and oversight by the independent Specialised Business Services risk team.

SGA continues to actively manage the SAM portfolio. As at 31 March 2010, the SAM portfolio is $5.5 billion (down from $6.1 billion since September 2009).

With respect to the SCDOs, there have been five credit events affecting all SCDOs during the period under review. As a result, three of the original SCDO notes, which form part of the SCDO exposures, incurred losses of $489 million. The SCDO hedges have worked as intended, with NAB recovering realised loss amounts from the hedge counterparty (presented net within other Operating Income). The accounting effect of the losses and hedge recovery is reflected within the Group results.

The external rating of five of the six CSOs were downgraded by the external rating agency during the half year period. Internal and external credit ratings for SCDOs have generally stabilised over time in line with NAB's expectations. Market values and risk profiles of the transactions are beginning to benefit from improved credit conditions. The three SCDOs with maturities of less than four years benefit from the passage of time, as values converge on our held to maturity value.

Impaired Assets - Loans and Advances

The level of gross impaired assets has increased by $249 million from March 2009 to $582 million at March 2010, reflecting an increase in the number and value of troubled exposures primarily in the UK.

As a result of the increase, the ratio of gross impaired assets to gross loans and acceptances increased to 770 bps at March 2010 (up from 270 bps at March 2009).

The specific provision to gross impaired assets ratio increased to 29.7% at March 2010.

Corporate Functions and Other

The Group's 'Corporate Functions' business includes Asia and functions that support all businesses and comprises of Group Funding and Other Corporate Functions activities.

Group Funding acts as the central vehicle for movements of capital and structural funding to support the Group's operations, together with capital and balance sheet management.

Other Corporate Functions activities include NAB's operations in Asia, as well as Group Business Services, Group CEO, Group Risk, Group Governance and Group Strategy and Finance (including Group Treasury). These Group activities include the strategic development of the portfolio of businesses, financial and risk governance, and developing and retaining talent.

	Half Year to				
	Mar 10 $m	Sep 09 $m	Mar 09 $m	Mar 10 v Sep 09 %	Mar 10 v Mar 09 %
Net operating income	306	122	252	large	21.4
Operating expenses	(260)	(272)	(223)	4.4	(16.6)
Underlying profit	46	(150)	29	large	58.6
Charge to provide for bad and doubtful debts	1	(6)	(95)	large	large
Cash earnings before tax and non-controlling interest	47	(156)	(66)	large	large
Income tax benefit	11	79	90	(86.1)	(87.8)
Cash earnings before distributions and non-controlling interest	58	(77)	24	large	large
Net profit - non-controlling interest	-	-	-	-	-
Cash earnings / (deficit)	58	(77)	24	large	large
Represented by:					
Group Funding	131	10	164	large	(20.1)
Corporate Functions - Other	(73)	(87)	(140)	16.1	47.9
Cash earnings / (deficit)	58	(77)	24	large	large

March 2010 v March 2009

Cash earnings increased by $34 million mainly due to a stronger capital position, a decrease in the charge to bad and doubtful debts, and lower liquidity costs. This was partially offset by an increase in NGP activity.

Net operating income increased by $54 million. This stemmed from $131 million, from the benefits of a stronger capital position, reduced liquidity costs of $53 million (nil this half due to costs not transferred in centrally), lower costs relating to the UK FSCS of $24 million, down from $27 million in the March 2009 half, and favourable margins from strong deposit growth in Asia of $8 million. This was partially offset by income in the March 2009 half of $123 million on revenue, and other hedges on foreign currency, and $30 million profit on retirement of debt instruments.

Operating expenses increased by $37 million mainly due to increased activity in NGP of $41 million, up from $16 million in the March 2009 half, as it moves into its next phase after delivering the new UBank platform that enabled the successful launch of the USaver product in August 2009. This was partially offset by lower professional fees due to reduced levels of issuance activity.

The **charge to provide for bad and doubtful debts** decreased by $96 million, due to the $86 million (pre tax) collective charge raised to strengthen the Group balance sheet against the economic volatility in the March 2009 half and improved ratings on loan portfolios in Asia's Institutional Banking.

The **income tax benefit** decreased by $79 million as a result of a decrease in centrally held tax benefits of $36 million, down from $27 million benefit in the March 2009 half and higher cash earnings.

March 2010 v September 2009

Cash earnings increased by $135 million against the September 2009 half, driven by a stronger capital position, decreased liquidity costs, gains on hedging, and lower incentive payments.

Net operating income increased by $184 million. Contributing to the increase was a $65 million benefit from a stronger capital position, up from an $11 million loss in the September 2009 half, $24 million reduction in liquidity costs, gains on hedging a contingent foreign currency payment of $32 million, up from a $38 million loss in the September 2009 half, and $31 million of income on issuance of funding derivatives, up from $12 million in the September 2009 half. Also contributing to the increase was growth in Asia Banking. This was partially offset by $32 million profit on retirement of debt instruments and gains of $40 million on revenue and other foreign currency hedges incurred in the September 2009 half.

Operating expenses decreased by $12 million mainly due to lower staff incentive payments of $28 million and lower professional fees resulting from lower issuance activity of $7 million. This was partially offset by increased activity in NGP.

The **charge to provide for bad and doubtful debts** decreased by $7 million due to lower collective provisions.

The **income tax benefit** decreased by $68 million due to higher cash earnings and a $7 million benefit in the prior period from an overprovision. This was partly offset by a $6 million increase in centrally held tax benefits, down from $15 million expense in the September 2009 half.

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Section 5

Financial Report

Report of the Directors

The directors of National Australia Bank Limited (the 'Company') present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the half year ended 31 March 2010.

The directors of the Company have a significant responsibility with respect to the integrity of external reporting. This involves reviewing and monitoring, with the assistance of the Audit Committees and management, the processes, controls and procedures which are in place to maintain the integrity of the Group's financial statements. Further details of the role of the Board of Directors and its Committees can be found in the Corporate Governance section of the Group's 2009 Annual Financial Report or on the Group's website www.nabgroup.com.

Directors

Directors who held office during or since the end of the half year are:

Michael A Chaney
Chairman since September 2005 and Director since December 2004

Cameron A Clyne
Director since January 2009. Managing Director and Group Chief Executive Officer from January 2009

Patricia A Cross
Director since December 2005

Daniel T Gilbert
Director since September 2004

Mark Joiner
Director since March 2009

Paul J Rizzo
Director since September 2004

Jillian S Segal
Director since September 2004

John G Thorn
Director since October 2003

Geoffrey A Tomlinson
Director since March 2000

Michael J Ullmer
Director since October 2004

John Waller
Director since February 2009

Sir Malcolm Williamson
Director since May 2004

Anthony TK Yuen
Director since March 2010

Rounding of Amounts

Pursuant to Class Order 98/100 made by the Australian Securities and Investments Commission on 10 July 1998, the Company has rounded off amounts in this report and the accompanying financial statements to the nearest million dollars, except where indicated.

Review of Operations and Group Results

Net profit attributable to owners of the Company for the half year ended 31 March 2010 of $2,095 million decreased $569 million or 21.4% compared to the prior comparative period.

Net interest income increased $213 million or 3.6% due to repricing of the lending portfolio driven by the alignment of pricing to current risk settings. Net life insurance income increased $15 million as positive investment returns were offset by changes in policy liabilities. Total other income decreased $975 million or 31.4%. Lower credit valuation adjustments on derivative exposures due to improving credit conditions were offset by a decrease in trading income due to normalised trading conditions and reduced sales opportunities.

Operating expenses increased $247 million or 6.4%. Benefits associated with the productivity and efficiency programs were offset by the acceleration of the Group's Efficiency Quality and Service program and several acquisitions made in the March 2010 half.

The bad and doubtful debt charge decreased as the stabilising economic environment lead to improvement in customer credit ratings and consequently lower specific and collective provision charges.

Total assets decreased $25,641 million or 3.8%. Growth in investments related to life insurance business due to improved global equity and property markets and acquisitions, was offset by a reduction in trading derivatives due to reduced market volatility. Total liabilities decreased $27,439 million or 4.3% due to favourable movements in foreign currency translation of foreign denominated debt, partially offset by an increase in life policy liabilities.

The Board has received assurance from the Group Chief Executive Officer and the Group Executive Finance Director/Chief Financial Officer that the Company's half year financial report for the period ended 31 March 2010 is founded on sound systems of risk management and internal control, and that the systems are operating effectively in all material respects in relation to the financial reporting risks.

Management has also reported that the Company's risk management and internal control systems have been designed and implemented to manage the Company's material business risks, and those risks are being managed effectively.

Auditor's independence declaration

A copy of the auditor's independence declaration as required by section 307C of the *Corporations Act* 2001 (Cth) is set out on the following page and forms part of this report.

Directors' signatures

Signed in accordance with a resolution of the directors:

Michael A Chaney
Chairman

Cameron Clyne
Group Chief Executive Officer

6 May 2010

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Melbourne VIC 3000 Australia
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Fax: +61 3 8650 7777
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Auditor's Independence Declaration to the Directors of National Australia Bank Limited

In relation to our review of the financial report of National Australia Bank Limited for the half year ended 31 March 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

AJ (Tony) Johnson
Partner
6 May 2010

Liability limited by a scheme approved
under Professional Standards Legislation

Consolidated Income Statement

		Half Year to		
	Note	Mar 10 $m	Sep 09 $m	Mar 09 $m
Interest income		**14,141**	13,443	17,659
Interest expense		**(8,044)**	(7,259)	(11,775)
Net interest income		**6,097**	6,184	5,884
Premium and related revenue		**620**	441	405
Investment revenue		**2,779**	9,042	(8,316)
Fee income		**236**	228	211
Claims expense		**(328)**	(234)	(243)
Change in policy liabilities		**(2,060)**	(7,835)	7,462
Policy acquisition and maintenance expense		**(440)**	(384)	(371)
Investment management expense		**(21)**	(18)	(19)
Movement in external unitholders' liability		**(333)**	(1,321)	1,309
Net life insurance income	14	**453**	(81)	438
Gains less losses on financial instruments at fair value	3	**168**	(653)	1,318
Other operating income	3	**1,964**	1,898	1,789
Total other income		**2,132**	1,245	3,107
Personnel expenses	4	**(2,264)**	(2,237)	(2,165)
Occupancy-related expenses	4	**(307)**	(286)	(269)
General expenses	4	**(1,552)**	(1,580)	(1,442)
Total operating expenses		**(4,123)**	(4,103)	(3,876)
Charge to provide for doubtful debts	9	**(1,719)**	(2,004)	(1,811)
Profit before income tax expense		**2,840**	1,241	3,742
Income tax expense	5	**(744)**	(1,327)	(1,067)
Net profit/(loss) for the period		**2,096**	(86)	2,675
Attributable to:				
Owners of the Company		**2,095**	(75)	2,664
Non-controlling interest in controlled entities		**1**	(11)	11
Net profit/(loss) for the period		**2,096**	(86)	2,675
		cents	**cents**	**cents**
Basic earnings per share (cents)		**95.5**	(9.9)	138.3
Diluted earnings per share (cents)		**95.1**	(9.8)	136.1

Consolidated Statement of Comprehensive Income

	Note	Half Year to Mar 10 $m	Sep 09 $m	Mar 09 $m
Other comprehensive income				
Actuarial losses on defined benefit pension scheme	12	**(120)**	(288)	(837)
Cash flow hedges				
Gains/(losses) taken to equity	12	**170**	431	(455)
(Gains)/losses transferred to the income statement	12	**(11)**	66	-
Exchange differences on translation of foreign operations	12	**(736)**	(1,308)	(177)
Tax on items transferred directly (from)/to equity		**(11)**	(86)	375
Investments - available for sale				
Net revaluation gains/(losses)	12	**5**	8	(26)
Impairment transferred to the income statement	12	**-**	10	42
Revaluation of land and buildings	12	**-**	3	-
Other comprehensive income for the period, net of income tax		**(703)**	(1,164)	(1,078)
Net profit/(loss) for the period		**2,096**	(86)	2,675
Total comprehensive income for the period		**1,393**	(1,250)	1,597
Attributable to:				
Owners of the Company		**1,392**	(1,239)	1,586
Non-controlling interest		**1**	(11)	11
Total comprehensive income for the period		**1,393**	(1,250)	1,597

Consolidated Balance Sheet

	Note	As at 31 Mar 10 $m	30 Sep 09 $m	31 Mar 09 $m
Assets				
Cash and liquid assets		**23,819**	25,834	18,287
Due from other banks		**38,631**	33,265	30,663
Trading derivatives		**29,558**	37,030	55,403
Trading securities		**24,219**	22,219	25,919
Investments - available for sale		**7,529**	7,933	8,807
Investments - held to maturity		**13,609**	17,529	18,462
Investments relating to life insurance business	**14**	**61,990**	54,254	44,057
Other financial assets at fair value		**31,763**	31,530	31,851
Hedging derivatives		**3,260**	3,926	6,670
Loans and advances	**8**	**343,880**	344,774	352,429
Due from customers on acceptances	**8**	**52,699**	55,035	55,356
Current tax assets		**394**	-	326
Property, plant and equipment		**1,698**	1,716	1,822
Goodwill and other intangible assets		**6,939**	6,243	6,478
Deferred tax assets		**3,116**	3,272	3,163
Other assets		**7,256**	9,560	16,308
Total assets		**650,360**	654,120	676,001
Liabilities				
Due to other banks		**43,735**	36,148	45,879
Trading derivatives		**28,230**	38,090	52,769
Other financial liabilities at fair value		**19,566**	21,311	22,964
Hedging derivatives		**1,737**	2,131	3,414
Deposits and other borrowings	**11**	**332,497**	336,188	327,759
Liability on acceptances		**15,771**	16,891	17,959
Life policy liabilities	**14**	**53,058**	47,314	38,351
Current tax liabilities		**-**	382	-
Provisions		**1,048**	1,555	1,072
Bonds, notes and subordinated debt		**86,079**	90,792	108,020
Other debt issues		**2,514**	2,627	1,729
Defined benefit pension scheme liabilities		**593**	584	314
External unitholders' liability	**14**	**8,969**	7,458	5,781
Deferred tax liabilities		**1,009**	793	774
Other liabilities		**17,355**	14,021	12,815
Total liabilities		**612,161**	616,285	639,600
Net assets		**38,199**	37,835	36,401
Equity				
Contributed equity	**12**	**23,363**	22,781	18,440
Reserves	**12**	**(879)**	(976)	59
Retained profits	**12**	**15,693**	16,010	17,904
Equity (parent entity interest)		**38,177**	37,815	36,403
Non-controlling interest in controlled entities		**22**	20	(2)
Total equity		**38,199**	37,835	36,401

Consolidated Cash Flow Statement

	Note	Half Year to Mar 10 $m	Sep 09 $m	Mar 09 $m
Cash flows from operating activities				
Interest received		**13,298**	13,505	18,095
Interest paid		**(7,549)**	(7,574)	(12,832)
Dividends received		**4**	4	3
Life insurance				
Premiums and other revenue received		**3,589**	4,790	3,774
Investment revenue received		**1,893**	848	766
Policy and other payments		**(3,208)**	(3,285)	(3,745)
Fees and commissions paid		**(213)**	(205)	(195)
Net trading revenue received		**5**	(1,901)	3,124
Other operating income received		**2,257**	2,056	1,817
Cash payments to employees and suppliers				
Personnel expenses paid		**(2,272)**	(1,831)	(2,148)
Other operating expenses paid		**(1,737)**	(1,523)	(2,354)
Goods and services tax paid		**(15)**	(8)	(22)
Cash payments for income taxes		**(656)**	(426)	(993)
Cash flows from operating activities before changes in operating assets and liabilities		**5,396**	4,450	5,290
Changes in operating assets and liabilities arising from cash flow movements				
Net placement of deposits with and withdrawal of deposits from supervisory central banks that are not part of cash equivalents		**(16)**	(17)	(3)
Net payments for and receipts from transactions in acceptances		**1,216**	(765)	(99)
Net funds advanced to and receipts from customers for loans and advances		**(3,605)**	(5,927)	(5,091)
Net acceptance from and repayment of deposits and other borrowings		**7,013**	24,986	473
Net movement in life insurance business investments		**(1,813)**	(854)	(771)
Net movement in other life insurance assets and liabilities		**(332)**	(245)	(456)
Net receipts from and payments for transactions in treasury bills and other eligible bills held for trading and not part of cash equivalents		**756**	1,440	(2,285)
Net payments for and receipts from transactions in trading securities		**(3,776)**	1,656	(2,061)
Net payments for and receipts from trading derivatives		**(1,805)**	5,899	(2,688)
Net funds advanced to and receipts from hedging derivative assets and other financial assets at fair value		**(1,636)**	1,561	(5,780)
Net receipts from hedging derivative liabilities and other financial liabilities at fair value		**(950)**	(2,598)	2,207
Net decrease/(increase) in other assets		**1,448**	(2,020)	201
Net (decrease)/increase in other liabilities		**(1,497)**	(11,855)	8,053
Net cash provided by/(used in) operating activities	**13(a)**	**399**	15,711	(3,010)

	Note	Half Year to Mar 10 $m	Sep 09 $m	Mar 09 $m
Cash flows from investing activities				
Movement in investments - available for sale				
Purchases		**(5,881)**	(8,238)	(14,410)
Proceeds from disposal		**357**	192	426
Proceeds on maturity		**5,490**	11,561	7,063
Movement in investments - held to maturity				
Purchases		**(13,829)**	(6,228)	(13,182)
Proceeds on disposal and on maturity		**17,183**	7,081	13,096
Purchase of controlled entities and business combinations, net of cash acquired	**13(d)**	**(5,544)**	194	-
Purchase of property, plant, equipment and software		**(325)**	(391)	(560)
Proceeds from sale of property, plant, equipment and software, net of costs		**4**	146	62
Net cash (used in)/provided by investing activities		**(2,545)**	4,317	(7,505)
Cash flows from financing activities				
Repayments of bonds, notes and subordinated debt		**(12,174)**	(15,838)	(17,449)
Proceeds from issue of bonds, notes and subordinated debt, net of costs		**12,769**	13,991	16,609
Proceeds from issue of ordinary shares, net of costs		**-**	2,721	3,192
Proceeds from issue of BNZ income securities, net of costs		**-**	203	-
Proceeds from other debt issues, net of costs		**-**	1,082	-
Dividends and distributions paid (excluding dividend reinvestment plan)		**(1,093)**	(457)	(1,285)
Net cash (used in)/provided by financing activities		**(498)**	1,702	1,067
Net (decrease)/increase in cash and cash equivalents		**(2,644)**	21,730	(9,448)
Cash and cash equivalents at beginning of period		**24,154**	3,304	12,789
Effects of exchange rate changes on balance of cash held in foreign currencies		**(2,266)**	(880)	(37)
Cash and cash equivalents at end of period	**13(b)**	**19,244**	24,154	3,304

Consolidated Statement of Changes in Equity

Group	Contributed equity $m	Reserves (2) $m	Retained profits (2) $m	Total $m	Non-controlling interest in controlled entities $m	Total equity $m
Balance at 1 October 2008	14,731	549	17,510	32,790	56	**32,846**
Total comprehensive income for the period	-	(483)	2,069	1,586	11	**1,597**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	3,698	-	-	3,698	-	**3,698**
Net loss realised on treasury shares	(73)	-	-	(73)	-	**(73)**
Purchase and vesting of treasury shares	84	-	-	84	-	**84**
Transfer (to)/from retained profits	-	(129)	129	-	-	**-**
Equity-based compensation	-	119	-	119	-	**119**
Dividends paid	-	-	(1,611)	(1,611)	-	**(1,611)**
Distributions on other equity instruments	-	-	(144)	(144)	-	**(144)**
Adjustment from adoption of new accounting standard	-	-	(49)	(49)		**(49)**
Other	-	3	-	3	-	**3**
Changes in ownership interests (1)						
Movement of non-controlling interest	-	-	-	-	(69)	**(69)**
Balance at 31 March 2009	18,440	59	17,904	36,403	(2)	**36,401**
Total comprehensive income for the period	-	(949)	(290)	(1,239)	(11)	**(1,250)**
Transactions with owners, recorded directly in equity:				-		
Contributions by and distributions to owners				-		
Issue of ordinary shares	3,762	-	-	3,762	-	**3,762**
Vesting of issued equity-based compensation	267	(267)	-	-	-	**-**
Net loss realised on treasury shares	(41)	-	-	(41)	-	**(41)**
Purchase and vesting of treasury shares	150	(86)	-	64	-	**64**
Issue of BNZ Income Securities 2	203	-	-	203	-	**203**
Transfer from/(to) retained profits	-	136	(136)	-	-	**-**
Equity-based compensation	-	125	-	125	-	**125**
Tax on equity-based compensation	-	6	-	6	-	**6**
Dividends paid	-	-	(1,367)	(1,367)	-	**(1,367)**
Distributions on other equity instruments	-	-	(101)	(101)	-	**(101)**
Changes in ownership interests (1)						
Movement of non-controlling interest	-	-	-	-	33	**33**
Balance at 30 September 2009	22,781	(976)	16,010	37,815	20	**37,835**
Total comprehensive income for the period	-	(617)	2,009	1,392	1	**1,393**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	535	-	-	535	-	**535**
Vesting of issued equity-based compensation	73	(73)	-	-	-	**-**
Net gain realised on treasury shares	2	-	-	2	-	**2**
Purchase and vesting of treasury shares	(28)	(16)	-	(44)	-	**(44)**
Transfer from/(to) retained profits	-	704	(704)	-	-	**-**
Equity-based compensation	-	102	-	102	-	**102**
Tax on equity-based compensation	-	(3)	-	(3)	-	**(3)**
Dividends paid	-	-	(1,500)	(1,500)	-	**(1,500)**
Distributions on other equity instruments	-	-	(103)	(103)	-	**(103)**
Adjustment from adoption of new accounting standard	-	-	(19)	(19)	-	**(19)**
Changes in ownership interests (1)						
Movement of non-controlling interest	-	-	-	-	1	**1**
Balance at 31 March 2010	23,363	(879)	15,693	38,177	22	**38,199**

(1) *Change in ownership interests in controlled entities that does not result in a loss of control.*

(2) *Refer to Note 12 Contributed Equity and Reserves for detail.*

1. Principal Accounting Policies

This report is a general purpose financial report for the interim half year reporting period ended 31 March 2010 which has been prepared in accordance with the ASX listing rules, the *Corporations Act* 2001 (Cth) and AASB 134 "Interim Financial Reporting."

This interim financial report does not contain all disclosures of the type normally found within a full annual financial report and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Group as that given by the annual financial report. As a result, this report should be read in conjunction with the annual financial report for the year ended 30 September 2009.

This interim financial report complies with current Australian Accounting Standards and Australian Accounting Interpretations of the Australian Accounting Standards Board as they relate to interim financial reports.

It has been prepared on the basis of accounting policies consistent with those applied in the 30 September 2009 annual financial report except as noted below:

- AASB 101 "Presentation of Financial Statements" (September 2007) (AASB 101) supersedes the previous version of AASB 101. The revised Standard does not impact the financial position of the Group; however, it does result in certain changes to nomenclature and content of the financial statements, including: the presentation of a statement of comprehensive income and a statement of changes in equity as a primary statement.
- AASB 3 "Business Combinations" (March 2008) (AASB 3) makes certain amendments to accounting for business combinations, including the expensing of transaction costs, and changes in contingent consideration subsequent to initial measurement being recognised in profit and loss. Transaction costs incurred before adoption of the amendments relating to acquisitions that closed during this period have been taken to retained profits.
- AASB 127 "Consolidated and Separate Financial Statements" (March 2008) (AASB 127) makes changes to accounting for non-controlling interests and loss of control.

Adoption of the following accounting standards which were applicable from 1 October 2009 has not had a material impact on the Group:

- AASB 2007-8 "Amendments to Australian Accounting Standards arising from AASB 101" (September 2007) (AASB 2007-8) and AASB 2007-10 "Further Amendments to Australian Accounting Standards arising from AASB 101" (December 2007) (AASB 2007-10) both amend numerous standards arising from the application of AASB 101;
- AASB 2008-1 "Amendments to Australian Accounting Standard - Share based Payments: Vesting Conditions and Cancellations" (February 2008) (AASB 2008-1) clarifies that vesting conditions comprise service conditions and performance conditions only, and that other features of a share based payment transaction are not vesting conditions. It also clarifies that all cancellations should receive the same accounting treatment;
- AASB 2008-2 "Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations Arising on Liquidation" (March 2008) (AASB 2008-2) introduces an exception to the definition of a financial liability to classify as equity instruments certain puttable financial instruments that impose an obligation to deliver a pro-rata share of net assets only upon liquidation;
- AASB 2009-2 "Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments" (April 2009) (AASB 2009-2) amends several standards and requires disclosure of valuation techniques used to determine the carrying value of financial instruments held at fair value.

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosed amount of contingent liabilities. Assumptions made at each balance sheet date are based on best estimates at that date. Although the Group has internal control systems in place to ensure that such estimates are reliably measured, actual amounts may differ from those estimated. It is not anticipated that such differences would be material.

The financial statements have been prepared under the historical cost convention, as modified by the application of fair value measurements required by the relevant accounting standards.

Currency of presentation

All amounts are expressed in Australian dollars unless otherwise stated.

2. Segment Information

In March 2009, the Group announced a new business structure that would be reported on from 1 October 2009. Comparatives have been restated to reflect the new organisational structure. Previously operating segments consisted of Australia Region, United Kingdom Region, New Zealand Region and nabCapital. The new structure is Business Banking, Personal Banking, Wholesale Banking, UK Banking, NZ Banking, MLC and NAB Wealth, Great Western Bank, Specialised Group Assets and Corporate Functions and Other.

The Group evaluates operating segments performance on the basis of cash earnings and return on equity. Cash earnings represents the net profit attributable to owners of the Company, adjusted for certain non-cash items, distributions, and significant items.

Revenues, expenses and tax directly associated with each business segment are included in determining their result. Transactions between business segments are based on agreed recharges between segments operating within the same country and are at arm's length between segments operating in different countries.

Major Customers

Revenues from no one single customer amount to greater than 10% of the Group's revenues.

Operating and Business Segments

	Half year ended 31 March 2010			
	Cash Earnings $m	**Net interest income $m**	**Total other operating and MLC & NAB Wealth income $m**	**Total assets $m**
Business Banking	1,095	2,312	470	184,505
Personal Banking	317	1,215	301	108,577
Wholesale Banking	403	616	417	174,426
UK Banking	107	864	223	72,676
NZ Banking	202	472	173	44,518
MLC & NAB Wealth	298	142	766	88,465
Great Western Bank	33	100	29	6,087
Specialised Group Assets	(217)	105	(213)	14,397
Corporate Functions & Other	58	288	18	856
Eliminations/Distributions	(103)	-	(61)	(44,147)
Total	**2,193**	**6,114**	**2,123**	**650,360**

	Half year ended 30 September 2009			
	Cash Earnings $m	**Net interest income $m**	**Total other operating and MLC & NAB Wealth income $m**	**Total assets $m**
Business Banking	776	2,242	442	180,690
Personal Banking	467	1,285	382	99,005
Wholesale Banking	535	757	551	194,135
UK Banking	52	949	324	78,134
NZ Banking	189	452	182	47,949
MLC & NAB Wealth	259	147	570	80,480
Great Western Bank	33	97	26	5,927
Specialised Group Assets	(319)	94	(178)	17,380
Corporate Functions & Other	(77)	165	(43)	16,095
Eliminations/Distributions	(101)	-	(52)	(65,675)
Total	**1,814**	**6,188**	**2,204**	**654,120**

	Half year ended 31 March 2009			
	Cash Earnings $m	**Net interest income $m**	**Total other operating and MLC & NAB Wealth income $m**	**Total assets $m**
Business Banking	823	2,063	475	183,173
Personal Banking	408	1,183	425	95,904
Wholesale Banking	613	710	826	205,355
UK Banking	110	917	345	90,308
NZ Banking	233	495	209	46,833
MLC & NAB Wealth	178	139	556	68,470
Great Western Bank	40	99	30	6,256
Specialised Group Assets	(258)	126	(291)	23,039
Corporate Functions & Other	24	152	100	27,518
Eliminations/Distributions	(144)	-	(45)	(70,855)
Total	**2,027**	**5,884**	**2,630**	**676,001**

	Half Year to		
	Mar 10 $m	**Sep 09 $m**	**Mar 09 $m**
Group cash earnings [(1)]	**2,193**	1,814	2,027
Non cash earnings items (after tax):			
Distributions	**103**	101	144
Treasury shares	**67**	(344)	88
Fair value and hedge ineffectiveness	**(221)**	(555)	476
IoRE discount rate variation	**(9)**	(28)	24
Efficiency, quality and service initiatives	**(67)**	(137)	(42)
Provision for Litigation	**-**	(64)	(46)
Provision for tax - NZ structured finance transactions	**128**	(542)	-
MLC reinsurance dispute	**(35)**	-	-
ExCaps taxation assessment	**-**	(309)	-
Amortisation of acquired intangible assets	**(30)**	(3)	(3)
Integration costs	**(34)**	(8)	(4)
Net profit attributable to owners of the Company	**2,095**	(75)	2,664

(1) *Includes eliminations and distributions.*

	Half Year to		
	Mar 10 $m	**Sep 09 $m**	**Mar 09 $m**
Net interest income for operating and business segments	**6,114**	6,188	5,884
MLC & NAB Wealth net adjustment	**(17)**	(4)	-
Net interest income	**6,097**	6,184	5,884

	Half Year to		
	Mar 10 $m	**Sep 09 $m**	**Mar 09 $m**
Total other operating and MLC & NAB Wealth income [(1)]	**2,123**	2,204	2,630
MLC & NAB Wealth net adjustment	**224**	200	107
Treasury shares	**83**	(408)	97
Fair value and hedge ineffectiveness	**(321)**	(792)	677
IoRE discount rate variation	**(13)**	(40)	34
Recovery on SCDO risk mitigation trades	**489**	-	-
Total other operating and MLC & NAB Wealth income	**2,585**	1,164	3,545

(1) *Includes eliminations and distributions.*

3. Other Income

	Half Year to		
	Mar 10 $m	Sep 09 $m	Mar 09 $m
Gains less losses on financial instruments at fair value			
Trading securities	**321**	413	138
Trading derivatives			
Trading purposes	**(314)**	(297)	677
Recovery on SCDO risk mitigation trades	**489**	-	-
Risk management purposes [1] [2]	**6**	263	(762)
Assets, liabilities and derivatives designated in hedge relationships [3]	**(223)**	(570)	519
Assets and liabilities designated at fair value [2]	**(104)**	(485)	920
Impairment of investments - available for sale	**-**	(10)	(42)
Other	**(7)**	33	(132)
	168	(653)	1,318
Other operating income			
Dividend revenue	**4**	4	3
Gains from sale of investments - available for sale	**14**	2	10
Gains from sale of loans and advances	**3**	-	-
Gains from sale of property, plant and equipment and other assets	**1**	25	-
Banking fees	**460**	520	498
Money transfer fees	**323**	354	339
Fees and commissions	**949**	766	759
Investment management fees	**150**	178	160
Fleet management fees	**10**	11	7
Rentals received on leased vehicle assets	**10**	11	17
Revaluation gains/(losses) on investment properties	**6**	(15)	-
Other income	**34**	42	(4)
	1,964	1,898	1,789

(1) *These trading derivatives include those used to match assets and liabilities designated at fair value and those used to economically hedge short-term funding.*

(2) *The sum of these line items represents the net fair value of assets and liabilities designated at fair value, the derivatives matched against these assets and liabilities, and the derivatives used to economically hedge short term funding.*

(3) *The impact of hedge ineffectiveness of designated hedging relationships, including economic hedges of long-term funding that do not meet the requirements for hedge accounting.*

4. Operating Expenses

	Half Year to		
	Mar 10 $m	Sep 09 $m	Mar 09 $m
Personnel expenses			
Salaries and related on-costs	**1,510**	1,485	1,535
Superannuation costs - defined contribution plans	**113**	113	101
Superannuation costs - defined benefit pension scheme	**28**	8	3
Performance-based compensation			
Cash	**231**	214	199
Equity-based compensation	**102**	117	113
Other expenses	**280**	300	214
	2,264	2,237	2,165
Occupancy-related expenses			
Operating lease rental expense	**216**	189	183
Other expenses	**91**	97	86
	307	286	269
General expenses			
Fees and commission expense	**217**	134	128
Depreciation and amortisation of property, plant and equipment	**152**	147	148
Amortisation of intangible assets	**168**	153	127
Depreciation on leased vehicle assets	**4**	5	4
Operating lease rental expense	**14**	14	16
Advertising and marketing	**108**	104	115
Charge to provide for operational risk event losses	**8**	118	91
Communications, postage and stationery	**143**	157	172
Computer equipment and software	**163**	149	167
Data communication and processing charges	**62**	58	82
Transport expenses	**34**	37	37
Professional fees	**190**	186	138
Travel	**39**	42	40
Loss on disposal of property, plant and equipment and other assets	**16**	18	-
Impairment losses recognised	**8**	19	-
Other expenses	**226**	239	177
	1,552	1,580	1,442
Total	**4,123**	4,103	3,876

5. Income Tax Expense

Reconciliation of income tax expense shown in the income statement with prima facie tax payable on the pre-tax accounting profit

	Half Year to		
	Mar 10 $m	**Sep 09 $m**	**Mar 09 $m**
Profit before income tax expense	**2,840**	1,241	3,742
Deduct profit before income tax expense attributable to the life insurance statutory funds and their controlled trusts	**(374)**	(328)	(345)
Total profit excluding that attributable to the statutory funds of the life insurance business, before income tax expense	**2,466**	913	3,397
Prima facie income tax at 30%	**740**	274	1,019
Add/(deduct): Tax effect of amounts not deductible/(assessable)			
Foreign tax rate differences	**6**	12	1
Assessable foreign income	**4**	5	3
Depreciation on buildings not deductible	**2**	5	-
Impairment of exchangeable capital units tax receivable	**-**	309	-
Provision for New Zealand structured finance tax case	**(66)**	339	-
Provision for interest on New Zealand structured finance tax case	**(66)**	200	-
Foreign branch income not assessable	**(22)**	(23)	(42)
Offshore banking unit income	**(10)**	(5)	(19)
Treasury shares adjustment	**(8)**	58	(20)
Over provision in prior years	**(6)**	(22)	(32)
Investment allowance	**(4)**	(24)	-
Restatement of deferred tax balances for changes in UK and NZ tax rates	**-**	-	(5)
Dividend income adjustments	**-**	(1)	-
Other	**(17)**	17	(60)
Total income tax expense on profit excluding that attributable to the statutory funds of the life insurance business (1)	**553**	1,144	845
Income tax expense attributable to the statutory funds of the life insurance business	**191**	183	222
Total income tax expense	**744**	1,327	1,067
Effective tax rate, excluding statutory funds attributable to the life insurance business	**22.4%**	125.3%	24.9%

(1) *Includes $39 million relating to the MLC reinsurance dispute. Refer to page 22 for further information.*

6. Dividends and Distributions

Dividends on ordinary shares	Amount per share cents	Franked amount per share %	Conduit foreign income per share %	Total amount $m
Interim dividend declared in respect of the six months ended 31 March 2010	74	100	Nil	**1,570**

The record date for determining entitlements to the 2010 interim dividend is 10 June 2010.
The interim dividend has been declared by the directors of the Company and is payable on 8 July 2010.

Final dividend paid in respect of the year ended 30 September 2009	73	100	Nil	**1,532**
Interim dividend paid in respect of the six months ended 31 March 2009	73	100	Nil	**1,400**
Total dividends paid or payable in respect of the year ended 30 September 2009	146			**2,932**

	31 Mar 10		30 Sep 09		31 Mar 09	
Dividends on preference shares for the six months ended	**Amount per security cents (1)**	**Total amount $m**	**Amount per security cents (1)**	**Total amount $m**	**Amount per security cents (1)**	**Total amount $m**
BNZ Income Securities	2.67	**12**	2.67	12	2.89	13
BNZ Income Securities 2	2.69	**7**	1.15	3	-	-
Total dividends on preference shares		**19**		15		13

(1) *$A equivalent*

	31 Mar 10		30 Sep 09		31 Mar 09	
Distributions on other equity instruments for the six months ended	**Amount per security $**	**Total amount $m**	**Amount per security $**	**Total amount $m**	**Amount per security $**	**Total amount $m**
National Income Securities	2.45	**49**	2.15	43	3.65	73
Trust Preferred Securities	50.00	**20**	57.50	23	62.50	25
Trust Preferred Securities II	30.00	**24**	33.75	27	41.25	33
National Capital Instruments	1,250.00	**10**	1,000.00	8	1,625.00	13
Total distributions		**103**		101		144

Dividend and distribution plans

The dividend is paid in cash or part of a dividend plan. Cash dividends are paid by way of:

a) cash or cash equivalents; and
b) direct credit.

Dividend plans in operation are:

a) Dividend Reinvestment Plan;
b) Bonus Share Plan (closed to new participants); and
c) United Kingdom Dividend Plan (this enables a UK domiciled shareholder to receive either a dividend in British Pounds Sterling or shares via the Dividend Reinvestment Plan).

The last date for receipt of election notices for the dividend plans is 10 June 2010, 5pm (Melbourne time).

7. Net Tangible Assets

	As at		
	31 Mar 10	**30 Sep 09**	**31 Mar 09**
Net tangible assets per ordinary share ($)	**12.41**	12.72	13.14

8. Loans and Advances including Acceptances

	As at		
	31 Mar 10 $m	**30 Sep 09 $m**	**31 Mar 09 $m**
Overdrafts	**15,324**	16,196	17,344
Credit card outstandings	**7,416**	7,338	7,380
Asset and lease financing	**16,550**	17,350	17,837
Housing loans	**211,014**	202,538	200,377
Other term lending	**123,549**	128,605	134,646
Other	**6,793**	8,288	9,309
Fair value adjustment	**1,131**	1,220	1,467
Gross loans and advances	**381,777**	381,535	388,360
Acceptances	**52,699**	55,035	55,356
Gross loans and advances including acceptances	**434,476**	436,570	443,716
Represented by:			
Loans at fair value [1]	**30,909**	29,567	28,961
Loans at amortised cost	**350,868**	351,968	359,399
Acceptances	**52,699**	55,035	55,356
Gross loans and advances including acceptances	**434,476**	436,570	443,716
Unearned income and deferred net fee income	**(2,497)**	(2,793)	(2,823)
Provision for doubtful debts	**(4,491)**	(4,401)	(4,147)
Net loans and advances including acceptances	**427,488**	429,376	436,746
Securitised loans [2]	**5,269**	6,283	7,718

[1] *On the balance sheet this amount is included within 'Other financial assets at fair value'. This amount is included in the product and geographical analysis below.*

[2] *Securitised loans are included within the balance of 'Net loans and advances including acceptances'.*

By product and geographic location	**Australia $m**	**Europe $m**	**New Zealand $m**	**United States $m**	**Asia $m**	**Total Group $m**
As at 31 March 2010						
Overdrafts	7,456	6,182	1,648	7	31	**15,324**
Credit card outstandings	5,530	835	1,046	5	-	**7,416**
Asset and lease financing	13,664	2,856	21	-	9	**16,550**
Housing loans	169,060	20,581	20,108	259	1,006	**211,014**
Other term lending	66,623	30,936	19,540	4,735	1,715	**123,549**
Other	4,120	1,560	112	976	25	**6,793**
Fair value adjustment	201	763	167	-	-	**1,131**
Gross loans and advances	266,654	63,713	42,642	5,982	2,786	**381,777**
Acceptances	52,689	10	-	-	-	**52,699**
Gross loans and advances including acceptances	319,343	63,723	42,642	5,982	2,786	**434,476**
Represented by:						
Loans at fair value	7,889	8,351	14,669	-	-	**30,909**
Loans at amortised cost	258,765	55,362	27,973	5,982	2,786	**350,868**
Acceptances	52,689	10	-	-	-	**52,699**
Gross loans and advances including acceptances	319,343	63,723	42,642	5,982	2,786	**434,476**

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 30 September 2009						
Overdrafts	7,009	7,132	2,018	8	29	**16,196**
Credit card outstandings	5,325	950	1,058	5	-	**7,338**
Asset and lease financing	13,878	3,447	25	-	-	**17,350**
Housing loans	157,817	22,483	20,989	292	957	**202,538**
Other term lending	65,694	35,330	21,064	4,850	1,667	**128,605**
Other	4,283	2,715	114	1,176	-	**8,288**
Fair value adjustment	184	803	233	-	-	**1,220**
Gross loans and advances	254,190	72,860	45,501	6,331	2,653	**381,535**
Acceptances	55,031	4	-	-	-	**55,035**
Gross loans and advances including acceptances	309,221	72,864	45,501	6,331	2,653	**436,570**
Represented by:						
Loans at fair value	4,039	9,716	15,812	-	-	**29,567**
Loans at amortised cost	250,151	63,144	29,689	6,331	2,653	**351,968**
Acceptances	55,031	4	-	-	-	**55,035**
Gross loans and advances including acceptances	309,221	72,864	45,501	6,331	2,653	**436,570**

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 31 March 2009						
Overdrafts	6,714	8,514	2,105	6	5	**17,344**
Credit card outstandings	5,204	1,097	1,073	6	-	**7,380**
Asset & lease financing	13,620	4,181	29	-	7	**17,837**
Housing loans	153,560	24,750	20,740	318	1,009	**200,377**
Other term lending	64,893	41,443	20,503	5,788	2,019	**134,646**
Other	4,741	2,023	139	2,406	-	**9,309**
Fair value adjustment	55	1,045	367	-	-	**1,467**
Gross loans and advances	248,787	83,053	44,956	8,524	3,040	**388,360**
Acceptances	55,350	6	-	-	-	**55,356**
Gross loans and advances including acceptances	304,137	83,059	44,956	8,524	3,040	**443,716**
Represented by:						
Loans at fair value	2,734	10,468	15,759	-	-	**28,961**
Loans at amortised cost	246,053	72,585	29,197	8,524	3,040	**359,399**
Acceptances	55,350	6	-	-	-	**55,356**
Gross loans and advances including acceptances	304,137	83,059	44,956	8,524	3,040	**443,716**

	Increase / (Decrease) from 30 Sep 09					
Movement from 30 September 2009 excluding foreign exchange	**Australia %**	**Europe %**	**New Zealand %**	**United States %**	**Asia %**	**Total Group %**
Overdrafts	6.4	(4.0)	(13.6)	(12.5)	10.7	**(0.4)**
Credit card outstandings	3.8	(2.7)	4.6	-	-	**3.2**
Asset and lease financing	(1.5)	(8.3)	(12.5)	-	large	**(2.7)**
Housing loans	7.1	1.4	1.4	(7.8)	9.3	**6.0**
Other term lending	1.4	(3.0)	(1.9)	1.6	7.1	**(0.2)**
Other	(3.3)	(26.9)	(14.9)	(13.6)	large	**(12.9)**
Total gross loans and advances	4.9	(3.2)	(0.8)	(1.7)	9.3	**2.7**

	Increase / (Decrease) from 31 Mar 09					
Movement from 31 March 2009 excluding foreign exchange	**Australia %**	**Europe %**	**New Zealand %**	**United States %**	**Asia %**	**Total Group %**
Overdrafts	11.1	(8.2)	(16.4)	40.0	large	**(0.7)**
Credit card outstandings	6.3	(3.8)	4.1	-	-	**4.7**
Asset and lease financing	0.3	(13.7)	(22.2)	-	80.0	**(2.4)**
Housing loans	10.1	5.1	3.5	8.4	32.9	**9.0**
Other term lending	2.7	(5.7)	1.7	9.1	13.3	**0.7**
Other	(9.9)	(4.3)	(41.1)	(45.9)	large	**(16.6)**
Total gross loans and advances	7.2	(3.1)	1.3	(6.4)	22.2	**4.5**

9. Doubtful Debts

	As at 31 Mar 10 $m	30 Sep 09 $m	31 Mar 09 $m
Specific provision for doubtful debts	1,479	1,453	1,277
Collective provision for doubtful debts	3,012	2,948	2,870
Total provision for doubtful debts	4,491	4,401	4,147
Specific provision on loans at fair value (1)	111	98	39
Collective provision on loans at fair value (1)	222	247	249
Collective provision on derivatives at fair value (2)	376	358	426
Total provision for doubtful debts and provisions held on assets at fair value (3)	5,200	5,104	4,861

(1) *Included within the carrying value of loans recorded at fair value.*

(2) *Included within the carrying value of trading derivatives. Included within this balance for March 2010 is a management overlay in relation to conduit assets and derivatives of $160 million (September 2009 $160 million, March 2009 $160 million).*

(3) *Not included in total provisions for doubtful debts are provisions on investments - held to maturity of $114 million (September 2009 $120 million, March 2009 $153 million).*

Movement in provisions for doubtful debts

	Half Year to Mar 10 Specific $m	Collective $m	Total $m	Half Year to Sep 09 Specific $m	Collective $m	Total $m
Opening balance	1,453	2,948	4,401	1,277	2,870	4,147
Acquisition of controlled entities (1) (2)	-	9	9	2	-	2
Transfer to/(from) specific/collective provision	1,083	(1,083)	-	1,770	(1,770)	-
Bad debts recovered	74	-	74	75	-	75
Bad debts written off	(1,100)	-	(1,100)	(1,645)	-	(1,645)
Charge to income statement (3)	-	1,218	1,218	-	1,952	1,952
Foreign currency translation and other adjustments	(31)	(80)	(111)	(26)	(104)	(130)
Total provision for doubtful debts	1,479	3,012	4,491	1,453	2,948	4,401

(1) *The March 2010 movement represents the acquisition of Challenger ("Advantedge").*

(2) *The September 2009 movement represents paydowns on an adjustment to the acquisition accounting of Great Western Bancorporation.*

(3) *Excludes $501 million of impairment charges on conduit assets classified as Investments - held to maturity for the half year to March 2010 (September 2009 $52 million).*

	Half Year to Mar 09 Specific $m	Collective $m	Total $m
Opening balance	645	2,318	2,963
Acquisition of controlled entities (1)	(2)	-	(2)
Transfer to/(from) specific/collective provision	1,205	(1,205)	-
Bad debts recovered	90	-	90
Bad debts written off	(637)	-	(637)
Charge to income statement	-	1,811	1,811
Foreign currency translation and other adjustments	(24)	(54)	(78)
Total provision for doubtful debts	1,277	2,870	4,147

(1) *The specific provision movement represents an adjustment to the acquisition accounting of Great Western Bancorporation.*

Total charge for doubtful debts by geographic location	Half Year to Mar 10 $m	Sep 09 $m	Mar 09 $m
Australia	655	1,127	1,117
Europe	447	699	598
New Zealand	70	73	82
United States	47	53	4
Asia	(1)	-	10
Total charge to provide for doubtful debts - recognised in provision	1,218	1,952	1,811
Total charge on investments - held to maturity	501	52	-
Total charge to provide for doubtful debts - recognised in income statement	1,719	2,004	1,811

10. Asset Quality

Summary of impaired assets	As at 31 Mar 10 $m	30 Sep 09 $m	31 Mar 09 $m
Gross impaired assets [1] [2] [3]	**5,384**	5,116	3,927
Restructured loans [4]	**465**	384	-
Gross total impaired assets	**5,849**	5,500	3,927
Less: Specific provisions - total impaired assets [5]	**(1,590)**	(1,551)	(1,277)
Net total impaired assets	**4,259**	3,949	2,650

(1) Impaired assets consist of retail loans (excluding credit card loans and portfolio managed facilities) which are contractually past due 90 days with security insufficient to cover principal and arrears of interest revenue; non retail loans which are contractually past due 90 days and there is sufficient doubt about the ultimate collectability of principal and interest; and impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. Unsecured portfolio managed facilities are classified as impaired when they become 180 days past due (if not written off).

(2) Impaired assets do not include conduit assets classified as Investments - held to maturity in the balance sheet. There were $248 million of impaired conduit assets within this category at 31 March 2010 (30 September 2009 $266 million, 31 March 2009 $360 million). The movement is attributable to changes in foreign exchange.

(3) Gross impaired assets for March 2010 includes $344 million of Gross impaired fair value assets (September 2009 $366 million). Whilst not included above, for March 2009 the value of Gross impaired fair value assets was $142 million.

(4) These loans represent facilities which have been classified as restructured for reasons relating to the financial difficulty of the counterparty but exclude $281 million of facilities which have been classified as restructured for reasons which do not relate to the financial difficulty of the counterparty (September 2009, $312 million).

(5) Specific provisions - impaired assets for March 2010 include $111 million of Specific provisions on impaired fair value assets (September 2009 $98 million). Whilst not included above, for March 2009 the value of Specific provisions on impaired fair value assets was $39 million.

Movement in gross impaired assets	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
Balance at 30 September 2008	1,348	613	141	45	2	**2,149**
New	1,368	1,028	246	123	-	**2,765**
Written off	(106)	(184)	(31)	(4)	-	**(325)**
Returned to performing or repaid	(294)	(137)	(42)	(96)	-	**(569)**
Foreign currency translation adjustments	-	(99)	(1)	7	-	**(93)**
Balance at 31 March 2009	2,316	1,221	313	75	2	**3,927**
Opening Adjustment for fair value impaired assets	-	210	156	-	-	**366**
New	2,247	1,119	171	172	-	**3,709**
Written off	(750)	(566)	(37)	(20)	-	**(1,373)**
Returned to performing or repaid	(618)	(138)	(80)	(93)	(2)	**(931)**
Foreign currency translation adjustments	-	(173)	-	(25)	-	**(198)**
Balance at 30 September 2009	3,195	1,673	523	109	-	**5,500**
New	1,381	941	243	63	-	**2,628**
Written off	(456)	(340)	(58)	(73)	-	**(927)**
Returned to performing or repaid	(627)	(390)	(108)	(19)	-	**(1,144)**
Foreign currency translation adjustments	-	(175)	(30)	(3)	-	**(208)**
Gross impaired assets at 31 March 2010	3,493	1,709	570	77	-	**5,849**

Gross impaired assets to gross loans & acceptances - by geographic location	As at 31 Mar 10 %	30 Sep 09 %	31 Mar 09 %
Australia	**1.09**	1.03	0.76
Europe	**2.68**	2.30	1.47
New Zealand	**1.34**	1.15	0.70
United States	**1.29**	1.72	0.88
Asia	**-**	-	0.07
Total gross impaired assets to gross loans & acceptances	**1.35**	1.26	0.89

Group coverage ratios	31 Mar 10	30 Sep 09	31 Mar 09
Net impaired assets to total equity (1) (2)	**11.2**	10.4	7.3
Specific provision to gross impaired assets (3) (4)	**27.2**	28.2	33.5
Collective provision to credit risk-weighted assets (ex. housing) (5)	**1.55**	1.46	1.38
90 days past due plus gross impaired assets to gross loans and acceptances (4)	**1.86**	1.75	1.36
Net write-offs to gross loans and acceptances (annualised)	**0.47**	0.48	0.25
Total provision as a percentage of net write-offs (6)	**253**	241	443
Total provision to gross loans and acceptances (6)	**1.20**	1.17	1.10

(1) *Total parent entity interest in equity.*

(2) *Net impaired assets for March 2010 include $233 million of Net impaired fair value assets (September 2009 $268 million). Whilst not included in the calculations above, the Net impaired assets for March 2009 was $103 million.*

(3) *Specific provisions - impaired assets for March 2010 include $111 million of Specific provisions on impaired fair value assets (September 2009 $98 million). Whilst not included in the calculations above, for March 2009 the value of Specific provisions on impaired fair value assets was $39 million.*

(4) *Gross impaired assets for March 2010 includes $344 million of Gross impaired fair value assets (September 2009 $366 million). Whilst not included in the calculations above, for March 2009 the value of Gross impaired fair value assets was $142 million.*

(5) *Includes economic cycle adjustment, doubtful debt provision against loans at amortised cost and collective provisions held on assets at fair value.*

(6) *Includes economic cycle adjustment, doubtful debt provision against loans at amortised cost and total provisions held on assets at fair value.*

The amounts below are not classified as impaired assets and therefore are not included in the summary on the previous page.

Summary of non-impaired loans 90 days past due	As at 31 Mar 10 $m	30 Sep 09 $m	31 Mar 09 $m
Total non-impaired assets past due 90 days or more with adequate security	**2,032**	1,905	1,839
Total non-impaired assets portfolio facilities past due 90 to 180 days	**214**	229	254
Total 90 days past due loans	**2,246**	2,134	2,093
Total 90 days past due loans to gross loans and acceptances (%)	**0.52**	0.49	0.47

Non-impaired loans 90 days past due - by geographic location	As at 31 Mar 10 $m	30 Sep 09 $m	31 Mar 09 $m
Australia	**1,544**	1,445	1,464
Europe	**481**	517	498
New Zealand (1)	**221**	172	126
United States	**-**	-	1
Asia	**-**	-	4
Total 90 days past due loans	**2,246**	2,134	2,093

(1) *The March 2010 balance includes $3 million of fair value non impaired loans 90 days past due.*

11. Deposits and Other Borrowings

	As at 31 Mar 10 $m	As at 30 Sep 09 $m	As at 31 Mar 09 $m
Deposits not bearing interest	**15,027**	14,309	13,067
On-demand and short-term deposits	**126,312**	126,088	129,669
Certificates of deposit	**57,150**	66,827	65,781
Term deposits	**126,423**	117,647	108,474
Total deposits	**324,912**	324,871	316,991
Securities sold under agreements to repurchase	**2,942**	1,283	2,286
Borrowings	**13,998**	20,242	21,153
Fair value adjustment	**168**	157	224
Total deposits and other borrowings	**342,020**	346,553	340,654
Represented by:			
Total deposits and other borrowings at fair value (1)	**9,523**	10,365	12,895
Total deposits and other borrowings at cost	**332,497**	336,188	327,759
Total deposits and other borrowings	**342,020**	346,553	340,654

(1) *On the balance sheet this amount is included within 'Other financial liabilities at fair value'. These amounts are included in the product and geographical analysis below.*

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 31 March 2010						
Deposits not bearing interest	11,827	1,780	539	879	2	**15,027**
On-demand and short-term deposits	85,857	28,183	8,331	3,679	262	**126,312**
Certificates of deposit	22,766	28,502	2,175	3,707	-	**57,150**
Term deposits	84,394	15,953	14,195	3,085	8,796	**126,423**
Total deposits	204,844	74,418	25,240	11,350	9,060	**324,912**
Securities sold under agreements to repurchase	659	720	-	1,563	-	**2,942**
Borrowings	4,113	-	4,430	5,455	-	**13,998**
Fair value adjustment	-	164	4	-	-	**168**
Total deposits and other borrowings	209,616	75,302	29,674	18,368	9,060	**342,020**
Represented by:						
Total deposits and other borrowings at fair value	-	1,097	8,426	-	-	**9,523**
Total deposits and other borrowings at cost	209,616	74,205	21,248	18,368	9,060	**332,497**
Total deposits and other borrowings	209,616	75,302	29,674	18,368	9,060	**342,020**

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 30 September 2009						
Deposits not bearing interest	11,087	1,795	551	875	1	**14,309**
On-demand and short-term deposits	84,541	30,490	8,370	2,497	190	**126,088**
Certificates of deposit	23,305	36,394	2,143	4,985	-	**66,827**
Term deposits	73,549	17,856	14,576	2,973	8,693	**117,647**
Total deposits	192,482	86,535	25,640	11,330	8,884	**324,871**
Securities sold under agreements to repurchase	584	-	-	699	-	**1,283**
Borrowings	6,242	-	5,118	8,882	-	**20,242**
Fair value adjustment	-	154	3	-	-	**157**
Total deposits and other borrowings	199,308	86,689	30,761	20,911	8,884	**346,553**
Represented by:						
Total deposits and other borrowings at fair value	-	1,515	8,850	-	-	**10,365**
Total deposits and other borrowings at cost	199,308	85,174	21,911	20,911	8,884	**336,188**
Total deposits and other borrowings	199,308	86,689	30,761	20,911	8,884	**346,553**

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 31 March 2009						
Deposits not bearing interest	9,638	1,886	572	968	3	**13,067**
On-demand and short-term deposits	84,625	31,219	9,393	4,228	204	**129,669**
Certificates of deposit	26,757	28,456	3,180	7,388	-	**65,781**
Term deposits	63,998	19,459	13,081	5,013	6,923	**108,474**
Total deposits	185,018	81,020	26,226	17,597	7,130	**316,991**
Securities sold under agreements to repurchase	956	-	-	1,330	-	**2,286**
Borrowings	8,679	-	6,264	6,210	-	**21,153**
Fair value adjustment	-	217	7	-	-	**224**
Total deposits and other borrowings	194,653	81,237	32,497	25,137	7,130	**340,654**
Represented by:						
Total deposits and other borrowings at fair value	-	1,680	11,215	-	-	**12,895**
Total deposits and other borrowings at cost	194,653	79,557	21,282	25,137	7,130	**327,759**
Total deposits and other borrowings	194,653	81,237	32,497	25,137	7,130	**340,654**

	Increase / (Decrease) from 30 Sep 09					
Movement from 30 September 2009 excluding foreign exchange	**Australia %**	**Europe %**	**New Zealand %**	**United States %**	**Asia %**	**Total Group %**
Deposits not bearing interest	6.7	9.8	3.5	4.5	large	**6.8**
On-demand and short-term deposits	1.6	2.3	5.3	53.3	43.2	**3.1**
Certificates of deposit	(2.3)	(13.3)	7.4	(22.6)	-	**(9.3)**
Term deposits	14.7	(0.9)	3.0	8.0	5.3	**10.3**
Total deposits	6.4	(4.8)	4.2	4.2	6.1	**3.4**
Securities sold under agreements to repurchase	12.8	large	-	large	-	**large**
Borrowings	(34.1)	-	(8.4)	(36.1)	-	**(28.6)**
Total deposits and other borrowings	5.2	(3.8)	2.1	(8.6)	6.1	**2.0**

	Increase / (Decrease) from 31 Mar 09					
Movement from 31 March 2009 excluding foreign exchange	**Australia %**	**Europe %**	**New Zealand %**	**United States %**	**Asia %**	**Total Group %**
Deposits not bearing interest	22.7	19.3	0.6	21.1	-	**21.2**
On-demand and short-term deposits	1.5	14.1	(5.3)	16.0	71.2	**4.0**
Certificates of deposit	(14.9)	26.6	(27.0)	(33.1)	-	**(1.1)**
Term deposits	31.9	3.5	15.8	(18.0)	69.4	**25.6**
Total deposits	10.7	16.1	2.7	(14.0)	69.4	**11.2**
Securities sold under agreements to repurchase	(31.1)	large	-	56.6	-	**50.6**
Borrowings	(52.6)	-	(24.5)	17.1	-	**(27.1)**
Total deposits and other borrowings	7.7	17.1	(2.5)	(2.6)	69.4	**9.1**

12. Contributed Equity and Reserves

Contributed equity	As at 31 Mar 10 $m	30 Sep 09 $m	31 Mar 09 $m
Issued and paid-up ordinary share capital			
Ordinary shares, fully paid	**18,449**	17,867	13,729
Issued and paid-up preference share capital			
BNZ Income Securities	**380**	380	380
BNZ Income Securities 2	**203**	203	-
Other contributed equity			
National Income Securities	**1,945**	1,945	1,945
Trust Preferred Securities	**975**	975	975
Trust Preferred Securities II	**1,014**	1,014	1,014
National Capital Instruments	**397**	397	397
Total contributed equity	**23,363**	22,781	18,440

Movements in contributed equity	Half Year to Mar 10 $m	Sep 09 $m	Mar 09 $m
Ordinary share capital			
Balance at beginning of period	**17,867**	13,729	10,020
Shares issued			
Dividend reinvestment plan	**535**	1,037	503
Shares issued under placement	**-**	1,969	2,945
Share purchase plan	**-**	752	247
Employee share savings plan	**-**	4	3
Vesting of issued equity-based compensation	**73**	267	-
Net gain/(loss) realised on treasury shares	**2**	(41)	(73)
Purchase and vesting of treasury shares	**(28)**	150	84
Balance at end of period	**18,449**	17,867	13,729
BNZ Income Securities			
Balance at beginning of period	**380**	380	380
Movement during period	**-**	-	-
Balance at end of period	**380**	380	380
BNZ Income Securities 2			
Balance at beginning of period	**203**	-	-
Movement during period	**-**	203	-
Balance at end of period	**203**	203	-
National Income Securities			
Balance at beginning of period	**1,945**	1,945	1,945
Movement during period	**-**	-	-
Balance at end of period	**1,945**	1,945	1,945
Trust Preferred Securities			
Balance at beginning of period	**975**	975	975
Movement during period	**-**	-	-
Balance at end of period	**975**	975	975
Trust Preferred Securities II			
Balance at beginning of period	**1,014**	1,014	1,014
Movement during period	**-**	-	-
Balance at end of period	**1,014**	1,014	1,014
National Capital Instruments			
Balance at beginning of period	**397**	397	397
Movement during period	**-**	-	-
Balance at end of period	**397**	397	397

Reserves	As at 31 Mar 10 $m	30 Sep 09 $m	31 Mar 09 $m
General reserve	**975**	1,009	871
Asset revaluation reserve	**76**	76	76
Foreign currency translation reserve	**(3,261)**	(2,525)	(1,217)
Cash flow hedge reserve	**(32)**	(142)	(485)
Equity-based compensation reserve	**570**	560	782
General reserve for credit losses	**738**	-	-
Available for sale investments reserve	**55**	46	32
Total reserves	**(879)**	(976)	59

Movements in reserves	Half Year to Mar 10 $m	Sep 09 $m	Mar 09 $m
General reserve			
Balance at beginning of period	**1,009**	871	997
Transfer (to)/from retained profits	**(34)**	138	(126)
Balance at end of period	**975**	1,009	871
Asset revaluation reserve			
Balance at beginning of period	**76**	76	76
Revaluation of land and buildings	**-**	3	-
Transfer to retained profits	**-**	(2)	-
Tax on revaluation adjustments	**-**	(1)	-
Balance at end of period	**76**	76	76
Foreign currency translation reserve			
Balance at beginning of period	**(2,525)**	(1,217)	(1,040)
Currency translation adjustments	**(736)**	(1,308)	(177)
Balance at end of period	**(3,261)**	(2,525)	(1,217)
Cash flow hedge reserve			
Balance at beginning of period	**(142)**	(485)	(178)
Gains/(losses) on cash flow hedging instruments	**170**	431	(455)
(Gains)/losses transferred to the income statement	**(11)**	66	-
Tax on cash flow hedging instruments	**(49)**	(154)	148
Balance at end of period	**(32)**	(142)	(485)
Equity-based compensation reserve			
Balance at beginning of period	**560**	782	663
Equity-based compensation	**102**	125	119
Transfer of vested equity-based compensation:			
Vesting of issued equity-based compensation	**(73)**	(267)	-
Purchase and vesting of treasury shares	**(16)**	(86)	-
Tax on equity-based compensation	**(3)**	6	-
Balance at end of period	**570**	560	782

	Half Year to		
	Mar 10 $m	Sep 09 $m	Mar 09 $m
General reserve for credit losses			
Balance at beginning of period	-	-	-
Transfer from retained profits [(1)]	738	-	-
Balance at end of period	738	-	-

[(1)] *The Group has created a general reserve from retained profits to meet prudential requirements relating to a general reserve for credit losses.*

	Mar 10 $m	Sep 09 $m	Mar 09 $m
Available for sale investments reserve			
Balance at beginning of period	46	32	31
Net revaluation gains/(losses)	5	8	(26)
Impairment transferred to the income statement	-	10	42
Tax on available for sale investments reserve	4	(4)	(15)
Balance at end of period	55	46	32

	Half Year to		
Reconciliation of movement in retained profits	Mar 10 $m	Sep 09 $m	Mar 09 $m
Balance at beginning of period	16,010	17,904	17,510
Adjustment from adoption of new accounting standard	(19)	-	(49)
Actuarial losses on defined benefit pension scheme	(120)	(288)	(837)
Tax on items taken directly to equity	34	73	242
Net profit/(loss) attributable to owners of the Company	2,095	(75)	2,664
Total available for appropriation	18,000	17,614	19,530
Transfer from foreign currency translation reserve	-	-	3
Transfer to general reserve for credit losses	(738)	-	-
Transfer from/(to) general reserves	34	(138)	126
Transfer from asset revaluation reserve	-	2	-
Dividends paid	(1,500)	(1,367)	(1,611)
Distributions on other equity instruments	(103)	(101)	(144)
Balance at end of period	15,693	16,010	17,904

13. Notes to the Cash Flow Statement

(a) Reconciliation of net profit attributable to owners of the Company to net cash provided by operating activities

	Half Year to		
	Mar 10 $m	Sep 09 $m	Mar 09 $m
Net profit attributable to owners of the Company	**2,095**	(75)	2,664
(Deduct)/add:			
(Increase)/decrease in interest receivable	**(615)**	185	823
Increase/(decrease) in interest payable	**495**	(315)	(1,057)
Decrease in unearned income and deferred net fee income	**(228)**	(123)	(387)
Fair value movements			
Assets, liabilities and derivatives held at fair value	**(170)**	(1,225)	1,632
Net adjustment to bid/offer valuation	**7**	(33)	132
(Decrease)/increase in personnel provisions	**(144)**	270	(108)
(Decrease)/increase in other operating provisions	**(415)**	237	(183)
Equity-based payments recognised in equity or reserves	**103**	125	119
Superannuation costs - defined benefit pension scheme	**28**	8	3
Impairment losses on non-financial assets	**8**	19	-
Impairment losses on financial assets	**-**	10	42
Charge to provide for bad and doubtful debts	**1,719**	2,004	1,811
Depreciation and amortisation expense	**324**	305	279
Movement in life insurance policyholder liabilities	**1,913**	8,905	(7,806)
Unrealised (gain)/loss on investments relating to life insurance business	**(470)**	(7,281)	7,870
Decrease/(increase) in other assets	**229**	597	(56)
Increase/(decrease) in other liabilities	**428**	(55)	(552)
Increase/(decrease) in income tax payable	**42**	1,192	(647)
Increase in deferred tax liabilities	**103**	87	1,000
Increase in deferred tax assets	**(57)**	(378)	(279)
(Deduct)/add: Operating cash flow items not included in profit	**(4,997)**	11,261	(8,300)
(Deduct)/add: Investing or financing cash flows included in profit			
Profit on investments classified as available for sale and held to maturity	**(14)**	(2)	(10)
Loss/(profit) on sale of property, plant, equipment and other assets	**15**	(7)	-
Net cash provided by/(used in) operating activities	**399**	15,711	(3,010)

(b) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the period as shown in the cash flow statement is reconciled to the related items on the balance sheet as follows:

	Half Year to		
Cash and cash equivalents	Mar 10 $m	Sep 09 $m	Mar 09 $m
Assets			
Cash and liquid assets (excluding money at short call)	**23,819**	25,834	18,287
Treasury and other eligible bills	**619**	1,283	305
Due from other banks (excluding mandatory deposits with supervisory central banks)	**38,541**	33,185	30,591
	62,979	60,302	49,183
Liabilities			
Due to other banks	**(43,735)**	(36,148)	(45,879)
Total cash and cash equivalents	**19,244**	24,154	3,304

(c) Non-cash financing and investing activities

	Half Year to		
	Mar 10 $m	Sep 09 $m	Mar 09 $m
New share issues			
Dividend reinvestment plan	**535**	1,037	503
Bonus share plan	**25**	24	36
Movement in assets under finance lease	**(7)**	(8)	(8)

(d) Acquisitions of controlled entities and business combinations

The following acquisitions were made during the half year to March 2010:

- on 4 November 2009, the Group acquired 100% of Hong Kong based investment advisory firm Calibre Asset Management Ltd as its first expansion into the Asian asset management industry to increase its offering to customers;
- on 1 November 2009, National Wealth Management Holdings Limited acquired 80.1% of Goldman Sachs JBWere's ("GSJBW") private wealth management business in Australia and New Zealand which has subsequently been rebranded as JBWere. The alliance incorporates a strategic distribution relationship which enables GSJBW to distribute certain products to JBWere on an exclusive or preferred basis and creates a highly competitive expanded offering for their clients. The acquisition enhances the Group's service offering in delivering advice and wealth solutions to high net worth clients. The JBWere acquisition agreement contains a put and call option whereby the Group will acquire, or GSJBW will sell to the Group, the remaining 19.9% of JBWere for an agreed consideration of $20 million. The option can be exercised by either GSJBW (put option) or the Group, (call option) after a minimum 3 year period from the acquisition date. The exercise of either the put or call option by the relevant party will result in the Group acquiring the remaining 19.9% of JBWere from GSJBW. Accordingly, for accounting purposes, the Group controls and consolidates 100% of JBWere's assets, liabilities and profits from 1 November 2009. The acquisition agreement also contains provision for contingent cash consideration of up to $80 million in aggregate to be payable to GSJBW based on the net revenue performance of JBWere over each of the 3 years following the acquisition date;
- on 30 October 2009, the Group acquired 100% of the issued share capital of mortgage management business, Challenger Mortgage Management Holdings Pty Ltd. The acquisition enhances the Group's organic growth possibilities as it provides additional distribution and capability in Australian mortgages and increases the Group's presence in the broker distribution segment. The name of the company has subsequently been changed to Advantedge Financial Services Holdings Pty Ltd ("Advantedge"). As part of the transaction, on 4 November 2009 the Group also acquired a select portfolio of $4.5 billion residential mortgage loans; and
- on 1 October 2009, the Group acquired 100% of the issued share capital of life insurance and investment management business, Aviva Australia Holdings Limited. The acquisition enhances the Group's offering in key wealth segments including insurance and investment platforms, adding scale, efficiency and new capabilities to the operations. The name of the company has subsequently been changed to MLC Wealth Management Limited ("MLC Wealth").

Goodwill arose in all these acquisitions as they included a premium for the intrinsic value in the expanded distribution networks and capabilities which resulted in an expanded offering to customers. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred or licensed or exchanged, either individually or together.

None of the goodwill arising from these acquisitions is expected to be deductible for tax purposes.

It should be noted that the initial accounting for these acquisitions have only been provisionally determined at the end of the half year ended 31 March 2010. At the end of this reporting period, the necessary market valuations and other calculations had not been finalised. Based on the valuation work completed to date, there is no material difference between the carrying value of the assets and liabilities acquired and their fair value.

Since their respective acquisition dates, the acquired entities have contributed net operating income of $262 million and net profit of $67 million to the Group. As all acquisitions occurred near the beginning of the reporting period there would have been no material difference to these amounts had the acquisitions occurred on 1 October 2009.

The following acquisition was made during the year to September 2009:

- on 26 June 2009, Great Western Bank purchased certain assets and assumed certain liabilities of First Community Bank headquartered in New Mexico and Wachovia Bank headquartered in North Carolina in the United States of America.

The operating results of the acquired entities have been included in the Group's consolidated income statement from their acquisition dates. Details of the acquisitions were as follows:

Cost of acquisitions	Half Year to Mar 10 $m	Sep 09 $m	Mar 09 $m
Cash paid	5,864	-	-
Deferred consideration	16	-	-
Total cost of acquisitions	5,880	-	-

	Half Year to Mar 10 $m	Sep 09 $m	Mar 09 $m
Cash and liquid assets	320	194	-
Trading derivatives	3	-	-
Investments - available for sale	18	-	-
Investments relating to life insurance business	4,553	-	-
Loans and advances	4,522	434	-
Property, plant and equipment	7	26	-
Goodwill and other intangible assets	417	8	-
Deferred tax assets	50	-	-
Other assets	137	-	-
Deposits and other borrowings	-	(679)	-
Life policy liabilities	(3,780)	-	-
Current tax liabilities	(13)	-	-
Provisions	(73)	-	-
External unitholders' liability	(434)	-	-
Deferred tax liabilities	(120)	-	-
Other liabilities	(129)	(7)	-
Net identifiable assets and liabilities	5,478	(24)	-
Goodwill on acquisition	402	24	-
Total purchase consideration	5,880	-	-
Less: Deferred consideration	(16)	-	-
Less: Cash and cash equivalents acquired			
Cash and liquid assets	(320)	(194)	-
Net cash outflow/(inflow)	5,544	(194)	-

Loans and advances acquired had gross contractual amounts of $4,532 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected is $10 million.

Cost of acquisitions	Advantedge $m	JBWere $m	MLC Wealth $m	Other businesses $m	Total $m
	Half Year to Mar 10				
Cash paid	4,876	84	902	2	**5,864**
Deferred consideration	-	16	-	-	**16**
Total cost of acquisitions	4,876	100	902	2	**5,880**

	Advantedge $m	JBWere $m	MLC Wealth $m	Other businesses $m	Total $m
	Half Year to Mar 10				
Cash and liquid assets	20	-	300	-	**320**
Trading derivatives	-	-	3	-	**3**
Investments - available for sale	-	-	18	-	**18**
Investments relating to life insurance business	-	-	4,553	-	**4,553**
Loans and advances	4,517	-	5	-	**4,522**
Property, plant and equipment	2	-	6	(1)	**7**
Goodwill and other intangible assets	46	46	325	-	**417**
Deferred tax assets	3	-	47	-	**50**
Other assets	9	-	128	-	**137**
Life policy liabilities	-	-	(3,780)	-	**(3,780)**
Current tax liabilities	(1)	-	(12)	-	**(13)**
Provisions	(4)	-	(69)	-	**(73)**
External unitholders' liability	-	-	(434)	-	**(434)**
Deferred tax liabilities	(14)	(14)	(92)	-	**(120)**
Other liabilities	(24)	-	(105)	-	**(129)**
Net identifiable assets and liabilities	4,554	32	893	(1)	**5,478**
Goodwill on acquisition	322	68	9	3	**402**
Total purchase consideration	4,876	100	902	2	**5,880**
Less: Deferred consideration	-	(16)	-	-	**(16)**
Less: Cash and cash equivalents acquired					
Cash and liquid assets	(20)	-	(300)	-	**(320)**
Net cash outflow	4,856	84	602	2	**5,544**

The Group holds no material interests in associates or joint ventures as at 31 March 2010.

(e) Reconciliation of goodwill

The following is a reconciliation of the carrying amount of goodwill:

Movements in goodwill	Mar 10 $m	Sep 09 $m	Mar 09 $m
	Half year to		
Balance at beginning of period	**5,182**	5,366	5,227
Additions from the acquisition of controlled entities and business combinations	**402**	24	-
Foreign currency translation adjustments	**(30)**	(208)	139
Balance at end of period	**5,554**	5,182	5,366

14. Life Insurance Operations

Income statement items	Half Year to Mar 10 $m	Sep 09 $m	Mar 09 $m
Premium and related revenue	**620**	441	405
Investment revenue	**2,779**	9,042	(8,316)
Fee income	**236**	228	211
Claims expense	**(328)**	(234)	(243)
Change in policy liabilities	**(2,060)**	(7,835)	7,462
Policy acquisition and maintenance expense	**(440)**	(384)	(371)
Investment management expense	**(21)**	(18)	(19)
Movement in external unitholders' liability	**(333)**	(1,321)	1,309
Net life insurance income	**453**	(81)	438
Profit before income tax expense attributable to the life insurance statutory funds and their controlled trusts	**374**	328	345
Income tax expense attributable to the statutory funds of the life insurance business	**191**	183	222

Related balance sheet items	As at 31 Mar 10 $m	30 Sep 09 $m	31 Mar 09 $m
Investments relating to life insurance business	**61,990**	54,254	44,057
Life policy liabilities	**53,058**	47,314	38,351
External unitholders' liability	**8,969**	7,458	5,781

In accordance with Australian accounting standards, investment revenue includes returns on assets held in the Group's investment-linked business and returns on assets held in the life insurance business.

Life policy liabilities and external unitholders' liability on issue represent amounts owed to policy holders and unit holders of consolidated trusts. Movements in these liabilities reflect policy and unit holders' share in the performance of investment assets and accordingly the share of net life insurance income.

The results presented above incorporate the life insurance operations of Aviva, acquired on 1 October 2009. This has driven the increases in premium and related revenue, claims expense and policy acquisition and maintenance expense.

Overall positive investment market experience within domestic and global financial markets over the course of the March 2010 half year, has affected individual components of the Group's life insurance operations as follows:

- positive investment revenue attributable to unit linked investments and life insurance business that is largely offset by movements in amounts owing to policyholders.
- positive investment revenue attributable to equity investment holdings in consolidated trusts. The external unitholders' of the trusts share in these gains; their share is reflected as the movement in external unitholders' liability.
- the income tax expense attributable to life insurance business includes both policyholder and shareholder tax across a range of products and is impacted by the positive earnings for both policyholders and shareholders.

15. Contingent Liabilities and Commitments

Legal Proceedings

Entities within the Group are defendants from time to time in legal proceedings arising from the conduct of their business.

The Group does not consider that the outcome of any proceedings, either individually or in aggregate, is likely to have a material effect on its financial position. Where appropriate, provisions have been made.

There are contingent liabilities in respect of claims, potential claims and court proceedings against entities of the Group. The aggregate of potential liability in respect thereof cannot be accurately assessed.

Tax Dispute - Exchangeable Capital Units Capital Raising

The Australian Taxation Office ("ATO") has disallowed various deductions made by the Group in relation to exchangeable capital units ("ExCaps") for the tax years 1997 to 2003. As at 31 March 2010, the maximum aggregate contingent exposure for the 1997 to 2003 tax years is approximately $481 million, being $309 million primary tax and $172 million interest and penalties (after tax). The Group has paid approximately $309 million of that exposure to the ATO in accordance with ATO practice on disputed assessments which was recognised in tax expense during 2009.

The Group did not claim tax deductions on outgoings in relation to the ExCaps after 1 October 2003 whilst the tax treatment was in dispute, and the ExCaps were redeemed during the 2007 year.

The Group disputes the ATO's tax treatment of the ExCaps and has appealed.

Investigation of Potential Class Action

In April 2009, Maurice Blackburn Lawyers (an Australian law firm) announced that it was investigating a potential class action against the Group for alleged non-disclosures relating to the Group's exposure to Asset Backed Securities Collateralised Debt Obligations. The Group has no detailed information as to the nature of the possible claim. No proceeding has been initiated, nor ever may be initiated. If it is, it will be vigorously defended.

United Kingdom Financial Services Compensation Scheme

The UK Financial Services Compensation Scheme (FSCS) provides compensation to depositors in the event that a financial institution is unable to repay amounts due. Following the failure of a number of financial institutions, claims have been triggered against the FSCS, initially to pay interest on borrowing which the FSCS has raised from the UK Government to support the protected deposits. These borrowings are anticipated to be repaid from the realisation of the assets of the institutions, and in the interim the FSCS has estimated levies due to 31 March 2011 and an accrual of £9.5 million is presently held for the Group's calculated liability for this period. If the assets of the failed institutions are insufficient to repay the Government loan, additional levies will become payable in future periods.

Claims for potential mis-selling of Payment Protection Insurance (PPI)

Following the investigation by the UK Competition Commission into the sale of Payment Protection Insurance, a report was published on 29 January 2009 concluding a lack of competition exists in the UK market as a result of various factors, including lack of transparency and barriers to entry for stand-alone providers. A range of remedies to address the issue have been imposed. Separately, on 30 September 2009, the FSA issued draft guidance on how PPI providers and sellers should approach claims brought by consumers. That proposed guidance is now subject to a public consultation exercise. The industry as a whole has seen an increase in the number of claims by consumers seeking a refund of the premiums they have paid. Provision has been made for costs arising from claims, although at this stage there remains some uncertainty surrounding legislative changes and their potential impact.

16. Events Subsequent to Balance Date

Business Combinations

On 1 February 2010, GWB announced that it had agreed to acquire F&M Bank in Iowa for a premium of US$5 million with gross assets of approximately US$450 million. The transaction has received regulatory approval. The acquisition will expand the GWB footprint in the key Iowa market, adding 10 branch locations, US$410 million in deposits and US$125 million in performing loans, together with over 32,000 deposit accounts.

The initial accounting for this business combination is incomplete at the time the financial statements were authorised for issue which has precluded us from providing additional information.

On 30 March 2010 the Group announced that it had agreed to acquire the Australian and New Zealand business of AXA Asia Pacific Holdings Limited. The Australian Competition and Consumer Commission (ACCC) announced on 19 April 2010 its opposition to this proposed acquisition. The Group continues to pursue its options to obtain approvals for the proposed acquisition.

Directors' Declaration

The directors of National Australia Bank Limited declare that, in the directors' opinion:

a) as at the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
b) the financial statements and the notes thereto, as set out on pages 98 to 127, are in accordance with the *Corporations Act* 2001 (Cth), including:
    i section 304, which requires that the half-year financial report comply with Accounting Standards made by the Australian Accounting Standards Board for the purposes of the *Corporations Act* 2001 (Cth) and any further requirements in the Corporations Regulations 2001; and
    ii section 305, which requires that the financial statements and notes thereto give a true and fair view of the financial position of the Group as at 31 March 2010, and of the performance of the Group for the six months ended 31 March 2010.

Dated this 6th day of May, 2010 and signed in accordance with a resolution of the directors.

Michael A Chaney
Chairman

Cameron Clyne
Group Chief Executive Officer

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To the members of National Australia Bank Limited

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of National Australia Bank Limited ("the Company"), which comprises the consolidated balance sheet as at 31 March 2010, and the consolidated income statement, consolidated statement of changes in equity, consolidated statement of comprehensive income, and consolidated cash flow statement for the half year ended on that date, other selected explanatory notes 1 to 16 and the directors' declaration set out on pages 98 to 128 of the consolidated entity comprising the Company and the entities it controlled at the half year's end or from time to time during the half year.

Directors' Responsibility for the Half Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2010 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of the Company and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of National Australia Bank Limited is not in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the consolidated entity's financial position as at 31 March 2010 and of its performance for the half year ended on that date; and

ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

AJ (Tony) Johnson
Partner
6 May 2010

Section 6

Supplementary Information

1. Disclosures on Special Purpose Entities

The following supplementary disclosures are based on Financial Stability Board (FSB) recommendations that were included in a report entitled Enhancing Market and Institutional Resilience.

(a) Special purpose entities (SPEs)

Controlled entities are those entities, including special purpose entities (SPEs), over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. Control rather than ownership interest is the sole criterion for determining a parent entity relationship. SPEs require consolidation in circumstances such as those where the Group has access to the majority of the residual income or is exposed to the majority of the residual risk associated with the SPE.

These supplementary disclosures focus on the exposure of the Group through its use of SPEs for various types of programmes (both on and off balance sheet) including:
- Securitisation SPEs
- Funding program SPEs
- Other SPEs

(b) Securitisation SPEs

Objectives

The Group engages in securitisation activities for two purposes:
- Securitisation activities for business purposes, including arranging and managing securitisations for third parties (clients) as well as securities arbitrage (funding of purchased assets) activities [1], primarily through SPEs that provide funding for single or multiple transactions.
- Securitisation of its own assets for funding and liquidity purposes, primarily for risk and capital management reasons. These transactions have always been recorded on the balance sheet since the adoption of AIFRS as the derecognition criteria is not met. Refer Note 8 in Section5.

The first category represents third party asset securitisation SPEs. The Group's participation in these SPEs is discussed below.

Third party asset securitisation SPEs

NAB sponsored securitisation SPEs for client securitisation assets and third party transactions

For these transactions, securitisation structures are established by the Group, comprising one or numerous SPEs to purchase and fund customer assets, including in securitised form. Previously, securitisation structures also included purchasing of rated securities arbitrage assets (purchased assets). Securities arbitrage activities have been discontinued by the Group. Each SPE funds the acquisition of assets or securities backed by the assets by:
- the issuance of debt securities (medium term notes or MTN) directly into the market (term securitisation); or
- the issuance of debt securities (asset backed commercial paper or ABCP) via an issuing entity (ABCP conduit funding). Standby liquidity facilities are typically made available to the ABCP conduits to fund acquired assets in the event that ABCP cannot be rolled or reissued to external investors; or
- the drawdown under funding facilities (securitisation funding facilities and warehouse facilities) provided by the Group directly to the SPE.

Ordinary equity in the securitisation SPE is typically held by a third party.

Most of the transactions in which the Group gains exposure to the securitisation SPEs are transactions funded through its sponsored multi-seller ABCP conduits and by securitisation funding facilities and warehouse facilities provided to the NAB sponsored SPEs established under Titan Securitisation, TSL (USA) Inc, Quasar Securitisation, CentreStar and MiraStar Securitisation. The Group undertakes one or more of the following roles of arranger, manager (through wholly-owned subsidiaries), standby liquidity provider, securitisation funding facility provider, asset liquidity provider, warehouse facility provider, derivative provider and dealer.

The NAB sponsored securitisation SPEs are consolidated in the financial statements.

Non-NAB sponsored securitisation SPEs for third party securitisation assets

For these transactions, securitisation SPEs are established by market participants, other than the Group, to acquire and fund various assets by issuing securities to external investors. The Group's exposures to these SPEs arise from provision of standby liquidity facilities that can be drawn in the event that ABCP cannot be rolled or reissued to external investors and, in some cases, other facilities provided to fund and support acquired assets. These entities are generally not consolidated, with facilities provided by the Group (and drawn) being included in loans and advances.

Securitisation funding and standby liquidity facilities

The Group's securitisation SPE exposures fall into two categories: purchased assets, which were acquired on set investment criteria to seed a new ABCP conduit or achieve critical mass; and client originated assets, which were originated as part of a broader client relationship. Within these categories the SPE exposures are categorised by asset class, resulting in the grouping of the exposures based on common features and risks.

Table 1 summarises the Group's exposures to both NAB sponsored and non-NAB sponsored SPEs via securitisation funding facilities and standby liquidity facilities provided to ABCP conduits. *Table 2* separates those exposures which are managed by Specialised Group Assets (SGA) and Wholesale Banking (Wholesale). Both tables show the facility limits extended by the Group, the amount drawn and available to be drawn under the respective facilities, and related provisions. It also shows the total securities issued by the relevant SPEs including ABCP and MTN, the carrying value of the SPE assets (other than cash), and the associated fair value.

Note: The standby liquidity facilities are only available to fund repayment of outstanding ABCP in cases where it cannot be rolled or reissued to external investors. For these facilities, the unutilised limit over and above the drawn and available amount cannot be accessed to fund additional assets until ABCP is reissued.

Selected comparative information for 30 September 2009 is provided, with further detail available in the 30 September 2009 Annual Financial Report.

[1] Securities arbitrage (funding of purchased assets) activities are being wound down by the Group and, along with several client originated SPE exposures no longer deemed part of the Group's core activities (largely Northern Hemisphere originated exposures), are being quarantined and are managed separately as part of the Specialised Group Assets division.

Table 1 As at 31 March 2010	Group facilities Limit $m	 Drawn & Available [1] $m	 Drawn-down $m	 Provisions [2] $m	SPE Securities on issue [3] $m	 Total asset value [4] $m	 Fair value [5] $m
SPE purchased ABS CDOs:							
Senior tranche ABS CDO	247	**247**	247	(114)	-	247	72
Mezzanine tranche ABS CDO	1	**1**	1	-	-	1	-
Total SPE purchased ABS CDOs [6]	248	**248**	248	(114)	-	248	72
SPE other purchased assets:							
Infrastructure (credit wrapped bonds) [7]	375	**375**	375	-	-	375	357
Leveraged loans (CLOs)	1,505	**1,505**	1,505	-	-	1,505	1,355
Commercial property (CMBS)	598	**598**	598	-	-	598	440
Corporates (SCDO) [8]	1,542	**1,542**	1,542	-	-	1,542	1,071
Total SPE other purchased assets	4,020	**4,020**	4,020	-	-	4,020	3,223
NAB client originated assets:							
Auto / Equipment	788	**431**	358	(9)	422	780	770
Credit wrapped bonds	764	**698**	698	-	473	1,171	1,056
Prime residential mortgages	2,930	**2,599**	1,804	-	1,562	3,366	3,366
Non-conforming residential mortgages	435	**411**	411	-	132	543	525
Sub-prime residential mortgages	143	**143**	143	-	-	143	112
Subscription loans	1,086	**966**	-	-	966	966	966
Commercial Property (CMBS)	164	**164**	164	-	137	301	298
NAB CLO	447	**447**	447	-	-	447	447
Credit wrapped ABS	712	**712**	712	-	-	712	354
Other	171	**82**	82	-	9	91	74
Total NAB client originated assets	7,640	**6,653**	4,819	(9)	3,701	8,520	7,968
Represented by:							
NAB sponsored SPEs	5,252	**4,952**	3,986	-	1,697	5,683	5,140
Non-NAB sponsored SPEs	2,388	**1,701**	833	-	2,004	2,837	2,828
Total NAB client originated assets	7,640	**6,653**	4,819	(95)	3,701	8,520	7,968
Total standby liquidity facilities [9]	11,908	**10,921**	9,087	(218)	3,701	12,788	11,263

As at 30 September 2009	Group facilities: Limit $m	Drawn & Available [(1)] $m	Drawn-down $m	Provisions [(2)] $m	SPE: Securities on issue [(3)] $m	Total asset value [(4)] $m	Fair value [(5)] $m
Total SPE purchased ABS CDOs [(6)]	266	**266**	266	(120)	-	266	83
Total SPE other purchased assets	4,290	**4,287**	4,287	-	60	4,347	3,204
Total NAB client originated assets	10,205	**8,562**	6,697	-	2,903	9,595	8,947
Represented by:							
NAB sponsored SPEs	8,588	**7,354**	6,339	-	1,819	8,153	7,505
Non-NAB sponsored SPEs	1,617	**1,208**	358	-	1,084	1,442	1,442
Total NAB client originated assets	10,205	**8,562**	6,697	(93)	2,903	9,595	8,947
Total standby liquidity facilities	14,761	**13,115**	11,250	(213)	2,963	14,208	12,234

(1) *Drawn and available represents amounts drawn-down under the facility, and amounts currently available to be drawn (for standby liquidity facilities, this is limited to the amounts that maybe required to repay maturing ABCP if it cannot be rolled).*

(2) *Includes both specific and collective provisions. Provisions include exchange rate movements. An additional provision of $12 million has been recorded in the March 2010 half relating to the credit wrapped ABS. The provisions disclosed are shown net of any expected recoveries under the risk mitigation strategy (refer "Protection purchased to hedge exposure to SPE other purchased assets"). A separate management overlay of $160 million still exists in respect of conduit related assets and derivative transactions to reflect the uncertainty created by the deteriorating economic conditions and impact of any potential default.*

(3) *Securities on issue exclude amounts drawn under the facilities and include ABCP issued of $1,831 million and medium term notes of $1,870 million.*

(4) *Comprises total non-cash assets of the SPEs. For non-NAB sponsored SPEs, this only includes that portion of the SPE assets to which the Group is exposed through the securitisation funding facilities or the standby liquidity facilities. This is the amount recorded on the Group's balance sheet.*

(5) *The estimated fair values are based on relevant information available at 31 March 2010. These estimates involve matters of judgement, as changes in assumptions could have a material impact on the amounts estimated. There are various limitations inherent in this fair value disclosure particularly in the current market where, due to the uncertainty in the market, prices may not represent the underlying value. Not all of the Group's financial instruments can be exchanged in an active trading market. The Group obtains the fair values for investments securities from quoted market prices, where available. Where securities are unlisted and quoted market prices are not available, the Group obtains the fair value by means of discounted cash flows and other valuation techniques that are commonly used by market participants. These techniques address factors such as interest rates, credit risk and liquidity. In addition, it is the Group's intent to hold its financial instruments to maturity. The difference to fair value represents the significant change in discount rates in the current distressed markets. This is relevant in a trading environment, but is not relevant to assets held to maturity and loans and advances. This is consistent with the treatment of assets of the wider Group. The fair value of the SCDOs reflects the Group's exposure subsequent to the purchase of additional protection (refer "Protection purchased to hedge exposure to SPE other purchased assets" for further information). The fair value of infrastructure (credit wrapped bonds), credit wrapped bonds and credit wrapped ABS ascribes minimal value to the protection afforded by insurance policies from financial guarantee (monoline) insurers.*

(6) *SGA has exposure to a portfolio of ABS CDOs that contain exposure to US sub-prime mortgage assets. Provisions in the aggregate of $1,011 million were taken in 2008 to reflect expected losses on this portfolio. While most assets within this portfolio were written off in full, a single asset remains. The specific provision against this asset is approximately 46% of its current balance.*

(7) *The total asset value of infrastructure (credit wrapped bonds) purchased by other SPEs is substantially funded by facilities provided by the group.*

(8) *The limit, drawn and available, drawn amounts and asset value includes exposures which have been subject to recovery under the risk mitigation strategy. (refer "Protection purchased to hedge exposure to SPE other purchased assets"). In December 2009 $42 million in write-offs were recovered under the risk mitigation strategy. An expected loss of $447 million that occurred in March 2010 will be recovered under this strategy.*

(9) *In the 30 September 2009 full year results, drawn and available was $13.1 billion. The movement is comprised of a reduction for repayments and restructured facilities of $2.3 billion, decrease for exchange rate movements of $0.4 billion and an increase for redraws, limit increases or new transactions of $0.5 billion.*

Table 2 shows the SPE exposures, related provisions, carrying value of the SPE assets (other than cash) and the associated fair value by Division.

	Group facilities				SPE		
Table 2 Divisional distribution [1]	**Limit $m**	**Drawn & Available $m**	**Drawn-down $m**	**Provisions** [2] **$m**	**Securities on issue $m**	**Total asset value $m**	**Fair value $m**
As at 31 March 2010							
Specialised Group Assets managed:							
Senior tranche ABS CDO	247	**247**	247	(114)	-	247	72
Mezzanine tranche ABS CDO	1	**1**	1	-	-	1	-
Leveraged loans (CLOs)	1,505	**1,505**	1,505	-	-	1,505	1,355
Commercial property (CMBS)	653	**653**	653	-	-	653	491
Corporates (SCDO)	1,542	**1,542**	1,542	-	-	1,542	1,071
Infrastructure (credit wrapped bonds)	375	**375**	375	-	-	375	357
Credit wrapped bonds	764	**698**	698	-	-	698	621
Credit wrapped ABS	712	**712**	712	-	-	712	354
Auto / Equipment	215	**-**	-	-	-	-	-
Non-conforming residential mortgages	162	**162**	162	-	-	162	144
Sub-prime residential mortgages	143	**143**	143	-	-	143	112
Subscription loans	1,086	**966**	-	-	966	966	966
NAB CLO	447	**447**	447	-	-	447	447
Other	91	**38**	38	-	-	38	21
Total Specialised Group Assets [3]	7,943	**7,489**	6,523	(114)	966	7,489	6,011
Represented by:							
NAB sponsored SPEs	7,728	**7,489**	6,523	-	966	7,489	6,011
Non-NAB sponsored SPEs	215	**-**	-	-	-	-	-
Total Specialised Group Assets [2] [3]	7,943	**7,489**	6,523	(206)	966	7,489	6,011
Wholesale managed:							
Auto / Equipment	573	**431**	358	(9)	422	780	770
Commercial property (CMBS)	109	**109**	109	-	137	246	247
Prime residential mortgages	2,930	**2,599**	1,804	-	1,562	3,366	3,366
Non-conforming residential mortgages	273	**249**	249	-	132	381	381
Credit wrapped bonds [4]	-	**-**	-	-	473	473	435
Other	80	**44**	44	-	9	53	53
Total Wholesale [5]	3,965	**3,432**	2,564	(9)	2,735	5,299	5,252
Represented by:							
NAB sponsored SPEs	1,794	**1,732**	1,732	-	734	2,466	2,426
Non-NAB sponsored SPEs	2,171	**1,700**	832	-	2,001	2,833	2,826
Total Wholesale [2] [5]	3,965	**3,432**	2,564	(12)	2,735	5,299	5,252
Total exposure to standby liquidity facilities	11,908	**10,921**	9,087	(218)	3,701	12,788	11,263

	Group facilities				SPE		
As at 30 September 2009	**Limit $m**	**Drawn & Available $m**	**Drawn-down $m**	**Provisions $m**	**Securities on issue $m**	**Total asset value $m**	**Fair value $m**
Specialised Group Assets managed:							
Represented by:							
NAB sponsored SPEs	8,675	**8,483**	7,468	(200)	1,576	9,042	7,068
Non-NAB sponsored SPEs	224	**-**	-	-	-	-	-
Total Specialised Group Assets [3]	8,899	**8,483**	7,468	(200)	1,576	9,042	7,068
Wholesale managed:							
Represented by:							
NAB sponsored SPEs	4,469	**3,424**	3,424	-	303	3,724	3,724
Non-NAB sponsored SPEs	1,393	**1,208**	358	(13)	1,084	1,442	1,442
Total Wholesale [5]	5,862	**4,632**	3,782	(13)	1,387	5,166	5,166
Total exposure to standby liquidity facilities	14,761	**13,115**	11,250	(213)	2,963	14,208	12,234

(1) *Management of underlying exposure i.e. the management of the exposure between Wholesale and Specialised Group Assets.*
(2) *Provisions include both specific and collective provisions. Collective provisions for SGA ($92 million) and Wholesale ($3 million) have been calculated across the portfolio of NAB sponsored and non-NAB sponsored assets.*
(3) *In the 30 September 2009 full year results, $8.5 billion related to SGA was drawn and available. The movement is comprised of a reduction for repayments and restructured facilities of $0.6 billion and a decrease for exchange rate movements of $0.4 billion.*
(4) *A consolidated NAB sponsored SPE issued medium term notes to investors. The investors are exposed to all the risk and NAB only provides a standby letter of credit of $213,000 to fund unexpected expenses. The facility has never been drawn.*
(5) *In the 30 September 2009 full year results, $4.6 billion related to Wholesale was drawn and available. The movement is comprised of a reduction for repayments and restructured facilities of $1.7 billion and an increase for redraws, limit increases or new transactions of $0.5 billion.*

Table 3 shows the total drawn and available securitisation funding and standby liquidity facility of the Group to all securitisation SPEs by Geography.

Table 3 Geographic distribution [1]	**Australia & New Zealand $m**	**Europe $m**	**North America $m**	**Asia & Other $m**	**Total drawn & available $m**	**Weighted Average Term to Maturity** [2] **yrs**
As at 31 March 2010						
SPE purchased ABS CDOs:						
Senior tranche ABS CDO	-	-	247	-	**247**	27.5
Mezzanine tranche ABS CDO	-	-	1	-	**1**	28.0
Total SPE purchased ABS CDOs	-	-	248	-	**248**	27.5
SPE other purchased assets:						
Infrastructure (credit wrapped bonds) [3]	265	110	-	-	**375**	1.4
Leveraged loans (CLOs) [4]	-	758	745	2	**1,505**	4.5
Commercial property (CMBS) [5]	-	598	-	-	**598**	3.5
Corporates (SCDO) [6]	56	516	877	93	**1,542**	5.6
Total SPE other purchased assets	321	1,982	1,622	95	**4,020**	4.5
NAB client originated assets:						
Auto / Equipment	431	-	-	-	**431**	2.1
Credit wrapped bonds [3]	698	-	-	-	**698**	7.7
Prime residential mortgages	2,599	-	-	-	**2,599**	22.5
Non-conforming residential mortgages	249	162	-	-	**411**	22.7
Sub-prime residential mortgages	-	-	143	-	**143**	24.7
Subscription loans	10	239	635	82	**966**	1.3
Commercial Property (CMBS)	109	-	55	-	**164**	2.4
NAB CLO	347	63	31	6	**447**	1.3
Credit wrapped ABS [3]	-	-	684	28	**712**	24.6
Other	44	-	38	-	**82**	3.8
Total NAB client originated assets	4,487	464	1,586	116	**6,653**	14.7
Total exposure to standby liquidity facilities	4,808	2,446	3,456	211	**10,921**	10.6
Managed within:						
Wholesale	3,432	-	-	-	**3,432**	19.2
Specialised Group Assets	1,376	2,446	3,456	211	**7,489**	7.2
Total exposure to standby liquidity facilities	4,808	2,446	3,456	211	**10,921**	10.6

As at 30 September 2009	**Australia & New Zealand $m**	**Europe $m**	**North America $m**	**Asia & Other $m**	**Total drawn & available $m**	**Weighted Average Term to Maturity yrs**
Total SPE purchased ABS CDOs	-	-	266	-	**266**	28.0
Total SPE other purchased assets	317	2,184	1,685	101	**4,287**	5.0
Total NAB client originated assets	5,720	960	1,723	159	**8,562**	16.5
Total exposure to standby liquidity facilities	6,037	3,144	3,674	260	**13,115**	12.8

(1) *Location of underlying exposure i.e. the location of the ultimate borrower/reference entity within the portfolios on a look through basis.*

(2) *Reflects the weighted average contractual maturity of the underlying exposure of the SPE on a look through basis.*

(3) *Credit wrapped bonds and ABS are wrapped by financial guarantee (monoline) insurers.*

(4) *Includes nine transactions, in all but one case with exposure to the most senior class of notes, and initial subordination ranging from 27-38%. Reported defaults to date range from 3-12% with modest realised losses on underlying corporate loan collateral. Excess spread available to cover ongoing losses generally exceeds 1% per annum of the current principal balance of each CLO transaction.*

(5) *Includes four UK transactions backed by Greater London and regional properties, with exposure to the most senior bonds, and ratio of relevant note tranche to property value ranging from 62-81%. Generally speaking, the properties securing larger loans are let with quality tenants, have low vacancy rates and good lease profiles. The loan vintages are generally 2006 and 2007.*

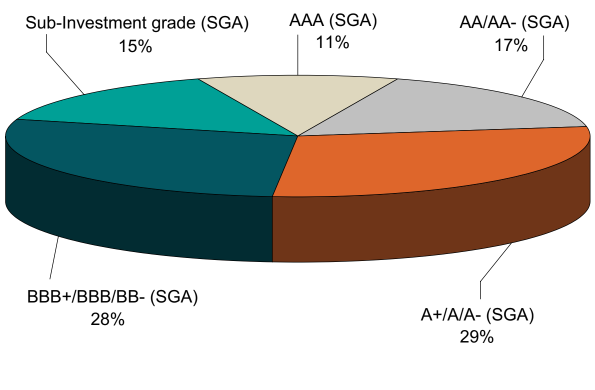
(6) *Includes six credit linked notes backed by six single tranche corporate credit CDOs (portfolios of credit default swaps) and collateral. The drawn and available amount includes exposures which have been subject to recovery under the risk mitigation strategy (refer "Protection purchased to hedge exposure to SPE other purchased assets").*

Further analysis of facilities

Rating analysis

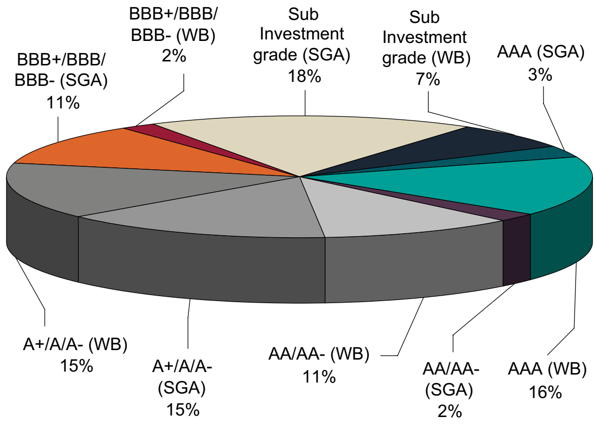
The ABS CDO of $248 million not written off is currently rated CC by S&P and Ca by Moody's

Current S&P equivalent ratings - $4.0 billion SPE other purchased assets (1)



(1) *Includes internally rated assets mapped to S&P risk grades, taking into account the risk mitigation strategy on the SCDO's. These exposures only exist within SGA.*

Current S&P equivalent ratings - $6.6 billion NAB client originated assets split by business (1) (2)



(1) *Includes NAB internally rated assets mapped to S&P risk grades.*
(2) *The current ratings of credit wrapped bonds are based on the BBB+ ratings of the underlying assets.*

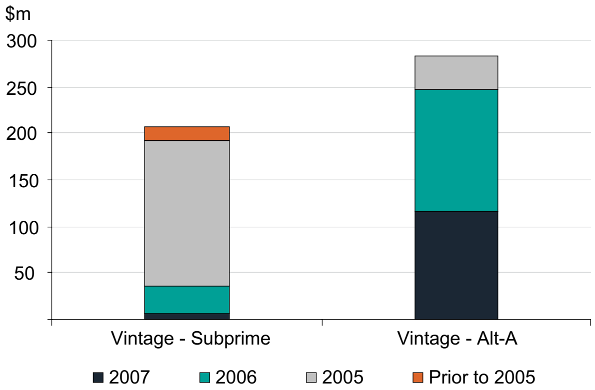
Asset Quality information relevant to specific exposures

Table 4 shows asset quality and past due analysis of underlying collateral of NAB client originated assets.

Table 4 As at 31 March 2010	**Weighted average current LVR %**	**Mortgage Insurance coverage %**	**Days Past Due 31-60 %**	**Days Past Due 61-90 %**	**Days Past Due >90 %**
Specialised Group Assets managed:					
Auto / Equipment (1)	n/a	n/a	2.15%	0.26%	0.52%
Non-conforming residential mortgages (2)	83.29%	-	3.30%	4.27%	21.49%
Sub-prime residential mortgages (2)	82.66%	50.91%	3.90%	2.73%	12.35%
Wholesale managed:					
Auto / Equipment (1)	n/a	n/a	1.20%	0.28%	0.68%
Prime residential mortgages	70.30%	93.17%	1.13%	0.47%	1.34%
Non-conforming residential mortgages	63.95%	2.00%	1.57%	0.98%	6.56%

(1) *All auto/equipment transactions benefit from various types of credit enhancements including subordination and excess spread.*
(2) *Current mortgage insurance coverage on sub-prime residential mortgages is shown. The >90 days percentage for sub-prime residential mortgages does not include loans in foreclosure or homes foreclosed upon but not liquidated, which together represent 37.88% of the current principal balance. Foreclosures for non-conforming residential mortgages represent 3.61% of the current principal balance which together with >90 days represents 25.10% of the current principal balance.*

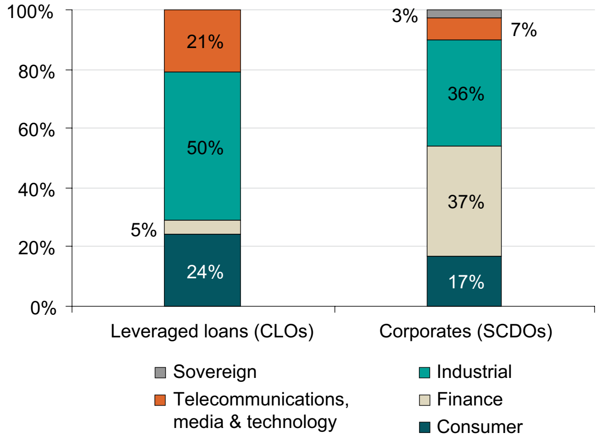
Vintage of sub-prime and Alt-A exposures [1] [2]



(1) *US sub-prime exposure of the Group was $207 million as at 31 March 2010. This amount represents $20 million included in ABS CDOs not written off, $143m of sub-prime residential mortgage backed securities and $44 million as part of credit wrapped ABS in the NAB client originated assets. These exposures only exist within SGA.*

(2) *US Alt-A exposure of the Group was $284 million as at 31 March 2010. This amount represents $122 million included in ABS CDOs not written off, and $162 million as part of credit wrapped ABS in the NAB client originated assets. These exposures only exist within SGA.*

Industry splits - SPE other purchased assets [1] [2]



(1) *Leverage loans (CLOs) total $1.5 billion.*

(2) *Corporates (SCDOs) total $1.5 billion.*

Securitisation SPE credit exposure to the financial guarantor sector (monoline insurers)

Table 5 summarises the indirect exposures to third party transactions supported by monoline financial guarantees and contingent risk via guaranteed investment contracts (SCDOs). In the event of monoline failure, the benefit of the financial guarantee falls away resulting in exposure to the underlying asset.

Table 5	**Exposures to monoline insurers**	
	Mar 10 $m	**Sep 09 $m**
Specialised Group Assets managed:		
Infrastructure (credit wrapped bonds) (1)	375	378
Guaranteed investment contracts (provided to SCDOs) (2)	395	455
Credit wrapped bonds (1)	764	772
Credit wrapped ABS (3)	712	786
Other	38	40
Total Specialised Group Assets (4)	2,284	2,431

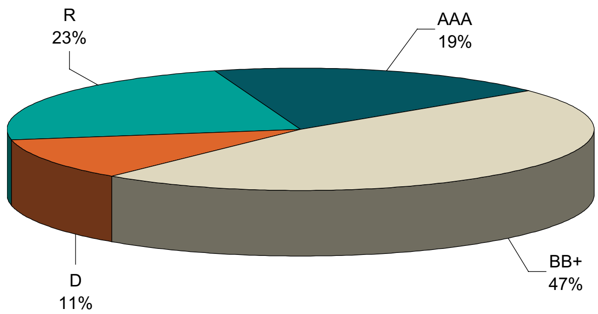
(1) *These bonds includes those issued by well known essential infrastructure and energy borrowers and are themselves high quality investment grade assets.*

(2) *Funds invested by SPEs in two of six SCDOs have been placed in guaranteed investment contracts, which have been guaranteed by monolines resulting in a contingent exposure.*

(3) *Monoline-wrapped portfolio of ABS, some of which have also been individually monoline-wrapped.*

(4) *There are no Wholesale exposures which rely on monoline insurers.*

Current S&P rating of monolines [1]



(1) *The D rated monoline provides a guarantee for one of the credit wrapped bonds. Rating of the underlying assets is BBB+. The R rated (regulatory action under an order of rehabilitation or liquidation) monoline provides a guarantee for three of the credit wrapped securities which are rated higher than the monoline provider. The ratings of the underlying assets are A- for one of these securities with the others rated BBB+.*

Protection purchased to hedge exposure to SPE other purchased assets

In September 2008 the Group completed a risk mitigation strategy in relation to its exposure to Corporates (SCDO) within its securitisation SPE portfolio. As a result, long-dated hedges were entered into with a large, highly reputable, global bank counterparty which strengthened the Group's position and substantially reduced the likelihood of loss arising from the SCDOs. Subordination was improved as a result of risk mitigation activities, and the portfolio is managed to maintain the credit quality of the tranche.

In December 2009 the Group recovered all of its losses relating to a credit event within the portfolio. As a result of recent credit events in the portfolio the Group has raised a provision in relation to the expected write down of the underlying note. Consistent with the Group's expectation and the above risk mitigation strategy the Group will recover all of its losses on the original investment associated with this write down. The recovery under the hedging strategy is recognised within other income.

Further ratings migration and defaults are expected. The exposure is being managed by a dedicated specialised team together with input from an external portfolio manager. Additional modest hedging may be considered from time to time. The SCDOs are currently rated between A and BB. During the prior year a management overlay of $160 million was taken in respect of conduit related assets and derivative transactions to reflect the uncertainty created by the deteriorating economic conditions and any potential default.

Other exposures

In addition to securitisation funding facilities and standby liquidity facilities discussed above, there are securitisation SPE exposures arising from warehouse facilities (refer Table 6), asset liquidity facilities ($500 million), credit enhancements ($70 million) investments in non-NAB sponsored SPE's ($400 million), derivatives ($9 million) and redraw facilities ($17 million).

Derivative transactions include interest rate and currency derivatives provided to securitisation SPEs.

Warehouse facilities are funding facilities provided to SPEs holding client assets until such time as the facility is refinanced by ABCP conduits or the term securitisation market. Typically these facilities are reviewed annually.

These facilities are in addition to securitisation funding facilities and standby liquidity facilities.

Table 6 shows the limit and drawn amount under the facility. The undrawn limit is available to fund additional assets.

Table 6 As at 31 March 2010	**Limit $m**	**Drawn-down $m**
Specialised Group Assets managed:		
Non-conforming residential mortgages	321	321
Wholesale managed:		
Prime residential mortgages	2,850	1,724
Non-conforming residential mortgages	925	562
Total warehouse facilities - Wholesale [1]	3,775	2,286
Total warehouse facilities	4,096	2,607

As at 30 September 2009	**Limit $m**	**Drawn-down $m**
Total warehouse facilities - Specialised Group Assets	-	-
Total warehouse facilities - Wholesale	3,070	2,498

(1) *Of the drawn down amount $1.3 billion is via consolidated NAB-sponsored SPEs resulting in the recognition of the underlying assets on the balance sheet.*

Table 7 shows the available asset quality and past due analysis of underlying collateral of warehouse facilities.

Table 7 As at 31 March 2010	**Weighted average current LVR %**	**Mortgage Insurance coverage %**	**Days Past Due 31-60 %**	**Days Past Due 61-90 %**	**Days Past Due > 90 %**
Specialised group assets managed					
Non-conforming residential mortgages	58.54%	-	6.04%	3.96%	3.28%
Wholesale managed					
Prime residential mortgages	66.19%	97.75%	0.34%	0.09%	0.28%
Non-conforming residential mortgages	71.46%	-	2.25%	0.47%	2.50%

(1) *Includes a senior most position in a transaction structured to invest in fully insured non-performing prime mortgages.*

Risk Weights for Securitisation Exposure

Table 8 shows the risk weights for securitisation exposures as calculated under the Australian Prudential Standard for Securitisation (APS 120), predominately using the Standardised Approach and includes conduit exposures (table 1), warehouse facilities (table 6) and other securitisation SPE exposures disclosed in the "Other Exposures" section above. The table separates the risk weights between SGA and Wholesale.

Table 8	Mar 10		Sep 09	
	Exposure [1] $m	RWA $m	Exposure [1] $m	RWA $m
Specialised Group Assets managed:				
≤ 10%				
> 10% ≤ 25%	1,923	364	2,553	468
> 25% ≤ 35%	129	45	148	52
> 35% ≤ 50%	988	493	578	289
> 50% ≤ 75%	209	146	233	162
> 75% ≤ 100%	2,517	2,517	2,750	2,750
>100% ≤ 650%	2,256	7,338	2,371	5,927
Deductions	142	-	230	-
Total Specialised Group Assets	8,164	10,903	8,863	9,648
Wholesale managed:				
≤ 10%	3,938	280	3,742	270
> 10% ≤ 25%	3,000	449	4,201	608
> 25% ≤ 35%	81	26	35	12
> 35% ≤ 50%	-	-	43	20
> 50% ≤ 75%	110	82	303	208
> 75% ≤ 100%	286	286	185	185
>100% ≤ 650%	3	16	4	17
Deductions	148	-	254	-
Total Wholesale [2]	7,566	1,139	8,767	1,319
Total securitisation exposure	15,730	12,042	17,630	10,968

(1) *Refer to table 9 for further details on how the exposures relate to the other tables within the FSB report.*

(2) *Wholesale includes BNZ exposures of $145 million (2009 $166 million). The risk weighted assets for these exposures are $125 million (2009 $92 million).*

Securitisation Exposures

Table 9 shows how the various securitisation exposures as disclosed in the FSB reconcile to the above securitisation exposure as calculated under APS 120.

Table 9	Mar 10 $m	Sep 09 $m
Total group facilities (table 1)	11,908	14,761
Total warehouse facilities (table 6)	4,096	3,070
Total other exposures [1]	996	376
Less:		
Other banking book exposures [2]	(1,147)	(457)
Specific provisions (table 1) [3]	(123)	(120)
Total securitisation exposures	15,730	17,630

(1) *The other exposures includes asset liquidity facilities $500 million, redrawn facilities $17 million, derivative transactions $9 million, credit enhancements $70 million and investments in securitisation debt securities $400 million.*

(2) *The banking book exposures relate to those exposures which are treated as mortgages from a prudential standard perspective and therefore excluded from the securitisation exposures under APS 120.*

(3) *The specific provisions relate to the ABS CDO and Auto/Equipment asset classes.*

Roles in securitisation

The Group may undertake any of the following roles in its third party asset securitisation activities:

- Arranger (the structurer of securitisation transactions);
- Sponsor (the entity that established the securitisation SPEs and often provides other services. NAB sponsored SPEs are established under Titan Securitisation, TSL (USA) Inc, Quasar Securitisation, CentreStar and MiraStar Securitisation legal structures);
- Manager (operator of securitisation SPEs including managing assets and liabilities and providing accounting and administrative services);
- Securitisation funding facility provider (a lender to securitisation SPEs where tenor of the funding extends beyond 1 year and may match the expected redemption date of the underlying security held by the SPE);
- Standby liquidity provider (a provider of liquidity available to repay ABCP if unable to reissue);
- Asset liquidity provider (a provider of liquidity to cover mismatches in cashflow for securitisation structures)
- Warehouse facility provider (a lender to securitisation SPEs pending refinance via issuance of securities);
- Derivative provider;
- Investor in securities issued;
- Letter of credit provider (a provider of credit enhancement to securitisation structures); and
- Dealer (a buyer and seller in the primary and secondary markets of securities).

Accounting Treatment

In general, facilities provided to securitisations are treated the same way as facilities to any other borrower or counterparty.

Interest and line fees received are treated as revenue in the period in which they are accrued. Arrangement fees are treated as revenue and recognised as revenue over the life of the securitisation transaction. Derivatives such as interest rate swaps, basis swaps or cross-currency swaps have the same accounting treatment as non-securitisation derivatives.

NAB sponsored securitisation SPEs are consolidated by the Group.

(c) Funding program SPEs

The Group has established programs to raise funding from the issue of equity instruments or debt instruments.

Material funding programs of the Group that use SPEs are as follows:

Table 10	Mar 10 $m	Sep 09 $m
Trust Preferred Securities	975	975
Trust Preferred Securities II	1,014	1,014
National Capital Instruments	397	397
BNZ Income Securities	380	380
BNZ Income Securities 2	203	203

The SPEs used in the above funding programs are controlled by the Group under Australian Accounting Standards and the International Financial Reporting Standards as issued by the IASB and are recorded on balance sheet as equity items of the Group.

Other funding programs of the Group do not use SPEs and are recorded in the books of the Company. Further details on funding programs can be found at www.nabgroup.com.

Securitisation of own assets are included in Note 8 in Section 5.

(d) Other SPEs

The Group is involved in transactions that involve the use of SPEs. All of these SPEs are recorded on the balance sheet.

Table 11	Mar 10 $m	Sep 09 $m
Consolidated SPEs		
Group exposure excluding SGA		
Investments in debt securities	856	1,361
Investments in property trusts	144	155
Funding transactions	(1,153)	(1,277)
Lease finance	78	83
SGA Exposure		
Lease finance	923	1,035

The Group invests in debt instruments through various SPEs, mainly in the form of Bonds, Certificates of Deposits and Loans. The assets within the portfolio are subject to the Group's normal credit approval and review processes and all assets continue to perform.

The Group also utilises SPEs to invest in a range of property and other equity related investments as well as a means to access alternate sources of funding.

Lease Financing involves extending finance to clients in order to meet their particular asset financing requirements mainly in the mining, mobile infrastructure and transport industries.

2. Net Interest Margins and Spreads

Group	Half Year to Mar 10 %	Sep 09 %	Mar 09 %	Mar 10 v Sep 09	Mar 10 v Mar 09
Net interest spread [(1)]	**1.97**	2.01	1.90	(4 bps)	7 bps
Benefit of net free liabilities, provisions and equity	**0.28**	0.24	0.17	4 bps	11 bps
Net interest margin [(2)] **- statutory basis**	**2.25**	2.25	2.07	0 bps	18 bps

(1) Net interest spread represents the difference between the average interest rate earned and the average interest rate incurred on funds.
(2) Net interest margin is net interest income as a percentage of average interest earning assets.

Interest earning assets	Half Year to Mar 10 $bn	Mar 10 Mix %	Mar 09 $bn	Mar 09 Mix %	Movement in mix % of Group AIEA
Business Banking	**184.5**	**33.9**	184.4	32.3	1.6
Personal Banking	**104.3**	**19.2**	95.1	16.7	2.5
Wholesale Banking	**146.5**	**27.0**	183.5	32.2	(5.2)
UK Banking	**72.0**	**13.2**	85.7	15.0	(1.8)
NZ Banking	**45.4**	**8.4**	46.0	8.1	0.3
Great Western Bank	**5.0**	**0.9**	5.3	0.9	-
Specialised Group Assets	**16.2**	**3.0**	23.2	4.1	(1.1)
Other [(1)]	**(30.5)**	**(5.6)**	(53.2)	(9.3)	3.7
Group	**543.4**	**100.0**	570.0	100.0	-

Net interest income and margins	Half Year to Mar 10 $m	Mar 10 NIM %	Mar 09 $m	Mar 09 NIM %	NIM Change
Business Banking	**2,312**	**2.51**	2,063	2.24	27 bps
Personal Banking	**1,215**	**2.34**	1,183	2.49	(15 bps)
Wholesale Banking	**616**	**0.84**	710	0.78	6 bps
UK Banking	**864**	**2.40**	917	2.14	26 bps
NZ Banking	**472**	**2.08**	495	2.16	(8 bps)
Great Western Bank	**100**	**4.06**	99	3.78	28 bps
Specialised Group Assets	**105**	**1.30**	126	1.09	21 bps
Other [(1)]	**430**	**(2.83)**	291	(1.10)	(173 bps)
Group - cash earnings basis	**6,114**	**2.26**	5,884	2.07	19 bps
MLC net interest income	**(17)**	**(0.01)**	-	-	(1 bps)
Group - statutory basis	**6,097**	**2.25**	5,884	2.07	18 bps

Contribution to Group Margin	Impact of Change in NIM [(2)]	Impact of Change in MIX [(3)]	Impact on Group NIM
Business Banking	9 bps	0 bps	**9 bps**
Personal Banking	(2 bps)	0 bps	**(2 bps)**
Wholesale Banking	2 bps	7 bps	**9 bps**
UK Banking	4 bps	0 bps	**4 bps**
NZ Banking	(1 bps)	0 bps	**(1 bps)**
Great Western Bank	0 bps	0 bps	**0 bps**
Specialised Group Assets	1 bps	1 bps	**2 bps**
Other [(1)]	16 bps	(18 bps)	**(2 bps)**
Group - cash earnings basis	29 bps	(10 bps)	**19 bps**
MLC net interest income	(1 bps)	0 bps	**(1 bps)**
Group - statutory basis	28 bps	(10 bps)	**18 bps**

(1) Includes MLC & NAB Wealth, Group Funding, and other support units.
(2) The increase/(decrease) in net interest margin assuming no change in mix of average interest earning assets.
(3) The increase/(decrease) in net interest margin caused by changes in divisional mix of average interest earning assets (AIEA).

3. Loans and Advances by Industry and Geography

As at 31 March 2010	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Government and public authorities	1,268	64	500	138	-	**1,970**
Agriculture, forestry, fishing and mining	15,295	3,071	7,423	734	7	**26,530**
Financial, investment and insurance	9,684	3,208	994	1,757	62	**15,705**
Real estate - construction	1,940	1,564	434	330	-	**4,268**
Manufacturing	7,327	1,956	1,906	122	63	**11,374**
Real estate - mortgage	169,060	20,581	20,108	259	1,006	**211,014**
Instalment loans to individuals and other personal lending (including credit cards)	9,266	4,594	1,443	377	8	**15,688**
Asset and lease financing	13,664	2,856	21	-	9	**16,550**
Commercial property services	48,559	14,054	5,711	-	857	**69,181**
Other commercial and industrial	43,280	11,775	4,102	2,265	774	**62,196**
Gross loans and advances including acceptances (1)	319,343	63,723	42,642	5,982	2,786	**434,476**
Deduct:						
Unearned income and deferred net fee income	(1,877)	(564)	(34)	(13)	(9)	**(2,497)**
Provisions for doubtful debts	(3,177)	(959)	(259)	(83)	(13)	**(4,491)**
Total net loans and advances including acceptances	314,289	62,200	42,349	5,886	2,764	**427,488**

As at 30 September 2009	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Government and public authorities	1,273	65	576	129	-	**2,043**
Agriculture, forestry, fishing and mining	14,944	3,228	7,820	755	12	**26,759**
Financial, investment and insurance	10,698	4,738	1,288	2,006	64	**18,794**
Real estate - construction	1,869	2,008	384	479	56	**4,796**
Manufacturing	7,857	2,369	2,084	135	77	**12,522**
Real estate - mortgage	157,817	22,483	20,989	292	957	**202,538**
Instalment loans to individuals and other personal lending (including credit cards)	8,990	5,411	1,490	333	8	**16,232**
Asset and lease financing	13,878	3,447	25	-	-	**17,350**
Commercial property services	50,301	16,156	6,256	-	947	**73,660**
Other commercial and industrial	41,594	12,959	4,589	2,202	532	**61,876**
Gross loans and advances including acceptances (1)	309,221	72,864	45,501	6,331	2,653	**436,570**
Deduct:						
Unearned income and deferred net fee income	(2,072)	(669)	(31)	(14)	(7)	**(2,793)**
Provisions for doubtful debts	(3,087)	(955)	(256)	(89)	(14)	**(4,401)**
Total net loans and advances including acceptances	304,062	71,240	45,214	6,228	2,632	**429,376**

As at 31 March 2009	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Government and public authorities	962	103	490	121	-	**1,676**
Agriculture, forestry, fishing and mining	12,922	3,409	7,416	660	36	**24,443**
Financial, investment and insurance	10,429	3,464	903	3,871	78	**18,745**
Real estate - construction	1,953	2,541	402	598	437	**5,931**
Manufacturing	8,352	2,885	2,173	254	76	**13,740**
Real estate - mortgage	153,560	24,750	20,740	318	1,009	**200,377**
Instalment loans to individuals and other personal lending (including credit cards)	8,905	6,122	1,524	369	6	**16,926**
Asset and lease financing	13,620	4,181	29	-	7	**17,837**
Commercial property services	49,401	19,489	6,666	-	886	**76,442**
Other commercial and industrial	44,033	16,115	4,613	2,333	505	**67,599**
Gross loans and advances including acceptances (1)	304,137	83,059	44,956	8,524	3,040	**443,716**
Deduct:						
Unearned income and deferred net fee income	(1,963)	(805)	(30)	(18)	(7)	**(2,823)**
Provisions for doubtful debts	(2,798)	(1,034)	(216)	(80)	(19)	**(4,147)**
Total net loans and advances including acceptances	299,376	81,220	44,710	8,426	3,014	**436,746**

(1) *Includes loans at fair value.*

4. Average Balance Sheet and Related Interest

The following tables set forth the major categories of interest earning assets and interest bearing liabilities, together with their respective interest rates earned or paid by the Group. Averages are predominantly daily averages. Interest income figures include interest income on impaired assets to the extent cash payments have been received. Amounts classified as Other International represent interest earning assets or interest bearing liabilities of the controlled entities and overseas branches, excluding Europe. Impaired assets are included within interest earning assets within loans and advances.

Average assets and interest income

	Half Year ended 31 Mar 10			Half Year ended 30 Sep 09			Half Year ended 31 Mar 09		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	$m	$m	%	$m	$m	%	$m	$m	%
Average interest earning assets									
Due from other banks									
Australia	**13,983**	**218**	**3.1**	11,785	183	3.1	18,061	425	4.7
Europe	**26,035**	**65**	**0.5**	22,391	151	1.3	24,219	311	2.6
Other International	**3,977**	**25**	**1.3**	3,885	22	1.1	5,297	63	2.4
Marketable debt securities									
Australia	**23,043**	**551**	**4.8**	26,530	570	4.3	31,948	1,025	6.4
Europe	**13,748**	**64**	**0.9**	13,573	101	1.5	15,423	246	3.2
Other International	**8,983**	**85**	**1.9**	11,551	101	1.7	14,211	277	3.9
Loans and advances - housing									
Australia	**163,886**	**4,747**	**5.8**	154,975	4,302	5.5	152,155	5,073	6.7
Europe	**21,898**	**372**	**3.4**	23,983	398	3.3	26,683	584	4.4
Other International	**21,624**	**681**	**6.3**	21,550	727	6.7	21,718	845	7.8
Loans and advances - non-housing									
Australia	**94,331**	**3,428**	**7.3**	93,637	3,083	6.6	92,913	3,597	7.8
Europe	**46,532**	**950**	**4.1**	55,899	1,150	4.1	61,577	1,753	5.7
Other International	**30,809**	**751**	**4.9**	32,135	759	4.7	34,217	1,155	6.8
Acceptances									
Australia	**54,244**	**1,861**	**6.9**	55,841	1,699	6.1	54,765	1,905	7.0
Europe	**5**	**-**	**-**	2	-	-	6	-	-
Other interest earning assets									
Australia	**3,729**	**258**	**n/a**	2,647	145	n/a	3,255	250	n/a
Europe	**14,393**	**65**	**n/a**	14,673	52	n/a	9,175	114	n/a
Other International	**2,140**	**20**	**n/a**	3,678	-	n/a	4,356	36	n/a
Total average interest earning assets and interest revenue by:									
Australia	**353,216**	**11,063**	**6.3**	345,415	9,982	5.8	353,097	12,275	7.0
Europe	**122,611**	**1,516**	**2.5**	130,521	1,852	2.8	137,083	3,008	4.4
Other International	**67,533**	**1,562**	**4.6**	72,799	1,609	4.4	79,799	2,376	6.0
Total average interest earning assets and interest revenue	**543,360**	**14,141**	**5.2**	548,735	13,443	4.9	569,979	17,659	6.2

Average assets and interest income

	Half Year ended 31 Mar 10			Half Year ended 30 Sep 09			Half Year ended 31 Mar 09		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	$m	$m	%	$m	$m	%	$m	$m	%
Average non-interest earning assets									
Investments relating to life insurance business (1)									
Australia	**58,867**			49,939			47,767		
Other International	**42**			42			34		
Other assets	**62,123**			66,192			102,513		
Total average non-interest earning assets	**121,032**			116,173			150,314		
Provision for doubtful debts									
Australia	**(3,159)**			(2,859)			(2,205)		
Europe (2)	**(978)**			(1,266)			(897)		
Other International	**(343)**			(317)			(277)		
Total average assets	**659,912**			660,466			716,914		
Percentage of total average interest earning assets applicable to international operations	**35.0%**			37.1%			38.1%		

(1) *Included within investments relating to life insurance business are interest earning debt securities. The interest earned from these securities is reported in life insurance income, and has therefore been treated as non-interest earning for the purposes of this note. The assets and liabilities held in the statutory funds of the Group's Australian life insurance business are subject to the restrictions of the Life Insurance Act 1995 (Cth).*

(2) *An amount of $623 million has been reclassified to Other assets.*

Average liabilities and interest expense

	Half Year ended 31 Mar 10			Half Year ended 30 Sep 09			Half Year ended 31 Mar 09		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	$m	$m	%	$m	$m	%	$m	$m	%
Average interest bearing liabilities									
Due to other banks									
Australia	**14,502**	**284**	**3.9**	15,551	284	3.6	19,731	400	4.1
Europe	**16,169**	**11**	**0.1**	14,928	33	0.4	32,322	369	2.3
Other International	**6,370**	**44**	**1.4**	8,439	65	1.5	11,477	121	2.1
On-demand and short-term deposits									
Australia	**86,259**	**1,189**	**2.8**	89,088	923	2.1	82,616	1,390	3.4
Europe	**29,684**	**63**	**0.4**	32,348	57	0.4	32,370	227	1.4
Other International	**13,033**	**84**	**1.3**	13,018	89	1.4	11,992	143	2.4
Certificates of deposit									
Australia	**26,986**	**519**	**3.9**	24,543	411	3.3	41,534	1,276	6.2
Europe	**37,688**	**80**	**0.4**	38,423	152	0.8	25,708	348	2.7
Other International	**6,924**	**52**	**1.5**	8,990	74	1.6	10,719	213	4.0
Term deposits									
Australia	**77,159**	**1,803**	**4.7**	67,473	1,375	4.1	62,382	1,966	6.3
Europe	**18,196**	**205**	**2.3**	20,936	261	2.5	20,437	460	4.5
Other International	**26,780**	**405**	**3.0**	24,020	395	3.3	26,919	648	4.8
Other borrowings									
Australia	**9,097**	**171**	**3.8**	9,124	216	4.7	15,709	360	4.6
Europe	**254**	**1**	**0.8**	-	-	-	291	5	3.4
Other International	**14,146**	**31**	**0.4**	15,093	58	0.8	18,167	193	2.1
Liability on acceptances									
Australia	**16,321**	**589**	**7.2**	17,966	616	6.8	16,132	584	7.3
Europe	**5**	**-**	**-**	2	-	-	6	-	-
Bonds, notes and subordinated debt									
Australia [(1)]	**78,248**	**2,087**	**5.3**	83,634	1,864	4.4	95,272	2,349	4.9
Europe	**8,761**	**57**	**1.3**	11,822	143	2.4	14,342	270	3.8
Other International	**6,443**	**111**	**3.5**	6,442	102	3.2	7,416	143	3.9
Other interest bearing liabilities									
Australia	**250**	**11**	**n/a**	93	15	n/a	437	58	n/a
Europe	**40**	**22**	**n/a**	26	-	n/a	68	27	n/a
Other International	**2,483**	**225**	**n/a**	1,590	126	n/a	1,418	225	n/a
Total average interest bearing liabilities and interest expense by:									
Australia	**308,822**	**6,653**	**4.3**	307,472	5,704	3.7	333,813	8,383	5.0
Europe	**110,797**	**439**	**0.8**	118,485	646	1.1	125,544	1,706	2.7
Other International	**76,179**	**952**	**2.5**	77,592	909	2.3	88,108	1,686	3.8
Total average interest bearing liabilities and interest expense	**495,798**	**8,044**	**3.3**	503,549	7,259	2.9	547,465	11,775	4.3

(1) *The movement in the average rate paid on Bonds, notes and subordinated debt has been affected by the classification of the principal amount of the cross-currency swaps that hedge against the underlying borrowings in Australia. The cross-currency swaps are classified as non-interest earning assets. If the cross-currency swaps were included in long term borrowing, the average rate would be as follows: 5.1% for the March 2010 half year, 4.5% for the September 2009 half year and 5.6% for the March 2009 half year.*

Average liabilities and interest expense

	Half Year ended 31 Mar 10			Half Year ended Sep 09			Half Year ended Mar 09		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	$m	$m	%	$m	$m	%	$m	$m	%
Average non-interest bearing liabilities									
Deposits not bearing interest									
Australia	11,526			10,465			9,323		
Europe	1,831			1,898			1,986		
Other International	1,382			1,393			1,495		
Life insurance policy liabilities									
Australia	50,919			44,227			41,673		
Other liabilities	60,479			61,842			79,076		
Total average non-interest bearing liabilities	126,137			119,825			133,553		
Total average liabilities	621,935			623,374			681,018		
Average equity									
Ordinary shares	17,749			15,387			12,521		
Trust Preferred Securities	975			975			975		
Trust Preferred Securities II	1,014			1,014			1,014		
National Income Securities	1,945			1,945			1,945		
National Capital Instruments	397			397			397		
BNZ Income Securities	380			380			380		
BNZ Income Securities 2	203			106			-		
Contributed equity	22,663			20,204			17,232		
Reserves	(574)			(392)			454		
Retained profits	15,867			17,304			18,156		
Parent entity interest	37,956			37,116			35,842		
Non-controlling interest in controlled entities	21			(24)			54		
Total average equity	37,977			37,092			35,896		
Total average liabilities and equity	659,912			660,466			716,914		
Percentage of total average interest bearing liabilities applicable to international operations	37.7%			38.9%			39.0%		

5. Capital Adequacy

Life Insurance and Funds Management Activities

Under APRA's Prudential Standards, life insurance and funds management activities are de-consolidated for the purposes of calculating capital adequacy and excluded from the risk based capital adequacy framework. The intangible component of the investment in these controlled entities is deducted from Tier 1 capital, with the balance of the investment deducted 50% from Tier 1 and 50% from Tier 2 capital. Additionally, any profits from these activities included in the Group's results are excluded from the determination of Tier 1 capital to the extent that they have not been remitted to the company.

	As at		
Reconciliation to shareholder's funds	**31 Mar 10 $m**	**30 Sep 09 $m**	**31 Mar 09 $m**
Contributed equity	**23,363**	22,781	18,440
Reserves	**(879)**	(976)	59
Retained profits	**15,693**	16,010	17,904
Non-controlling interest	**22**	20	(2)
Total equity per consolidated balance sheet	**38,199**	37,835	36,401
Liability-accounted Residual Tier 1 hybrid capital (1)	**2,331**	2,438	1,365
Treasury shares	**1,056**	1,188	893
Non-controlling interest in non-consolidated securitisation vehicles	**-**	-	42
Eligible deferred fee income	**269**	315	275
Revaluation reserves	**(131)**	(122)	(108)
General reserve for credit losses (2)(6)	**(738)**	-	-
Estimated final dividend	**(1,570)**	(1,532)	(1,400)
Estimated reinvestment under dividend reinvestment plan and bonus share plan	**314**	459	574
Deconsolidation of Wealth Management profits (net of dividends)	**(343)**	(419)	(179)
Adjusted total equity for capital purposes	**39,387**	40,162	37,863
Banking goodwill	**(1,680)**	(1,694)	(1,474)
Wealth Management goodwill and other intangibles	**(4,307)**	(4,211)	(3,892)
DTA (excluding DTA on the collective provision for doubtful debts) (2)	**(1,008)**	(1,209)	(1,160)
Non qualifying non-controlling interest	**(19)**	(17)	(2)
Capitalised expenses (3)	**(151)**	(132)	(150)
Capitalised software (excluding Wealth Management)	**(880)**	(928)	(963)
Defined benefit pension scheme surplus	**(12)**	(15)	(30)
Change in own creditworthiness	**(29)**	(31)	(188)
Cash flow hedge reserve (4)	**83**	237	485
Deductions taken 50% from Tier 1 and 50% from Tier 2			
Investment in non-consolidated controlled entities (net of intangible component)	**(891)**	(881)	(581)
Expected loss in excess of eligible provisions	**(96)**	(355)	(402)
Other securitisation deductions	**(145)**	(239)	(220)
Residual Tier 1 capital in excess of APRA limits - qualifies as Upper Tier 2 capital	**-**	(13)	-
Tier 1 capital	**30,252**	30,674	29,286

	As at		
	31 Mar 10 $m	**30 Sep 09 $m**	**31 Mar 09 $m**
Collective provision for doubtful debts [5]	**723**	564	573
Revaluation reserves	**59**	55	48
Perpetual floating rate notes	**183**	190	364
Residual Tier 1 capital in excess of APRA limits - qualifies as Upper Tier 2 capital	**-**	13	-
Eligible dated subordinated debt	**10,101**	9,296	13,873
Deductions taken 50% from Tier 1 and 50% from Tier 2			
Investment in non-consolidated controlled entities (net of intangible component)	**(891)**	(881)	(581)
Expected loss in excess of eligible provisions	**(96)**	(355)	(402)
Other securitisation deductions	**(145)**	(239)	(220)
Tier 2 capital	**9,934**	8,643	13,655
Total capital	**40,186**	39,317	42,941
Risk-weighted assets - credit risk	**301,473**	311,975	321,616
Risk-weighted assets - market risk	**3,305**	3,415	5,121
Risk-weighted assets - operational risk	**22,402**	22,972	24,336
Risk-weighted assets - interest rate risk in the banking book	**5,653**	4,160	1,300
Total risk-weighted assets	**332,833**	342,522	352,373
Risk adjusted capital ratios			
Tier 1	**9.09%**	8.96%	8.31%
Tier 2	**2.98%**	2.52%	3.88%
Total capital	**12.07%**	11.48%	12.19%

	As at		
Regulatory capital summary	**31 Mar 10 $m**	**30 Sep 09 $m**	**31 Mar 09 $m**
Fundamental Tier 1 capital	**32,141**	32,810	31,786
Non-innovative residual Tier 1 capital	**2,740**	2,738	2,242
Innovative residual Tier 1 capital	**4,506**	4,614	3,835
Residual Tier 1 capital in excess of APRA limits - qualifies as Upper Tier 2 capital	**-**	(13)	-
Total residual Tier 1 capital	**7,246**	7,339	6,077
Tier 1 deductions	**(9,135)**	(9,475)	(8,577)
Tier 1 capital	**30,252**	30,674	29,286
Tier 2 capital	**9,934**	8,643	13,655
Total capital	**40,186**	39,317	42,941

(1) *Residual Tier 1 capital that is classified as debt for accounting purposes but qualifies as Tier 1 capital for regulatory purposes. This includes National Capital Instruments issued in September 2006, Residual Tier 1 Convertible Notes issued in September 2008, Residual Tier 1 Stapled Securities issued in September 2008 and September 2009, and Residual Tier 1 Capital Notes issued in September 2009.*

(2) *APRA requires any excess deferred tax assets (DTA) (excluding DTA on the collective provision for doubtful debts) over deferred tax liabilities to be deducted from Tier 1 capital.*

(3) *Comprises capitalised costs associated with debt raisings and securitisations. Loan origination fees are netted against eligible deferred fee income.*

(4) *The regulatory capital treatment for the cash flow hedge reserve was changed to a pre-tax basis in September 2009.*

(5) *Under Basel II, this includes the component of the Group's collective provision relating to securitisation exposure and assets where RWAs are calculated under the standardised approach.*

(6) *Effective 31 December 2009, the Group changed the GRCL calculation methodology and created an additional reserve to cover these credit losses estimated but not certain to arise in the future extending over the life of all facilities. This additional reserve has been reflected as a transfer from retained earnings and the portion relating to the IRB portfolio added to eligible provisions for the purpose of calculating the eligible provisions to expected loss capital deduction, which further reduced the 50/50 deductions from Tier 1 and Tier 2 capital.*

Wealth Management capital adequacy position

The Group conservatively manages the capital adequacy and solvency position of its Wealth Management entities separately from that of the banking business by reference to regulatory and internal requirements. The principal National Wealth Management entities are separately regulated and need to meet APRA's capital adequacy and solvency standards. In addition, internal Board policy ensures that capital is held in excess of minimum regulatory capital requirements in order to provide a conservative buffer.

	Risk Weighted Assets as at			Exposures as at		
Basel II	**31 Mar 10 $m**	**30 Sep 09 $m**	**31 Mar 09 $m**	**31 Mar 10 $m**	**30 Sep 09 $m**	**31 Mar 09 $m**
Credit risk [(1)]						
IRB approach						
Corporate (including SME)	**124,314**	137,460	156,070	**179,582**	195,289	223,740
Sovereign [(2)]	**957**	1,041	-	**22,193**	13,559	-
Bank [(3)]	**5,560**	6,914	6,584	**68,969**	61,697	68,384
Residential Mortgage [(4)]	**45,932**	47,924	44,449	**213,635**	208,419	201,362
Qualifying revolving retail [(3)]	**4,110**	4,031	4,610	**10,120**	9,987	11,596
Retail SME [(5)]	**7,973**	6,994	-	**16,949**	15,171	-
Other retail	**3,879**	3,916	2,991	**4,756**	4,806	3,012
Total IRB approach	**192,725**	208,280	214,704	**516,204**	508,928	508,094
Specialised lending (SL) [(6)]	**30,038**	23,218	21,598	**35,485**	26,678	26,605
Standardised approach						
Australian and foreign governments	**41**	91	334	**2,765**	5,827	21,808
Bank	**312**	777	1,084	**11,199**	13,391	15,293
Residential mortgage [(7)]	**22,910**	20,336	20,376	**38,850**	31,633	33,259
Corporate	**28,491**	32,465	37,921	**30,194**	34,798	39,846
Other	**7,926**	8,799	10,323	**7,915**	8,767	10,304
Total standardised approach	**59,680**	62,468	70,038	**90,923**	94,416	120,510
Other						
Securitisation	**12,048**	10,968	7,860	**15,731**	17,630	22,538
Equity	**1,261**	1,030	831	**331**	266	212
Other [(8)]	**5,721**	6,011	6,585	**8,840**	7,366	8,873
Total Other	**19,030**	18,009	15,276	**24,902**	25,262	31,623
Total credit risk	**301,473**	311,975	321,616	**667,514**	655,284	686,832
Market risk [(9)]	**3,305**	3,415	5,121			
Operational risk	**22,402**	22,972	24,336			
Interest rate risk in the banking book	**5,653**	4,160	1,300			
Total risk weighted assets & exposures	**332,833**	342,522	352,373			

(1) *Risk Weighted Assets ("RWA") which are calculated in accordance with APRA's requirements under Basel II, are required to incorporate a scaling factor of 1.06 to assets that are not subject to specific risk weights.*

(2) *Sovereign' includes government guaranteed exposures.*

(3) *For IRB approach: 'Bank' includes ADIs, overseas banks and non-commercial public sector entities. 'Residential mortgage' includes exposures that are partly or fully secured by residential properties. 'Qualifying revolving retail' exposures are revolving, unsecured and unconditionally cancellable (both contractually and in practice), for individuals and not explicitly for business purposes.*

(4) *As at January 2010 the Group implemented a new National Portfolio facility Probability of Default ("PD") model. This resulted in a net decrease to RWA of approximately $1.7 billion.*

(5) *Effective 1st October 2009 the Group received approval from RBNZ to segment the BNZ Retail SME portfolio classification (which was previously included in the Group's Corporate Portfolio).*

(6) *Specialised lending exposures are subject to slotting criteria. As part of an ongoing industry review with APRA, changes to the classification of the commercial property portfolio meeting the slotting criteria were introduced in the December 2009 quarter. This resulted in a reclassification of Corporate exposures to Specialised Lending (Income Producing Real Estate), resulting in a net increase to RWA of approximately $3.8 billion.*

(7) *31 March 2010 includes the Advantedge portfolio (formerly Challenger Mortgage Management business).*

(8) *'Other' includes non-lending asset exposures.*

(9) *APRA approved the Group's use of the Internal Model Approach to calculate regulatory capital relating to commodities trading (this was previously calculated under the Standard Method). This approval became effective from January 2010. The net impact of this change was not material relative to total Group RWA.*

6. Earnings per Share

Earnings per Share	Half Year to Mar 10 Basic	Mar 10 Diluted	Sep 09 Basic	Sep 09 Diluted [(1)]	Mar 09 Basic	Mar 09 Diluted
Earnings ($m)						
Net profit attributable to owners of the Company	**2,095**	**2,095**	(75)	(75)	2,664	2,664
Distributions on other equity instruments	**(122)**	**(122)**	(116)	(116)	(157)	(157)
Potential dilutive adjustments						
Interest expense on convertible notes (after tax)	**-**	**35**	-	-	-	20
Adjusted earnings	**1,973**	**2,008**	(191)	(191)	2,507	2,527
Weighted average ordinary shares (no. '000)						
Weighted average ordinary shares (net of treasury shares)	**2,065,864**	**2,065,864**	1,936,668	1,948,614	1,813,021	1,822,387
Potential dilutive ordinary shares						
Performance options and performance rights	**-**	**623**	-	1,060	-	467
Partly paid ordinary shares	**-**	**125**	-	124	-	110
Employee share plans	**-**	**3,869**	-	4,211	-	6,513
Convertible notes	**-**	**39,697**	-	-	-	27,807
Total weighted average ordinary shares	**2,065,864**	**2,110,178**	1,936,668	1,954,009	1,813,021	1,857,284
Earnings per share (cents)	**95.5**	**95.1**	(9.9)	(9.8)	138.3	136.1

(1) *During the half year ended 30 September 2009, the impact of convertible notes has not been included in the diluted earnings per share because they were anti-dilutive.*

Cash Earnings per Share	Half Year to Mar 10 Basic	Mar 10 Diluted	Sep 09 Basic	Sep 09 Diluted	Mar 09 Basic	Mar 09 Diluted
Earnings ($m)						
Cash earnings	**2,193**	**2,193**	1,814	1,814	2,027	2,027
Distributions on other equity instruments	**(19)**	**(19)**	(15)	(15)	(13)	(13)
Potential dilutive adjustments						
Interest expense on convertible notes (after tax)	**-**	**35**	-	16	-	20
Adjusted cash earnings	**2,174**	**2,209**	1,799	1,815	2,014	2,034
Weighted average ordinary shares (no. '000)						
Weighted average ordinary shares	**2,110,483**	**2,110,483**	1,984,974	1,984,974	1,859,066	1,859,066
Potential dilutive weighted average ordinary shares						
Performance options and performance rights	**-**	**623**	-	1,060	-	467
Partly paid ordinary shares	**-**	**125**	-	124	-	110
Employee share plans	**-**	**3,869**	-	4,211	-	6,513
Convertible notes	**-**	**39,697**	-	25,131	-	27,807
Total weighted average ordinary shares	**2,110,483**	**2,154,797**	1,984,974	2,015,500	1,859,066	1,893,963
Cash earnings per share (cents)	**103.0**	**102.5**	90.6	90.1	108.3	107.4

7. Number of Ordinary Shares

	Half Year to Mar 10 No. '000	Sep 09 No. '000	Mar 09 No. '000
Ordinary shares, fully paid			
Balance at beginning of period	**2,095,595**	1,918,282	1,717,627
Shares issued			
Dividend reinvestment plan	**19,275**	48,017	26,882
Bonus share plan	**889**	1,070	1,883
Employee share plans	**5,202**	228	9,473
Executive option plan no. 2	**91**	3	1
Shares issued under placement	**-**	93,023	150,000
Share purchase plan	**-**	34,968	12,398
Paying up of partly paid shares	**15**	4	18
	2,121,067	2,095,595	1,918,282
Ordinary shares, partly paid to 25 cents			
Balance at beginning of period	**203**	207	225
Paying up of partly paid shares	**(15)**	(4)	(18)
	188	203	207
Total number of ordinary shares on issue at end of period (including treasury shares)	**2,121,255**	2,095,798	1,918,489
Less: treasury shares	**(41,610)**	(47,629)	(48,982)
Total number of ordinary shares on issue at end of period (excluding treasury shares)	**2,079,645**	2,048,169	1,869,507

8. Exchange Rates

	Income Statement - average Half Year to			Balance Sheet - spot As at		
	Mar 10	**Sep 09**	**Mar 09**	**Mar 10**	**Sep 09**	**Mar 09**
British Pounds	**0.5678**	0.4991	0.4450	**0.6071**	0.5483	0.4804
Euros	**0.6341**	0.5701	0.5094	**0.6826**	0.6016	0.5186
United States Dollars	**0.9069**	0.7964	0.6678	**0.9153**	0.8797	0.6865
New Zealand Dollars	**1.2619**	1.2479	1.2058	**1.2895**	1.2188	1.2080

9. Australian Life Company Margins

Sources of Operating Profit from Australian Life Companies life insurance funds	Half Year to Mar 10 $m	Sep 09 $m	Mar 09 $m	Mar 10 v Sep 09 %	Mar 10 v Mar 09 %
Life company - planned profit margins	**137**	114	114	20.2	20.2
Life company - experience profit [(1)]	**(8)**	(9)	(12)	11.1	33.3
Life company operating margins [(2)]	**129**	105	102	22.9	26.5
IoRE (after tax) [(3)]	**41**	34	11	20.6	large
Net profit of life insurance funds after non-controlling interest	**170**	139	113	22.3	50.4

(1) *Life company - experience profits include $34.9 million from the settlement of a tax dispute with the ATO.*

(2) *Reflects operating profit of all business types (investment or insurance) written through life insurance funds.*

(3) *Includes investment earnings on shareholders' retained profits and capital from life businesses after non-controlling interest of $50m (HY Sep 09 $62m; HY Mar 09 ($13m)) and IoRE discount rate variation of ($9m) (HY Sep 09 ($28m); HY Mar 09 $24m); IoRE attributable to non life insurance funds of ($15m) (HY Sep 09 ($10m); HY Mar 09 ($13m)) is excluded.*

10. ASX Appendix 4D

11. Reconciliation between Statutory Net Profit after Tax and Cash Earnings

Half Year ended 31 March 2010	Statutory Profit $m	MLC Adj. [1] $m	Distri-butions $m	Treasury Shares $m	Fair Value and Hedge Ineffec. $m	IoRE Disc. Rate $m	Efficiency, quality and service initiatives $m	Provision for Tax on NZ Struct. Fin. Trans. $m	MLC Re-insurance Dispute $m	Hedging Recovery - SGA $m	Amortisation of intangible assets $m	Integration Costs $m	Cash Earnings $m
Net interest income	6,097	17	-	-	-	-	-	-	-	-	-	-	**6,114**
Net life insurance income	453	(383)	-	(83)	-	13	-	-	-	-	-	-	**-**
Other operating income	2,132	(589)	-	-	321	-	-	-	-	(489)	-	-	**1,375**
MLC net operating income	-	748	-	-	-	-	-	-	-	-	-	-	**748**
Net operating income	8,682	(207)	-	(83)	321	13	-	-	-	(489)	-	-	**8,237**
Operating expenses	(4,123)	75	-	-	-	-	96	4	-	-	39	48	**(3,861)**
Operating profit pre charge to provide for doubtful debts	4,559	(132)	-	(83)	321	13	96	4	-	(489)	39	48	**4,376**
Charge to provide for doubtful debts	(1,719)	-	-	-	-	-	-	-	-	489	-	-	**(1,230)**
Operating profit before tax	2,840	(132)	-	(83)	321	13	96	4	-	-	39	48	**3,146**
Income tax expense	(744)	97	-	16	(100)	(4)	(29)	(132)	35	-	(9)	(14)	**(884)**
Operating profit before distributions and non-controlling interest	2,096	(35)	-	(67)	221	9	67	(128)	35	-	30	34	**2,262**
Net profit - non-controlling interest	(1)	-	-	-	-	-	-	-	-	-	-	-	**(1)**
IoRE (after tax)	-	35	-	-	-	-	-	-	-	-	-	-	**35**
Distributions	-	-	(103)	-	-	-	-	-	-	-	-	-	**(103)**
Net profit attributable to owners of the Company	2,095	-	(103)	(67)	221	9	67	(128)	35	-	30	34	**2,193**

(1) *Refer to Note 12 in Section 6 for further details regarding the MLC adjustment.*

11. Reconciliation between Statutory Net Profit after Tax and Cash Earnings

Half Year ended 30 September 2009	Statutory Profit $m	MLC Adj. [1] $m	Distri-butions $m	Treasury Shares $m	Fair Value and Hedge Ineffec. $m	IoRE Disc. Rate $m	Efficiency, quality and service initiatives $m	Provision for Litigation $m	Provision for Tax on NZ Struct. Fin. Trans. $m	Amortisation of intangible assets $m	Ex Caps Taxation Assmt. $m	Integration Costs $m	Cash Earnings $m
Net interest income	6,184	4	-	-	-	-	-	-	-	-	-	-	**6,188**
Net life insurance income	(81)	(367)	-	408	-	40	-	-	-	-	-	-	**-**
Other operating income	1,245	(362)	-	-	792	-	-	-	-	-	-	-	**1,675**
MLC net operating income	-	529	-	-	-	-	-	-	-	-	-	-	**529**
Net operating income	7,348	(196)	-	408	792	40	-	-	-	-	-	-	**8,392**
Operating expenses	(4,103)	(14)	-	-	-	-	194	92	5	4	-	12	**(3,810)**
Operating profit pre charge to provide for doubtful debts	3,245	(210)	-	408	792	40	194	92	5	4	-	12	**4,582**
Charge to provide for doubtful debts	(2,004)	-	-	-	-	-	-	-	-	-	-	-	**(2,004)**
Operating profit before tax	1,241	(210)	-	408	792	40	194	92	5	4		12	**2,578**
Income tax expense	(1,327)	158	-	(64)	(237)	(12)	(57)	(28)	537	(1)	309	(4)	**(726)**
Operating profit before distributions and non-controlling interest	(86)	(52)	-	344	555	28	137	64	542	3	309	8	**1,852**
Net profit - non-controlling interest	11	-	-	-	-	-	-	-	-	-	-	-	**11**
IoRE (after tax)	-	52	-	-	-	-	-	-	-	-	-	-	**52**
Distributions	-	-	(101)	-	-	-	-	-	-	-	-	-	**(101)**
Net profit attributable to owners of the Company	(75)	-	(101)	344	555	28	137	64	542	3	309	8	**1,814**

[1] *Refer to Note 12 in Section 6 for further details regarding the MLC adjustment.*

11. Reconciliation between Statutory Net Profit after Tax and Cash Earnings

Half Year ended 31 March 2009	Statutory Profit $m	MLC Adj. [(1)] $m	Distri-butions $m	Treasury Shares $m	Fair Value and Hedge Ineffec. $m	IoRE Disc. Rate $m	Efficiency, quality and service initiatives $m	Provision for Litigation $m	Amortisation of intangible assets $m	Integration costs $m	Cash Earnings $m
Net interest income	5,884	-	-	-	-	-	-	-	-	-	**5,884**
Net life insurance income	438	(307)	-	(97)	-	(34)	-	-	-	-	**-**
Other operating income	3,107	(339)	-	-	(677)	-	-	-	-	-	**2,091**
MLC net operating income	-	539	-	-	-	-	-	-	-	-	**539**
Net operating income	9,429	(107)	-	(97)	(677)	(34)	-	-	-	-	**8,514**
Operating expenses	(3,876)	(28)	-	-	-	-	60	65	3	6	**(3,770)**
Operating profit pre charge to provide for doubtful debts	5,553	(135)	-	(97)	(677)	(34)	60	65	3	6	**4,744**
Charge to provide for doubtful debts	(1,811)	-	-	-	-	-	-	-	-	-	**(1,811)**
Operating profit before tax	3,742	(135)	-	(97)	(677)	(34)	60	65	3	6	**2,933**
Income tax expense	(1,067)	161	-	9	201	10	(18)	(19)	-	(2)	**(725)**
Operating profit before distributions and non-controlling interest	2,675	26	-	(88)	(476)	(24)	42	46	3	4	**2,208**
Net profit - non-controlling interest	(11)	-	-	-	-	-	-	-	-	-	**(11)**
IoRE (after tax)	-	(26)	-	-	-	-	-	-	-	-	**(26)**
Distributions	-	-	(144)	-	-	-	-	-	-	-	**(144)**
Net profit attributable to owners of the Company	2,664	-	(144)	(88)	(476)	(24)	42	46	3	4	**2,027**

(1) *Refer to Note 12 in Section 6 for further details regarding the MLC adjustment.*

12. MLC & NAB Wealth Reconciling Items

Half Year ended 31 March 2010	Life Reclassification [a] Cash IoRE [i] $m	Policy-holder tax [ii] $m	Other NLII reclassification [iii] $m	Non-Life Reclassification [b] $m	Other $m	MLC Adj $m
Net interest income	23	-	-	(6)	-	**17**
Net life insurance income	(70)	(68)	(244)	-	(1)	**(383)**
Other operating income	-	-	20	(610)	1	**(589)**
MLC net operating income	-	-	366	390	(8)	**748**
Net operating income	(47)	(68)	142	(226)	(8)	**(207)**
Operating expenses	-	-	(156)	226	5	**75**
Operating profit pre charge to provide for doubtful debts	(47)	(68)	(14)	-	(3)	**(132)**
Charge to provide for doubtful debts	-	-	-	-	-	**-**
Operating profit before tax	(47)	(68)	(14)	-	(3)	**(132)**
Income tax expense	12	68	14	-	3	**97**
Operating profit before distributions and non-controlling interest	(35)	-	-	-	-	**(35)**
Net profit - non-controlling interest	-	-	-	-	-	**-**
IoRE (after tax)	35	-	-	-	-	**35**
Distributions	-	-	-	-	-	**-**
Net profit attributable to owners of the Company	-	-	-	-	-	**-**

Half Year ended 30 September 2009	Life Reclassification [a] Cash IoRE [i] $m	Policy-holder tax [ii] $m	Other NLII reclassification [iii] $m	Non-Life Reclassification [b] $m	Other $m	MLC Adj $m
Net interest income	13	-	-	(9)	-	**4**
Net life insurance income	(77)	(131)	(159)	-	-	**(367)**
Other operating income	-	-	19	(384)	3	**(362)**
MLC net operating income	-	-	273	261	(5)	**529**
Net operating income	(64)	(131)	133	(132)	(2)	**(196)**
Operating expenses	-	-	(149)	132	3	**(14)**
Operating profit pre charge to provide for doubtful debts	(64)	(131)	(16)	-	1	**(210)**
Charge to provide for doubtful debts	-	-	-	-	-	**-**
Operating profit before tax	(64)	(131)	(16)	-	1	**(210)**
Income tax expense	12	131	16	-	(1)	**158**
Operating profit before distributions and non-controlling interest	(52)	-	-	-	-	**(52)**
Net profit - non-controlling interest	-	-	-	-	-	**-**
IoRE (after tax)	52	-	-	-	-	**52**
Distributions	-	-	-	-	-	**-**
Net profit attributable to owners of the Company	-	-	-	-	-	**-**

Half Year ended 31 March 2009	Life Reclassification [(a)] Cash IoRE [(i)] $m	Policy-holder tax [(ii)] $m	Other NLII reclassification [(iii)] $m	Non-Life Reclassification [(b)] $m	Other $m	MLC Adj $m
Net interest income	19	-	-	(20)	1	**-**
Net life insurance income	(1)	(182)	(124)	-	-	**(307)**
Other operating income	-	-	17	(355)	(1)	**(339)**
MLC net operating income	-	-	284	258	(3)	**539**
Net operating income	18	(182)	177	(117)	(3)	**(107)**
Operating expenses	-	-	(149)	117	4	**(28)**
Operating profit pre charge to provide for doubtful debts	18	(182)	28	-	1	**(135)**
Charge to provide for doubtful debts	-	-	-	-	-	**-**
Operating profit before tax	18	(182)	28	-	1	**(135)**
Income tax expense	8	182	(28)	-	(1)	**161**
Operating profit before distributions and non-controlling interest	26	-	-	-	-	**26**
Net profit - non-controlling interest	-	-	-	-	-	**-**
IoRE (after tax)	(26)	-	-	-	-	**(26)**
Distributions	-	-	-	-	-	**-**
Net profit attributable to owners of the Company	-	-	-	-	-	**-**

[(a)] *Reclassification of Net Life Insurance Income ("NLII"). NLII is a statutory disclosure only and as such all items shown under NLII are reclassified for management reporting purposes. A summary of the respective NLII adjustments is provided below:*

[(i)] *Cash IoRE: Interest on Retained Earnings is a separate disclosable item for management reporting purposes. Under the statutory view, components of IoRE are disclosed in the following lines: - Net Interest income: this is the net interest cost of subordinated and senior debt raised for capital management purposes. - NLII: includes interest earnings on insurance VARC (Value of Acquisition Recovery Components) and investment earnings on surplus assets.*

[(ii)] *Policyholder tax reclassification: The MLC investment linked business is written within statutory funds. As a result NLII includes both shareholder and policyholder amounts for statutory reporting purposes. For management reporting purposes only the shareholder component is disclosed. From a statutory reporting disclosure point of view all policyholder amounts offset within the NLII disclosure, except for tax on the investment-linked business. As a result there is a reclassification between NLII and tax for these amounts.*

[(iii)] *Other NLII Reclassification: These are all other components of NLII, not adjusted for above, which are included in MLC net operating income, operating expenses and income tax expense in the management view. These include premiums, investment earnings, claims, change in policy liabilities, policy acquisition and maintenance costs and investments management costs.*

[(b)] *Non-Life Reclassifications: Non-life net interest income, other operating income and volume related expenses (included in operating expenses) are reclassified to MLC net operating income for management reporting purposes.*

13. Divisional Performance Summary Excluding Acquisitions

Half year ended 31 March 2010	Business Banking $m	Personal Banking [2] $m	Wholesale Banking $m	UK Banking $m	NZ Banking $m	MLC & NAB Wealth [2] $m	GWB [2] $m	Specialised Group Assets $m	Corporate Functions & Other [1] $m	Elimi-nations $m	Group Cash Earnings $m	Total Acquisition $m	Group Cash Earnings after Acquisition $m
Net interest income	2,312	1,179	616	864	472	142	87	105	288	-	6,065	49	6,114
Other operating income	470	271	417	223	173	18	27	(213)	18	(61)	1,343	32	1,375
MLC net operating income	-	-	-	-	-	567	-	-	-	-	567	181	748
Net operating income	2,782	1,450	1,033	1,087	645	727	114	(108)	306	(61)	7,975	262	8,237
Operating expenses	(843)	(806)	(447)	(622)	(289)	(415)	(49)	(27)	(260)	61	(3,697)	(164)	(3,861)
Underlying profit	1,939	644	586	465	356	312	65	(135)	46	-	4,278	98	4,376
Charge to provide for doubtful debts	(381)	(230)	(29)	(322)	(70)	(5)	(18)	(173)	1	-	(1,227)	(3)	(1,230)
Cash earnings before tax, IoRE, distributions and non-controlling interest	1,558	414	557	143	286	307	47	(308)	47	-	3,051	95	3,146
Income tax expense	(463)	(123)	(154)	(36)	(84)	(82)	(16)	91	11	-	(856)	(28)	(884)
Cash earnings before IoRE, distributions and non-controlling interest	1,095	291	403	107	202	225	31	(217)	58	-	2,195	67	2,262
Net profit - non-controlling interest	-	-	-	-	-	(1)	-	-	-	-	(1)	-	(1)
IoRE	-	-	-	-	-	22	-	-	-	-	22	13	35
Distributions	-	-	-	-	-	-	-	-	-	(103)	(103)	-	(103)
Cash earnings	1,095	291	403	107	202	246	31	(217)	58	(103)	2,113	80	2,193

(1) *Corporate Functions includes Group Funding, Group Business Services, other supporting units and Asia Banking.*

(2) *Exclude acquisitions.*

13. Divisional Performance Summary Excluding Acquisitions (excluding foreign currency impacts)

Half year ended 31 March 2010 at 31 March 2009 FX rate	Business Banking $m	Personal Banking [2] $m	Wholesale Banking $m	UK Banking $m	NZ Banking $m	MLC & NAB Wealth [2] $m	GWB [2] $m	Specialised Group Assets $m	Corporate Functions & Other [1] $m	Eliminations $m	Group Cash Earnings $m	Total Acquisition $m	Group Cash Earnings after Acquisition $m
Net interest income	2,312	1,179	674	1,101	494	142	118	135	287	-	6,442	54	6,496
Other operating income	470	271	458	285	182	18	38	(204)	32	(64)	1,486	33	1,519
MLC net operating income	-	-	-	-	-	567	-	-	-	-	567	181	748
Net operating income	2,782	1,450	1,132	1,386	676	727	156	(69)	319	(64)	8,495	268	8,763
Operating expenses	(843)	(806)	(480)	(793)	(303)	(415)	(69)	(35)	(279)	64	(3,959)	(167)	(4,126)
Underlying profit	1,939	644	652	593	373	312	87	(104)	40	-	4,536	101	4,637
Charge to provide for doubtful debts	(381)	(230)	(27)	(411)	(73)	(5)	(23)	(240)	1	-	(1,389)	(4)	(1,393)
Cash earnings before tax, IoRE, distributions and non-controlling interest	1,558	414	625	182	300	307	64	(344)	41	-	3,147	97	3,244
Income tax expense	(463)	(123)	(174)	(44)	(87)	(82)	(23)	100	15	-	(881)	(29)	(910)
Cash earnings before IoRE, distributions and non-controlling interest	1,095	291	451	138	213	225	41	(244)	56	-	2,266	68	2,334
Net profit - non-controlling interest	-	-	-	-	-	(1)	-	-	-	-	(1)	-	(1)
IoRE	-	-	-	-	-	22	-	-	-	-	22	13	35
Distributions	-	-	-	-	-	-	-	-	-	(120)	(120)	-	(120)
Cash earnings	1,095	291	451	138	213	246	41	(244)	56	(120)	2,167	81	2,248

(1) *Corporate Functions includes Group Funding, Group Business Services, other supporting units and Asia Banking.*

(2) *Exclude acquisitions.*

13. Divisional Performance Summary Excluding Acquisitions (excluding foreign currency impacts)

Half year ended 31 March 2010 at 30 September 2009 FX rate	Business Banking $m	Personal Banking [2] $m	Wholesale Banking $m	UK Banking $m	NZ Banking $m	MLC & NAB Wealth [2] $m	GWB [2] $m	Specialised Group Assets $m	Corporate Functions & Other [1]	Eliminations $m	Group Cash Earnings $m	Total Acquisition $m	Group Cash Earnings after Acquisition $m
Net interest income	2,312	1,179	642	982	476	142	100	119	286	-	6,238	51	6,289
Other operating income	470	271	437	254	176	18	30	(212)	25	(63)	1,406	33	1,439
MLC net operating income	-	-	-	-	-	567	-	-	-	-	567	181	748
Net operating income	2,782	1,450	1,079	1,236	652	727	130	(93)	311	(63)	8,211	265	8,476
Operating expenses	(843)	(806)	(462)	(704)	(293)	(415)	(55)	(31)	(269)	63	(3,815)	(165)	(3,980)
Underlying profit	1,939	644	617	532	359	312	75	(124)	42	-	4,396	100	4,496
Charge to provide for doubtful debts	(381)	(230)	(28)	(372)	(71)	(5)	(21)	(202)	1	-	(1,309)	(4)	(1,313)
Cash earnings before tax, IoRE, distributions and non-controlling interest	1,558	414	589	160	288	307	54	(326)	43	-	3,087	96	3,183
Income tax expense	(463)	(123)	(163)	(40)	(85)	(82)	(19)	95	13	-	(867)	(28)	(895)
Cash earnings before IoRE, distributions and non-controlling interest	1,095	291	426	120	203	225	35	(231)	56	-	2,220	68	2,288
Net profit - non-controlling interest	-	-	-	-	-	(1)	-	-	-	-	(1)	-	(1)
IoRE	-	-	-	-	-	22	-	-	-	-	22	13	35
Distributions	-	-	-	-	-	-	-	-	-	(110)	(110)	-	(110)
Cash earnings	1,095	291	426	120	203	246	35	(231)	56	(110)	2,131	81	2,212

(1) *Corporate Functions includes Group Funding, Group Business Services, other supporting units and Asia Banking.*

(2) *Exclude acquisitions.*

Section 7

Glossary of Terms

Term	Description
ABCP	Asset-backed commercial paper.
ABS	Asset-backed securities.
ABS CDO - Super-senior note holder	CDO of ABS where a conduit has invested in the most senior note.
ABS CDO - Junior note holder	CDO of ABS where a conduit has invested in a note which is subordinated to other note(s).
Alt-A	In USA, residential mortgage loans advanced to borrowers falling just outside prime lending criteria, but without the more significant credit or debt servicing limitations seen in subprime lending.
Auto / Equipment	Automotive and equipment receivables.
Average assets	Represents the average of assets over the period adjusted for disposed operations.
Banking	Banking operations include the Group's: - Retail, business, institutional and agri-business banking operations operating in Business Banking, Personal Banking, UK Banking, NZ Banking, MLC and NAB Wealth and Great Western Bank. - Global Markets and Treasury, Specialised Finance, Financial Institutions business within Wholesale Banking. - Asian operations and Group Treasury within Corporate Functions.
Cash earnings	Is a non-GAAP key performance measure and financial target used by the Group. Dividends paid by the Company are based on after-tax cash earnings. It is also a key performance measure used by the investment community, as well as by those Australian peers of the Group with a similar business portfolio. It does not refer to, or in any way purport to represent the cash flows, funding or liquidity position of the Group. It does not refer to any amount represented on a Cash flow statement. Cash earnings is defined as: Net profit attributable to owners of the company Adjusted for: Distributions Treasury shares Fair value and hedge ineffectiveness IoRE discount rate variation Integration costs Revaluation gains/(losses) on exchangeable capital units Net profit/(loss) on sale of controlled entities Fair value gains/losses on economic hedge of the proceeds on sale of controlled entities Significant items Impairment of goodwill and amortisation of acquired intangibles
Cash earnings per share - basic	Calculated as cash earnings divided by the weighted average number of shares adjusted to include treasury shares.
Cash earnings per share - diluted	Cash earnings adjusted for interest expense on exchangeable capital units, divided by the weighted average number of ordinary shares, adjusted to include treasury shares.
Cash return on equity (ROE)	Calculated as cash earnings divided by average shareholders' equity, excluding non-controlling interests and other equity instruments and adjusted for treasury shares.
CDO	Collateralised Debt Obligation.
CDS	Credit Default Swap.
CLO	Collateralised Loan Obligations.
CMBS	Commercial Mortgage-Backed Securities.
Conduit	SPE used to fund assets through the issuance of ABCP or MTN.
Core Assets	Include loans and advances to customers and banks (including leases and acceptances) net of securitised assets; fixed assets and investments held to maturity.
Cost to Income Ratio	Represents banking operating expenses (before inter-segment eliminations) as a percentage of total banking operating revenue (before inter-segment eliminations).
Credit wrapped ABS	Securities backed by monoline-guaranteed portfolios of ABS.
Credit wrapped bonds	Monoline-guaranteed infrastructure, utility and energy related corporate bonds.
Customer Deposits	Deposits (Interest Bearing, Non-Interest Bearing, TDs, Central Bank Deposits).
Customer Funding Index (CFI)	Customer Deposits divided by Core Assets.
Disposed operations	Are operations that will not form part of the continuing Group. These include operations sold and those that have been announced to the market that have yet to reach completion. This may differ from the treatment for statutory accounting purposes but facilitates a like-for-like comparison.
Distributions	Payments to holders of other equity instruments issues such as National Income Securities, Trust Preferred Securities, Trust Preferred Securities II and National Capital Instruments. Distributions are subtracted from net profit to reflect the amount that is attributable to ordinary shareholders.
Dividend Payout Ratio	Dividends paid on ordinary shares divided by cash earnings per share.

Term	Description
Earnings Per Share	Calculated in accordance with the requirements of AASB 133 "Earnings per Share."
Fair value	Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between willing parties in an arm's length transaction.
Fair value and hedge ineffectiveness	Represents volatility attributable to the Group's application of the fair value option, ineffectiveness from designated accounting and economic hedge relationships and economic hedges of significant approved funding activities where hedge accounting has not been applied.
Fair value gains/losses on economic hedge of the proceeds on sale of controlled entities	Represents the fair value movement on derivatives taken out to protect against foreign exchange rate movements on the proceeds of the sale of controlled entities.
FSB	Financial Stability Board.
Full time equivalent employees (FTEs)	Include all permanent full time staff, part time staff equivalents and external contractors employed by third party agencies.
Impaired Assets	Consist of: - retail loans (excluding credit card loans and portfolio managed facilities) which are contractually past due 90 days with security insufficient to cover principal and arrears of interest revenue; - non retail loans which are contractually past due and there is sufficient doubt about the ultimate collectability of principal and interest; and - impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. Unsecured portfolio managed facilities are also classified as impaired assets when they become 180 days past due (if not written off).
Impairment of goodwill	Is an impairment expense recognised on the application of an impairment test. As it relates to an intangible asset, and financial statement users generally do not regard impairment of goodwill as being useful information in analysing investments, management believes it is prudent to isolate this amount from the underlying operating result.
Insurance	Includes the provision of personal insurance by MLC.
Integration costs	Integration costs represent expenses associated with integrating acquisitions with the NAB operating model and reporting platforms.
Investments	Includes funds managed in the provision of investment and superannuation solutions by MLC.
IoRE	Investment earnings (net of tax) on shareholders retained profits and capital from life businesses, net of capital funding costs (IoRE) is comprised of three things: - investment earnings on surplus assets which are held in the Statutory Funds to meet capital adequacy requirements under the Life Act. - interest on insurance VARC (Value of Acquisition Expense Recovery Component) net of reinsurance costs. VARC is defined as the current termination value less policy liabilities, and represents the value of acquisition costs recoverable from future premiums. Interest on VARC represents the unwinding of the discount rate on VARC. - less the borrowing costs of any capital funding initiatives.
IoRE discount rate variation	Is the movement in Investment Earnings on Shareholders' Retained Profits (IoRE) attributable to the impact of changes in long term discount rates.
Leveraged loans CLOs	CLOs backed by pools of broadly syndicated commercial bank loans.
LMI	Lenders Mortgage Insurance.
Monolines	Monoline Insurers (monoline insurance companies) guarantee the timely payment of interest and repayment of principal in case an issuer of the guaranteed instrument defaults. They are so named because they provide service to only one industry.
MTN	Medium Term Notes.
Net interest margin	Net interest income as a percentage of average interest earning assets.
Net profit attributable to owners of the Company	Represents the Group's statutory profit after tax and reflects the amount of net profit that is attributable to ordinary shareholders.
Net profit attributable to non-controlling interest	Reflects the allocation of profit to non-controlling interests in the Group, and is adjusted from net profit to reflect the amount of net profit that is attributable to ordinary shareholders.
Net Tangible Assets per Share	Net assets excluding intangible assets, non-controlling interests, preference shares and other equity instruments divided by ordinary shares on issue at the end of the period.
Non-conforming residential mortgage	In Australia and UK, residential mortgage loans that are advanced to borrowers who do not generally meet prime lending guidelines and LMI eligibility.
Non-LMI prime residential mortgage	Prime residential mortgages but without LMI cover.
Non-impaired assets 90+ days past due	Non-impaired assets 90+ days past due consist of well-secured assets that are more than 90 days past due and portfolio-managed facilities that are not well secured and between 90 and 180 days past due.
Non-retail deposits and other borrowings	Comprises deposits held by Wholesale Banking and Specialised Group Assets, certificates of deposits, securities sold under agreements to repurchase, and borrowings.
Prime residential mortgages	In Australia, residential mortgage loans advanced by traditional residential mortgage lenders and eligible to be covered by an LMI policy.

Term	Description
Retail deposits	Comprises on-demand and savings deposits, term deposits and non-interest bearing deposits in Personal Banking, Business Banking, UK Banking, NZ Banking, MLC and nabWealth, Great Western Bank, Corporate Functions and Other.
Risk weighted assets	On and off balance sheet assets of the Bank are allocated a risk weighting based on the amount of capital required to support the asset. Under Basel II the Group calculates risk weighted assets for credit risk, market risk, operational risk and interest rate risk in the banking book.
SCDO	Synthetic Collateralised Debt Obligation.
Scorecards	A decision model incorporating algorithms that calculates a customer risk score, the outcome of which is used in the credit assessment process.
Securitisation	Structured finance technique which involves pooling and packaging cash-flow converting financial assets into securities that can be sold to investors.
Significant items	Those items included on the face of the statutory Income Statement when it is necessary to explain the elements of financial performance. Factors to consider include materiality and the nature and function of the components of income and expenses.
Special Purpose Entity (SPE)	An entity created to accomplish a narrow well-defined objective (eg securitisation of financial assets). An SPE may take the form of a corporation, trust, partnership or unincorporated entity. SPEs are often created with legal arrangements that impose strict limits on the activities of the SPE.
Stable Funding Index (SFI)	Term Funding Index (TFI) plus Customer Funding Index (CFI).
Sub-prime residential mortgages	In USA, residential mortgage loans advanced to borrowers unable to qualify under traditional lending criteria due to poor credit history or debt payment capacity.
Subscription loans	Investment loans to equity investment funds.
Term Funding Index (TFI)	Term Wholesale Funding (with a remaining maturity to first call date greater than 12 months) divided by Core Assets.
Tier 1 ratio	Tier 1 capital as defined by APRA divided by risk weighted assets.
Tier 2 ratio	Tier 2 capital as defined by APRA divided by risk weighted assets.
Total Shareholder Return (TSR)	Total Shareholder Return (TSR) is a concept used to compare the performance of different companies' stocks and shares over time. It combines share price appreciation and dividends paid to show the total return to the shareholder. The absolute size of the TSR will vary with stock markets, but the relative position reflects the market perception of overall performance relative to a reference group.
Treasury shares	Relates to the movement in treasury share assets (direct investments in National Australia Bank Limited) caused by the movement in the share price and/or volume along with dividend income.
Weighted Average Number of Shares	Calculated in accordance with the requirements of AASB 133 'Earnings per Share.'

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